WILLIAM O'NEIL INDIA

OIL'S HISTORIC CRASH
AND REPERCUSSIONS

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Unwillingness among investors to accept physical delivery at the time of settlement forced them to dump their contracts at all costs, resulting in negative

Oil slides down the slippery slope

U.S. oil's slide into the negative territory triggered a flurry of speculation, sending market participants across the world into a tizzy. Economics of crude oil turned into the talk of the town as the world gauged the impact of a historic crash in WTI crude oil prices on the global economy. The unexpected turn of events unfolded after technical factors got triggered in the face of May futures' expiry. Unwillingness among investors to accept physical delivery at the time of settlement forced them to dump their contracts at all costs, resulting in negative prices. It was the lack of inventory to store crude that investors embraced the idea of paying to get these front-month contracts off their hands. In the preceding three weeks, crude oil inventories at Cushing, Oklahoma had surged 40%, according to consensus, and were forecast to hit the peak of ~78mb by the end of May.

One pertinent question was, why were June futures priced at $20 a barrel when May WTI futures turned negative? This could be due to a couple of reasons:

1. Demand may recover by June as lockdowns are lifted across the world, and economic activity resumes.
2. Consensus expects that storage space to be freed up as existing inventory draws down.

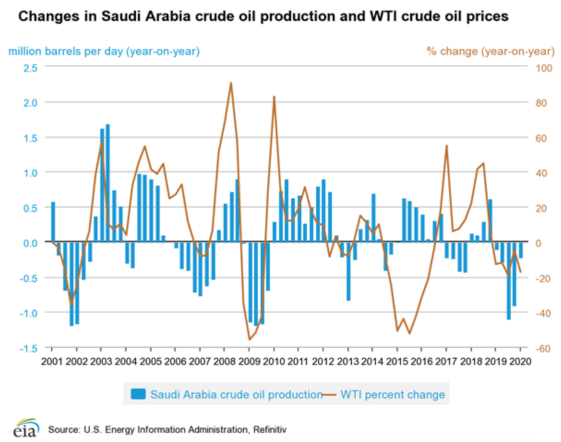
Now, let us try to understand how crude oil price gets impacted, the economics of production cost, the impact of crude oil price on gas price, impact on India's economy, and sectors and stocks in focus due to crude oil.

What drives crude oil prices?

Oil production: OPEC and Non-OPEC

OPEC contributes ~40% of the world's crude oil production. Saudi Arabia, being the leadingproducer, has a significant impact on changes in oil prices.

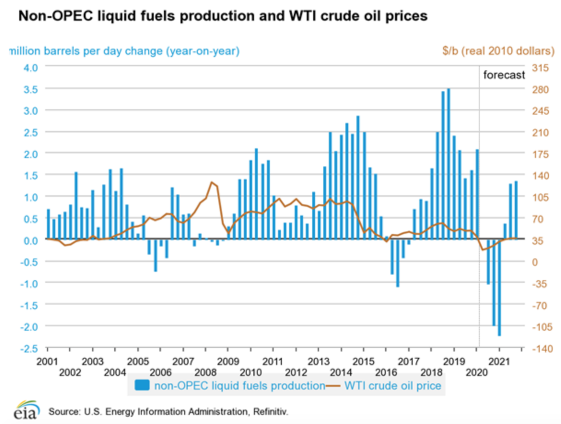
Organization of the Petroleum Exporting Countries (OPEC) contributes ~40% of the world's crude oil production. OPEC manages production in its member countries by setting production targets according to demand and supply. OPEC's production decisions affect crude oil prices globally. Historically, there has been a significant increase in crude oil prices, with OPEC cutting production targets. Among OPEC, Saudi Arabia, being the leading producer, has a significant impact on changes in oil prices.



Non-OPEC's Oil production

Oil production from countries outside the OPEC accounts for the other 60% of the world's oil production.

Oil production from countries outside the OPEC accounts for the other 60% of the world's oil production. North America, regions of the former Soviet Union, and the North Sea are some of the leading producers. There is no central coordination among non-OPEC producers. The decision related to oil production is taken independently. There is one more major difference between OPEC and non-OPEC. In OPEC countries, oil production decisions are mostly taken by national oil companies, while investor-owned oil companies are the decision-makers in non-OPEC countries.



Economics of production cost:

The shale oil production take more time to drill and more basic inputs like drill stem, increasing the overall cost of drilling.

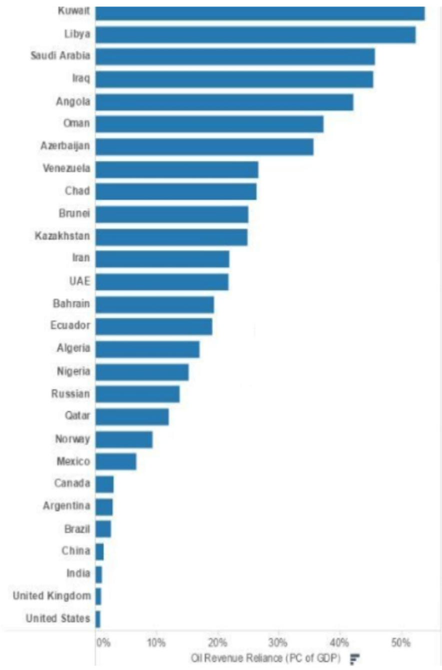
Generally, a conventional method of drilling oil is used by leading oil producers like Saudi and other middle eastern countries. For a conventional method, the set up needs a rig, drill stem, casing, the crew, and all the other pieces that go into a vertical well. The shale oil production in the U.S. and Canada is different. Instead of drilling just past the target deposit, the wells will take a 90-degree turn in the deposit and run alongside it horizontally. These types of well take more time to drill and more basic inputs like drill stem, increasing the overall cost of drilling.

shale oil wells may have a break-even of more than $40 a barrel, and it makes sense for these firms to suspend drilling when crude oil price dips significantly.

Also, once a well is drilled and perforated, a lot of water, proppants, and chemicals are pumped down the hole to fracture the formation and allow the oil to flow back into the pipe. All of this adds to the cost of the well. That is the reason that shale oil wells may have a break-even of more than $40 a barrel, and it makes sense for these firms to suspend drilling when crude oil price dips significantly.

In conventional oil production, generally, a hole has been drilled straight down into a deposit. A pump is used to pull the deposit to the surface. The cost-per-barrel of conventional deposits is generally low. Consensus estimates that Saudi produces the cheapest oil (under $10 a barrel). The other middle east countries have a production cost of around $20 a barrel.

However, economies of countries like Saudi Arabia, UAE, Iran, Iraq, and Kuwait can face serious repercussions due to lower oil prices. The governments of these countries are more dependent on oil for spending and social programs.



Source: World Bank, World Economic Forum, CNBC

Top Producers

Country	Million barrels per day	Share of world total
United States	19.51	19%
Saudi Arabia	11.81	12%
Russia	11.49	11%
Canada	5.50	5%
China	4.89	5%
Iraq	4.74	5%
United Arab Emirates	4.01	4%
Brazil	3.67	4%
Iran	3.19	3%
Kuwait	2.94	3%
Total top 10	71.76	71%
World total	100.63	

Source: EIA

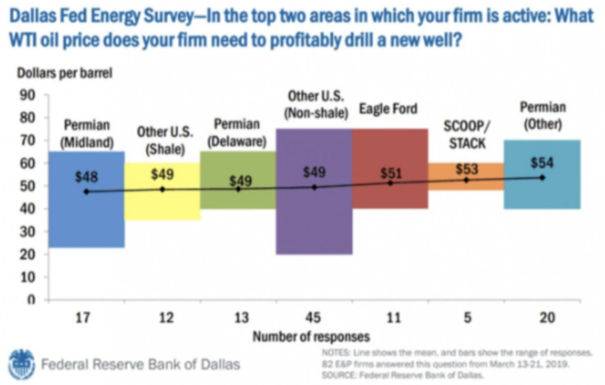
Active oil rigs in the U.S. can drop to a historical low:

In the week of April 24, drillers cut 60 oil rigs, bringing the total count down to 378.

Consensus estimates that by the end of 2020, rigs would be down to 200-250 from around 800 at the end of 2019.

In the aftermath of the crude oil price declining more than 70% since the start of the year, U.S. energy firms sharply cut their oil rigs (an apparatus constructed for oil drilling) in April. The cut is the highest since 2015. In the week of April 24, drillers cut 60 oil rigs, bringing the total count down to 378. It was down 53% from the year-ago period when the oil rig count was 805. In April, 246 oil rigs were cut by drillers. This dramatic cut is the biggest monthly drop since January 2015. Consensus estimates that by the end of 2020, rigs would be down to 200-250 from around 800 at the end of 2019.

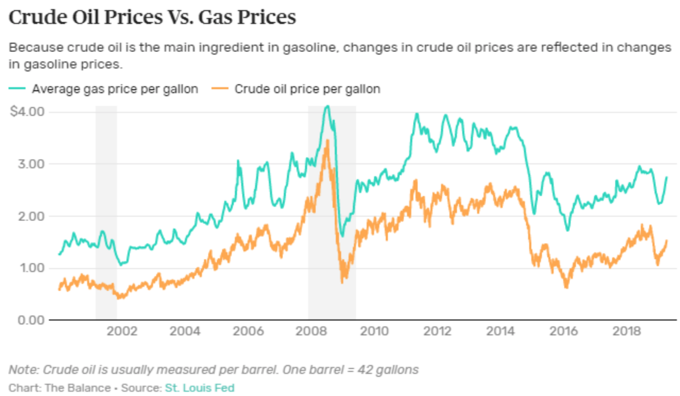
Breakeven Prices for New Well in U.S.



Crude oil and Gas Price

Spot LNG prices is down more than 70% since the peak of $6.80 per mmBtu in October 2019.

Consensus estimates that crude oil prices make up ~70–75% of the price of gasoline. The other cost depends on refinery and distribution costs. Spot LNG prices in Asia have declined sharply. In the week ended April 24, spot LNG prices hit record lows as price for delivery to North Asia slipped to $1.95 per million British thermal units (mmBtu). The price is down more than 70% since the peak of $6.80 per mmBtu in October 2019.



Domestic Gas pricing in India:

The government recently reduced the price of domestically produced natural gas by 26% to $2.39/mmbtu This price is not determined by demand-supply dynamics in the market, and it is fixed every six months based on a formula. As per the formula, the price is the output of the weighted-average price of four global bench-marks — the U.S.-based Henry Hub, Canada-based Alberta gas, the U.K.-based NBP, and Russian gas. Prices of these global benchmarks in the prior year are taken as an input, and the price comes with the lag of a quarter.

Crude Oil production in India

-32,173 Thousand Tonne (TMT) in 2019-2020, the lowest level of production in at least 18 years.

Financial Year	Figures in Thousand Tonne	% growth
2002-03	33,044	
2003-04	33,373	0.99
2004-05	33,981	1.82
2005-06	32,190	(5.27)
2006-07	33,988	5.58
2007-08	34,118	0.38
2008-09	33,508	(1.78)
2009-10	33,690	0.54
2010-11	37,684	11.85
2011-12	38,090	1.07
2012-13	37,862	(0.59)
2013-14	37,788	(0.19)
2014-15	37,461	(0.86)
2015-16	36,950	(1.36)
2016-17	36,008	(2.54)
2017-18	35,684	(0.89)
2018-19	34,203	(4.15)
2019-20	32,173	(5.93)

Source: MoPNG

Crude oil price and India

RBI held $475.6B in forex reserve as of March 27, 2020.

The oil price drop is possibly the only positive news for India's economy during the lockdown. The country's current account balance is barely negative at 0.2% of GDP in Q3 FY20, according to the Reserve Bank of India's data. India had a current account deficit of 2.7% in the same quarter the previous year. RBI held $475.6B in forex reserve as of March 27, 2020. India's forex reserve has increased $62.7B since March 2019. This is a great comfort for an emerging economy like us during these crises. Low crude oil prices can keep inflation in check, giving the RBI room for a rate cut. RBI's governor had said while releasing the recent bi-monthly monetary policy statement, that the monetary policy committee expects the inflation to come down. But he refrained from issuing any estimates for the year.

Close to 90% of the total excise duty the government generates comes from oil.

However, between these silver linings, crude prices dropping too low can hurt the government's kitty. Close to 90% of the total excise duty the government generates comes from oil. Excluding customs, oil revenue accounted for Rs 2,63,812 crore in 2018-19. While the government recently raised the excise duty on petrol and diesel by Rs 3 per liter, there is little demand for fuel due to the lockdown. The demand is expected to remain low in FY21. So, the government's receipts FY21 could decline more and fall way short of the estimated Rs 2.4T.

privatization of BPCL can be difficult in current scenario.

State-owned BPCL was set for privatization this financial year, but that big-ticket disinvestment is now extremely difficult. The pricing power of global oil companies has declined due to the pandemic that hit the world economy. Also, cheap oil is unlikely to ease the government's fuel subsidy burden, as the finance ministry made a commitment to provide free cooking gas cylinders to about 8.3 crore women till the end of June, and it can be extended further looking at lockdown situation.

For different sectors quantum of benefit will depend on how much of the price correction is passed on to the consumers.

A lot of Indian companies depend on crude oil prices. These include tires, lubricants, footwear, fertilizers, paints, ceramics, refining, and airline companies. Margins of these companies can improve due to lower input costs. In a normal environment, this could have a positive impact on the stock prices of companies in these sectors. However, the situation due to the lockdown is different. Subdued demand may have a negative impact. The quantum of benefit will depend on how much of the price correction is passed on to the consumers. On the other hand, oil exploration companies in the country like ONGC could incur a severe impact due to declining crude oil prices.

Recently, the government increased excise duty on petrol and diesel by Rs 10/litre and Rs 13/litre respectively from May 6. At spot crude of $31/barrel, this can give fiscal comfort to India.

Looking forward.

In 2021, the demand will not increase sharply, but if production cuts remain, consensus estimates crude to be in the range of $40–50 a barrel.

Globally, consensus estimates that oil demand may not return to the pre-virus levels of 2019 for the next three-four quarters as countries slowly emerge from the lockdowns and economic slowdown. Also, some structural changes in people's behavior may affect the consumption of fuel. The lockdowns and higher oil inventories may keep crude oil price $20–30 barrel in H2 CY20. Also in 2021, the demand will not increase sharply, but if production cuts remain, consensus estimates crude to be in the range of $40–50 a barrel.
According to consensus, the demand can be down by 9-9.5M barrels per day (bpd) in 2020, as all but essential businesses across many major economies are closed and Air travel has dropped significantly. Oil and gas exploration and production companies generated ~$2.5T in revenues globally last year. A 35-40% y/y drop in revenue is estimated for this year and there can be around $1T of revenue loss.

ONGC

ONGC is a flagship national oil company of India, a Maharatna, with interests in E&P, refining, LNG, power, petrochemicals, and new sources of energy. The government of India holds the majority of shareholding of 68.93%. The company has in-house capability across the entire facets of the upstream oil and gas business. It produces 1.20mbpd of O+OEG and refines 3,00,000bpd of O+OEG. Further, the company extracts ~3 MMTPA of VAP.

