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INDIA’S OIL IMPORTS

Import savings from discounted Russian crude estimated at $7.9 billion in 11M FY2024; falling discounts to enlarge oil imports, CAD in FY2025

APRIL 2024

Highlights

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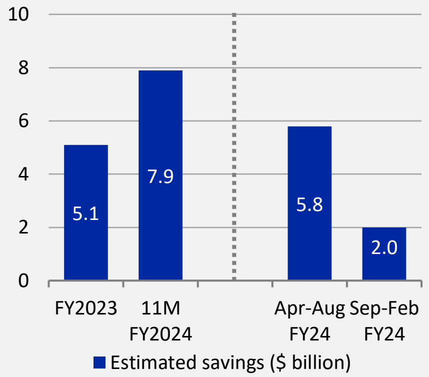
EXHIBIT: Estimated savings from discounted Russian crude petroleum



Source: ICRA Research

- The value of India's imports of petroleum crude and products declined by 15.2% YoY during April-February FY2024, even as volumes rose slightly in this period. This was supported by the fall in average global crude oil prices as well as savings from stepped up purchases of discounted Russian crude.
- As per the Ministry of Commerce and Industry, in volume terms, the share of crude petroleum imported from Russia jumped to ~36% in 11M FY2024 from 2% in FY2022, while that from West Asian countries (Saudi Arabia, the UAE and Kuwait) fell to ~23% from ~34%, respectively; discounts on the former generated savings in the oil import bill.
- Based on ICRA's analysis, the imputed unit value of imports from Russia was 16.4% and 15.6% lower than the corresponding levels from West Asia in FY2023 and 11M FY2024, respectively. ICRA estimates this to have led to savings in India's oil import bill amounting to $5.1 billion in FY2023 and $7.9 billion in 11M FY2024, thereby compressing India's current account deficit (CAD)/GDP ratio by 15–22 bps in FY2023-24.
- Despite the sizeable savings in 11M FY2024, ICRA estimates that the extent of monthly discounts relative to price narrowed sharply over the fiscal, to ~8% on an average in September-February FY2024 from ~23% in April-August FY2024. Consequently, the savings related to purchase of Russian crude are likely to have dipped to $2 billion in September-February FY2024 from $5.8 billion in April-August FY2024.
- With India's oil import dependency expected to remain high, if the discounts on purchases of Russian crude persist at the prevailing low levels, ICRA expects India's net oil import bill to widen to $101-104 billion in FY2025 from $96.1 billion in FY2024, assuming an average crude oil price of $85/bbl in the fiscal. Additionally, any escalation in the Iran–Israel conflict and an associated rise in crude oil prices could impart an upward pressure on the value of net oil imports in the current fiscal year.
- As per ICRA's calculations, a $10/bbl uptick in the average crude oil price for the fiscal pushes up the net oil imports by ~$12-13 billion during the year, thereby enlarging the CAD by 0.3% of GDP. Accordingly, if the average crude oil price rises to $95/bbl in FY2025, then the CAD is likely to widen to 1.5% of GDP from our current estimate of 1.2% of GDP for the fiscal (over 0.8% projected for FY2024).

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Thank You!