India

Overweight *(previously Neutral)*

Highlighted Companies

Hindustan Petroleum Corp.

ADD, TP Rs512, Rs394 close

We are bullish about the successful completion of the upgradation project and commissioning of the Barmer refinery in FY26F. We also build in the current GRM spread with the Brent crude oil price staying around US$65/bbl and hence, assign an ADD rating to HPCL.

Indian Oil Corp

ADD, TP Rs186, Rs141 close

We are bullish on the GRM spread with the Brent crude oil price staying around USD65/bbl and hence, assign an ADD rating to IOCL. The downside risk to our estimates and target price is the long-term crude oil price level of around US$75-80/bbl.

Summary Valuation Metrics

P/E (x)	Mar25-A	Mar26-F	Mar27-F
Hindustan Petroleum Corp.	12.4	8.0	6.8
Indian Oil Corp	14.3	7.9	6.9

P/BV (x)	Mar25-A	Mar26-F	Mar27-F
Hindustan Petroleum Corp.	1.6	1.4	1.3
Indian Oil Corp	1.1	1.0	0.9

Dividend Yield	Mar25-A	Mar26-F	Mar27-F
Hindustan Petroleum Corp.	0.0%	0.0%	0.0%
Indian Oil Corp	0.0%	0.0%	0.0%

Video summary of this report

Oil & Gas Refinery

Capacity pressure as non-OECD demand up

- Refining tightens as the world is likely to face a ~1.18mb/d shortfall by 2030F; US$20/bbl breakeven keeps GRM strong amid shrinking global spare capacity.
- Global oil demand set to hit 120.1mb/d by 2050F, as Asia and Africa fuel the surge amid slower EV adoption in the US & booming non-OECD urban growth.
- Oil is expected to be oversupplied throughout 2050F, with OPEC+ increasing its share to 52% & Latin America contributing significantly via Brazil & Guyana.

Global refining gap to widen with 1.18mb/d shortfall likely by 2030F

Currently, global refining capacity stands at 103.5mb/d, with Asia-Pacific holding a 36.2% share and non-OECD countries accounting for 57.8% of total capacity. By 2050F, an additional 19.18mb/d is projected, with 62% of this growth from Asia-Pacific and Africa. However, the utilization rate is tightening, with spare capacity expected to shrink from 3.9 mb/d in 2024 to 1.0mb/d by 2031F, driven by robust demand and refinery closures totaling 12.5 mb/d by 2031F, particularly in Europe and the US & Canada. There's a projected capacity shortfall of 1.18mb/d by 2030F, with Asia-Pacific facing the largest deficit (1.23 mb/d). The shift toward emerging markets reflects their growing role in meeting global oil demand, necessitating strategic infrastructure development

Oil demand seen at 120mb/d by 2050F due to a slower shift to EVs

Global oil demand is poised for significant growth, reaching 120.1mb/d by 2050F, up from 102.2mb/d in 2024. This increase is predominantly driven by non-OECD countries, particularly in Asia, Africa, and the Middle East, where rapid urbanization, industrialization, and population growth are fueling consumption in sectors such as road transport, petrochemicals, and aviation. By 2030F, global oil demand is expected to rise by 10.1mb/d, with China and India accounting for 2.0mb/d and 1.5mb/d, respectively. The demand for middle distillates and light products is particularly strong, driven by transportation and petrochemical needs. The slower-than-expected adoption of electric vehicles (EVs), with the International Energy Agency (IEA) revising downwards its 2030 oil displacement projection by 1mb/d, sustains oil demand, particularly in non-OECD regions. Demographic changes, such as the global population increase to 9.7bn by 2050F, and the urbanization rate rising to 67.9% further amplifying energy needs, make oil a critical component of the global energy mix despite the energy transition.

No shortage of crude with Latin America's surge & OPEC+ control

Global oil supply is projected to expand from 102.0mb/d in 2024 to 120.2mb/d by 2050F, driven by increased production in Latin America, particularly Brazil and Guyana, which are expected to add 3.6mb/d. OPEC+ remains a dominant force, with its market share expected to rise from 49% to 52% by 2050F. Key producers within OPEC+, such as Saudi Arabia (11.55mb/d) and the UAE (4.19mb/d), provide significant production capacity, enabling the organization to manage supply and stabilize prices. However, challenges arise from overproduction by members like Iraq, Kazakhstan, and the UAE, which exceeded quotas by 960,000bpd from Apr to Jun 2025, potentially leading to price volatility. The compensation mechanism, requiring overproducers to offset excess output, has seen low compliance, with only 60% of mandated cuts fulfilled historically. Strategic investments in upstream projects in Latin America and capacity expansions in smaller OPEC+ nations, such as Venezuela and Equatorial Guinea, are critical to meet future demand.

Research Analyst(s)

Pratyush KAMAL
T (91) 2241611549
E pratyush.kamal@incredresearch.com

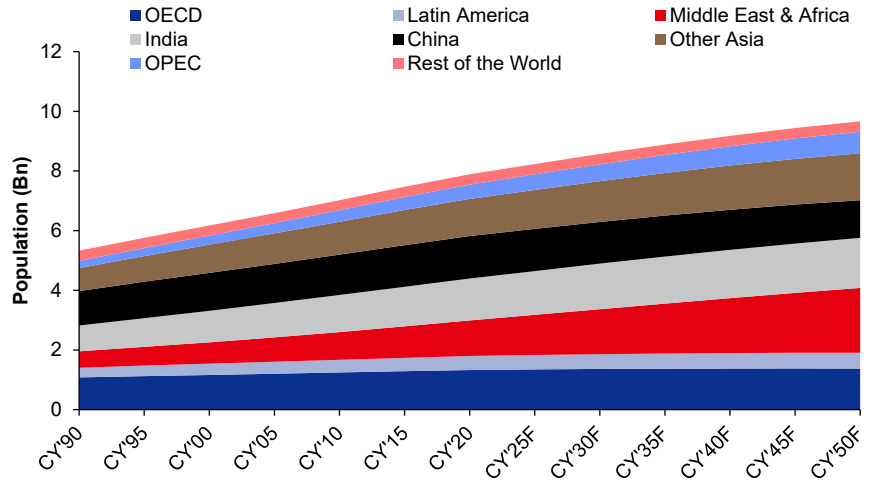
Capacity pressure as non-OECD demand up

Hypothesis, assumptions & projections for thematic

Global population set to reach 9.7bn by 2050F, driven by growth in the Middle East & Africa ➤

The global population is projected to grow from 7.9bn in 2020 to 9.7bn by 2050F, with significant regional disparities in growth rates. The Middle East & Africa regions are expected to see the most substantial increase, with its population set to rise from 1.2bn in 2020 to 2.2bn by 2050F, driven by high fertility rates and improving healthcare access. India's population is forecasted to peak at 1.7bn by 2045F before stabilizing, while China's population is expected to decline slightly from 1.4bn in 2020 to 1.3bn by 2050F due to aging demographics and a low birth rate. OECD countries and Latin America are projected to maintain relatively stable population, with minimal growth. This demographic shift, particularly in the Middle East & Africa, underscores the need for strategic investments in infrastructure and resources to address rising demand pressure.

Figure 1: India's population is forecasted to peak at 1.2bn by 2045F before stabilizing

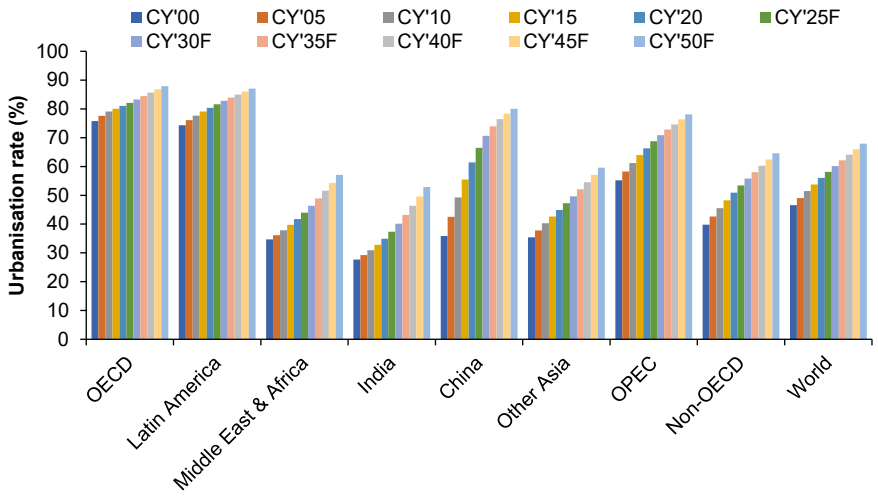


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global urbanization to reach 67.9% by 2050F led by rapid growth in China and India ➤

The global urbanization rate is projected to increase from 56.0% in 2020 to 67.9% by 2050F, reflecting a sustained shift towards urban living across regions. China is expected to lead this trend, with its urbanization rate to rise from 61.4% in 2020 to 80.0% by 2050F, driven by government-led urban development and rural-to-urban migration. India follows closely, with its urbanization rate forecasted to grow from 34.9% in 2020 to 52.8% by 2050F, fuelled by economic opportunities in cities and infrastructure investments. The Middle East & Africa regions will also see significant urban growth, reaching 57.1% by 2050F, although starting from a lower base of 41.7% in 2020. The Organization for Economic Cooperation and Development or OECD and Latin American countries, already highly urbanized, are projected to see a modest increase, reaching 87.9% and 87.0%, respectively, by 2050F. This accelerating urbanization, particularly in Asia and Africa, presents opportunities for investments in urban infrastructure and sustainable city planning.

Figure 2: India's urbanization rate is forecasted to grow from 34.9% to 52.8% by 2050F, fueled by economic opportunities in cities and infrastructure investments

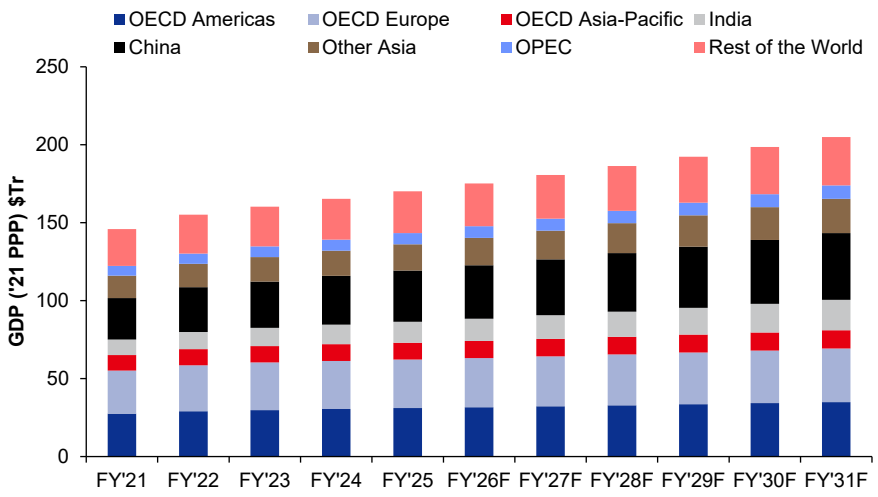


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

India & China to drive global GDP growth to US$305tr by 2050F ➤

Global GDP, measured in 2021 PPP terms, is forecasted to rise from US$145.9tr in 2021 to US$305.4tr by 2050F, with India and China as key drivers of this expansion. India's GDP is projected to surge from US$10.0tr in 2021 to US$59.5 tr by 2050F, reflecting robust economic reforms and a growing workforce, as outlined in the International Monetary Fund's World Economic Outlook (Oct 2024). China's GDP is expected to grow from US$26.6tr to US$77.5tr over the same period, supported by technological advancements and sustained industrial output. OECD regions, including Americas and Europe, will experience steady but slower growth, reaching US$52.1tr and US$43.4tr, respectively, by 2050F, constrained by an aging population. OPEC economies are projected to see moderate growth, from US$6.3tr to US$16.5tr, driven by energy demand but limited by diversification challenges, as noted in OPEC's World Oil Outlook 2045. This shift highlights the increasing economic dominance of Asia, necessitating strategic investments in emerging markets.

Figure 3: India's share in global GDP to rise from ~8% in FY25 to 14% by FY50F

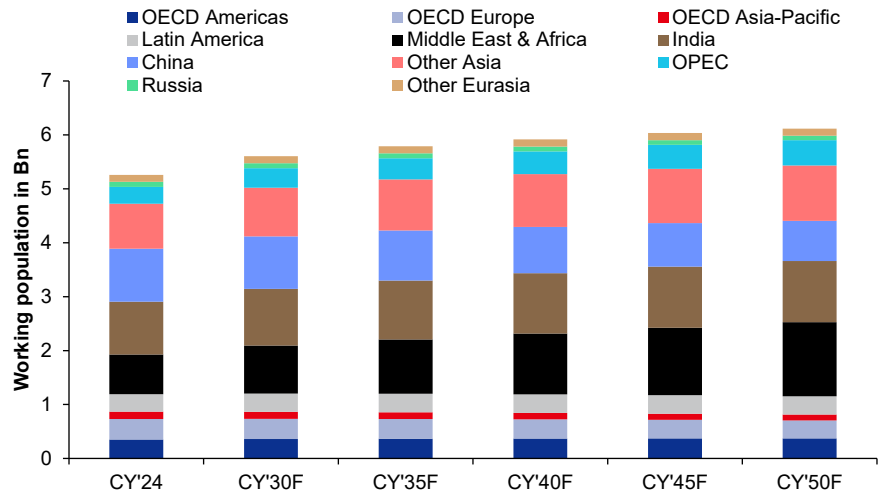


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Middle East & Africa to lead working population growth with a 638m increase by 2050F ➤

The global working-age population (aged 15-64) is projected to undergo significant regional shifts from 2023 to 2050F, with the Middle East & Africa regions driving the largest increase, adding 638.4m workers to reach 1.4bn by 2050F. This growth will be fuelled by high fertility rates and youthful demographics. India's working population is expected to rise by 156.0m, stabilizing at 1.1bn by 2050F, supported by a demographic dividend. In contrast, China's working-age population is forecasted to decline by 237.6m to 0.7bn, driven by aging and a low birth rate. OECD regions, particularly Europe and Asia-Pacific, face a decline of 47.2m and 27.0m, respectively, due to aging population, while OECD Americas to remain stable at 0.4bn. OPEC countries are projected to add 157.3m workers, reaching 0.5bn by 2050F. These trends underscore the need for targeted labour market policies and investments in regions with a growing workforce.

Figure 4: India's share in working population would remain at 18% till CY50F whereas China's share is expected to fall to 12%

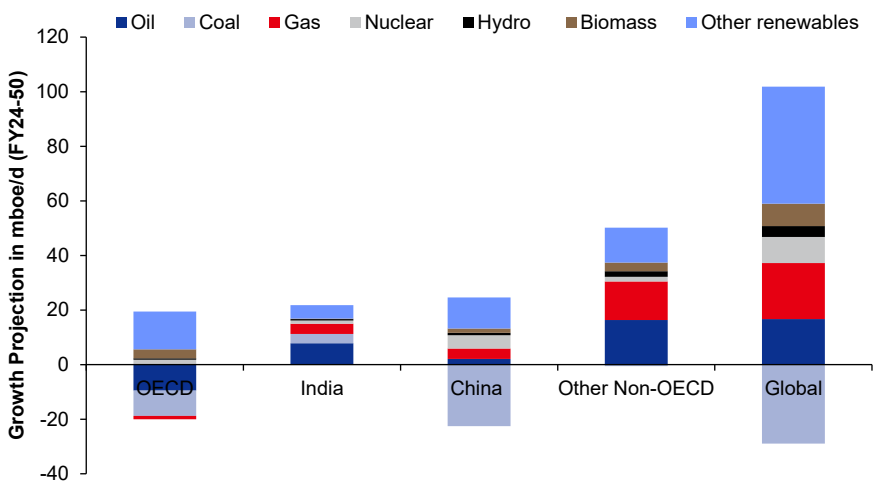


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global energy demand to surge by 73.0mboe/d by 2050F led by renewables and gas ➤

Global primary energy demand is projected to grow by 73.0mboe/d (million barrels of oil equivalent per day) from FY25 to FY50F, with other renewables and natural gas leading the expansion, contributing 42.9mboe/d and 20.5mboe/d, respectively. Other non-OECD regions to drive the largest oil and gas demand growth, adding 16.3mboe/d and 14.1mboe/d, respectively, fuelled by industrialization and urbanization. India's energy demand is expected to rise significantly, with oil and renewables growing by 7.8mboe/d and 4.9mboe/d, respectively, reflecting its economic growth and energy transition efforts. China, while seeing a modest oil demand growth of 2.1mboe/d, will witness a sharp coal demand decline of 22.5 mboe/d, aligning with its carbon neutrality goals. OECD countries are forecasted to reduce oil and coal demand by 9.6mboe/d and 9.2mboe/d, respectively, but increase renewable energy by 13.8mboe/d, emphasizing a shift to cleaner energy. This transition highlights investment opportunities in renewable infrastructure and gas supply chains across emerging markets.

Figure 5: ~30% of the incremental global energy demand over FY24-50F is expected to come from India

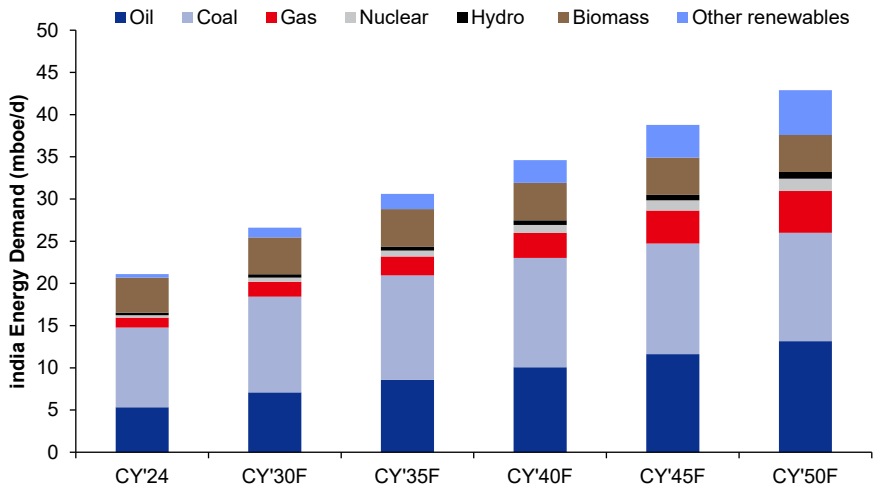


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

India's energy demand to double to 42.9mboe/d by 2050F driven by oil and renewables ➤

India's primary energy demand is projected to nearly double from 21.1mboe/d in CY24 to 42.9mboe/d by CY50F, reflecting a robust growth rate of 2.7% per annum. Oil demand is expected to lead this expansion, rising from 5.3mboe/d to 13.2mboe/d, a 7.8mboe/d increase, driven by rising transport and industrial needs. Other renewables will see the fastest growth at 9.9% annually, increasing from 0.4mboe/d to 5.3mboe/d, supported by government policies promoting solar and wind energy. Gas and nuclear energy are also set to grow significantly by 3.8mboe/d and 1.2mboe/d, respectively, reflecting India's push for cleaner fuels. Coal, while growing modestly by 3.4mboe/d, will see its fuel share decline from 44.8% to 29.9% by 2050F, signalling a gradual energy transition. This trajectory underscores investment opportunities in India's renewable energy infrastructure and oil supply chains to meet escalating demand.

Figure 6: ~53% of the incremental Indian energy demand by FY50F is to be fulfilled by oil and gas



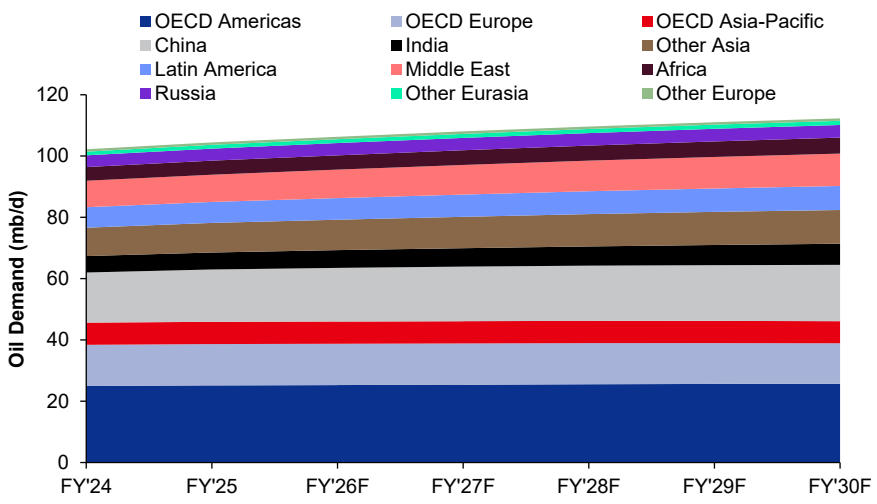
SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Oil demand outlook

Global oil demand to rise by 10.1mboe/d by 2030F led by China and India ➤

Global oil demand is projected to increase from 102.2mboe/d in FY24 to 112.3mboe/d by FY30F, reflecting a total growth of 10.1 mboe/d. China and India are expected to drive this rise, with demand growing by 2.0mboe/d and 1.5mboe/d, respectively, fuelled by industrial expansion and rising transportation needs. The Middle East and other Asia regions will also contribute significantly, adding 1.9mboe/d and 1.7mboe/d, respectively, driven by economic growth and urbanization. In contrast, the OECD region shows limited growth, with OECD Americas growing by only 0.7mboe/d and OECD Europe declining by 0.2 mboe/d, reflecting a shift towards energy efficiency and renewables. This divergence underscores the growing reliance on non-OECD markets for oil demand, highlighting investment opportunities in supply chains and infrastructure in Asia and the Middle East.

