



REFINING AND MARKETING INDUSTRY

**Marketing margins remain healthy;
however, refining margins to remain
subdued**

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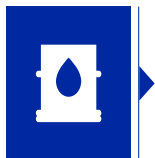
10 ICRA Ratings in Sector





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The marketing margins on MS and HSD retail sales are healthy owing to a decline in crude prices. However, the Singapore gross refining margins (GRMs) are expected to remain subdued due to a moderation in the crack spreads.



- **Petroleum, oil and lubricant (POL) consumption is expected to grow by 3-4% YoY in FY2026**, driven by economic growth and increasing mobility and air travel. Growth in POL consumption is likely to be driven by the rise in consumption of petrol by 6-7% YoY, diesel by 2-3% and aviation turbine fuel (ATF) by 8-9%.



- **Indian refiners had bought large quantities of Russian crude oil in FY2025**. However, the discounts have declined to low single digits in FY2025. As a result, the GRMs of Indian refiners have been impacted by this factor, apart from the lower product cracks.



- **The marketing margins on retail sales of MS and HSD have improved in the current fiscal owing to the decline in crude prices**. ICRA estimates oil marketing companies' (OMCs) net realisation to be higher by ~Rs. 13/litre for petrol and ~Rs. 12/litre for diesel vis-à-vis international product prices in May 2025.



- **The Singapore GRMs to remain subdued in FY2026**. The Singapore GRMs are expected to remain in the range of \$3.5-4.5/bbl in FY2026. The Singapore GRM was moderate at \$5.5/bbl in Q1 FY2026 (till June 9, 2025) though improved from \$3.2/bbl in Q4 FY2025. Gasoline and gasoil cracks witnessed some improvement in Q1 FY2026.



- **The operating profitability reduced in FY2025 due to a reduction in the GRMs** which is in line with weak international crack spreads, inventory losses on crude and LPG under-recoveries despite healthy marketing margins. The profitability is expected to remain moderate in FY2026 supported by healthy marketing margins, despite continued losses on LPG sales and moderate refining margins. ICRA's outlook on the refining and marketing sector remains Stable.



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