PL Capital
PRABHUDAS LILLADHER

Oil & Gas
Thematic Report

July 23, 2025

# Refining: Not a beautiful sunset, but a few hues remain

**Exhibit 1:** PL Universe

| Companies | Rating | CMP (Rs) | TP (Rs) |
|---|---|---|---|
| Bharat Petroleum Corporation | REDUCE | 340 | 311 |
| GAIL (India) | HOLD | 184 | 184 |
| Gujarat Gas | Sell | 472 | 404 |
| Gujarat State Petronet | HOLD | 332 | 348 |
| Hindustan Petroleum Corporation | SELL | 429 | 360 |
| Indraprastha Gas | REDUCE | 213 | 186 |
| Indian Oil Corporation | REDUCE | 152 | 138 |
| Mahanagar Gas | HOLD | 1,486 | 1,425 |
| Mangalore Refinery Petrochemicals | Acc | 145 | 152 |
| Oil India | BUY | 451 | 566 |
| Oil & Natural Gas Corporation | Acc | 246 | 284 |
| Petronet LNG | Reduce | 304 | 315 |
| Reliance Industries | Acc | 1,413 | 1,555 |

*Source: PL* *Acc=Accumulate*

## Top Picks:

**Oil India**

**Swarnendu Bhushan**
swarnendubhushan@plindia.com | 91-22-66322260

***Rising uncertainties in global trade and geopolitics have further solidified the importance of protectionism in a strategic sector like refining. National oil companies (NOCs) dominate the global refining sector with 54% market share. Global demand for petroleum products is fading with call on refined products almost flat at 85.9mnbopd in 2030 vs 85.6mnbopd in 2024. This situation would normally call for capacity rationalization. However, the rush to secure domestic availability is expected to lead to expansion of global capacity by 2.6mnbopd through 2030, net of closures of 1.6mnbopd. Almost all of the additions are by NOCs, as per our research, and the additions are likely to keep refining margins under check.***

- **Demand unlikely to grow**: Global penetration of EVs in cars has already reached 22% of new sales in 2024. Electrification, although with hiccups at times, is expected to wipe away 5mnbopd of oil demand. Other factors like the Middle East shifting from oil to gas for power generation, rising fuel efficiencies globally, and adoption of biofuels, coal-to-liquids (CTLs) and gas-to-liquids (GTLs), among others, are likely to keep demand for refined products under check at 85.9mnbopd in 2030 vs 85.6mnbopd in 2024.

- **Strategic interests rather than economics behind expansions**: Net capacity addition of 1.6mnbopd, combined with poor growth in demand, is likely to lower global refining capacity utilization to 77% in 2030 compared with 78% in 2024. While capacity growth does not make sense in a sunset industry, it may be noted that almost all of 3.9mnbopd major refining capacity additions that we have enumerated are by NOCs, primarily driven by non-economic strategic considerations.

- **Petrol, diesel cracks to be hit the most**: Petrol, diesel and kero/ATF are the only products with positive crack spreads. Typical yield of a refinery would contain 15-20% of petrol, 40-50% of diesel, and 5-7% of kero/ATF. While global demand for liquid fuels is projected to increase at 0.4% CAGR during 2024-30, it may be noted that petrol is expected to witness decline of 0.6% CAGR and diesel is unlikely to grow. Against these, kero/ATF is likely to grow at CAGR of 2.1%. At best, we expect GRMs to gravitate toward long-term average of USD5-7/bbl against the normally expected "golden age of refining" suggested by a few experts.

- **Marketing margins to the rescue**: While SG GRM is unlikely to offer respite, other factors like discount on import of Russian crude and, more importantly, gross marketing margins (GMMs) on petrol and diesel have been supporting oil marketing companies (OMCs). OMCs have made GMM of Rs11.7/9.4/liter on petrol/diesel in FY26YTD against normalized GMM of Rs3-3.5/liter that they used to make earlier. We estimate that loss of USD1/bbl in GRM would require incremental Rs0.7/0.6/0.4/lit of GMM on petrol/diesel for IOCL/BPCL and HPCL respectively. We further estimate that every Rs50/cyl loss on LPG can be compensated by Rs0.7/0.7/0.8/lit incremental GMM on petrol/diesel for IOCL/BPCL/HPCL respectively.

- **Valuation and recommendation**: We reiterate our Accumulate rating on RIL, primarily driven by the prospects of New Energy, with a target price of Rs1,555. We reiterate our Accumulate rating on MRPL with a target price of Rs152 considering the near-term strength in refining and its foray into chemicals. We reiterate our Sell rating on HPCL and Reduce on BPCL and IOCL. However, we also highlight that if marketing margins were to strengthen, 11-23% market cap expansion could take place through net debt reduction, ceteris paribus.

# Global glut in refining

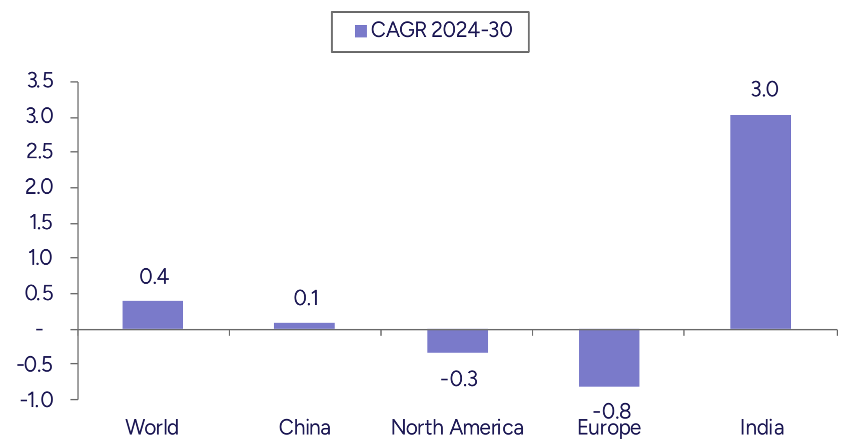
## Global demand for refined products

**Demand for liquid fuels to rise**: IEA estimates global demand for liquid fuels to rise from 103mnbopd in 2024 to 105.5mnbopd by 2030, at CAGR of 0.4% against 0.5% during 2019-24. Growth will be led by LPG and naphtha finding higher demand as petrochemical feedstock, clocking 2.0% and 2.4% CAGR, respectively, during 2024-30. ATF/kero demand is expected to grow by 2.1% CAGR.

**Main products petrol and diesel to disappoint**: Although EV adoption has been slow in other markets, China has led the shift aggressively with penetration of 48% in new car sales in 2024. This alone pushed global penetration to 22%. It is estimated that EVs would displace ~5mnbopd of global liquid fuel demand. This combined with fuel efficiency norms and ethanol-biodiesel blending, is expected to result in demand of petrol declining at a CAGR of 0.6% during 2024-30 vs growth of 0.2% during 2019-24. Diesel demand is expected to remain flat compared with decline of 0.3% CAGR.