Growth Drivers

Financial Performance

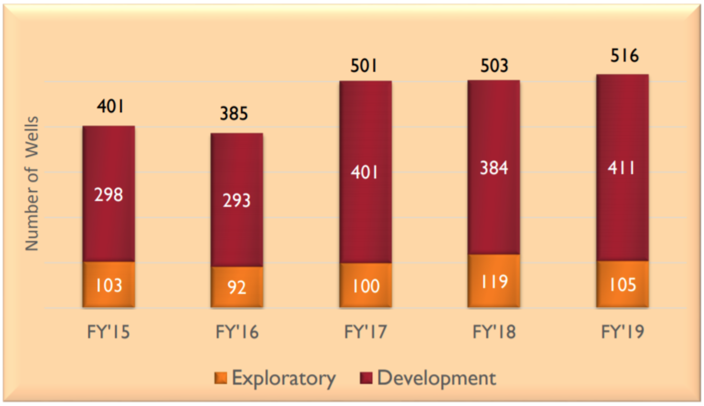
During 9M FY20, the company reported a 6% y/y decrease in gross revenue, which fell to Rs 3,20,512 crore versus Rs 3,41,144 crore in 9M FY19. Net profit declined 35% y/y to Rs 17,913 crore, compared with Rs 27,610 crore in the year-ago period.

	Q3			9 Months			Actual
	FY'20	FY'19	% Var	FY'20	FY'19	% Var	FY'19
Crude Oil Price-Nominated							
Realization (US$/bbl)	59.73	66.38	(10.0)	62.08	70.29	(11.7)	68.19
Realization (₹/bbl)	4,255	4,786	(11.1)	4,369	4,898	(10.8)	4,766
Crude Oil Price-JV							
Realization (US$/bbl)	58.24	61.00	(4.5)	62.14	66.65	(6.8)	65.97
Realization (₹/bbl)	4,148	4,399	(5.7)	4,374	4,644	(5.8)	4,611
Gas Price							
Price on GCV basis ($/mmbtu)	3.23	3.36	(3.9)	3.54	3.16	12.0	3.21

Source: Company presentation

Exploratory Details

ONGC has made 10 discoveries so far in FY20 (6 prospects and 4 pools). Of the latest three prospects, two are an extension of NW of Mumbai High PML, Western Offshore Basin, and the third one is near West Godavari PML, KG Onland Basin. During the drilling of exploratory well located near Mumbai High PML, the company successfully found the presence of commercial hydrocarbon. It has further opened-up the scope of further exploration in the western periphery of Mumbai High PML. Further, drilling results near West Godavari PML were encouraging with findings of the presence of commercial hydrocarbon. Also, the company has been drilling more than 500 wells for the last three consecutive years.



Source: Company presentation

New gas price to negatively affect the top line

The government made a significant 26% reduction in the natural gas price by benchmarking it against rates prevalent in gas-surplus nations. Post reduction, the gas price stood at USD 2.39 per million British thermal units, effective from April 1. The new rate is about 37% lower than the cost of production. For every USD 1 change, the company's revenue is impacted by Rs 4,400–4,500 crore annually.

Thus, with the latest price reduced to USD 2.39 per mmBtu from USD 3.23, the company is estimated to suffer revenue loss amounting to annual Rs 4,000 crore. Further, with a fall in crude, realizations should negatively impact the top line of both the local operators and ONGC Videsh. This may trigger the reduction in cash flow, which in turn, may result in the company reducing its capex on exploratory activities as well as drilling activities. Also, this may have negative implications for dividends

Production Performance (ONGC + Share in JVs):

	Q3			9 Months			Actual
	FY'20	FY'19	% Var	FY'20	FY'19	% Var	FY'19
Crude Oil-ONGC(MMT)	4.821	4.870	(1.0)	14.395	14.836	(3.0)	19.626
Crude Oil – JVs (MMT)	0.665	0.786	(15.4)	2.084	2.371	(12.1)	3.120
Condensate (MMT)	0.337	0.380	(11.3)	1.055	1.125	(6.2)	1.485
Total Crude Oil (MMT)	**5.823**	**6.036**	(3.5)	**17.534**	**18.331**	(4.3)	**24.231**
Gas – ONGC (BCM)	5.875	6.416	(8.4)	17.992	18.472	(2.6)	24.747
Gas – JVs (BCM)	0.298	0.275	8.4	0.865	0.781	10.8	1.063
Total Gas (BCM)	**6.173**	**6.691**	(7.7)	**18.857**	**19.253**	(2.1)	**25.810**
Value Added Products (KT)	**898**	**911**	(1.4)	**2,669**	**2,709**	(1.5)	**3,641**

Source: Company presentation

Aggressive capex investment

The company has made E&P expenditure of about Rs 1,50,000 crore in the last 5 years. Also, the company completed ten projects costing Rs 13,000 crore during FY19. Additionally, as of May 31, 2019, the company's 25 projects were under execution, out of which 18 development and 7 infrastructure projects are attributed to more than Rs 83,000 crore of investments.

Stellar performance form ONGC Videsh

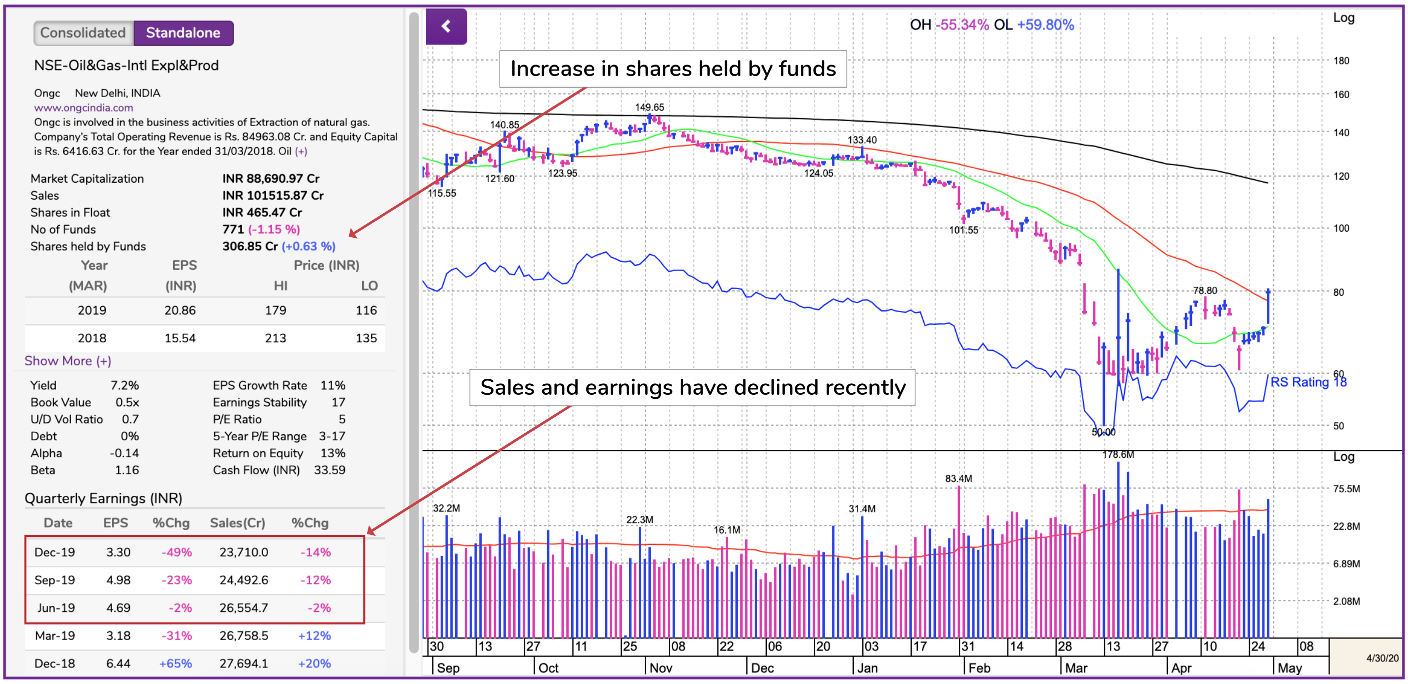
ONGC Videsh, a wholly-owned subsidiary of ONGC, has clocked a five-year CAGR of 13.7%, with the highest production of 14.83 Mmtoe. Also, the company's turnover has reached Rs 14,632 crore in FY19 with a three-year CAGR of 13.2%, and PAT reached Rs 1,682 crore in the same period with a 3-year CAGR of 30.4%.

Acquisition of Petronet MHB Ltd.

The company and its subsidiary Hindustan Petroleum Corp Ltd (HPCL) acquired a 34.56% stake in petroleum products pipeline operator Petronet MHB Ltd for about Rs 371 crore. They signed agreements with eight state-run banks to buy a 17.28% stake each in Petronet MHB. The sellers include State Bank of India, Bank of Baroda, and Canara Bank. Prior to the acquisition, ONGC and HPCL each had ownership of a 32.72% stake in Petronet MHB. The acquisition is expected to open up possible opportunities for synergy, better cost economics, and revenue maximization. Petronet MHB reported revenue from operations of Rs 158.44 crore during FY19.

ONGC Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	850.0	1,096.6	2,026.0	1,863.0
Growth % y/y	9.1	29.0	84.8	(8.0)
EBITDA	440.2	594.6	531.4	359.2
Margin %	51.8	54.0	26.2	19.3
PAT	199.5	267.2	190.1	116.8
EPS in INR	15.8	21.2	15.6	11.4
Cash and Equivalents	10.1	5.0		
Total Debt	255.9	215.9		
Cash from Operations	399.6	420.1		
Free Cash Flow	32.4	130.8	123.1	69.9
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock is hovering around its 21-DMA.

RS Rating is at 10, and the line is moving sideways.

There has been a consistent decline in earnings and sales of the stock, resulting in poor EPS strength of 55.

The stock has good buyer demand of B- indicates that there is strong professional buying of the stock.

Number of funds invested in the stocks has gone down by 1.2% in the recent quarter, while shares held by funds have gone up 0.6%.

Currently, its 50-DMA is below the 200-DMA. For a growth stock, the short-term moving average should be above the long-term moving average.

ONGC	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	279.89	276.94	267.58	265.54	242.92	237.1
Revenue growth y/y	47.50%	20.43%	11.60%	-2.40%	-12.50%	-14.40%
EBITDA	157.88	165.71	123.71	151.12	132.9	122.98
EBITDA Margin %	56.4	59.8	46.2	56.9	54.3	51.9
PAT	82.64	82.63	40.45	59.04	62.63	43.85
PAT growth y/y	61%	64%	-31.60%	-3.90%	-24.20%	-46.90%
EPS	6.6	6.6	3.2	4.7	5	3.5

in INR Billion

GAIL

Gas Authority of India Ltd is a state-owned natural gas processing and distribution company in India. Their major business portfolio includes gas transmission & marketing, petrochemicals, liquid hydrocarbons, E&P, and renewable. Gas transmission & marketing is spread more than 11,000 km with a long-term portfolio of ~14MMTPA. The petrochemicals business enjoys nearly 15% of domestic market share with a capacity of 810 KTA at Pata & 280 KTA at BCPL. Liquid hydrocarbons operate with more than 1,300 KTA of LHC capacity and more than 3.8 MMTPA of LPG capacities. E&P has a global presence in the U.S. and Myanmar. In the renewable business, the company has more than 100 MW of wind power capacity and over 10 MW of solar power capacity.

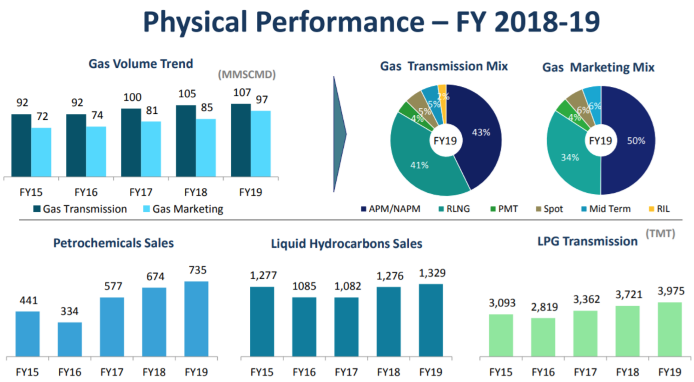
Growth Drivers

Financial Performance

The company witnessed 18% growth in PAT in Q3 FY20 to Rs. 1,251 crore, compared with Rs. 1,064 crore in Q2 FY20. PBT witnessed growth of 22% at Rs 1,872 crore, and gross margin witnessed growth of 19% at Rs. 2,385 crore. The gain in profit is majorly on account of improved physical performance and better margins in gas marketing. On a consolidation basis, the company reported gross sales of Rs 54,425 crore, compared with Rs 56,892 crore in the year-ago period. PAT stood at Rs 4,701 crore in Q3 FY20, compared with Rs 5,029 crore in Q3 FY19.

Resilient Business model

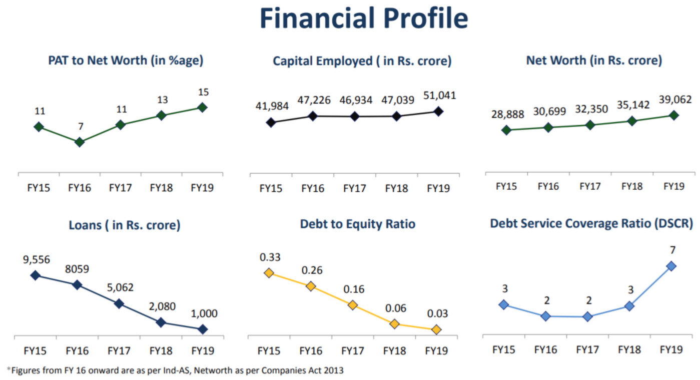
The company had been able to record solid growth in profit in Q3 FY20 despite a significant decline in petrochemical prices. This has been majorly driven by better operational efficiency and physical performance in comparison to Q2 FY20. Further, the company increased capacity utilization of the petrochemical unit at Pata, over 100% which aided to the profitability. The government of India has made a vision of expanding the share of natural gas to 15% in the energy basket of India. GAIL is expected to play a key role in meeting that target and reshaping the gas economy in the country.



Source: Company presentation

Impact of a fall in Crude

Petrochemical segments may still record losses due to a fall in crude, leading to a fall in downstream products. Further, LPG realization is expected to remain soft, while the transmission is expected to hold up at full capacity. Thus, overall earnings might remain subdued.



Source: Company presentation

Bullish Energy Outlook of India

India's energy consumption grows the fastest among all major economies by 2040, with coal contributing most to this demand, followed by renewable. India's energy consumption clocks a growth rate of 4.2% per annum, which is faster than all major economies in the world. India's demand growth of 156% outpaces each of the BRIC countries: China (+28%), Brazil (+65%), and Russia (+7%). Further, India is expected to overtake China as the largest growth market for energy by the late 2020s.

