

05 April 2025

India | Equity Research | Sector Update

Oil & Gas

Q4FY25 preview: Pumping out weak performance

Q4FY25 results for oil & gas companies under our coverage (excluding GOLI) are likely to show a weaker trend YoY/QoQ. We expect EBITDA/PAT to decline 4%/19% YoY and 2%/5% QoQ. YoY decline in operational performance is driven by OMCs, CGDs and gas utilities sub-segments. In contrast, CGDs' EBITDA is expected to improve QoQ due to a partial restoration of APM cut to the CNG segment, which supports margins for the quarter. Reliance's YoY performance remains strong, with likely flattish QoQ performance alongside some growth in JIO and steady OTC, which may be offset by seasonal weakness in retail segment. OMCs' profitability is impacted YoY/QoQ due to fall in marketing margins along with no respite in LPG losses. However, some improvement in OMCs' GRMs is seen in Q4FY25 due to lower inventory loss vs. Q3FY25.

Reliance: Retail and RJio to drive earnings growth YoY

In Q4FY25E, Reliance is likely to see a sharp increase (+14.5%) in its retail segment's earnings YoY. RJio may deliver a 16.2/2.2% YoY/QoQ rise in EBITDA. OTC segment to remain flattish QoQ and may decline by 13.9% YoY with an estimated USD 0.5/bbl QoQ dip in GRMs, partly offset by steady petchem spreads. Upstream is likely to show softness YoY, as slightly lower production and higher government share of profit petroleum dents margins. Also, retail segment would be marginally down QoQ, in line with seasonal trends. Overall, consolidated EBITDA to rise by 4%; however, PAT could decline by 5% YoY, driven by higher depreciation/interest costs for the FY25 end.

OMCs: Weaker marketing margins to drive QoQ weakness

OMCs' Q4FY25 performance will likely be hit by weaker marketing margins and under-recovery in LPG. During the quarter, SG GRMs declined by USD 1.7/bbl QoQ. Marketing margins have slipped INR 3.5/INR 2.5 per litre QoQ in petrol/diesel to INR 8.5/INR 5.5 per litre, driving weakness in earnings. Also, no compensation on LPG under recovery led estimated under-recovery of ~390bn for OMCs in FY25 (~INR 100bn in Q4). Overall, we see Q4FY25E EBITDA for the three companies – IOCL/BPCL/HPCL – falling 27%/40%/1% YoY.

Upstream: Realisations improve YoY

In Q4, windfall tax was zero – in line with the fall in crude prices. Brent crude (net of windfall tax) realisations are set to improve by 3%/1% QoQ. for ONGC and Oil India (OIL). We see limited change in effective gas realisations with cap of USD 6.5/MMBtu in place for FY25. OIL may deliver 2% YoY (down 1% QoQ) growth in output while ONGC's production may slip by 2% YoY (down 1% QoQ). EBITDA for both upstream companies together may increase by 3% QoQ (+11% YoY) while PAT is expected to increase 10% QoQ (-12% YoY).

CGDs: Cut in APM allocation drives dent in margin YoY

IGL and MGL may see strong YoY volume growth of 5%/12% while GUJGA may see volume declining 3%. The successive cuts in APM allocation for CNG transport has driven APM supply of ~40% for CNG for Q3, which had material impact on margins with EBITDA/scm. However, there was partial restoration of APM gas with average supply increased to ~50% (~55% w.e.f 15 Jan'25) for CNG in Q4FY25. Despite this, gross margins for IGL/MGL/GUJGA shall decline by INR 3.1/3.4/1.7 per scm YoY. Also, depreciation of INR would have some implication on (increase) overall gas cost.

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Gas utilities

The three gas utilities – PLNG/GSPL/GAIL – are likely to show a mixed set of earnings, with: 1) weaker YoY operational performance growth for GAIL; 2) good performance by PLNG; and 3) weak trends for GSPL. QoQ trends to remain muted for PLNG and strong for GAIL and GSPL. Lower trading and petchem margin YoY could be a drag on GAIL's earnings; although, we have factored in sequential improvement in trading margins for the quarter, driven by the absence of some of the one-offs that impacted Q3 performance. LPG volumes shall see a decline amid the lack of sufficient APM gas, which would weigh on production in Q4. PLNG could see a 3% YoY increase in EBITDA due to higher tariff at Dahej and healthier marketing margin despite a 4% YoY decline in overall volume. GSPL may see a 11% YoY dip in volume in Q4FY25E.

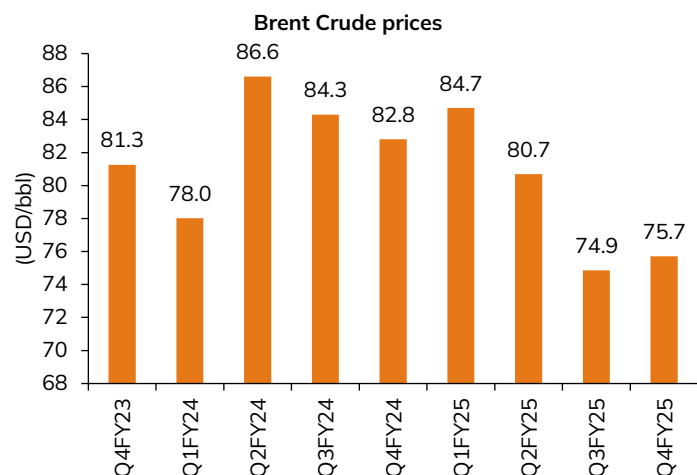
Gulf Oil (GOLI)

GOLI's operating earnings may grow ~10%/3% YoY/QoQ on account of steady ~5% volume growth (YoY), partly offset by a 10bps (YoY) likely contraction in EBITDA margin for the quarter. On a sequential-basis, volume is likely to grow by 4% QoQ with a 10bps decline in EBITDA margins.

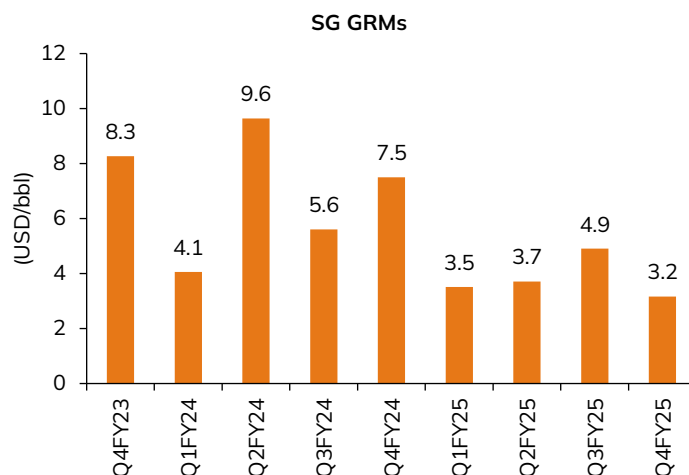
Exhibit 1: Overall, Q4FY25 likely to be a weaker quarter YoY/QoQ