Figure 7: China & India to account for ~35% of global oil demand over FY24-30F

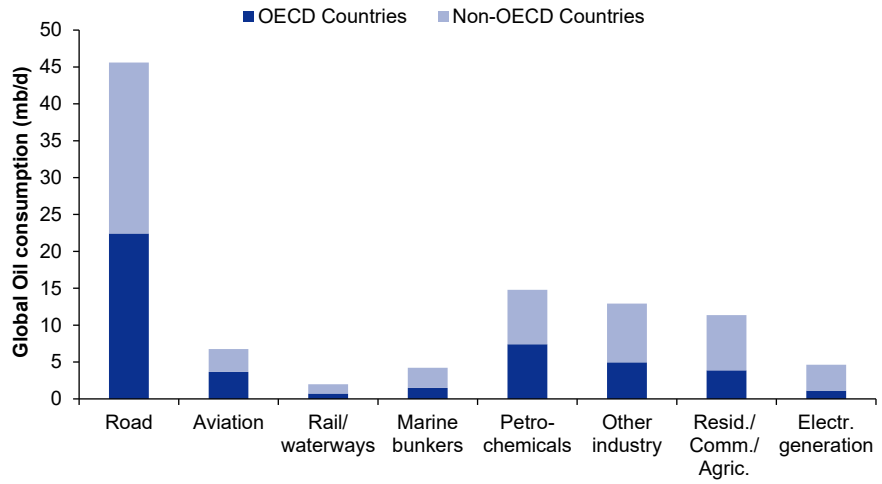


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Non-OECD countries drove FY24 global oil demand in key sectors ➤

In FY24, global sectoral oil demand highlighted a significant divide between OECD and non-OECD countries, with non-OECD countries leading the consumption in several critical sectors. Non-OECD countries accounted for 23.2mbbl of oil equivalent per day (mboe/d) in road transport, slightly surpassing OECD's 22.4 mboe/d, driven by rapid urbanization and vehicle ownership growth in Asia and Africa. Non-OECD countries also dominate marine bunkers (2.7mboe/d vs. 1.5 mboe/d), residential/commercial/agriculture (7.5mboe/d vs. 3.9mboe/d), and electricity generation (3.5mboe/d vs. 1.1mboe/d), reflecting the higher reliance on oil for industrial and domestic needs. Both regions show equal demand in petrochemicals at 7.4mboe/d, underscoring its global importance. OECD countries, however, lead in aviation (3.7mboe/d vs. 3.1mboe/d), driven by higher air travel activity. This sectoral split emphasizes the growing oil demand in non-OECD markets, presenting investment opportunities in transport and industrial fuel supply chains.

Figure 8: Road and petrochemical sectors had ~60 % share in global oil demand in FY24

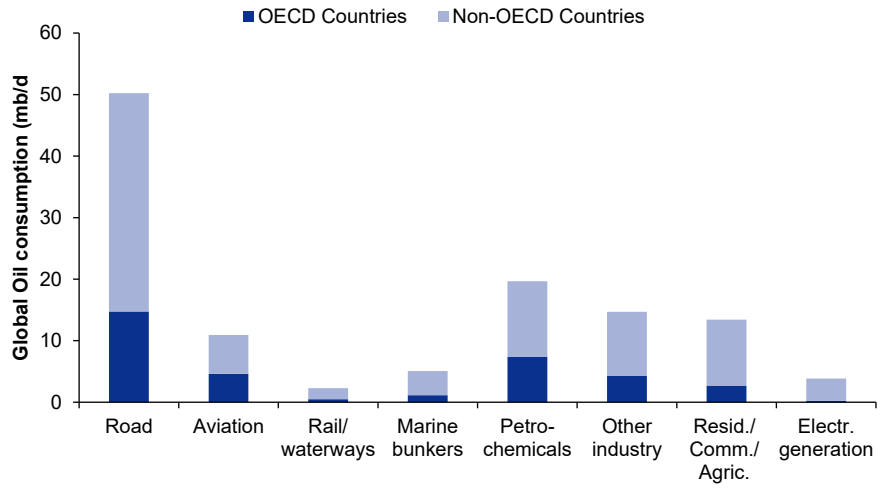


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Non-OECD countries to dominate FY51F global oil demand with 35.5mboe/d in road transport ➤

By FY51F, global sectoral oil demand is projected to shift markedly towards non-OECD countries, which will account for significantly higher consumption across most sectors compared to OECD nations. Non-OECD countries are expected to drive road transport demand at 35.5mboe/d, more than double OECD's 14.7mboe/d, propelled by sustained urbanization and rising vehicle penetration in Asia and Africa, as projected in the International Energy Agency's World Energy Outlook 2024. Non-OECD nations will also lead in petrochemicals (12.3mboe/d vs. 7.4mboe/d), residential/commercial/agriculture (10.7mboe/d vs. 2.7mboe/d), and marine bunkers (3.9mboe/d vs. 1.1mboe/d), reflecting industrial growth and higher domestic oil reliance. Aviation demand in non-OECD countries will surpass OECD's, reaching 6.3mboe/d compared to 4.6mboe/d, driven by expanding air travel market. OECD countries, however, will see reduced demand in electricity generation (0.2mboe/d vs. 3.6mboe/d), signalling a shift to renewables. This trend underscores the critical role of non-OECD markets in shaping future oil demand, highlighting investment potential in transport and petrochemical infrastructure.

Figure 9: Rail & marine transport fuel to grow the steepest, all from non-OECD nations

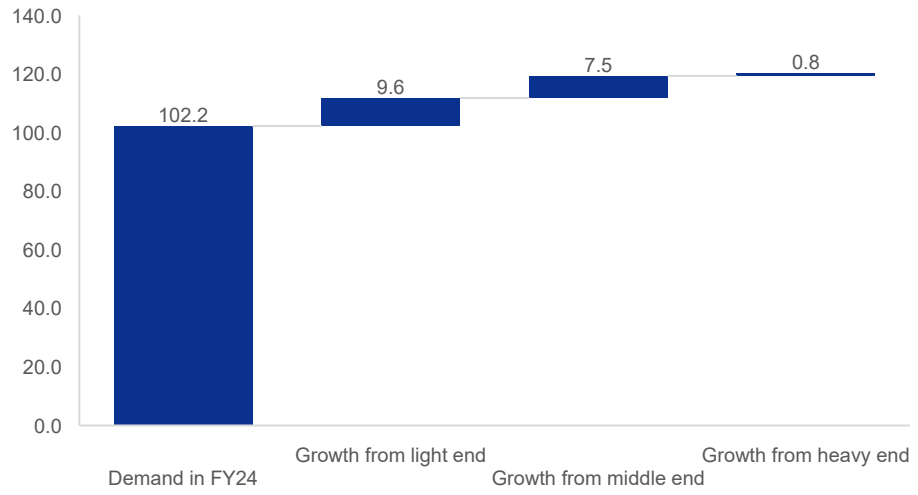


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global oil demand to touch 120.1mboe/d by 2050F driven by growth in middle distillates ➤

Global oil demand is forecasted to grow from 102.2mboe/d in FY24 to 120.1mboe/d by FY50F, with light ends and middle distillates such as jet/kerosene and gasoil/diesel leading the expansion. Middle distillates are projected to contribute 7.5mboe/d to demand growth by FY50F, driven by rising aviation and transport needs in non-OECD countries. Light products, including ethane/LPG, naphtha, and gasoline, will add 9.5mboe/d, supported by petrochemical and automotive demand in emerging markets. Heavy products, such as residual fuel, showed a minimal growth of 0.8mboe/d, reflecting a shift towards cleaner fuels and stricter environmental regulations. The overall demand growth underscores the rising reliance on middle and light distillates, particularly in Asia and Africa, presenting investment opportunities in refining capacity and distribution networks tailored to these product categories.

Figure 10: Petrochemical & automotive sector to take oil demand to 120mb/d by FY51F

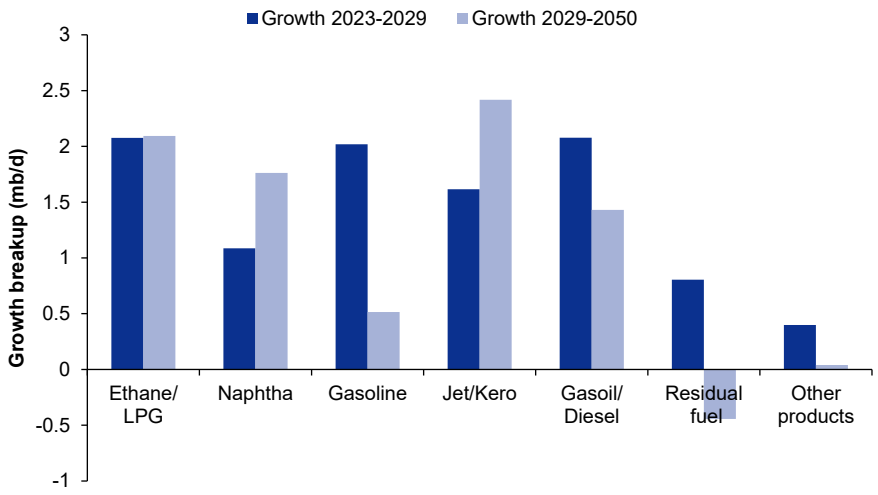


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Jet/kerosene and ethane/LPG to lead oil product demand growth through 2050F ➤

Global oil product demand growth from 2023 to 2050F is projected to be driven by jet/kerosene and ethane/LPG, with distinct growth patterns across two periods: 2023-2029F and 2029F-2050F. From 2023 to 2029F, ethane/LPG and gasoil/diesel are expected to lead with a growth of 2.1mboe/d each, followed closely by gasoline at 2.0mboe/d, driven by petrochemical and transport demand in non-OECD countries. From 2029F to 2050F, jet/kerosene will see the highest growth at 2.4mboe/d, fuelled by expanding aviation markets in Asia and Africa, while ethane/LPG to maintain steady growth at 2.1mboe/d. Naphtha growth accelerates to 1.8mboe/d in the later period, reflecting rising petrochemical needs. Residual fuel, however, is projected to decline by 0.4mboe/d from 2029F to 2050F due to stricter environmental regulations. This bifurcation highlights investment opportunities in jet fuel and petrochemical feedstocks to meet long-term demand in emerging economies.

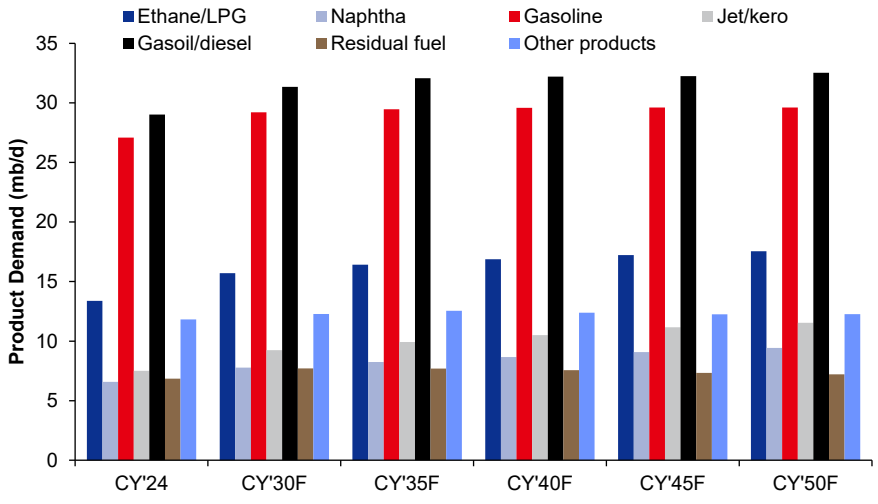
Figure 11: Jet fuel and ethane/LPG to drive 4.5mboe/d demand growth by 2050F led by Asia-Africa aviation and petrochemical boom



SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Jet/kerosene and ethane/LPG are expected to drive the largest gains, growing by 4.0mb/d and 4.2mb/d, respectively, fuelled by rising aviation demand and petrochemical needs in non-OECD countries. Gasoil/diesel demand is forecasted to rise by 3.5mb/d to 32.5mb/d, driven by transport and industrial activity in emerging markets. Gasoline and naphtha will contribute 2.5mb/d and 2.8mb/d, respectively, although gasoline growth plateaus by CY40F due to rising electrification. Residual fuel and other products show minimal growth at 0.4mb/d each, constrained by environmental regulations.

Figure 12: Global oil demand to rise by 17.9mb/d to 120.1mb/d by CY50F led by jet/kerosene (+4.0) and ethane/LPG (+4.2) on booming aviation and petrochemical push in emerging markets



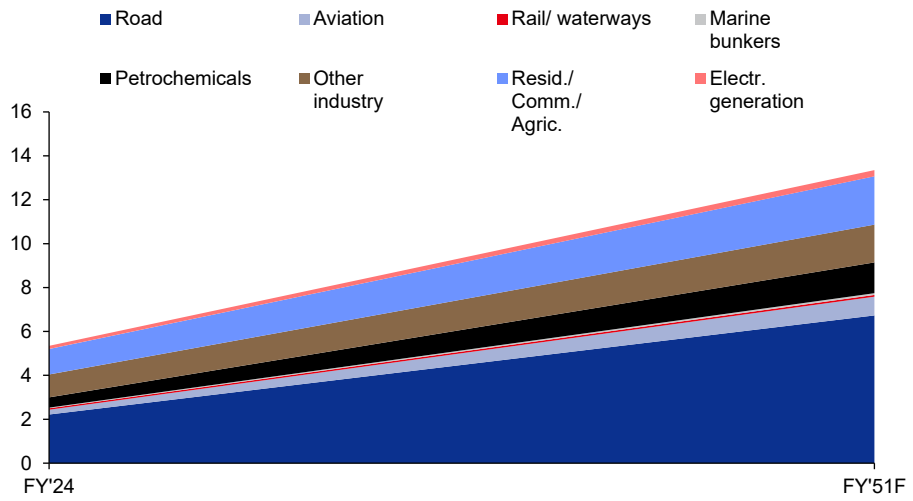
SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

India's oil demand to surge to 13.4mb/d by FY51F led by road transport and petrochemicals ➤

India's sectoral oil demand is projected to rise from 5.3mb/d (million barrels per day) in FY24 to 13.4mb/d by FY51F, with road transport and petrochemicals driving most of this growth. Road transport demand is expected to triple from 2.2mb/d to 6.7mb/d, fuelled by rising vehicle ownership and urbanization, Petrochemical demand is forecasted to grow from 0.5mb/d to 1.4mb/d, driven by expanding industrial and manufacturing sectors. Aviation demand will also see significant growth, rising from 0.2mb/d to 0.9mb/d, reflecting India's burgeoning air travel market. Residential/commercial/agriculture and other industry sectors are projected to increase to 2.2mb/d and 1.7mb/d, respectively, while electricity

generation and marine bunkers to show modest growth. This robust demand trajectory underscores the need for strategic investments in India's refining capacity and transport fuel infrastructure to support its economic expansion.

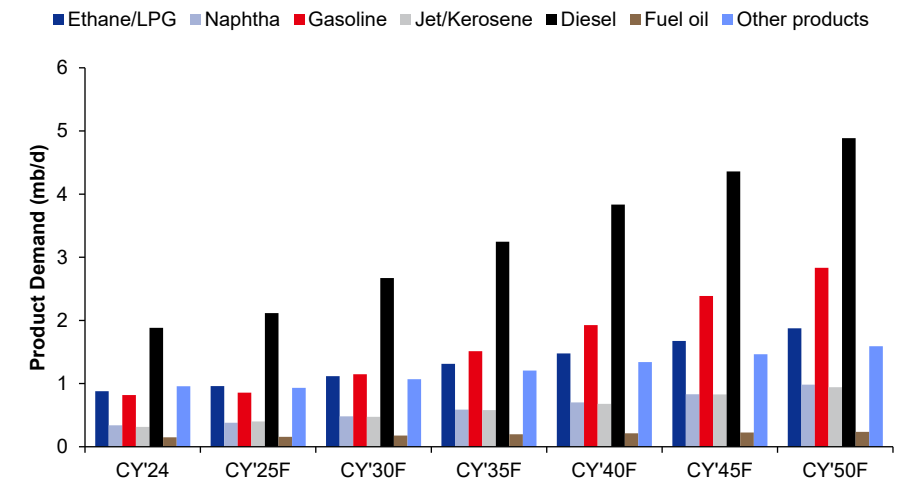
Figure 13: India's oil demand to surge 2.5x to 13.4 mb/d by FY51F led by road transport (6.7mb/d) and petrochemicals (1.4mb/d) amid rapid urbanization & industrial growth



SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

India's oil product demand growth has diesel and gasoline as the primary drivers. Diesel demand is expected to increase from 1.9mb/d to 4.9mb/d, reflecting a 4.8% annual growth rate from CY25 to CY30F, driven by expanding transport and industrial sectors. Gasoline demand is forecasted to rise from 0.8mb/d to 2.8mb/d, with a robust 6.0% growth rate over the same period, fuelled by rising vehicle ownership. Ethane/LPG and naphtha are projected to grow steadily, reaching 1.9 mb/d and 1.0 mb/d by CY50F, respectively, supported by petrochemical demand. Jet/kerosene demand will nearly triple to 0.9mb/d, driven by aviation growth. Fuel oil, however, shows minimal growth, stabilizing at 0.2mb/d. This demand surge highlights investment opportunities in India's refining and distribution infrastructure to meet transport and industrial fuel needs.

Figure 14: India's oil demand to hit 13.3mb/d by CY50F led by diesel (4.9mb/d) and gasoline (2.8mb/d) at a 4.8–6% CAGR, backed by transport & petrochemicals



SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Without subsidies, fossil fuel vehicles are a minimum 20-30% cheaper than EVs

- **Reduction of oil displacement from 6mb/d to 5mb/d** - The International Energy Agency (IEA) revised its 2030 oil displacement projection under the Stated Policies Scenario (STEPS) from 6mb/d in its 2024 report to slightly over 5mb/d in the 2025 report. This nearly 1mb/d reduction reflects a slower-than-expected transition to electric vehicles (EVs), driven by factors such as stagnating EV sales in Europe, a significant slowdown in the US, and a shift toward plug-in hybrids in China, which still rely on oil products. This adjustment signals a more cautious outlook on the pace at which EVs will displace oil demand globally.
- **Constant global EV sales projection at 250m by 2030F, with China compensating for the US slowdown** :- Despite the reduced oil displacement forecast, the IEA maintained its projection of 250m EVs globally by 2030F in a STEPS scenario, consistent with the 2024 report. This implies an addition of about 200m EVs, or roughly 25-30%. The US slowdown, with EV sales penetration forecasts slashed from 55% to 20% due to policy rollbacks, is expected to be offset by robust growth in China, where over 150m EVs are projected by 2030F, representing about 60% of the global market.
- **Optimistic EV and hybrid vehicle targets for China despite higher electricity costs**: The projection of over 150m EVs in China by 2030F appears ambitious, given the economic challenges. In China, the cost of running an EV for 100km is US$1.79, compared to US$1.4 for a diesel vehicle, a 24% cost disadvantage due to higher electricity prices (fuel cost of power generation at US$0.09/kWh). And not just China, EVs are economically infeasible to use without the subsidy allocation until electricity becomes cheaper. This shift toward plug-in hybrids, which still consume oil, alongside the US slowdown, contributes to the 1mb/d reduction in oil displacement. The optimism in China's targets may overlook consumer resistance to higher EV operating costs and reliance on subsidies, raising questions about their feasibility.

Figure 15: Using diesel/petrol would save ~65% in costs vs. EVs (gas-based power plants)

	US	Europe	China	India
Heat rate of gas-based power stations (Kcal/Kwh)	1,900	1,650	1,800	2,000
Energy of 1scm gas (Kcal)	8,000	8,000	8,000	8,000
Gas required for 1kWH (scm)	0.24	0.21	0.23	0.25
Natural gas price (US$/mmBtu)	7	11	10	12
Natural gas price (US$/scm)	0.28	0.44	0.40	0.48
Fuel cost of generating power (US$/Kwh)	0.07	0.09	0.09	0.12
Cost of running 100km (US$)- EV	1.32	1.80	1.79	2.38
Fuel cost for diesel production (US$/L)	0.35	0.38	0.39	0.39
Cost of running 100km (US$)- diesel	1.3	1.4	1.4	1.4
Benefit of conventional vehicle vs. EV	3%	29%	24%	65%

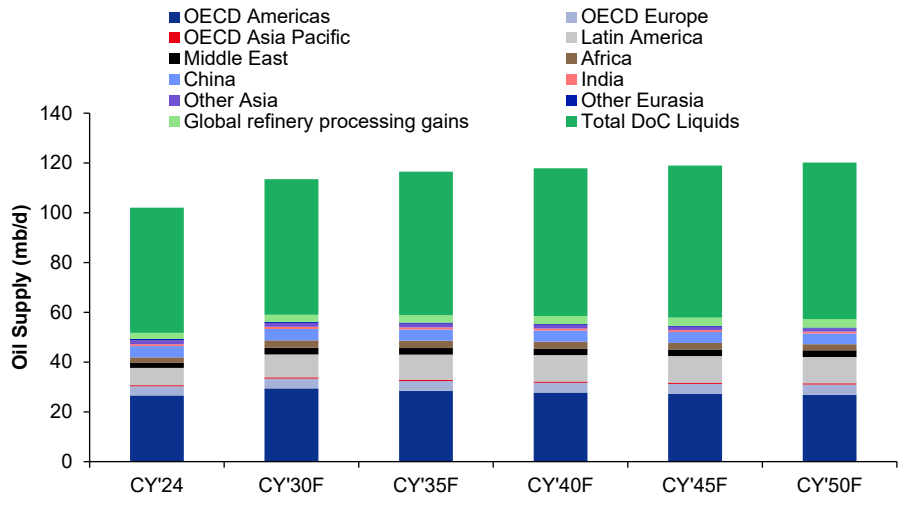
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Oil supply outlook

Global oil supply to reach 120.2mb/d by CY50F, with the OPEC+ share rising to 52% ➤

Global oil supply is projected to increase from 102.0mb/d in CY24 to 120.2mb/d by CY50F, reflecting a net growth of 18.2mb/d. Latin America is expected to contribute the largest regional increase, adding 3.6mb/d to reach 10.5mb/d, driven by offshore production in Brazil and Guyana. OECD Americas will maintain significant output, growing marginally by 0.3mb/d to 26.9mb/d, supported by US shale production. The Middle East, ex-OPEC+ and Africa, will see modest supply growth of 0.7mb/d and 0.2mb/d, respectively, while China and other Asia face a decline of 0.2 mb/d and 0.3 mb/d due to maturing fields. Global refinery processing gains are forecasted to add 0.9mb/d. OPEC+ is projected to increase its market share from 49% to 52% by CY50F, underscoring its growing influence. This supply trajectory highlights investment opportunities in Latin American upstream projects and OPEC+ production capacity expansion.

