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Nayara Charts Expansion Plan

New Delhi: Nayara Energy, India's largest private fuel retailer, plans to add 400 petrol pumps this year to expand its retail network across various states, the firm said on Sunday.

With 6,500+ retail outlets across India, Nayara Energy has been adding new retail outlets to its network and has been growing steadily across various states such as Gujarat, Maharashtra, Tamil Nadu and Rajasthan. In a statement, Nayara said it "is well on track to add 400 retail outlets this year".

In line with its plans to aggressively grow in India, Nayara Energy has also revamped its dealer programme to onboard new dealers and give a boost to local entrepreneurship. It is now inviting applications for new dealerships across the country to open petrol pumps.

Nayara operates a 20-million tonnes a year refinery at Vadinar in Gujarat. —PTI

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OMCs may see muted refining margins in FY26

ARUNIMA BHARADWAJ
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SLIPPERY PATH

- It is due to sluggish global consumer and industrial demand, particularly in China
- The credit profile of downstream companies is likely to remain stable in FY26, analysts said
- Integrated OMCs benefitted from healthy marketing margins during H1FY25

- India's upstream companies may face a decline in Ebitda due to moderating oil prices
- Oil prices averaged $78.7/bbl in Q2 FY25
- It declined to $75.2/bbl in October & $73.02/bbl in November

STATE-OWNED OIL MARKETING companies (OMCs) are likely to register subdued gross refining margins (GRMs) during FY26 due to sluggish global consumer and industrial demand, particularly in China, and additional supply from global refinery capacity expansions, according to analysts. However, robust domestic demand for petroleum products, driven primarily by diesel, petrol and LPG, is expected to support healthy marketing margins during FY26.

According to India Ratings, the credit profile of downstream companies is likely to remain stable in FY26. The agency attributes this to strong domestic demand and healthy marketing margins, which are expected to offset the impact of compressed GRMs, resulting in a solid overall Ebitda. "Petrochemical (petchem) Ebitda started improving during FY25, after remaining under pressure during FY24, on account of an improvement in the spreads for petrochemical products," India Ratings stated. The agency predicts that Ebitda for standalone petchem players and the petchem segment of integrated refiners will improve in FY26 compared to the lows seen in FY24.

During the first half of FY25, integrated OMCs benefitted from healthy marketing margins, supported by declining crude oil prices, subdued crack spreads and stable retail prices.

"Indian oil and gas demand is expected to remain strong in FY26, leading to an expansion in refinery and petrochemical capacities. India's refinery capacity is expected to increase by 22% in the next two-three years. India Ratings expects the strong demand to be driving oil and gas investments decisions in India," said Bhanu Patni, associate director, corporates, India Ratings.

While downstream companies are expected to maintain healthy Ebitda, the country's upstream companies may face a decline in Ebitda due to moderating oil prices and reduced production from legacy fields. However, the impact of low crude oil price is expected to be offset by the removal of special excise on the production of crude and an increase in production expected from new discoveries, India Ratings said.

"Upstream companies will continue to earn healthy margins, despite the current decline in crude oil prices, as they would remain above $65 per barrel. This would keep sufficient cushion in margin, with estimated break-even cost of production at $40-45/bbl, leaving an Ebitda of $20-30/bbl," it added.

Oil prices averaged $78.7/bbl in Q2 FY25, declining to $75.2/bbl in October and $73.02/bbl in November. Analysts expect crude prices to remain influenced by geopolitical developments, demand recovery, and productioben targets set by OPEC. "However, for domestic producers, India Ratings expects some relief from the impact of decline in oil prices on account of the removal of windfall profit tax on crude," the agency noted.

For the city gas distribution (CGD) sector, return on invested capital is expected to moderate but remain healthy. However, funding capex for new geographical areas could face pressure due to declining internal accruals.