INR bn	Revenue					EBITDA					PAT				
	Q4FY25E	Q4FY24	Q3FY25	YoY%	QoQ%	Q4FY25E	Q4FY24	Q3FY25	YoY%	QoQ%	Q4FY25E	Q4FY24	Q3FY25	YoY%	QoQ%
Reliance	2,459.4	2,365.3	2,399.9	4%	2%	440.3	425.2	437.9	4%	1%	180.1	189.5	185.4	-5%	-3%
IOCL	2,010.9	1,979.8	1,939.0	2%	4%	76.6	104.4	71.2	-27%	8%	21.9	48.4	23.1	-55%	-5%
BPCL	1,172.9	1,165.6	1,131.4	1%	4%	55.0	92.1	75.8	-40%	-27%	30.0	60.2	46.5	-50%	-35%
HPCL	1,031.6	1,145.6	1,105.1	-10%	-7%	47.3	48.0	59.7	-1%	-21%	22.9	28.4	30.2	-20%	-24%
ONGC	346.1	326.9	337.1	6%	3%	190.2	166.8	185.1	14%	3%	90.4	98.7	82.4	-8%	10%
OIL India	53.3	55.3	52.4	-4%	2%	23.7	25.4	22.6	-7%	5%	13.8	20.3	12.2	-32%	13%
GAIL	354.7	323.2	349.4	10%	2%	32.8	35.6	28.4	-8%	16%	20.3	21.8	20.4	-7%	-1%
PLNG	115.4	137.9	121.1	-16%	-5%	11.4	11.0	11.8	3%	-4%	8.0	7.4	8.0	9%	0%
GSPL	2.7	5.1	2.6	-48%	2%	2.0	3.8	1.9	-47%	4%	1.3	2.6	1.4	-49%	-2%
IGL	33.3	36.0	37.6	-7%	-11%	3.6	5.2	3.6	-32%	-2%	2.7	3.8	2.9	-29%	-6%
GUJGA	41.4	41.3	41.5	0%	0%	4.5	5.9	3.8	-24%	18%	2.7	3.7	2.2	-27%	21%
MGL	17.6	15.6	17.5	13%	1%	3.1	3.9	3.1	-22%	-2%	2.0	2.6	2.3	-23%	-10%
Total	7,639.5	7,597.4	7,534.4	1%	1%	890.5	927.4	905.0	-4%	-2%	396.2	487.4	416.9	-19%	-5%
OMC's	4,215.4	4,290.9	4,175.4	-2%	1%	179.0	244.5	206.7	-27%	-13%	74.8	137.0	99.8	-45%	-25%
Upstream	399.4	382.1	389.5	5%	3%	214.0	192.3	207.7	11%	3%	104.2	119.0	94.6	-12%	10%
CGDs	92.4	92.9	96.6	-1%	-4%	11.1	15.1	10.6	-26%	5%	7.4	10.2	7.3	-27%	1%
Gas															
Utilities	472.7	466.2	473.1	1%	0%	46.2	50.4	42.1	-8%	10%	29.6	31.8	29.8	-7%	0%
GOLI	9.4	8.5	9.0	10%	4%	1.3	1.2	1.2	10%	3%	1.0	0.9	1.0	16%	1%

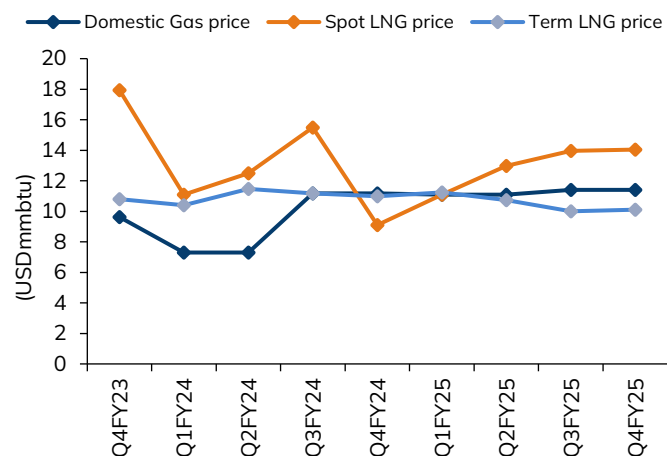
Source: Company data, I-Sec research

Exhibit 2: Brent crude prices rise marginally in Q4FY25

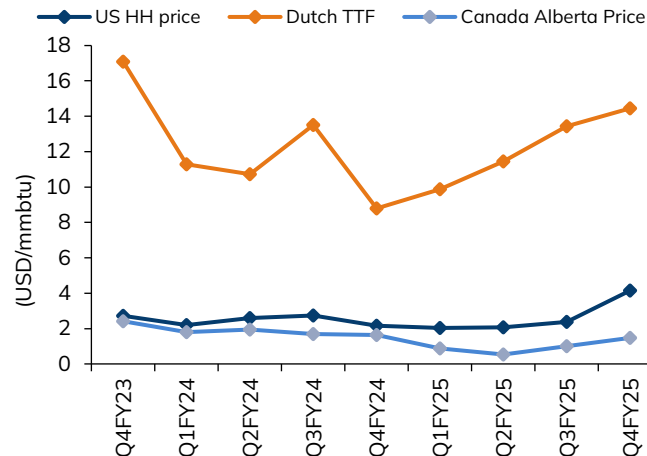
Source: Bloomberg, I-Sec research

Exhibit 3: Singapore GRMs declined QoQ in Q4FY25

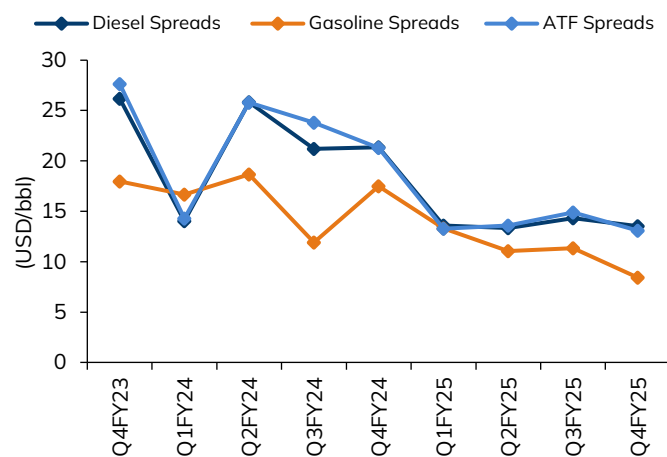
Source: Reuters, I-Sec research

Exhibit 4: Spot LNG prices increased in Q4FY25

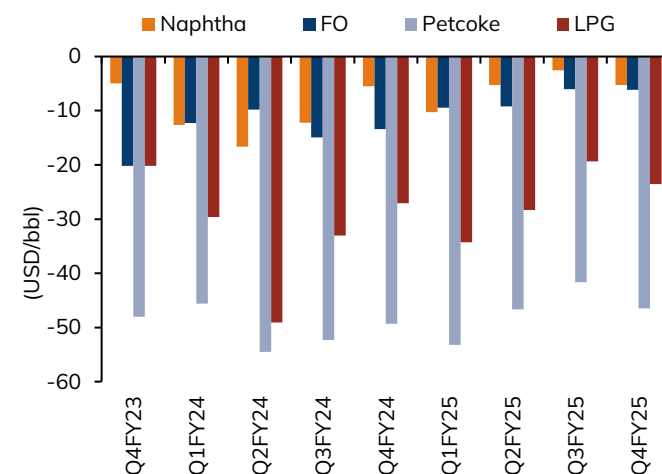
Source: Bloomberg, Reuters, I-Sec research

