INSTITUTIONAL RESEARCH

Oil and Gas

Sequential recovery in OMCs' performance

We project EBITDA for our coverage universe to jump up 69.7% QoQ but decline by 26.7% YoY. The sharp increase in sequential numbers is owing to a recovery in OMCs' performance. Revenue from upstream companies declined by 3.4% QoQ while increasing 36.5% YoY. Sequential decline in revenue is largely due to lower crude oil realizations (Brent average was USD 91.4/bbl in Q2FY27 vs. USD 96.6/bbl in Q1FY27). EBITDA for upstream companies is estimated to decline by 9.0% QoQ, while rise by 60.5% YoY. Strong GRMs and narrowed marketing margin losses across MS, HSD and ATF have resulted in EBITDA rebound sequentially for OMCs. For CGD entities, profitability remains constrained as elevated LNG prices and falling rupee against the USD offset retail price hikes taken by the companies. This has resulted in a fall in per unit EBITDA sequentially, despite healthy sales volume growth.

On the midstream front, GAIL's EBITDA is projected to fall to INR 43.9bn (vs. INR 63.8 bn in Q1FY27), led by normalization in the trading business and weak natural gas marketing. PLNG's EBITDA is expected to remain flattish QoQ at INR 15.1bn. We expect third-party tolling business volumes to compensate the volume losses in the long-term contracted business.

- **Upstream:** In Q2FY27, ONGC's revenue is estimated to decline by 4.6% QoQ mainly due to lower realizations QoQ (crude oil -8.8% and natural gas -1.1%). Crude oil sales volume is expected to grow by 0.7% QoQ, while natural gas is expected to grow by 2.8% QoQ. Conversely, OIL's revenue is expected to increase by 3.1% QoQ, aided by crude oil and natural gas sales volume growth QoQ of +6.2% and +6.8% respectively. EBITDA for ONGC and OIL are projected at INR 263.3/42.0 bn in Q2FY27 (vs INR 294.5/40.8 bn in Q1FY27).
- **OMCs:** We estimate core GRM of USD 41.5/24.5/23.0 per bbl for BPCL/HPCL/IOCL respectively in Q2FY27 (vs USD 40.9/23.6/39.5 per bbl in Q1FY27), aided by strong product cracks. Sharp increase in crude oil prices toward the end of the quarter shall result in the inventory gains. However, crude throughput is expected to decline QoQ for IOCL (-7.3%) and HPCL (-2.9%), whereas for BPCL, it is set to expand (+4.7%). Compared to previous quarter, marketing losses for the quarter are expected to reduce owing to recovery in gross marketing margins for auto fuels and fall in LPG under recoveries. However, marketing volume is expected to decline QoQ. OMCs EBITDA are projected to improve QoQ to INR 70.3/45.9/-81.7bn for IOCL/BPCL/HPCL respectively in Q2FY27 (vs INR 20.2/-40.8/-161.4 bn in Q1FY27).
- **CGDs:** We estimate a healthy sales volume growth of 3.0%/2.4%/0.4% QoQ for MGL/IGL/IRM respectively in Q2FY27. We anticipate a soft per unit EBITDA margin QoQ, led by higher gas costs (especially spot prices due to LNG flow disruptions via the Strait of Hormuz) and fall in rupee against the USD, which outweigh the benefits of price hikes taken by CGD players. We expect per unit EBITDA margin to stand at INR 9.5/7.1/3.9 per scm for IRM energy/MGL/IGL respectively in the quarter (vs 10.5/7.9/3.4 per scm in Q1FY27). However, IGL's margin is expected to improve QoQ, led by a higher CNG volume share.
- **GAIL/Petronet LNG:** In Q2FY27, GAIL's gas transmission volume is projected to grow 5.4% QoQ to 129 mmscmd, though EBITDA is expected to drop to INR 43.9bn (vs INR 63.8bn in Q1FY27) due to trading normalization and weak gas marketing. For Petronet LNG (PLNG), EBITDA is estimated at INR 15.1bn (vs INR 15.3bn in Q1FY27) as total volumes decline to 207 tbtu in Q2FY27 (vs 219 tbtu in Q1FY27) as well as due to lower realizations and elevated delivery costs (especially spot prices).

Companies	RECO	TP (INR)
ONGC	REDUCE	246
OIL	BUY	568
GAIL	ADD	183
PLNG	REDUCE	280
IOCL	BUY	145
BPCL	BUY	430
HPCL	BUY	445
IGL	BUY	226
MGL	BUY	1,665
IRM	BUY	369

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Priya Gupta
priya.gupta1@hdfcsec.com
+91-22-6171-7361