"Performance of standalone petrochemical players may improve during FY26 as they benefit from an improvement in the crack spreads and easing of the oversupply situation created due to the rampant capacity addition during FY19-FY24, especially in China," the agency highlighted.

The government's earlier reduction in domestic gas allocation to CGD companies has created challenges for the sector. Rising demand in the CGD segment, coupled with declining administered price mechanism (APM) gas production, has led to a reduced priority allocation of APM gas, especially for CNG.

Analysts see the reduced allocation will expose the players in the sector to the risk of managing long-term supply contracts. "CGD companies on a blended basis earn an Ebitda margin of ₹7-10 per scm, which could reduce by ₹3.0-4.0/scm depending on their volume mix post the reduction in allocation of domestic gas for CGD sector," India Ratings said.

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RENEWED FOCUS

Green energy: The two dos and the two don'ts

TIME FOR REAPPRAISAL. A checklist of things India got right, and the not-so-effective ideas it must abandon on its path to net zero

ISTOCK.COM

M Ramesh

The renewable energy sector will witness three milestone events early in 2025.

First, solar power capacity will cross the 100-GW mark. Second, wind power capacity will exceed 50 GW. Third, total renewable energy capacity in India — counting wind, solar, wind-solar hybrid, biomass and small hydro, but not large hydro and nuclear — will exceed 200 GW.

So, the task before the country — including policymakers and industry — is to build on this base. For that to happen, India must abandon two things in order to focus adequately on two other vital needs.

Many industry experts and studies have pointed out that green hydrogen is still some distance away. None less than Dr Fatih Birol, Executive Director of the International Energy Agency, has stated this categorically. A recent report by the agency also says pretty much the same. Another report, by the International Institute for Sustainable Development and the Centre for Study of Science, Technology and Policy (CSTEP), after dilating on why unsubsidised green hydrogen will be uncompetitive until around 2050, suggested that the government should adopt a "revised timeline, at a realistic level of ambition". It also highlighted the burden on water resources from the use of electrolysers.

THE SUBSIDY CONUNDRUM

If further reason was needed for why green hydrogen is not worth pursuing right now, it came from the meeting between green hydrogen developers and the Ministry of New and Renewable Energy (MNRE) on December 19, 2024. Among the many asks of the developers was "long-term subsidies" — for 15-20 years — to "bridge the gap between grey hydrogen and green hydrogen", according to one participant.

By all accounts, the Ministry did not find this acceptable. Additionally, the developers highlighted issues with European certification requirements, high port handling charges and the grid-related problems of the power plants that supply electricity to electrolysers.

So far, 10 developers have been awarded contracts for 4,12,000 tonnes of green hydrogen and another eight companies for 1,500 MW of annual electrolyser production. The green hydrogen industry appears unlikely to sustain without subsidies.

Clearly, green hydrogen is fit to be shelved until technology comes up with better solutions — such as solar-powered seawater electrolysers.

MORE HEADWINDS

The second avoidable activity is offshore wind. The government has announced ₹6,853-crore viability gap funding for 1,000 MW of offshore projects — 500 MW each off the Gujarat and Tamil Nadu coasts. This is in addition to the ₹600 crore grant for upgrading the Thoothukudi and Pipavav ports to handle wind project cargo.

The government company SECI has tendered out seabed leasing rights for 4 GW of offshore projects, and the setting up of 500 MW offshore wind projects; companies have time till February 4 to submit bids. The auction target is 30 GW by 2030.

Industry insiders have often pointed to the difficulty in securing installation services. It is unlikely that any meaningful offshore capacity will come up in the next decade.

There are two contrasting views about offshore wind.

The favourable view is that one cannot ignore offshore wind in a country like India, which has big potential. Besides, for climate action, you need all weapons, including offshore wind. The opposite view is that offshore wind, even after costs have declined considerably, is way too expensive — around ₹7 a kWhr (compared with ₹3.3-₹3.6 for onshore wind-solar hybrid) — and hence can wait, especially in a country like India, which has huge untapped onshore potential.

