

## Q3FY21 result preview

## Top picks

- IOC

## INDIA



## Oil &amp; Gas and Petrochemicals

## Q3FY21E: YoY rise in EPS for all; IOC's strongest

Key trends in the oil & gas sector in Q3FY21 were: 1) Dubai and Brent crude were down 29% YoY but up 3-5% QoQ at US\$43.9-44.6/bbl; 2) domestic gas price was at its 10-year low of US\$2.0/mmbtu; 3) Reuters' Singapore gross refining margin (GRM) recovered to US\$1.2/bbl from US\$0.05/bbl in Q2; 4) auto fuel net marketing margin was up 76% YoY at Rs3.1/l; and 5) auto fuel consumption was up 1% YoY and total product consumption down 1% YoY in Oct-Nov'20. We estimate YoY rise in Q3FY21 EPS for all the seven oil & gas companies with growth being the strongest at 103% YoY for IOC, 28-42% for MGL, IGL and GAIL, and 7-12% for GSPL, Petronet LNG (PLNG) and Gujarat Gas (GGL).

- **103% YoY surge in IOCs' EPS:** We estimate IOC's Q3FY21E EPS to be up 103% YoY driven by: i) 76% YoY rise in net auto fuel marketing margin to Rs3.1/l, ii) product inventory gain of Rs14.6bn vs loss of Rs1.1bn for in Q3FY20, iii) 211% YoY rise in petrochemical EBITDA driven by jump in polyethylene margins, and iv) decline in tax rate to 25.17%. IOC's GRM is estimated to be boosted by crude inventory gain of US\$0.8/bbl to US\$1.1/bbl. **Excluding inventory impact, IOC's Q3 EPS would be up 156% YoY; crude and product inventory gain is estimated at Rs22.1bn in Q3FY21E vs Rs18bn in Q3FY20.**
- **GAIL's Q3 EPS to be up 42% YoY:** We estimate GAIL's Q3FY21 EPS to be up 42% YoY, driven by 5x YoY jump in petrochemical EBITDA on rise in margins and 21% YoY rise in LPG and other hydrocarbon EBITDA on steep YoY fall in domestic gas price. We estimate gas marketing EBITDA to be back in the black at Rs3.1bn driven by rise in spot LNG and oil prices, but down 41% YoY. Gas marketing and transmission volumes are estimated to be up 1-2% YoY at 97-112mmscmd, petrochemical volumes up 6% YoY but LPG volumes down 4% YoY.
- **MGL & IGL's EPS up 28-36% YoY and that of GGL's up 12% YoY:** We estimate Q3FY21 EPS of GGL to be up 12% YoY, driven by 14% YoY rise in volumes to 10.6mmscmd; industry volumes are estimated to be up 18% YoY to 8.4mmscmd driven by surge in Morbi volumes. EBITDA margin is estimated to be down 7% YoY and 50% QoQ at Rs4/scm hit by steep rise (38% and 120% YoY and QoQ) in spot LNG to US\$7.9/mmbtu not being fully passed on to consumers. We estimate Q3FY21E EPS of MGL and IGL to be up 28-36% YoY driven by 36-48% YoY (8-17% QoQ) rise in EBITDA margin to Rs12.6-9.4/scm and despite 3-5% YoY lower volumes. MGL and IGL's margin rise is estimated to be driven by only Rs0.6-0.9/kg of the Rs2.5/kg fall in domestic gas price being passed on to consumers. Gain from rise in CNG margin is expected to more than make up for fall in margins on industrial and commercial volumes due to rise in spot LNG price.
- **7% YoY rise in EPS of GSPL:** We estimate GSPL's Q3 standalone EPS to be up 7% YoY driven mainly by 8% YoY rise in its transmission volumes to 40mmscmd.
- **PLNG's EPS to be up 8% YoY:** PLNG's Q3FY21E EPS is estimated to be up 8% YoY, driven by 4% YoY rise in Dahej regas volumes and 2% YoY in regas charge.

## Q3FY21E result preview

(Rs/share)	Recurring standalone EPS			
	Q3FY21E	YoY (%)	9MFY21E	YoY (%)
IOC	5.1	103%	13.7	112%
GAIL	3.9	42%	7.1	-14%
PLNG	4.8	8%	14.5	11%
GSPL	4.2	7%	12.5	-5%
GGL	3.2	12%	10.9	13%
IGL	5.5	36%	10.4	-11%
MGL	24.1	28%	43.3	-26%

Source: I-Sec research

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## Sector trends in Q3FY21

Brent price down 29% YoY, but up 5% QoQ

### Oil prices down sharply YoY, but up modestly QoQ in Q3FY21

Brent price in Q3FY21 at US\$44.6/bbl was down 29% YoY from US\$62.6/bbl in Q3FY20, but up 5% QoQ from US\$42.7/bbl in Q2FY21. WTI and Dubai crude prices were down 25-29% YoY, but up 4-3% QoQ respectively.