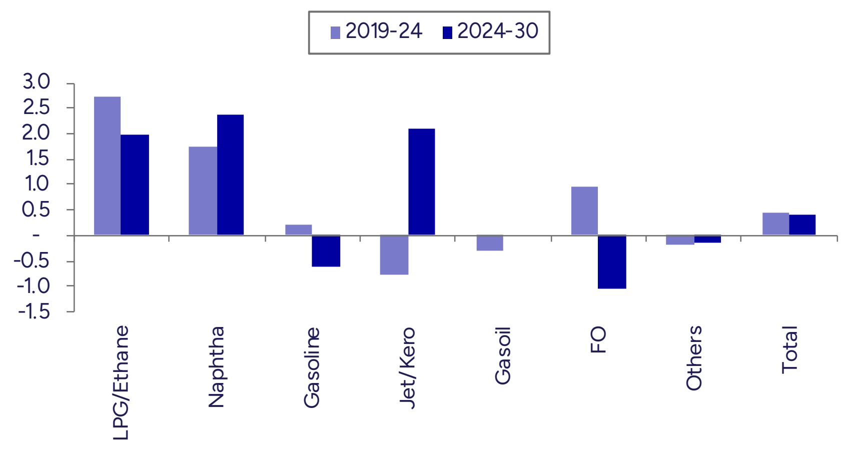
*India appears fastest growing demand center*

**Exhibit 2: Growth in demand for liquid fuels in various regions (%)**



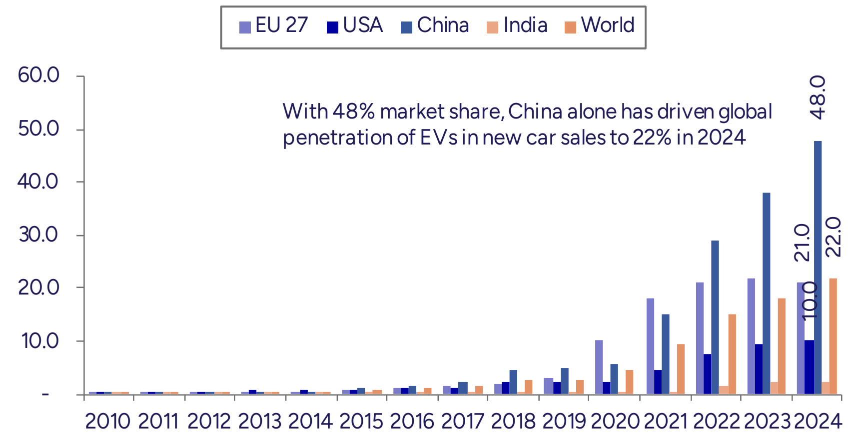

*Source: IEA, PL*

**Exhibit 3: Petrol (gasoline) and diesel (gasoil) consumption growth to disappoint (% CAGR)**




*Source: IEA, PL*

**Exhibit 4: EVs account for 22% of global new car sales in 2024 (% penetration)**




*Source: IEA, PL*

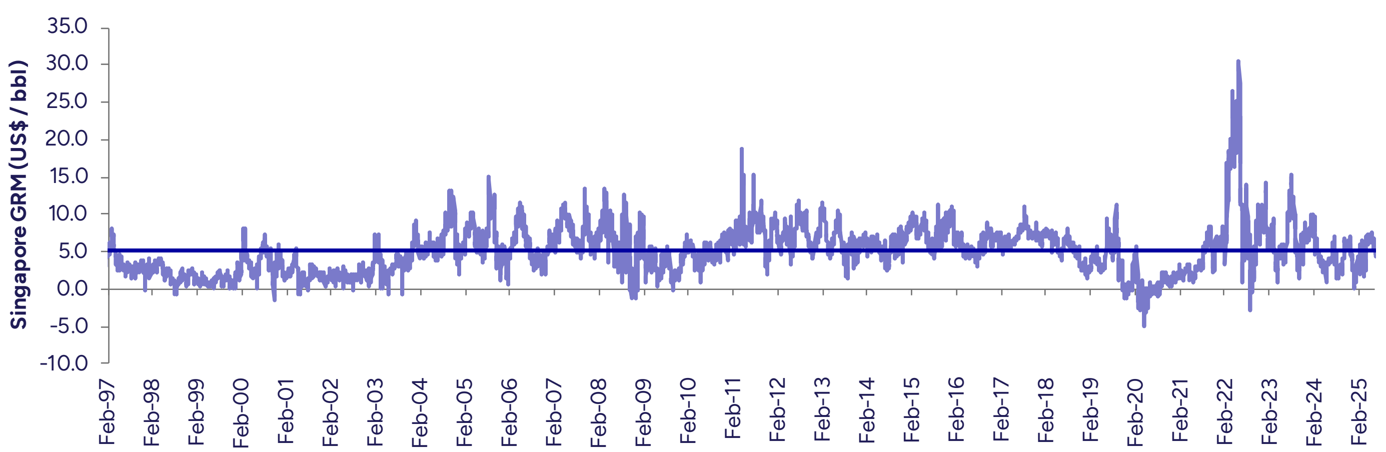
**Demand for refined products to be even poorer**: Despite total liquid fuel demand projected to grow from 103mnbopd in 2024 to 105.5mnbopd in 2030, higher availability of biofuels, CTLs/GTLs and fractionation products along with lower demand for direct crude usage, is expected result in demand for refined products stagnating at 85.9mnbopd in 2030 against 85.6mnbopd in 2024.

**Exhibit 5: Demand for refined products to stagnate**

| (mnbopd) | 2024 | 2030 |
|---|---|---|
| Total liq demand [A] | 103 | 105.5 |
| Biofuels [B] | 3.4 | 4.1 |
| **Total oil demand [C]=[A]-[B]** | **99.6** | **101.4** |
| CTL/GTLs [D] | 0.8 | 0.9 |
| Direct use of crude [E] | 1 | 0.5 |
| **Call on oil products [F]=[C]-[D]-[E]** | **97.8** | **100** |
| Fractionation products [G] | 12.2 | 14.1 |
| **Refined products' demand [F]-[G]** | **85.6** | **85.9** |