Further, it is argued that the funds earmarked for offshore subsidies would be better utilised elsewhere — such as in building a transmission link to Sri Lanka.

WHAT WORKS

During the recent visit of Sri Lankan President Anura Dissanayake to India, one of the issues discussed was building a power transmission link between the neighbours.

Sri Lanka is estimated to have onshore wind potential of at least 45 GW (according to a 20-year-old survey). It is far easier and cheaper to build wind power projects in the island nation and wheel it up to India, with attendant geopolitical advantages.

The other imperative for India is to start using thorium, abundantly available in India, in existing and upcoming pressurised heavy water reactors. This is now feasible with the development of a new type of fuel, called ANEEL, by an Indian-owned, US-headquartered company called Clean Core Thorium Energy (CCTE). The company was in the news recently for inking an agreement with public sector power major NTPC for joint work on nuclear plants. Earlier, thorium was thought to be a fuel of the future — one that should wait until sufficient inventories of plutonium are built — but that is no longer true. Thorium is for now.

The year 2025 will march past some key milestones in renewable energy. But for India to achieve its international climate action commitments and its net zero ambition, some course correction is necessary.

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'Oil import dependence to increase in FY25 as domestic production declines'

Our Bureau
New Delhi

The reduction in domestic crude oil production from mature fields, coupled with the inability of Indian exploration and production (E&P) companies to arrest the decline, will reflect in increased reliance on imports in FY25.

Fitch Ratings says: "We expect India's crude oil production to fall by 2-3 per cent in FY25 (7M FY25: -3 per cent). The fall reflects the struggle of companies like ONGC to arrest the output decline at mature fields through technology investments to tap isolated reservoirs," the agency projected.

However, production should grow by low single-digit percentages in FY26 as production increases at ONGC's offshore field in the KG Basin and at privately owned fields, it added.

"We expect India's crude oil import dependency to increase further in the near term, propelled by faster growth in petroleum product demand compared to domestic production," Fitch said.

India's crude oil import dependency stood at 88.1 per cent in 7MFY25 (87.8 per cent in FY24 and 77.6 per cent in FY14). Russia was the largest supplier at 39 per cent in H1 FY25, it added.

> **'The production reflects** the struggle of companies like ONGC to arrest the natural output decline'

NATURAL GAS DEMAND

Fitch expects India's total gas consumption to rise by around 10 per cent in FY25 (7M FY25: 11 per cent).

Consumption rose by 11-14 per cent in the city gas distribution, refinery and petrochemical segments in 7M FY25. India's natural gas production will grow by a low single-digit rate in FY25 (7M FY25: 2 per cent), supported by ONGC's development projects on the west and east coasts, including from the KG Basin. However, the growth is expected to decelerate from the 9 per cent CAGR over FY21-FY24 when RIL's KG Basin achieved peak production of around 27 million standard cubic metres per day.

"We expect LNG imports to increase by around 20 per cent in FY25 (7M FY25: 22 per cent). This will be driven by increasing demand and lower international gas prices that will improve affordability for price-sensitive sectors," the rating agency projected.

GAS PRICES

"We believe CGD companies may raise prices for piped natural gas and compressed natural gas in the near term as they try to cover the shortfall in domestically produced input gas with gas from more expensive deep-water offshore fields and LNG imports," Fitch Ratings said.

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Nayara Energy's 20-million-tonnes-a-year refinery at Vadinar in Gujarat. BLOOMBERG

Nayara set to add a fuel station per day

Nayara Energy, India's largest private fuel retailer, plans to add 400 petrol pumps this year to expand its retail network across various states, the firm said in a statement on Sunday.

With over 6,500 retail outlets across India, Nayara Energy has been adding new retail outlets to its network and has been growing steadily across various states such as Gujarat, Maharashtra, Tamil Nadu and Rajasthan.

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