Global Primary Energy Basket – A Comparison

Region	Oil	Natural Gas	Coal	Nuclear Energy	Hydro electric	Renewables	TPE (MTOE)
World	34.2%	23.4%	25.4%	4.4%	6.8%	3.6%	13511.2
OECD	39.4%	25.7%	15.9%	7.9%	5.6%	5.4%	5605
Non- OECD	30.5%	21.7%	35.9%	1.9%	7.6%	2.3%	7906.1
Asia Pacific	28.6%	11.5%	48.4%	1.9%	6.5%	3.0%	5743.6
China	19.4%	6.6%	60.4%	1.8%	8.3%	3.4%	3132.2
India	29.5%	6.2%	56.3%	1.1%	4.1%	2.9%	753.7
Bangladesh	22.7%	69.4%	7.0%	-	0.6%	0.3%	33
Pakistan	36.1%	43.3%	8.8%	2.2%	8.7%	1.0%	80.9

(Source: BP Statistical World Energy Review, 2018)

- India is the 3rd largest energy consumer after China and US, 2nd in Coal and 3rd in Oil.
- Natural gas consumption in India is 6.2% (14th largest consumer)

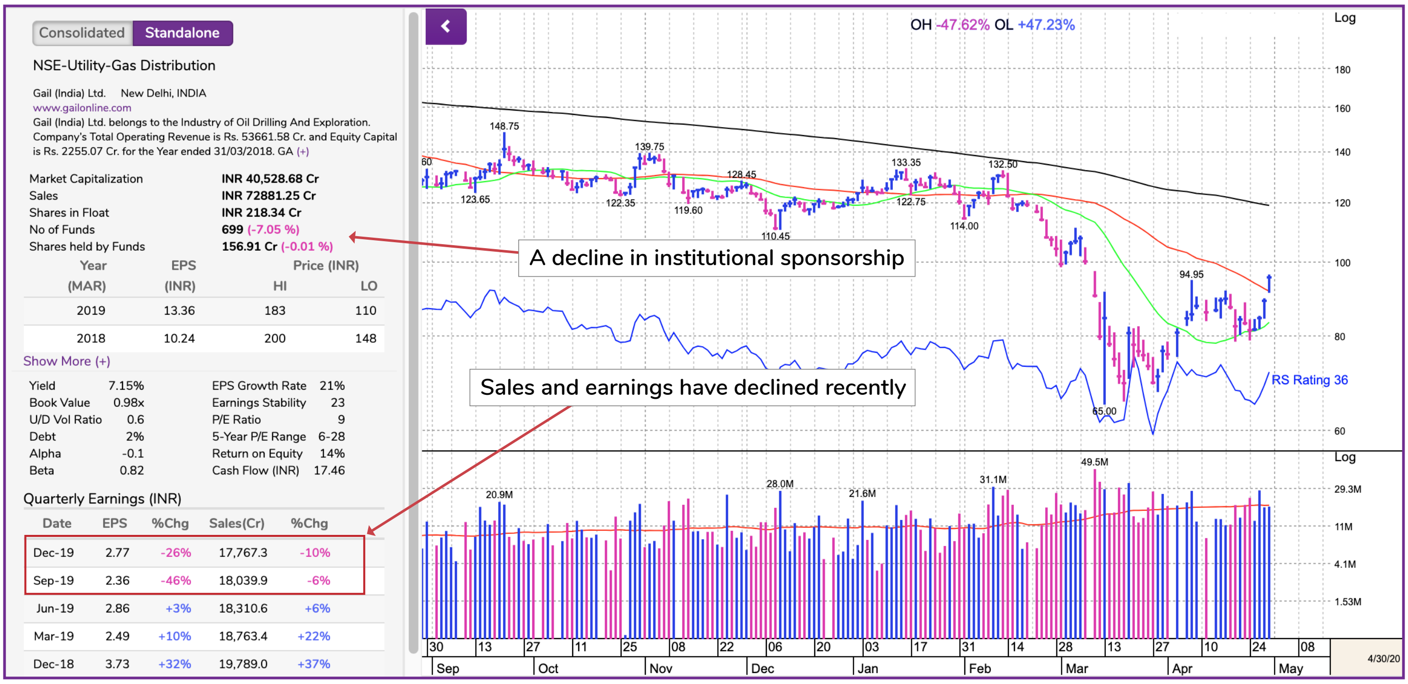
Source: Company presentation

The demand for gas is expected to increase 240% by 2040 over 2017, implying continuing reliance on gas imports, although domestic gas production is estimated to increase by 155% in 2040 over 2017. The share of oil in India's energy mix has witnessed a remarkable decline of 96% during the period 2017–2040 over 1995–2017.

On the other hand, the share of coal in the energy mix falls from 56% in 2017 to 48% by 2040, while the share of renewable rises from 3% to 16%. The industry continues to remain the strongest source of energy demand along with the transport sector.

GAIL Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	5,36,612	7,51,268	638,347.0	642,855.0
Growth % y/y	11.6	40.0	(15.0)	0.7
EBITDA	76,339.0	95,287.0	80,978.0	78,456.0
Margin %	14.2	12.7	12.69	12.20
PAT	45,699.0	63,264.0	56,996.0	56,253.0
EPS in INR	10.1	14.0	12.6	12.5
Cash and Equivalents	25,294	12,147		
Total Debt	17,517	16,157		
Cash from Operations	95,468	81,922		
Free Cash Flow	61,375	6,573	5,946	(23,070)
in INR Million				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock has recently reclaimed its 21-DMA and is approaching its 50-DMA.

RS rating is at 27, and the line is moving sideways.

In the last three quarters, earnings have increased, resulting in fair EPS strength of 79.

Number of funds invested in the stocks has gone down ~7% in the recent quarter, while shares held by funds remained flat.

Currently, its 50-DMA is below 200-DMA. For a growth stock, the short-term moving average should be above the long-term moving average.

GAIL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	192.75	197.89	187.63	183.1	180.39	177.67
Revenue growth y/y	54.3	37.3	21.6	5.90%	-5.80%	-10.20%
EBITDA	30.03	26.73	16.84	22.59	15.63	20.72
EBITDA Margin %	15.7	13.5	9	12.3	8.7	11.7
PAT	21.51	16.81	13.51	12.88	10.64	12.51
PAT growth y/y	64.2	33.2	34.8	2.2	-50.5	-25.6
EPS	9.54	7.46	5.99	2.85	2.36	2.77

in INR Billion

IOL

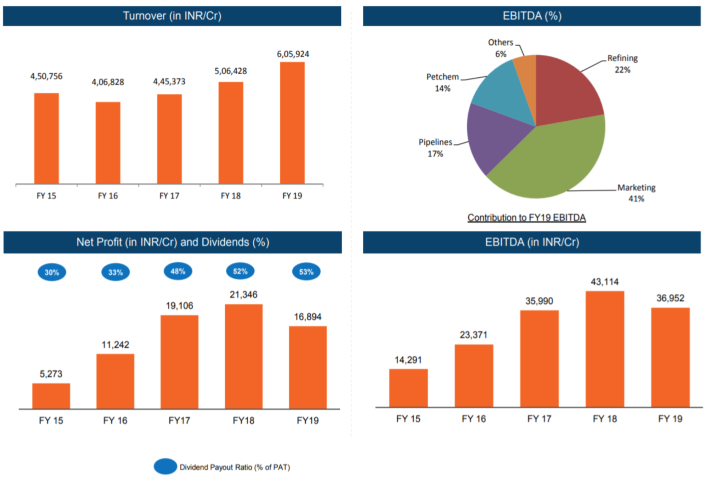
Indian Oil Corporation Ltd (IOCL) is India's national oil company, engaged in the business of crude oil and petroleum products pipelines, petroleum refining, marketing of petroleum products, and research & development. The company's operations include refineries, pipelines & marketing. There are 11 refineries with more than 80 MMTPA capacity, which is 32% of domestic refining capacity. The company has a pan-India pipeline infrastructure with more than 14,000 km of pipelines for crude oil and products. Further, the company enjoys a 43.9% of petroleum market share as of May 2019, with over 50,894 touchpoints and is the second largest domestic player in the petrochemical industry.

Growth Drivers

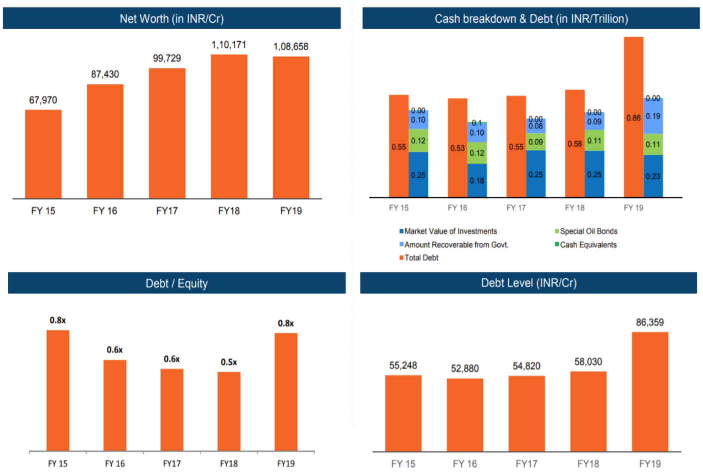
Financial Performance

The company witnessed solid growth of 226.3% y/y in PAT (adjusted) in Q3 FY20 to Rs. 2,339 crore as against Rs. 716.8 crore in Q3 FY19. PBT witnessed a growth of 176.8% at Rs 3,722.2 crore, whereas EBITDA witnessed a growth of 84% at Rs. 6,650.3 crore. Net sales stood at Rs 1,24,615.2 crore in Q3 FY20, compared with Rs 1,39,968.9 crore in Q3 FY19.

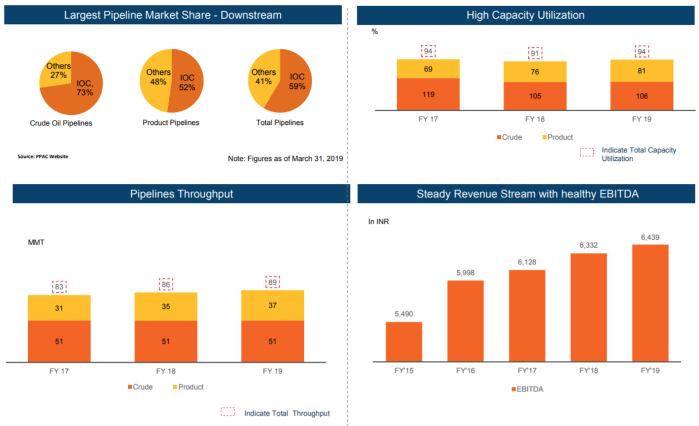
During 9M FY20, the company reported net sales of Rs 4, 01,478.6 crore, compared with Rs 3,67,817.4 crore in 9M FY19. EBITDA declined 19.1% y/y to Rs 18,572.5 crore as against Rs 22,947.9 crore in the year-ago period. PBT witnessed a growth of 39.9% y/y to Rs 9916.1 crore, compared with Rs 16,492.5 crore in 9M FY19. PAT (adjusted) recorded a 39.8% fall to 6,498.6 crore, compared with Rs 10,794.9 crore in 9M FY19.



Source: Company presentation



Source: Company presentation



Source: Company presentation

Aggressive capital expenditure

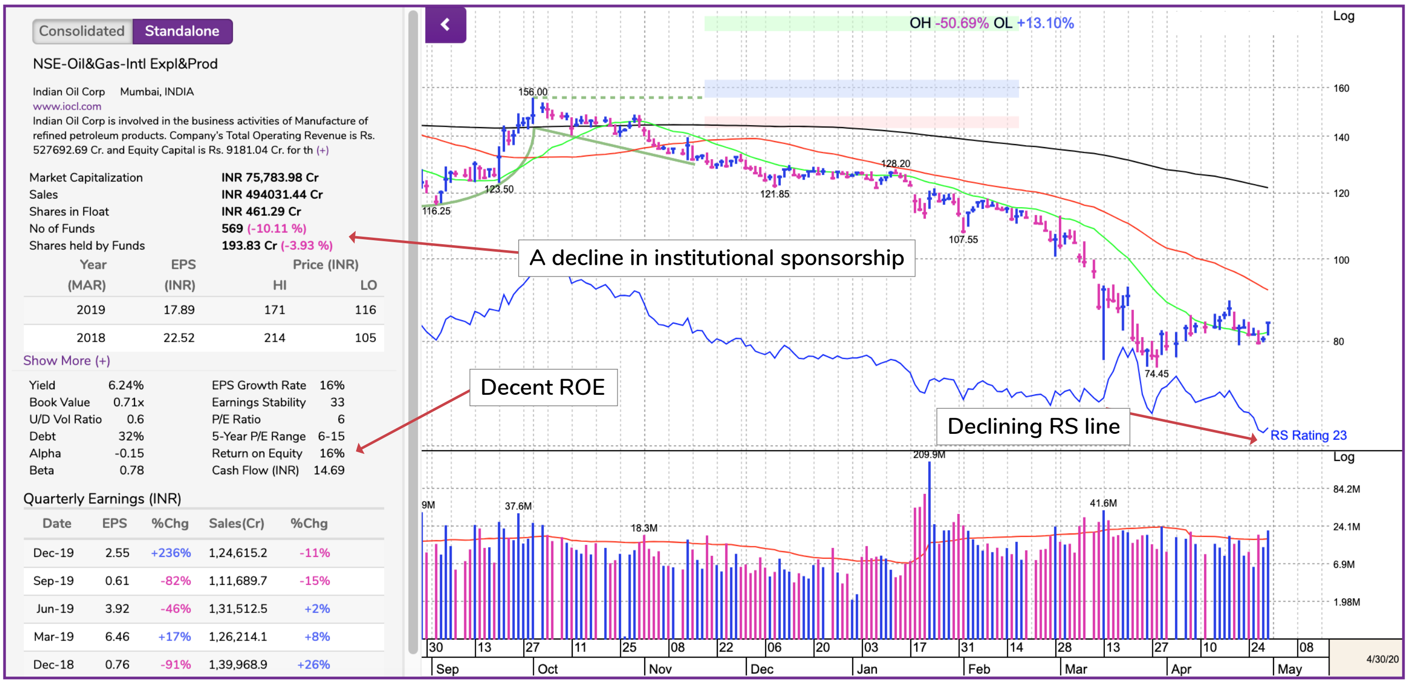
The company has planned capital expenditure of approximately Rs 22,100 crore during FY20, wherein the largest share was allocated to the refining (33%) business, followed by marketing & pipeline segments, where fund allocation stood at 29% and 26%, respectively. During FY20, the company completed some of the major projects such as Polypropylene Plant at Paradip Refinery for Rs 3,150 crore, Ennore LNG Import Terminal for Rs 5,150 crore, Jaipur-Panipat-Naptha Pipeline for Rs 611 crore, Grass Root POL ToP at Una, HP for Rs 356 crore, among others. Further, the company had made an allocation of Rs 16,338 crore for the BS-VI projects. Implementation of the majority of the BS-VI projects has been completed and all Indian Oil refineries have started production of BS-VI fuels except for Guwahati Refinery. The projects completed include the installation of new units like diesel hydro-treater, gasoline isomerization, hydro-desulphurization, and a revamp of existing process, offsite, and utility facilities at all refineries.

