Oil & Gas- Q3FY25 Earnings Preview

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OMCs & RIL to drive sector growth

In Q3 Oil and Gas companies in our coverage universe exhibited significant growth, with EBITDA up +6% YoY/ 25% QoQ to Rs920bn and PAT up +4% YoY/ +29% QoQ to Rs457bn. Key growth drivers include (1) Record integrated margins on auto fuel backed by Gross Marketing Margins (GMM) of Rs11.5/lt and recovery in GRM that is anticipated to boost OMCs earnings; and (2) RELIANCE Standalone (O2C + Exploration) EBITDA that's expected to rise on the back of improved GRM with refineries are processing >50% dis. crude and increase in KG gas realization. However, despite positive-growth drivers, OMCs faced under-recovery of Rs94bn/Rs260bn in Q3FY25/9MFY25 respectively. Additionally, CGD entities faced a policy uncertainty on APM allocation with >30% cut expected to drag EBITDA by -41% YoY/-42% QoQ. Among the CGDs GUJGA would be the least impacted by the policy changes related to CNG. Our Top Picks are GAIL & RELIANCE. Positive Surprise: GAIL's potential surprise on gas trading margins & PLNG likely to book "Use or Pay" changes on volume shortfall by off-takers.

OMCs: Best Quarter in 9MFY25 despite a burden of LPG under-recovery

OMCs EBITDA is expected to increase by +10% YoY and +139% QoQ; sequential improvement supported by super normal GMM on auto fuel of ~Rs11.5/lt vs. Rs8.5/lt in Q2 and GRM recovery with no inventory losses. However, domestic LPG under-recovery adjusted GMM of Auto fuel would be Rs9/lt in Q3FY25. Among OMCs, HPCL would be the biggest beneficiary of super-normal GMM considering higher Marketing/ Refining**.**

RELIANCE: GRM recovery + full festival bump a major growth driver

We expect RIL to post a consolidated EBITDA of Rs422bn (+4% YoY, +8% QoQ) a sequential improvement mainly led by (1) Recovery in GRM on account of improvement in diesel/Jet crack QoQ; (2) Processing of dis. crude from Russia/Iraq/Venezuelan crude @ 36%/11%/6%; (3) upward revision of 3% QoQ in KG gas price with 1mmscmd gas production improvement; (4) strong Retail EBITDA from festival season sales in Q3; and (5) 5% growth in JIO's ARPU to Rs205, despite continued net subscriber loss @3mn.

CGD: CNG segment to drag earnings

We expect CGDs to post the worst ever earnings mainly due to a series of APM allocation cuts and non-availability cheap source of gas to dent the EBITDA of CNG heavy companies like IGL & MAHGL. Due to state elections, the timely CNG price hike was a challenge for CGD entities. **IGL**: Oct'24, IGL GA added >23K/m CNG vehicles, which was a record; thus, we expect modest CNG volume growth of 2% QoQ, but we expect unit EBITDA of Rs2.6/scm. **MAHGL**: As per Vahan, CNG registration run rate of 9.2k/m was +12% YoY, +14% QoQ was much better in Q3FY25. Thus, we expect MAHGL to post a CNG volume of 2.94mmscmd (+12% YoY and +2% QoQ) but we expect MAHGL's unit EBITDA of Rs6.5/scm. **GUJGA**: >20% sequential jump in Morbi PNG (I) volume during Q3FY25; this is major driver of total sales volume to 9.4mmscmd (+8% YoY, +3% QoQ)

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Exhibit 1: RELIANCE- O2C & Exploration to drive earnings

(Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
RELIANCE					
Revenue	2,302,811	2,315,350	2,250,860	(0.5)	2.3
EBITDA	422,233	390,580	406,560	8.1	3.9
PAT	179,142	165,630	172,650	8.2	3.8
EPS	26.5	24.5	25.5	8.2	3.8
Operating metrics - assumption					
Refinery Throughput - MMT	16.1	16.5	14.8	(2.7)	8.6
Jio Subscriber addition net (mn)	(3.0)	(10.9)	11.2	(72.5)	(73.2)
Jio ARPU (Rs)	204.9	195.1	181.7	5.0	12.7