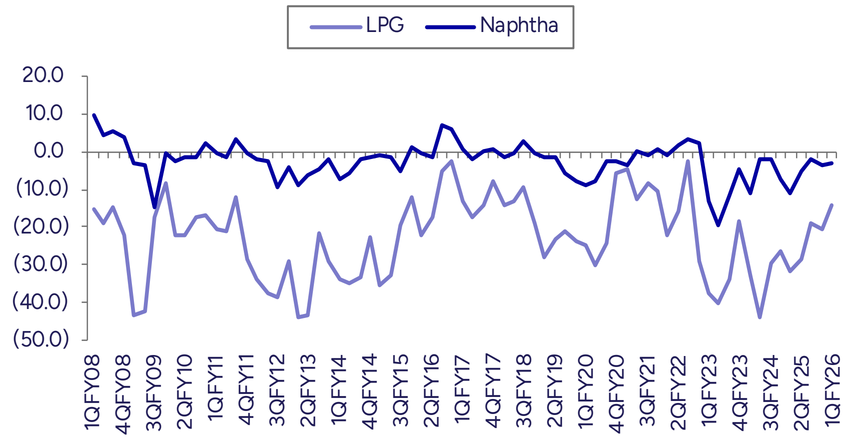
*Source: IEA, PL*

**Exhibit 6: Long-term SG GRM (USD/bbl)**



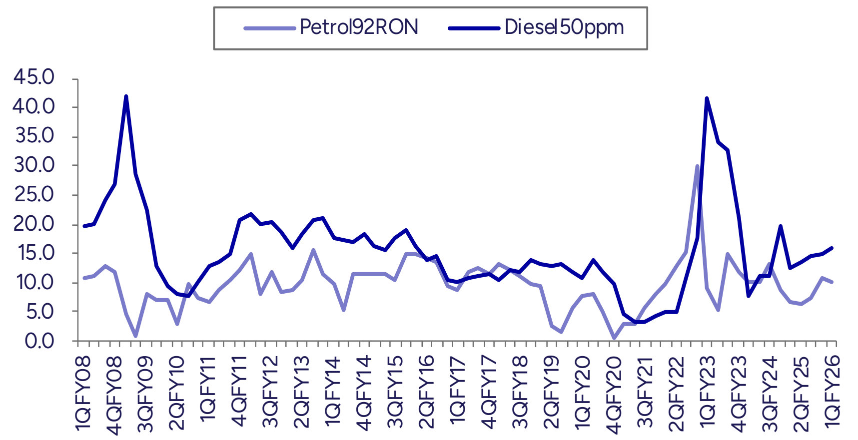

*Source: Industry, PL*

**Exhibit 7: LPG & naphtha crack spreads remain rangebound (USD/bbl)**



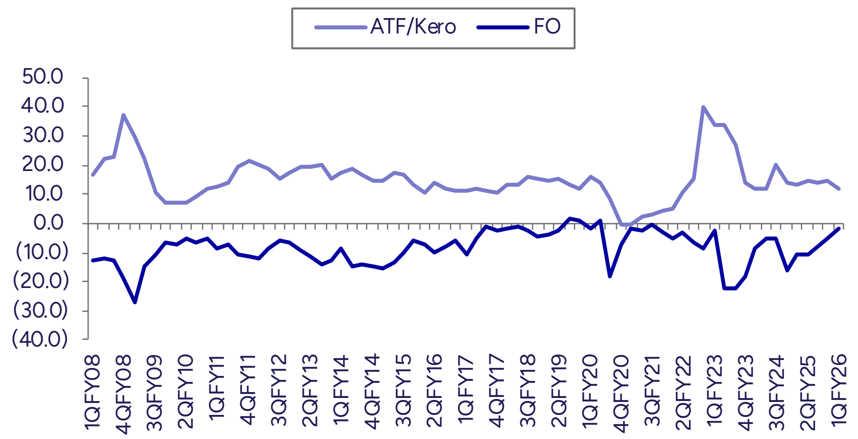

*Source: Industry, PL*

**Exhibit 8: Petrol and diesel crack spreads to remain under pressure (USD/bbl)**




*Source: Industry, PL*

**Exhibit 9: ATF/Kero crack spreads to strengthen**




*Source: Industry, PL*

*"The government solution to a problem is usually as bad as the problem."*

*-Milton Friedman*

## Global supply of refined products

**Strategic considerations driving capacity additions**: Under normal circumstances, one would not expect capacity additions to continue in a sunset industry- the thought which drove the concept of "golden age of refining" as propounded by a few experts. However, it may be noted that ~54% of global refining capacity is in the hands of NOCs. Additionally, in order to remove import dependence for petrochemicals (refinery-based naphtha being a feedstock), to remove import dependence on refined products or to capture the downstream value chain (for upstream companies), NOCs have been adding capacities. Our research shows that almost all of large refining capacity additions to the tune of 3.9mnbopd that we have enumerated belong to the NOCs.

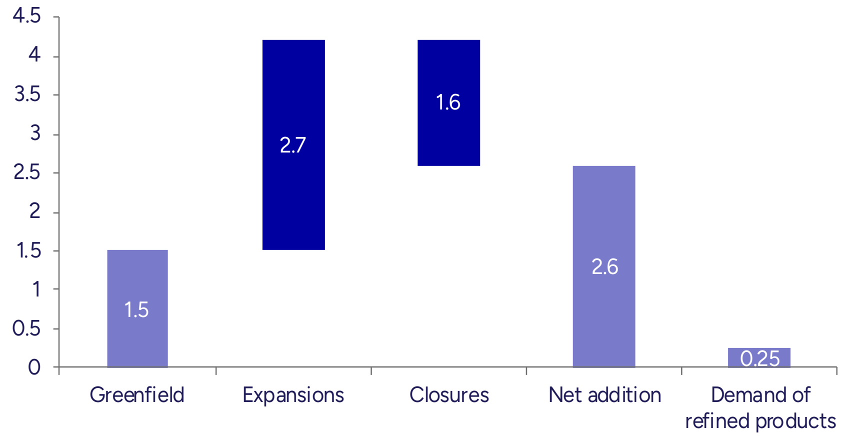
**Capacity additions to limit utilization**: It is estimated that against almost flat demand for refined products, global net refining capacity is likely to grow by 2.6mnbopd during 2024-30, thereby limiting utilization to 77% by 2030 against 78% in 2024.

**Exhibit 10: Global refining capacity additions – Almost all are by NOCs (kbopd)**

| Refinery name | Company | Country | Capacity | Expected by | NOC? |
|---|---|---|---|---|---|
| Olmeca refinery | Pemex | Mexico | 170 | 2025 | Y |
| RNEST | Petrobras | Brazil | 115 | Q2CY29 | Y |
| Port Harcourt | Nigerian National Petroleum Corporation | Nigeria | 150 | 2026 | Y |
| Hassi Messaoud | Sonatrach | Algeria | 110 | 2028 | Y |
| Afipsk | ForteInvest | Russia | 60 | Q2CY25 | N |
| Novoshakhtinsk | Peton Invest | Russia | 50 | Q1CY26 | N |
| Sitra | Bahrain Petroleum | Bahrain | 115 | Q1CY26 | Y |
| Persian Gulf Star | Oil, Gas and Petrochemical Investment Company | Iran | 120 | Q4CY25 | Y |
| Siraf | Siraf Green Star Refinery | Iran | 60 | Q2CY26 | Y |
| Duqm | OQ8/Kuwait Petroleum | Oman | 30 | H2CY25 | Y |
| Dhi Qar | South Refineries Company | Iraq | 100 | 2028 | Y |
| Missan | South Refineries Company | Iraq | 70 | 2030 | Y |
| Diwaniya | South Refineries Company | Iraq | 70 | 2030 | Y |
| Shandong | Yulong Petrochem | China | 400 | Q1CY25 | Partly |
| Quanzhou | Sinochem | China | 60 | 2025 | Y |
| Daxie | CNOOC | China | 130 | 2025 | Y |
| Zhenhai Refining | Sinopec | China | 240 | 2025 | Y |
| Huanjin | Saudi Aramco/Norinco | China | 320 | 2026 | Y |
| Qilu Petrochem | Sinopec | China | 70 | 2028 | Y |
| Gulei Phase II | Sinopec/Fujian | China | 320 | 2030 | Y |
| **Barmer** | **IOCL** | **India** | **180** | **2026** | **Y** |
| **Panipat** | **IOCL** | **India** | **200** | **2026** | **Y** |
| **Barauni** | **IOCL** | **India** | **60** | **2026** | **Y** |
| **Koyali** | **IOCL** | **India** | **86** | **2026** | **Y** |
| **NRL** | **Oil India** | **India** | **120** | **2026** | **Y** |
| **CPCL** | **IOCL** | **India** | **180** | **2026** | **Y** |
| Balikpapan | Pertamina | Indonesia | 100 | 2026 | Y |
| Sriracha | Thai Oil | Thailand | 105 | 2028 | Y |
| Pulau Murara Besar | Hengyi | Brunei | 55 | 2029 | Partly |
| Sainshand | Mongol Refinery State Owned LLC | Mongolia | 30 | 2029 | Y |

*Source: IEA, PL*

**Exhibit 11: Net refining capacity addition of 2.6mnbopd to come online during 2024-30 (mnbopd)**




*Source: IEA, PL*

*Global utilization to remain under pressure*

**Exhibit 12: Global refining capacity utilization to dip marginally by 2030**

| (mnbopd) | 2024 | 2030 |
|---|---|---|
| OECD Americas | 22.2 | 21.8 |
| C/S America | 5.7 | 5.9 |
| OECD Europe | 13.7 | 13.3 |
| Other Europe | 0.8 | 0.8 |
| Africa | 3.7 | 4.0 |
| Eurasia | 9.2 | 9.3 |
| Middle East | 11.6 | 12.2 |
| OECD Asia | 7.2 | 7.2 |
| China | 18.5 | 19.5 |
| Other Asia | 13.1 | 14.3 |
| India | 5.8 | 6.8 |
| Global | 105.7 | 108.7 |
| **Utilization (%)** | **78.0** | **77.0** |