Focus on R&D

The company has developed/commercialized indigenous innovative technologies through a focus on R&D. The company has established the world's first carbon dioxide to lipid pilot plant and five TPD Bio-methanation plants. Also, it has completed the commissioning of the revamped DHDS unit at Gujarat Refinery with indeDiesel Technology for BS-VI compliance. Further, the company has developed Indinaoil Innovative Additive (INNOVA) for OEM approvals for lubes.

IOC(Indian Oil) Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	4,240.4	5,276.9	4,944.0	4,776.0
Growth % y/y	17.8	24.4	(6.3)	(3.4)
EBITDA	401.9	350.7	233.3	312.7
Margin %	9.5	6.6	4.72	6.55
PAT	209.4	168.9	91.3	147.2
EPS in INR	22.8	18.4	9.7	15.3
Cash and Equivalents	0.8	0.9		
Total Debt	555.3	832.6		
Cash from Operations	243.9	126.9		
Free Cash Flow	76.6	(88.6)	19.6	55.0
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock is hovering around its 21-DMA.

RS rating is at 20, and the line is moving downwards.

The stock has a fair EPS strength of 79.

ROE for the stock stands at 16%.

Number of funds invested in the stocks has gone down by 10.1% in the recent quarter, while shares held by funds have fallen by 3.9%.

Currently, its 50-DMA is below 200-DMA. For a growth stock, the short-term moving average should be above the long-term moving average.

IOC	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	1515.66	1601.37	1471.34	1501.35	1323.75	1469.52
Revenue growth y/y	37	22	5.6	1.1	-12.6	-11
EBITDA	68.74	36.11	108.78	77.24	35.73	66.51
EBITDA Margin %	5.3	2.6	8.6	5.9	3.2	5.3
PAT	33.22	7.17	60.99	31.76	5.63	23.39
PAT growth y/y	-12	-90.86	9	-53.5	-83	226.3
EPS	3.6	0.8	6.6	3.5	0.6	2.5

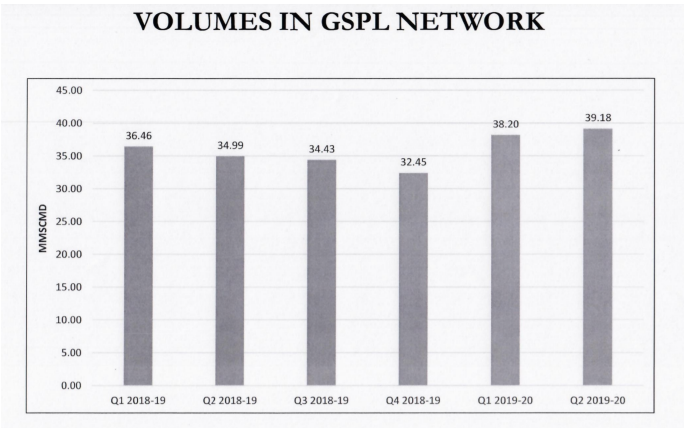
in INR Billion

GSPL

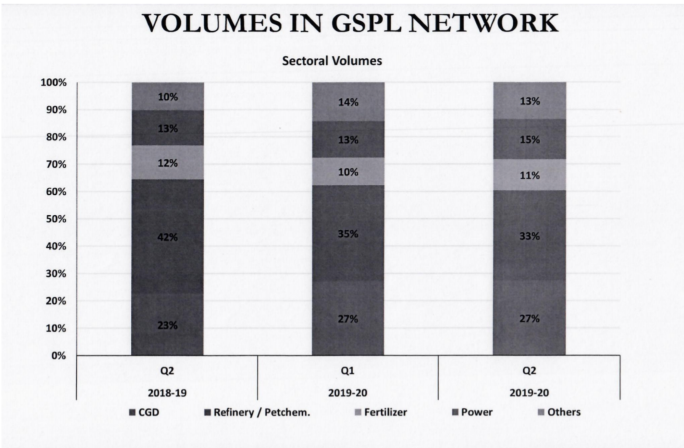
GSPL is the second-largest gas transporter in India, operating a 2,692-kilometer gas transmission grid. At present, the company transmits over 35mmscmd of natural gas. The company generates ~35% revenue from its refinery/petchem segment and ~27% revenue from City Gas Distribution (CGD). It also operates in the fertilizer and power segment and generates ~30% of revenue from the two segments.

Financial Performance

The company witnessed solid growth of 28% y/y in PAT in Q3 FY20 to Rs. 222.1 crore as against Rs. 173.5 crore in Q3 FY19. PBT stood at Rs 297.1 crore, whereas EBITDA witnessed a growth of 6.8% y/y at Rs. 385.1 crore. Revenue stood at Rs 625.8 crore in Q3 FY20 as compared with Rs 453.7 crore in Q3 FY19. During 9M FY20, the company reported net sales of Rs 1,774 crore as compared with Rs 1,443 crore in 9M FY19. PAT recorded a 37.7% rise to 883.1 crore as compared with Rs 641.3 crore in 9M FY19.



Source: Company presentation



Source: Company presentation

Healthy pipeline

GSPL has received approvals from the gas regulator Petroleum and Natural Gas Regulatory Board (PNGRB) to develop the Dahej-Bhadbhut pipeline. This will also assist in off-taking additional volume from Dahej. GSPL is awaiting the approval for the Anjar-Chotila pipeline, which shall assist in the off-take of the entire RLNG quantity from the Mundra terminal.

LNG terminals at Mundra are expected to aid in LNG volume growth. The terminal will operate 1.5M tons per year for the first one-and-a-half years before expanding to its full capacity. Its capacity can be scaled up to 10M tons a year, going forward.

Increasing LNG demand and government plan to import more LNG

The company will be the key beneficiary of additional LNG imported in India to bridge the demand-supply gap. It is expected that most of LNG shall be imported through Gujarat. GSPL would be the only network connection with all five LNG terminals (existing/upcoming) in Gujarat.

Government initiatives to expand gas distribution network

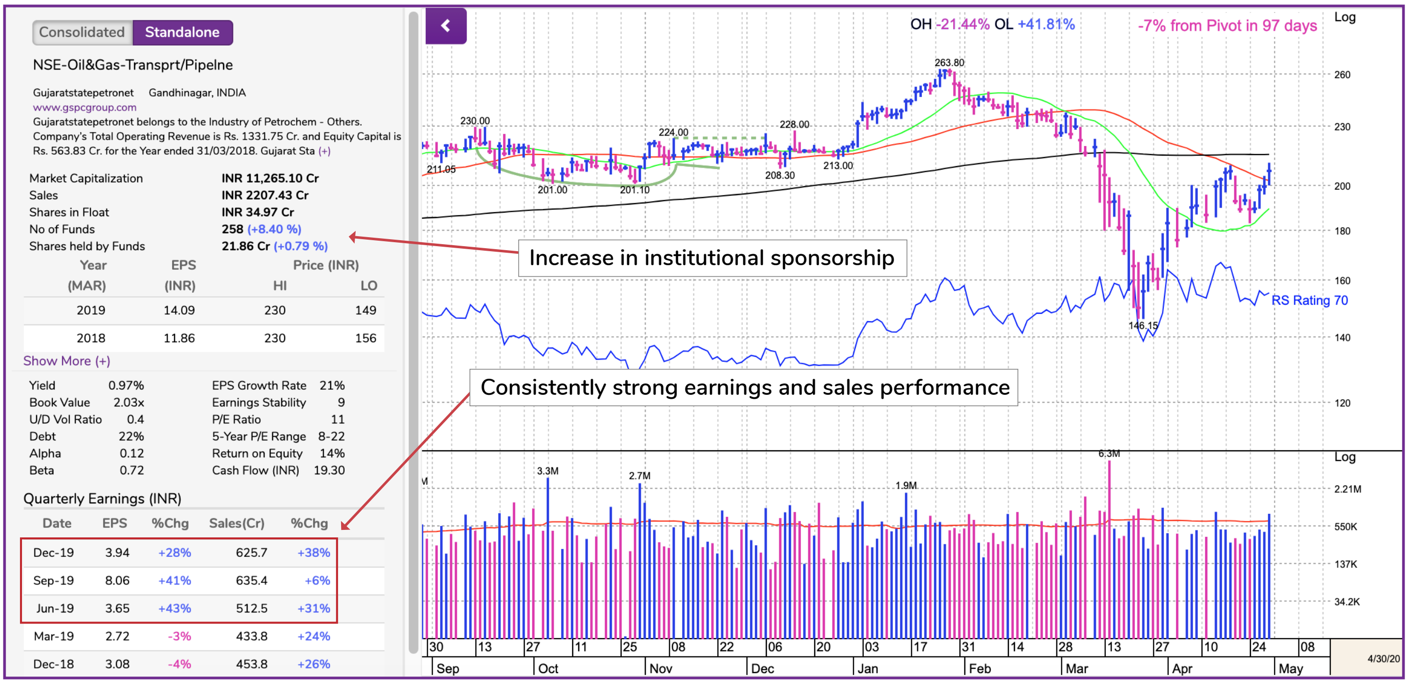
The government has set an aggressive target to increase the contribution of natural gas in the overall consumption mix to 15% by 2022. Currently, natural gas contributes 6% to the overall consumption mix in India. On April 12, 2018, the sector regulator Petroleum and Natural Gas Regulatory Board (PNGRB) launched the ninth CGD Bidding Round for 86 geographical areas covering 174 districts in a bid to expand gas distribution networks. This covers 24% of India's geographical area and 29% of its population. Further, PNGRB also launched the 10th CGD Bidding Round on.

COVID-19 outbreak weakens India's LNG demand

The demand for natural gas witnessed the sharpest fall due to a decline in industrial and domestic consumption after a nationwide lockdown came in effect in March. Consequently, LNG storage tanks ran out of space. Thus, Indian LNG importers are being forced to invoke force majeure clauses and have canceled the cargoes. On a similar line, Gujarat State Petroleum had already issued force majeure notices to its LNG suppliers. Further, the company has canceled a contract for the import of 11 LNG cargoes scheduled to be delivered between May 2020 and March 2021.

GSPL Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	13.3	18.8	22.0	30.2
Growth % y/y	29.6	41.0	17.0	37.7
EBITDA	11.5	15.4	16.0	17.1
Margin %	86.2	82.2	72.7	56.5
PAT	6.7	8.0	10.4	10.2
EPS in INR	11.9	14.1	18.5	17.9
Cash and Equivalents	3.7	1.6		
Total Debt	30.6	23.7		
Cash from Operations	9.16	10.07		
Free Cash Flow	5.83	8.11	10.41	8.92
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock recorded a correction in March, in line with the general market correction. Over the last three-four weeks, it has been trading with positive momentum after forming a bottom. Recently, it reclaimed its rising 21-DMA. Currently, the stock is facing resistance near its 50-DMA. Reclaiming its 50-DMA and 200-DMA on above average volume will provide strength for a further upside movement to the stock.

The price strength, which indicates the price-performance compared with the market, is at 66, with the RS line moving sideways.

The buyer demand rating stands at B, which is considered good.

There has been consistent growth in sales and earnings over the last three quarters, leading to EPS strength of 96, which indicates a strong fundamental profile.

Number of funds holding and shares held by funds have increased 8.4% and 0.8%, y/y, respectively, in the recent quarter.

GSPL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	5.98	4.54	4.34	5.13	6.35	6.26
Revenue growth y/y	71	29	23.8	31	6.2	37.9
EBITDA	5.16	3.53	3.29	4.02	4.37	3.8
EBITDA Margin %	86.29	77.83	75.9	78.45	68.79	60.74
PAT	3.23	1.74	1.53	2.06	3.2	2.22
PAT growth y/y	82.5	-4	-2.6	42.7	-0.9	28
EPS	5.75	3.09	2.73	3.67	5.7	3.95

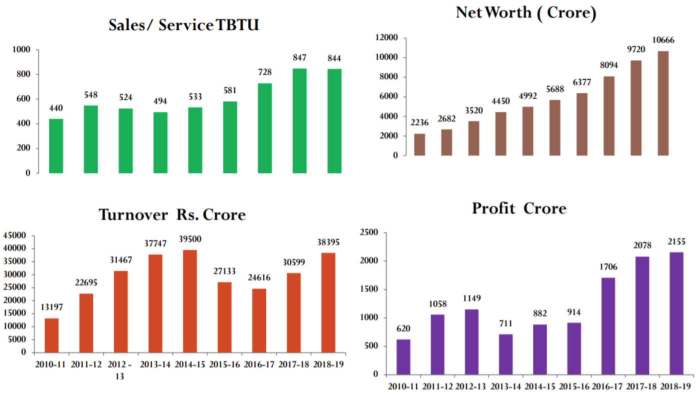
in INR Billion

PETRONET LNG

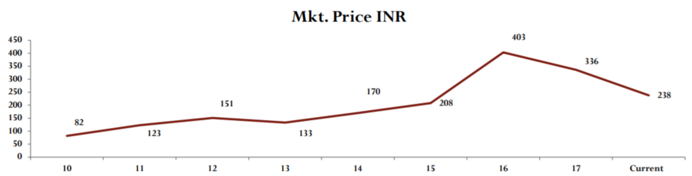
Petronet LNG Limited operates in the Indian energy sector and has established the country's first LNG receiving and regasification terminal at Dahej, Gujarat, and another terminal at Kochi, Kerala. While the Dahej terminal has a nominal capacity of 17.5 MMTPA, the Kochi terminal has a capacity of 5 MMTPA. Petronet's Terminals currently contribute around 40% gas supplies in the country and handle around 80% of LNG imports in India.

Financial Performance

The company witnessed solid growth of 27.3% y/y in PAT in Q3 FY20 to Rs. 675.2 crore as against Rs. 565.3 crore in Q3 FY19. PBT stood at Rs 901.7 crore, whereas EBITDA witnessed a growth of 27.3% y/y at Rs. 1191.7 crore. Revenue stood at Rs 8,910.3 crore in Q3 FY20, compared with Rs 10,097.7 crore in Q3 FY19. During 9M FY20, the company reported net sales of Rs 26,884.9 crore, compared with Rs 30,012.2 crore in 9M FY19. PAT recorded 32% rise to 2,330.2 crore, compared with Rs 1,765.2 crore in 9M FY19.