Source: Company, Dolat Capital

HPCL: Super normal marketing margin a real earnings driver

Among OMCs, HPCL would be the biggest beneficiary of supernormal GMM on auto fuel mainly due to the highest Marketing-to-Refining ratio. In Q3FY25, refining throughput is expected to improve by 18.5% YoY because of a ramp-up at Vizag Refinery. Q3 EBITDA is expected to be impacted by domestic LPG under-recovery, HPCL has a 28% market share in LPG distribution, and it is expected to post ~Rs25.96bn (Rs14.5/kg) under-recovery. For 9MFY25, HPCL's estimated under-recovery is Rs70bn, budgetary support could be a big positive for OMCs

Exhibit 2: HPCL- Biggest beneficiary of Super normal GMM among OMCs

(Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
HPCL					
Revenue	1,127,160	999,259	1,113,063	12.8	1.3
EBITDA	47,863	27,244	21,636	75.7	121.2
PAT	21,681	6,312	5,290	243.5	309.8
Operating metrics - assumption					
GRM - US$/bbl	6.0	3.1	8.5	92.3	(29.3)
Refinery Throughput - MMT	6.3	6.3	5.3	0.5	18.5
Oil Product Sales volume - MMT	12.4	11.6	11.9	6.5	4.0
Auto fuel gross margins (Rs/lt)	11.5	8.6	4.4	33.5	159.6

Source: Company, Dolat Capital

BPCL: Best Quarter in 9MFY25

Sequential improvement in Singapore GRM with Super normal GMM to boost EBITDA, but maintenance shutdown of Kochi & Mumbai refinery is expected to impact throughput by -6% YoY and -10% QoQ. Overall EBITDA would be dragged by LPG under-recovery of Rs25.3bn (14.5/kg). INR depreciation against USD could surprise us with forex losses. Based on our estimates BPCL is expected to lose Rs68.8bn in 9MFY25 if there is no compensation from the Govt.

Exhibit 3: BPCL- Best Quarter in 9MFY25

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
BPCL					
Revenue	1,073,400	1,027,904	1,154,942	4.4	(7.1)
EBITDA	76,785	45,464	62,262	68.9	23.3
PAT	45,749	23,972	33,973	90.8	34.7
Operating metrics - assumption					
GRM - US$/bbl	6.5	4.4	13.4	47.4	(51.3)
Refinery Throughput - MMT	9.3	10.3	9.9	(10.0)	(6.2)
Oil Product Sales volume - MMT	13.6	12.8	13.2	6.5	3.2
Auto fuel gross margins (Rs/lt)	11.5	8.6	4.4	33.5	159.6

Source: Company, Dolat Capital

IOCL: Burden of under-recovery highest among the OMCs

IOCL is the only OMC which will report a decline in EBITDA on YoY basis, mainly due to Surprise inventory gains ($3.6/bbl) posted in Q3FY24. Operational maintenance of refineries could impact the throughput in Q3. Loss on the sale of domestic LPG cylinders would be Rs43.3bn/Rs121.6bn in Q3/9MFY25

Exhibit 4: IOCL- LPG under-recovery to drag earnings

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
IOC					
Revenue	1,917,465	1,738,476	1,991,040	10.3	(3.7)
EBITDA	138,720	37,724	154,887	267.7	(10.4)
PAT	72,186	(9,773)	80,634	NM	(10.5)
Operating metrics - assumption					
GRM - US$/bbl	6.2	1.6	13.5	289.9	(54.2)
Refinery Throughput - MMT	17.2	16.7	18.5	2.8	(7.0)
Oil Product Sales volume - MMT	23.2	20.5	22.3	12.9	3.9
Auto fuel gross margins (Rs/lt)	11.5	8.6	4.4	33.5	159.6