**Table 1: Brent price down 29% YoY but up 5% QoQ; WTI and Dubai also down 25-29% YoY but up 4-3% QoQ respectively**

(US\$/bbl)	Q3FY21	Q3FY20	Change (%)	Q2FY21	Change (%)
Brent	44.6	62.6	-29%	42.7	5%
WTI	42.6	56.9	-25%	40.9	4%
Dubai	43.9	61.4	-29%	42.4	3%

Source: Bloomberg, I-Sec research

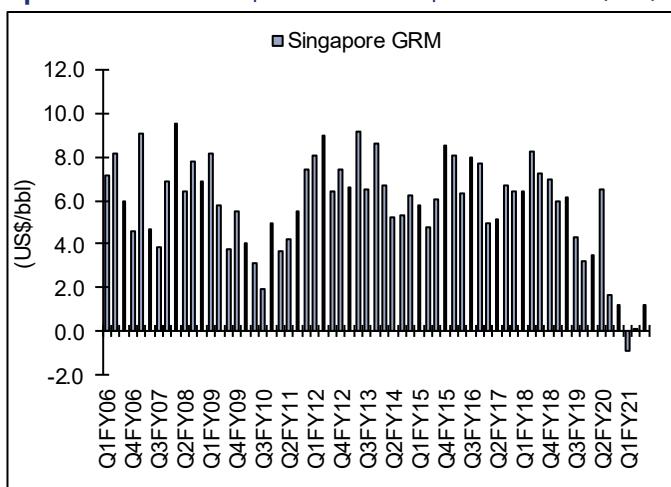
Reuters' Singapore GRM up from Q1 lows, but still very weak

### Q3FY21 Singapore GRM recovered from at least 73-quarter low in Q1

Reuters' Singapore GRM, which was in the red in Q1FY21 at minus US\$0.9/bbl, probably for the first time ever, and just about in the black at US\$0.05/bbl in Q2FY21, recovered to US\$1.2/bbl in Q3FY21. Singapore GRM was:

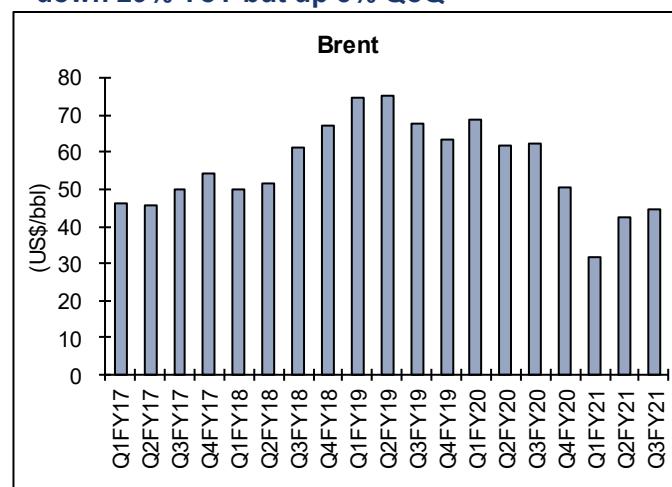
- Down US\$0.5/bbl YoY from US\$1.7/bbl in Q3FY20
- Up US\$1.18/bbl QoQ from US\$0.05/bbl in Q2FY21

**Chart 1: Singapore GRM at US\$1.2/bbl in Q3FY21; up from minus US\$0.9/bbl & US\$0.05/bbl in Q1-Q2**



Source: Reuters, I-Sec research

**Chart 2: Brent price at US\$44.6/bbl in Q3FY21 – down 29% YoY but up 5% QoQ**



Source: Bloomberg, I-Sec research

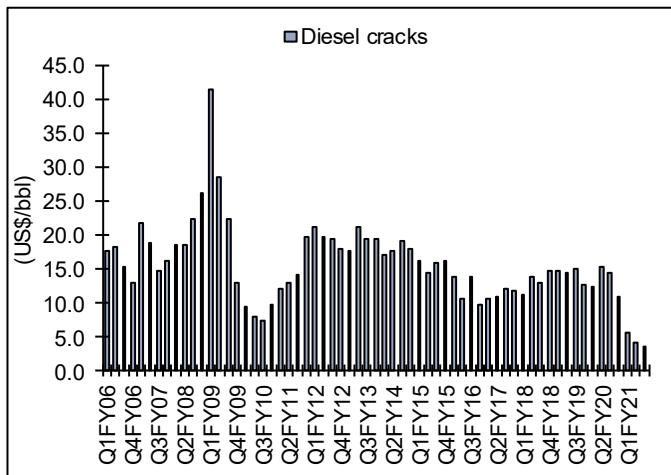
### Diesel cracks lowest in at least 63-quarters; at 5-month high in Dec'20

Diesel cracks at US\$3.6/bbl in Q3FY21 were the lowest in at least 63 quarters, but were up 28-46% MoM in Oct-Dec'20 to 5-month high of US\$4.7/bbl in Dec'20. The recent recovery in diesel cracks is driven by fall in US distillate inventory by 12% from recent high, but is still 10.3% above 5-year average level.

## Petrol cracks up from lows in Q1, but down QoQ in Q3FY21

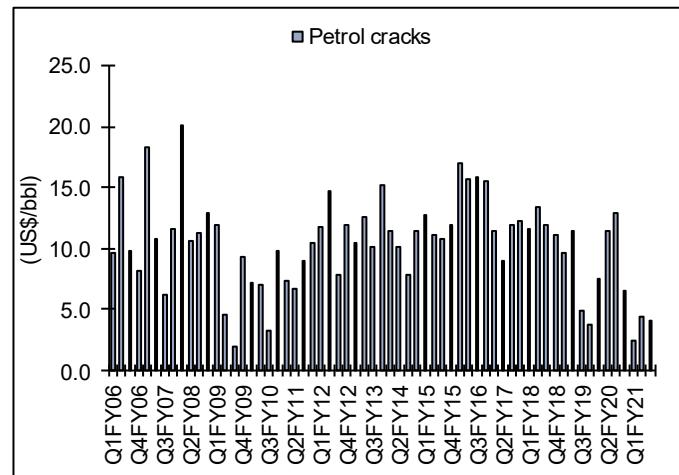
Petrol cracks recovered in Q2FY21 to US\$4.4/bbl from 46-quarter low of US\$2.5/bbl in Q1FY21. However, they are down 9% QoQ at US\$4.0/bbl in Q3FY21.

**Chart 3: Diesel cracks at the lowest level in at least 63 quarters at US\$3.6/bbl in Q3FY21**



Source: Reuters, I-Sec research

**Chart 4: Petrol cracks down QoQ at US\$4.0/bbl in Q3FY21, but up from 46-quarter low in Q1FY21**



Source: Reuters, I-Sec research

## Q3FY21 product inventory gain Rs15bn for IOC

### US\$0.8/bbl inventory gain for IOC

Crude inventory gain is likely for IOC given that cost of its opening inventory was US\$43.76/bbl and spot price in Q3 was US\$44.0/bbl. We estimate inventory gain of US\$0.8/bbl for IOC.

### Product inventory gain of Rs14.6bn estimated for IOC

We estimate product inventory gain in Q3FY21 at Rs14.6bn for IOC vs loss of Rs1.1bn in Q3FY20.

### INR stronger by 3.6% YoY in Q3FY21

In Q3FY21, INR was 3.6% YoY stronger at Rs73.8 vs the USD. Stronger INR will mean lower oil and gas price realisation and GRM in INR terms.

### Auto fuel marketing margin at Rs3.1/l in Q3FY21; volumes up

### Auto fuel volumes up 0.7% YoY in Q3 & total down 1% YoY in Oct-Nov

India's petroleum product consumption was up 2% YoY in Oct'20 (for the first time in FY21-TD), but down 4% YoY in Nov'20. Consumption of petrol was up 4.5% YoY in Oct'20, 5.1% YoY in Nov'20, 8.7% YoY in Dec'20 (as per provisional data) and 6.1% YoY in Q3FY21. Consumption of diesel was up 7.5% YoY in Oct'20, down 6.9% YoY in Nov'20, 3% YoY in Dec'20 (provisional) and 1.2% YoY in Q3FY21. Consumption of auto fuels was up 1% YoY in Q3FY21. Auto fuel consumption was up 0.7% YoY in Q3FY21. Total petroleum products' consumption was down 1% YoY, but industrial fuels and subsidised fuels were up 2.4% and 2% YoY respectively.

**Table 2: Petroleum product consumption up 2% YoY in Oct'20, but down 4% YoY in Nov'20**

	Oct'20	Oct'19	YoY change	Nov'20	Nov'19	YoY change
LPG	2.42	2.35	3%	2.35	2.26	4%
Naphtha	1.30	1.13	15%	1.34	1.25	8%
Petrol	2.65	2.54	5%	2.66	2.53	5%
Aviation fuel	0.36	0.70	-49%	0.37	0.71	-48%
Kerosene	0.14	0.17	-18%	0.15	0.19	-18%
Diesel	7.00	6.51	7%	7.04	7.57	-7%
Light diesel oil	0.07	0.05	42%	0.07	0.05	33%
Lubricants & Greases	0.32	0.33	-3%	0.31	0.34	-6%
Fuel oil & LSHS	0.53	0.47	12%	0.50	0.46	9%
Bitumen	0.66	0.45	49%	0.69	0.58	18%
Petroleum coke	1.39	1.66	-16%	1.40	1.67	-16%
Others	0.92	0.99	-7%	0.92	0.90	2%
<b>TOTAL</b>	<b>17.76</b>	<b>17.34</b>	<b>2%</b>	<b>17.83</b>	<b>18.51</b>	<b>-4%</b>