Exhibit 5: Key components of domestic gas prices increased in Q4FY25

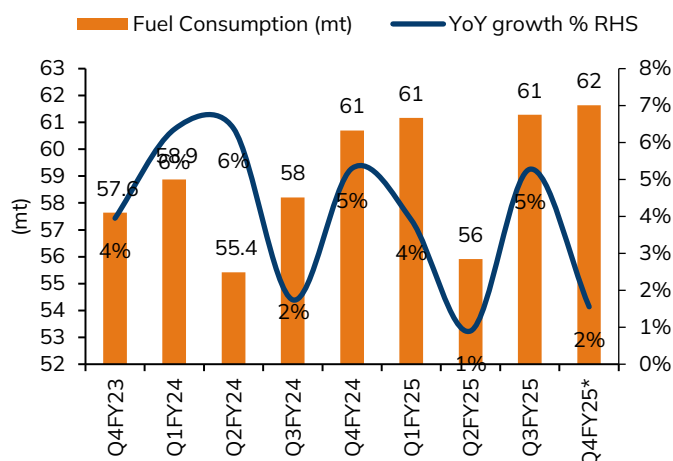
Source: Bloomberg, I-Sec research

Exhibit 6: Diesel, ATF spreads stay flat; gasoline declines in Q4 vs. Q3

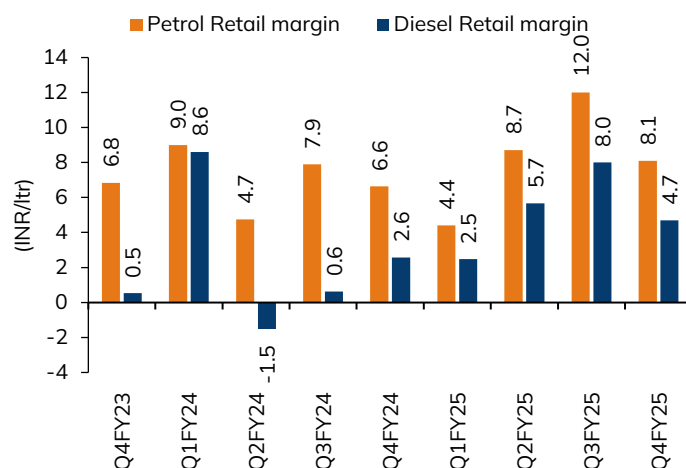
Source: Reuters, I-Sec research

Exhibit 7: Other products' spreads also declined QoQ

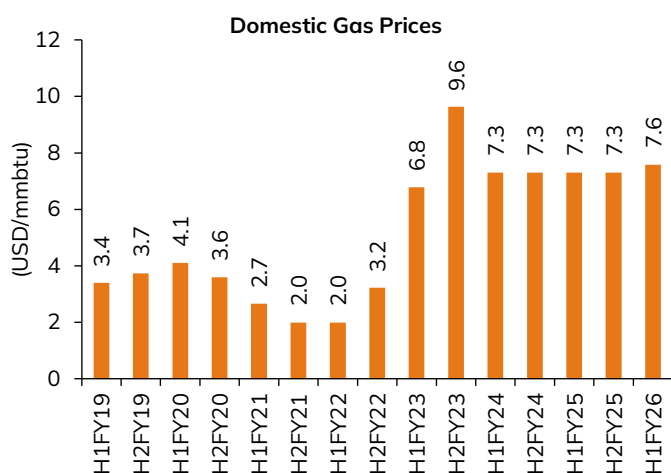
Source: Reuters, I-Sec research

Exhibit 8: Fuel consumption growth slows

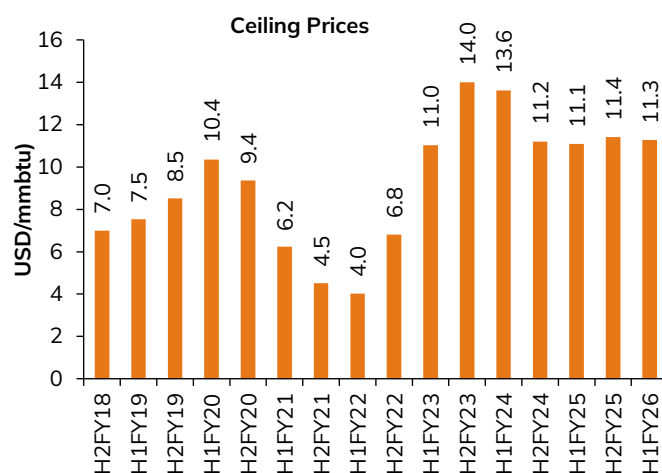
Source: PPAC, I-Sec research ; Note * on basis of Jan-Feb'25 actual and Mar'24 estimates

Exhibit 9: Fuel retail margins dip QoQ, remain well above historical levels

Source: PPAC, Reuters, I-Sec research

Exhibit 10: APM domestic gas prices cap has been raised to USD 6.75/MMbtu from Q1FY26