Source: Company, Dolat Capital

GAIL: Healthy earnings likely but surprises cannot be ruled out from trading

India's gas consumption was at the same level sequentially in Q3FY25. Thus, we expect GAIL's gas transmission volume to be ~131mmscmd. The company has maintained gas trading EBITDA guidance of ~Rs45bn for FY25 but positive surprises cannot be ruled out in Q3 from trading. The petrochemical facility operated at ~100% utilisation with slight improvement in margins QoQ. Better LPG price realization to boost LPG segment EBITDA sequentially.

Exhibit 5: GAIL- Surprise on gas trading can not be ruled out

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
GAIL					
Revenue	311,450.4	329,307.2	342,535.2	(5.4)	(9.1)
EBITDA	34,544.1	37,449.5	38,225.7	(7.8)	(9.6)
PAT	23,312.1	26,719.3	28,426.2	(12.8)	(18.0)
Operating metrics - assumption					
Gas Transmission volume - mmscmd	131.0	130.6	121.5	0.3	7.8
Gas Trading Volume - mmscmd	96.0	96.6	98.1	(0.6)	(2.2)
Petrochemical sales - KT	220.0	226.0	215.0	(2.7)	2.3

Source: Company, Dolat Capital

IGL: Insufficient CNG price hike, a cause of worst unit EBITDA among CGDs

In Oct'24, IGL GA added >23K/m CNG vehicles which itself was a record, thus we expect modest CNG volume growth of 2% QoQ. A series of APM allocation cuts and the non-availability of cheap sources of gas for CNG should have impacted unit economics. IGL has not fully passed on the higher gas cost to consumers. Thus, we expect unit EBITDA of Rs2.6/scm.

Exhibit 6: IGL- Worst ever earnings among the CGDs

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
IGL					
Revenue	38,934.0	36,972.9	35,561.9	5.3	9.5
EBITDA	2,211.0	5,359.2	5,641.4	-58.7	-60.8
PAT	1,295.0	4,310.9	3,920.7	-70.0	-67.0
EPS	1.9	6.2	5.6	-70.0	-67.0
Operating metrics - assumption					
Total Sales volume- mmscmd	9.2	9.0	8.5	1.7	8.1
EBITDA per unit - Rs/scm	2.6	6.5	7.2	-59.4	-63.7

Source: Company, Dolat Capital

MAHGL: Pace of CNG registrations improved

As per Vahan, CNG registration run rate of 9.2k/m was +12% YoY and +14% QoQ in Q3FY25. Thus, we expect MAHGL to post a CNG volume of 2.94mmscmd (+12% YoY and +2% QoQ). MAHGL has increased CNG price by Rs3/kg over the last 2 months which is insufficient to cover up the APM allocation cuts. Thus, we expect MAHGL's unit EBITDA of Rs6.5/scm.

Exhibit 7: MAHGL- Healthy CNG volume to support earnings

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
MAHGL					
Revenue	18,354.0	17,116.2	15,687.6	7.2	17.0
EBITDA	2,444.5	3,985.1	4,486.9	-38.7	-45.5
PAT	1,624.4	2,828.0	3,171.8	-42.6	-48.8
EPS	16.4	28.6	32.1	-42.6	-48.8
Operating metrics - assumption					
Total Sales volume- mmscmd	4.1	4.0	3.7	1.9	12.2
EBITDA per unit - Rs/scm	6.5	10.7	13.3	-39.8	-51.4

Source: Company, Dolat Capital

GUJGA: Morbi volume growth driver but margins under pressure

>20% sequential jump in Morbi PNG (I) volume during Q3FY25 is a major driver of total sales volume to 9.4mmscmd (+8% YoY, +3% QoQ). We expect the APM allocation cut to dent the least towards GUJGA unit EBITDA among the CGDs. We project unit EBITDA of Rs 4.3/scm.

