

Crude prices may average \$65-70 a barrel this year, say analysts

Falling prices likely to boost oil marketing companies' margins

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CRUDE OIL PRICES are likely to average around \$65-70 per barrel in the current year with a potential to fall even lower in 2026 on weakening global demand and increase in supply, analysts say.

Crude oil prices have come down significantly recently with Brent hovering around \$60 per barrel on Monday. Prices declined as the Organization of the Petroleum Exporting Countries, led by Saudi Arabia, decided to increase output by another 411,000 barrels per day in June. The decision came a month after the grouping announced increasing production

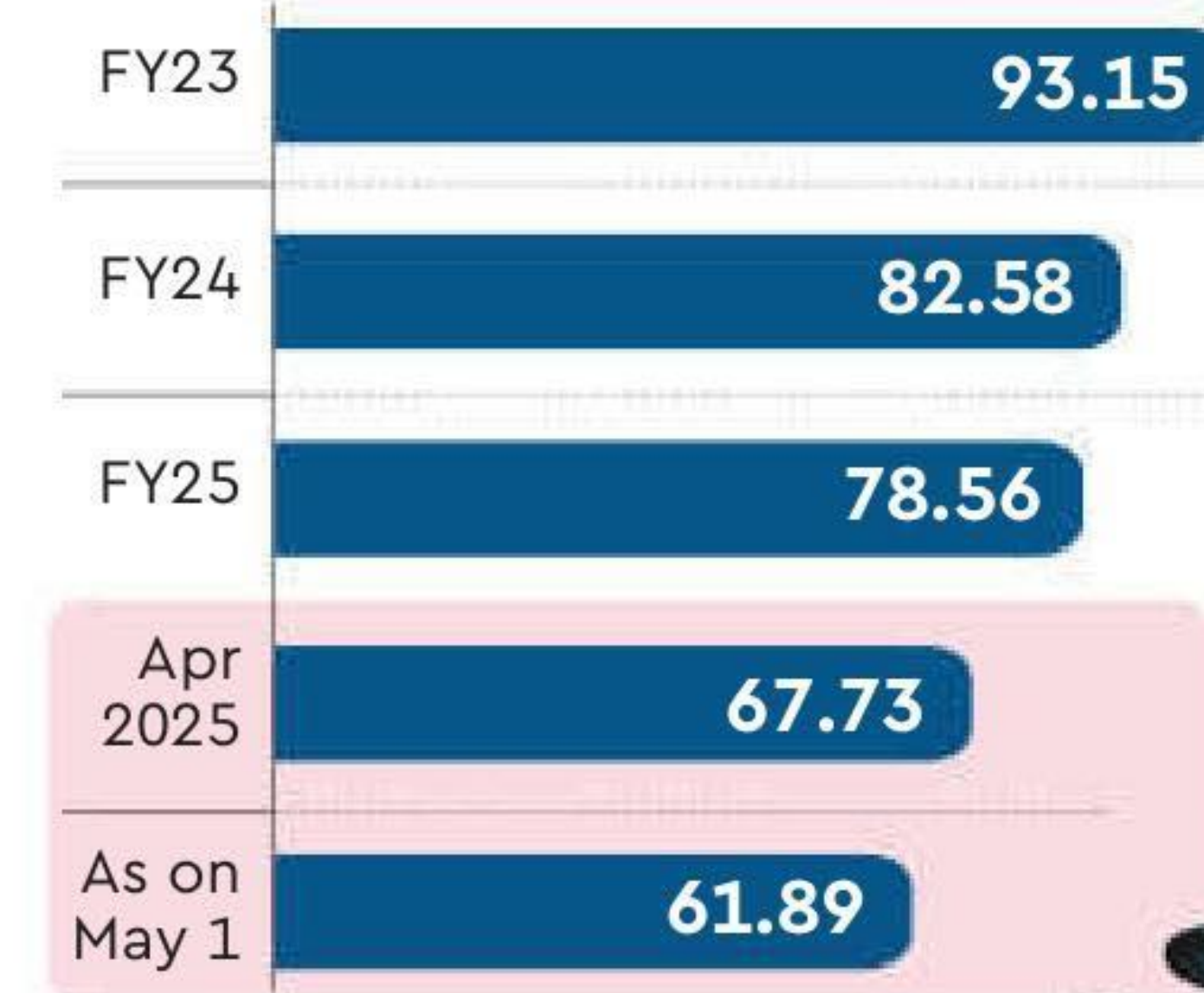
in May by the same amount. "Our projection is that crude prices may average \$70 per barrel this year which may decline and hover around \$60 per barrel in 2026, but then OPEC will reduce supply correspondingly which may result in prices bouncing back," said Manas Majumdar, partner and leader, oil and gas, PwC India.