Source: PPAC, I-Sec research

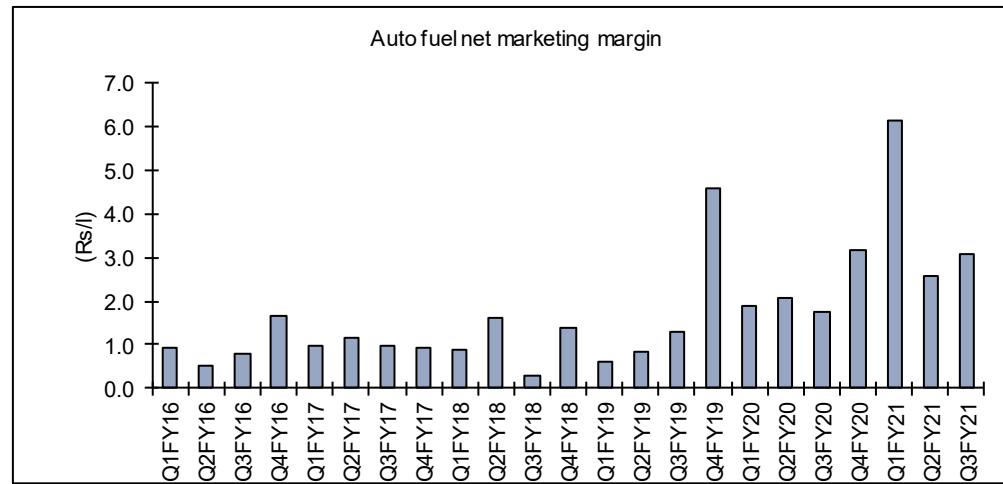
**Table 3: Auto fuels and industrial volumes up 6-5% YoY in Oct'20, but down 4-0.2% YoY in Nov'20**

	Oct'20	Oct'19	YoY change	Nov'20	Nov'19	YoY change
Auto fuels	10.0	9.4	6%	10.0	10.4	-4%
Transportation fuels	10.3	10.1	2%	10.4	11.1	-7%
Industrial fuels	4.0	3.8	5%	4.0	4.0	-0.2%
Subsidised fuels	2.6	2.5	2%	2.5	2.4	2%
Others	0.9	1.0	-7%	0.9	0.9	2%

Source: PPAC, I-Sec research

### Net margin up 76% YoY at Rs3.1/l in Q3FY21

Auto fuel net marketing margin is estimated at Rs3.1/l in Q3FY21, up 76% YoY from Rs1.76/l in Q3FY20. Margins are up 20% QoQ but down 49% from record level of Rs6.13/l in Q1FY21.

**Chart 5: Q3FY21 auto fuel net margin up 76% YoY at Rs3.1/l**

Source: PPAC, Company data, I-Sec research

### No subsidy in Q3FY21

### No subsidy on LPG and kerosene in Oct-Dec'20

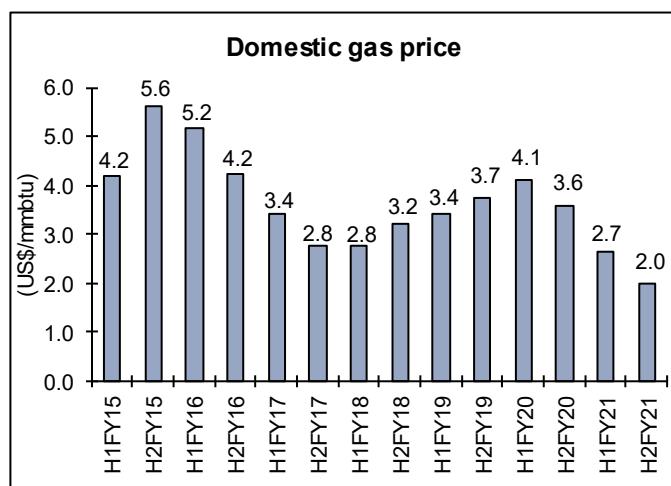
With plunge in oil prices, there was no subsidy on kerosene throughout Q1 while there was subsidy on LPG only in Apr'20. There was no subsidy on LPG and kerosene in Q3FY21.

## Domestic gas price at 10-year low in Q3FY21

### H2FY21 domestic gas price down 45% YoY – lowest since Jun'10

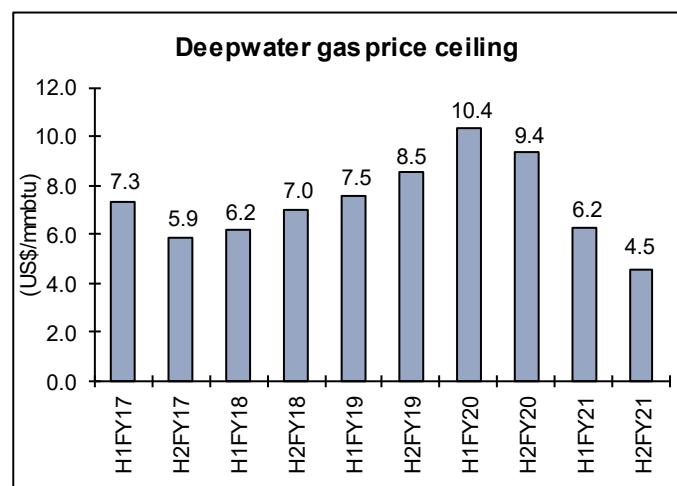
Price of most gas produced in India (other than from deepwater blocks starting from CY16 and pre-NELP blocks) including that from the nomination acreage (APM gas) is based on volume-weighted US, UK, Russian and Canadian gas prices in the preceding four quarters with one quarter lag. Price is revised semi-annually. The gas price for H2FY21 is thus based on prices in Jul'19-Jun'20. The price so calculated for H2FY21 at US\$2.0/mmbtu (on NCV basis) is down 45% YoY and, in fact, is the lowest gas price since Jun'10. Gas price was at US\$4.2/mmbtu from Jun'10 to Oct'14. Price for deepwater gas at US\$4.51/mmbtu is down 52% YoY.