Figure 16: Global oil supply to rise 18.2mb/d by CY50F led by OPEC+ (+12.1) and Latin America (+3.6) amid the offshore boom in Brazil and Guyana; OPEC+ share to climb to 52%

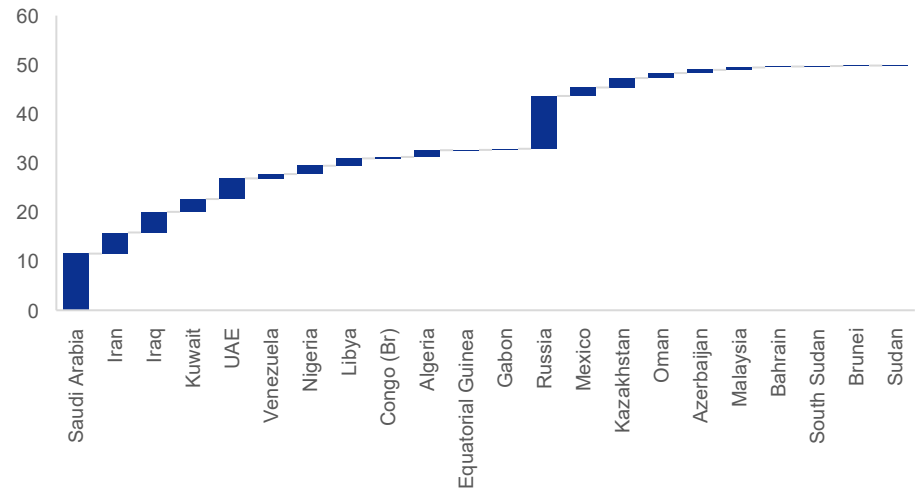


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Saudi Arabia and Russia drive OPEC+ production to 49.06 mb/d, bolstering global supply

OPEC+ countries collectively produce an average of 49.06mb/d of crude oil and natural gas liquids (NGL), with Saudi Arabia and Russia leading at 11.55mb/d and 10.75 mb/d, respectively. The United Arab Emirates (4.19mb/d), Iran (4.29mb/d), and Iraq (4.21mb/d) also contribute significantly, supported by robust infrastructure and strategic production policies, as noted in OPEC's Monthly Oil Market Report (Sep 2024). Smaller producers, such as Venezuela (0.88mb/d), Equatorial Guinea (0.08mb/d), and Sudan (0.02mb/d), face output constraints due to infrastructural and geopolitical challenges. This substantial production capacity, particularly from Saudi Arabia and Russia, ensures OPEC+'s pivotal role in meeting global oil demand, especially in non-OECD markets. The concentration of output among key members highlights investment opportunities in production optimization and capacity expansion in smaller OPEC+ nations to enhance their contribution to global supply stability.

Figure 17: OPEC+ pumps 49mb/d: Saudi Arabia & Russia lead but smaller producers hold untapped potential

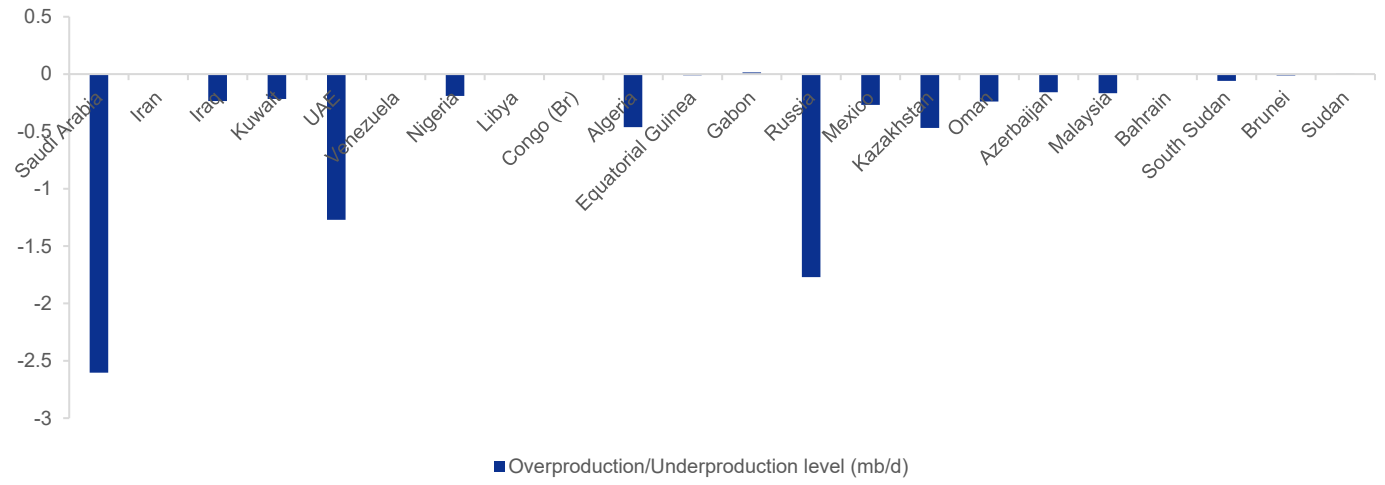


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Saudi Arabia and Russia lead OPEC+ overproduction too by 4.37mb/d amid voluntary cuts ➤

OPEC+ countries are collectively overproducing crude oil and natural gas liquids (NGL) by a significant margin, with Saudi Arabia and Russia contributing the largest excesses at 2.60mb/d and 1.77mb/d, respectively, against their usual targets of 8.94mb/d and 8.98mb/d. The United Arab Emirates (1.27mb/d) and Algeria (0.46mb/d) also exhibit notable overproduction, driven by capacity expansion and efforts to maximize revenue. Iraq and Kuwait show moderate overproduction at 0.24mb/d and 0.22mb/d, respectively, while Gabon and Bahrain are slightly underproducing by 0.01mb/d and 0.0004mb/d. This overproduction, totaling approximately 7.49mb/d across the group, contrasts with voluntary production cuts aimed at stabilizing global oil prices. The persistent oversupply underscores the need for stricter OPEC+ compliance and highlights investment opportunities in production optimization technologies to align with market stabilization goals.

Figure 18: OPEC+ overshoots target by 7.5mb/d led by Saudi Arabia & Russia



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Overproduction boosts revenue by 20% and hence, undermines OPEC+ quota discipline

OPEC+ faces persistent challenges in enforcing production quotas, with members like Iraq, Kazakhstan, and the UAE exceeding limits to capitalize on short-term financial gains, contributing to a 960,000bpd output increase from Apr to Jun 2025. Overproduction can increase revenue by up to 20% for countries like Iraq and Kazakhstan, where oil dominates GDP and fiscal breakeven prices often exceed US$100/bbl, incentivizing them to exploit higher prices sustained by compliant members. Iraq's compliance is hampered by its lack of control over the Kurdish region, which sells oil directly to Turkey, while Kazakhstan struggles with technical constraints in its Caspian Sea reservoirs.

Figure 19: Oil in this carbonate reservoir of Kazakhstan near the Caspian Sea is vulnerable to pressure and rapid production changes, making it technically difficult for the country to adhere to the OPEC+ quota norm

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Figure 20: This northern part of Iraq is semi-autonomous, with the Iraqi government having no control over it; they sell their oil directly to Turkey

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

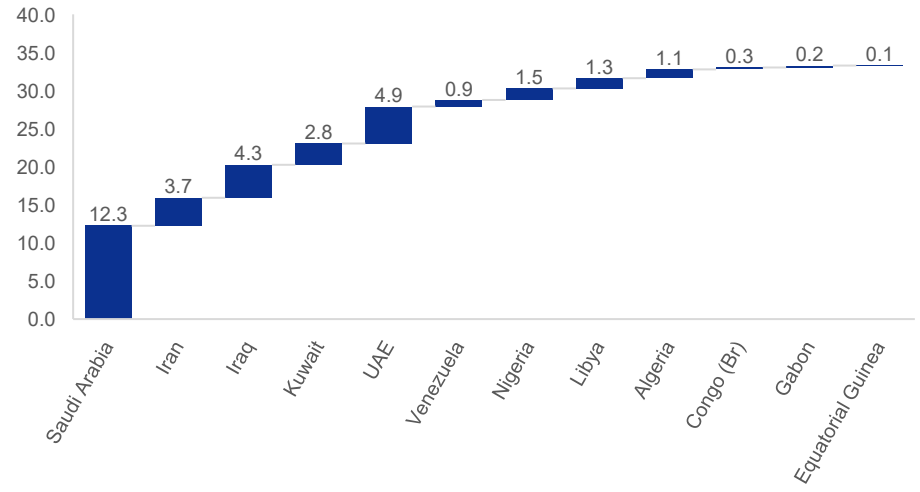
What happens if a country doesn't adhere to the agreed quota?

OPEC+ requires overproducing countries to offset excess output with future cuts to the extent of 125% of overproduction, known as the compensation mechanism. For example, Iraq was ordered to reduce output by 200,000bpd in 2024 to make up for prior overproduction, yet it only partially complied. Historically, only 60% of mandated compensation volume is fulfilled, with Iraq and Kazakhstan frequently falling short. Enforcement is practically impossible for larger players like Russia, undermining the system's effectiveness and straining OPEC+'s ability to regulate supply, which can lead to price volatility if unchecked.

Saudi Arabia and the UAE lead OPEC's 33.34mb/d production capacity, supporting market stability

OPEC's total crude oil production capacity stands at 33.34mb/d, with Saudi Arabia and the United Arab Emirates (UAE) accounting for the largest share at 12.25 mb/d and 4.85mb/d, respectively. Iraq follows with 4.34mb/d, while Iran and Kuwait hold capacities of 3.67mb/d and 2.80mb/d, respectively. Smaller producers, such as Venezuela (0.86mb/d), Congo (Brazzaville) (0.27mb/d), and Equatorial Guinea (0.07mb/d), reflect constrained output due to infrastructure challenges. This robust capacity, particularly from Saudi Arabia and the UAE, provides OPEC with significant flexibility to manage global supply and stabilize prices amid rising demand from non-OECD countries. The concentration of capacity in key Gulf producers underscores investment opportunities in upstream projects and infrastructure upgrades in smaller OPEC nations to enhance their production potential and support long-term market balance.

Figure 21: OPEC holds 33.3mb/d capacity – Gulf powers dominate while smaller players lag

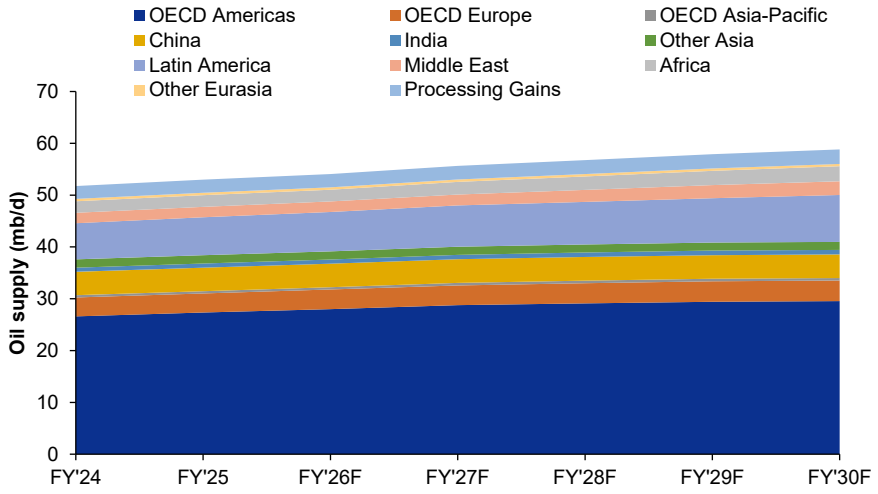


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Non-OPEC+ oil supply to grow by 6.2mb/d to 58.8mb/d by FY30F led by Latin America and OECD Americas

Non-OPEC+ oil supply is forecasted to increase from 52.6mb/d in FY24 to 58.8mb/d by FY30F, reflecting a growth of 6.2mb/d. Latin America is projected to drive the largest increase, adding 2.0mb/d to reach 9.0mb/d, primarily due to expanded offshore production in Brazil and Guyana. OECD Americas will contribute significantly, growing by 2.9mb/d to 29.5mb/d, supported by sustained US shale output. Middle East and Africa are expected to add 0.6mb/d and0.7 mb/d, respectively, while OECD Europe and China to show modest gains of 0.3mb/d and 0.1mb/d. India and OECD Asia-Pacific supplies to remain stable at 0.9mb/d and 0.5 mb/d, respectively. Processing gains will rise by 0.3mb/d to 2.8 mb/d. This growth in non-OPEC+ supply underscores investment opportunities in Latin American and US upstream projects to meet rising global demand.

Figure 22: Non-OPEC+ oil supply to rise 6.2mb/d to 58.8mb/d by FY30F led by US shale (+2.9) and Brazil-Guyana offshore (+2.0), spotlighting upstream bets outside OPEC+



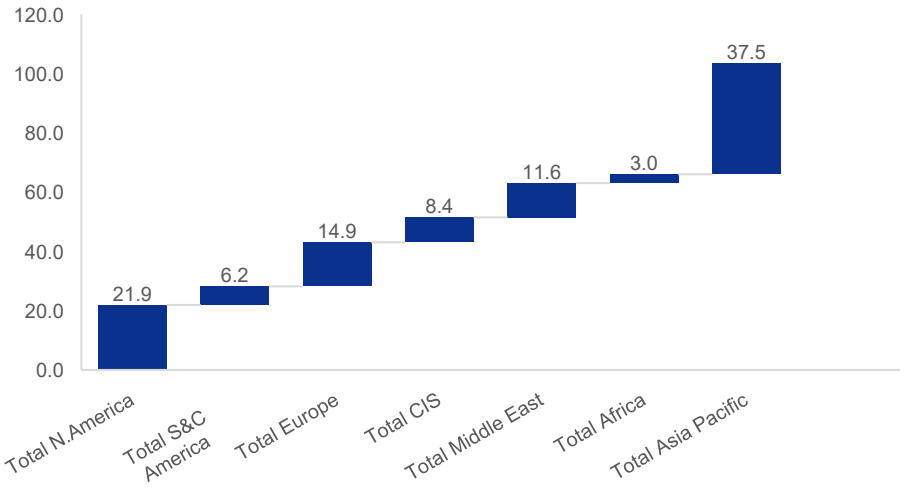
SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global refinery Outlook

Asia-Pacific and North America dominate global refining capacity with a combined 57.4% share

Global oil refining capacity stands at 103.5mb/d, with Asia-Pacific and North America commanding the largest share at 36.2% (37.5mb/d) and 21.2% (21.9 mb/d), respectively. China leads individual countries with 18.5mb/d, followed closely by the US at 18.4mb/d, together accounting for 35.7% of global capacity, driven by robust demand and strategic investments. The Middle East contributes 11.6mb/d, with Saudi Arabia's 3.3mb/d being the largest in the region. Europe and the Commonwealth of Independent States (CIS) hold 14.9mb/d and 8.4mb/d, respectively, while Africa's capacity remains limited at 3.0mb/d, constrained by underinvestment. Non-OECD countries account for 57.8% of global capacity, reflecting the shift towards emerging markets. This distribution highlights investment opportunities in expanding and upgrading refining infrastructure in Asia-Pacific and Africa to meet rising global oil demand.

Figure 23: Asia pacific (37.5 mb/d) and North America (21.9 mb/d) dominates the global refining landscape

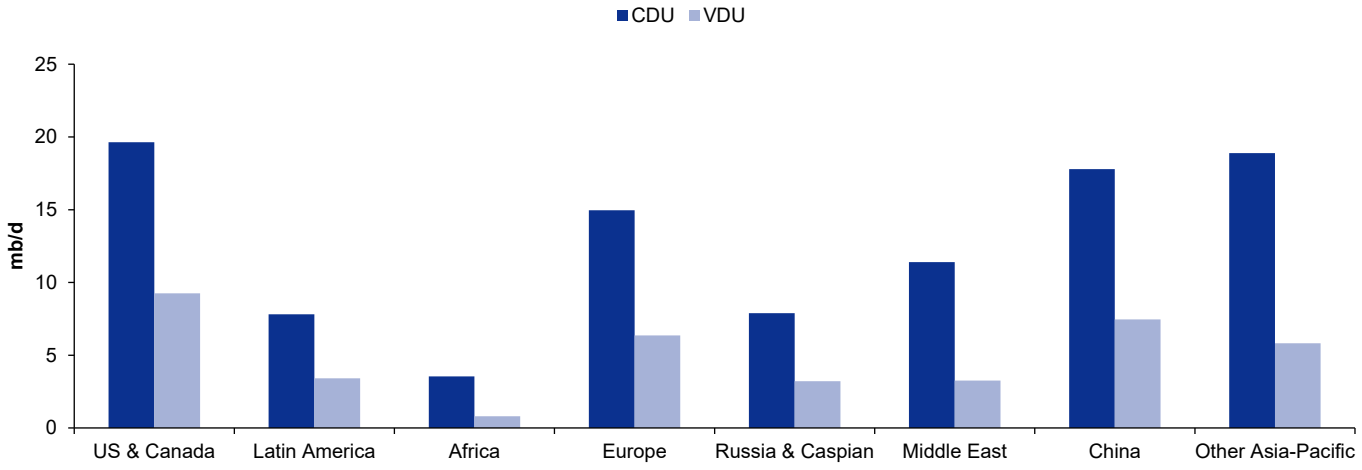


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Upgrading capacities, such as catalytic cracking (19.9mb/d) and hydrocracking (11.6mb/d), are concentrated in the US, Canada and China, reflecting investments in high-value products. Latin America and the Middle East show moderate capacities, with CDUs at 7.8mb/d and 11.4mb/d, respectively, while Africa lags at

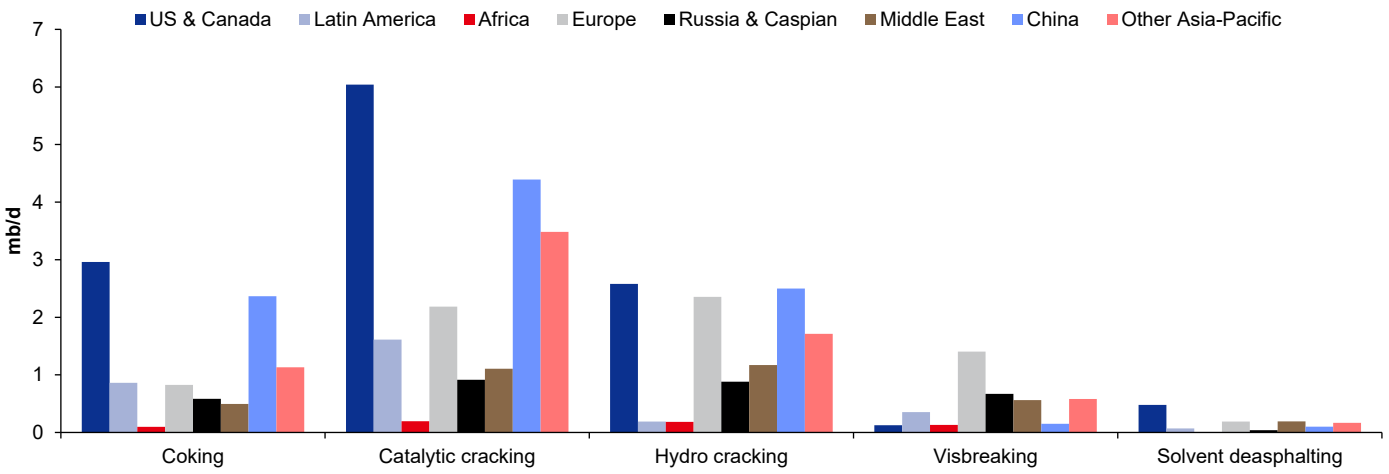
3.5mb/d. Sulphur production is significant at 163,810st/d (short tonne/day), with other Asia-Pacific and China as key contributors.

