


OIL & GAS

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World Petrochemical Conference (WPC 2026): key takeaways

- US-Iran conflict has disrupted petrochemical supply chains and also tightened the feedstock availability, leading to volatility in pricing
- Global petrochemical markets continue to face severe margin pressure, given the aggressive capacity additions
- RIL benefits from domestic demand and has diversified suppliers, is thus well positioned to manage this environment

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World Petrochemical Conference (WPC 2026): was held from March 23-27, 2026 in Houston, Texas. During the conference, the key points of discussion were – How US-Iran war is changing the dynamics in the chemical market; inputs/feedstocks for Petrochem players and outlook shaping 2026.

Recommendation snapshot

Ticker	Price	Target	Rating
RIL IN	1,359	1,610	BUY

Price & Target in Rupees | Price as of 13 May 2026

Dow chairman and CEO, Jim Fitterling: He explains that the Iran conflict has disrupted normal chemical market fundamentals by constraining the supply chains, particularly through shipping bottlenecks and feedstock disruptions in the Middle East. Demand remains uneven, with packaging and consumer-linked segments holding steady while housing and construction continue to face pressure.

He emphasises that the demand itself is not the core issue, as it is growing at a stable pace. Capacity additions in petchem products are happening which is putting pressure on end product prices and margins across the industry.

On geopolitical factors, he notes that the Iran-related disruptions have constrained flows (primarily feedstock) in the near term. The Iran conflict has pushed 20% of low-cost supply out of the market; raising costs and thereby moving up the global petrochemical cost curve. Even as routes reopen, petrochemical shipments are expected to lag essential commodities like oil, gas, and fertilisers. He stated that even if Strait of Hormuz (SOH) reopens today, it will take 275 days or more to resume normal operations due to a logistics backlog.

Reliance Industries (RIL): Management commented post Q4FY26 results that the Middle East conflict altered the operating environment, as it led to a tight feedstock supply from the region. This is because 60-70% of Asian Naphtha used for Petchem operations moves through Strait of Hormuz (SoH). In this environment, RIL benefits from domestic demand.

We maintain BUY on Reliance Industries (RIL) with TP of Rs1,610 based on EV/EBITDA, on Mar.28 – 6.5x for refining; 5.5x for Petchem; 12x for Telecom and 35x for Retail business.



- **Steve Prusak, President & CEO, Chevron Phillips:** He was positive on the demand. Stating that there has been no dramatic break-down in demand and the end-use consumption is intact; especially in packaging and essential applications which remains relatively stable.
 - He describes how producers are forced to operate in an environment where pricing is under pressure and margins compressed and with large capacity additions are increasing producers' exposure to international pricing and competitive pressures.
 - He explains that the growing global capacity has intensified competition, exposing producers to international pricing and compressing margins. In response, companies are prioritising efficiency over expansion—focusing on cost control, asset optimisation, and maintaining competitiveness in a low-margin environment.
- **Roger Kearns, President & CEO, Nova Chemicals:** He points out that the demand is not strong enough to offset the amount of new capacity that has been introduced globally. He describes an environment where volumes continue to move, but pricing remains under pressure, because producers are competing aggressively to place material. This leads to weaker margins across the industry.
 - