

Refineries & Marketing

Industry Code (as per CMIE Prowess): 0101012050010000'

June 2022

Overall Industry Risk Score: **15/20 | Favourable**

Sample Size: 16 Companies

Median Rating Value of sample size: BBB-

Individual Parameters Contributing to the Score

Demand & Supply Balance  **12/20**

DS Equilibrium

Demand for this industry is directly associated with the performance of the overall economy. As per PPAC website data, the refinery processing witnessed growth during FY22 at 241.7mmt as against 221.8mmt during previous year. Acuite believes that demand is expected to recover in FY23 in line with the resumption of normal economic activity.

Extent of Competition  **16/20**

Low competition/ Entry Barriers

This industry is dominated by large public sector players with limited presence of private sector who focusses primarily on exports. The industry is highly capital intensive and entry barriers are high.

Regulatory Risk



16/20

Stable Regulatory environment

The industry is strategically important for the country. Therefore, this industry always receives government's support. Augmenting strategic reserve capacity is critical for this industry. Higher taxes impacts demand of petroleum products. The gradual shift towards electrical vehicles is expected to have a bearing on future demand trajectory for the auto fuels segment.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

The price of crude oil is not a major input risk as it is largely a pass through. The actions of the key players like US and OPEC influence prices. Since a significant portion of crude requirements are imported, the exchange rates also have a bearing on domestic costs and the funding requirements of the refineries.