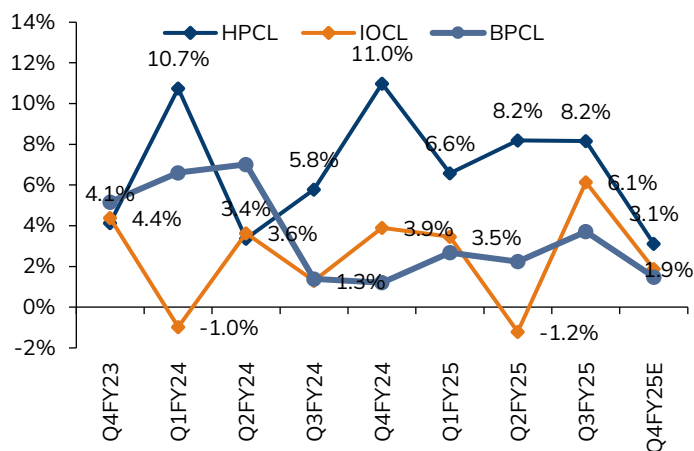
Source: PPAC, I-Sec research

Exhibit 11: HP/HT gas/ceiling gas prices for H1FY26 remains flattish vs H2FY25

Source: PPAC, I-Sec research

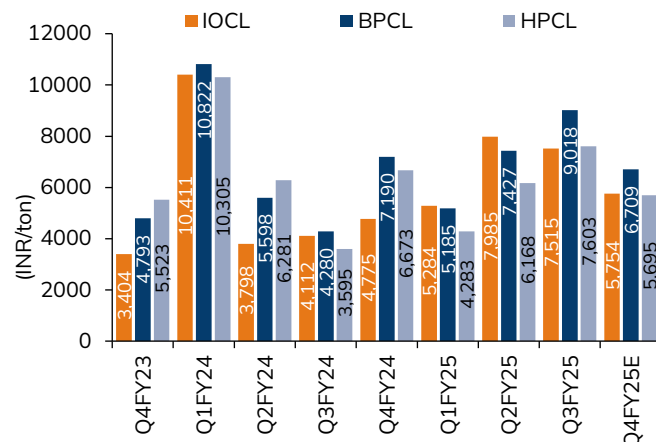
Key focus charts for companies

Exhibit 12: OMCs' marketing volume growth to slow down



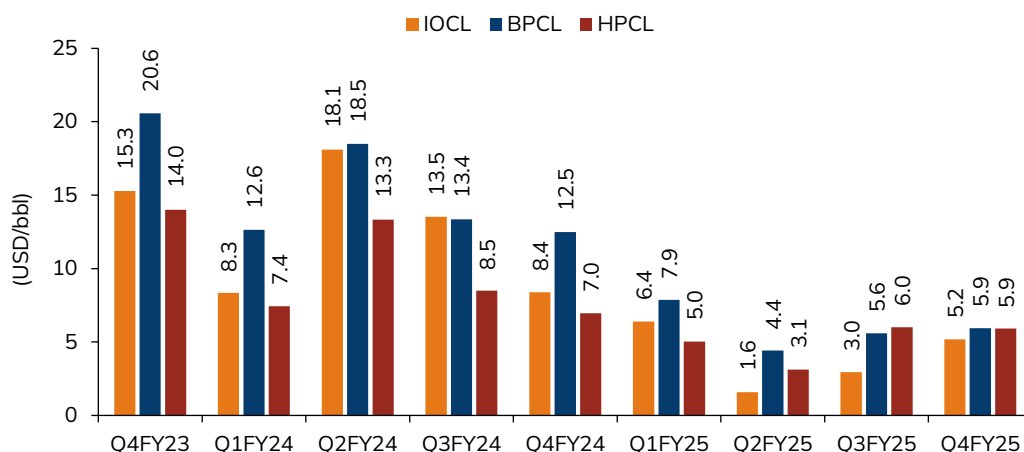
Source: Company data, PPAC, I-Sec research

Exhibit 13: OMCs' marketing margin to dip QoQ



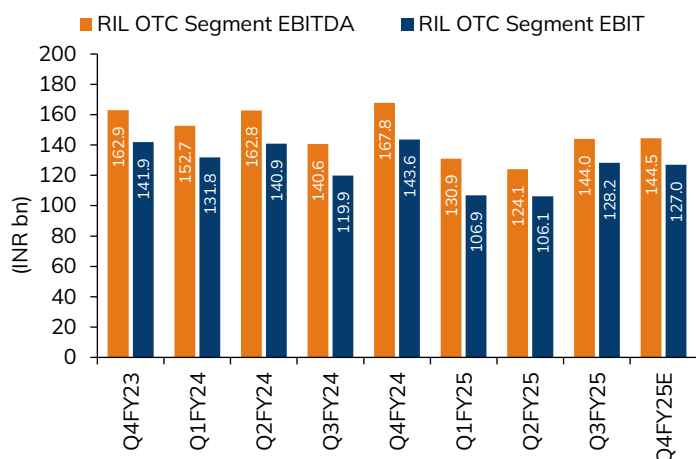
Source: Company data, I-Sec research

Exhibit 14: OMCs' GRMs (USD/bbl) may decline YoY amid weaker product cracks



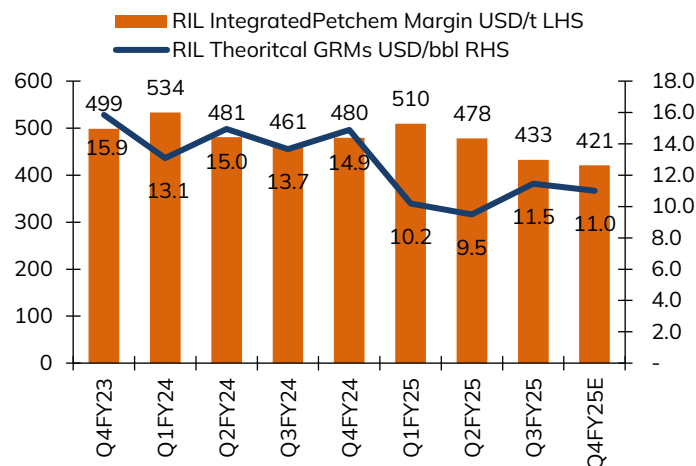
Source: Company data, Reuters, I-Sec research

Exhibit 15: RIL – OTC segment may decline sharply YoY but would remain flattish QoQ

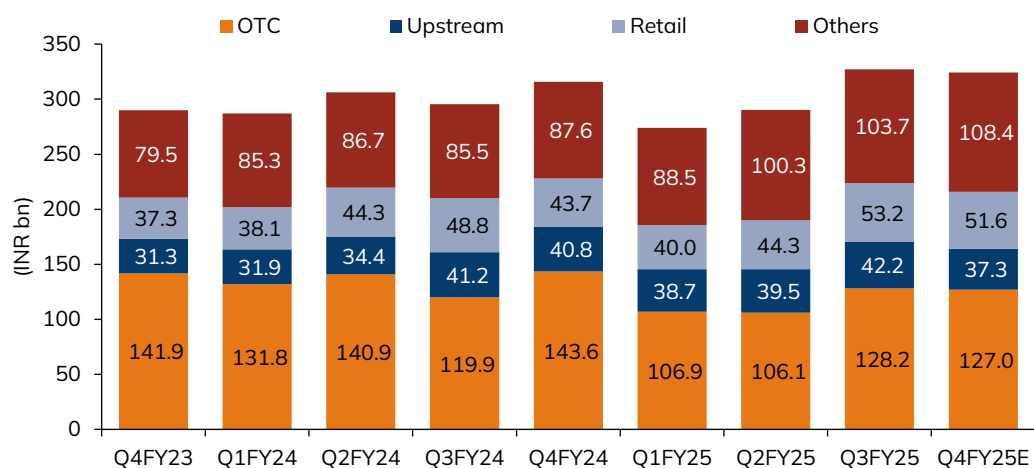


Source: Company data, I-Sec research

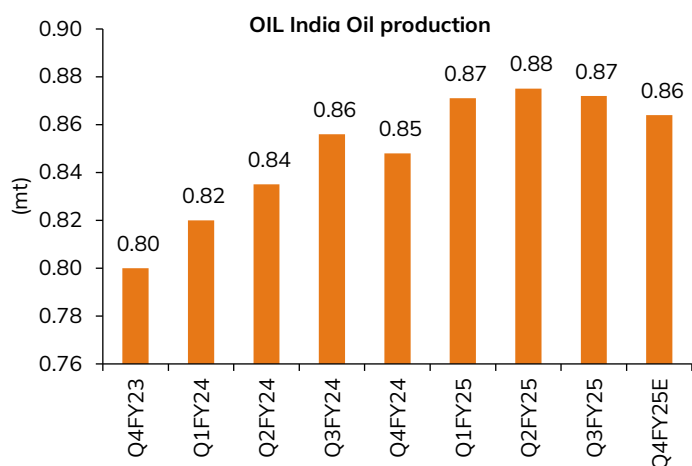
Exhibit 16: RIL – Stronger diesel spreads support GRMs QoQ, petchem margins to stay steady