**Chart 6: H2FY21 price for APM gas to be down 45% YoY**



Source: Bloomberg, PPAC, I-Sec research

**Chart 7: H2FY21 price ceiling for deepwater gas to be down 52% YoY**



Source: Bloomberg, PPAC, I-Sec research

### Q3FY21 other and deepwater gas price down 43-50% YoY in INR

Q3FY21 price ceiling for gas from deepwater blocks was down 50% YoY and gas from other fields was down 43% YoY in INR terms.

**Table 4: H2FY21 gas price at US\$2.0-4.5/mmbtu; price for most Indian output down 45% YoY and that for deepwater blocks' output down 52% YoY**

	Deepwater gas	Other gas output
(US\$/mmbtu)		
Q3FY21	4.51	1.99
Q3FY20	9.37	3.59
YoY change	-52%	-45%
Rs/mmbtu		
Q3FY21	333	147
Q3FY20	667	256
YoY change	-50%	-43%

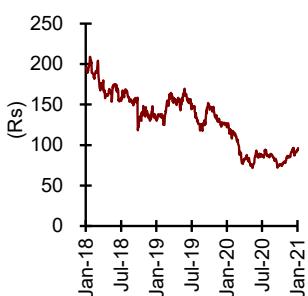
Source: Bloomberg, PPAC, I-Sec research

## Companies

### IOC (ADD)

(QoQ chg: 27.3%, YoY chg: -21.3%)

#### Price chart



**Table 5: Quarterly estimates**

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	93,227	66,912	39%	2,42,622	1,79,866	35%	94,272	-1%
Recurring PAT	48,061	23,660	103%	1,29,443	61,065	112%	62,273	-23%
Recurring EPS (Rs)	5.1	2.5	103%	13.7	6.5	112%	6.6	-23%
<b>Key variables:</b>								
GRM (US\$/bbl)	1.1	4.1	-73%	2.6	3.3	-23%	8.6	-87%
Throughput (mmt)	17.8	17.5	1%	44.7	52.3	-15%	14.0	27%
Product inventory gain/(loss)	14,578	(1,110)	NM	29,258	5,010	484%	760	1818%
Petrochemical EBITDA	23,091	7,420	211%	42,481	22,020	93%	12,110	91%

Source: Company data, I-Sec research

### Q3 EPS up 103% driven by marketing, petrochemical & inventory gain

We estimate IOC's Q3FY21E EPS to be up 103% YoY driven by:

- 76% YoY rise in net marketing margin to Rs3.1/l.
- Product inventory gain of Rs14.6bn vs loss of Rs1.1bn in Q3FY20.
- 211% YoY rise in petrochemical EBITDA to Rs23.1bn driven by jump in polyethylene margins.
- Decline in tax rate to 25.17% from 37.1% in Q3FY20.

Q3 EPS is estimated to rise despite 73% YoY fall in GRM to US\$1.1/bbl including inventory gain of US\$0.8/bbl. Downside risk to our view is lower than estimated GRM, inventory gain and sales volume.

### Q3 throughput up 1% YoY and sales volume down 3% YoY

We estimate IOC's Q3FY21E:

- Crude throughput to be up 1% YoY; its throughput was down 6% YoY in Oct'20 but up 3% YoY in Nov'20.
- Sales volume to be down 3% YoY with petrol volume up 3.5% YoY and diesel volume down 2% YoY.

**Table 6: Q3FY21 EBITDA estimates**

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
Refining	(12,285)	5,460	NM	(6,745)	1,780	NM	40,770	NM
Inventory gains/losses	14,578	(1,110)	NM	29,258	5,010	484%	760	1818%
Petrochemicals	23,091	7,420	211%	42,481	22,020	93%	12,110	91%
Pipelines	14,678	15,450	-5%	39,098	47,550	-18%	12,920	14%
Marketing	53,166	40,250	32%	1,51,556	1,18,640	28%	35,300	51%
<b>Total</b>	<b>93,227</b>	<b>66,912</b>	<b>39%</b>	<b>2,42,622</b>	<b>1,79,866</b>	<b>35%</b>	<b>94,272</b>	<b>-1%</b>

Source: Company data, I-Sec research

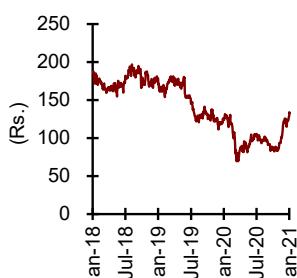
### IOC's Q3FY21E EPS up 156% YoY, excluding impact of inventory

IOC's Q3FY21 EPS would be up 156% YoY if impact of crude and product inventory gain in Q3FY21 and Q3FY20 is excluded. IOC's crude and product inventory gain is estimated at Rs22.1bn in Q3FY21E vs gain of Rs18bn in Q3FY20.