*Source: IEA, PL*

## Indian refiners have benefits though

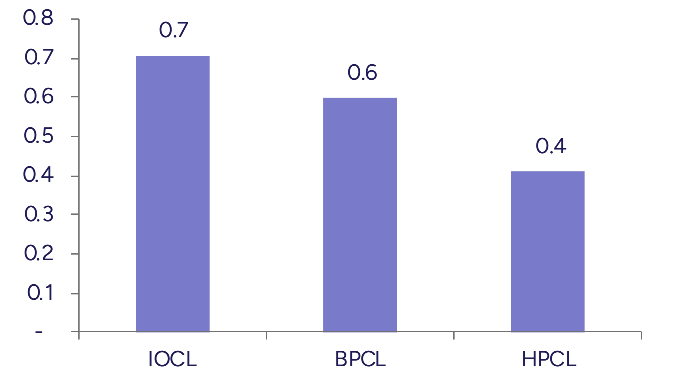
### Marketing margins to the rescue of OMCs

*Indian refiners to benefit from Russian discounts, better marketing margins, in the meanwhile*

**Strong marketing margins on petrol and diesel**: Against the normalized GMM of Rs3-3.5/liter on petrol/diesel, OMCs have made Rs11.7/9.4/lit GMM in FY26YTD. We estimate that IOCL/BPCL/HPCL will require a hike of Rs0.7/0.6/0.4/liter in GMM of petrol and diesel both, in order to compensate for the loss of USD1/bbl in refining margin. Comparing with LPG, we estimate that a hike of Rs0.7/0.7/0.8/liter on petrol and diesel both compensates for Rs50/cyl loss of margin on subsidized LPG cylinder.

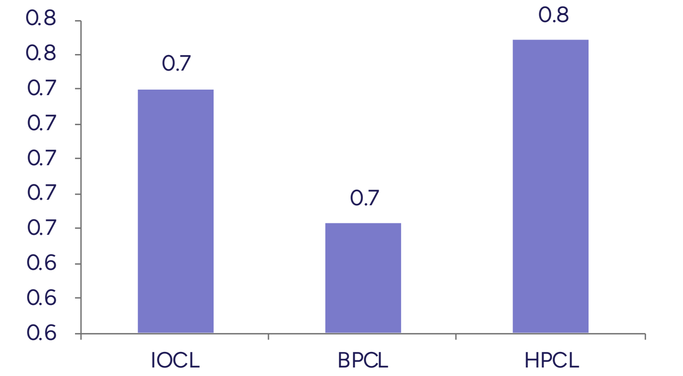
**LPG under-recovery remains a concern though**: For the past few quarters, the Government of India has not been compensating OMCs for the under-recovery on LPG. However, Q1FY26 was a respite as LPG prices came down sequentially by ~USD25/mt.

**Exhibit 13: Change in GMM of petrol/diesel to compensate for USD1/bbl of GRM**



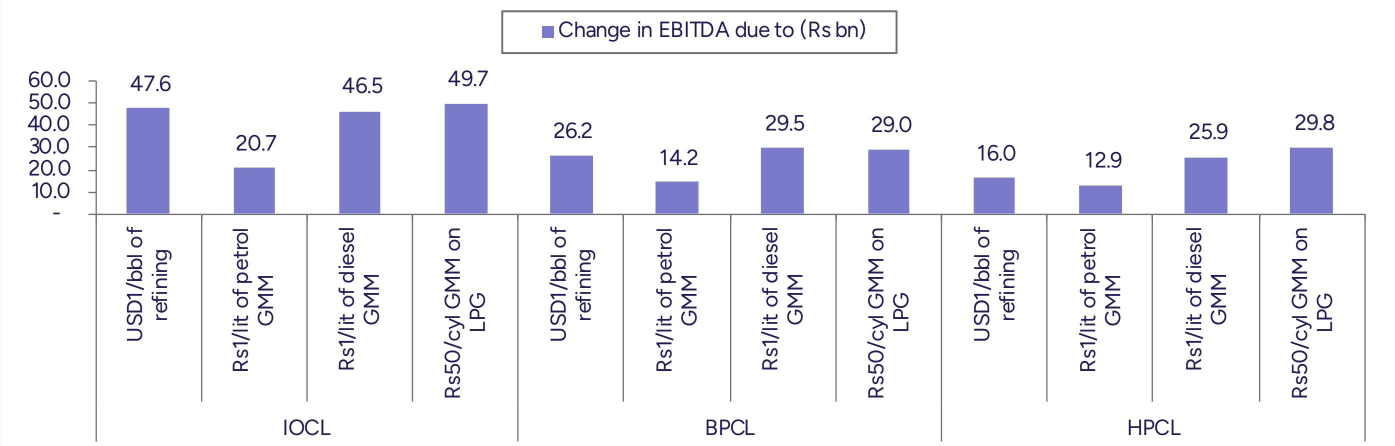

*Source: Company, PL*

**Exhibit 14: Change in GMM of petrol/diesel to compensate for Rs50/cyl change in subsidized LPG margin**



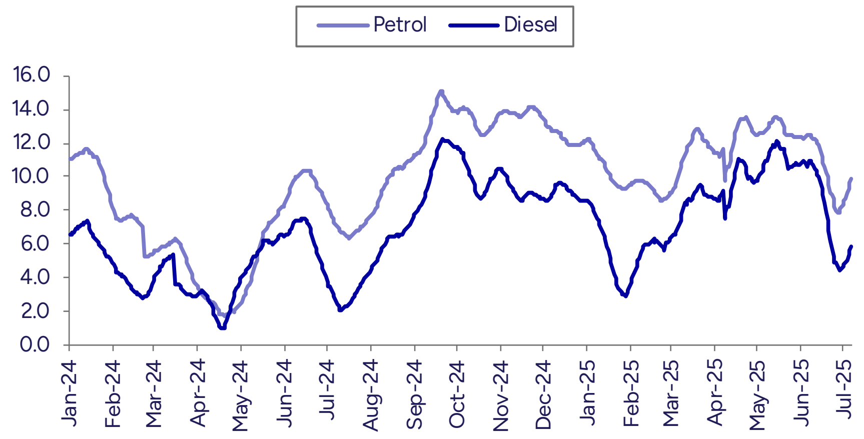

*Source: Company, PL*

**Exhibit 15: Sensitivity of EBITDA of OMCs**



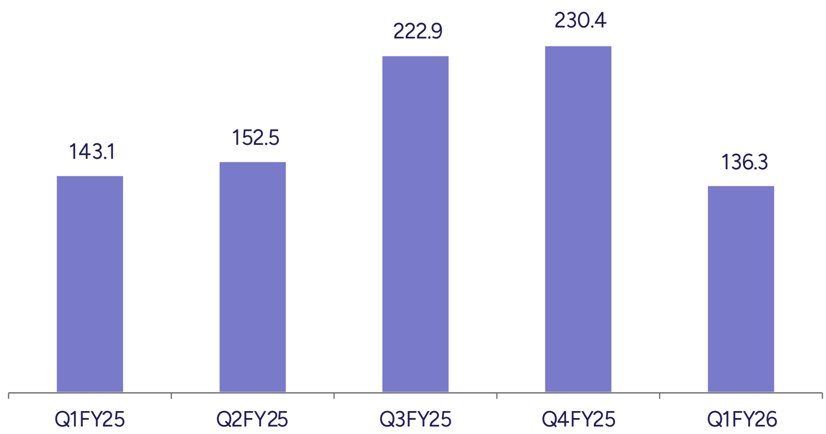

*Source: Company, PL*

**Exhibit 16: GMM on petrol/diesel for OMCs (Rs/liter)**




*Source: Company, PL*

**Exhibit 17: Under-recovery on subsidized LPG cylinder (Rs/cyl)**




*Source: Company, PL*

**OMCs in expansion mode**: Despite refining being a sunset industry, OMCs are aggressively investing in refining projects. IOCL is investing Rs743bn in 1) expansion of Panipat refinery from 15mmtpa to 25mmtpa, 2) capacity expansion from 13.7mmtpa to 18mmtpa and petrochem integration at Koyali, and 3) expansion of Barauni refinery from 6mmtpa to 9mmtpa. Similarly, HPCL is investing Rs400bn on refining expansion, while BPCL is investing Rs750bn on refining and petrochemicals, but largely on petrochemicals.