Source: Company presentation



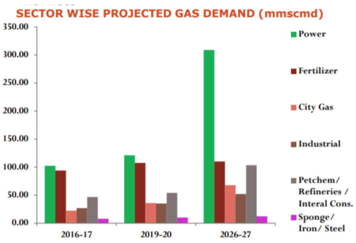
(* - Bonus Share 1:1)

Year	EPS (INR)	P/E	D/E
2010-11	8.26	15.19	1.20
2011-12	14.10	9.29	0.93
2012-13	15.32	8.83	0.68
2013-14	9.49	14.75	0.66
2014-15	11.77	14.52	0.45
2015-16	12.19	20.57	0.37
2016-17	22.80	17.72	0.27
2017-18	13.86	16.66	0.15
2018-19	14.37	17.51	0.07

Source: Company presentation

Healthy pipeline

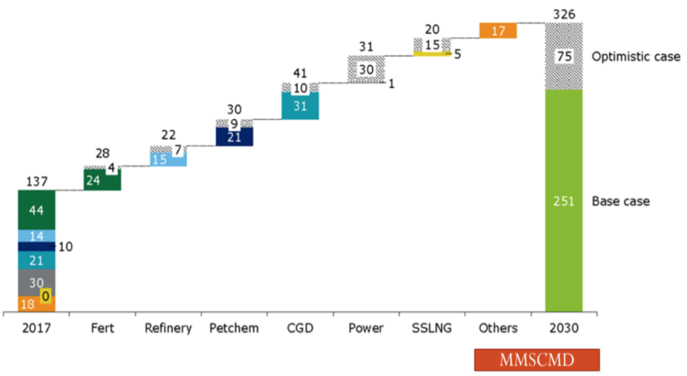
The utilization in the company's Kochi terminal is expected to increase, aided by the Kochi-Mangalore pipeline. The Kochi-Mangalore pipeline's entire stretch will help increase the utilization over a period of time. The 17.5 mmtpa Dahej terminals are booked for 7.5 mmtpa under RasGas long-term volume, while an additional 8.25 mmtpa is booked as regasification capacity. The company is likely to increase regasification capacities over the next three to five years. The closest terminal to Dahej is Mundra (GSPC-Adani JV) in Gujarat that has become operational in FY20. The company may have to compete for incremental contracts if it further expands Dahej capacity.



Sector	2016-17	2019-20	2026-27
Power	157	202	309
Fertilizer	97	106	110
City Gas	22	36	68
Industrial	27	35	52
Petchem/ Refineries / Internal Cons.	47	54	103
Sponge/ Iron/ Steel	8	10	12
Total Realistic Demand	358	443	654

Source: Company presentation

Sector wise incremental Natural Gas Demand (2030)



Note: Reduction in Natural Gas demand from RIL's Petcoke gasification project has been factored in.
Source: Deloitte analysis

Source: Company presentation

Low LNG prices to boost volume prospect

The recent downfall in oil prices will ensure that all LNG prices align near about US$ 3/mmbtu levels by the end of May. If these price shifts were also in line with the lifting of the Covid-19 lockdown in India or an easing of lockdown on a staggered basis, there is a possibility of a strong recovery in off take of RLNG from the company's Dahej terminal from the second quarter of FY21.

Targeting New Markets

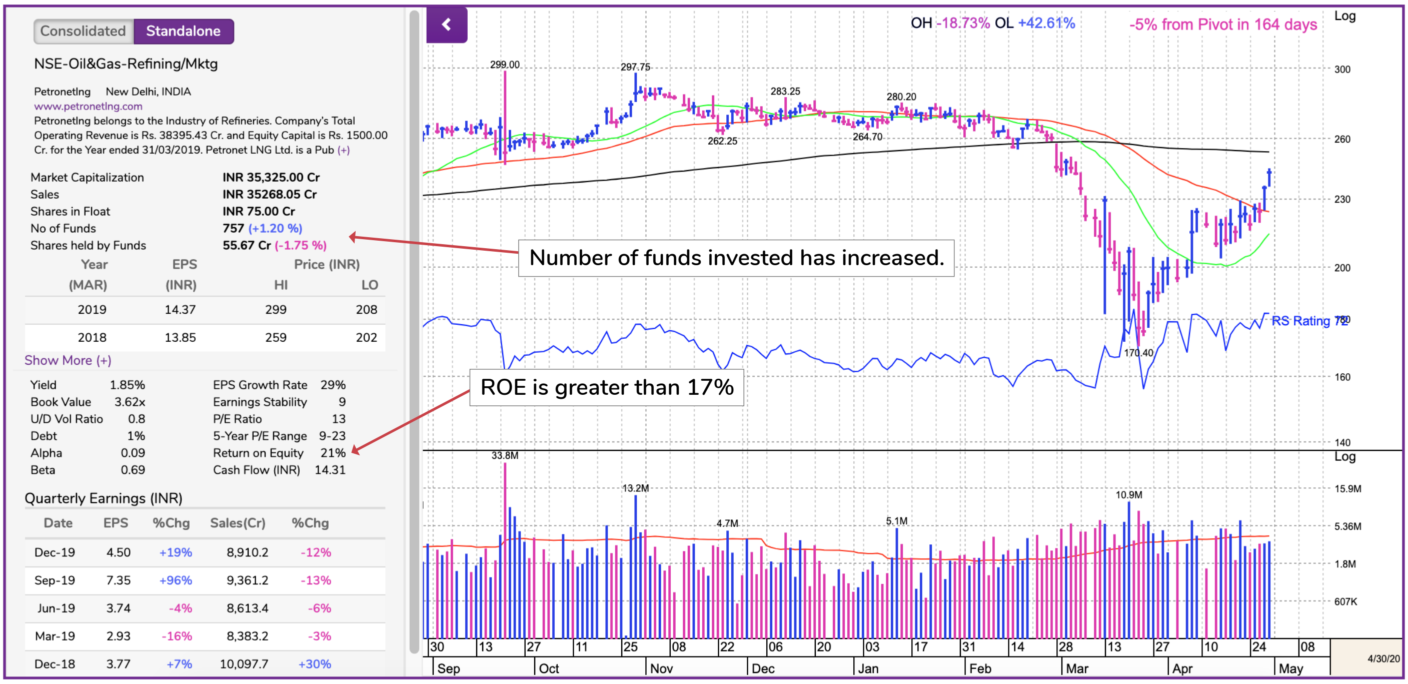
The company is looking for a new market for LNG as a fuel in India. LNG can directly be used as a fuel in transport vehicles, for that the company is in the middle of developing infrastructure to set up LNG filling stations for trucks and buses. Moreover, the company aims establish fuelling stations along the highways. The Indian Railways can be another user of LNG as a fuel for its trains. CNG has been tried by the Railways on an experimental basis, and it wants to look at LNG as the range of the train will increase.

COVID-19 outbreak weakens India's LNG demand

The demand for natural gas witnessed the sharps decline due to a fall in industrial and domestic consumption after a nationwide lockdown was imposed in March. As a result, LNG storage tanks are almost full. Thus, Indian LNG importers are being forced to invoke force majeure clauses and cancel their cargoes. On a similar line, Petronet LNG has issued a force majeure notice to its supplier – Qatargas, in late March 2020.

Petronet Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	305.99	383.95	353.30	374.50
Growth % y/y	24.30	25.50	(8)	6
EBITDA	33.12	32.93	44.35	48.50
Margin %	10.80	8.60	12.6	13.0
PAT	20.78	21.55	21.43	22.94
EPS in INR	13.90	14.40	20.36	22.97
Cash and Equivalents	48.2	37.85		
Total Debt	21.73	13.66		
Cash from Operations	30.46	23.34		
Free Cash Flow	28.56	21.59	(7.25)	35.80
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock recorded a correction in March, in line with the general market correction. Over the last three-four weeks, it has been trading with positive momentum after forming a bottom and reclaiming its rising 21-DMA. Recently, the stock reclaimed its 50-DMA. Retaking its 200-DMA on above average volume will provide strength for further upside movement to the stock.

The price strength, which indicates the price-performance compared with the market, is at 67, with the RS line moving sideways.

The buyer demand rating stands at B, which is considered good.

EPS strength of 95 indicates a strong fundamental profile.

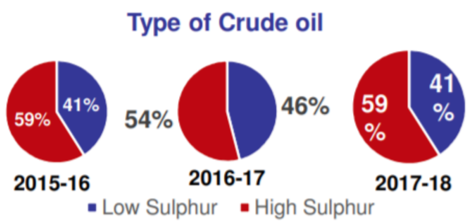
The number of fund holdings has increased 1.2% y/y in the recent quarter.

Petronet	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	100.98	93.61	83.83	85.45	93.61	89.1
Revenue growth y/y	38.30%	-11.70%	-2.90%	-6.80%	-12.90%	-11.80%
EBITDA	8.84	8.48	6.27	9.11	11.6	11.08
EBITDA Margin %	5.20%	8.40%	7.50%	10.70%	12.40%	12.40%
PAT	5.63	5.6	4.4	5.6	11.57	6.7
PAT growth y/y	-4.40%	19.43%	-15.80%	-4.5%%	105.50%	19.40%
EPS	3.75	3.8	2.93	3.74	7.7	4.5

in INR Billion

HPCL

HPCL is a leading oil & gas company in the country. Its product and services include, retail outlets, HP LPG gas, HP lubes, aviation fuel, bulk fuels & specialties, and others. It has refineries in Mumbai, Mangalore, Visakh, and HMEL Bathinda. It has a 48.9% stake in HMEL and 16.9% in the MRPL company. In LPG sales, HPCL is the second-largest marketer in India, clocking a growth of 7.1% in FY19. 75% of the processing is from imported crude oil. It has the largest lube factory in India and accounts for ~40% of India's lube production.



Source: Company's Annual Report

Business portfolio: Mumbai 7.5MMTA; Visakhapatnam 8.3MMTA.

Key growth drivers:

- Highest market sales growth among the industry peers in the last decade.
- Major Brown and greenfield expansion plans for refineries.
- Strong financials and proven track record of increasing value & net worth.
- Major planned investments in POL distribution and natural gas projects.
- Dedicated, competent, and young workforce.

The company has a strong focus on key accounts and SME sectors, which aided sales volume of over 1 MMT in bulk-diesel, fuel oil, and bitumen product lines for the fourth consecutive year.

The lubricant business is highly competitive, and HPCL continues to be India's largest lube marketer for a sixth consecutive year, with an impressive growth of about 8% in FY19 in total lubricant sales. In aviation fuel sales, it registered an excellent growth of 20% in FY19 due to the expansion of business footprints to new airports and the addition of new airline customers. It also expanded global footprints by marketing lubricants in 11 countries.

Strong emphasis on the operational efficiency of marketing operations has led to significant gains in the overall throughput performance and productivity across the network of depots & terminals, LPG bottling plants, and petroleum product pipelines.

HPCL has continuously focused on enhancing R&D capabilities for the development of new products, processes, and technologies in the energy sector, which enabled the company to receive 12 patents (six international) during FY19. It is also extensively investing in various technologies to create customer value and improve operational efficiencies. One such project is to enable digital payment facilities at customer touchpoints, implementation of 'SMART' terminals for ensuring seamless automation at supply locations.

The debt-to-equity ratio declined steadily over the years. It was 2.14 in 2014, 1.27 in 2015, 1.18 in 2016, and 1.04 in 2017 to 0.88 in 2018.

Financial performance:

Gross sale of products on consolidated basis declined 3.4% y/y to Rs 74,357 crore in Q3 FY20. PAT declined 61% to Rs 1,027 crore. Out of total income of Rs 74,659 crore, downstream petroleum contributed about 99.9%. On standalone basis, PAT surged 3x y/y to Rs 747 crore. This is due to inventory loss in Q3 FY19. GRM declined to \$1.79/barrel from \$3.72/barrel a year ago. The lower GRM is primarily due to lower cracks of fuel oil and LPG and planned shutdown of secondary units at Visakh Refinery.

Parameter	Unit	Mumbai Refinery	Visakh Refinery
Crude Thruput	TMT	8,671	9,773
Capacity utilization	%	115.6	117.7
Distillate yield	%	77.6	74.5
Fuel & Loss	%	7.08	7.33
Specific Energy Consumption	MBTU/BBL/NRGF	82.82	77.29
Gross Refinery Margin	$/bbl	5.79	4.31

Source: Annual Report

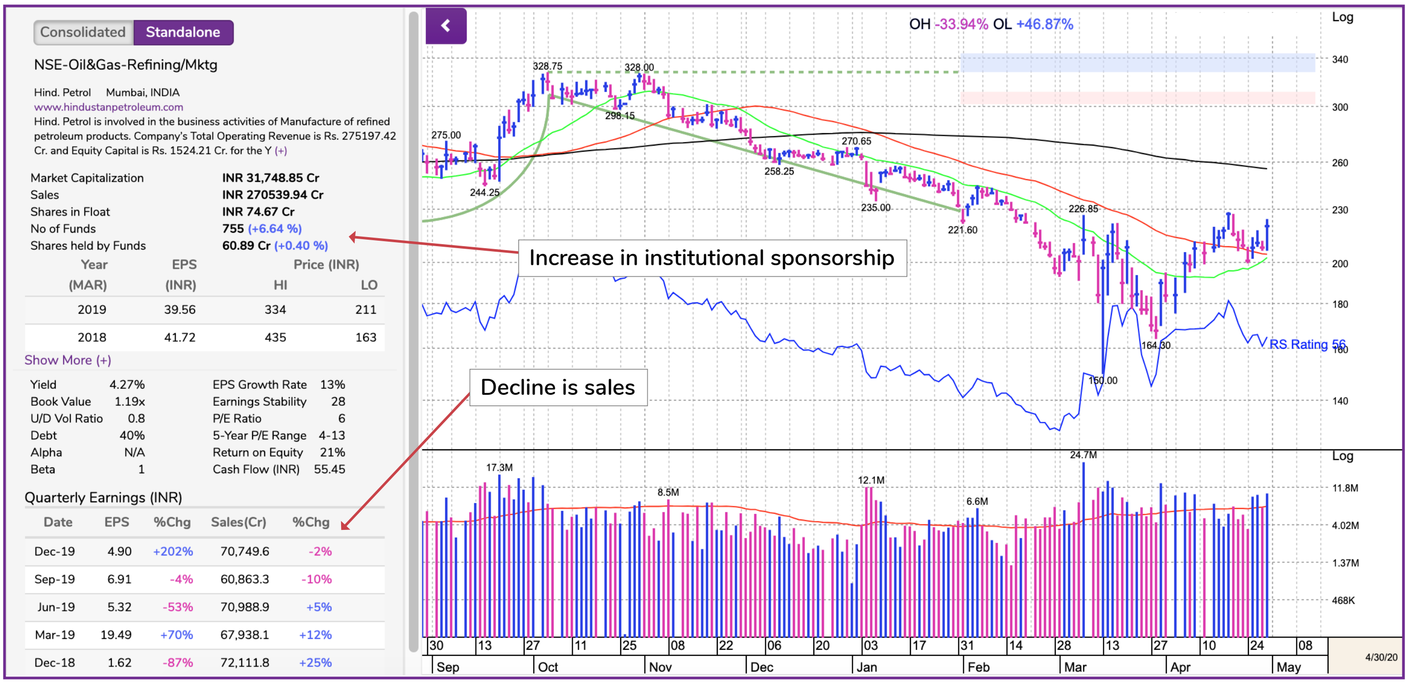
Key financial ratios:

Description	2018-19	2017-18
Debtor Turnover Ratio (No. of days)	7	7
Inventory Turnover Ratio (No. of days)	28	35
Interest Coverage Ratio (Times)	13.86	17.24
Current Ratio	0.76	0.77
Long term Debt Equity Ratio	0.48	0.43

Source: Annual Report

HPCL Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	2,193.33	2,752.53	2,653.00	2,685.00
Growth % y/y	17.30	25.50	(4)	1
EBITDA	107.38	115.53	77.43	112.47
Margin %	4.90	4.20	2.9	4.2
PAT	63.57	60.84	39.39	62.49
EPS in INR	41.70	39.90	25.45	41.29
Cash and Equivalents	11.79	0.96		
Total Debt	195.93	251.11		
Cash from Operations	75.63	69.31		
Free Cash Flow	7.96	(46.00)	(19.75)	(16.26)
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock has formed a 35-week cup-with-handle spread across June-January and failed to break out of it.