The average price of Indian crude oil basket was \$67.73 a barrel in April, according to data from the Petroleum Planning and Analysis Cell. The price fell to \$61.89 on May 1. Motilal Oswal estimates crude oil prices to average around \$65 per barrel in FY26.

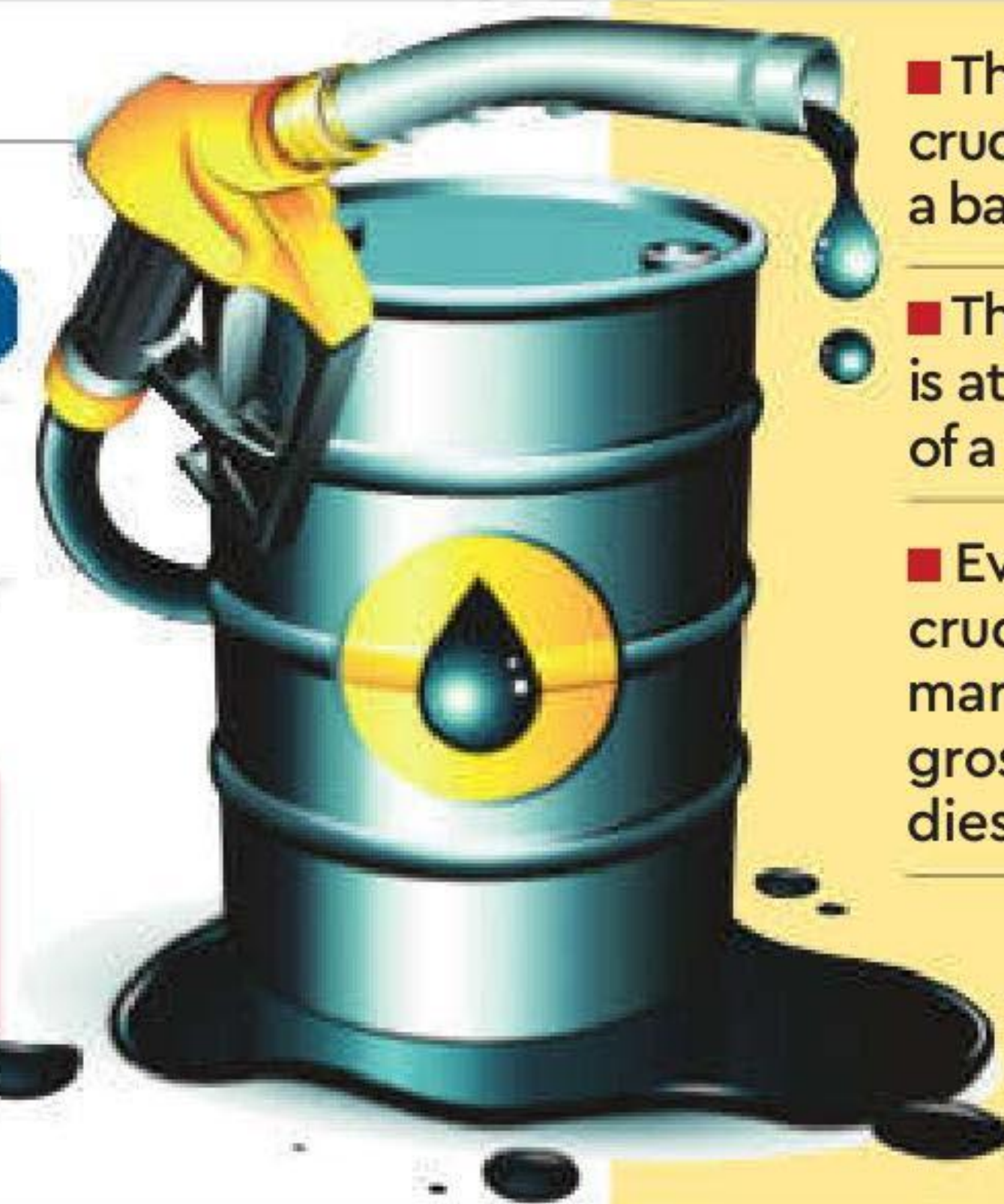
The decline in crude oil prices from above \$77/barrel as on March 31 is attributed to growing fears of a global recession with retaliatory tariffs being announced by China. Additionally, the planned production increase by OPEC+ is also contributing to downward pressure on

SUPPLY PUSH

Indian basket crude oil price (\$/bbl)



Source: PPAC



■ The average price of Indian crude oil basket was **\$67.73** a barrel in April this year

■ The decline in crude prices is attributed to growing fears of a global recession

■ Every **\$1/bbl** drop in crude price improves oil marketing companies' gross margin for gasoline/diesel by **₹0.55/litre**

■ Upstream sector may face challenges as local output is benchmarked to international prices

crude prices, Prashant Vasisht, senior vice president and co-group head, Icra had said.

If crude oil prices continue to be lower, the state-owned oil marketing companies including Indian Oil,

Bharat Petroleum, and Hindustan Petroleum can see an increase in their marketing margins, resulting in increased profitability.

As per Elara Securities, international crude oil prices in Q1FY26

are at \$65/barrel, a \$10/barrel decline over Q4FY25 level which improved OMCs' gross margin for gasoline/diesel by ₹3.5/litre despite the recent ₹2/litre excise duty hike on gasoline/diesel. "Every \$1/bbl

drop in crude oil price improves the oil marketing companies' gross margin for gasoline/diesel by ₹0.55/litre," it said. The firm expects crude oil prices in the current fiscal year to average at \$70 per barrel.

Given the dip in crude oil prices below \$70 a barrel, Elara Capital expects FY26 integrated margin (Ebitda per unit of refining and marketing volume) of BPCL to jump by 49% versus FY25 level to ₹4,023 per tonne. For IOCL, it expects the integrated margin to increase 91% against FY25 level to ₹4,000/tonne. For oil exploration companies like Oil and Natural Gas Corporation and Oil India, lower oil prices could, however, impact their revenue and affect crude price realisations.

"The Indian downstream sector is likely to marginally benefit from the lower prices as it would lower the import bill and increase the marketing margin of the oil mar-

keting companies. However, the upstream sector is expected to face challenges as the price of domestic production is benchmarked to international prices," said Megha Arora, partner, IndusLaw.

As per industry players and experts, the downward pressure on international oil prices is expected to continue. If crude oil prices sustain at their current levels, the industry is hopeful of a cut in the retail prices of auto fuels by the three OMCs. Last month, oil minister Hardeep Singh Puri had said that there was headroom to cut petrol, diesel prices for the Indian oil marketing companies if the trend of lower crude oil prices continued. He said that OMCs should be able to reduce fuel prices even if crude oil prices reach \$65 per barrel. Immediately before the general elections in 2024, the government had reduced petrol and diesel prices by ₹2 a litre each.