Oil & Gas - Q1FY26 Earnings Preview

DOLAT CAPITAL
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Bumper Earnings growth backed by OMCs

In Q1 the 'Oil & Gas sector' in our coverage universe showed a sharp jump, with EBITDA likely up 33% YoY/17% QoQ to Rs1,061bn and PAT up 53% YoY/19% QoQ to Rs540bn. Key factors driving sector growth include (1) super-normal GMM on petrol & diesel with minimal impact of Rs1.8/lt from LPG under-recovery; (2) a rebound of Singapore GRM to US$5.6/bbl from a 15-quarter low of US$3.1/bbl; (3) a 37% decline in LPG under-recovery, raising hopes for government compensation; (4) expectation of QoQ margin improvements in CGDs despite APM de-allocation, supported by lower crude-linked LNG cost with reduction in HH prices and INR appreciation of 1% QoQ. We, thereby, expect CGDs to post EBITDA/PAT growth of 13%/11% QoQ. However, in Q1FY26, India's LNG imports declined 4% YoY, and PLNG lost 7% market share vs. last year to other LNG terminals. Dahej/Kochi utilisation to be 92%/25% in Q1FY26. GAIL's transmission volume would be impacted due to lower gas consumption by power/Fert. Plants. Our Top Picks are MAHGL, HPCL & RELIANCE.

OMCs: Bumper Earnings

HPCL/BPCL/IOCL to report EBITDA of Rs93bn (+342% YoY, +60% QoQ) / Rs108bn (+92% YoY, +40% QoQ)/ Rs172bn (+99% YoY, +27% QoQ) respectively, primarily driven by (1) super normal GMM on petrol/diesel @ an avg. of Rs13/lt vs. Rs8/lt in Q4; (2) a 37% QoQ decline in LPG under-recovery due to falling LPG prices and a Rs50/cyl. cut in Apr'25, 3) Govt. increased Rs2/lt excise duty on petrol & diesel in Apr'25 to compensate the domestic LPG under-recovery; if in case compensation is provided, then could lift equity value by Rs7/Rs4/Rs2 per sh (fall in net debt) resp; (4) Sing Benchmark GRM jumped 80% QoQ on account of stronger diesel, petrol, LPG, and ATF cracks; and (5) restored Russian crude supply.

CGD: Margin improvement on cheap gas cost to drive earnings growth

CGDs to post jump in EBITDA/PAT by 13%/11% QoQ mainly due to sharp decline in gas cost and partial CNG price hike. CGDs are expected to post marginal decline in earnings on YoY. MAHGL is the biggest beneficiary of the 25% decline in HH gas price because 35% of the MAHGL's gas sourcing is linked to H-H. Our calculation suggests that reduction in sequential gas cost of GUJGA/MAHGL/IGL would be Rs2.5/Rs2.0/Rs1.5 per scm. **MAHGL**: As per VAHAN, CNG registrations run rate of 8k/m was +1% YoY but CNG adoption was 47% vs. 39% in Q1FY25. Thus, we expect CNG volume to grow +8% YoY, and +2% QoQ. We expect EBITDA of Rs10.5/scm. **IGL**: As per VAHAN, IGL GA registered >11k/m CNG vehicles in Q1FY26, we expect modest CNG volume growth of 3% QoQ due to the holiday season in schools and offices at Delhi. We expect IGL's EBITDA of Rs6.5/scm. **GUJGA**: We expect a 3% QoQ decline in total sales volume on account of Morbi PNG (I) volume of 2.63mmscmd (-11% QoQ, -48% YoY) in Q1FY26. We expect EBITDA of Rs6.8/scm.

RELIANCE: Strong O2C & healthy Retail, Telecom growth to drive earnings

EBITDA growth of 17% YoY and 4% QoQ will be primarily driven by (1) robust O2C performance fueled by strong GRM, improved petrochemical margins, 11% QoQ decline in ethane prices, alongside super normal GMM on the petrol & diesel, with ~60% Russian crude processed/imported in Apr+May'25; (2) healthy double digit revenue/EBITDA growth in retail segment on YoY basis; and (3) telecom subscriber addition of 8mn with ARPU growth of 2.1% QoQ to Rs210.6.

