



REFINING AND MARKETING INDUSTRY

Gross refining margins to remain subdued in FY2025; however, marketing margins to be healthy

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The Singapore gross refining margins (GRMs) are expected to remain subdued in FY2025 due to a moderation in the crack spreads. However, the marketing margins on MS and HSD retail sales have remained healthy owing to a decline in crude prices.



- Petroleum, oil and lubricant (POL) consumption is expected to grow by 3-4% YoY in FY2025, driven by economic growth and increasing mobility and air travel. Growth in POL consumption is likely to be driven by rise in petrol consumption by 6-7% YoY in FY2025, diesel by 2-3% and aviation turbine fuel (ATF) by 8-9%.



- Indian refiners had bought large quantities of Russian crude oil in FY2024 owing to the healthy discounts available. However, the discounts have declined to low single digits in the current fiscal. As a result, the GRMs of Indian refiners have been impacted by this factor, apart from the lower product cracks.



- The marketing margins on retail sales of MS and HSD have improved in the current fiscal owing to the decline in crude prices. ICRA estimates oil marketing companies' (OMCs) net realisation to be higher by ~Rs. 12/litre for petrol and ~Rs. 10/litre for diesel vis-à-vis international product prices in December 2024 (till Dec 24,2024).



- The Singapore GRMs increased to \$5.0/bbl in Q3 FY2025 (till Dec 24, 2024) from \$3.9/bbl in Q2 FY2025. The improvement was due to a surge in crack spreads of gasoil in November and December 2024. However, the Singapore GRMs are expected to decline to \$3-4/bbl in FY2025 due to supply side constraints.



- The profitability of OMCs remained subdued in H1 FY2025 due to a decline in the gross refining margins (GRMs), marketing losses on LPG sales and inventory losses on crude. The profitability is expected to remain moderate in FY2025 owing to continued losses on LPG sales and subdued refining margins. ICRA's outlook on the refining and marketing sector remains Stable.



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