## GAIL (HOLD)

(QoQ chg: 57.7%, YoY chg: 7.1%)

### Price charts



**Table 7: Quarterly estimates**

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	26,022	20,724	26%	45,630	60,800	-25%	13,381	94%
PBT	23,752	18,716	27%	42,049	55,737	-25%	14,735	61%
Recurring PAT	17,774	12,507	42%	31,958	37,308	-14%	11,629	53%
<b>Recurring EPS (Rs)</b>	<b>3.9</b>	<b>2.8</b>	<b>42%</b>	<b>7.1</b>	<b>8.3</b>	<b>-14%</b>	<b>2.6</b>	<b>53%</b>
<b>Sales volume</b>								
Gas pipeline transportation (mmscmd)	112.0	110.3	2%	102.9	108.1	-5%	106.4	5%
Gas marketing volumes (mmscmd)	97.0	96.0	1%	88.9	95.7	-7%	88.6	4%
LPG pipeline transportation (t)	10,85,000	10,43,000	4%	31,06,000	28,69,000	8%	10,58,000	3%
LPG and other liquid hydrocarbons (t)	3,25,000	3,37,000	-4%	8,87,000	9,62,000	-8%	2,97,000	9%
Petrochemicals (t)	2,22,750	2,11,000	6%	6,29,750	5,64,000	12%	2,24,000	-1%

Source: Company data, I-Sec research

### Q3 EPS to rise 42% YoY driven by petrochemical & LPG EBITDA rise

We estimate GAIL's Q3FY21 EPS to be up 42% YoY despite 41% YoY fall in gas marketing EBITDA driven by:

- 5x YoY surge in petrochemical EBITDA on rise in margins.
- 21% YoY rise in LPG production EBITDA on steep YoY fall in domestic gas price.

Gas marketing EBITDA is estimated to be in the black at Rs3.1bn driven by rise in spot LNG and oil prices, but down 41% YoY. Gas marketing and transmission volumes are estimated to be up 1-2% YoY at 97-112mmscmd, petrochemicals volumes up 6% YoY but LPG volumes down 4% YoY. Upside risk to our view is higher than estimated gas marketing EBITDA and downside risk is lower than estimated petrochemicals volume and EBITDA.

**Table 8: Segment EBITDA estimates**

(Rs mn, year ending March 31)

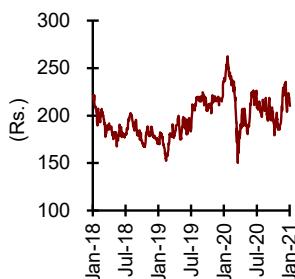
	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
Gas pipeline	12,777	12,200	5%	35,117	34,940	1%	12,810	0%
LPG pipeline	1,096	1,080	1%	3,086	2,800	10%	1,030	6%
<b>Regulated business</b>	<b>13,873</b>	<b>13,280</b>	<b>4%</b>	<b>38,203</b>	<b>37,740</b>	<b>1%</b>	<b>13,840</b>	<b>0%</b>
Gas marketing	3,086	5,240	-41%	(5,434)	16,390	NM	(3,350)	NM
LPG and other liquid hydrocarbons	3,852	3,180	21%	9,732	11,190	-13%	3,020	28%
Petrochemicals	5,211	1,050	396%	7,671	200	3736%	2,890	80%
<b>Cyclical business</b>	<b>12,149</b>	<b>9,470</b>	<b>28%</b>	<b>11,969</b>	<b>27,780</b>	<b>-57%</b>	<b>2,560</b>	<b>375%</b>
<b>EBITDA</b>	<b>26,022</b>	<b>20,724</b>	<b>26%</b>	<b>45,630</b>	<b>60,800</b>	<b>-25%</b>	<b>13,381</b>	<b>94%</b>
<b>EBITDA/unit</b>								
Gas pipeline (Rs/mscm)	1,240	1,202	3%	1,241	1,175	6%	1,308	-5%
Gas marketing (Rs/mscm)	346	593	-42%	(222)	622	NM	(411)	NM
Gas marketing (US\$/mmbtu)	0.13	0.23	-44%	(0.08)	0.25	NM	(0.15)	NM
LPG pipeline (Rs/t)	1,010	1,035	-2%	994	976	2%	974	4%
LPG and other liquid hydrocarbons (Rs/t)	11,854	9,436	26%	10,972	11,632	-6%	10,168	17%
Petrochemicals (Rs/t)	23,395	4,976	370%	12,182	355	3335%	12,902	81%

Source: Company data, I-Sec research

## Gujarat State Petronet (BUY)

(QoQ chg: 7.9%, YoY chg: -11.6%)

### Price chart



### Table 9: Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	3,968	3,800	4%	11,236	12,192	-8%	3,807	4%
PBT	3,168	2,972	7%	9,413	9,991	-6%	3,519	-10%
Recurring PAT	2,370	2,221	7%	7,075	7,484	-5%	2,711	-13%
Recurring EPS (Rs)	4.2	3.9	7%	12.5	13.3	-5%	4.8	-13%
<b>Key variables</b>								
Transmission volumes (mmscmd)	40.0	36.9	8%	37.7	38.1	-1%	39.8	1%
Tariff (Rs/mscm)	1,589	1,825	-13%	1,553	1,661	-6%	1,558	2%

