



Sector Update

April 9, 2025

Oil India (OINL IN)

Rating: BUY | CMP: Rs352 | TP: Rs659

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	221	220	248	268
EBITDA (Rs. bn)	93	89	135	151
Margin (%)	41.8	40.4	54.2	56.4
PAT (Rs. bn)	79	57	94	104
EPS (Rs.)	48.7	35.2	57.7	63.7
Gr. (%)	16.2	(27.7)	64.1	10.4
DPS (Rs.)	10.5	13.6	20.2	22.3
Yield (%)	3.0	3.9	5.7	6.3
RoE (%)	20.2	12.3	18.1	17.8
RoCE (%)	14.8	11.7	17.6	18.1
EV/Sales (x)	3.0	3.0	2.5	2.1
EV/EBITDA (x)	7.1	7.5	4.6	3.8
PE (x)	7.2	10.0	6.1	5.5
P/BV (x)	1.3	1.2	1.0	0.9

Oil & Natural Gas Corporation (ONGC IN)

Rating: BUY | CMP: Rs222 | TP: Rs264

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	6,430	6,458	6,429	6,599
EBITDA (Rs. bn)	1,086	986	1,128	1,174
Margin (%)	16.9	15.3	17.5	17.8
PAT (Rs. bn)	555	470	527	524
EPS (Rs.)	43.2	36.6	41.1	40.9
Gr. (%)	113.7	(15.2)	12.1	(0.5)
DPS (Rs.)	12.2	14.5	15.5	16.5
Yield (%)	5.5	6.5	7.0	7.5
RoE (%)	17.9	13.4	13.8	12.7
RoCE (%)	18.4	12.6	13.8	13.3
EV/Sales (x)	0.6	0.6	0.5	0.4
EV/EBITDA (x)	3.4	3.6	2.8	2.4
PE (x)	5.1	6.1	5.4	5.4
P/BV (x)	0.8	0.8	0.7	0.7

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Slippery but Steady? The Case for Oil Price Stabilization

Quick Pointers:

- The recent rise in OPEC production quota is opportunistic taking advantage of upcoming 300-500kbpd shutdown in Canada during same time
- Recession risk of 15-25% could cause prices to tank to ~USD50/bbl, but with OPEC adjusting production accordingly, prices may not sustain at these levels.

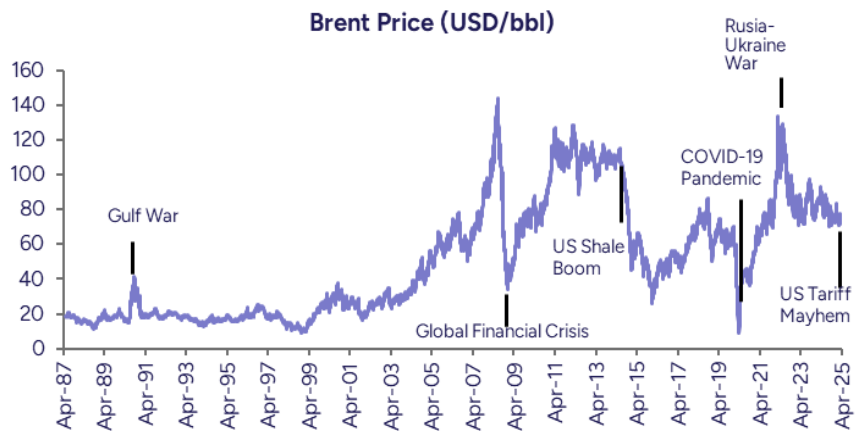
We interacted with Mr. Mukesh Sahdev, Senior VP & Global Head of Commodity Markets at Rystad Energy, to assess the evolving oil price trajectory within the new global trade environment. The outlook suggests that oil prices may have bottomed out, with forecasted demand far ahead of supply in the peak Mar-Aug'25. Average crude prices are expected to moderate from USD80/bbl in 2024 to USD75/bbl in 2025. However, geopolitical supply risks and macroeconomic uncertainties, including recession probabilities, are key swing factors. As OPEC balances its role as a market stabilizer against internal cohesion challenges, prices are likely to remain volatile but range-bound over the medium term. We re-iterate our positive stance on upstream companies with a BUY rating on Oil India and ONGC. We value Oil India at 9x FY27EPS and adding the value of investments with a TP of Rs659 and ONGC based on 8x FY27EPS and adding the value of investments with a TP of Rs264.