**Exhibit 18: Major projects by OMCs**

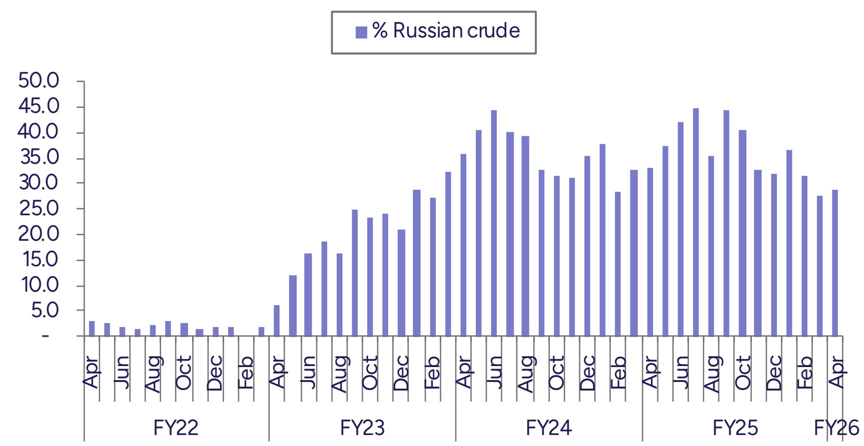
| | | Rs bn | Remarks |
|---|---|---|---|
| IOCL | Expansion of Panipat from 15mmtpa to 25mmtpa | 384 | Major refining / petrochem projects ongoing |
| | Petrochem & lube integration & capacity expansion from 13.7mmtpa to 18mmtpa at Koyali | 190 | |
| | Expansion of Barauni from 6mmtpa to 9mmtpa | 168 | |
| | PX-PTA at Paradip | 139 | |
| | New Mundra oil pipeline, Guj, Haryana & Rajasthan | 91 | |
| | **Total** | **972** | |
| BPCL | Refineries/petrochem | 750 | All capex projects |
| | CGD/Gas | 250 | |
| | Upstream | 320 | |
| | Marketing | 200 | |
| | Green Energy | 100 | |
| | Pipeline | 80 | |
| | **Total** | **1,700** | |
| HPCL | Refineries | 400 | All capex projects |
| | Petrochem | 39 | |
| | Gas | 116 | |
| | Renewables | 62 | |
| | Non-fuel | 54 | |
| | Biofuels | 31 | |
| | EV/alternate | 23 | |
| | Net Zero | 46 | |
| | **Total** | **770** | |

*Source: Company, PL*

## Cheaper Russian oil provides boost to GRM

**Proportion of Russian oil imports has risen**: With EU fixing a cap of USD60/bbl earlier, we have seen Russian oil's market share in Indian oil imports rising to ~40% at times. With EU decreasing the cap by 15% recently, while the proportion may not rise due to quality issues with Russian crude, discounts may rise, thus boosting GRMs of Indian refiners.

**Exhibit 19: Proportion of Russian crude in total crude imports**



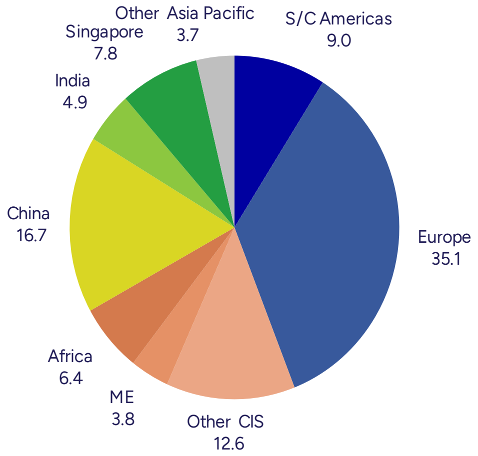

*Source: Company, PL*

## European ban on import of Russian refined products

**Europe bans import of Russian refined products, even through other countries**: Russia has a refining capacity of ~7mnbopd. It exported 35.1% of its refined products to Europe in 2024. Recently, Europe has banned import of Russian refined products, even through third countries. These sanctions are likely to result in trade shifts, rather than Russian refineries going out of business. Hence, these bans may not affect crack spreads of refined products.

*European ban on import of Russian refined products unlikely to affect markets*

**Exhibit 20: Import of Russian refined products (%, 2024)**




*Source: Energy Institute, PL*

## Possible reduction in net debt to market cap conversion

**Sustained marketing margins may raise market cap through net debt reduction**: If Brent were to decrease by USD5-6/bbl, marketing margins on petrol and diesel would rise by ~Rs3/liter. Although we do not believe that Brent would sustain below USD70/bbl for long, our research reveals that HPCL and IOCL would be the biggest beneficiaries, *ceteris paribus*, considering net debt to market cap conversion.

**Exhibit 21: Possible net debt to market cap conversion for USD5-6/bbl decline in Brent from current levels for HPCL**

| HPCL - Conso (Rs mn) | FY24 | FY25 | Base case | | If marketing margins were to rise by Rs3/liter | |
|---|---|---|---|---|---|---|
| | | | FY26E | FY27E | FY26E | FY27E |
| EBITDA | 2,49,278 | 1,65,512 | 1,98,691 | 2,20,425 | 3,15,004 | 3,39,451 |
| Petrol | | | | | | |
| Petrol gross margin (Rs/liter) | 8.8 | 9.8 | 7.0 | 4.0 | 10.0 | 7.0 |
| Vol sold (mmt) | 9.2 | 9.8 | 10.3 | 10.8 | 10.3 | 10.8 |
| Diesel | | | | | | |
| Diesel gross margin (Rs/liter) | 5.0 | 6.7 | 5.8 | 4.0 | 8.8 | 7.0 |
| Vol sold (mmt) | 20.1 | 20.5 | 20.7 | 20.9 | 20.7 | 20.9 |
| Depr | 55,964 | 61,541 | 66,822 | 68,140 | 66,822 | 68,140 |
| PAT | 1,60,146 | 67,357 | 1,14,859 | 1,32,709 | 2,02,094 | 2,21,979 |
| | | | | | | |
| Capex | -99,458 | -95,793 | -1,80,000 | -1,80,000 | -1,80,000 | -1,80,000 |
| Net debt | 6,23,397 | 6,61,751 | 6,06,325 | 6,22,015 | 5,33,099 | 4,22,981 |
| | | | | | | |
| CMP (Rs) | | | | | | 431 |
| Shares o/s (mn) | | | | | | 2,128 |
| Current mkt cap (Rs mn) | | | | | | 9,16,317 |
| Possible net debt reduction (Rs mn) | | | | | | 1,99,034 |
| ***% upside*** | | | | | | ***21.7*** |

*Source: Company, PL*

**Exhibit 22: Possible net debt to market cap conversion for USD5-6/bbl decline in Brent from current levels for BPCL**

| BPCL - Conso (Rs mn) | FY24 | FY25 | Base case | | If marketing margins were to rise by Rs3/liter | |
|---|---|---|---|---|---|---|
| | | | FY26E | FY27E | FY26E | FY27E |
| EBITDA | 4,40,820 | 2,54,014 | 2,49,416 | 2,48,810 | 3,80,580 | 3,82,987 |
| Petrol | | | | | | |
| Petrol gross margin (Rs/liter) | 8.8 | 9.7 | 7.0 | 4.0 | 10.0 | 7.0 |
| Vol sold (mmt) | 10.4 | 10.8 | 11.3 | 11.9 | 11.3 | 11.9 |
| Diesel | | | | | | |
| Diesel gross margin (Rs/liter) | 5.0 | 6.7 | 5.8 | 4.0 | 8.8 | 7.0 |
| Vol sold (mmt) | 25.0 | 23.3 | 23.6 | 23.9 | 23.6 | 23.9 |
| Depr | 67,713 | 72,567 | 80,617 | 83,737 | 80,617 | 83,737 |
| PAT | 2,68,588 | 1,33,365 | 1,27,032 | 1,27,380 | 2,25,405 | 2,28,013 |
| | | | | | | |
| Capex | -97,102 | -1,65,000 | -1,95,000 | -2,50,000 | -1,95,000 | -2,50,000 |
| Net debt | 3,91,986 | 4,05,853 | 4,67,140 | 5,48,668 | 4,37,646 | 3,75,896 |
| | | | | | | |
| CMP (Rs) | | | | | | 344 |
| Shares o/s (mn) | | | | | | 4,339 |
| Current mkt cap (Rs mn) | | | | | | 14,90,447 |
| Possible net debt reduction (Rs mn) | | | | | | 1,72,772 |
| ***% upside*** | | | | | | ***11.6*** |