Figure 24: US & China lead global refining with 37.4mb/d CDU capacity, as clean fuel push drives 34.3mb/d desulphurization and 31.5mb/d upgrading capacity across top regions



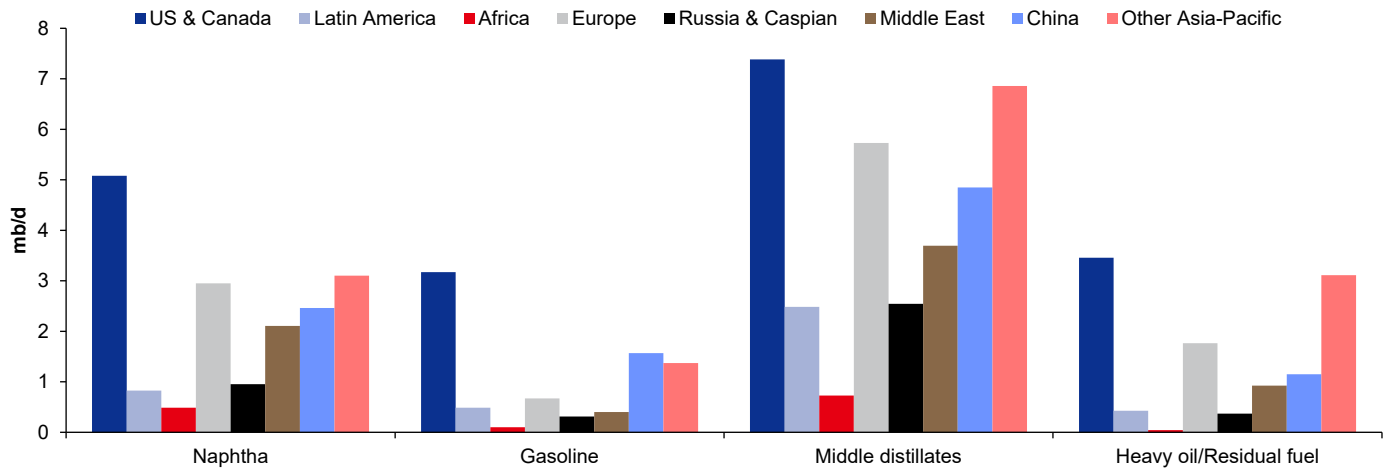
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 25: Upgrading capacities, such as catalytic cracking (19.9 mb/d) and hydrocracking (11.6 mb/d), are concentrated in the US, Canada and China, reflecting investments in high-value products



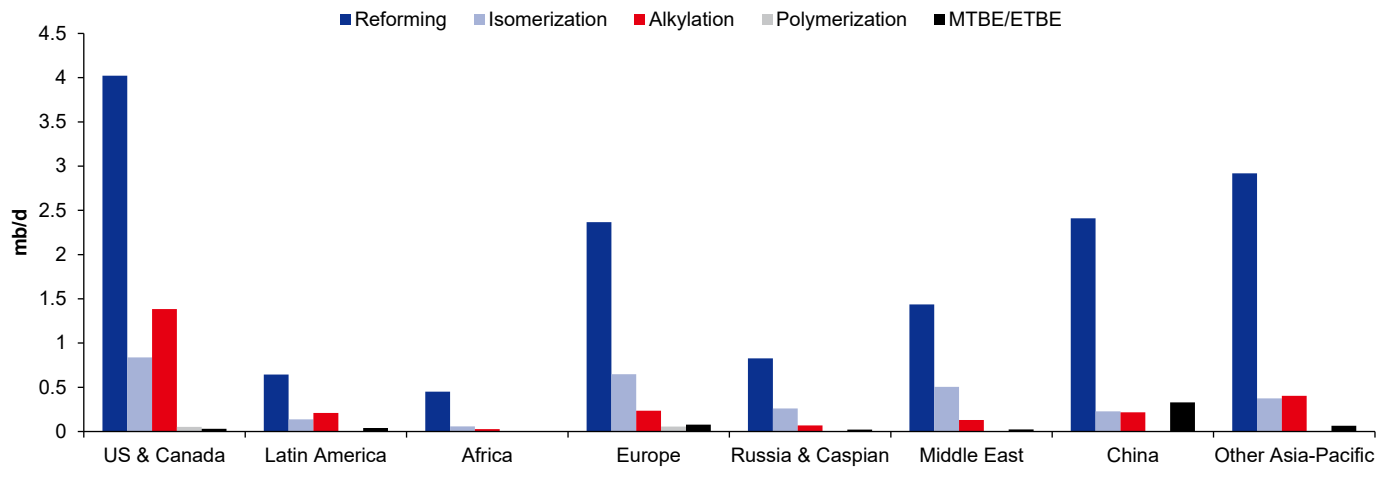
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: US and Europe lead in hydrotreating units, with most of them attached to middle distillate units



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: US and Canada to lead the production of high-value gasoline via reforming units

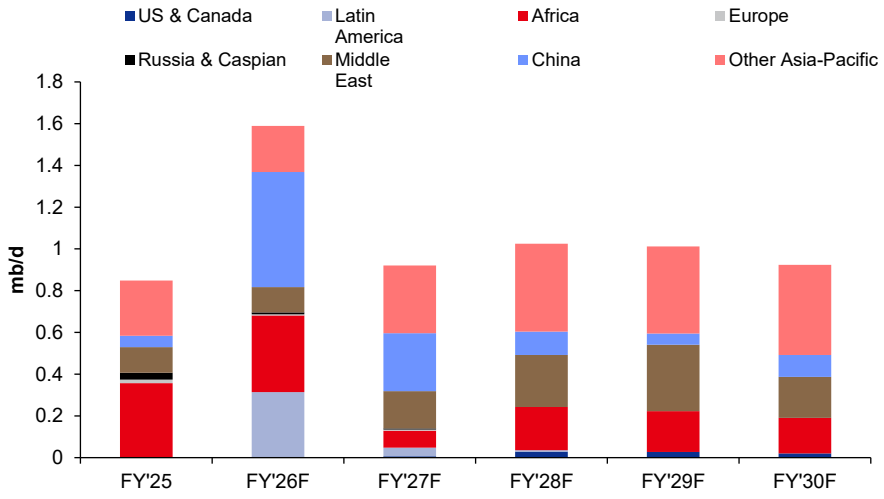


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Global distillation capacity to grow by 6.32mb/d by FY30F led by the other Asia-Pacific region and Africa ➤

Global crude oil distillation capacity is projected to increase by 6.32mb/d over FY25 to FY30F, with the other Asia-Pacific region and Africa leading the expansion, contributing 2.08mb/d and 1.38mb/d, respectively. This growth is driven by rising oil demand in emerging markets and strategic refinery expansions. The Middle East and China are also significant contributors, adding 1.19mb/d and 1.15 mb/d, respectively, to support domestic and export markets. Latin America is expected to add 0.36mb/d, primarily through projects in Brazil and Guyana, while the US & Canada and Europe show minimal growth at 0.08mb/d and 0.03mb/d, reflecting their focus on efficiency over new capacity. Russia & Caspian regions will see a modest increase of 0.05mb/d. This capacity expansion highlights investment opportunities in refinery infrastructure in high-growth regions like Asia-Pacific and Africa to meet escalating global oil demand.

Figure 28: Global CDU capacity to rise 6.3mb/d by FY30F led by Asia-Pacific (+2.1) and Africa (+1.4), as emerging markets ramp up refining to meet surging demand



SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global distillation capacity to add 19.18mb/d by CY50F, with strong growth through 2035F ➤

Global crude oil distillation capacity is projected to increase by 19.18mb/d over 2024 to 2050F, with the most significant addition occurring between 2024 and 2035F. From 2024 to 2030F, 9.38mb/d will be added, comprising 6.32mb/d from assessed projects and 3.06mb/d from new units, driven by rising oil demand in non-OECD countries. An additional 4.29mb/d is forecasted for 2030F–2035F, reflecting sustained investments in Asia-Pacific and Africa to meet urbanization-driven demand. Growth to slow thereafter, with 2.83mb/d, 1.67mb/d, and 1.01 mb/d added in the periods 2035F–2040F, 2040F–2045F, and 2045F–2050F, respectively, as global energy transitions accelerate. The annualized addition peaks at 1.32mb/d through 2030F, declining to 0.20mb/d by 2050F. This trajectory highlights investment opportunities in early-stage refinery expansions, particularly in emerging markets, to capitalize on near-term demand growth.

Figure 29: Global CDU capacity to grow 19.2mb/d by 2050F, with 9.4mb/d added by 2030—peaking at 1.3mb/d annually—driven by early demand surge in Asia-Pacific and Africa

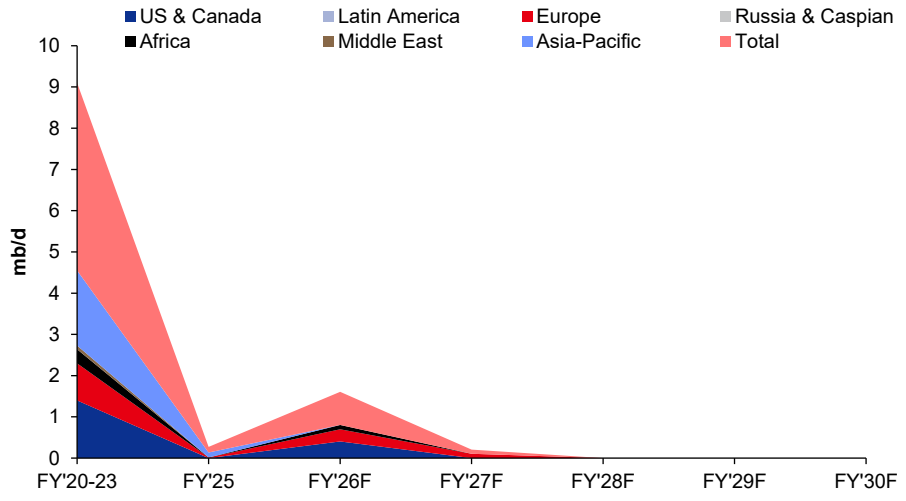
Distillation capacity additions starting 2024	Assessed projects*	New Units	Total	Annualized
2024-30F	6.32	3.06	9.38	1.32
2030-35F		4.29	4.29	0.86
2035-40F		2.83	2.83	0.57
2040-45F		1.67	1.67	0.33
2045-50F		1.01	1.01	0.20

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global refinery closures to slow to 1.04mb/d by FY30F, concentrated in Europe, the US & Canada ➤

Global refinery closure is projected to increase by 1.2mb/d from FY24 to FY30F, primarily driven by closures in Europe (0.42mb/d) and the US & Canada (0.40 mb/d). This follows a higher closure rate of 4.55mb/d between FY20 and FY23, largely due to Asia-Pacific (1.82mb/d) and Europe (0.90mb/d), as older and less efficient facilities were phased out amid energy transition pressure. In FY24-FY30F, closures are expected to slow, with significant activity in FY26F (0.80 mb/d), including 0.40mb/d in the US & Canada and 0.30mb/d in Europe, reflecting stricter environmental regulations and a shift towards cleaner energy. Africa and Asia-Pacific will see minor closures of 0.10mb/d and 0.12mb/d, respectively, while Latin America, Russia & Caspian, and the Middle East report no closures.

Figure 30: Refinery closures to slow to 1.2mb/d by FY30F (vs 4.6mb/d in FY20–23) led by Europe (0.42) and the US (0.40), as aging assets exit amid clean energy shift

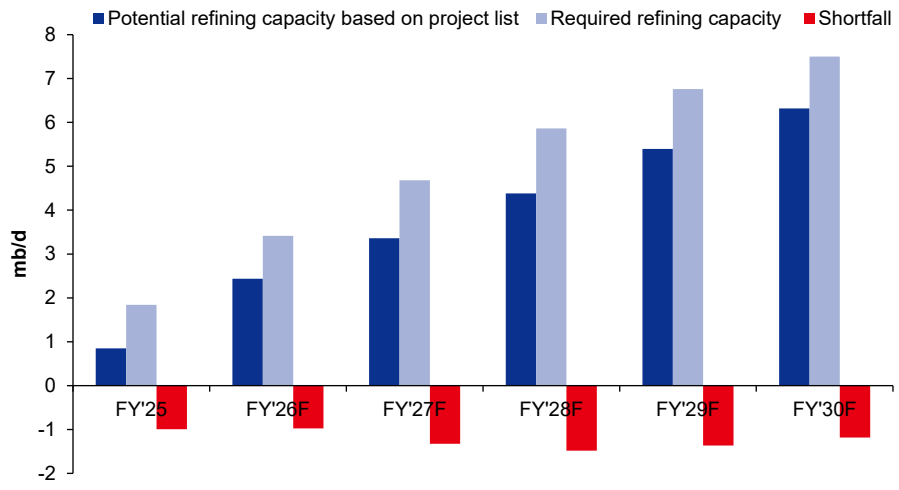


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global refinery capacity addition to lag demand by 1.18mb/d by FY30F ➤

Global refinery capacity addition is projected to fall short of oil demand growth, resulting in a cumulative shortfall of 1.18mb/d by FY30F. From FY25, potential refining capacity based on project lists is expected to increase by 6.32mb/d by FY30F. However, required refining capacity to meet demand is forecasted to grow faster, rising to 7.50mb/d by FY30F, with the largest shortfall of 1.48mb/d occurring in FY28F. This gap is driven by robust oil demand growth in non-OECD countries, particularly in Asia and Africa. The persistent shortfall underscores the need for accelerated investments in new refining projects and upgrades to existing facilities to bridge the gap, particularly in high-demand regions, to ensure supply stability and mitigate potential pricing pressure in the global oil market.

Figure 31: Refinery addition to lag demand by 1.18mb/d by FY30F, peaking at a 1.48 mb/d shortfall in FY28F—flagging the urgent need for capacity build-up in Asia and Africa

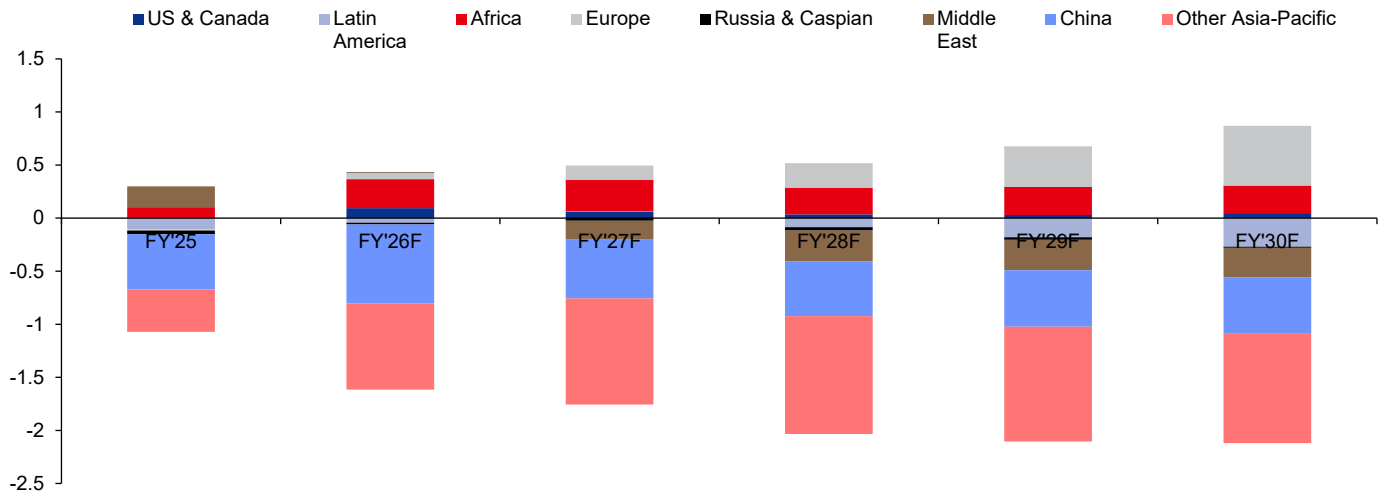


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Asia-Pacific and China face persistent refinery throughput shortfalls of 1.56mb/d by FY30F ➤

From FY25 to FY30F, global refinery throughput shortfall is projected to be most pronounced in the other Asia-Pacific region and China, with deficits reaching 1.03 mb/d and 0.53 mb/d, respectively, by FY30F, driven by robust oil demand growth outpacing capacity expansion. Latin America and the Middle East will also experience shortfalls, peaking at 0.27mb/d and 0.29mb/d in FY30F, reflecting limited new capacity addition. In contrast, Europe is expected to see a surplus of 0.56mb/d by FY30F, supported by refining efficiency and declining domestic demand. Africa will maintain a consistent surplus of 0.26–0.30mb/d, driven by new refinery projects. The US & Canada and Russia & Caspian to show minimal surpluses or deficits, stabilizing at 0.05mb/d and -0.01mb/d by FY30F. These regional disparities underscore investment opportunities in refinery expansions in Asia-Pacific and China to address persistent throughput deficits.

Figure 32: Asia's refinery squeeze deepens: 1.5 mb/d throughput shortfall by FY30F signals an urgent need for capacity build-out

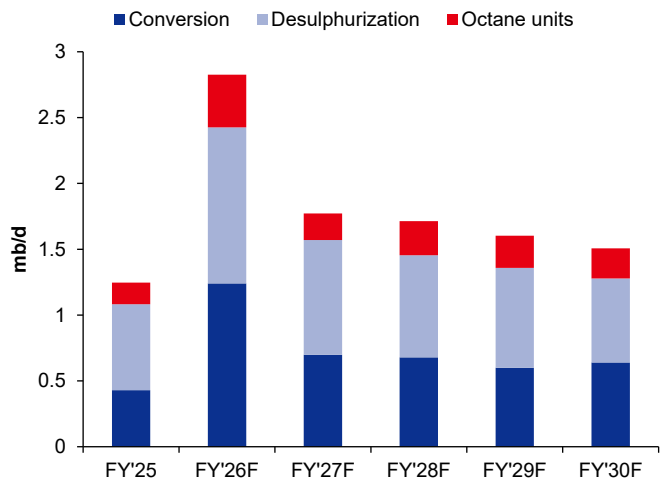


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Global secondary refinery capacity to add 10.72mb/d by FY30F led by desulphurization in Asia and Africa ➤

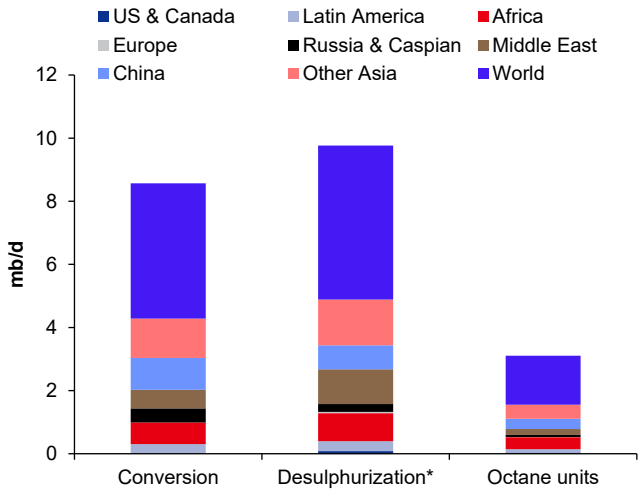
Global secondary refinery capacity is projected to increase by 10.72mb/d over FY25 to FY30F, with desulphurization leading at 4.88mb/d, followed by conversion at 4.28mb/d and octane units at 1.55mb/d. The other Asia-Pacific region and China will drive significant addition, contributing 1.45mb/d and 0.77mb/d in desulphurization, respectively, to meet demand for cleaner fuels. Africa is expected to add 0.89mb/d in desulphurization and 0.69mb/d in conversion, reflecting investments in new refining infrastructure to support regional demand growth. The Middle East will contribute 1.10mb/d in desulphurization, while Latin America and Russia & Caspian add 0.32mb/d and 0.25mb/d, respectively. The US & Canada and Europe show minimal growth, with a combined addition of 0.12 mb/d and 0.05mb/d. Peak annual addition will occur in FY26F, with 1.24mb/d in conversion and 1.19mb/d in desulphurization. This capacity expansion underscores investment opportunities in desulphurization and conversion technologies to align with environmental standards and rising demand in emerging markets.

Figure 33: Secondary refinery capacity to rise 10.7mb/d by FY30F, peaking in FY26F with 1.24mb/d in conversion and 1.19mb/d in desulphurization addition



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 34: Desulphurization leads secondary addition at 4.88 mb/d, followed by conversion (4.28) and octane units (1.55), driven by clean fuel push in Asia and Africa

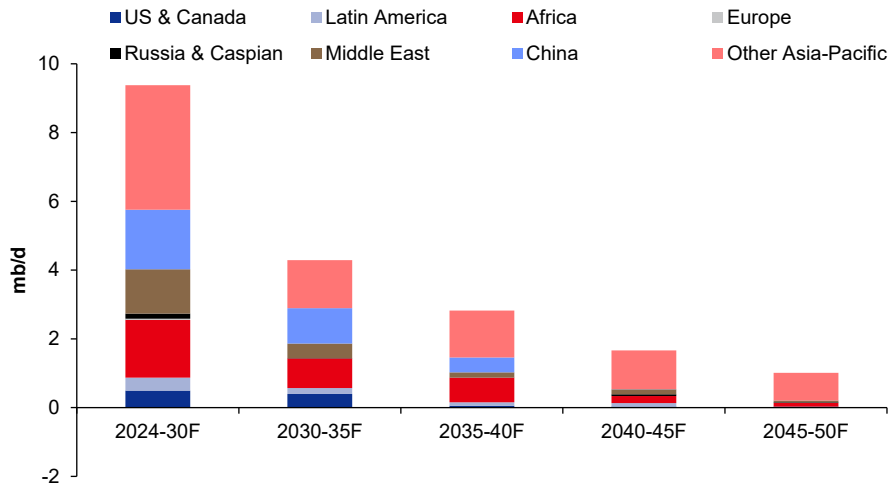


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Global primary refinery capacity to add 19.17mb/d by CY50F, with desulphurization leading at 19.42mb/d ➤

Global crude oil distillation capacity is projected to increase by 19.17mb/d over 2024 to 2050F, with the other Asia-Pacific region and Africa leading the expansion, contributing 8.32mb/d and 3.59mb/d, respectively. From 2024 to 2030F, 9.38mb/d will be added, primarily in the other Asia-Pacific region (3.62 mb/d) and Africa (1.69 mb/d), driven by rising oil demand in emerging markets. China and the Middle East will add 1.73mb/d and 1.29mb/d, respectively, during this period to support domestic and export markets. Capacity growth slows post-2035F, with the other Asia-Pacific region continuing to dominate, adding 4.70 mb/d over 2030F to 2050F. The US & Canada and Latin America contribute modestly with 1.00mb/d and 0.75mb/d, respectively, over the period, while Europe and Russia & Caspian add negligible amounts.

Figure 35: Global crude oil distillation capacity to rise by 19.2mb/d by 2050F, with 62% of the growth coming from Asia-Pacific (8.3 mb/d) and Africa (3.6 mb/d) as emerging markets fuel the next refinery wave



SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Desulphurization capacity is leading the growth of secondary units at 19.42mb/d, driven by stringent environmental regulations and demand for cleaner fuels in non-OECD markets. Crude oil distillation capacity will increase by 19.17mb/d, with 6.32 mb/d from existing projects by 2029F and 12.85mb/d required from 2030F to 2050F. Conversion capacity is expected to grow by 10.76mb/d, including 5.06 mb/d in hydro-cracking and 2.77mb/d in catalytic cracking, to meet rising demand for high-value products. Octane units will add 6.14mb/d, with catalytic reforming contributing 3.98mb/d to support gasoline production. Distillate desulphurization, critical for diesel and jet fuel, will see the largest segment growth at 13.27mb/d.

Figure 36: Desulphurization tops global refinery addition, with 19.4 mb/d by CY50F—driven by clean fuel demand and regulatory push—outpacing crude oil distillation (19.2) and conversion (10.8)

	Existing projects to 2029F	Requirements (2030F-40F)	Requirements (2040F-50F)	Total addition
Crude oil distillation	6.32	10.17	2.68	19.17
Conversion	4.28	4.21	2.26	10.76
Coking/Visbreaking	0.83	1.48	0.63	2.93
Catalytic cracking	1.28	0.91	0.57	2.77
Hydro-cracking	2.18	1.82	1.06	5.06
Desulphurization	3.46	10.53	5.44	19.42
Gasoline	0.67	2.19	1.15	4.00
Distillate	2.42	7.13	3.71	13.27
VGO/Residual	0.38	1.21	0.57	2.16
Octane units	1.55	3.21	1.38	6.14
Catalytic reforming	1.07	1.78	1.12	3.98
Alkylation	0.15	1.29	0.22	1.66
Isomerization	0.25	0.02	-0.05	0.22
MTBE	0.08	0.12	0.08	0.28

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Refinery project investments to touch US$286.2bn by FY30F, with peak spending in FY26F ➤

Global capital expenditure (capex) on refinery projects is projected to accrue to US$286.2bn (in 2024 dollars) from 2019 to 2029F, supporting annual capacity additions totalling 11.46mb/d. The highest investment is expected in 2025F, with US$61.84bn allocated for 1.59mb/d of new capacity, driven by demand growth in non-OECD countries, particularly in Asia-Pacific and Africa. Investment intensity, measured in crores per million metric tonne (Cr/mmt), peaks at 9,403 Cr/mmt in 2021 but declines to 6,715 Cr/mmt by 2029F, reflecting improved project efficiency. Annual additions fluctuate, with a low of 0.85mb/d in 2024 (US$30.11 bn) and a high of 1.60mb/d in 2019 (US$60.26bn).