Global Oil Demand- Asia at the Helm: Global oil demand currently stands at 104.4mnbpd, with an anticipated growth of 1.1mnbpd in 2025. Asia remains the engine of demand growth across product segments. Gasoline and distillate demand are driven by mobility in Asia, North America, and Europe, while petchem demand from China continues to support NGL and naphtha uptake. Jet fuel demand is recovering, particularly in the Middle East. China's resilience, reflected in a PMI >50 and a government stimulus-backed economic recovery, reinforces demand stability. However, in times of global volatility, road transport fuels are expected to outperform petrochemical and aviation fuels due to their non-discretionary nature.

Supply Dynamics: Balancing Fragility and Flexibility: On the supply front, US production of light sweet crude and NGLs continues to rise, with a potential 0.5mnbpd supply boost. However, medium sour production is set to tighten from April-June **due to Canadian and Norwegian maintenance outages** (300-500kbpd impact), and so the **OPEC has opportunistically announced its production hike of 411kbpd**. Heavy-sour supply is vulnerable to sanctions on Iran and Venezuela. If Chevron's Venezuela license is not renewed, production would decline from 1mnbpd to 0.5mnbpd. High drilling in the US is required as well depletion rates are steep and if drilling stops, production may slide to 10mnbpd from ~13mnbpd by 2025 end. OPEC's internal dynamics suggest a careful balancing act—avoiding aggressive cuts to maintain unity while boosting product exports to temper prices. Refining capacity additions are led by China and the Middle East, with Africa's Dangote refinery also contributing.

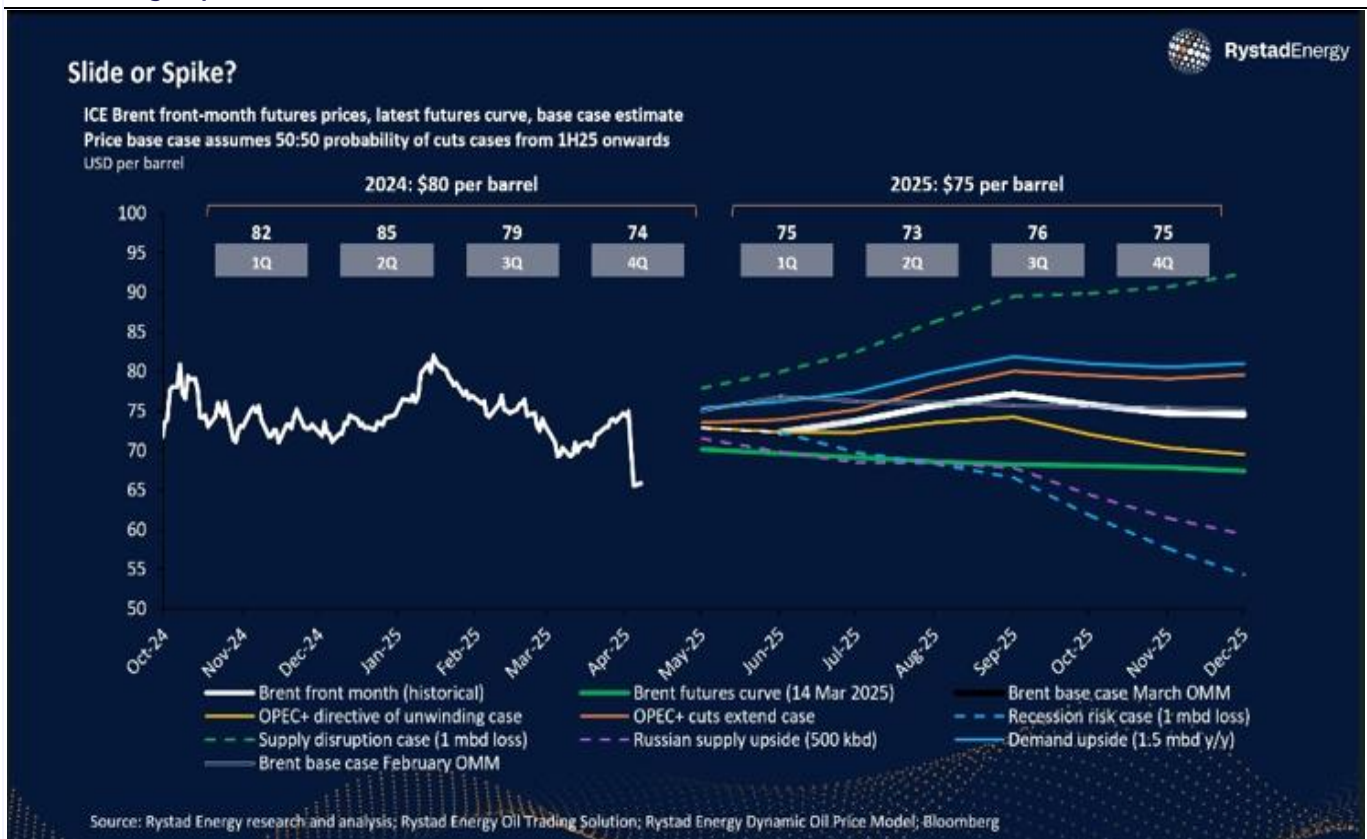
Price Outlook: Stabilization Ahead: Crude prices are currently trading at ~USD60/bbl and are forecasted to average USD75/bbl in 2025. Rystad suggests prices have likely bottomed out and will trend upwards into the summer months, aligned with seasonal demand and increased refinery runs. Key upside risks include geopolitical tensions, which could push prices towards USD90/bbl. On the downside, a global recession risk of 15–25% could drag prices to ~USD50/bbl; however, OPEC’s responsive production adjustments are expected to prevent prolonged dips. With a balanced liquids supply-demand equation but a shortfall in crude and condensate supply for refineries, the market setup indicates price firmness in the near term.