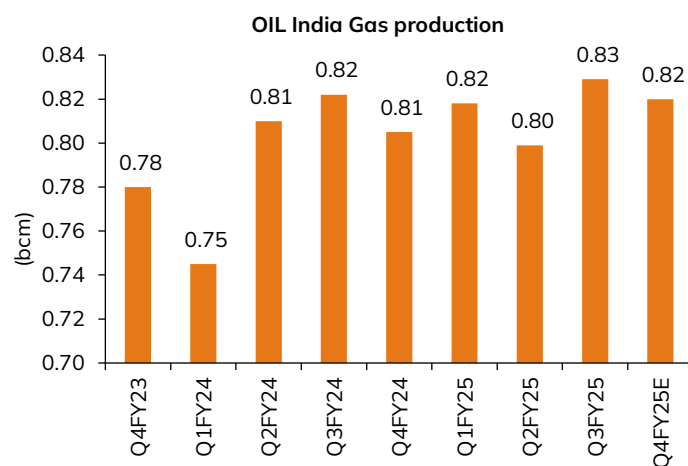
Source: Company data, Bloomberg, Reuters, I-Sec research

Exhibit 17: RIL – OTC segment EBIT contribution to remain muted QoQ

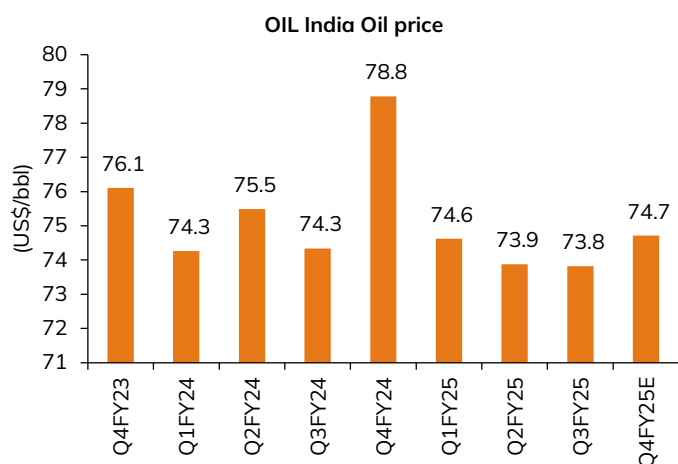
Source: I-Sec research, Company data

Exhibit 18: Oil India– crude oil production likely to decline QoQ, but increase YoY