It breached its 50-DMA in November and the 200-DMA in December and has remained in a downtrend ever since. Recently, in the third week of April, it retook its 50-DMA.

Owing to its price action, price strength has declined to 56.

There was an increase of 6.6% in the number of funds invested in the stock. It has a strong buyer demand of B-.

In the first two quarters of FY20, it has reported declining EPS. However, due to the lower base, it reported good growth in the third quarter, thus, helping its EPS rank to improve to 87.

HPCL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Revenue	675.18	721.12	736.72	709.89	608.63	707.5
Revenue growth y/y	34.51%	22.07%	9.98%	5%%	-9.90%	-1.90%
EBITDA	21.22	9.63	51.66	16.44	23.19	18.67
EBITDA Margin %	3.10%	1.30%	76.76%	2.30%	3.80%	2.60%
PAT	10.92	2.48	736.725	8.11	10.52	7.47
PAT growth y/y	-36.48%	-87.30%	76.76%	52.80%	-3.60%	201.80%
EPS	7.17	1.62	19.49	5.32	6.91	4.9

in INR Billion

IGL

The company is in the gas distribution business and operates three major lines. CNG distribution accounts for ~75% of the company's volume. The company has a network of CNG stations through which it distributes gas for vehicle transport. Through the piped natural gas (PNG) business (accounting for ~6% of total volume), the company distributes gas to households for domestic purposes. The commercial and industrial business involves the distribution of gas for industrial purposes and accounts for ~11% of the total volume.

Growth Drivers

Strong Ecosystem Near NCR to Payoff: With CNG stations being set up on highways connecting the national capital to Jaipur, Chandigarh, and Agra, strong and stable demand growth is expected in the area. After the Supreme Court's direction for an independent valuation exercise in Gurugram, the company will be set to take over the supply in that region and expect volume to boost to ~1 mmscmd (Million Metric Standard Cubic Meter Per Day) in about 2–3 years.

New Projects and CNG Station Expansion: Recently, the company added three new geographical areas to its city gas distribution (CGD) network after getting authorization from the regulatory body PNGRB: (i) Kanpur (except areas already authorized), Hamirpur, and Fatehpur districts, (ii) Kaithal district, and (iii) Ajmer, Pali, and Rajsamand districts. Further, the company received permission to acquire CGD activities from Haryana City Gas Distribution Pvt. Ltd for the whole of Gurugram district.

Structural Growth for CNG Inevitable: CNG volume will continue to outgrow petrol and diesel, and with the push for BS-VI norms, the demand is going to be further skewed in favor of the former.

No Near-term Threat from EVs: Buses remain the major source of CNG volume, and EV manufacturing has not found traction there. With the cost of manufacturing ~3 times greater, EV buses are far from taking over the volume of CNG buses, according to management. Much of the EV expansion is expected in two-wheelers, which is not a concern for the company's volume.

Price Difference Between CNG and Liquid Fuel to Boost Demand: The existing price difference between CNG and liquid fuel will consistently drive the conversion of private vehicles to run on the former instead of the latter. Further, the Delhi Transport Corporation has plans to expand its fleet of CNG buses to 1,000, which will add to the sales of the company.

PNG Business Gaining Traction: The company added more than 2 lakh (~25% y/y) connections in FY19, a record high. It is expecting this number to increase in FY20, sustaining the level of growth.

Strong Growth from Subsidiaries: Maharashtra Natural Gas, a 50% subsidiary of the company, has grown by ~40% CAGR in cities like Pune/Chakan, mostly in CNG.

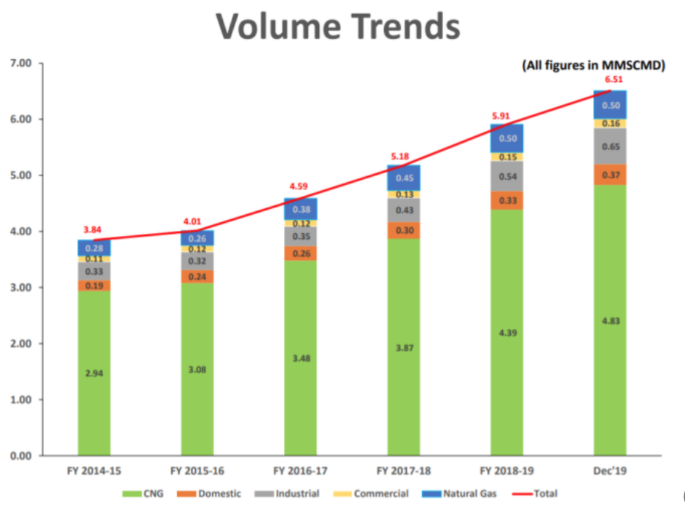
Corporate Tax Rate Cut Will Steer Earnings: Recently, the government announced a corporate tax will of 22% for companies that do not avail exemptions and incentives. It means the effective tax rate will be 25.17% after including all surcharges. The company is a huge beneficiary of this announcement as it is paying around 34% toward corporate tax.

Domestic Gas Rate Cut by Government to Spur Margin: The government announced a price cut in natural gas to $3.23 per million British thermal units for the six months beginning October 1, from $3.69 as of now. This should lead to moderation in the price of CNG.

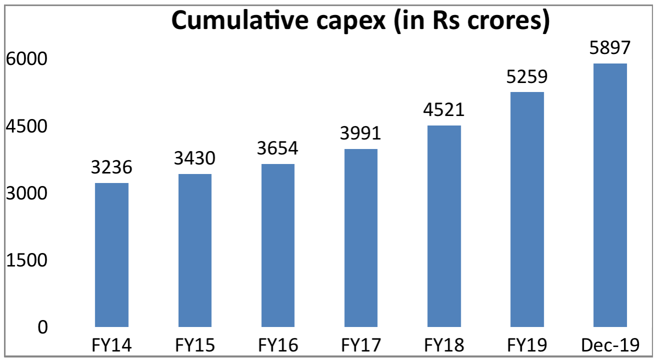
Financial performance:

Revenue from operations grew 10.3% y/y to Rs 1,837 crore in Q3FY20. PAT increased 43.7% to Rs 283 crore. CNG sales contributed 75% towards the total revenue, it grew 11%. PNG sales which contributed the remaining 25%, grew 9%. Total sales volume is 615.9 million scm, increase of 13%.

Current Sales Volume Mix:



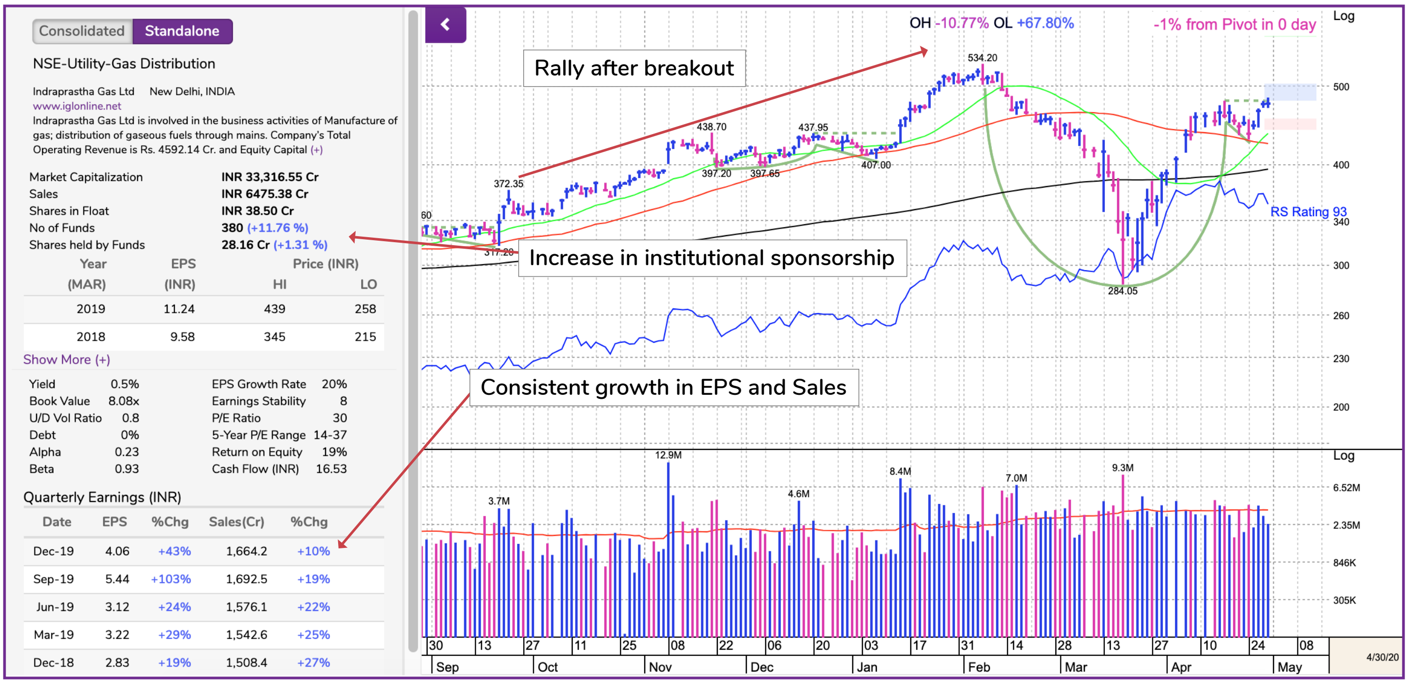
Source: Company presentation



Source: Company presentation

IGL Key Stats	FY 2018	FY 2019
Revenue	45.92	57.65
Growth % y/y	20.40	25.50
EBITDA	11.13	12.57
Margin %	24.20	21.80
PAT	3.62	4.13
EPS in INR	9.60	11.20
Cash and Equivalents	14.48	18.93
Total Debt	- .00	- .00
Cash from Operations	9.38	12.09
Free Cash Flow	4.08	4.71

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

It has formed an 11-week cup-with-handle base pattern. Currently, the stock is trading near its pivot of Rs 480.6.

Its RS Rating has improved to 93 due to the strong accumulation in the last one month.

It has reported consistent double-digit growth in its EPS and sales, thus a strong EPS Rank of 96.

Institutional sponsorship for the stock has improved, as the number of funds invested in the stock increased 11%. It has good buyer demand of B-.

IGL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
tRevenue	14.22	15.1	15.43	15.76	16.92	16.64
Revenue growth y/y	19.10%	27.4	25.1	22.40%	19.10%	10.2 %
EBITDA	3.08	3.2	3.31	3.58	3.93	3.92
EBITDA Margin %	21.67	21.20%	21.47	22.74%	23.2	23.50%
PAT	1.87	1.98	2.26	2.18	3.81	2.84
PAT growth y/y	11.04%	19.3%%	29.1	29.10%	103.40%	51.60%
EPS	2.68	2.83	3.22	3.22	4.41	4.06

in INR Billion

BPCL

It is the second-largest oil marketing company (OMC) in India. As of FY19, its domestic sales volume is at 43.07 MMT, with a market share of 21%. In terms of refining capacity, it is the third-largest, with 15.4% of India's total refining capacity.

Upstream: Exploration & production presence in nine countries, 26 exploration discoveries, and more than 25 global partners.

Downstream:

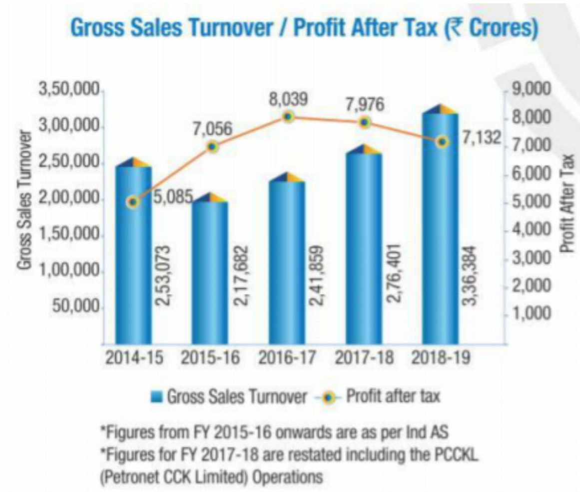
Refining: four refineries are strategically located, with a capacity of 766 kbpd.

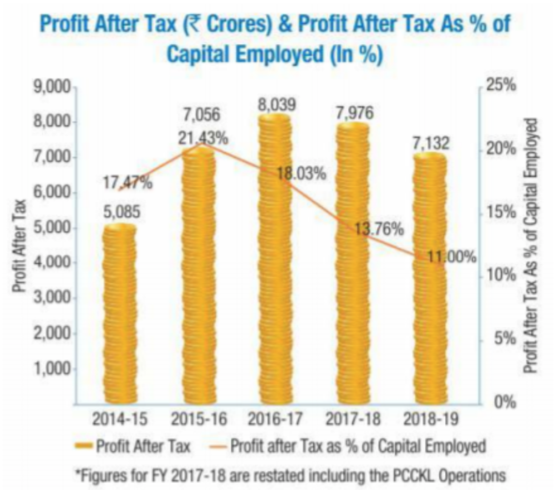
Storage: 77 retail depots, 52 LPG bottling plants, 61 aviation service stations.

Distribution & Marketing: It has a 2,241 km multi-product pipeline network, around 15,000 retail outlets, and around 6,000 LPG distributors.

Financial performance:

Revenue from operations declined 3.8% y/y and increased 13.6% q/q to Rs 85,926 crore in Q3 FY20 on a consolidated basis. PAT jumped 194% to Rs 2,051 crore.