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Exhibit 1: Strong O2C & healthy Retail, Telecom growth to drive earnings

(Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
RELIANCE					
Revenue	2,255,117	2,613,880	2,317,840	(13.7)	(2.7)
EBITDA	453,691	438,320	387,650	3.5	17.0
PAT	196,004	194,070	151,380	1.0	29.5
EPS	14.5	14.3	11.19	1.0	(29.5)
Operating metrics - assumption					
Refinery Throughput - MMT	16.2	16.7	16.3	(3.3)	(0.6)

Source: Company, Dolat Capital

Exhibit 2: HPCL – Highest earnings growth among the OMCs

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
HPCL					
Revenue	974,703	1,094,924	1,138,045	(11.0)	(14.4)
EBITDA	93,086	58,038	21,076	60.4	341.7
PAT	58,318	33,550	3,558	73.8	1,539.1
Operating metrics - assumption					
GRM - US$/bbl (Incl. invt gain)	8.1	8.4	5.0	(4.2)	60.8
Refinery Throughput - MMT	6.6	6.7	5.8	(2.0)	14.7
Oil Product Sales volume - MMT	13.0	12.7	12.6	2.3	2.9
Auto fuel gross margins (Rs/lt)	13.1	8.1	4.4	61.7	197.7

Source: Company, Dolat Capital

Exhibit 3: BPCL – 2nd Best earnings growth among the OMCs

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
BPCL					
Revenue	1,118,408	1,111,790	1,130,960	0.6	(1.1)
EBITDA	108,743	77,649	56,505	40.0	92.5
PAT	68,264	49,880	30,148	36.9	126.4
Operating metrics - assumption					
GRM - US$/bbl (Incl. invt gain)	8.8	9.2	7.9	(4.3)	12.0
Refinery Throughput - MMT	10.2	10.6	10.1	(4.1)	0.4
Oil Product Sales volume - MMT	14.0	13.7	13.4	1.8	4.0
Auto fuel gross margins (Rs/lt)	13.1	8.1	4.4	61.7	197.7

Source: Company, Dolat Capital

Exhibit 4: IOCL - Despite perplexed inventory calculations; we assume loss

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
IOCL					
Revenue	1,882,828	1,949,670	1,932,355	(3.4)	(2.6)
EBITDA	171,734	135,725	86,347	26.5	98.9
PAT	87,610	72,638	26,432	20.6	231.5
Operating metrics - assumption					
GRM - US$/bbl (Incl. invt gain)	7.5	7.9	6.4	(4.4)	17.4
Refinery Throughput - MMT	18.6	18.5	18.2	0.4	2.5
Oil Product Sales volume - MMT	23.7	23.2	22.7	2.2	4.5
Auto fuel gross margins (Rs/lt)	13.1	8.1	4.4	61.7	197.7

Source: Company, Dolat Capital

GAIL: Sharp decline in transmission volume YoY to drag earnings

India's gas consumption declined 10% YoY (Apr+May'25) & 1% QoQ in Q1FY26. Thus, we expect GAIL's transmission volume to be 124mmscmd. The sizeable volume taken by GIGL is still not back to GAIL. Petrochemical plant utilization is ~75% on account of plant maintenance shutdown in Apr'25, but with weaker margins. LPG to take profitability hit sequentially, mainly due to declining LPG prices and an increase of US$0.14/mmbtu APM price as feedstock. Gas Trading volume to improve on the back of 0.75mmtpa Qatar LNG supplies starting from Apr'25.

