ICRA

# REFINING AND MARKETING INDUSTRY

## Strong marketing margins persist, but refining margins remain under pressure

SEPTEMBER 2025

# Agenda

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# Agenda

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# Highlights

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*Marketing margins for MS (petrol) and HSD (diesel) remain healthy due to lower crude prices, but Singapore gross refining margins (GRMs) are subdued and expected to stay in the $3.5–4.5/bbl range in FY2026.*

- **POL (petroleum, oil, and lubricants) consumption in India is projected to grow by 2–3% YoY in FY2026**, driven by economic growth, increased mobility, and air travel. Petrol demand is expected to rise by 6–7%, diesel by 1–2%, and aviation turbine fuel (ATF) by 7–8%. Domestic demand for petroleum products is projected to grow steadily, with refinery throughput and capacity utilisation expected to remain healthy.
- **Indian refiners had bought large quantities of Russian crude oil in FY2025.** However, the discounts have declined to low single digits in FY2025 and in Q1 FY2026. As a result, the GRMs of Indian refiners have been impacted.
- **Marketing margins for oil marketing companies (OMCs) have improved significantly in YTDFY2026**, primarily due to a decline in crude oil prices. As a result, OMCs' net realisation exceeded international product prices by approximately Rs.11/litre for petrol and Rs.8/litre for diesel in August 2025, supporting profitability even as refining margins remain under pressure
- **Singapore refining margins (GRMs) are expected to remain subdued in FY2026.** The average GRM is estimated to be in the range of $3.5–4.5 per barrel in FY2026. This is a decline from the 10-year average of $5.6/bbl, reflecting subdued demand and increasing supplies. The GRMs for Indian refiners are also expected to remain under pressure in line with global trends.
- **The operating margins improved in Q1 FY2026** supported by healthy marketing margins despite moderation in the GRMs and under-recoveries on LPG sales. In August 2025, the Government announced a Rs.30,000 crore grant in 12 tranches to support OMCs for LPG losses. The profitability is expected to remain stable in FY2026 due to healthy marketing margins on retail sales of auto fuels and reduced LPG under-recoveries. ICRA's outlook on the sector remain Stable.

# Analytical Contact Details

| Name | Designation | Email | Contact Number |
|---|---|---|---|
| **Girishkumar Kadam** | Senior Vice-President and Group Head | girishkumar@icraindia.com | 022-6114 3441 |
| **Prashant Vasisht** | Senior Vice-President and Co-Group Head | prashant.vasisht@icraindia.com | 0124-4545 322 |
| **Kushal Kumar B** | Sector Head and Vice President | kushal.kumar@icraindia.com | 040-6939 6408 |
| **Rahul Bansal** | Lead Analyst | rahul.bansal@icraindia.com | 0124-4545 820 |

# ICRA Business Development/Media Contact Details

| Name | Designation | Email | Contact Number |
|---|---|---|---|
| **L Shivakumar** | Chief Business Officer | shivakumar@icraindia.com | 022-61693304 |
| **Sai Krishna** | Head - Research Sales and Investor Connect | sai.krishna1@icraindia.com | 9840774883 |
| **Rohit Gupta** | Head Business Development – Infrastructure Sector | rohitg@icraindia.com | 0124-4545340 |
| **Vivek Bhalla** | Head Business Development – Financial Sector | vivek.bhalla@icraindia.com | 022-61693372 |
| **Vinita Baid** | Head Business Development – East | vinita.baid@icraindia.com | 033-65216801 |
| **Shivam Bhatia** | Head Business Development – Corporate Sector – North & South | shivam.bhatia@icraindia.com | 0124-4545803 |
| **Sanket Kulkarni** | Head Business Development – Corporate Sector – West | sanket.kulkarni@icraindia.com | 022-6169 3365 |
| **Naznin Prodhani** | Head - Group Corporate Communications & Media Relations | communications@icraindia.com | 0124-4545860 |

# Thank You!