FORTUNA THE FINANCIAL EXPRESS CIRRUS

Fri, 27 Sep-24; Financial Express - Delhi; Size : 95 sq.cm.;
Circulation:85000; Page : 2

Scope to cut petrol, diesel prices: Icra

ARUNIMA BHARADWAJ
New Delhi, September 26

AGAINST THE BACKDROP of weak crude oil prices and a range-bound refining margins environment, analysts see marketing margins of the state-owned oil marketing companies remaining strong. Additionally, there is headroom for the downward revision of retail fuel prices if crude prices remain stable at current levels, they say.

Icra estimates that the OMCs' net realisation was higher by ₹15 per litre for petrol and around ₹12 per litre for diesel vis-à-vis international product prices in September 2024. "The retail selling price of these fuels have been unchanged since March 2024 and there appears to be headroom for their downward revision by ₹2-3 per litre, if crude prices remain stable," said Girishkumar Kadam, senior vice president and group head- corporate ratings, Icra.

Ahead of the key state elections, analysts at Motilal Oswal believe that the central government may urge individual states to reduce state taxes to provide relief to consumers. While OMCs appear to be trading at the higher end of the historical range, street earnings estimates are building in only ₹3-4 per litre marketing margin, it said. According to the brokerage, the Singapore gross refining margin in the first half of FY25 till date has averaged only $3.6 per barrel, reflecting the effects of a subdued oil demand environment.

The International Energy Agency (IEA) has reduced its global oil demand estimate to 900,000-950,000 barrels per day in 2024 and 2025. According to the IEA, global oil demand growth continues to slow down, with an increase of 800,000 barrels per day in the first half of 2024, amid muted demand from China, the world's top consumer of crude oil.

"However, key product inventories globally remain at the lower to mid-range of the last five years. We anticipate limited downside for refining margins from current levels as we approach the seasonally stronger winter months," Motilal Oswal said.

Kadam said, "OMCs reported healthy operating margins in FY24, recouping the losses incurred during FY23. Despite moderation in gross refining margins, the improvement in marketing margins is likely to result in the OMCs maintaining their profitability in H1 FY25."

Crude prices have witnessed a sharp decline in the past few months, primarily due to weak global economic growth and high US production.