*Source: Company, PL*

**Exhibit 23: Possible net debt to market cap conversion for USD5-6/bbl decline in Brent from current levels for IOCL**

| IOCL - Conso (Rs mn) | FY24 | FY25 | Base case | | If marketing margins were to rise by Rs3/liter | |
|---|---|---|---|---|---|---|
| | | | FY26E | FY27E | FY26E | FY27E |
| EBITDA | 7,55,908 | 3,59,905 | 4,50,620 | 5,25,742 | 6,52,118 | 7,31,733 |
| Petrol | | | | | | |
| Petrol gross margin (Rs/liter) | 8.8 | 9.8 | 7.0 | 4.0 | 10.0 | 7.0 |
| Vol sold (mmt) | 14.8 | 15.7 | 16.5 | 17.3 | 16.5 | 17.3 |
| Diesel | | | | | | |
| Diesel gross margin (Rs/liter) | 5.0 | 6.7 | 5.8 | 4.0 | 8.8 | 7.0 |
| Vol sold (mmt) | 37.1 | 36.7 | 37.2 | 37.6 | 37.2 | 37.6 |
| Depr | 1,58,661 | 1,67,773 | 1,75,017 | 1,77,366 | 1,75,017 | 1,77,366 |
| PAT | 4,31,611 | 1,37,888 | 1,81,114 | 2,39,454 | 3,32,237 | 3,93,947 |
| | | | | | | |
| Capex | -4,17,153 | -3,88,106 | -3,20,000 | -3,00,000 | -3,20,000 | -3,00,000 |
| Net debt | 12,02,948 | 13,92,550 | 14,39,203 | 14,14,995 | 12,27,741 | 9,56,427 |
| | | | | | | |
| CMP (Rs) | | | | | | 150 |
| Shares o/s (mn) | | | | | | 13,772 |
| Current mkt cap (Rs mn) | | | | | | 20,66,626 |
| Possible net debt reduction (Rs mn) | | | | | | 4,58,568 |
| ***% upside*** | | | | | | ***22.2*** |

*Source: Company, PL*

## Valuation and recommendation

### OMCs over-valued, but decline in Brent could support

*Expansion in marketing margins through lowering of crude oil prices could be of benefit to OMCs; otherwise, valuations remain rich*

**HPCL above its long term**: Against long-term PBV of 1.1x, HPCL is trading at 1.5x one-year PBV currently. BPCL is trading at the same level as its long-term PBV average of 1.6x. However, it may be noted that, earlier, BPCL used to trade at higher valuation compared with its peers primarily due to the prolific upstream reserves it had, the value of which was not getting reflected into BV. However, there has been rationalization in its upstream assets, and the larger blocks appear to be perpetually delayed.

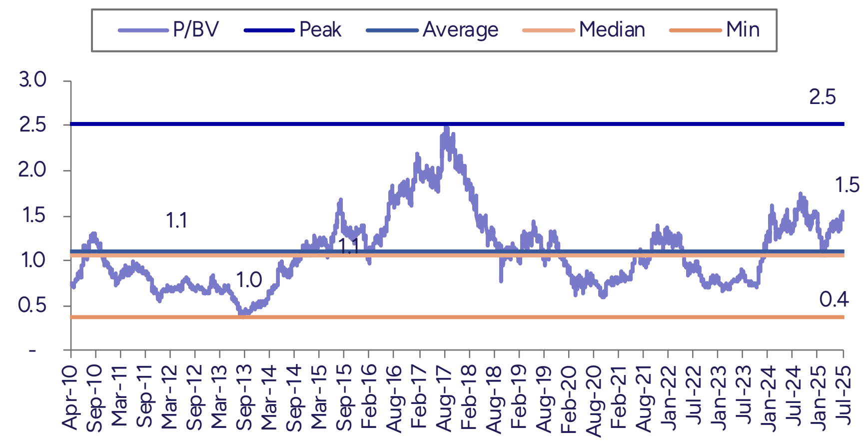
**IOCL slightly above long term**: IOCL has been trading at 1x PBV in the long term. Currently, the stock is trading at 1.1x, slightly above its long-term average.

Our belief is that Brent is likely to sustain at USD70-80/bbl, which would limit the marketing margins of OMCs as well as keep LPG under-recoveries elevated. In FY25, LPG under-recoveries stood at a staggering Rs413bn.

However, if Brent were to decline and if petrol/diesel margins were to expand commensurately, there may be a case for net debt reduction, thereby raising market caps, *ceteris paribus*. Alternatively, there have been reported news about finance ministry compensating OMCs for their under-recoveries on LPG. Although we do not believe in this, a significant compensation would make the stocks attractive.

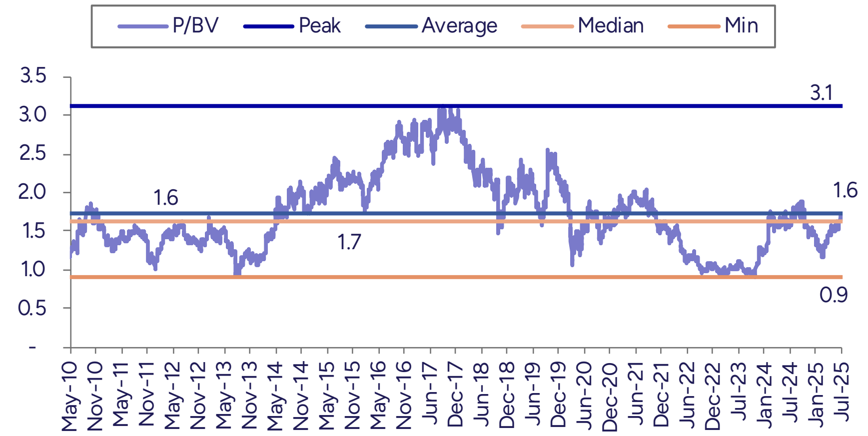
Barring above points, we maintain our SELL rating on HPCL with target price of Rs360 and maintain our REDUCE rating on both IOCL and BPCL with target prices of Rs138 and Rs311, respectively.