Source: Company presentation

LPG and Lubricants Business:

BPCL has 52 LPG bottling plants with a capacity of 6.7 MMTA, with over 6,000 distributors spread across India. In the LPG business, BPCL's market share has increased 20bps in FY19 to 26.5%.
It has four lubricant plants in India with over 18,000 channel partners & industrial customers. 766 SKUs and 402 grades of lubricants with sales of 0.24 MMT in FY19 under the brand name "MAK."

Following ongoing projects to drive the company's growth:

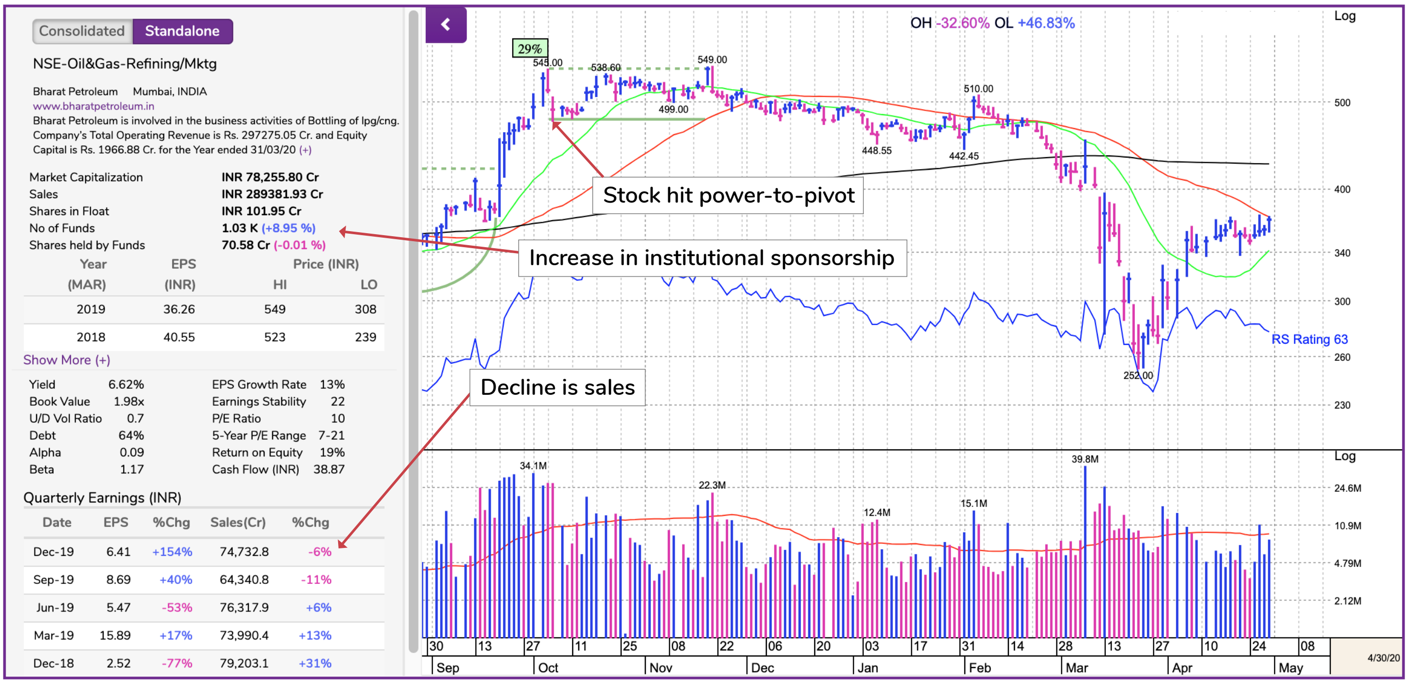
- Retail infrastructure: POL terminal with Railway siding at Pune, Gulbarga, & a coastal terminal at Krishnapatnam ($153M).
- Bina Kanpur Product Pipeline & other pipelines ($282M).
- Kochi – Diversification into niche petrochemical PDPP project-acrylic acid, oxoalcohol, acrylates ($750M).
- Kochi refinery – MS block project for BS VI grade gasoline, and maximization of naptha to gasoline ($470M).
- LPG import terminal at Haldia, West Bengal ($157M).

Following are the upcoming projects:

- Upstream: Investments in Mozambique – FID sanctioned.
- Investments in Gas: BPCL has been awarded 11 GAs in the ninth round and two GAs in the tenth round of bidding.
- Marketing infrastructure: An expansion of the marketing infrastructure across all business verticals, including 6,000 new retail outlets in the next three years.
- Petrochemicals: Petrochemical project (Polyols) at Kochi ($1.59B) to manufacture propylene glycol, ethylene glycol, polyol.
- Pipelines: Cross-country LPG pipeline from Kandla to Gorakhpur through a JV.
- Rasayani: Marketing infrastructure & other facilities at Rasayani near Mumbai.

BPCL Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	2,364.21	2,972.75	2,875.00	2,629.00
Growth % y/y	16.90	25.70	(3)	(9)
EBITDA	118.70	126.65	114.65	146.57
Margin %	5.00	4.30	4.0	5.6
PAT	81.77	71.32	55.12	76.73
EPS in INR	41.60	36.30	27.52	38.24
Cash and Equivalents	51.78	51.71		
Total Debt	228.51	272.09		
Cash from Operations	72.91	88.00		
Free Cash Flow	2.62	(5.08)	20.59	22.97
in INR Billion				

Source: Bloomberg



O'Neil Methodology and Technical Viewpoint:

The stock had hit the power-to-pivot in October after breaking out of its 15-week cup base pattern.

Later it started to consolidate for six weeks to form a flat base and hit a 52-week high of Rs 549, missing a new all-time-high by two points.

It breached its 50-DMA in December and had moved sideways for a couple of weeks. In March, it breached its 200-DMA and succumbed to a global sell-off.

In the last one month, it has slightly advanced toward its 50-DMA, improving its price strength to 63.

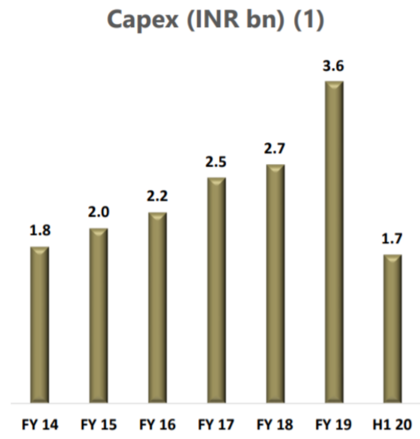
There was an increase of 8.9% in terms of the number of funds invested in the stock. It has a good buyer demand of B-.

BPCL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
tRevenue	722.92	791.69	739.9	763.18	643.41	747.33
Revenue growth y/y	42.1	30.6	13.4	6.4	-11%	-6%
EBITDA	24.19	7.37	48.05	21.8	23.75	27.03
EBITDA Margin %	3.30%	0.90%	6.50%	2.90%	3.70%	3.60%
PAT	10.92	4.95	31.25	10.75	17.08	12.61
PAT growth y/y	-37.10%	-76.90%	16.9%%	-53.10%	40.20%	154.60%
EPS	7.16	2.48	15.65	5.38	8.56	6.31

in INR Billion

Mahanagar Gas

Mahanagar Gas Limited (MGL) is one of the largest City Gas Distribution (CGD) companies in India. It is the only authorised distributor of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in Mumbai, Thane Urban and adjoining municipalities, and the Raigad district in the state of Maharashtra, India. The company also distributes CNG for use in motor vehicles and PNG for domestic household as well as for commercial and industrial use. As of FY19 end, it has over 5,310 km of pipeline network and has supplied 2.95 MMSCMD of natural gas in FY19. It has 236 CNG filling stations and CNG customer base of 0.69M.



MGL retained the majority of cut in domestic prices:

MGL has retained ~50% of the benefit of a domestic price reduction from April 1. While it retained the full benefit of PMT gas price reduction. It will directly reflect in the company's profit & loss statement, and the EBITDA margin is likely to improve.

MGL Gas Key Stats	FY 2018	FY 2019	FY 2020 (E)	FY 2021 (E)
Revenue	22.33	27.91	30.69	30.68
Growth % y/y	9.80	25.00	10	(0)
EBITDA	7.80	8.85	10.57	10.58
Margin %	34.90	31.70	34.4	34.5
PAT	4.78	5.46	7.60	7.28
EPS in INR	48.40	55.30		
Cash and Equivalents	7.80	9.53		
Total Debt	0.01	-		
Cash from Operations	6.22	7.09		
Free Cash Flow	3.39	3.39	4.74	4.71
in INR Billion				

Source: Bloomberg

Government initiatives to promote the oil & gas industry:

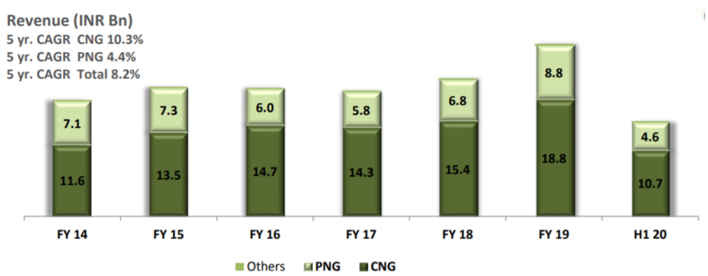
The government of India is planning to set up around 5,000 compressed bio-gas (CBG) plants by 2023. It is also planning to invest Rs 70,000 crore to expand the gas pipeline network in the country. To bring in market-driven pricing in the industry, the government is also planning to set up a gas exchange.

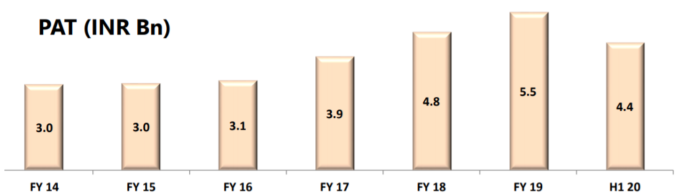
Key highlights

Around Rs 3B of capex was spent in 9M FY20, and around Rs 1.5B–2B was scheduled for expenditure, in the March quarter. The company is eyeing at a similar capex for FY21 as well. As of February, the company is adding CNG vehicles at a rate of ~3,500 cars and ~2,500 autos per month. It added 13 new CNG stations in 9M FY20 (four in Q3FY20), and the plan was to add a total of ~20 stations by the end of FY20.

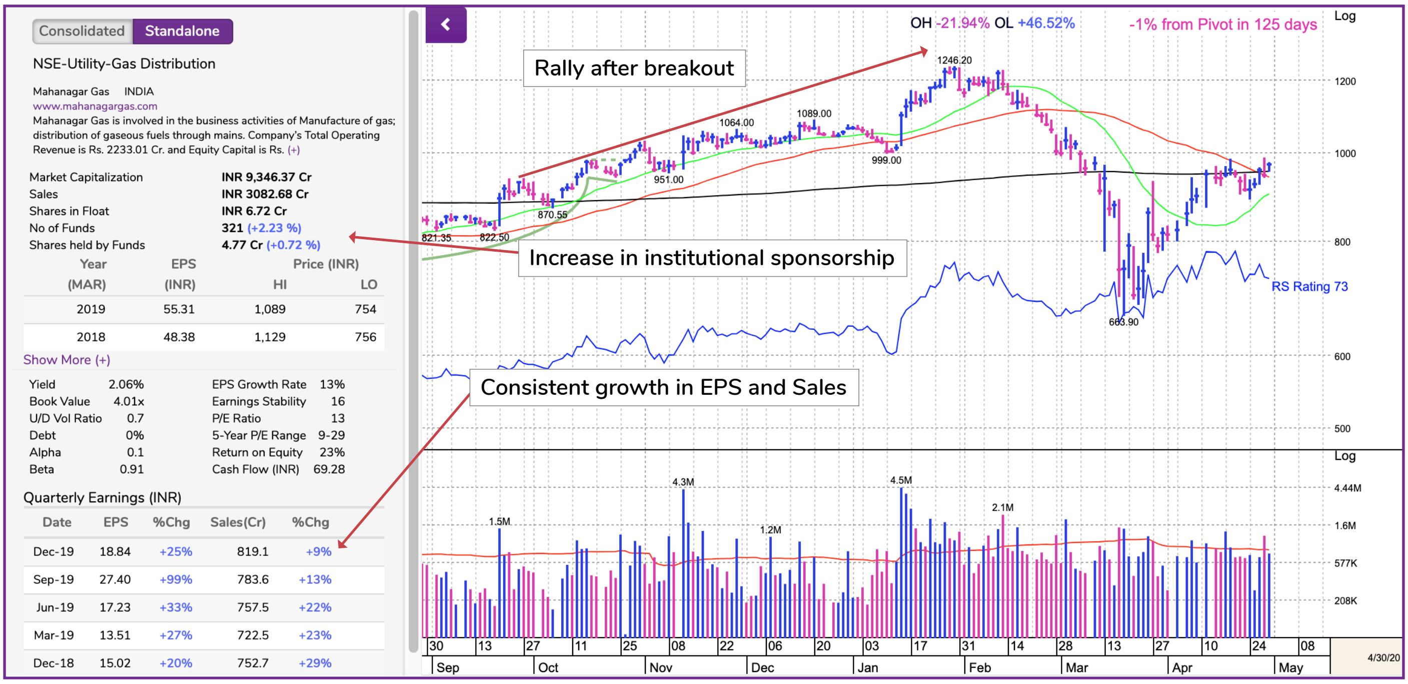
Financial performance:

Total income for Q3 FY20 was flat at Rs 847 crore. However, PAT increased 25% to Rs 185 crore. Total sales volume increased 1.75% sequentially, to 280M SCM. CNG sales volume contributed 72.9% of the total sales volume, and the remaining 27.1% was from PNG. In terms of revenue, CNG contributed 70.1% toward the total revenue.





Source: Company presentation



O'Neil Methodology and Technical Viewpoint:

The stock has broken out of its 32-week cup-with-handle base pattern in October. The breakout was successful as it has rallied more than 26% in the next three months.

It has reported consistent double-digit growth in its EPS and sales, hence, its EPS rank is at 95.

Starting February, the stock has come under selling pressure and has lost ~47%. In the meantime, it has breached its key moving averages.

There was mild recovery in the stock movement in the past month, with the stock reclaiming its 50- and 200-DMA.

It has a price strength rating of 73, and strong buyer demand of A-.