Exhibit 8: GUJGA- Morbi volume growth driver

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
GUJGA					
Revenue	39,081.6	37,817.5	39,291.0	3.3	-0.5
EBITDA	3,696.1	5,141.6	4,006.8	-28.1	-7.8
PAT	2,030.0	3,069.3	2,203.4	-33.9	-7.9
Operating metrics - assumption					
Total Sales volume- mmscmd	9.4	8.8	9.2	7.7	2.8
PNG Industrial volume - mmscmd	5.5	4.9	5.5	11.3	-1.1
EBITDA per unit - Rs/scm	4.3	6.4	4.8	-33.2	-10.3

Source: Company, Dolat Capital

PLNG: Despite 16% YoY rise in India's LNG import, PLNG re-gas pace is slow

In Q3FY25, India's LNG import jumped 16% YoY, but PLNG re-gas volume pace is slowed mainly due to loss of market share. PLNG has lost 10% market share in the last 1 year to other LNG terminals. In Q3FY25, PLNG total re-gas volume would be 236tbtu (+2% YoY), we expect Dahej/Kochi terminal utilisation would be 98%/25% in Q3FY25. Earnings will be impacted due to the provision of Rs1.3bn for "Use or Pay". Inventory/Marketing gains are expected as the spot LNG prices increased by 7% QoQ

PLNG - re-gas volume pace is slowed compared to LNG import

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
PETRONET LNG					
Revenue	116,479.3	130,218.2	147,472.1	-10.6	-21.0
EBITDA	12,044.2	12,005.0	17,059.9	0.3	-29.4
PAT	8,562.7	8,476.2	11,906.7	1.0	-28.1
Operating metrics - assumption					
Total Re-gas Volume - tbtu	236.0	227.6	232.0	3.7	1.7
Dahej volume - tbtu	220.0	225.0	218.0	-2.2	0.9
Kochi Volume - Tbtu	16.0	14.0	14.0	14.3	14.3

Source: Company, Dolat Capital

Exhibit 9: GSPL- Morbi volume to support sequential volume growth

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
GSPL					
Revenue	2,609.1	2,579.6	5,542.4	1.1	-52.9
EBITDA	1,958.9	1,929.5	3,795.9	1.5	-48.4
PAT	1,320.7	3,892.9	2,622.0	-66.1	-49.6
EPS	2.3	6.9	4.7	-66.1	-49.6
Operating metrics - assumption					
Gas Transmission volume -mmscmd	30.4	29.7	29.0	2.4	4.8
Transmission tariffs - Rs/scm	0.9	0.9	1.9	1.6	-51.0

Source: Company, Dolat Capital

Exhibit 10: ONGC- Improvement in earnings

Particulars (Rs Mn)	Q3FY25E	Q2FY25	Q3FY24	QoQ(%)	YoY(%)
ONGC					
Revenue	328,173	338,809	347,881	-3.1	-5.7
EBITDA	177,572	170,250	148,350	4.3	19.7
PAT	100,103	119,840	95,357	-16.5	5.0