Exhibit 1: Long term crude oil price



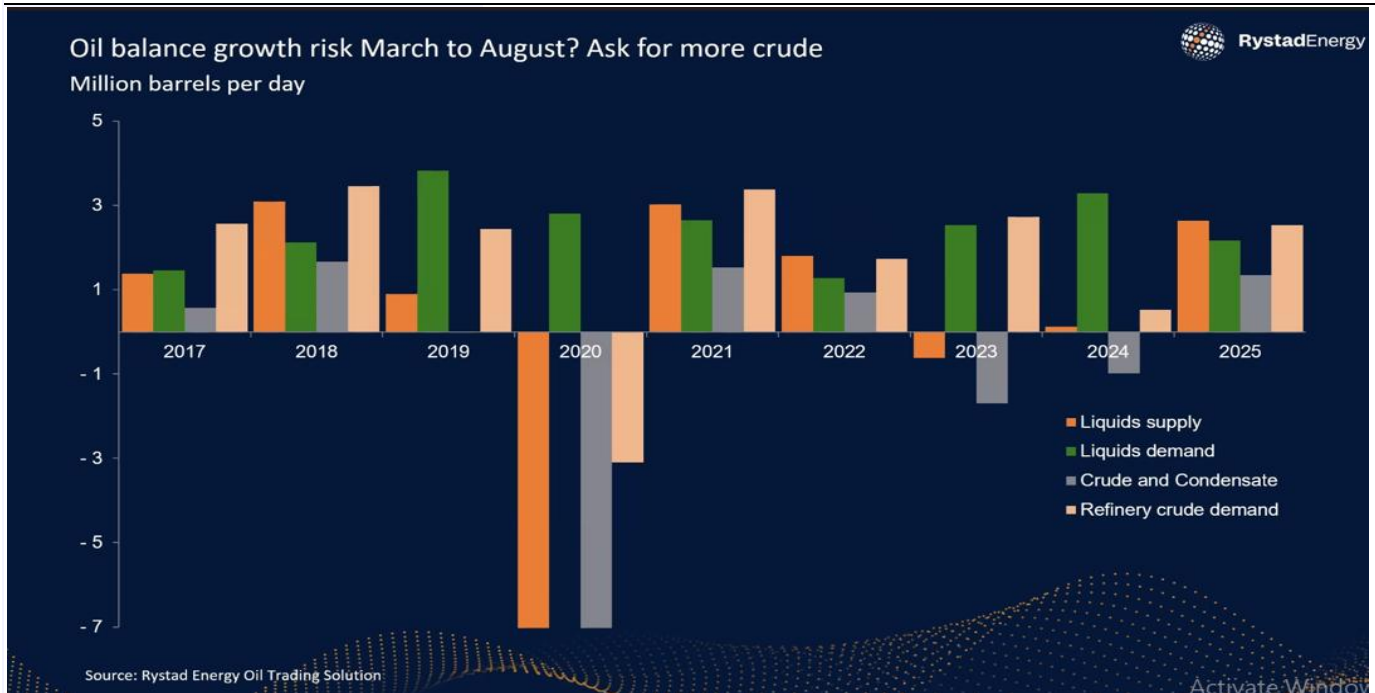
Source: PL

Exhibit 2: Avg oil price forecasted at USD75/bbl for 2025



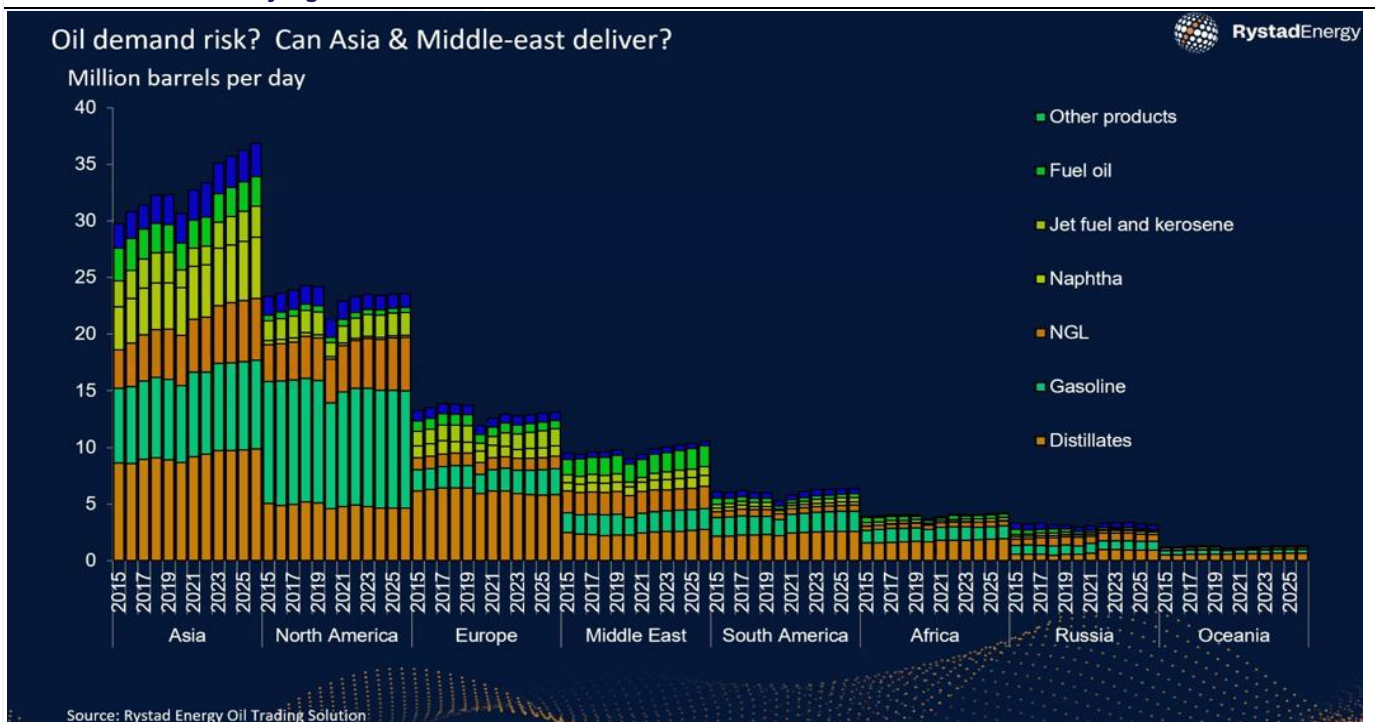
Source: Rystad, PL

Exhibit 3: Refinery crude demand to outpace crude and condensate supply in 2025



Source: Rystad, PL

Exhibit 4: Asia to be major growth driver for oil demand



Source: Rystad, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	330	356
2	Bharat Petroleum Corporation	Hold	261	274
3	Bharti Airtel	Accumulate	1,916	1,720
4	Clean Science and Technology	Hold	1,224	1,167
5	Deepak Nitrite	Reduce	1,645	1,835
6	Fine Organic Industries	BUY	4,798	3,960
7	GAIL (India)	Accumulate	185	169
8	Gujarat Fluorochemicals	Reduce	3,328	3,671
9	Gujarat Gas	Hold	395	393
10	Gujarat State Petronet	Hold	288	288
11	Hindustan Petroleum Corporation	Hold	322	353
12	Indian Oil Corporation	Hold	125	128
13	Indraprastha Gas	Sell	153	188
14	Jubilant Ingrevia	Hold	616	604
15	Laxmi Organic Industries	Reduce	160	169
16	Mahanagar Gas	Accumulate	1,393	1,310
17	Mangalore Refinery & Petrochemicals	Sell	109	129
18	Navin Fluorine International	Accumulate	4,454	3,880
19	NOCIL	Reduce	156	166
20	Oil & Natural Gas Corporation	BUY	264	220
21	Oil India	BUY	659	343
22	Petronet LNG	Reduce	248	278
23	Reliance Industries	BUY	1,481	1,166
24	SRF	Hold	2,780	2,721
25	Vinati Organics	Accumulate	1,620	1,459

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

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