Exhibit 5: GAIL- Sharp decline in transmission volume YoY to drag earnings

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
GAIL					
Revenue	283,404	357,075	336,916	(20.6)	(15.9)
EBITDA	31,843	32,164	45,281	(1.0)	(29.7)
PAT	18,557	20,490	27,240	(9.4)	(31.9)
Operating metrics - assumption					
Gas Transmission volume - mmscmd	124.0	120.8	131.8	2.6	(5.9)
Gas Trading Volume - mmscmd	109.0	106.5	99.5	2.3	9.6
Petrochemical sales - KT	169.0	229.0	169.0	(26.2)	0.0

Source: Company, Dolat Capital

IGL: CNG price hike + sharp decline in gas cost to boost margins sequentially

As per VAHAN, IGL GA registered ~11k/m CNG vehicles in Q1FY26, we expect modest CNG volume growth of 3% QoQ due to holiday season in schools and Govt. offices in Delhi. IGL raised CNG prices in the "Delhi" region, which will likely boost the overall realization by ~Rs0.8/scm. We expect IGL's cost of gas to decline sequentially by ~Rs1.5/scm mainly due to (1) improved allocation of NWG; (2) 10% decline in crude price; (3) sharp decline in HH prices; (4) lower HPHT gas cost; and (5) even the spot LNG prices declining. Thus, we expect IGL's unit EBITDA to improve Rs6.5/scm from Rs4.6/scm in Q4 (adjusted).

Exhibit 6: IGL - Price hike + sharp decline in gas cost to boost margins QoQ

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ (%)	YoY (%)
IGL					
Revenue	39,130	39,506	35,206	(1.0)	11.1
EBITDA	5,399	4,972	5,819	8.6	(7.2)
PAT	3,668	3,492	4,015	5.0	(8.6)
EPS	2.6	2.5	2.9	5.0	(8.6)
Operating metrics - assumption					
Total Sales volume- mmscmd	9.3	9.2	8.6	0.9	7.4
EBITDA per unit - Rs/scm	6.5	6.0	7.4	7.6	(12.6)

Source: Company, Dolat Capital

MAHGL: Volume growth intact with improvement of margins on CNG price hike + reduction in gas cost

As per VAHAN, the CNG registrations run rate of 8k/m was +1% YoY, but CNG adoption was 47% vs. 39% in Q1FY25. Thus, we expect MAHGL to post a CNG volume of 3.0mmscmd (+8% YoY, and +2% QoQ). The full benefit of the Rs2/kg CNG price hike is likely improve realization by Rs0.8/scm QoQ. MAHGL will be the biggest beneficiary of sharp decline in HH gas price by 25% QoQ. 65% of the gas cost linked to crude (directly/in-directly) to drag gas cost on account of 10% crude price decline. Thus, we expect unit EBITDA of Rs10.5/scm.

Exhibit 7: MAHGL- Volume growth + Margin improvement = earnings growth

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
MAHGL					
Revenue	18,535.9	18,648.7	15,896.3	(0.6)	16.6
EBITDA	4,033.8	3,783.9	4,184.8	6.6	(3.6)
PAT	2,712.2	2,522.1	2,845.3	7.5	(4.7)
EPS	27.5	25.5	28.8	7.5	(4.7)
Operating metrics - assumption					
Total Sales volume- mmscmd	4.25	4.19	3.86	1.3	10.1
EBITDA per unit - Rs/scm	10.5	10.0	11.9	5.2	(11.5)

Source: Company, Dolat Capital

GUJGA: Volume at risk but margins near to peak

We expect 3% QoQ decline in overall sales volume to 9mmscmd on account of Morbi PNG (I) volume of 2.63mmscmd (-11% QoQ, -48% YoY) in Q1FY26. Morbi PNG (I) would be the lowest volume in last 10 quarters. However, GUJGA will be the beneficiary of fall in crude price by 10% QoQ. As per our estimates overall gas cost to reduce by Rs2.5/scm. Thus, we expect unit EBITDA of Rs6.8/scm.

Exhibit 8: GUJGA - Volume at risk but margins near to peak

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
GUJGA					
Revenue	38,668	41,020	44,503	(5.7)	(13.1)
EBITDA	5,566	4,495	5,356	23.8	3.9
PAT	3,436	2,872	3,298	19.6	4.2
Operating metrics - assumption					
Total Sales volume- mmscmd	9.0	9.3	11.0	(3.3)	(18.1)
PNG Industrial volume - mmscmd	4.7	5.0	7.3	(5.9)	(34.7)
EBITDA per unit - Rs/scm	6.8	5.4	5.4	26.6	26.9

Source: Company, Dolat Capital

PLNG: Continued to lose market share; Dabhol impact visible

In Q1FY26, India's LNG imports declined 4% YoY, and the PLNG re-gas volume pace is slowed mainly due to the loss of market share. We expect total re-gas volume of 224tbtu (-15% YoY) mainly due to breakwater facility commissioned at Dabhol (GAIL) - Dabhol terminal operated at 49% utilization in Jun'25. In addition, PLNG has lost 7% market share in the last 1 year to other LNG terminals. We expect Dahej/Kochi terminal utilisation would be 92%/25% in Q1FY26. Earnings will be impacted due to the provision of Rs1.3bn for "Use or Pay".