Source: Company, Dolat Capital

Exhibit 11: Oil & Gas sector Preview

(Rs bn)	Revenue			EBITDA			EBITDA Margin (%)			PAT		
Company	Q3FY25E	YoY(%)	QoQ(%)	Q3FY25E	YoY(%)	QoQ(%)	Q3FY25E	YoY(bps)	QoQ(bps)	Q3FY25E	YoY(%)	QoQ(%)
GAIL	311.5	(9.1)	(5.4)	34.5	(9.6)	(7.8)	11.1	(7)	(28)	23.3	(18.0)	(12.8)
GSPL	2.6	(52.9)	1.1	2.0	(48.4)	1.5	75.1	659	28	1.3	(49.6)	(66.1)
GUJ GAS	39.1	(0.5)	3.3	3.7	(7.8)	(28.1)	9.5	(74)	(414)	2.0	(7.9)	(33.9)
IGL	38.9	9.5	5.3	2.2	(60.8)	(58.7)	5.7	(1018)	(882)	1.3	(67.0)	(70.0)
MAH GAS	18.4	17.0	7.2	2.4	(45.5)	(38.7)	13.3	(1528)	(996)	1.6	(48.8)	(42.6)
PLNG	116.5	(21.0)	(10.6)	12.0	(29.4)	0.3	10.3	(123)	112	8.6	(28.1)	1.0
RELIANCE	2302.8	2.3	(0.5)	422.2	3.9	8.1	18.3	27	147	179.1	3.8	8.2
BPCL	1073.4	(7.1)	4.4	76.8	23.3	68.9	7.2	176	273	45.7	34.7	90.8
HPCL	1127.2	1.3	12.8	47.9	121.2	75.7	4.2	230	152	21.7	309.8	243.5
IOC	1917.5	(3.7)	10.3	138.7	(10.4)	267.7	7.2	(54)	506	72.2	(10.5)	838.6
ONGC	328.2	(5.7)	(3.1)	177.6	19.7	4.3	54.1	1147	386	100.1	5.0	(16.5)

Source: Company, Dolat Capital

Exhibit 12: Valuation of Oil & Gas

Companies	CMP (Rs)	TP(Rs)	Rating	EPS FY24	EPS FY25E	EPS FY26E	EPS FY27E	PE (x) FY24	PE (x) FY25E	PE (x) FY26E	PE (x) FY27E	ROE (%) FY24	ROE (%) FY25E	ROE (%) FY26E	ROE (%) FY27E	ROCE (%) FY24	ROCE (%) FY25E	ROCE (%) FY26E	ROCE (%) FY27E
GAIL	191	235	Accumulate	15.1	16.6	18.3	20.0	12.7	11.5	10.4	9.5	12.8	13.2	13.2	13.2	10.3	10.7	11.3	11.7
GSPL	368	404	Reduce	22.8	15.8	16.2	17.8	16.2	23.2	22.7	20.6	13.1	8.4	8.2	8.5	15.9	10.3	10.2	10.6
GUJ GAS	513	476	Reduce	15.8	18.5	19.3	20.0	32.5	27.7	26.6	25.7	14.8	15.6	14.8	13.9	17.7	18.2	17.4	16.5
IGL	440	375	Accumulate	25.0	22.1	20.9	23.2	17.6	19.9	21.0	19.0	22.4	17.1	14.6	14.8	21.9	17.4	15.0	15.1
MAH GAS	1,310	1,270	Accumulate	130.7	98.7	97.8	100.7	10.0	13.3	13.4	13.0	27.8	18.0	16.1	15.1	34.7	22.2	20.1	19.0
PLNG	329	267	Sell	23.6	25.6	28.0	29.3	14.0	12.9	11.7	11.2	20.8	20.3	20.4	19.7	24.6	22.4	22.1	21.1
RIL	1,250	1,625	Accumulate	102.9	114.3	141.3	161.8	12.1	10.9	8.8	7.7	9.9	10.1	11.0	11.2	8.2	8.5	9.6	10.2
BPCL	297	313	Reduce	66.6	21.5	25.5	25.6	4.5	13.8	11.6	11.6	42.1	12.0	13.5	13.1	35.1	10.5	12.1	12.4
HPCL	412	367	Sell	69.1	24.6	43.5	43.4	nm	16.7	9.5	9.5	42.7	12.1	19.1	16.8	16.7	7.1	10.3	9.8
IOC	138	150	Reduce	28.5	7.3	13.0	13.4	4.8	18.9	10.6	10.3	24.9	5.5	9.5	9.3	15.5	5.1	7.3	7.2
ONGC	259	301	Accumulate	48.5	47.9	48.1	50.1	5.3	5.4	5.4	5.2	13.2	12.1	11.1	10.8	11.2	10.9	10.1	9.9

Source: Company, Bloomberg, Dolat Capital

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

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