Figure 37: Global refinery capex to hit US$286.2bn (2019–2029F), peaking at US$61.8bn in 2025F, as 11.5mb/d capacity gets added—led by Asia and Africa amid rising demand

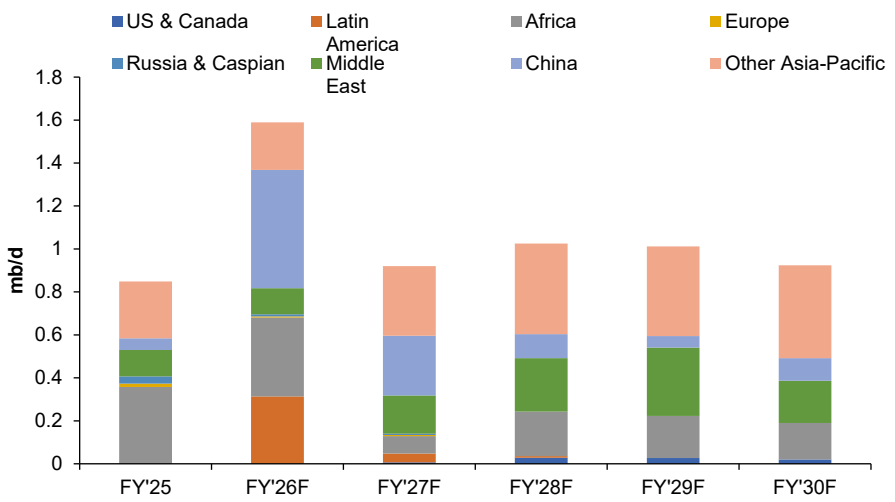
(Accrued Capex on Refinery Projects)	Annual addition (in mb/d)	Investment (US$ 2024)	Investment (Cr/mmt)
2019	1.60	60.26	6,428
2020	1.18	50.48	7,278
2021	0.94	51.78	9,403
2022	1.03	39.74	6,567
2023	1.40	39.70	4,837
2024	0.85	30.11	6,059
2025	1.59	61.84	6,643
2026F	0.92	38.38	7,120
2027F	1.02	39.91	6,647
2028F	1.01	39.64	6,690
2029F	0.92	36.33	6,715

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Africa and the other Asia-Pacific region to lead 6.32mb/d refinery capacity addition from FID projects by FY30F ➤

Refinery capacity addition from Final Investment Decision (FID) completed projects are projected to contribute 6.32mb/d globally by FY30F, with Africa and the other Asia-Pacific region driving the majority of growth at 1.38mb/d and 2.08 mb/d, respectively. This expansion is fuelled by rising oil demand in emerging markets, particularly for transport and petrochemicals. The Middle East and China will add 1.19mb/d and 1.15mb/d, respectively, to support regional demand and export capabilities. Latin America is expected to contribute a modest 0.36mb/d, primarily through projects in Brazil, while the US & Canada and Europe show minimal addition of 0.08 mb/d and 0.03 mb/d, respectively, reflecting the focus on efficiency and cleaner fuels. Russia & Caspian to add 0.05mb/d. These FID-driven additions highlight investment opportunities in African and Asia-Pacific refinery projects to meet escalating demand in high-growth regions.

Figure 38: FID-backed refinery addition of 6.32mb/d by FY30F will be led by Africa (1.38 mb/d) and the other Asia-Pacific region (2.08mb/d), riding on surging fuel demand in emerging markets

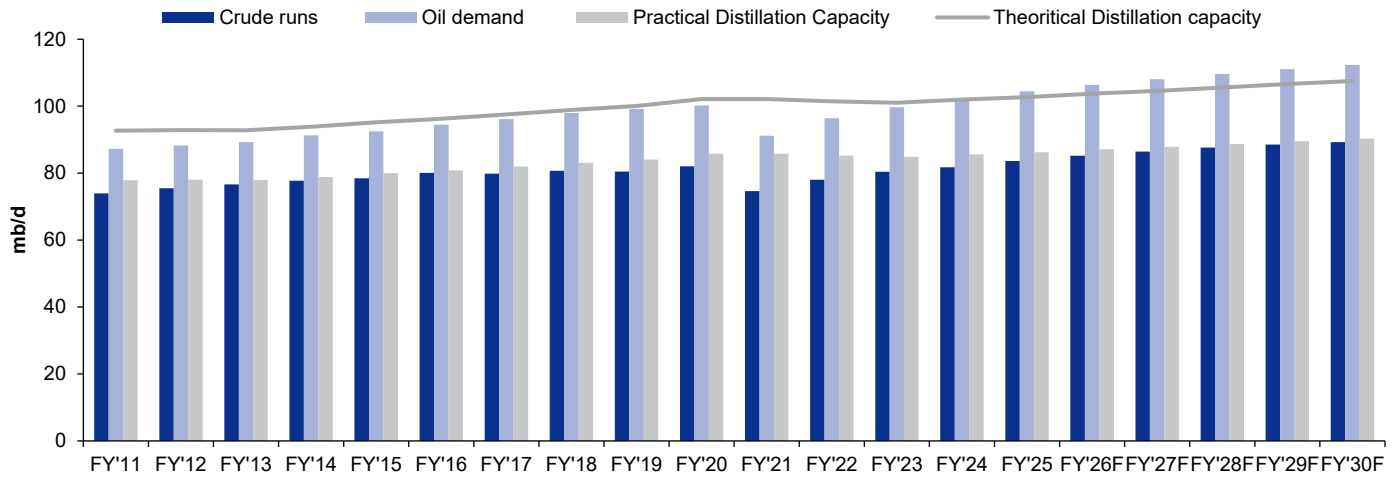


SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Global oil demand to outpace refinery capacity, sparing only 1.0 mb/d by FY31F ➤

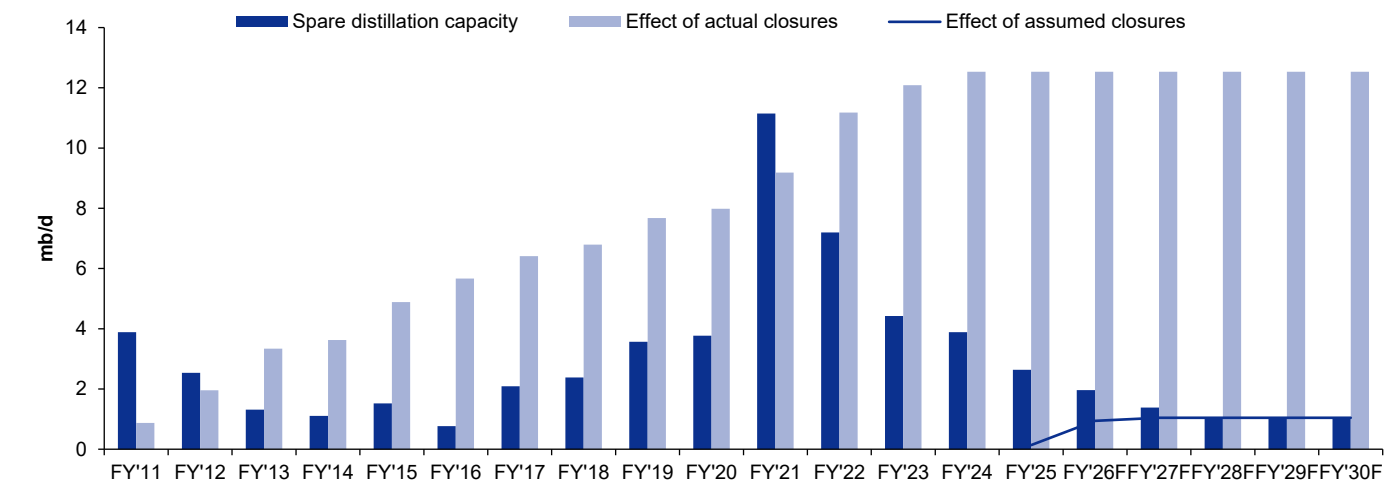
Global crude oil demand is projected to rise from 102.2mb/d in FY24 to 113.5mb/d by FY31F, outpacing crude runs, which are expected to increase from 81.8mb/d to 91.8mb/d. Practical distillation capacity will grow modestly from 85.6mb/d to 92.9mb/d, leaving a spare capacity of just 1.0mb/d by FY31F, down from 3.9mb/d in FY24. This tightening is driven by robust demand growth in non-OECD countries, particularly Asia. The effect of actual and assumed refinery closures, accumulating to 12.5mb/d by FY31F, further constrains capacity, with closures peaking at 1.0mb/d annually over FY25 to FY31F. Theoretical distillation capacity will reach 110.6mb/d by FY31F, but inefficiencies limit its practical utilization. This narrowing spare capacity highlights the need for strategic investments in new refinery projects and upgrades to mitigate potential supply constraints and price volatility.

Figure 39: Spare refining capacity slashed by 75% — risk of supply squeeze by FY31F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 40: Spare refining capacity slashed by 75% — risk of supply squeeze by FY30F, margin expected to stay solid for POL



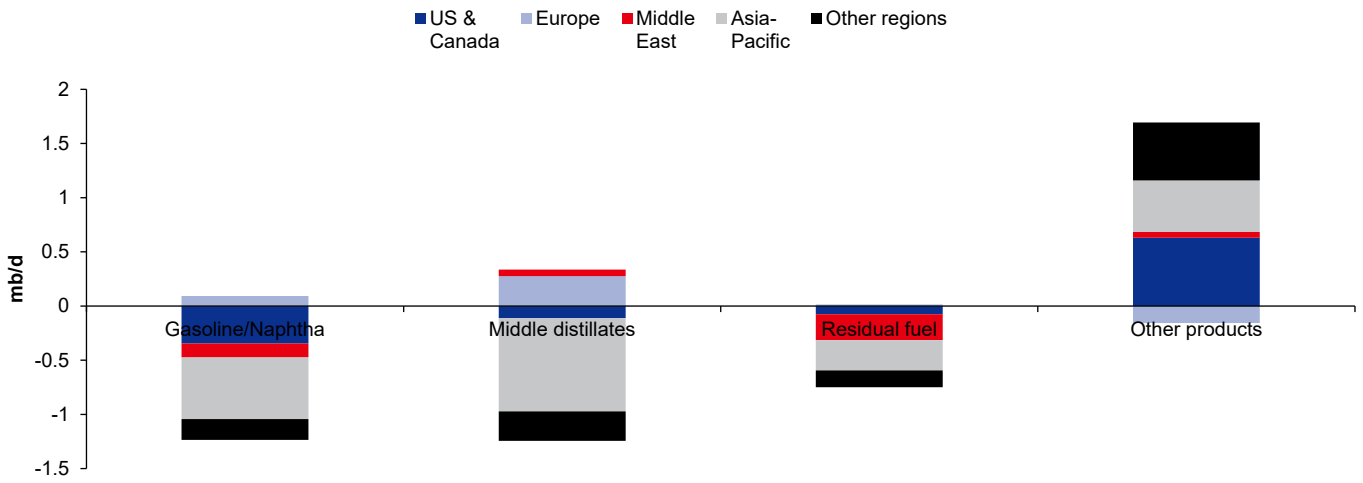
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Asia-Pacific region to face the largest POL products deficit of 1.23mb/d by FY30F, while Europe to show surplus ➤

Over FY25 to FY30F, the global petroleum, oil, and lubricants (POL) products market is projected to witness regional imbalances, with the Asia-Pacific region facing the largest deficit at 1.23mb/d, primarily in middle distillates (0.86mb/d) and gasoline/naphtha (0.57mb/d). This shortfall is driven by robust demand growth in

transport and petrochemical sectors. The US & Canada will also face deficits across gasoline/naphtha (0.35mb/d), middle distillates (0.11mb/d), and residual fuel (0.08mb/d), but maintain a surplus in other products (0.63mb/d). Europe is expected to show a net surplus, particularly in middle distillates (0.28mb/d) and gasoline/naphtha (0.09mb/d), supported by refining efficiency. The Middle East and other regions will experience deficits in residual fuel (0.24mb/d and 0.15mb/d, respectively) and gasoline/naphtha, with Asia-Pacific's deficits partially offset by a 0.48mb/d surplus in other products.

Figure 41: Asia-Pacific faces 1.23mb/d POL deficit by FY30F — middle distillates lead the gap



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Despite refinery capacity addition requirement, it doesn't make economic sense for anyone to oversupply capacity due to high breakeven GRM and sector uncertainty

Figure 42: Refinery GRM is expected to stay above US$18-20/bbl

Assumptions for GRM Calculation	
Capex (US$/bbl)	-108
Capacity (mb)	1
Opex (US$/bbl)	2
WACC	8%
Breakeven GRM	20.1
EBITDA	18.1
Depreciation (US$/bbl)	-2.7
Debt:Equity	2.3
Construction time (years)	5
Operational time (years)	40
Capacity in 6th year	50%
Capacity in 7th year	60%
Capacity in 8th year	70%
Capacity in 9th year	80%
Capacity in 10th year	90%
Capacity in 11th year	100%

SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Figure 43: Calculation of breakeven GRM

Cash Flow Calculation	
EBITDA	18.1
Interest cost	9%
Tax rate	25%
Tax rate - post interest benefit	23%
EBIT	20.8
PBT	27.6
Tax	6.3
FCFF	11.8
NPV	₹ 0.00

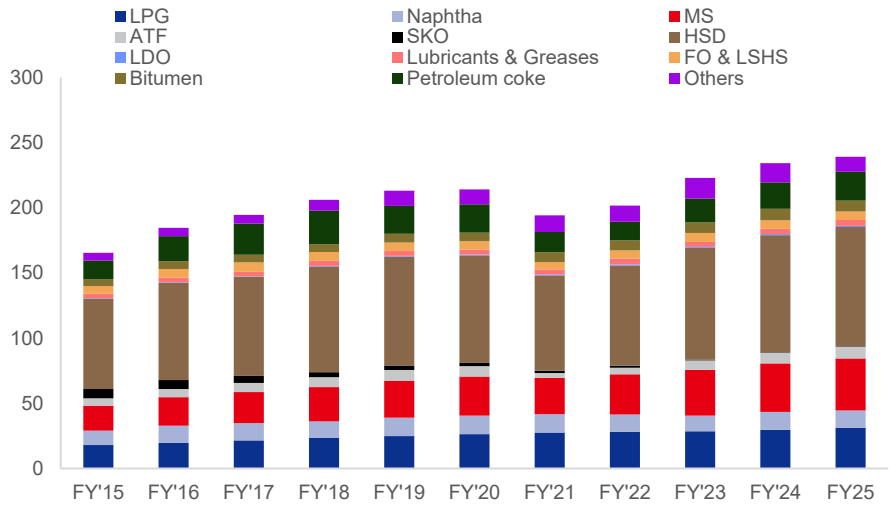
SOURCE: OPEC, IEA, EIA, PPAC, UN, INCRED RESEARCH, COMPANY REPORTS

Indian refinery sector

Steady growth in petroleum products consumption led by motor spirit and LPG

In FY25, the consumption of petroleum products by refineries and fractionators in India reached 239 million metric tonnes (mmt), reflecting a consistent year-on-year growth of approximately 2% from 234mmt in FY24. Motor spirit (MS) and liquefied petroleum gas (LPG) emerged as key drivers, with MS consumption rising by 7% to 40mmt and LPG increasing by 6% to 31mmt, underscoring robust demand in transportation and domestic sectors, respectively. High-speed diesel (HSD), the largest consumed product, recorded a modest 2% growth to 91mmt, indicative of steady industrial and commercial activity. Notably, petroleum coke consumption grew by 9% to 22mmt, driven by increased industrial applications. However, naphtha and bitumen saw a decline of 4% and 6%, respectively, potentially reflecting the shift in petrochemical feedstock preferences and infrastructure project timelines. The sustained rise in MS and LPG consumption aligns with government initiatives promoting cleaner fuels and expanded rural LPG distribution under schemes like PMUY. These trends highlight the resilience of India's refining sector amid evolving energy demands.

Figure 44: MS & LPG lead India's refining surge: FY25 oil product demand hits 239mmt, up 2% YoY

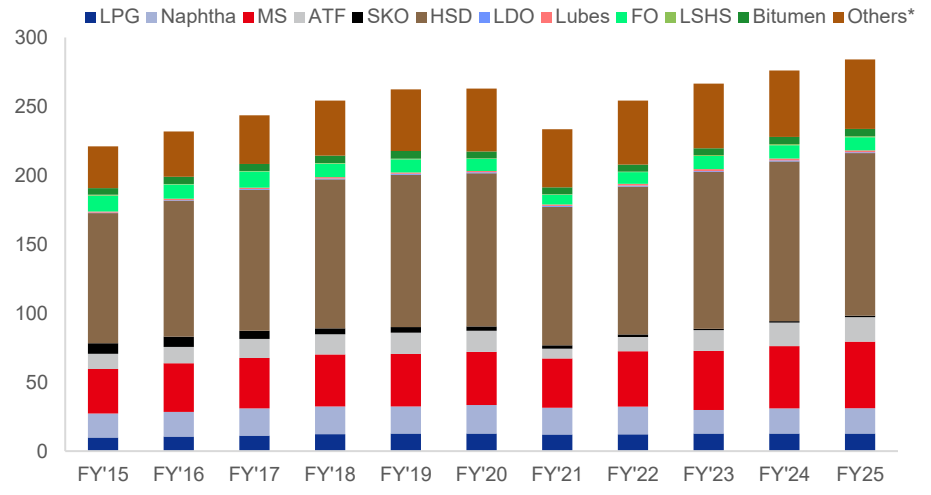


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Robust growth in petroleum products production driven by motor spirit and HSD

In FY25, the production of petroleum products by Indian refineries and fractionators reached 284mmt, marking a 3% increase from 276mmt in FY24. Motor spirit (MS) led the growth, rising by 7% to 48mmt reflecting strong demand from the automotive sector. High-speed diesel (HSD), the largest produced product, grew by 2% to 118mmt, supporting industrial and transportation needs. Aviation turbine fuel (ATF) production increased by 4% to 18mmt, indicating a recovery in aviation activity. However, liquefied petroleum gas (LPG) and naphtha production remained stagnant at 13mt and 18mmt, respectively, suggesting stable but saturated production. The rise in MS and HSD production is due to capacity expansion at key refineries and government policies promoting cleaner fuels. Additionally, the marginal growth in the 'Others' category (5% to 50mmt) highlights increased output of specialty products. This sustained production growth underscores the refining sector's ability to meet rising energy demands while aligning with India's energy transition goals.

Figure 45: India's refinery output rises by 3% to 284mmt in FY25 led by MS & diesel demand surge

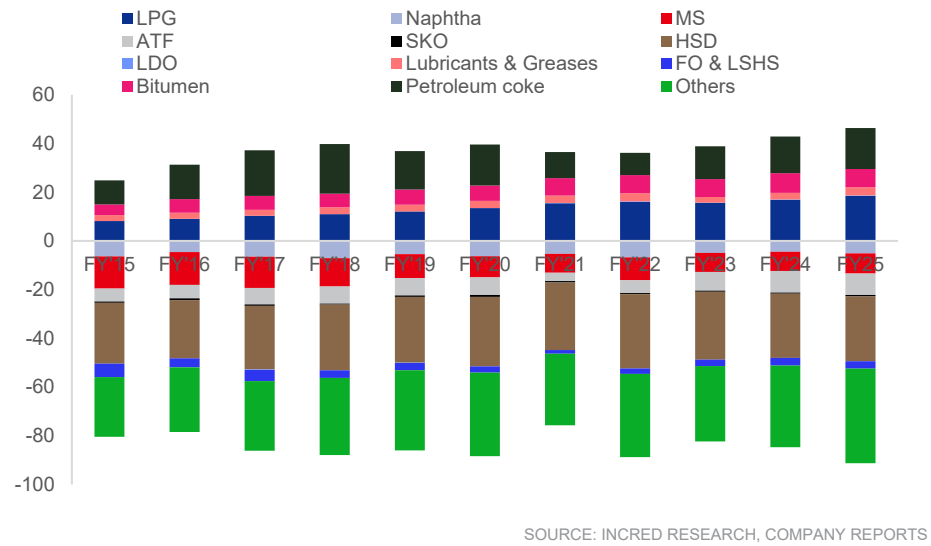


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Surge in LPG and petroleum coke imports highlight India's growing energy needs ➤

In FY25, the net import of petroleum products by Indian refineries and fractionators reached -45mmt, reflecting a 7% increase in import reliance compared to -42mmt in FY24. Liquefied petroleum gas (LPG) imports surged by 10% to 19mmt, driven by rising domestic demand for cooking fuel, particularly in rural areas. Petroleum coke imports also grew significantly by 11% to 17mmt, supporting industrial applications in cement and power sectors. High-speed diesel (HSD) imports remained nearly stable at -27mmt, while motor spirit (MS) and aviation turbine fuel (ATF) imports held steady at -8mmt and -9mmt, respectively, indicating balanced domestic production. The sharp rise in LPG imports is because of the expansion of the Pradhan Mantri Ujjwala Yojana (PMUY), which has increased LPG penetration in households. The increase in petroleum coke imports aligns with growing industrial output. These trends underscore India's strategic efforts to bridge domestic supply gaps while meeting escalating energy demands.

