The Domestic Fuel Market:
From Exports to India's Growth Story

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Chairperson's Message

Dear Investors,

India's energy and agricultural markets are undergoing profound shifts. Global fuel dynamics, domestic consumption growth, and the government's biofuel push are reshaping opportunities and challenges for both corporates and investors. This newsletter highlights two key themes:

1. The pivot of private refiners toward India's domestic market and the geopolitical implications of Russian crude arbitrage.

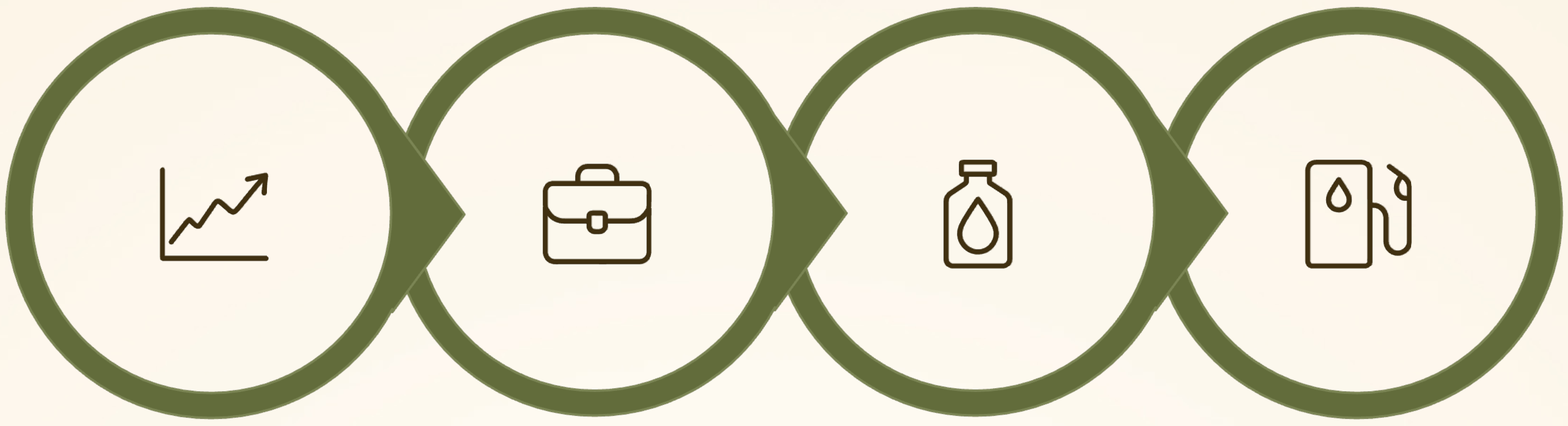
2. The technological and structural transitions around the government's E20 fuel mandate and its knock-on effects for agriculture.

Both create risks and opportunities — but, as always, well-positioned investors stand to benefit disproportionately.

Warm regards,
CA Dr. Rajesh Khandol
Chairperson, Capital Sprout

The Domestic Fuel Market:
From Exports to India's Growth Story

India's fuel demand continues to rise — diesel consumption is projected at ~91.4 million tonnes in 2024-25, with petrol near 40 million tonnes. Meanwhile, global refining margins weaken due to stagnant Western demand and overcapacity.



Rising Demand

Private Shift

Russian Arbitrage

Retail Expansion

Private Players Shift Focus

Private players are cutting export reliance and focusing inward:

- Reliance / Jio-BP: exports reduced from ~80% of refined output to ~70%.
- Nayara Energy: exports down from ~50% to ~25%, signalling a decisive domestic tilt.

Russian Crude Arbitrage

Since Western sanctions on Moscow, India has imported Russian crude at steep discounts, refined it domestically, and:

- Re-exported to Western markets under Indian branding with significant mark-ups.
- Channelled supplies into domestic markets as well.

Impact:

Consumers

Little benefit, as retail fuel prices remain high due to taxes and pricing controls.

Investors

Refiners' profits and valuations have soared, making energy equities standout performers.

Geopolitics

The U.S. remains uneasy, seeing India's role as softening sanctions pressure. Meanwhile, shared Russian oil reliance has created overlap with China's energy strategy, opening unexpected economic coordination opportunities despite political rivalry.

Retail Expansion & Investment Opportunities

Retail Expansion

- Jio-BP operates ~1,950 stations.
- Nayara has 6,500+ outlets, often pricing ₹1–₹3/litre below PSU pumps.
- Diesel exports hit decade lows in April 2025, clear evidence of redirection.

Investor Opportunity

Margin Stability

From domestic focus

Arbitrage Gains

From Russian crude

Market Share Expansion

Via aggressive pricing

Ancillary Growth

Through EV charging, FMCG, and loyalty ecosystems

E20 Fuel Policy: Challenge and Opportunity

India targets 20% ethanol blending (E20) nationwide by 2025-26, aiming to cut oil imports and boost green credentials. But transition challenges remain.