**Exhibit 24: Long-term valuation chart for HPCL**



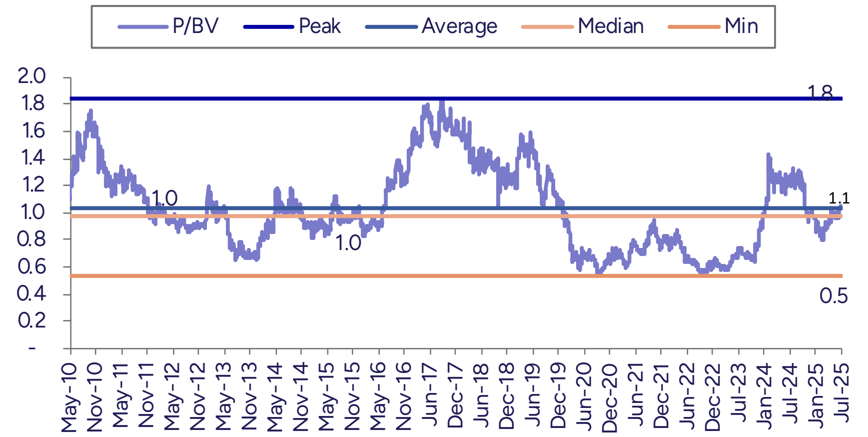

*Source: Company, PL*

**Exhibit 25: Long-term valuation chart for BPCL**




*Source: Company, PL*

**Exhibit 26: Long-term valuation chart for IOCL**




*Source: Company, PL*

## Standalone refiners to benefit from downstream expansions

**MRPL expanding into chemicals**: We do not cover Chennai Petroleum as of now. MRPL is getting into chemicals with a pilot plant coming up with patented technology for isobutylbenzene, an intermediate for paracetamol. Post successful completion, the company plans to come up with a commercial plant, which it expects to cost much lower than peers. While the Refining segment may continue to be a pain, this may call for re-rating of the stock. MRPL is trading at 5.6x FY27 EV/EBITDA. We reiterate our **Accumulate** rating on the stock with a target price of Rs152. Our valuation is based on 5x EV/EBITDA to which we are adding Rs45 as optional value for its chemicals foray.

**Exhibit 27:** **Valuation of MRPL**

| | |
|---|---|
| Standalone EBITDA @ FY27 (Rs mn) | 58,595 |
| Target EV/EBITDA (x) | 5.0 |
| EV (Rs mn) | 292,974 |
| Net Debt FY26 (Rs mn) | 105,256 |
| Equity Value (Rs mn) | 187,718 |
| 12m target price (Rs/share) | 107 |
| | |
| **Chemicals Project Valuation** | |
| Capacity (ktpa) | 150 |
| Realization(Rs/kg) | 175 |
| Revenue (Rs mn) | 26,250 |
| Margin | 20% |
| EBITDA (Rs mn) | 5,250 |
| Multiple (x) | 15 |
| EV (Rs mn) | 78,750 |
| No of shares (mn) | 1752.6 |
| Chemicals target price (Rs/share) | 45 |
| | |
| **Target Price** | **152** |

*Source: Company, PL*

## RIL has least contribution from Standalone

**Standalone accounts for only ~17% of total valuation**: Over the years, RIL has emerged as the doyen of execution, even in unrelated diversification. From negative valuation around a decade back, Jio and Retail now command an equity valuation (RIL's stake) of ~USD86bn and ~USD100bn, respectively. These have pushed the Standalone segment to backburner, accounting for only ~17% of total valuation.

**Conso EBITDA to double by decade end:** The company has reiterated its target of doubling EBITDA by decade end. The New Energy segment, although fraught with challenges of ever-evolving technology, could be a major contributor toward growth.

**Reiterate Accumulate:** The company is trading at 26.4x FY27 PE and 11x FY27 EV/EBITDA. We reiterate our Accumulate rating on the stock with target price of Rs1,555.

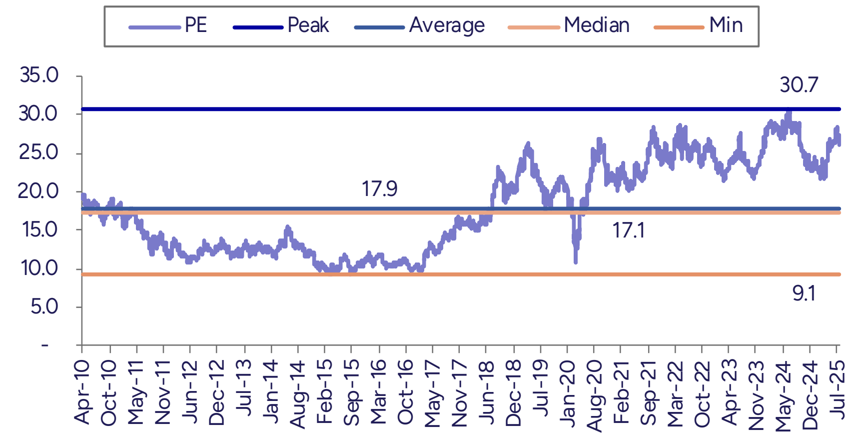
**Exhibit 28:** **SOTP valuation of RIL**

| Sum of the parts | Rs/share | Remarks/Methodology |
|---|---|---|
| Standalone Business (O2C and E&P) | 382 | 7.5x FY27 EV/EBITDA |
| Reliance Retail equity valuation | 617 | 39x FY27 EV/EBITDA |
| RJio equity valuation | 546 | 15x FY27 EV/EBITDA |
| New Energy | 111 | 2x earlier announced investment of Rs750bn |
| **Total** | **1,655** | |
| Net debt / (cash) | 100 | Standalone |
| **Target price** | **1,555** | |

*Source: Company, PL*

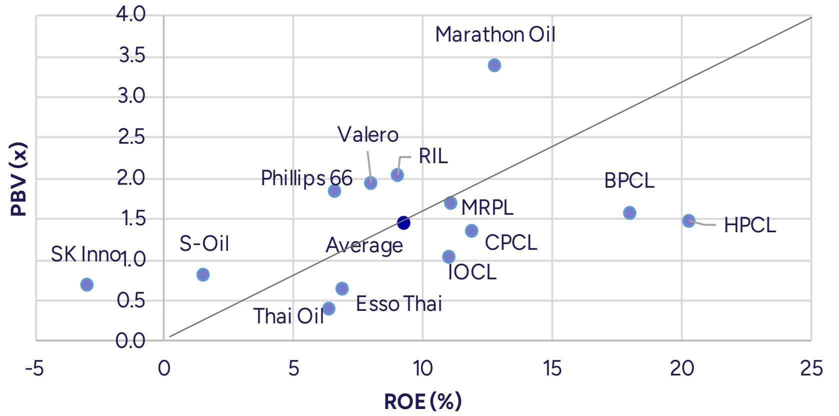
*Continuous re-rating of RIL led by better profitability in Jio & Retail segments; New Energy could provide further fillip*