Figure 46: India's net petroleum imports widen to -45mmt in FY25 driven by a 10% surge in LPG demand

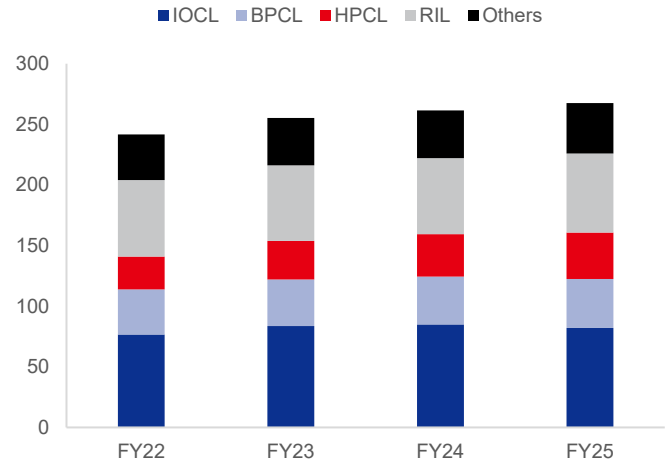


SOURCE: INCRED RESEARCH, COMPANY REPORTS

HPCL leads refinery throughput growth as India's refining sector expands ➤

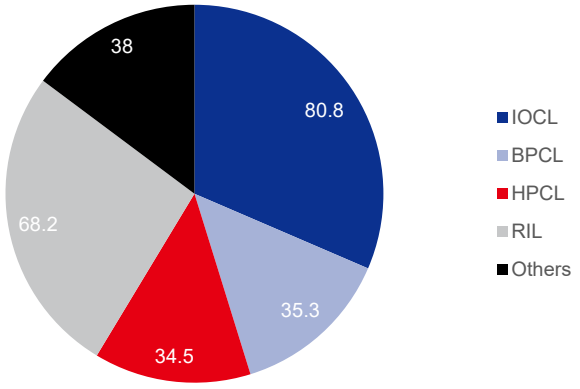
In FY25, India's refinery throughput reached 267.5mmt, reflecting a 3% year-on-year growth from 261.5mmt in FY24, driven by robust domestic demand for petroleum products. Hindustan Petroleum Corporation (HPCL) recorded the highest growth at 12%, increasing throughput to 38.3mmt from 35mmt, leveraging capacity enhancements at its refineries. Bharat Petroleum Corporation (BPCL) and others (including smaller refineries) each reported a steady 3% growth, reaching 40.3mmt and 41.6mmt, respectively. Indian Oil Corporation (IOCL) saw a modest 2% decline to 82.1mmt, despite maintaining the largest capacity at 80.8mmt, possibly due to maintenance shutdowns. Reliance Industries (RIL) posted a 1% increase to 65.2mmt. HPCL's throughput surge is attributed to the commissioning of upgraded facilities at its Visakhapatnam refinery. This overall growth in throughput underscores India's refining sector's ability to meet rising energy needs while optimizing operational efficiencies.

Figure 47: India's refinery throughput rose by 3% YoY to 267.5 mmt in FY25 led by HPCL's 12% jump, showcasing robust demand and improved asset utilization



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 48: India's refining capacity leaders—IOCL and RIL—continue to anchor national output, with HPCL emerging as a high-growth contender post Visakh refinery upgrade

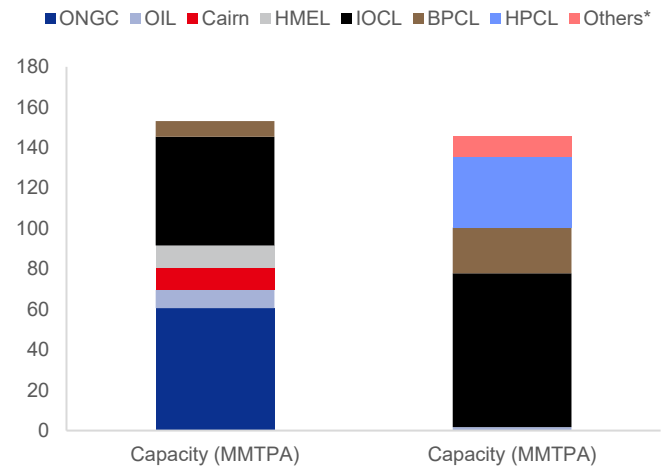


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Extensive pipeline network bolsters India's energy infrastructure ➤

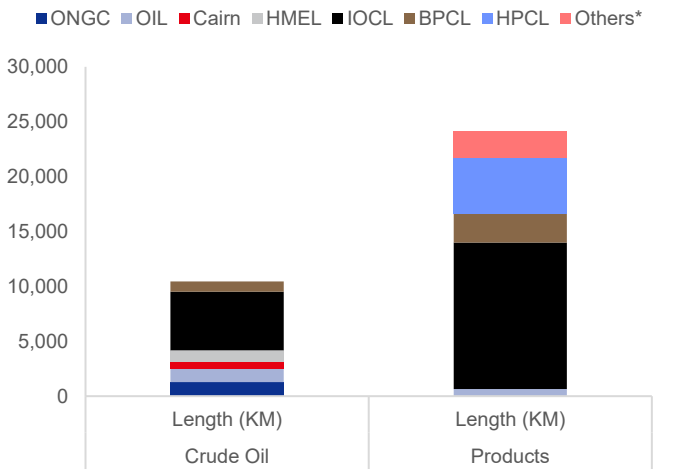
India's crude oil and product pipeline network, spanning 34,575km, plays a critical role in ensuring efficient energy distribution, with a combined capacity of 299 million metric tonne per annum or mmtpa. The crude oil pipeline network extends over 10,445km, with a capacity of 153mmtpa, led by Indian Oil Corporation (IOCL) with 5,324km and 54mmtpa, followed by Oil and Natural Gas Corporation (ONGC) with 1,284km and 61mmtpa. The product pipeline network, significantly larger at 24,130km, has a capacity of 146mmtpa, with IOCL again dominating at 13,344 km and 76mmtpa alongside contributions from Hindustan Petroleum Corporation (HPCL) and Bharat Petroleum Corporation (BPCL) at 5,133km and 2,600km, respectively. Recent expansions in IOCL's product pipeline network, particularly in eastern and southern regions, have enhanced supply reliability to meet growing demand for petroleum products. This robust infrastructure underscores India's strategic focus on strengthening energy logistics to support its expanding refining and consumption needs.

Figure 49: HPCL & IOCL hold ~42% crude oil refining & ~76% POL capacity



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 50: HPCL & IOCL hold ~60% crude oil refining & ~76% POL capacity



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 51: Marketing infrastructure comparison

	IOCL	BPCL	HPCL	RIL/RBML*	NEL	Shell	Others	Total
POL terminal/depots	127	80	78	17	3		7	**312**
Aviation fuel stations	129	67	56	31			10	**293**
Retail Outlets	38,199	22,380	22,501	1,821	6,576	362	110	**91,949**
SKO/LDO agencies	3,830	927	1,638					**6,395**
LPG distributors (PSUs)	12,897	6,256	6,364					**25,517**
LPG bottling plants **(PSUs)**	98	54	56				3	**211**
LPG bottling capacity **(TMTPA) -PSUs**	10,950	5,220	6,530				203	**22,903**
LPG active domestic Consumers (PSUs)- Cr	15.4	8.5	9.0					**32.8**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Refinery comparison

Figure 52: GRM of Indian companies vis-à-vis Singapore benchmark; improvement of ~US$2-3/bbl expected post crude oil price correction

Company	FY'21	FY'22	FY'23	FY'24	FY'25
IOCL	5.64	11.25	19.52	12.05	4.8
BPCL	4.06	9.09	20.24	14.14	6.82
HPCL	3.86	7.19	12.09	9.08	5.74
CPCL	7.14	8.85	12.48	8.64	4.22
MRPL	3.71	8.72	9.88	10.36	4.45
NRL#	37.23	43.46	35.82	29.72	
BORL	6.2	11			
Singapore Benchmark Index	0.53	4.99	10.76	6.58	3.82

SOURCE: INCRED RESEARCH, COMPANY REPORTS

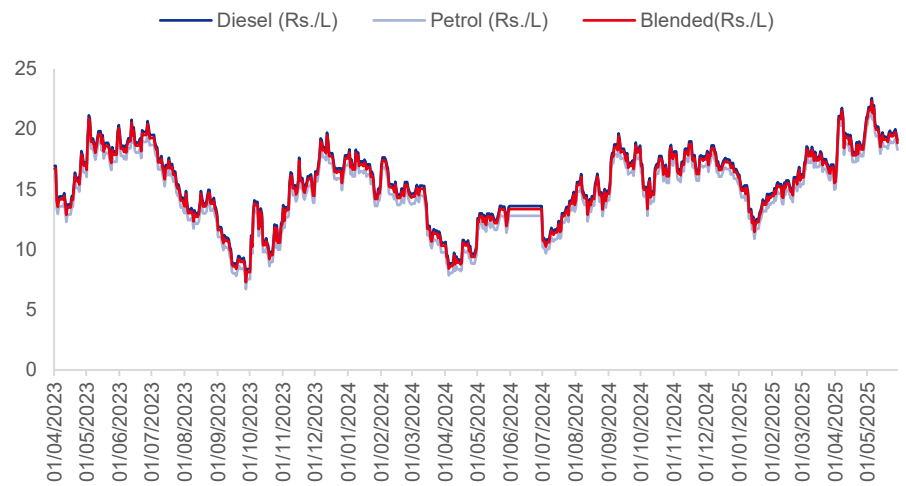
Figure 53: Distillate yield of Indian refineries; HPCL's yield to improve significantly post bottom-upgradation projects (in %)

Company	Refinery	FY'21	FY'22	FY'23	FY'24	FY'25
IOCL	Barauni	87.1	85.9	83.8	83.8	83.9
	Koyali	72.1	76.7	74	73.9	74.6
	Haldia	72.2	72.2	74.8	73.1	75.6
	Mathura	72.3	74.9	71.8	71.3	69.9
	Panipat	80.2	83.9	78.9	79.1	79.7
	Guwahati	82.1	86.4	81.5	79.9	82.8
	Digboi	67.9	79.2	72.8	70.8	71.9
	Bongaigaon	84.8	81.3	80	82.3	82.6
	Paradip	79.2	79.6	79.5	79.9	80.6
CPCL	Manali	78.4	74.9	78.3	78.4	78
	CBR					
HPCL	Mumbai	76.2	70.4	75.9	76.1	74.6
	Visakhapatnam	74.4	70.7	67.9	71.6	73.8
BPCL	Mumbai	83.7	84.4	85.5	80.9	81.1
	Kochi	83.8	85.4	83.9	84.2	83.5
	Bina		84.3	85.3	84.5	84.4
NRL	Numaligarh	86.4	85.7	89.9	86.5	90
MRPL	Mangaluru	78.1	78.8	77.9	79.4	82.3
PSU oil cos. average		78.6	79.6	78.7	78.5	79.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

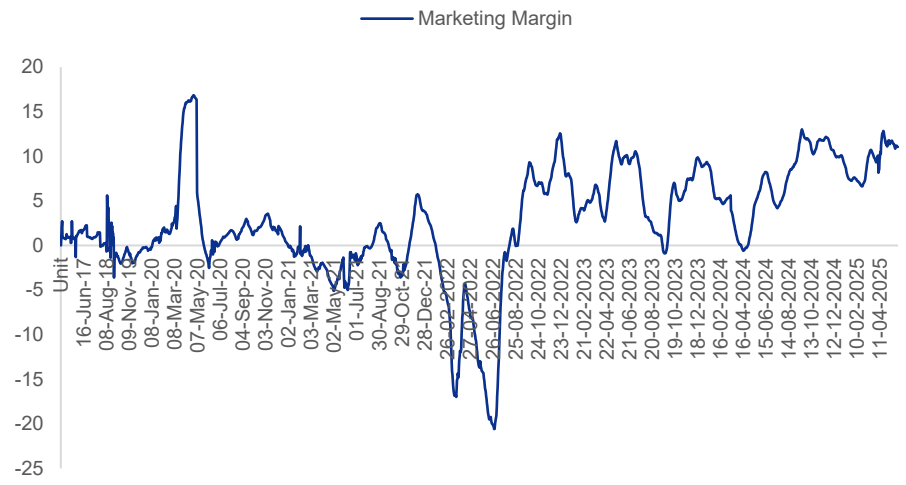
Brent crude oil price falling to ~US$65/bbl boosts margin significantly for Indian refineries

Figure 54: Integrated margin reached the highest level in the last three years due to crude oil prices falling to ~US$65/bbl



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 55: Marketing margin at peak levels, and we expect an excise duty hike of Rs2-2.5/L as the government needs it for defence and infrastructure spending



SOURCE: INCRED RESEARCH, COMPANY REPORTS

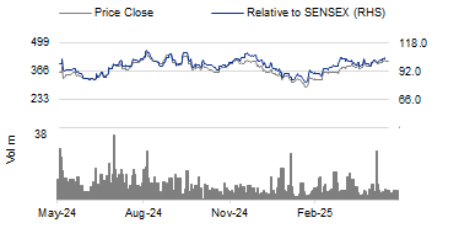
India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 24	Hold 3	Sell 7

Current price:	Rs394
Target price:	Rs512
Previous target:	NA
Up/downside:	29.9%
EIP Research / Consensus:	16.4%
Reuters:	HPCL.NS
Bloomberg:	HPCL IN
Market cap:	US$9,694m
	Rs838,256m
Average daily turnover:	US$25.9m
	Rs2241.1m
Current shares o/s:	2,127.8m
Free float:	66.9%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.7)	20.1	14.6
Relative (%)	(2.0)	11.3	8.9

Major shareholders	% held
Promoters	54.9
HDFC MF	5.3
KOTAK MF	2.9

Hindustan Petroleum Corp.

Profits set to surge in sectoral upcycle

- HPCL's capacity boost and GRM-enhancing upgrades position it to ride India's refining boom and post robust, margin-led earnings over the coming years.
- Global refining capacity is forecasted to expand by 6.32mb/d by FY31F, primarily in Asia-Pacific & Africa; utilization rate may pose challenges by 2031F.
- We value the stock at 8x FY27F EBITDA to arrive at our TP of Rs512 backed by strong EPS growth & sectoral upcycle. Initiate coverage with an ADD rating.

HPCL shines with new Barmer capacity and GRM-boosting upgrades

India's refining sector is witnessing steady growth, with refinery throughput rising by 3% YoY to 267.5mmt in FY25. Hindustan Petroleum Corporation (HPCL) spearheads this expansion, achieving a remarkable 12% growth in throughput to 38.3mmt, thanks to capacity enhancements through its new Barmer refinery. The surge in demand for motor spirit (MS) and LPG, coupled with strategic infrastructure developments like the extensive pipeline network, underscores the sector's resilience. As India cements its position as a refining hub, companies investing in modernization are well-positioned to capitalize on growing markets. Also, the bottom-upgradation projects at Visakhapatnam & Mumbai to increase the GRM (gross refining margin) by ~US$2.21/bbl & ~US$2.29/bbl, respectively.

Refinery capacity crunch looms - propelling GRM to new heights

As the global refinery sector will face a capacity crunch, particularly in non-OECD markets, refinery capacity addition will struggle to keep up pace, especially for middle distillates and light ends. This imbalance is expected to drive the gross refining margin (GRM) to US$18-20/bbl, a significant increase from current levels. Complex refiners, capable of maximizing yields of high-demand products, stand to benefit the most. However, high breakeven GRM and sectoral uncertainty deter excessive capacity addition, ensuring sustained profitability for existing players and highlighting the need for strategic investments.

EPS to post ~27% CAGR over FY25-28F; initiate coverage with ADD

We expect HPCL's earnings to grow at a robust CAGR of 27% over FY25-28F, driven by the commissioning of its Barmer refinery, bottom-upgradation projects enhancing refining yield and margin, and strong demand for diesel and gasoline supported by favourable market dynamics. Valuing the stock at 8x FY27F EBITDA, we arrive at a target price of Rs512, reflecting an attractive upside of 30%. We initiate coverage on HPCL with an ADD rating. The Barmer refinery and bottom-upgradation projects are expected to improve the yield (8-10%), gross refining margin (~US$2-3/bbl), and EBITDA significantly and hence, we have valued the stock at ~8% premium to its current valuation. Key downside risks to our thesis include volatility in crude oil prices exerting pressure on the refining margin, and regulatory changes impacting the oil and gas sector.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	4,365,890	4,330,902	3,949,762	4,367,626	4,662,199
Operating EBITDA (Rsm)	251,766	170,006	197,468	221,566	223,317
Net Profit (Rsm)	160,146	67,357	104,719	123,956	137,525
Core EPS (Rs)	75.3	31.7	49.2	58.3	64.6
Core EPS Growth	(329.6%)	(57.9%)	55.5%	18.4%	10.9%
FD Core P/E (x)	5.23	12.44	8.00	6.76	6.10
DPS (Rs)	2.5	2.5	2.5	2.5	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	4.70	7.33	6.02	5.16	4.80
P/FCFE (x)	95.51	13.39	10.79	12.11	7.72
Net Gearing	121.8%	123.0%	108.6%	97.6%	80.8%
P/BV (x)	1.79	1.64	1.44	1.26	1.10
ROE	40.4%	13.7%	19.2%	19.9%	19.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)

Pratyush KAMAL
T (91) 2241611549
E pratyush.kamal@incredresearch.com

Profits set to surge in sectoral upcycle

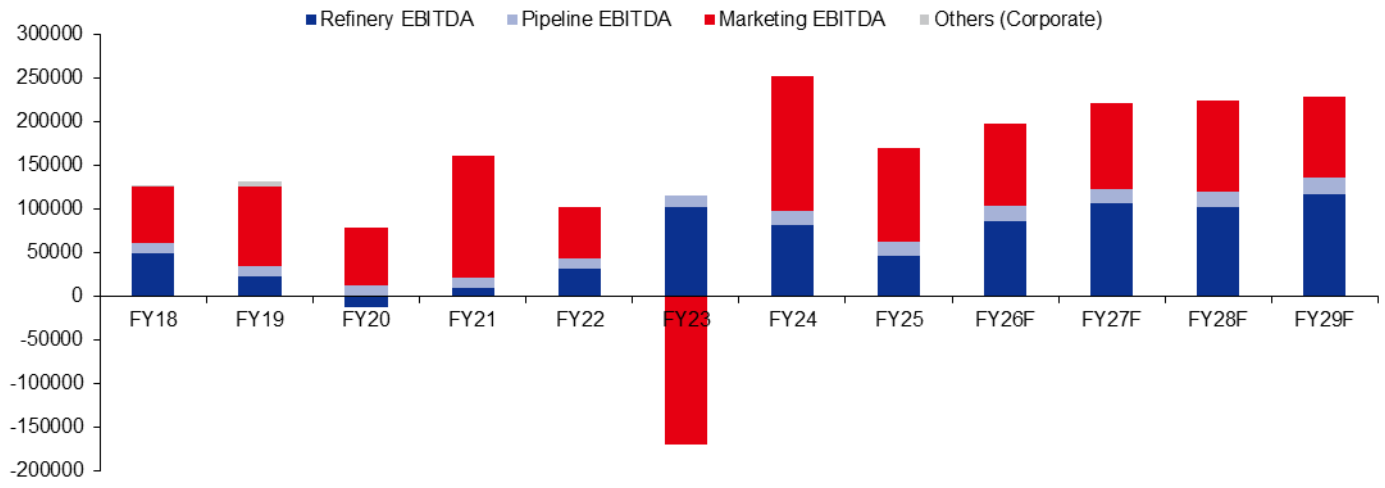
Business model analysis

HPCL, a 'Maharatna' public sector undertaking under the Ministry of Petroleum and Natural Gas, Government of India, operates as a fully integrated energy company. Its business model encompasses exploration, production, refining, marketing, petrochemicals, and renewable energy, aiming to deliver value through high-quality products, innovative services, and sustainable growth. HPCL's vision is to be a world-class energy provider, with its T25 Strategy (2021-26) emphasizing safety, environmental, social, and governance (ESG) compliance, operational excellence, and the transition to a multi-energy green corporation by achieving net-zero Scope 1 and 2 emissions by 2040F. The company leverages its robust infrastructure, including refineries, pipelines, and marketing networks, and invests significantly in research and development through its Green R&D Centre to innovate sustainable solutions.

Key elements of HPCL's business model

- **Facilities:** Refineries (Mumbai, Visakh), R&D centres, terminals, depots, LPG plants, aviation service facilities, biofuel blending, CBG plants, solar/wind farms, and natural gas infrastructure.
- **Distribution:** Utilizes pipelines, vessels, railways, and roads for efficient product distribution.

Figure 56: EBITDA to grow from Rs170bn to Rs23bn in FY29F, mostly led by strong refining margin and solid diesel/gasoline demand



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Business segments

Refining: HPCL operates two refineries, one in Mumbai and the other in Visakhapatnam, with a combined capacity of 25mmtpa or million metric tonne per annum, including associate refineries. The Visakh Refinery Modernization Project (VRMP), costing over Rs260bn, was dedicated to the nation, enhancing product availability and energy security. The company processed 157 crude grades, and the gross refining margin (GRM) averaged US$5.7/bbl, with the Mumbai refinery's US$5.92/bbl and the Visakh refinery's US$5.63/bbl. The record throughput and higher capacity utilization reflect the successful completion of the VRMP, which has bolstered HPCL's refining capabilities and product availability, driven by rising domestic energy demand.

Marketing: HPCL is India's largest distributor of industrial and automotive lubricants, operating 22,022 retail outlets (second-largest in India) and 6,349 LPG distributorships. HPCL recorded its highest-ever market sales at 46.8mmt, with growth in petrol (6%), diesel (4%), LPG (5.5%), and aviation turbine fuel (27%). Retail sales stood at 28.8mmt (million metric tonne), supported by the addition of 836 new retail outlets and 66 LPG distributorships, serving over 96m LPG customers. Rationale/Development: The 7.8% sales growth and 0.47% market share gain among oil PSUs are attributed to increased demand and strategic network expansion, including initiatives like HappyShop and HappyBites for enhanced customer convenience.

Petrochemicals: HPCL is expanding into the petrochemicals sector with the pre-marketing of the HP Durapol brand, targeting sectors like packaging and agriculture. It recorded 45,600mt (metric tonne) of polymer sales in FY23-24. The company is investing in a 9mmtpa complex refinery including 2.4mmtpa petrochemicals complex through HPCL Rajasthan Refinery (HRRL), with a dedicated strategic business unit (SBU) to drive growth. The HRRL project and HP Durapol pre-marketing signify HPCL's strategic diversification into high-value petrochemicals, capitalizing on rising industrial demand.

Renewables: HPCL is committed to sustainability, with a renewable energy portfolio of 208MW (107.3MW solar, 100.9MW wind). It solarized 17,618 retail outlets and commissioned new solar projects (5MW in Jhansi and 6MW in Panipat). The company achieved 20% ethanol blending by blending 1.56bnL (billion litres) of ethanol and commissioned nine compressed biogas (CBG) plants with a capacity of 54.65t per day (TPD) under the SATAT scheme. HPCL's renewable and biofuel initiatives align with India's National Biofuel Policy and net-zero emissions goal by 2040F, driven by government incentives and environmental priorities.

EV infrastructure: HPCL enhanced its electric vehicle or EV infrastructure by adding 1,773 charging facilities, bringing the total to 3,603 at its retail outlets, including battery swapping stations. Strategic partnerships, such as a Memorandum of Understanding or MoU with Tata Passenger Electric Mobility, aim to expand public EV charging infrastructure. Rationale/Development: The expansion of EV charging stations leverages HPCL's retail network to support the country's electric mobility push, aligning with government schemes like FAME India.