Source: Company data, I-Sec research

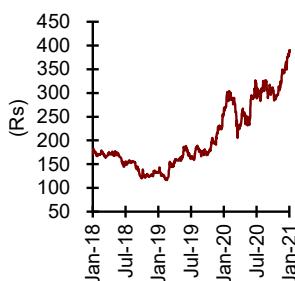
### Q3FY21 EPS up YoY driven by higher volumes

We estimate GSPL's Q3FY21 standalone recurring EPS to be up 7% YoY despite 13% YoY fall in tariff, driven by 8% YoY rise in transmission volumes. We estimate transmission volumes at 40mm scmd vs 36.9mm scmd in Q3FY20 and tariff at Rs1,589/mscm. Downside risk to our view is lower than estimated volume or dip in tariff.

## Gujarat Gas (BUY)

(QoQ chg: 27.3%, YoY chg: 50.1%)

### Price chart



### Table 10: Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	3,934	3,705	6%	13,122	12,076	9%	7,330	-46%
PBT	2,934	2,633	11%	10,060	8,849	14%	6,343	-54%
Recurring PAT	2,196	1,964	12%	7,530	6,651	13%	4,748	-54%
Recurring EPS (Rs)	3.2	2.9	12%	10.9	9.7	13%	6.9	-54%
<b>Sales volume (mmscm)</b>								
CNG	132	139	-5%	312	410	-24%	118	12%
PNG	841	718	17%	1,944	2,139	-9%	788	7%
Domestic	61	53	15%	172	148	16%	59	3%
Industrial	772	654	18%	1,755	1,961	-11%	723	7%
Commercial	9	11	-20%	18	30	-41%	6	47%
Total	974	857	14%	2,257	2,549	-11%	906	7%
Total (mmscmd)	10.6	9.3	14%	8.2	9.3	-11%	9.8	7%
<b>EBITDA margin (Rs/mscm)</b>								
	4.0	4.3	-7%	5.8	4.7	23%	8.1	-50%

Source: Company data, I-Sec research

### Q3 EPS up 12% YoY driven by 14% YoY rise in volumes

We estimate GGL's Q3FY21 recurring EPS to rise 12% YoY driven by 14% YoY rise in sales volumes to 10.6mm scmd vs 9.3mm scmd in Q3FY20. Rise in volumes would be driven by 18% YoY rise in industrial volumes to 8.4mm scmd due to surge in Morbi volumes. The YoY rise in Q3 EPS is despite 7% YoY and 50% QoQ fall in EBITDA margin to Rs4.0/mscm. EBTIDA margin would be hit by steep rise (38-120% YoY and QoQ) in spot LNG price to US\$7.9/mmbtu not being fully passed on to consumers. Downside risk to our view is higher spot LNG prices hurting margins and lower volume growth than estimated.

## Indraprastha Gas (SELL)

(QoQ chg: 40.9%, YoY chg: 31.8%)

Price chart

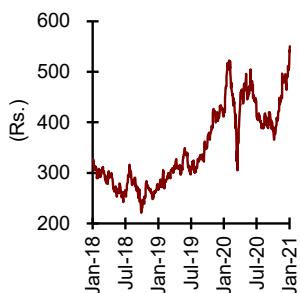


Table 11: Quarterly estimates

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	5,540	3,918	41%	10,446	11,429	-9%	4,071	36%
PBT	5,175	3,764	37%	9,605	10,758	-11%	3,994	30%
Recurring PAT	3,872	2,839	36%	7,270	8,202	-11%	3,079	26%
<b>Recurring EPS (Rs)</b>	<b>5.5</b>	<b>4.1</b>	<b>36%</b>	<b>10.4</b>	<b>11.7</b>	<b>-11%</b>	<b>4.4</b>	<b>26%</b>
<b>Sales volume</b>								
CNG	421	452	-7%	927	1,330	-30%	360	17%
PNG	167	164	2%	414	460	-10%	146	15%
Domestic	43	36	20%	126	100	26%	40	8%
Industrial / Commercial	85	82	4%	198	223	-11%	72	19%
Others	39	46	-15%	90	137	-34%	34	14%
Total	588	616	-5%	1,341	1,790	-25%	506	16%
<b>Total (mmscmd)</b>	<b>6.4</b>	<b>6.7</b>	<b>-5%</b>	<b>4.9</b>	<b>6.5</b>	<b>-25%</b>	<b>5.5</b>	<b>16%</b>
<b>EBITDA margin (Rs/scm)</b>	<b>9.4</b>	<b>6.4</b>	<b>48%</b>	<b>7.8</b>	<b>6.4</b>	<b>22%</b>	<b>8.0</b>	<b>17%</b>

Source: Company data, I-Sec research

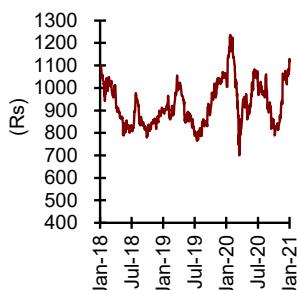
### Q3 EPS up 36% YoY driven by 48% YoY surge in EBITDA margin

