INDIAN UPSTREAM OIL & GAS INDUSTRY

Weak demand amid strong output keeps prices weak

DECEMBER 2025

Agenda

1 Perspective on Crude Oil Prices

2 Regulatory and Policy Developments

3 Oil and Gas Production

4 Oil Imports

5 ESG Risks in Upstream Oil & Gas

6 Industry Projections

Agenda

7 Industry Performance

8 Industry Peer Comparison

9 ICRA Ratings on Upstream Companies

Highlights

ICRA

Click to see full report

Crude prices have slipped to $62–64/barrel (bbl), marking a sharp decline from earlier highs as oversupply concerns deepen. Brent briefly spiked to $79/bbl in June amid Israel-Iran tensions, but a ceasefire and Organisation of the Petroleum Exporting Countries (OPEC+) output hikes triggered a sustained correction. Inventories have surged, demand remains soft and peace talks between Russia and Ukraine have further pressured prices. While any rebound would support upstream margins, the near-term outlook stays bearish.

- **Brent crude slid from $77/bbl in March to $63/bbl by April** owing to imposition of retaliatory trade tariffs leading to fears on an economic slowdown and weak demand amid OPEC+ supply rollback. A brief rebound in May faded, with prices nearing **~$63/bbl** in November.
- **OPEC+** paused production hikes for Q1 2026 amid oversupply and weak demand. Additionally, **U.S. imposed sanctions on Rosneft and Lukeoil** who together accounted for ~60% of India's imports. On an annual basis the replacement by market priced crude would lead to an increase in import bill by less than 2%.
- **Domestic crude oil production has been steadily declining** owing to maturing oilfields, with the trend continuing in FY2025 and H1 FY2026. This has resulted in growing import dependence, nearly 89% in FY2025 and 91% in H1 FY2026. Oil production is expected to remain at 28-30 million tonnes in the medium term, while gas production is likely to grow.
- **Domestic gas prices** from nominated fields are estimated to remain close to the ceiling in the near term, as it is pegged at a 10% slope to the monthly average of the India crude basket, with a floor and ceiling of $4.0/mmbtu and $6.75/mmbtu, respectively.
- **Despite the decline, crude oil prices are likely to remain remunerative** for upstream companies, to incentivise capital expenditure (capex). Moreover, domestic gas prices also continue to be remunerative since production costs for the nomination fields are low.
- **Industry debt levels are likely to remain stable in FY2026** and, accordingly, the leverage and debt coverage metrics are also expected to be steady and healthy.

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
Anubha Rustagi	Sector Head and Assistant Vice President	anubha.rustagi2@icraindia.com	022 – 6169 3345
Himani Sanghvi	Senior Analyst	himani.sanghvi@icraindia.com	079 – 6923 3048

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

ICRA

ICRA

Thank You!