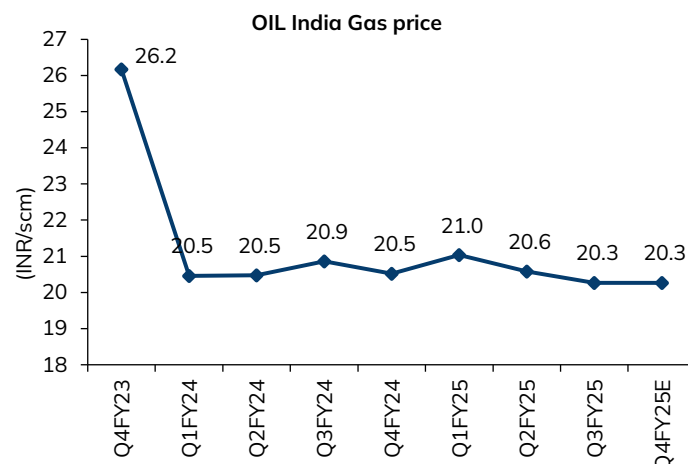
Source: Company data, I-Sec research

Exhibit 19: Oil India – gas production may decline QoQ, but increase YoY

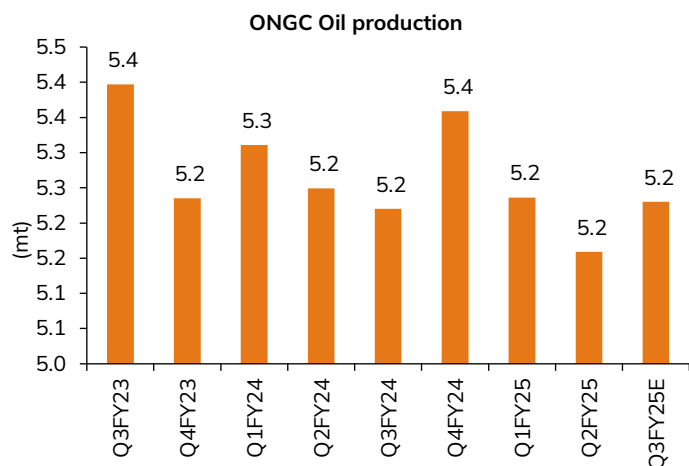
Source: Company data, I-Sec research

Exhibit 20: Oil India – better QoQ oil price realisation likely

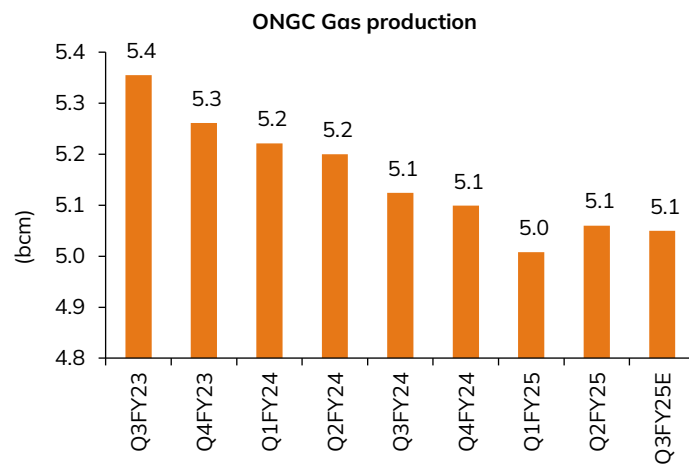
Source: Company data, I-Sec research

Exhibit 21: Oil India – flattish QoQ gas pricing likely

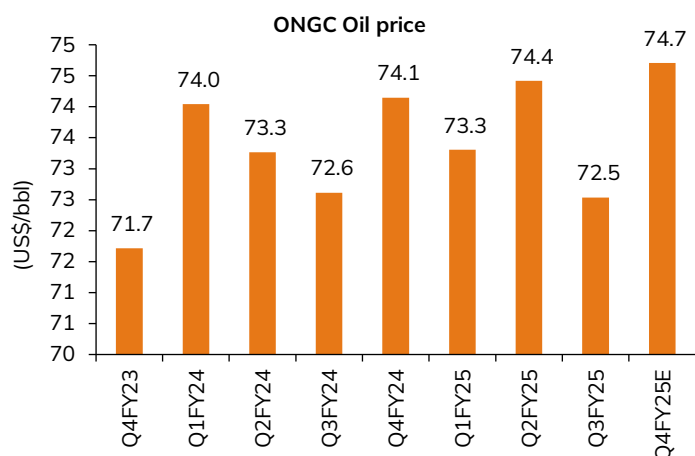
Source: Company data, I-Sec research

Exhibit 22: ONGC – crude oil production may fall QoQ/YoY

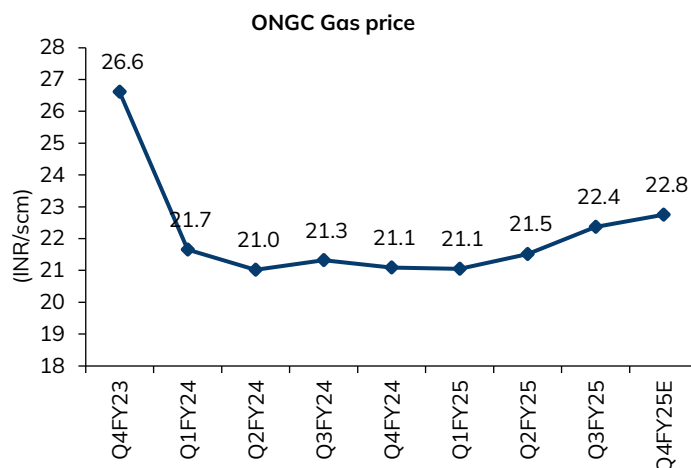
Source: Company data, I-Sec research

Exhibit 23: ONGC – gas production may dip YoY/QoQ

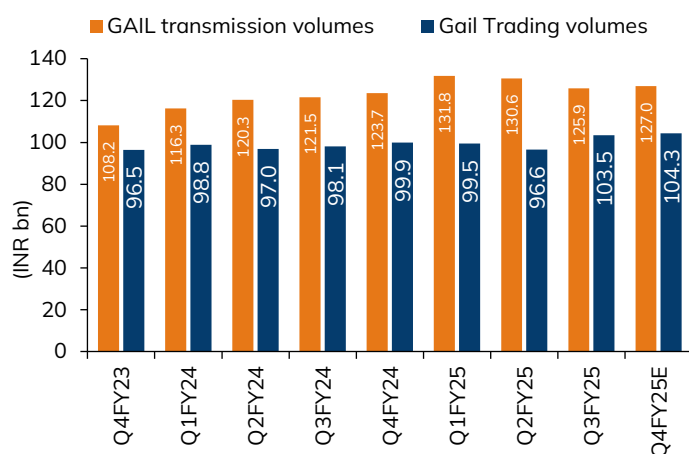
Source: Company data, I-Sec research

Exhibit 24: ONGC – oil price realisation to improve QoQ

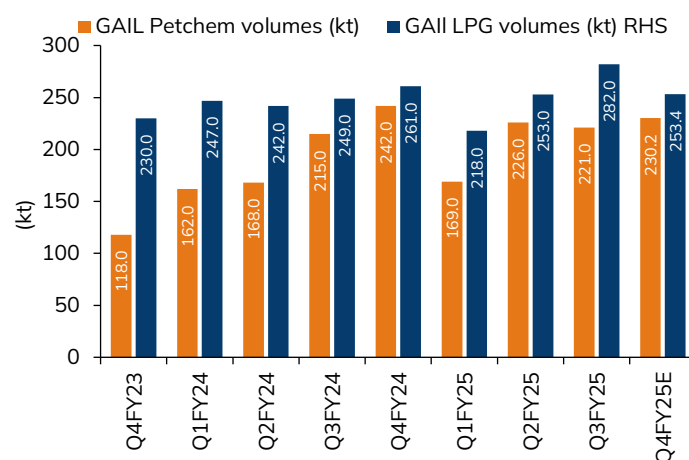
Source: Company data, I-Sec research

Exhibit 25: ONGC – gas pricing may increase QoQ

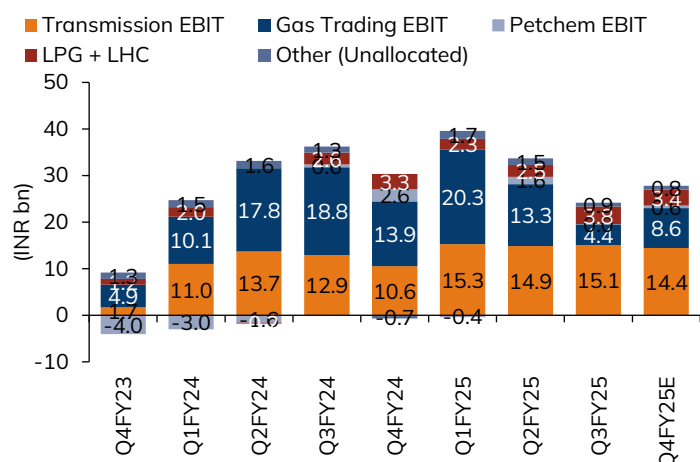
Source: Company data, I-Sec research

Exhibit 26: GAIL – transmission and trading volumes to improve QoQ

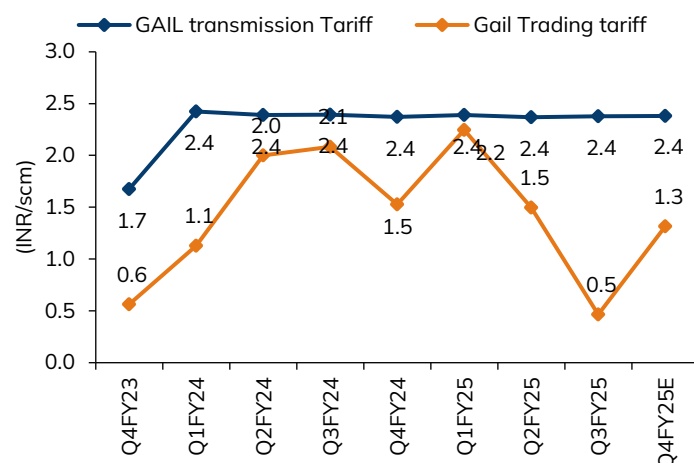
Source: Company data, I-Sec research

Exhibit 27: GAIL – petchem volume to improve QoQ while LPG volumes to remain muted QoQ

