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The Refining & Marketing Industry

September
2012



■ An incremental 3.7mmbpd is expected to add up to current oil consumption of around 89.2mmbpd by CY 2015 which would be mainly driven by BRIC nations on account of favourable demographics, urbanisation and industrialization in these nations. CARE Research however believes that there exist significant potential downside risks to the total oil demand estimates given the widening global macroeconomic uncertainties.

Global scenario- Share of BRIC set to rise

Global refining industry - to be hit by surplus capacity

New projects coming on stream over the next five years are expected to reverse this trend again; the overall refining surplus could approach in excess of 7mmbpd by 2015 up from 5 mmbpd at 2011-end unless some capacity is closed. This is made worse by weak petroleum product demand which is not set to pick up before CY13-14. Thus refining industry is likely to witness depressed utilization rates and margins.

■ Singapore GRM is likely to remain weak owing to wide gap between demand and supply of petroleum products. Margins are not expected to improve until there are some signs of improvement in economic conditions or delays in refinery capacity expansion projects. CARE Research expects Singapore GRM to average US\$7.0 per barrel for CY 2012, US\$6.5 per barrel for CY 2013 and weakening further to US\$6.3 per barrel in CY 2014.

Gross refining margins – a case of shifting dynamics

Indian Scenario- POL demand likely to increase

Indian petroleum product demand is expected to grow at a CAGR of 4.6 per cent over FY13-15. Demand for petroleum products in transportation sector to be the major contributor to this growth

■ Huge refining capacity addition during FY12 and other refinery expansion projects over the next 3 years is expected to keep India a net exporter of petroleum products.

India turns net exporter with increasing refining capacity

Section- I CARE Research's Outlook

International Market outlook

- International oil Demand & Supply
- International Refining Industry
- Gross Refining Margins

Domestic Market outlook

- Current and future demand outlook
- Current and future supply outlook
- Outlook on Net Import/Export

Section- II Industry Section

Introduction

- Refining and Marketing
- Basics of Refining Processes
- Historical background

Regulatory Structure

- Regulatory Framework
- Evolution of Petroleum product pricing mechanism in India
- Key Legislations

Industry Structure

- Structure
- Current Scenario
- Pricing
- Under-recoveries

Infrastructure

- Current and upcoming refining capacity
- Distribution network
- Marketing infrastructure

Petroleum taxes and duties

- Tax structure of Petroleum products
- Contribution of Petroleum taxes to the Exchequer
- Rationalization of taxes and duties

SECTION- III Company Profiles

Company Profile

- Reliance Industries Limited
- Indian Oil Corporation Limited
- Bharat Petroleum Corporation Limited
- Hindustan Petroleum Corporation Limited
- Essar Oil Limited
- Mangalore Refining and Petrochemicals Limited
- Chennai Petroleum Corporation Limited

Comparative analysis of key players

- Operational performance
- Financial performance

□ Section- IV Annexures

- Domestic refining capacity – refinery wise (FY12)
- World crude oil production (CY02-11)
- World crude oil consumption (CY02-11)
- World refining capacity (CY02-11)
- World refining throughput (CY02-11)
- World refining capacity utilization (CY02-11)
- Region wise consumption of petroleum products (CY02-11)
- Region wise Gross Refining Margins (CY00-11)

List of Graphs

SECTION- I CARE Research's Outlook

International Market outlook

- Brent crude price
- OPEC crude production and spare capacity
- World oil demand projection (FY13 – FY15)
- World oil demand break-up
- Sectoral break-up of oil demand
- Iran oil production
- U.S. crude oil and liquid fuels production
- Refinery utilization rate
- World refining capacity additions (CY11-15)
- Refining Demand-Supply gap (CY11-15)
- Refining spare capacity for China, India and Middle East (CY05-11)
- World Refining Industry spare capacity (CY00-15)
- World refining capacity utilization (CY00-15)
- Shift in margin of petroleum products
- Asian Naphtha margins (Jan 2011-Sept 2012)
- Asian Fuel oil margins (Jan 2011-Sept 2012)
- Asian Gasoline margins (Jan 2011-Sept 2012)
- Asian Diesel margins (Jan 2011-Sept 2012)
- Asian LPG margins (Jan 2011-Sept 2012)
- Asian Jet kerosene margins (Jan 2011-Sept 2012)
- Singapore GRM (CY07-14)
- Break-up of Singapore GRM (CY12-14)

Indian Refining and Marketing outlook

- Domestic MS demand supply (FY08 – FY12)
- Outlook on domestic MS demand (FY13 – FY15)
- Domestic diesel demand supply (FY08 – FY12)
- Domestic diesel consumption break-up (FY07 – FY11)
- Comparison of domestic retail prices of Petrol and Diesel (FY02 – FY12)

