

INDIAN UPSTREAM OIL & GAS INDUSTRY

**Rising supply and falling demand – a
double whammy for oil prices**

MARCH 2025



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Oil prices have remained in the range of \$70-78/bbl in the last few months, following weak demand, despite the ongoing geopolitical scenario. Given these prices, the Windfall Tax on crude in India has been scrapped. The profitability of upstream companies is likely to remain healthy with capex plans remaining intact.



- **Crude oil price** remained in the range of ~\$70-80/bbl in the last two months owing to weak demand and concerns around Ukraine-Russia ceasefire and tightening of sanctions on Iran.



- **Domestic crude oil production has been steadily declining** owing to maturing oilfields with the trend continuing in 10M FY2025. This has resulted in increasing import dependence, to the extent of 88.2% during 10M FY2025. Oil production is expected to remain in the range of 29-31 million tonnes in the medium term, while gas production is likely to witness growth.



- **Special Additional Excise Duty (SAED) scrapped.** The GoI imposed a SAED of ~\$40 per barrel on crude oil production w.e.f. July 1, 2022. Since then, there have been multiple revisions with changes in international crude oil prices. The SAED, which was nil as per the latest revision w.e.f. September 18, 2024, has now been scrapped w.e.f. December 02, 2024.



- **Domestic gas prices** from nominated fields are estimated to remain at the ceiling in the near term amid firm crude oil prices, 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 \$6.5/mmbtu respectively



- **Despite some moderation, crude oil prices are likely to remain remunerative** for upstream companies, which would incentivise capex. Moreover, domestic gas prices remain remunerative since production costs for the nomination fields are low.



- **Industry debt levels are likely to remain stable in FY2025** and, accordingly, the leverage and debt coverage metrics are also expected to be stable and healthy.



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