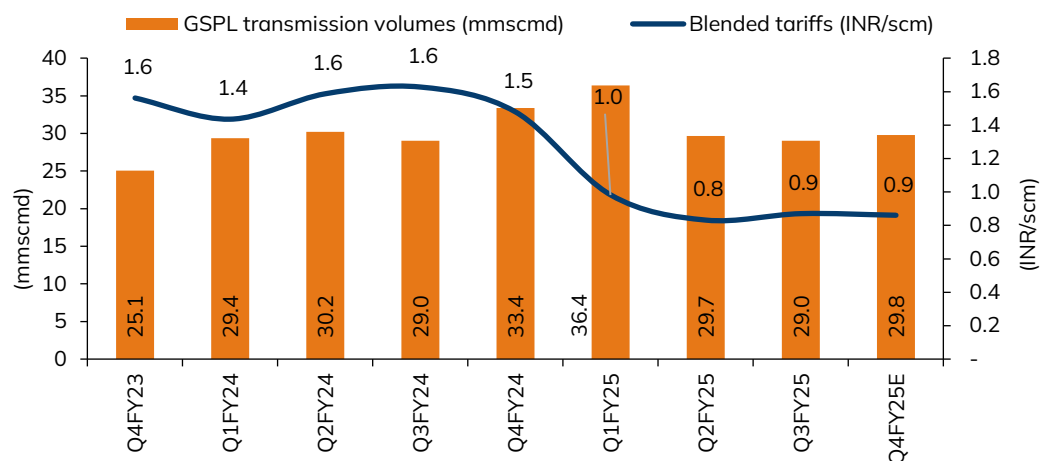
Source: Company data, I-Sec research

Exhibit 28: GAIL – trading segment to drive overall EBIT

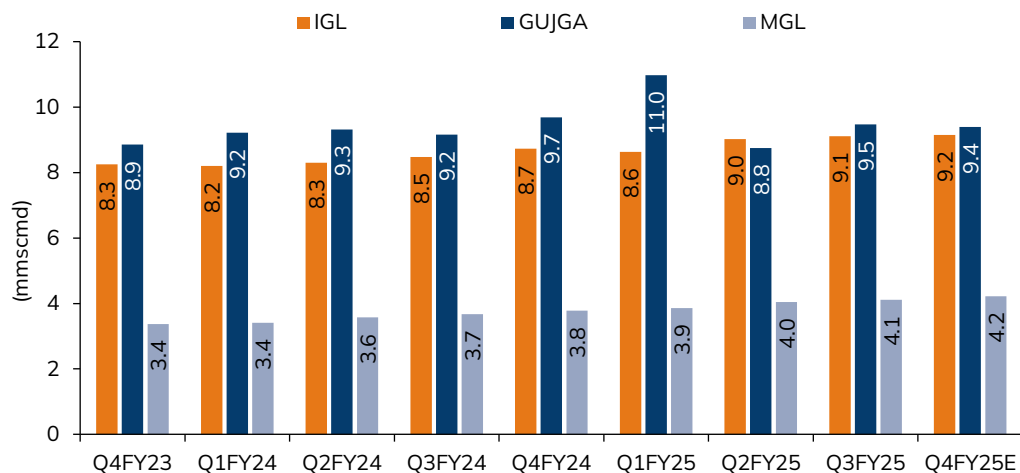
Source: Company data, I-Sec research

Exhibit 29: GAIL – blended trading tariffs to improve QoQ in Q4FY25E

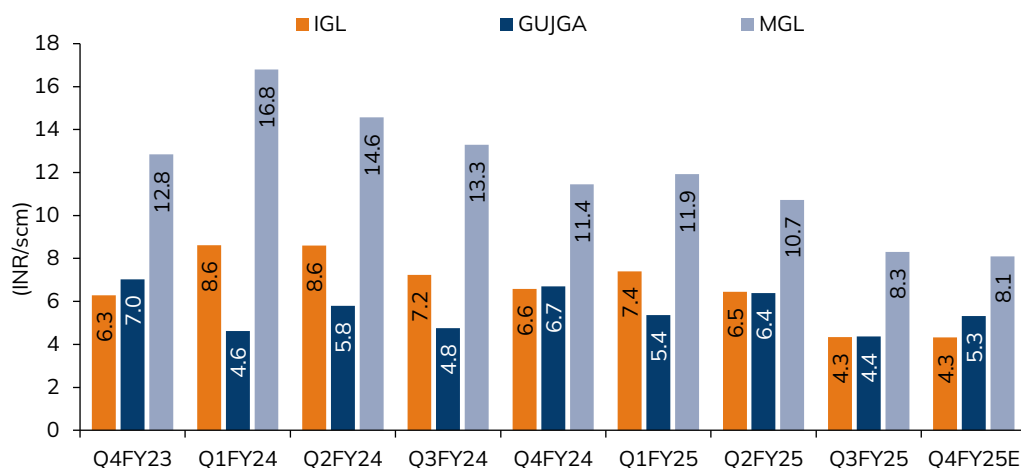
Source: Company data, I-Sec research

Exhibit 30: GSPL – volumes to improve marginally QoQ

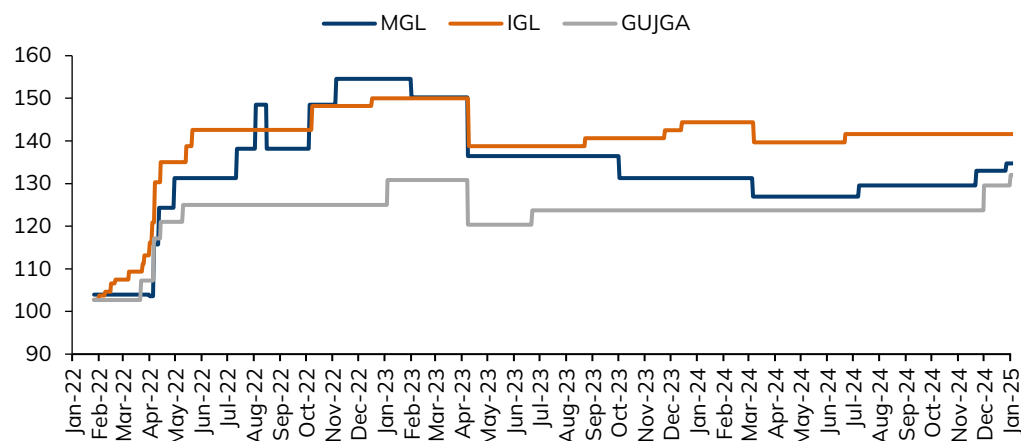
Source: Company data, I-Sec research

Exhibit 31: CGDs – YoY improvement likely in IGL and MGL's volumes

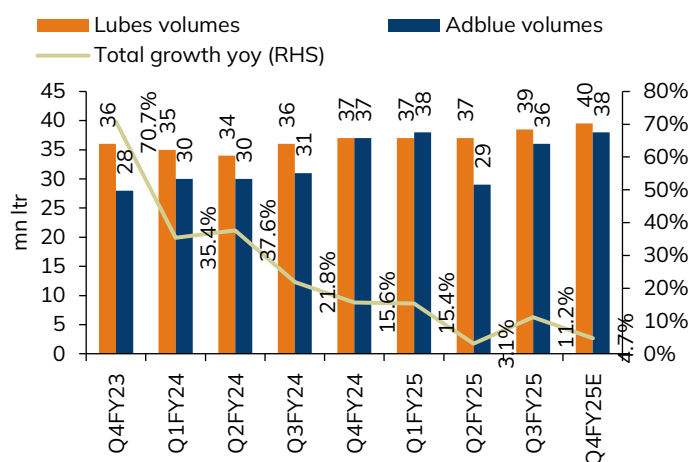
Source: Company data, I-Sec research

Exhibit 32: CGDs – YoY decline in EBITDA margins likely amid APM allocation cut

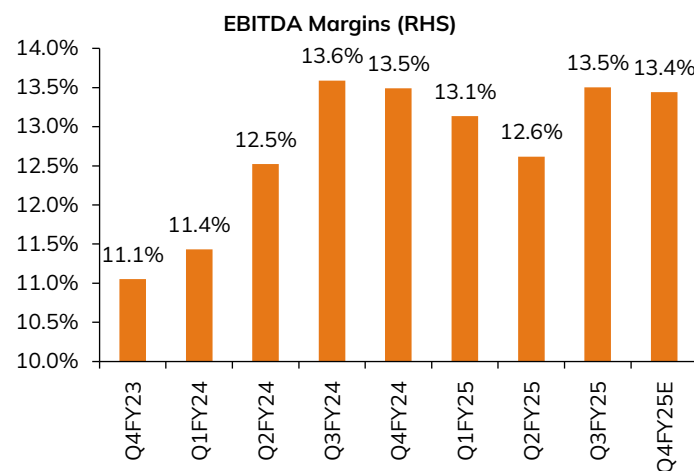
Source: Company data, I-Sec research

Exhibit 33: Indexed CNG price movement

Source: Company data, I-Sec research

Exhibit 34: GOL – strong volume growth YoY...