- Comparison of Petrol and Diesel consumption growth (FY08 - FY12)
- Outlook on domestic Diesel demand (FY13 – FY15)
- Sector wise breakup of LPG sales
- Domestic LPG demand supply (FY08 – FY12)
- LPG Penetration in Urban and Rural areas
- Outlook on domestic LPG demand (FY13 – FY15)
- Domestic Kerosene demand supply (FY08 – FY12)
- Total subsidy on PDS Kerosene (FY03-FY12)
- Outlook on domestic Kerosene demand (FY13 – FY15)
- ATF Price
- Domestic ATF demand supply (FY08 – FY12)
- Outlook on domestic ATF demand (FY13 – FY15)
- Conventional Petrochemicals value chain from Naphtha feedstock
- Domestic Naphtha demand supply (FY08 – FY12)
- Outlook on domestic Naphtha demand (FY13 – FY15)

Section- II Industry Section

Introduction

- Crude Imports
- Basics of Refining Processes
- Refinery operations
- Topping Refinery
- Hydroskimming Refinery
- Catalytic Cracking Refinery
- Deep Conversion Refinery

Regulatory Structure

- Regulatory Framework
- Crude price movement Vs. prices of Petroleum Products

Industry Structure

- Indian Refining and Marketing industry structure
- Break-up of Indian refining capacity (FY12)
- Refining capacity build-up (FY01-FY12)
- Player-wise GRM trend (FY08-12)
- Capacity utilization of Indian refineries (FY01 – FY12)
- Current pricing structure of refinery products
- Historical Petroleum under-recoveries (FY04-FY12)
- Break-up of under-recoveries (FY04-FY12)
- Sharing of Under-recoveries (FY04-FY12)

Infrastructure

- Domestic refinery market share
- Break up of Pipeline Network
- Capacity wise break up of Product pipeline network
- Ownership Pattern of Retail Outlets
- LDO/SKO Dealer Break-up
- LPG Dealer Break-Up
- LPG Customer Break-up

Petroleum taxes and duties

- Tax on Petroleum products
- Break-up of Retail price of Petrol and Diesel
- Share of Central and State taxes in Diesel and Petrol retail price

SECTION- III Company Profile

Reliance Industries Limited

- Shareholding Pattern
- Product Mix

Indian Oil Corporation Limited

- Shareholding Pattern
- Product Mix

Bharat Petroleum Corporation Limited

- Shareholding Pattern
- Product Mix

Hindustan Petroleum Corporation Limited

- Shareholding Pattern
- Product Mix

Essar Oil Limited

- Shareholding Pattern
- Product Mix

Mangalore Refining and Petrochemicals Limited

- Shareholding Pattern
- Product Mix

Chennai Petroleum Corporation Limited

- Shareholding Pattern

Comparative analysis of key players

- Refining capacity (FY12)
- Refining capacity utilization (FY12)
- Refining GRM (FY08-12)
- Operating profit margin (FY10-12)
- Net profit margin (FY10-12)
- Debt/Equity ratio (FY10-12)
- Return on Equity (FY10-12)
- Return on Capital Employed (FY10-12)

List of Tables

SECTION- I CARE Research's Outlook

International Market outlook

- Capacity Rationalisation/Closures in Europe
- Singapore GRM slateWorld oil demand projection (FY13 – FY15)

Indian Refining and Marketing outlook

- Diesel consumption sectoral break-up
- Future brownfield refinery expansion

- Future greenfield refinery expansion
- Outlook on Petroleum product supply (FY13 – FY15)
- Outlook on Net Export/Import (FY13 – FY15)
- Product wise fortnight under-recovery
- Petroleum under-recovery (FY13 - FY14)
- Sensitivity analysis of under-recovery with oil price and exchange rate

Section- II Industry Section

Introduction

- Crude Oil characterization

Regulatory Structure

- Overview of Indian emission norms

Industry Structure

- Calculation of Nelson Complexity Index
- Retail price of Petrol (as on September 16, 2012)
- Retail price of Diesel (as on September 16, 2012)
- Retail price of Kerosene (as on September 16, 2012)
- Retail price of LPG (as on September 16, 2012)

Infrastructure

- Future Greenfield and Brownfield refinery projects
- Crude oil pipelines
- Product pipelines
- LPG pipelines
- Pipeline projects

Petroleum taxes and duties

- Change in custom duty on key Petroleum products (FY02-FY12)
- Change in excise duty on key Petroleum products ((FY02-Till date)
- State taxes on Petroleum products
- Contribution of petroleum sector to Central and State Exchequer (FY09-12)
- Net Contribution by Petroleum Sector to Central Exchequer (FY09-11)

SECTION- III Company Profile

Reliance Industries Limited

- Key Financials
- Refining Capacity
- Operating Performance
- Future Projects

Indian Oil Corporation Limited

- Key Financials
- Refining Capacity
- Operating Performance
- Future Projects

Bharat Petroleum Corporation Limited

- Key Financials
- Refining Capacity

Table of Contents

- Operating Performance
- Future Projects

Hindustan Petroleum Corporation Limited

- Key Financials
- Refining Capacity
- Operating Performance
- Future Projects

Essar Oil Limited

- Key Financials
- Refining Capacity
- Operating Performance
- Future Projects

Mangalore Refining and Petrochemicals Limited

- Key Financials
- Refining Capacity
- Operating Performance

Chennai Petroleum Corporation Limited

- Key Financials
- Refining Capacity
- Operating Performance
- Future Projects

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