

# REFINING AND MARKETING INDUSTRY

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**Gross refining margins improve;  
marketing margins moderate on  
retail sales of auto fuels**

**March 2024**



# Agenda

## 1 Global Refining Industry



## 2 Domestic Refining Industry



## 3 Product-wise crack spreads



## 4 Export of Petroleum Products



## 5 Petroleum Products Marketing



## 6 Under-Recovery: Trends and Outlook



## 7 Aggregate Industry Financials



## 8 Industry Projection



## 9 Peer Comparison



## 10 ICRA Ratings in Sector







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*The Singapore gross refining margins (GRMs) witnessed improvement in Q4 FY2024 (till March 14, 2024) with healthy product cracks. The Marketing margins on retail sales moderated in the last few months and are expected to moderate further with reduction in retail selling prices. In case crude prices rise from current levels, the marketing margins could turn negative.*



- The Singapore gross refining margins (GRMs) improved to \$7/bbl in Q4 FY2024 (till March 14, 2024) from \$ 5.2/bbl in Q3 FY2024 owing to healthy product cracks. The crack spreads for gasoline and gasoil have moderated in the recent weeks owing to weak demand amid increasing supplies. However, the gross refining margins (GRMs) remained healthy in YTD FY2024 and are expected to remain healthy in FY2025.
- The marketing margins on retail sales moderated in the last few months and are expected to moderate further with reduction in retail selling prices. On March 14, 2024, the oil marketing companies (OMCs) reduced the retail selling prices of petrol and diesel by Rs. 2/litre.
- ICRA estimates that the OMCs' net realisation is higher by ~Rs. 6/litre for petrol and ~Rs. 2/litre for diesel vis-à-vis international product prices in March 2024, considering the latest prices.
- POL consumption has grown by 5% in 9M FY2024 YoY with a similar growth rate expected for FY2024. Further, the POL consumption is expected to witness a 3-4% growth in FY2025, driven by economic growth, increasing mobility and air travel. The growth in POL consumption will be driven by steady growth in petrol by ~5%, rise in diesel consumption by 3-4% and ATF by 7-8%.
- The profitability of the OMCs remained healthy in 9M FY2024 with stable GRMs. ICRA is apprehensive that the operating margins may decline in Q4 FY2024 due to the reduction in marketing margins in the last few months. However, the operating margins for FY2024 will remain healthy with strong margins in Q1 and Q2 FY2024. Further, continued strong GRMs will remain critical for maintaining operating profitability for FY2025. ICRA's outlook on the refining and marketing sector remains Stable.



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