Aditya Iyer
aditya.iyer@hdfcsec.com
+91-22-6171-7356

Exhibit 1: Preview – Q2FY27 financial summary

Companies	Revenue (INR bn)			EBITDA (INR bn)			Adjusted PAT (INR bn)		
	Q2FY27E	YoY %	QoQ %	Q2FY27E	YoY %	QoQ %	Q2FY27E	YoY %	QoQ %
ONGC	443.4	34.2	-4.6	263.3	48.8	-10.6	161.0	63.5	-5.5
OIL	82.1	50.4	3.1	42.0	217.0	2.8	30.7	194.3	7.0
GAIL	450.9	28.8	15.8	43.9	37.6	-31.1	30.8	38.8	-28.3
PLNG	57.3	-47.9	3.2	15.1	34.9	-1.6	11.1	37.6	-2.1
IOCL	2,444.9	36.7	-6.8	70.3	-51.8	248.9	16.8	-77.9	N.A.
BPCL	1,389.2	32.4	-8.1	45.9	-53.0	N.A.	23.0	-64.2	N.A.
HPCL	1,299.3	28.9	-7.5	-81.7	N.A.	N.A.	-76.2	N.A.	N.A.
IGL	47.6	18.4	3.9	3.5	-19.9	20.1	2.8	-25.0	50.1
MGL	25.4	23.7	6.9	3.2	-5.3	-6.7	1.8	-9.1	-9.3
IRM Energy*	3.4	29.1	2.8	0.6	112.9	-8.0	0.3	147.6	-8.0
Total O&G	**6,243.5**	**31.3**	**-5.5**	**406.2**	**-26.7**	**69.7**	**202.1**	**-37.6**	**166.2**

Source: Company, HSIE Research.
Note: * Consolidated figures

Exhibit 2: Change in estimates

Particulars	EBITDA OLD (INR bn)		EBITDA NEW (INR bn)		CHANGE %		EPS OLD		EPS NEW		CHANGE %	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
ONGC	1,086.7	1,094.9	1,292.3	1,244.9	18.9	13.7	42.9	43.2	48.1	45.0	12.0	4.1
OIL	210.6	196.7	210.6	196.7	0.0	0.0	84.2	68.2	84.2	68.2	0.0	0.0
GAIL	101.2	114.4	140.3	107.5	38.6	-6.1	9.6	10.8	13.9	9.7	44.9	-10.0
PLNG*	58.7	59.1	58.7	59.1	0.0	0.0	27.6	25.1	27.6	25.1	0.0	0.0
IOCL	725.0	726.0	726.0	726.4	0.1	0.1	24.1	30.9	22.9	29.7	-4.9	-3.7
BPCL	291.0	358.0	306.3	374.4	5.3	4.6	40.9	55.5	54.4	58.8	33.1	6.0
HPCL	258.0	302.0	230.1	298.6	-10.8	-1.1	62.5	79.2	60.6	79.5	-3.1	0.3
IGL	18.9	22.9	20.9	25.3	10.8	10.3	12.4	14.7	14.7	17.3	18.5	17.6
MGL	14.1	16.6	14.1	16.6	0.0	0.0	79.6	92.7	80.0	93.5	0.5	0.8
IRM Energy	1.7	2.0	1.7	2.0	0.0	0.0	22.6	24.4	25.2	28.6	11.4	17.2

Source: Company, HSIE Research. Note: * Standalone figures

Exhibit 3: Key financial summary

Companies	Net Revenue (INR bn)		EBITDA (INR bn)		Adjusted PAT (INR bn)		Adjusted EPS	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
ONGC	8,316.5	8,300.3	1,292.3	1,244.9	604.5	565.9	48.1	45.0
OIL	600.2	695.4	210.6	196.7	136.9	110.9	84.2	68.2
GAIL	1,649.3	1,609.4	140.3	107.5	91.5	63.9	13.9	9.7
PLNG*	339.6	442.1	58.7	59.1	41.4	37.7	27.6	25.1
IOCL	9,099.2	8,996.6	726.0	726.4	336.5	433.4	22.9	29.7
BPCL	5,850.9	5,877.9	306.3	374.4	236.1	255.1	54.4	58.8
HPCL	5,574.3	5,669.6	230.1	298.6	128.9	169.1	60.6	79.5
IGL	208.8	222.3	20.9	25.3	20.6	24.2	14.7	17.3
MGL	95.8	109.2	14.1	16.6	7.9	9.2	80.0	93.5
IRM Energy	12.9	15.2	1.7	2.0	1.0	1.2	25.2	28.6

