

Oil and Gas Industry

Crude price fall to compress upstream profitability; downstream players to benefit from higher marketing margins on auto fuels, lower LPG under-recoveries

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ICRA expects average crude prices for FY2026 to remain in the \$60-70/bbl range. At these levels, the negative impact on PBT of upstream companies is estimated at Rs. 250 billion for FY2026.

However, there would be savings of Rs. 1.8 trillion for crude imports and Rs. 20 billion for LNG imports.

For OMCs, the marketing margins on auto-fuels will remain healthy, while LPG under-recoveries are likely to reduce.



- Uncertainty related to global tariffs and their impact on growth, coupled with an announcement by OPEC+ to steadily withdraw their production cuts, starting with 411,000 bpd addition from May 2025 and another 411,000 bpd from June 2025, have resulted in oil prices declining from about \$77/bbl as on March 31, 2025, to about \$60/bbl, at present.



- India meets a large portion of its domestic crude oil requirements through imports (around 89% in CY2024). In the scenario where crude remains in \$60-70/bbl range, the profit before tax for upstream players in FY2026 is expected to be lower by ~Rs. 250 billion. In spite of this, ICRA foresees the capex plans of domestic upstream players to remain intact.



- Marketing margins on auto-fuels for oil marketing companies (OMCs) would remain above long-term average of Rs. 2.5-4/litre and LPG under recoveries are expected to reduce with decline in crude prices and compensation by the Government, which would support profitability of downstream companies, despite the increase in excise duty on auto fuels by the Government of India (GoI) w.e.f. April 8, 2025. However, there would be inventory losses for refiners owing to the sharp decline in crude prices. Moreover, further hikes in excise duty can not be ruled out.



- The pricing for Administered Price Mechanism (APM) gas and LNG imported under the Ras Gas contract are linked to crude oil prices. Decline in crude prices will lead to a moderation in gas prices, which could translate to significant savings on term LNG imports. If crude oil prices sustain between \$60-70/bbl, ICRA projects the savings in Ras Gas LNG imports at ~Rs. 60 billion in FY2026 vis-à-vis FY2025.



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