Exhibit 9: PLNG - Continued to lose market share; Dabhol impact visible

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
PETRONET LNG					
Revenue	99,212.1	123,157.5	134,151.3	(19.4)	(26.0)
EBITDA	12,189.2	15,129.2	15,630.1	(19.4)	(22.0)
PAT	8,758.2	10,701.8	11,415.8	(18.2)	(23.3)
Operating metrics - assumption					
Total Re-gas Volume - tbtu	224.0	205.0	262.0	9.3	(14.5)
Dahej volume - tbtu	208.0	189.0	248.0	10.1	(16.1)
Kochi Volume - Tbtu	16.0	16.0	14.0	0.0	14.3

Source: Company, Dolat Capital

Exhibit 10: GSPL – No boost to volume from power & Fertilizer

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
GSPL					
Revenue	2,437	2,381	3,543	2.4	(31.2)
EBITDA	1,650	1,247	3,010	32.3	(45.2)
PAT	1,076	707	2,120	52.1	(49.3)
EPS	1.9	1.3	3.8	52.1	(49.3)

Source: Company, Dolat Capital

Exhibit 11: ONGC – QoQ jump on the back of lower assumptions for dry well

Particulars (Rs Mn)	Q1FY26E	Q4FY25	Q1FY25	QoQ(%)	YoY(%)
ONGC					
Revenue	333,288	349,822	352,664	(4.7)	(5.5)
EBITDA	173,716	139,614	169,747	24.4	2.3
PAT	91,089	64,483	89,381	41.3	1.9

Source: Company, Dolat Capital

Exhibit 12: Oil & Gas sector Preview

(Rs bn)	Revenue			EBITDA			EBITDA Margin (%)			PAT		
Company	**Q1FY26E**	**YoY(%)**	**QoQ(%)**	**Q1FY26E**	**YoY(%)**	**QoQ(%)**	**Q1FY26E**	**YoY(bps)**	**QoQ(bps)**	**Q1FY26E**	**YoY(%)**	**QoQ(%)**
GAIL	283.4	(15.9)	(20.6)	31.8	(29.7)	(1.0)	11.2	(220)	223	18.6	(31.9)	(9.4)
GSPL	2.4	(31.2)	2.4	1.6	(45.2)	32.3	67.7	(1726)	1530	1.1	(49.3)	52.1
GUJ GAS	38.7	(13.1)	(5.7)	5.6	3.9	23.8	14.4	236	344	3.4	4.2	19.6
IGL	39.1	11.1	(1.0)	5.4	(7.2)	8.6	13.8	(273)	121	3.7	(8.6)	5.0
MAH GAS	18.5	16.6	(0.6)	4.0	(3.6)	6.6	21.8	(456)	147	2.7	(4.7)	7.5
PLNG	99.2	(26.0)	(19.4)	12.2	(22.0)	(19.4)	12.3	63	0	8.8	(23.3)	(18.2)
RELIANCE	2255.1	(2.7)	(13.7)	453.7	17.0	3.5	20.1	339	335	196.0	29.5	1.0
BPCL	1118.4	(1.1)	0.6	108.7	92.5	40.0	9.7	473	274	68.3	126.4	36.9
HPCL	974.7	(14.4)	(11.0)	93.1	341.7	60.4	9.6	770	425	58.3	1539.1	73.8
IOC	1882.8	(2.6)	(3.4)	171.7	98.9	26.5	9.1	465	216	87.6	231.5	20.6
ONGC	333.3	(5.5)	(4.7)	173.7	2.3	24.4	52.1	399	1221	91.1	1.9	41.3

Source: Company, 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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