Source: Company, HSIE Research. Note: * Standalone figures

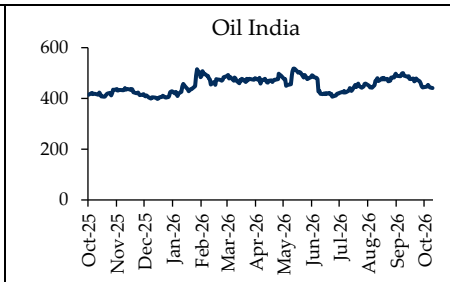
Exhibit 4: Valuation table

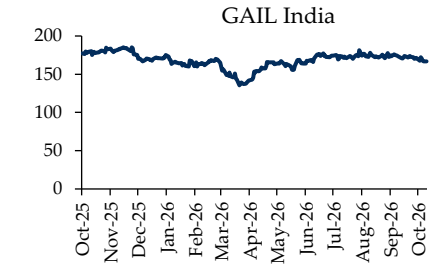
Companies	Mcap (INR bn)	CMP (INR)	EV/EBITDA (x)		P/E (x)		Target Price		RECO	
			FY27E	FY28E	FY27E	FY28E	OLD	NEW	OLD	NEW
ONGC	2,768	220	3.1	3.1	4.6	4.9	276	246	REDUCE	REDUCE
OIL	718	442	5.2	5.5	5.2	6.5	568	568	BUY	BUY
GAIL	1,097	167	9.4	12.2	12.0	17.2	174	183	ADD	ADD
PLNG*	436	291	7.0	8.0	10.5	11.6	280	280	REDUCE	REDUCE
IOCL	1,770	125	3.9	3.7	6.0	4.6	156	145	BUY	BUY
BPCL	1,345	285	5.3	4.1	5.7	5.3	393	430	BUY	BUY
HPCL	707	332	5.3	3.8	5.5	4.2	460	445	BUY	BUY
IGL	201	144	8.4	6.8	9.8	8.3	209	226	BUY	BUY
MGL	101	1,021	6.1	5.1	12.8	10.9	1,694	1,665	BUY	BUY
IRM Energy	11	257	4.8	4.2	10.2	9.0	473	369	BUY	BUY

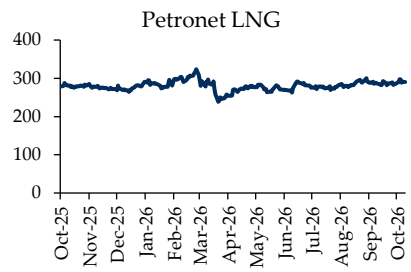
Source: Company, HSIE Research. Note: * Standalone figures

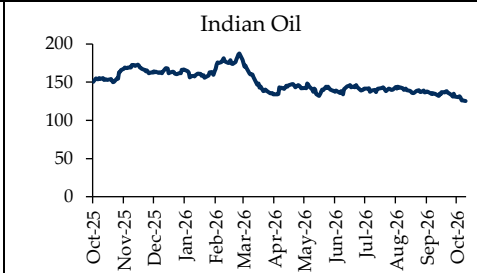
Price history

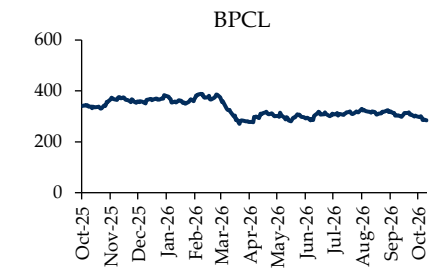


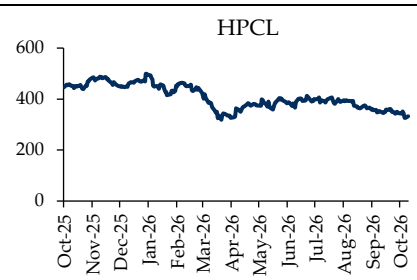


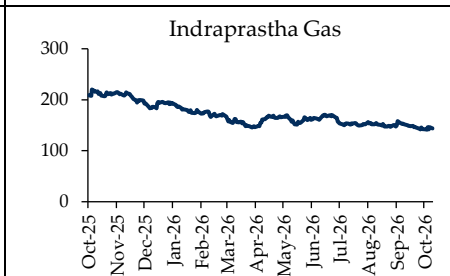


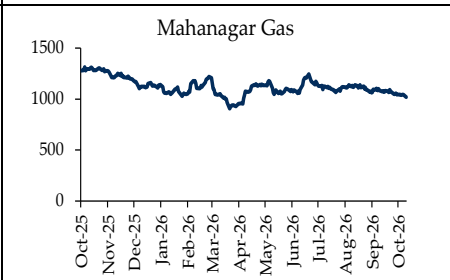


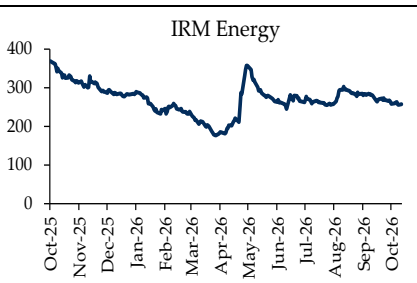












Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:

We, **Nilesh Ghuge, MMS, Priya Gupta, M.Sc. Finance & Aditya Iyer, PGDM** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

Any holding in the stock - NO

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. "This report may have been refined using AI tools to enhance clarity and readability."

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg(East), Mumbai 400 042 Tel.: +91-22-30753400 Fax: +91-22-30753435 www.hdfcsec.com

Compliance Officer: Murli V Karkera, Contact: +91 022-69151436, Email: complianceofficer@hdfcsec.com, For any complaints / grievance: services@hdfcsec.com

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475. BSE Enlistment Number: 5159; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Funds' Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, enlistment as RA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

SEBI Registration & Disclaimer https://www.hdfcsec.com/article/disclaimer-1795.

HDFC Securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com