We estimate IGL's Q3FY21 recurring EPS to rise by 36% YoY, despite 5% YoY fall in volumes to 6.4mmscmd, driven by 48% YoY and 17% QoQ surge in EBITDA margin to Rs9.4/scm. We estimate 7% YoY fall in CNG volumes while industrial and commercial volumes are estimated to be up 4% YoY. The rise in EBITDA margin is estimated to be driven by only Rs0.9/kg of the Rs2.5/kg fall in domestic gas price being passed on to consumers. We expect gain from rise in CNG margin to more than make up for fall in margins on industrial and commercial volumes due to rise in spot LNG price. Upside risk to our view is sharper recovery in CNG volumes than estimated and consequent plunge in opex leading to better than estimated margins.

## Mahanagar Gas (REDUCE)

(QoQ chg: 33.3%, YoY chg: 9.8%)

### Price chart



**Table 12: Quarterly estimates**

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	3,420	2,589	32%	6,431	8,091	-21%	2,211	55%
PBT	3,185	2,444	30%	5,743	7,588	-24%	1,950	63%
Recurring PAT	2,383	1,861	28%	4,279	5,781	-26%	1,443	65%
<b>Recurring EPS (Rs)</b>	<b>24.1</b>	<b>18.8</b>	<b>28%</b>	<b>43.3</b>	<b>58.5</b>	<b>-26%</b>	<b>14.6</b>	<b>65%</b>
<b>Sales volume</b>								
CNG	190	205	-7%	351	604	-42%	117	62%
PNG	82	76	7%	213	223	-4%	73	12%
Domestic	47	38	25%	129	109	18%	43	11%
Industrial / Commercial	34	38	-10%	84	113	-26%	31	12%
Total	272	281	-3%	564	827	-32%	191	43%
<b>Total (mmscmd)</b>	<b>3.0</b>	<b>3.1</b>	<b>-3%</b>	<b>2.1</b>	<b>3.0</b>	<b>-32%</b>	<b>2.1</b>	<b>43%</b>
<b>EBITDA margin (Rs/scm)</b>	<b>12.6</b>	<b>9.2</b>	<b>36%</b>	<b>11.4</b>	<b>9.8</b>	<b>16%</b>	<b>11.6</b>	<b>8%</b>

Source: Company data, I-Sec research

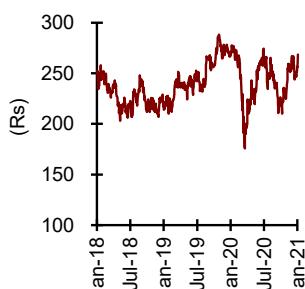
### Q3 EPS up 28% YoY driven by 36% YoY rise in EBITDA margin

We estimate MGL's Q3FY21 recurring EPS to rise by 28% YoY despite 3% YoY fall in volumes to 3.0mm scmd, driven by 36% YoY and 8% QoQ rise in EBITDA margin to Rs12.6/scm. The rise in EBITDA margin is estimated to be driven by only Rs0.6/kg of the Rs2.5/kg fall in domestic gas price being passed on to consumers. Gain from rise in CNG margin is estimated to more than make up for fall in margins on industrial and commercial volumes due to rise in spot LNG price. Upside risk to our view is sharper recovery in CNG volumes than estimated and consequent plunge in opex leading to better than estimated margins.

## Petronet LNG (HOLD)

(QoQ chg: 25.8%, YoY chg: 2.3%)

### Price chart



**Table 13: Quarterly estimates**

(Rs mn, year ending March 31)

	Q3FY21E	Q3FY20	% YoY	9MFY21E	9MFY20	% YoY	Q2FY21	% QoQ
EBITDA	11,400	11,076	3%	34,132	32,920	4%	13,632	-16%
PBT	9,708	9,017	8%	29,100	26,965	8%	12,426	-22%
Recurring PAT	7,264	6,752	8%	21,740	19,647	11%	9,273	-22%
Recurring EPS (Rs)	<b>4.8</b>	<b>4.5</b>	<b>8%</b>	<b>14.5</b>	<b>13.1</b>	<b>11%</b>	<b>6.2</b>	<b>-22%</b>

#### Key variables:

Dahej volume (TBTU)	230	222	4%	654	679	-4%	243	-5%
Dahej volume (mmt)	4.6	4.4	4%	13.1	13.6	-4%	4.9	-5%
Dahej regas charge (Rs/mmbtu)	55.0	54.0	2%	56.0	53.1	6%	58.6	-6%

Source: Company data, I-Sec research

### Q3FY21 EPS up 8% YoY on rise in Dahej regas volumes and charge

We estimate PLNG's Q3FY21 recurring EPS to rise 8% YoY, driven mainly by:

- 4% YoY rise in Dahej regas volumes to 4.6mmt; utilisation is estimated at 105%.
- 2% YoY rise in Dahej regas charge to Rs 55/mmbtu vs Rs 54/mmbtu in Q3FY20.

Downside risk to our view is lower regas volumes than estimated and upside risk of higher regas charge than estimated.

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