Challenges for Automakers

- Most existing vehicles are not fully E20-compatible.
- Engines risk corrosion, efficiency loss, and higher maintenance costs.
- Car majors like Maruti Suzuki and Hyundai warn of adjustment burdens.

Opportunity for Agriculture

- E20 requires massive ethanol supply — largely from sugarcane, maize, and other crops.
- Agro firms and ethanol producers could see multi-year demand tailwinds.
- Government incentives on biofuel blending will redirect agri-investments.

Short-term investor perspective:
Auto sector may face margin pressure.

Long-term investor perspective:
Agro-industry and ethanol producers positioned for structural growth.

Reflection in stock market –

Government's constant shift over the years towards Ethanol mixing directly mirrors stock market returns for sugar industry stocks & Russian arbitrage with oil industry stocks.

Below table shows 3-year stock price CAGR returns for both industries

Sugar Industry Stocks			
Company	Stock price as at 14.08.2025	Stock price as at 19.08.2022	3-year Stock CAGR return
Bajaj Hindusthan Sugar Limited	21.44	9.95	34%
EID Parry (India) Limited	1,162.60	550.85	27%
Balrampur Chini Mills Limited	565.40	339.40	19%
Triveni Engineering and Industries Limited	331.80	229.70	14%
Oil Industry Stocks			
Company	Stock price as at 14.08.2025	Stock price as at 19.08.2022	3-year Stock CAGR return
Oil India Limited	400.75	126.20	47%
Hindustan Petroleum Corporation Limited	394.35	175.80	31%
Indian Oil Corporation Limited	140.13	72.15	25%
Bharat Petroleum Corporation Limited	318.05	169.13	23%
Oil & Natural Gas Corporation Limited	236.94	134.60	19%

Following table shows increase in operating margins over the quarters of domestic oil selling giants (% calculated on sales, and actual operating profit in crore rupees given) –

Company	Jun-25	Mar-25	Dec-24	Sep-24
Hindustan Petroleum Corporation Limited	7% (7,461)	5% (5,795)	5% (5,495)	2% (2,316)
Indian Oil Corporation Limited	7% (13,267)	8% (15,029)	4% (7,573)	2% (3,467)
Bharat Petroleum Corporation Limited	9% (9,678)	7% (7,737)	7% (7,456)	4% (4,517)

Ethanol Blended Petrol (EBP) Program Success

Responding to a question on the success of the Ethanol Blended Petrol (EBP) programme, Shri Hardeep Singh Puri, Minister of Petroleum and Natural Gas highlighted that ethanol blending gained serious momentum only after 2014, when Prime Minister Narendra Modi assumed office. In 2014, ethanol blending was merely 1.53%. By 2022, India achieved 10% blending, five months ahead of schedule. The original target of 20% blending (E20) by 2030 was advanced to 2025 and has already been achieved in the current Ethanol Supply Year (ESY). This success, the Minister noted, was made possible through sustained policy reforms such as guaranteed pricing for ethanol, allowing multiple feedstocks, and rapidly expanding distillation capacity across the country.

Elaborating on the benefits of E20, the Minister said it results into reduction in greenhouse gas emissions, improves air quality and has already led to over ₹1.4 lakh crore in foreign exchange savings. He pointed out that 2G ethanol refineries in Panipat and Numaligarh are converting agricultural residues like parali and bamboo into ethanol, providing a win-win solution for clean fuel, pollution control, and farmer income. He further highlighted the remarkable growth of maize-based ethanol—from 0% in 2021-22 to 42% this year—calling it a transformational shift.

Conclusion

India's energy story is a tale of contrasts: refiners profit from Russian arbitrage while domestic consumers see little relief, and the government's E20 push poses near-term auto pain but long-term agri gain.

Investor Takeaway

For investors, the key is selectivity: exposure to refiners with strong domestic positioning and agro players aligned to ethanol demand could deliver superior risk-adjusted returns.

Performances

(1) Equity Market

Indices	01-07-2025	31-07-2025	High	Low
BSE S&P SENSEX	83,685.66	81,185.58	83,935.01	80,575.45
NIFTY 50	25,551.35	24,768.35	25,608.10	24,598.60

(2) Mutual Fund

AUM Data of Mutual Fund for the Month of June 2025

(INR. In Lakh Crore)

Particulars	AUM As On 30-06-2025	Fresh Fund Mobilize During July-25	Redemption During July-25	AUM As On 31-07-2025
Total AUM of all mutual funds scheme	73.31	14.38	12.59	75.10
AUM of equity oriented (growth) schemes	32.85	0.75	0.32	33.28

Source: Association of Mutual Fund of India (AMFI)

SIP Contribution

(INR. In Crore)

Month	SIP Contribution	SIP AUM
July-2025	28,464	15,19,456

(3) FII & DII Inflow/Outflow Position – July 2025

FII's selling in the month is 0.48 Lakh.
DII's buying in the month is 0.61 Lakh

(INR. In Crore)

FII /DII	Gross Purchase	Gross Sale	Net
FII	2.84 Lakh	3.32 Lakh	(0.48 Lakh)
DII	3.22 Lakh	2.61 Lakh	0.61 Lakh

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