**Exhibit 29: Long-term valuation chart for RIL**




*Source: Company, PL*

**Exhibit 30: Valuation of global refining companies (FY26/CY25)**




*Source: Company, PL*

**Exhibit 31: Valuation Summary**

| Company Names | S/C | Rating | CMP (Rs) | TP (Rs) | MCap (Rs bn) | Sales (Rs bn) | | | | EBITDA (Rs bn) | | | | PAT (Rs bn) | | | | EPS (Rs) | | | | RoE (%) | | | | PE (x) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY24 | FY25 | FY26E | FY27E | FY24 | FY25 | FY26E | FY27E | FY24 | FY25 | FY26E | FY27E | FY24 | FY25 | FY26E | FY27E | FY24 | FY25 | FY26E | FY27E | FY24 | FY25 | FY26E | FY27E |
| Bharat Petroleum Corporation | C | REDUCE | 340 | 311 | 1,476.6 | 4,480.8 | 4,402.7 | 4,008.1 | 4,195.3 | 440.8 | 254.0 | 249.4 | 248.8 | 271.3 | 137.1 | 127.0 | 127.4 | 62.5 | 31.6 | 29.3 | 29.4 | 42.0 | 17.5 | 15.0 | 13.9 | 5.4 | 10.8 | 11.6 | 11.6 |
| GAIL (India) | S | HOLD | 184 | 184 | 1,210.1 | 1,306.4 | 1,372.9 | 1,547.0 | 1,621.3 | 132.7 | 143.3 | 139.6 | 152.7 | 88.0 | 88.8 | 89.5 | 97.3 | 13.4 | 13.5 | 13.6 | 14.8 | 14.7 | 13.2 | 12.3 | 12.4 | 13.8 | 13.6 | 13.5 | 12.4 |
| Gujarat Gas | S | Sell | 472 | 404 | 324.6 | 156.9 | 164.9 | 170.5 | 184.2 | 18.8 | 18.8 | 21.6 | 21.5 | 11.0 | 11.5 | 13.0 | 12.7 | 16.0 | 16.6 | 18.8 | 18.4 | 15.0 | 14.2 | 14.6 | 13.0 | 29.5 | 28.3 | 25.1 | 25.7 |
| Gujarat State Petronet | S | HOLD | 332 | 348 | 187.3 | 17.6 | 10.1 | 11.8 | 13.2 | 15.0 | 8.1 | 9.6 | 10.9 | 12.8 | 8.1 | 8.3 | 9.1 | 22.8 | 14.3 | 14.8 | 16.1 | 13.1 | 7.7 | 7.5 | 7.8 | 14.6 | 23.2 | 22.5 | 20.6 |
| Hindustan Petroleum Corporation | C | SELL | 429 | 360 | 913.5 | 4,338.6 | 4,341.1 | 3,932.5 | 4,049.2 | 249.3 | 165.5 | 198.7 | 220.4 | 160.1 | 67.4 | 114.9 | 132.7 | 75.2 | 31.6 | 54.0 | 62.4 | 40.4 | 13.7 | 20.7 | 20.5 | 5.7 | 13.6 | 8.0 | 6.9 |
| Indraprastha Gas | S | REDUCE | 213 | 186 | 298.0 | 140.0 | 149.3 | 163.3 | 173.3 | 23.7 | 19.8 | 20.7 | 22.0 | 17.5 | 14.7 | 14.6 | 15.2 | 12.5 | 10.5 | 10.4 | 10.8 | 22.4 | 16.5 | 15.0 | 14.1 | 17.0 | 20.3 | 20.4 | 19.7 |
| Indian Oil Corporation | C | REDUCE | 152 | 138 | 2,093.0 | 7,763.5 | 7,581.1 | 8,011.4 | 8,561.5 | 755.9 | 359.9 | 450.6 | 525.7 | 431.6 | 119.5 | 181.1 | 239.5 | 31.3 | 8.7 | 13.2 | 17.4 | 26.7 | 6.5 | 9.4 | 11.7 | 4.8 | 17.5 | 11.6 | 8.7 |
| Mahanagar Gas | S | HOLD | 1,486 | 1,425 | 146.8 | 62.4 | 69.2 | 76.0 | 85.5 | 18.4 | 15.1 | 16.3 | 18.0 | 12.9 | 10.4 | 11.3 | 12.8 | 130.5 | 105.8 | 114.7 | 129.5 | 27.8 | 18.9 | 18.2 | 18.4 | 11.4 | 14.1 | 13.0 | 11.5 |
| Mangalore Refinery Petrochemicals | S | Acc | 145 | 152 | 253.8 | 904.1 | 946.8 | 905.9 | 941.0 | 77.0 | 22.9 | 49.0 | 58.6 | 36.0 | 0.5 | 18.3 | 24.0 | 20.5 | 0.3 | 10.5 | 13.7 | 31.2 | 0.4 | 13.5 | 15.7 | 7.1 | 501.8 | 13.8 | 10.6 |
| Oil India | S | BUY | 451 | 566 | 734.2 | 221.3 | 221.2 | 227.8 | 253.4 | 92.6 | 87.7 | 105.6 | 126.0 | 79.1 | 61.1 | 74.7 | 89.1 | 48.7 | 37.6 | 45.9 | 54.8 | 20.2 | 13.7 | 15.5 | 16.6 | 9.3 | 12.0 | 9.8 | 8.2 |
| Oil & Natural Gas Corporation | C | Acc | 246 | 284 | 3,099.8 | 6,531.7 | 6,632.6 | 5,997.2 | 6,287.4 | 1,081.9 | 988.6 | 1,049.8 | 1,092.3 | 536.4 | 381.8 | 439.3 | 448.8 | 42.6 | 30.3 | 34.9 | 35.7 | 17.3 | 11.2 | 12.3 | 11.6 | 5.8 | 8.1 | 7.1 | 6.9 |
| Petronet LNG | S | Reduce | 304 | 315 | 455.3 | 557.7 | 509.8 | 497.3 | 526.5 | 52.1 | 55.2 | 62.1 | 69.9 | 35.4 | 39.3 | 43.3 | 47.3 | 23.6 | 26.2 | 28.9 | 31.5 | 22.2 | 21.6 | 21.0 | 20.4 | 12.9 | 11.6 | 10.5 | 9.6 |
| Reliance Industries | C | Acc | 1,413 | 1,555 | 19,118.0 | 9,010.6 | 9,646.9 | 9,824.1 | 10,458.8 | 1,622.3 | 1,654.4 | 1,835.1 | 1,936.5 | 696.2 | 696.5 | 730.2 | 755.4 | 51.4 | 51.5 | 54.0 | 55.8 | 9.2 | 8.5 | 8.3 | 8.0 | 27.5 | 27.4 | 26.2 | 25.3 |

*Source: Company, PL* *S=Standalone / C=Consolidated / Acc=Accumulate*

## Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| 1 | Aarti Industries | Reduce | 420 | 477 |
| 2 | Bharat Petroleum Corporation | Reduce | 311 | 332 |
| 3 | Bharti Airtel | Accumulate | 2,148 | 2,030 |
| 4 | Clean Science and Technology | Hold | 1,425 | 1,445 |
| 5 | Deepak Nitrite | Reduce | 1,799 | 1,963 |
| 6 | Fine Organic Industries | BUY | 5,440 | 5,269 |
| 7 | GAIL (India) | Hold | 184 | 191 |
| 8 | Gujarat Fluorochemicals | Reduce | 3,541 | 3,522 |
| 9 | Gujarat Gas | Sell | 404 | 499 |
| 10 | Gujarat State Petronet | Hold | 348 | 335 |
| 11 | Hindustan Petroleum Corporation | Sell | 360 | 437 |
| 12 | Indian Oil Corporation | Reduce | 138 | 148 |
| 13 | Indraprastha Gas | Reduce | 186 | 221 |
| 14 | Jubilant Ingrevia | Hold | 713 | 788 |
| 15 | Laxmi Organic Industries | Reduce | 172 | 197 |
| 16 | Mahanagar Gas | Hold | 1,425 | 1,510 |
| 17 | Mangalore Refinery & Petrochemicals | Accumulate | 152 | 139 |
| 18 | Navin Fluorine International | Accumulate | 5,161 | 4,933 |
| 19 | NOCIL | Reduce | 172 | 200 |
| 20 | Oil & Natural Gas Corporation | Accumulate | 284 | 241 |
| 21 | Oil India | BUY | 566 | 436 |
| 22 | PCBL Chemical | BUY | 464 | 409 |
| 23 | Petronet LNG | Reduce | 315 | 302 |
| 24 | Reliance Industries | Accumulate | 1,555 | 1,476 |
| 25 | SRF | Hold | 3,069 | 3,231 |
| 26 | Vinati Organics | Accumulate | 1,882 | 1,944 |

## PL's Recommendation Nomenclature

**Buy** : > 15%
**Accumulate** : 5% to 15%
**Hold** : +5% to -5%
**Reduce** : -5% to -15%
**Sell** : < -15%
**Not Rated (NR)** : No specific call on the stock
**Under Review (UR)** : Rating likely to change shortly

## ANALYST CERTIFICATION

### (Indian Clients)

We/I Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as “PL”) is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

www.plindia.com



AMNISH AGGARWAL

Digitally signed by AMNISH AGGARWAL
DN: c=IN, o=Personal, title=1443,
2.5.4.20=21151ea12dd366d1ac370cb42343ee44b6e851c37
bdbac5f86aa4ff3e6948487, postalCode=400015,
st=Maharashtra,
serialNumber=7a6f13691881d5a8af6353865a61b48b7040e
72f4a1bf53182e368b3ca14a5e4, cn=AMNISH AGGARWAL
Date: 2025.07.23 08:40:15 +05'30'