Figure 57: GRM to improve by ~2.29/bbl by FY29F via bottom-upgradation at Mumbai refinery

Mumbai Refinery Bottom-Upgradation Effects

	Before	After	Cracks
Fuel Oil	14%	4%	-10.0
Bitumen	6%	11.37%	-3.60
LOBS	5%	8.43%	46.00
GRM	0.78	3.07	
Net GRM Impact	2.29		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

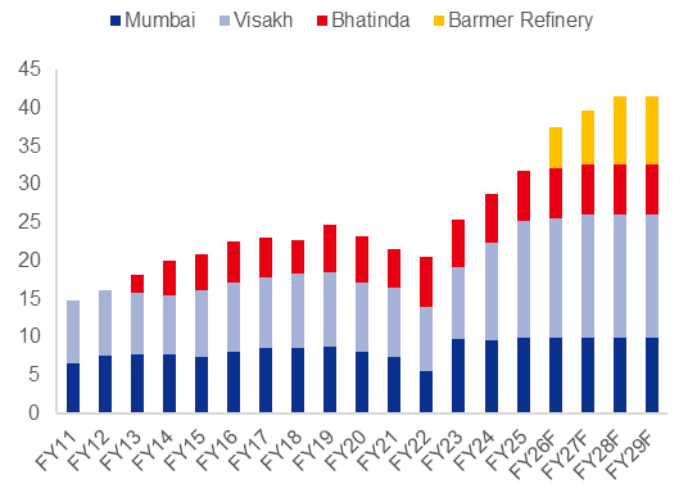
Figure 58: GRM to improve by ~2.21/bbl via bottom-upgradation project at Visakh refinery

Visakh Refinery Bottom-Upgradation Effects

	Before	After	Cracks-Before	Cracks-After
Fuel Oil	14%	0%	-15.0	-10.00
Diesel	0%	7.00%	13.0	15.91
Pet-coke	0%	4.20%	-25.0	-20.00
Naphtha	0%	2.10%	-5.0	-5.00
LPG	0%	0.35%	-25.00	-17.07
GRM	-2.10	0.11		
Net GRM Impact	2.21			

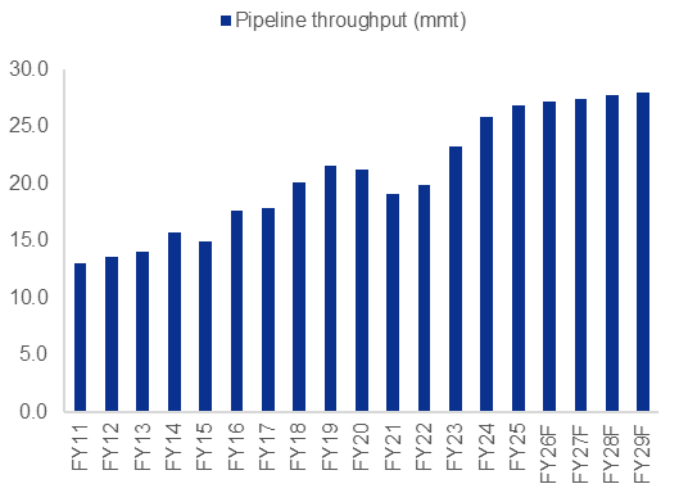
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 59: Barmer refinery to bring 9mmt refinery run for HPCL



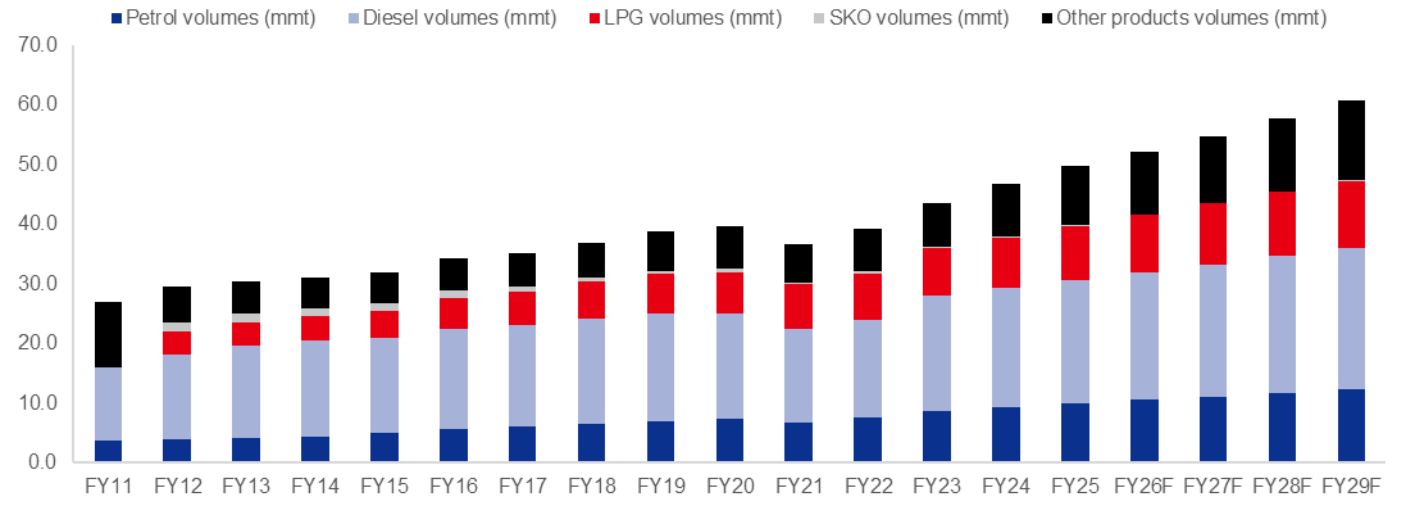
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 60: ~1.5mmt throughput addition is expected by FY29F



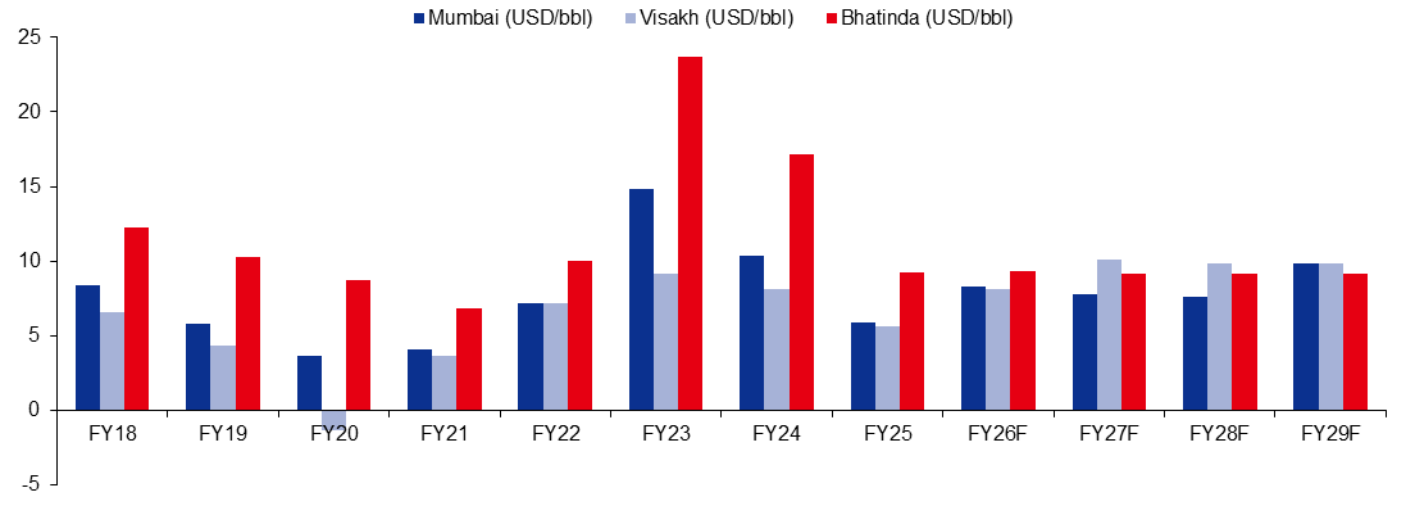
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 61: YoY marketing performance: ~5% CAGR volume growth is expected over FY25-FY29F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 62: We expect the GRM to improve by ~US$2.5/bbl over FY25-FY29F due to expected lower crude oil costs & solid POL demand



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation and analysis

Figure 63: One-year forward BV trades at 1.4x FY26F level vis-a-vis the 14-year average at 1.2x

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 64: One-year forward EPS trades at 7.7x FY26F level vis-à-vis the 12-year average at 6.4x

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 65: One-year forward EBITDA trades at 7.4x FY26F level vis-à-vis the 25-year average at 6.8x

SOURCE: INCRED RESEARCH, COMPANY REPORTS

One-year forward EBITDA trades at 7.4x FY26F level vis-à-vis the 25-year average at 6.8x»

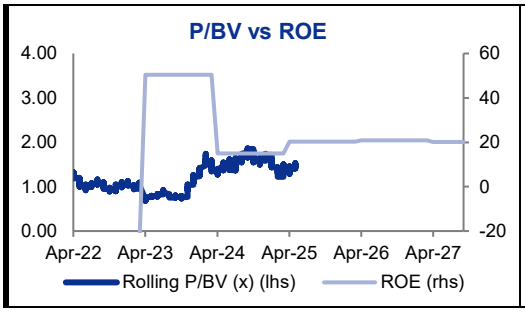
The Barmer refinery and bottom-upgradation projects are expected to improve the yield (8-10%), gross refining margin (~US$2-3/bbl), and EBITDA significantly and hence, we have valued the stock at ~8% premium to its current valuation.

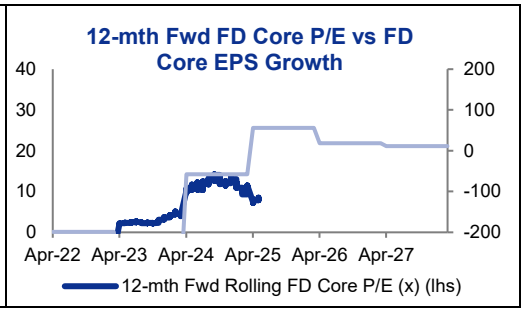
Figure 66: We value HPCL at 8x FY27F EBITDA to arrive at our target price of Rs512

	EBITDA
FY26F (Rsm)	1,97,468
FY27F (Rsm)	2,21,566
1-year forward EBITDA (Rsm)	2,21,566
1-year forward multiple (x)	8.0
1-year forward EV (Rsm)	17,72,527
1-year forward target price (Rs)	512

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**4,365,890**	**4,330,902**	**3,949,762**	**4,367,626**	**4,662,199**
Gross Profit	**463,049**	**392,073**	**424,305**	**459,198**	**474,078**
Operating EBITDA	**251,766**	**170,006**	**197,468**	**221,566**	**223,317**
Depreciation And Amortisation	(55,964)	(61,541)	(68,863)	(74,306)	(79,748)
Operating EBIT	**195,802**	**108,465**	**128,605**	**147,260**	**143,570**
Financial Income/(Expense)	(6,391)	(12,776)	(14,385)	(13,713)	(12,435)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	(2,489)	(4,494)			
Profit Before Tax (pre-EI)	**186,923**	**91,195**	**114,220**	**133,547**	**131,134**
Exceptional Items					
Pre-tax Profit	**186,923**	**91,195**	**114,220**	**133,547**	**131,134**
Taxation	(44,857)	(22,642)	(28,783)	(33,654)	(33,046)
Exceptional Income - post-tax					
Profit After Tax	**142,066**	**68,553**	**85,436**	**99,893**	**98,088**
Minority Interests	18,080	(1,196)	19,282	24,063	39,437
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**160,146**	**67,357**	**104,719**	**123,956**	**137,525**
Recurring Net Profit	160,146	67,357	104,719	123,956	137,525
Fully Diluted Recurring Net Profit	**160,146**	**67,357**	**104,719**	**123,956**	**137,525**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	251,766	170,006	197,468	221,566	223,317
Cash Flow from Invt. & Assoc.					
Change In Working Capital					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(32,285)	(61,600)	22,103	(1,683)	20,432
Net Interest (Paid)/Received	21,873	30,018	30,905	31,142	30,822
Tax Paid	(2,835)	3,854	(22,510)	(27,067)	(26,130)
Cashflow From Operations	**238,519**	**142,277**	**227,965**	**223,958**	**248,442**
Capex	(100,712)	(95,793)	(105,793)	(105,793)	(105,793)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(29,480)	(9,773)	(54,473)	(58,965)	(34,034)
Cash Flow From Investing	**(130,192)**	**(105,566)**	**(160,267)**	**(164,758)**	**(139,827)**
Debt Raised/(repaid)	(99,549)	25,910	10,000	10,000	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(21,305)	(23,363)	(34,175)	(39,957)	(39,235)
Preferred Dividends					
Other Financing Cashflow	(40,696)	(43,930)	(36,412)	(36,952)	(36,952)
Cash Flow From Financing	**(161,550)**	**(41,382)**	**(60,586)**	**(66,909)**	**(76,187)**
Total Cash Generated	(53,224)	(4,671)	7,112	(7,710)	32,428
Free Cashflow To Equity	**8,777**	**62,621**	**77,698**	**69,199**	**108,615**
Free Cashflow To Firm	**86,454**	**6,693**	**36,794**	**28,057**	**77,792**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	56,561	35,063	42,175	34,466	66,893
Total Debtors	93,241	117,807	105,044	113,834	120,297
Inventories	342,115	383,253	345,220	374,107	391,352
Total Other Current Assets	36,436	40,926	41,340	41,486	41,803
Total Current Assets	**528,353**	**577,048**	**533,779**	**563,893**	**620,345**
Fixed Assets	783,718	847,674	934,604	976,092	1,012,137
Total Investments	444,059	417,290	426,573	480,636	510,072
Intangible Assets	14,203	14,438	14,438	14,438	14,438
Total Other Non-Current Assets	57,351	90,996	91,693	92,405	93,131
Total Non-current Assets	**1,299,331**	**1,370,398**	**1,467,308**	**1,563,570**	**1,629,779**
Short-term Debt	248,701	317,781	327,781	337,781	337,781
Current Portion of Long-Term Debt					
Total Creditors	273,000	298,008	258,731	278,232	289,198
Other Current Liabilities	342,554	346,988	352,701	358,600	364,693
Total Current Liabilities	**864,255**	**962,777**	**939,213**	**974,613**	**991,672**
Total Long-term Debt	379,430	346,508	346,508	346,508	346,508
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	44,630	47,609	47,996	48,388	48,783
Total Non-current Liabilities	**424,060**	**394,116**	**394,504**	**394,896**	**395,291**
Total Provisions	70,155	79,110	85,383	91,969	98,885
Total Liabilities	**1,358,470**	**1,436,004**	**1,419,100**	**1,461,477**	**1,485,848**
Shareholders Equity	469,214	511,443	581,987	665,986	764,276
Minority Interests					
Total Equity	**469,214**	**511,443**	**581,987**	**665,986**	**764,276**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	(0.6%)	(0.8%)	(8.8%)	10.6%	6.7%
Operating EBITDA Growth	(566.5%)	(32.5%)	16.2%	12.2%	0.8%
Operating EBITDA Margin	5.8%	3.9%	5.0%	5.1%	4.8%
Net Cash Per Share (Rs)	(268.62)	(295.71)	(297.07)	(305.39)	(290.15)
BVPS (Rs)	220.51	240.36	273.51	312.99	359.18
Gross Interest Cover	7.66	3.22	3.53	3.99	3.89
Effective Tax Rate	24.0%	24.8%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	6.75	8.89	10.30	9.15	9.16
Inventory Days	29.83	33.61	37.71	33.59	33.36
Accounts Payables Days	23.48	26.46	28.82	25.07	24.73
ROIC (%)	122.6%	4.6%	11.3%	11.5%	14.1%
ROCE (%)	17.9%	9.0%	9.9%	10.6%	9.6%
Return On Average Assets	12.2%	4.2%	5.2%	5.7%	5.4%

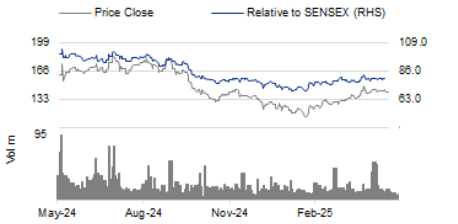
SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 23	Hold 5	Sell 6
Current price:			Rs141
Target price:			Rs186
Previous target:			NA
Up/downside:			31.9%
EIP Research / Consensus:			17.9%
Reuters:			IOC.NS
Bloomberg:			IOCL IN
Market cap:			US$22,996m
			Rs1,988,553m
Average daily turnover:			US$23.4m
			Rs2024.7m
Current shares o/s:			2,127.8m
Free float:			4,850.0%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.7)	10.2	(15.6)
Relative (%)	(1.9)	2.1	(19.8)

Major shareholders	% held
Promoters	51.5
LIC India	6.4
Public	11.6

Indian Oil Corp.

Poised for growth; robust market dynamics

- Global refining capacity is forecasted to expand by 6.32mb/d by FY31F, primarily in Asia-Pacific & Africa; utilization rate may pose challenges by 2030F.
- Global refinery capacity crunch to boost GRM to US$18-20/bbl, favouring complex refiners amid rising demand for middle distillates.
- We value the stock at 6.4x FY27F EBITDA to arrive at a TP of Rs186 backed by strong EPS growth & sectoral upcycle. Initiate coverage with an ADD rating.

Asia to drive demand as global spare capacity to dip 75% by FY31F

Currently, global refining capacity stands at 103.5mb/d, with the Asia-Pacific region holding a 36.2% share and non-OECD countries accounting for 57.8% of total capacity. By 2050F, an additional 19.18mb/d is projected, with 62% of this growth from Asia-Pacific and Africa. However, the utilization rate is tightening, with spare capacity expected to shrink from 3.9 mb/d in 2024 to 1.0 mb/d by 2031F, driven by robust demand and refinery closures totaling 12.5 mb/d by 2031F, particularly in Europe, the US & Canada. There's a projected capacity shortfall of 1.18 mb/d by 2030F, with Asia-Pacific facing the largest deficit (1.23 mb/d). The shift toward emerging markets reflects their growing role in meeting global oil demand, necessitating strategic infrastructure development.

Refinery capacity crunch looms - propelling GRM to new heights

As the global refinery sector will face a capacity crunch, particularly in non-OECD markets., refinery capacity addition struggles to keep up pace, especially for middle distillates and light ends. This imbalance is expected to drive the gross refining margin (GRM) to US$18-20/bbl, a significant increase from current levels. Complex refiners, capable of maximizing yields of high-demand products, stand to benefit the most. However, high breakeven GRM and sector uncertainty deter excessive capacity addition, ensuring sustained profitability for existing players and highlighting the need for strategic investments.

EPS to post ~15% CAGR over FY25-28F; initiate coverage with ADD

We expect Indian Oil Corporation or IOCL's earnings to grow at a robust CAGR of 15% over FY25-28F, driven by capacity expansion at Panipat, Koyali, and Barauni units alongside favourable demand outlook for diesel, gasoline, and petrochemicals, supported by low crude oil prices. Valuing the stock at a 15-year historical forward EV/EBITDA of 6.4x FY27F EBITDA, we arrive at a target price of Rs186, reflecting an attractive upside of 32%. We initiate coverage on IOCL with an ADD rating. Key downside risks to our thesis include volatility in crude oil prices exerting pressure on the refining margin, and regulatory changes impacting the oil & gas sector.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	7,763,519	7,581,058	7,431,465	7,888,039	7,956,970
Operating EBITDA (Rsm)	755,557	359,905	541,425	607,234	568,768
Net Profit (Rsm)	419,479	139,509	253,186	288,599	251,852
Core EPS (Rs)	29.7	8.8	17.9	20.4	17.8
Core EPS Growth	312.1%	(70.3%)	103.2%	14.0%	(12.7%)
FD Core P/E (x)	4.74	14.25	7.85	6.89	7.90
DPS (Rs)	2.5	2.5	2.5	2.5	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	4.27	9.50	6.11	5.44	5.79
P/FCFE (x)	17.00	27.01	12.32	32.29	43.14
Net Gearing	63.3%	72.6%	61.4%	55.9%	51.8%
P/BV (x)	1.08	1.07	0.99	0.91	0.85
ROE	26.0%	6.7%	13.0%	13.7%	11.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)

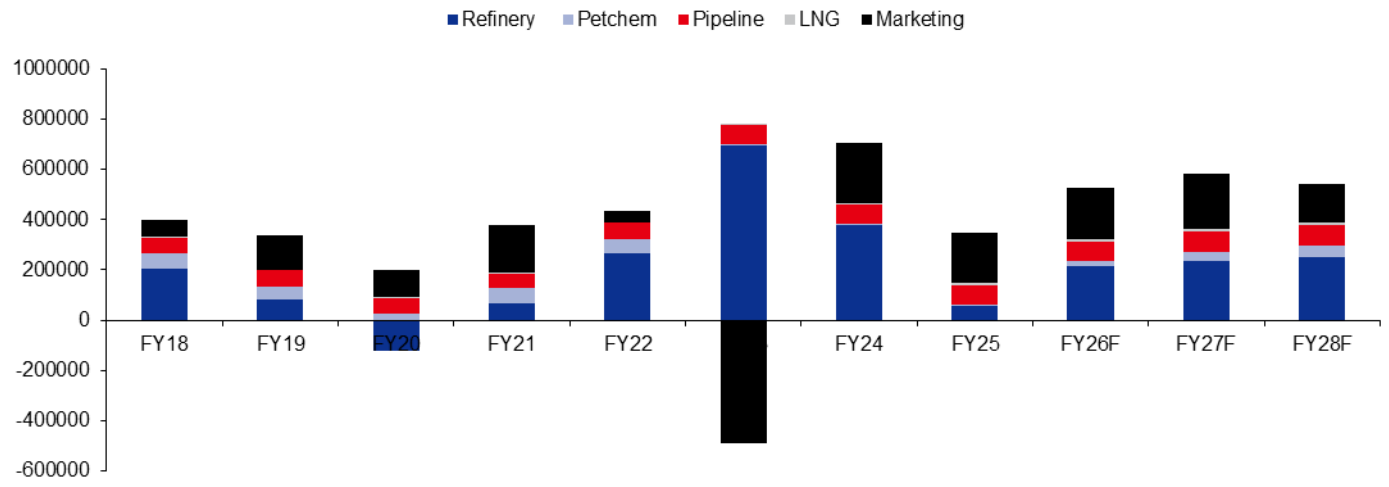
Pratyush KAMAL
T (91) 2241611549
E pratyush.kamal@incredresearch.com

Poised for growth; robust market dynamics

Business model analysis

IOCL, India's largest oil producer by capacity and revenue, is a public sector undertaking headquartered in New Delhi, under the Ministry of Petroleum and Natural Gas. Its business model spans the entire hydrocarbon value chain, including refining, pipeline transportation, marketing, exploration, production, petrochemicals, and renewable energy. IOCL's extensive network of 11 refineries and over 60,900 customer touchpoints ensure market dominance. Strategic partnerships with global companies like Royal Dutch Shell and Chevron Corporation, valued at US$20bn annually, enhance its global presence. IOCL's commitment to sustainable energy aligns with India's energy security goals, supported by subsidiaries in Sri Lanka, Mauritius, and the Middle East. The company emphasizes transparency, accountability, and digital innovation to drive long-term growth and societal well-being.