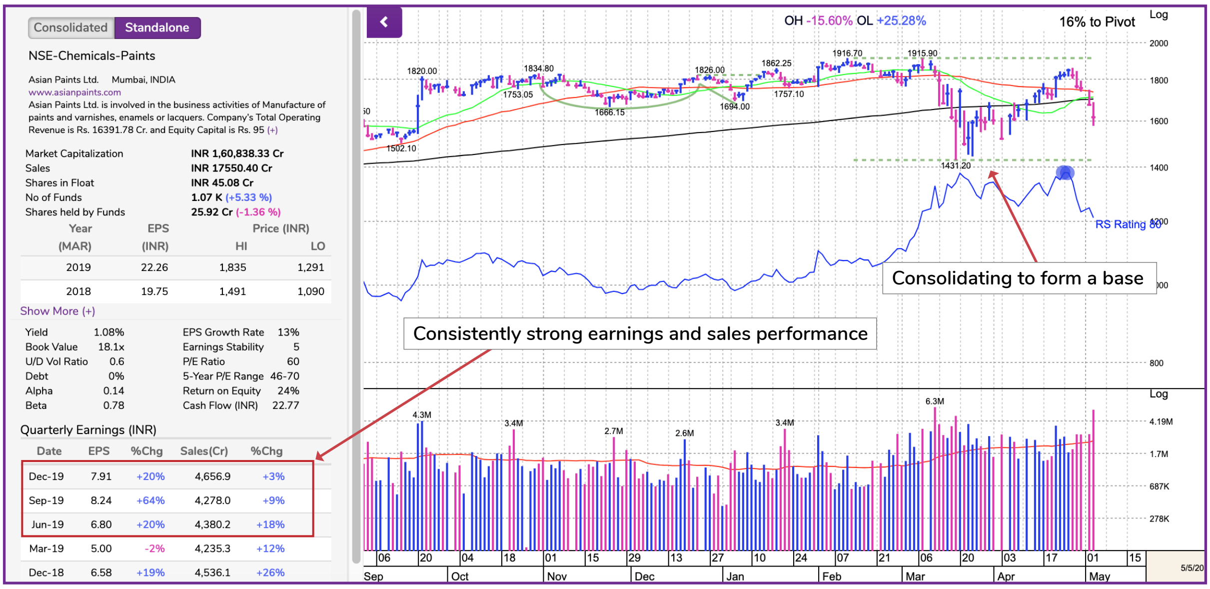
MGL	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
tRevenue	7.63	8.24	7.93	8.31	8.62	8.19
Revenue growth y/y	29.74	29	23	23	12.9	-0.6
EBITDA	2.21	2.39	2.14	2.75	2.95	2.86
EBITDA Margin %	29	28.98	26.9	33	34.25	33.74
PAT	1.36	1.49	1.33	170	2.69	1.85
PAT growth y/y	9.26	19.52	27.3	32.6	57	25
EPS	13.8	15.02	13.51	17.23	27.14	18.8

in INR Billion

Stocks that can Benefit from Lower Crude Oil prices

ASIAN PAINTS

Asian Paints is India's largest paint manufacturer. It owns 24 manufacturing plants globally, out of which, nine are in India. It has a strong distribution network in India with more than 30,000 dealers across the country. In Q3 FY20, the company reported a 20% y/y rise in PAT at Rs 764 crore. Per consensus, revenue growth may decelerate but benign input cost may spur margins.

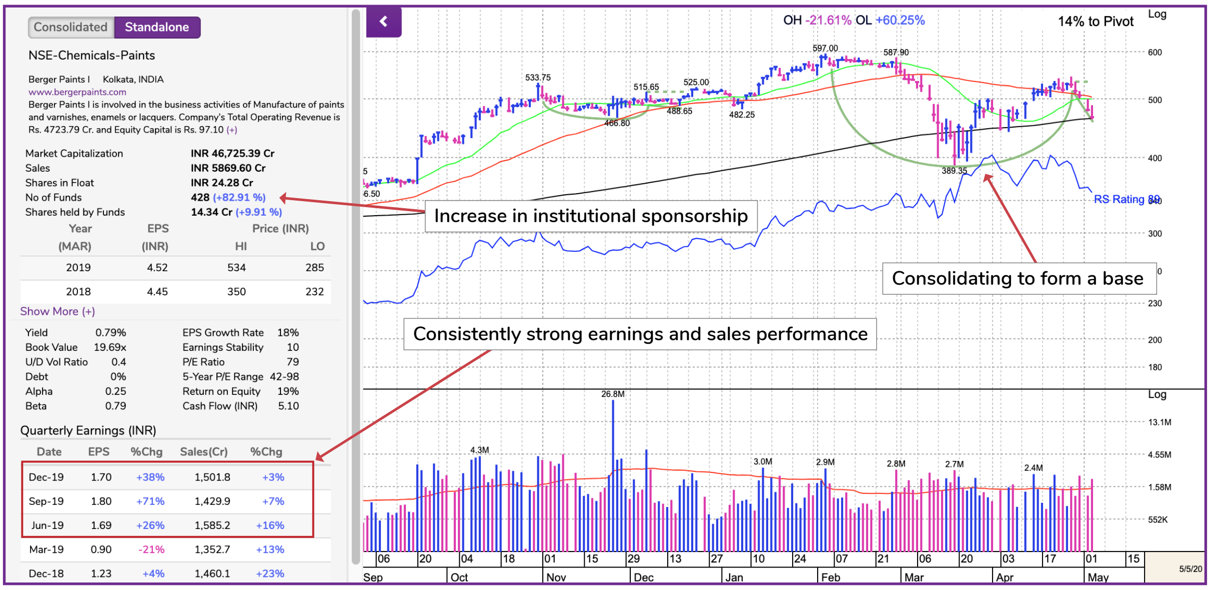


O'Neil Methodology and Technical Viewpoint:

The stock has made a stage-one consolidation base. Fresh positions can be initiated once the stock breaks out of the base on above average volume. Price strength, which indicates the price performance relative to the market, is at 80, with an RS line moving sideways. Its buyer demand rating stands at C, which is considered fair. EPS Rank of 90 indicates a strong fundamental profile. The number of fund holdings has increased 5.3% y/y in the recent quarter.

BERGER PAINTS

Berger Paints is the second-largest paint company in India and the fifteenth largest in the world. It has 20 manufacturing factories spread across eight countries. Its revenue from operations grew at a CAGR of 11.6% for the past five years. Paint consumption tends to grow at 1.5–2x of a country's GDP growth rate. Berger Paints, being a major company in India's paints space, grew above the industry average. Consolidated revenue was up 4.9% y/y in Q3 FY20. Standalone revenue was up 2.9%, y/y.



O'Neil Methodology and Technical Viewpoint:

The stock has made a stage-one consolidation base. Fresh positions can be initiated once the stock breaks out of the base on above average volume. Price strength is at 89, with an RS line moving sideways. Its buyer demand rating stands at B-, which is considered good. There has been consistent growth in sales and earnings over the last three quarters, leading to EPS Rank of 95, which indicates a strong fundamental profile. The number of fund holdings and shares held by funds have increased 82.9% and 9.9%, y/y, respectively, in the recent quarter.

PIDILITE INDUSTRIES

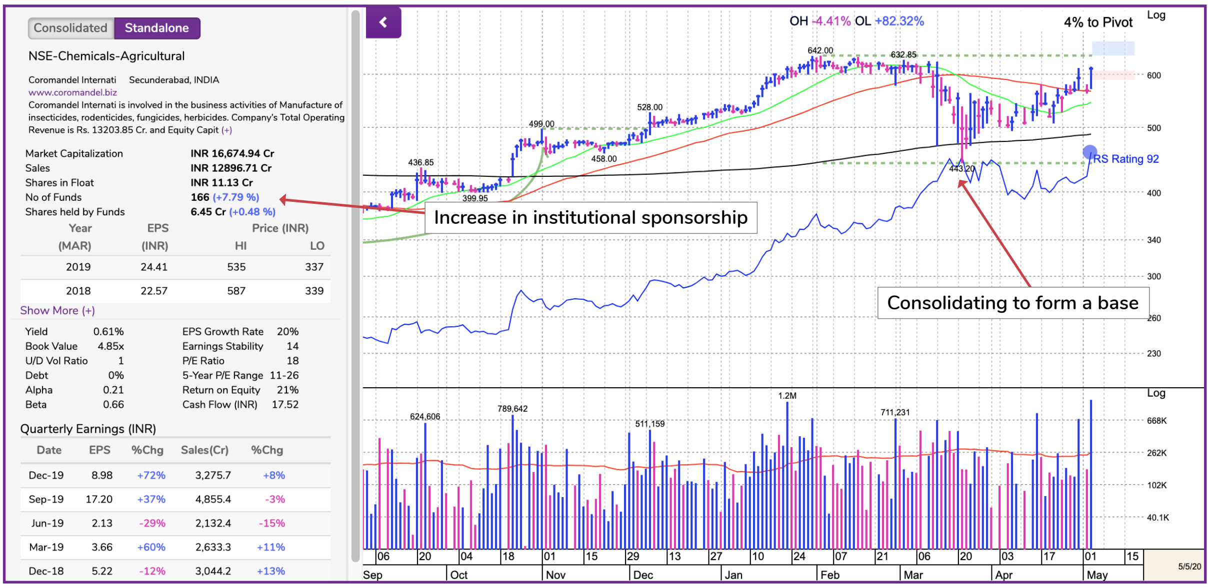
Pidilite Industries is India's leading manufacturer of adhesives, glues, sealants, and other construction and paint chemicals. The company has eight regional offices, five R&D centers, 23 plants, 25 co-producers, and a network of 4,900+ distributors in India. The penetration of its various adhesive products is still low in the domestic market. The adhesive products segment has limited competition, which indicates strong headroom for growth from untapped areas. In Q3 FY20, net sales grew 4% y/y to Rs 1,916 crore and PAT stood at Rs 330 crore, up 47% compared with the same quarter last year.

O'Neil Methodology and Technical Viewpoint:

The stock has made a stage-one cup-with-handle base. Fresh positions can be initiated once the stock breaks out of the base on above average volume. Price strength is at 83, with an RS line moving sideways. Its buyer demand rating stands at B, which is considered good. There has been consistent growth in sales and earnings over the last four quarters, leading to EPS Rank of 92, which indicates a strong fundamental profile. The number of fund holdings has increased 5% y/y in the recent quarter.

COROMANDEL INTERNATIONAL

The company is India's largest private-sector phosphatic fertilizer producer. The company is India's largest producer of Single Super Phosphate (SSP). Turnover was $1.9B (FY18-19). The company generates half of its revenue from the international market, serving Latin America, Africa, China, South East Asia, and the Middle East. The company's capacity utilization improved to 85% in FY19 from 65% in FY14. Also, the market share has improved to 16.3% in FY19, which was down to 14.4% in FY16. The India Meteorological Department on Wednesday predicted normal rainfall over the country as a whole from June to September. This is positive for the company.

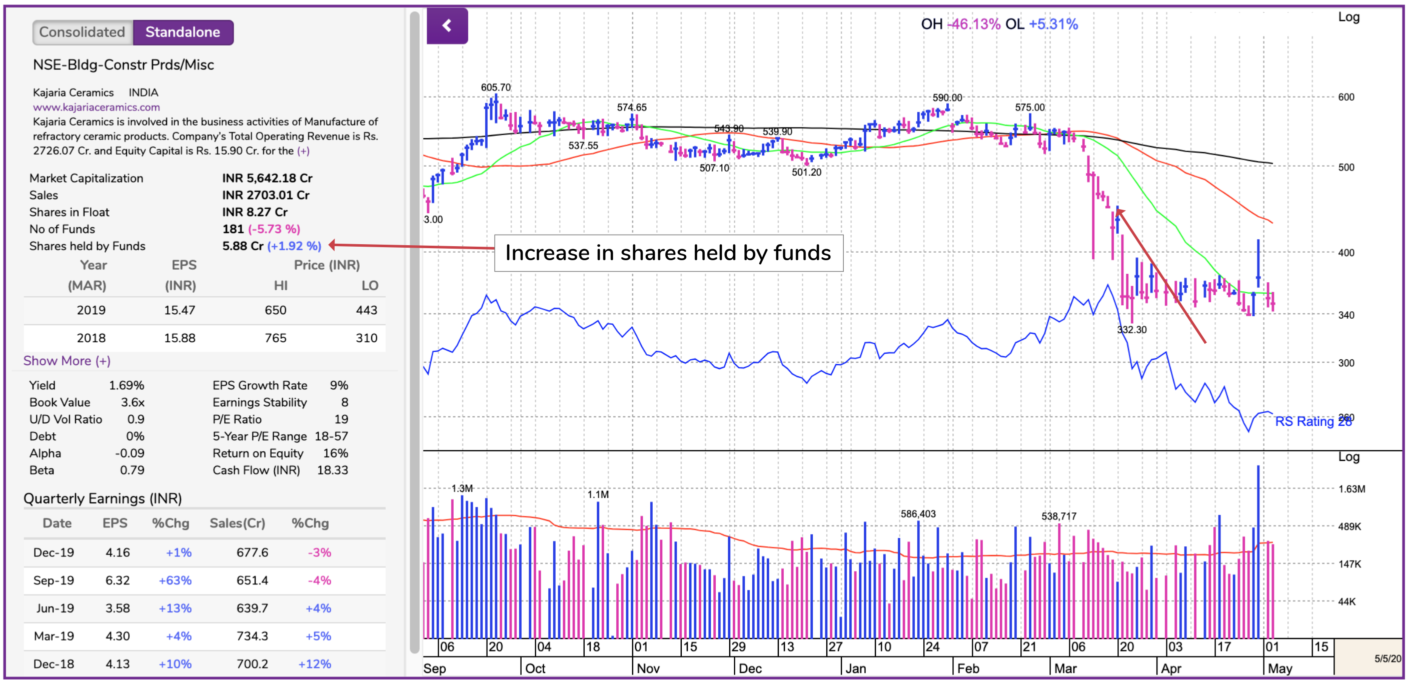


O'Neil Methodology and Technical Viewpoint:

The stock has made a stage-two consolidation base. Fresh positions can be initiated once the stock breaks out of the base on above average volume. Price strength is at 93, with an RS line moving sideways. Its buyer demand rating stands at A+, which is considered great. EPS Rank of 94 indicates a strong fundamental profile. The number of fund holdings and shares held by funds have increased 7.8% and 0.5%, y/y, respectively, in the recent quarter.

KAJARIA CERAMICS

Kajaria Ceramics manufacturers ceramic/vitrified tiles in India. Currently, it has an annual capacity of 73M square meters, distributed across eight plants – one in Sikandrabad in Uttar Pradesh, one in Gailpur and one in Malootana in Rajasthan, three in Morbi in Gujarat and one in Vijayawada and one in Srikalahasti in Andhra Pradesh. In Q3 FY20, The company reported EBITDA margin of 15.02% in Q3 FY20 as against 15.93% in same quarter previous year. PAT decreased 5% as compared with the corresponding quarter in the previous year. Volume grew 1%.



O'Neil Methodology and Technical Viewpoint:

The stock recorded a correction in March, in line with the general market correction. Following that, the stock has been trading sideways.

Price strength is poor at 28.

There has been consistent growth in earnings over the last five quarters, leading to EPS Rank of 80, which indicates a good fundamental profile.

Shares held by funds have increased 1.9% y/y in the recent quarter.

Currently, its 50-DMA is below the 200-DMA. For a growth stock, the short-term moving average should be above the long-term moving average.

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Disclosure of Interest Statement	Companies where there is interest
Analyst ownership of the stock	No

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