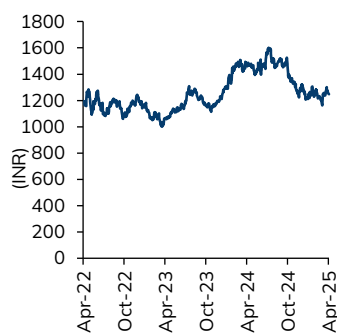
Source: Company data, I-Sec research

Exhibit 35: ...with strong margins

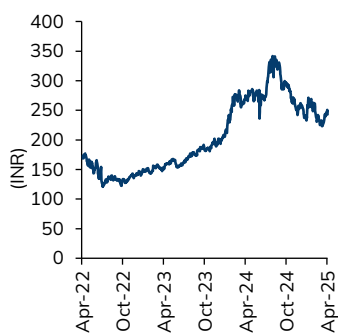
Source: Company data, I-Sec research

Price chart

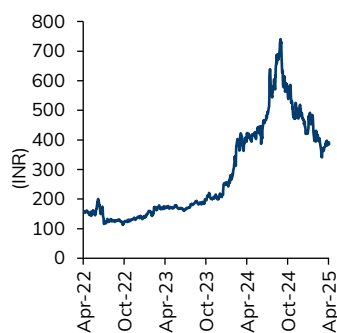
Reliance Industries



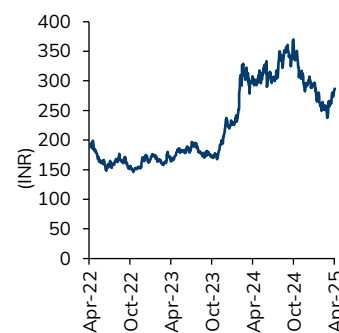
ONGC



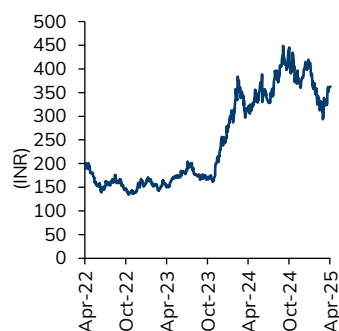
Oil India



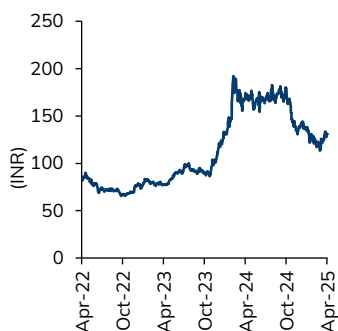
BPCL



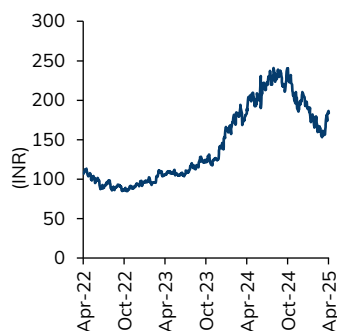
HPCL



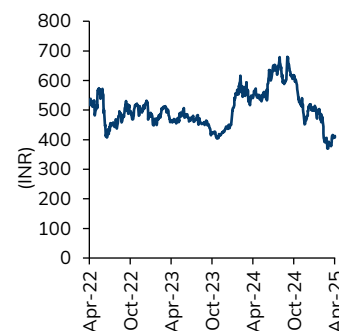
IOCL



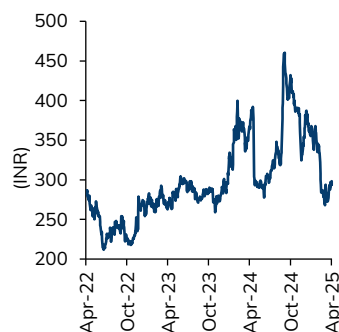
GAIL



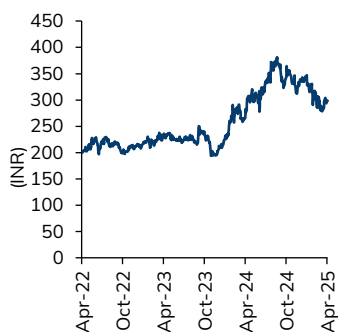
Gujarat Gas



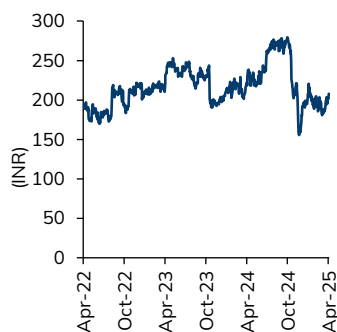
Gujarat State Petronet



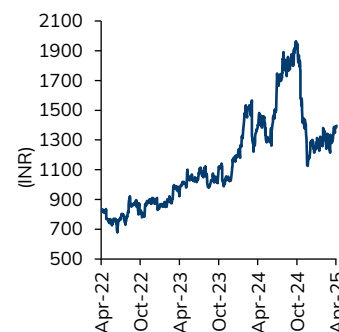
Petronet LNG



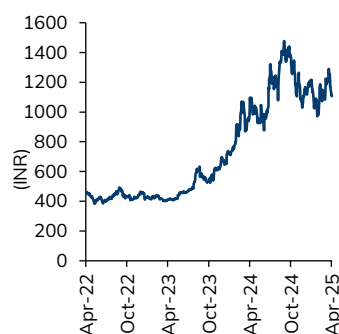
Indraprastha Gas



Mahanagar Gas



Gulf Oil



Source: Bloomberg

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