Figure 67: EBITDA to grow at ~16% CAGR over FY25-28F, primarily led by low crude oil prices and high diesel & gasoline demand



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Business segments

Refining: IOCL operates 11 refineries across India with a total capacity of 80.80mmtpa (including 10.5mmtpa of subsidiaries), accounting for 31% of India's refining capacity. IOCL achieved a crude throughput of 73mmt, with the segment revenue growing by 19%. Refinery capacity utilization reached 105% and the increase in throughput and revenue reflects IOCL's operational efficiency and the ability to meet India's rising energy demand, supported by its extensive refining infrastructure.

Marketing: IOCL holds a 42% market share in petroleum oil and lubricants, with over 60,900 customer touchpoints, making it India's largest network of petrol and diesel stations. Its Servo brand is the leading lubricant in both automotive and industrial segments. Recent campaigns, such as the launch of Indian Oil XP100 (India's first 100-octane petrol), have strengthened its market position. IOCL's dominant market share is driven by its extensive retail network and innovative marketing strategies, including high-performance fuel launches.

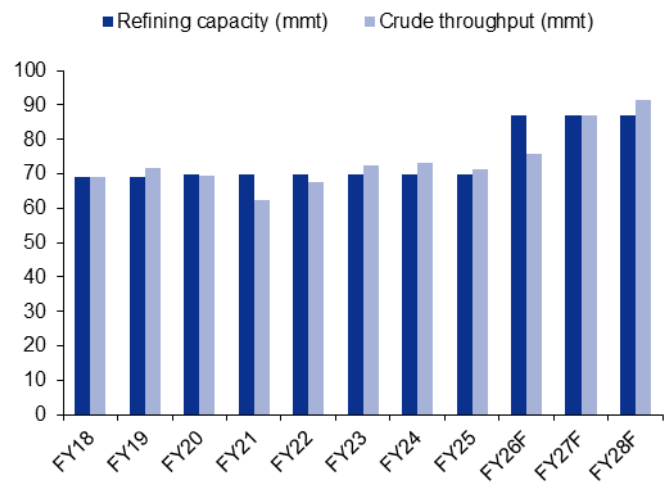
Petrochemicals: IOCL produces and sells petrochemical products, including polymers, chemicals, and fertilizers, contributing to revenue diversification. The company is expanding its petrochemical capacity with projects like the PXPTA project at Paradip and the acrylic/oxo alcohol project at Dumad, Gujarat. The petrochemical segment supports IOCL's strategy to expand beyond traditional fuels, capitalizing on industrial demand for chemical products.

Renewables: IOCL has ventured into renewable energy sources like solar and wind, with a current installed capacity of 247MW (168MW wind, 79MW solar PV).

The company aims to install 31GW of renewable energy capacity by 2030F and produce 1mmt of biogas by the same period. IOCL's renewable energy initiatives are driven by government policies promoting green energy, aligning with India's sustainability goals

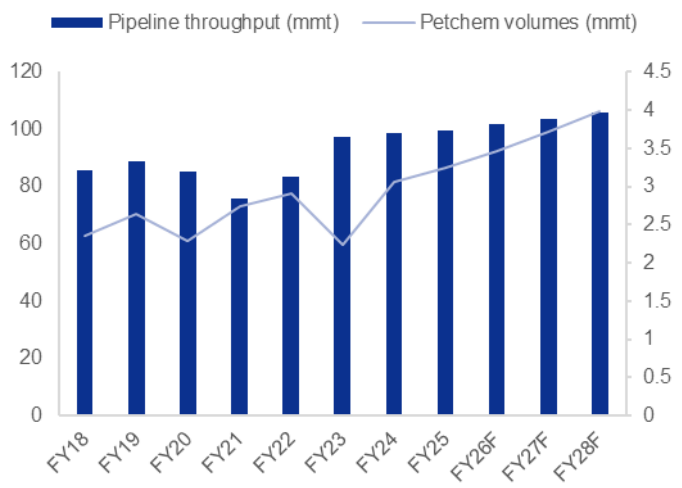
EV infrastructure: IOCL has commissioned 10,028 electric vehicle or EV charging stations as of Jun 2024-end, positioning itself as a leader in supporting EV adoption in India. This initiative reflects the company's commitment to sustainable transportation solutions. The expansion aligns with the country's National Electric Mobility Mission Plan, supported by government incentives like the FAME India scheme.

Figure 68: ~17mmt capacity addition is going to take place from Panipat, Koyali and Barauni units



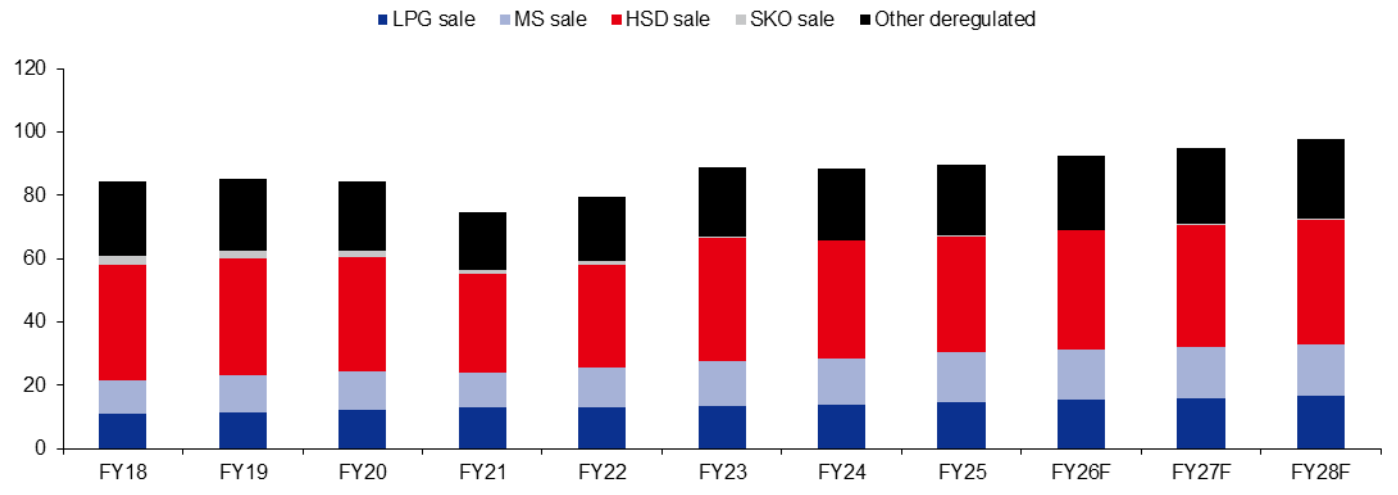
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 69: We expect petchem demand to pace up volumes



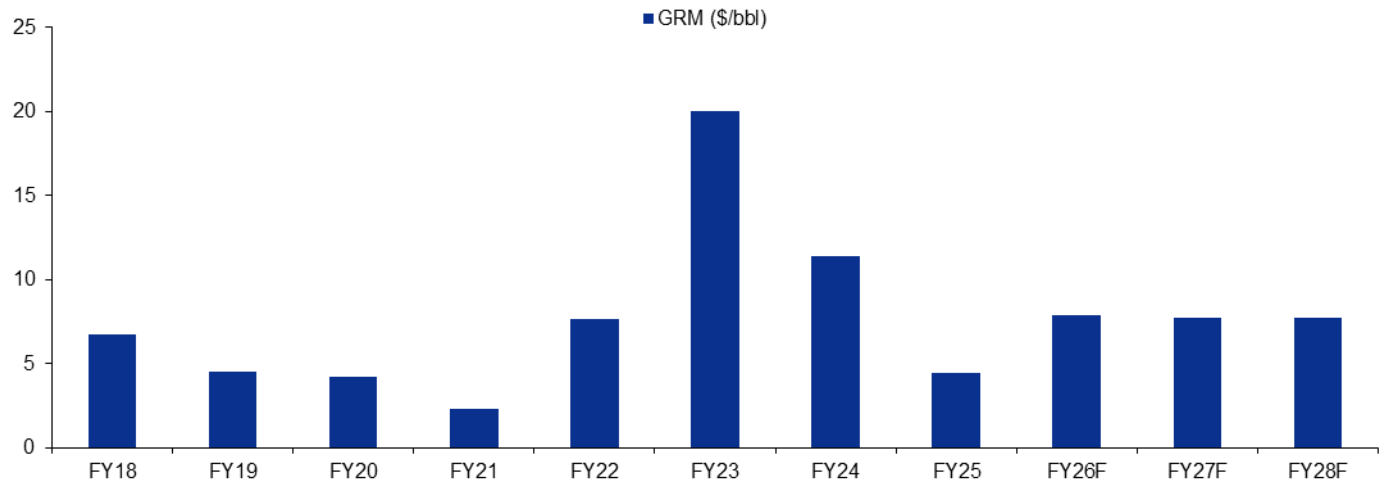
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 70: YoY marketing performance: ~3% CAGR volume growth expected over FY25-FY29F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 71: We expect the GRM to improve by ~US$3/bbl over FY25-FY29F due to likely lower crude oil costs & solid POL demand



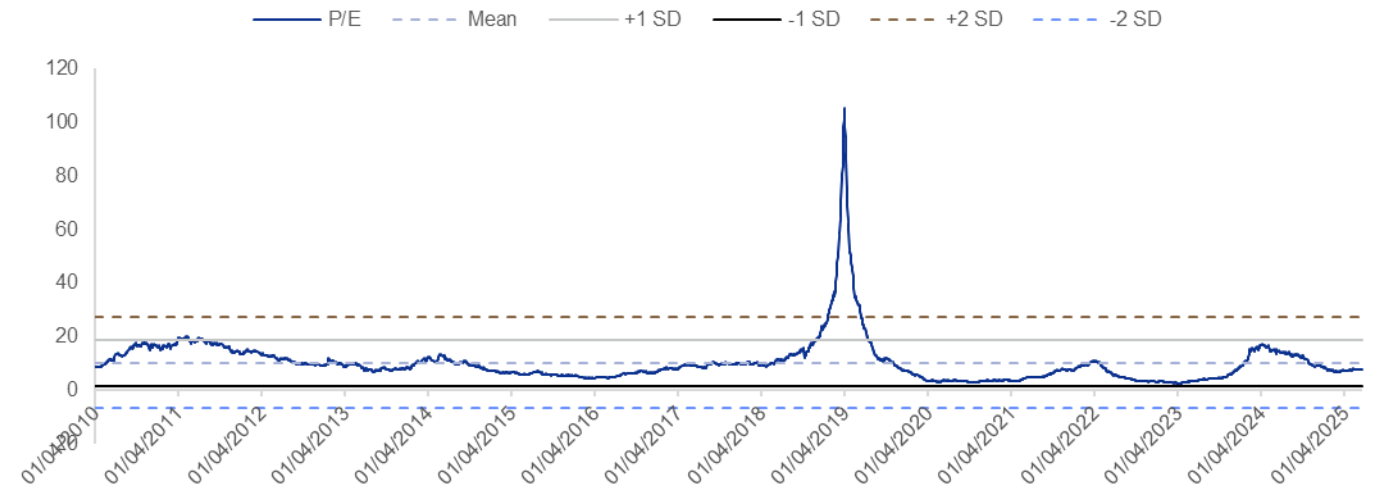
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation and analysis

Figure 72: One-year BV trades at 0.98x FY26F vis-à-vis the 15-year average at 1.05x

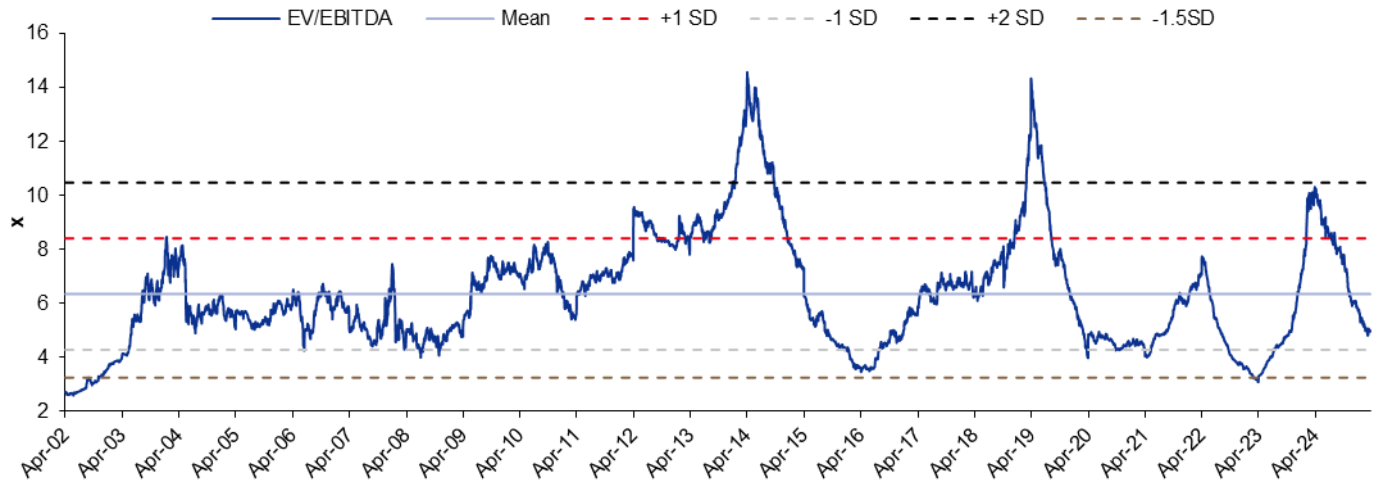
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 73: One-year forward EPS trades at 7.7x FY26F vis-à-vis the 15-year average at 10.3x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 74: One-year forward EV/EBITDA trades at 6.2x FY26F vis-à-vis the 25-year average at 6.4x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

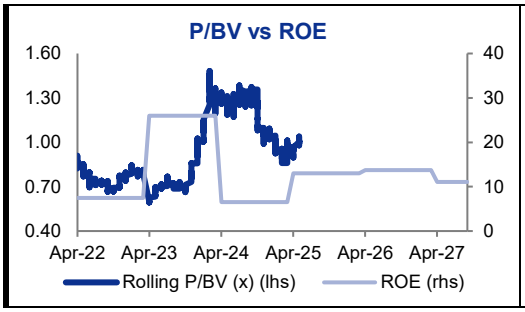
Lower crude oil prices and solid POL margin, coupled with robust volume expectations, to drive growth for IOCL ➤

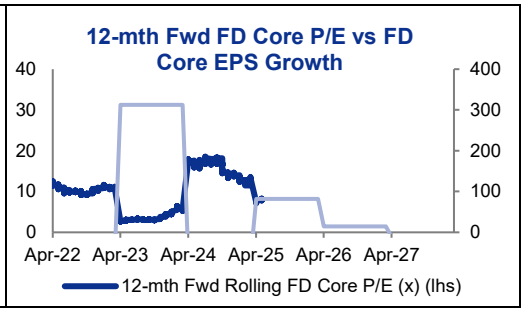
Figure 75: We value IOCL at 6.4x FY27F EBITDA to arrive at our target price of Rs186

	EBITDA
FY26F (Rsm)	5,41,424
FY27F (Rsm)	6,07,234
1-year forward EBITDA (Rsm)	6,07,234
1-year forward multiple (x)	6.4
1-year forward EV (Rsm)	38,86,296
1-year forward target price (Rs)	186

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**7,763,519**	**7,581,058**	**7,431,465**	**7,888,039**	**7,956,970**
Gross Profit	**1,375,527**	**1,013,203**	**1,207,883**	**1,318,688**	**1,311,673**
Operating EBITDA	**755,557**	**359,905**	**541,425**	**607,234**	**568,768**
Depreciation And Amortisation	(158,661)	(167,773)	(164,546)	(181,641)	(198,736)
Operating EBIT	**596,896**	**192,132**	**376,878**	**425,592**	**370,032**
Financial Income/(Expense)	(75,723)	(89,089)	(87,757)	(87,507)	(85,319)
Pretax Income/(Loss) from Assoc.	15,459	17,604			
Non-Operating Income/(Expense)	38,429	35,137	53,074	56,074	59,074
Profit Before Tax (pre-EI)	**575,060**	**155,785**	**342,195**	**394,159**	**343,787**
Exceptional Items		18,380			
Pre-tax Profit	**575,060**	**174,165**	**342,195**	**394,159**	**343,787**
Taxation	(141,266)	(32,746)	(86,232)	(99,307)	(86,128)
Exceptional Income - post-tax					
Profit After Tax	**433,794**	**141,419**	**255,963**	**294,852**	**257,659**
Minority Interests	(14,315)	(1,910)	(2,778)	(6,253)	(5,808)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**419,479**	**139,509**	**253,186**	**288,599**	**251,852**
Recurring Net Profit	419,479	124,584	253,186	288,599	251,852
Fully Diluted Recurring Net Profit	**419,479**	**124,584**	**253,186**	**288,599**	**251,852**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	755,557	359,905	541,425	607,234	568,768
Cash Flow from Invt. & Assoc.					
Change In Working Capital	108,712	7,091	146,702	(2,586)	4,581
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(215,845)	(106,141)	(176,766)	(193,067)	(177,254)
Net Interest (Paid)/Received					
Tax Paid	12,307	15,745			
Cashflow From Operations	**660,732**	**276,601**	**511,360**	**411,581**	**396,096**
Capex	(410,221)	(186,201)	(350,000)	(350,000)	(350,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(133,514)	(16,766)			
Cash Flow From Investing	**(543,735)**	**(202,967)**	**(350,000)**	**(350,000)**	**(350,000)**
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(29,136)	(116,544)	(29,136)	(100,098)	(112,764)
Preferred Dividends					
Other Financing Cashflow	(121,147)	255,221	29,074	52,074	55,074
Cash Flow From Financing	**(150,283)**	**138,677**	**(62)**	**(48,024)**	**(57,690)**
Total Cash Generated	(33,287)	212,311	161,298	13,557	(11,595)
Free Cashflow To Equity	**116,996**	**73,634**	**161,360**	**61,581**	**46,096**
Free Cashflow To Firm	**116,996**	**73,634**	**161,360**	**61,581**	**46,096**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	135,387	136,739	229,907	237,105	244,717
Total Debtors	138,315	185,510	123,059	130,226	131,301
Inventories	1,213,758	1,138,785	1,085,914	1,151,403	1,161,274
Total Other Current Assets	97,034	115,409	112,319	114,310	114,609
Total Current Assets	**1,584,493**	**1,576,442**	**1,551,199**	**1,633,044**	**1,651,902**
Fixed Assets	1,921,595	1,971,620	2,124,074	2,259,433	2,377,696
Total Investments	551,620	568,496	568,496	568,496	568,496
Intangible Assets	75,528	81,600	81,600	81,600	81,600
Total Other Non-Current Assets	690,383	870,513	903,513	936,513	969,513
Total Non-current Assets	**3,239,127**	**3,492,229**	**3,677,682**	**3,846,041**	**3,997,305**
Short-term Debt	795,027	939,362	964,362	979,362	994,362
Current Portion of Long-Term Debt					
Total Creditors	594,541	605,349	561,553	589,973	596,215
Other Current Liabilities	788,620	775,499	847,585	891,227	900,812
Total Current Liabilities	**2,178,188**	**2,320,211**	**2,373,500**	**2,460,561**	**2,491,389**
Total Long-term Debt	531,249	583,344	534,344	515,344	496,344
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	42,947	48,220	48,220	48,220	48,220
Total Non-current Liabilities	**574,196**	**631,564**	**582,564**	**563,564**	**544,564**
Total Provisions	189,607	206,650	206,650	206,650	206,650
Total Liabilities	**2,941,990**	**3,158,424**	**3,162,714**	**3,230,775**	**3,242,602**
Shareholders Equity	1,834,163	1,864,873	2,018,016	2,193,906	2,346,393
Minority Interests	47,467	45,373	48,151	54,404	60,211
Total Equity	**1,881,630**	**1,910,247**	**2,066,167**	**2,248,310**	**2,406,604**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	(7.8%)	(2.4%)	(2.0%)	6.1%	0.9%
Operating EBITDA Growth	146.1%	(52.4%)	50.4%	12.2%	(6.3%)
Operating EBITDA Margin	9.7%	4.7%	7.3%	7.7%	7.1%
Net Cash Per Share (Rs)	(84.33)	(98.15)	(89.85)	(89.06)	(88.24)
BVPS (Rs)	129.89	132.06	142.91	155.36	166.16
Gross Interest Cover					
Effective Tax Rate	24.6%	18.8%	25.2%	25.2%	25.1%
Net Dividend Payout Ratio					
Accounts Receivables Days	7.08	7.80	7.58	5.86	6.00
Inventory Days	69.28	65.37	65.24	62.15	63.51
Accounts Payables Days	32.62	33.34	34.22	31.99	32.58
ROIC (%)	96.6%	2.3%	10.1%	10.2%	11.1%
ROCE (%)	18.4%	5.5%	10.2%	11.0%	9.2%
Return On Average Assets	16.7%	3.1%	6.3%	6.8%	6.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Research Analyst SEBI Registration Number: INH000011024
Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051
Phone: +91-22-6844-6100
Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051
Phone: +91-22-4161-1500
Name of the Compliance Officer: Mr. Yogesh Kadam
Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Rajarshi Maitra
Phone no. +91-022-41611546
Email ID: rajarshi.maitra@incredresearch.com
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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.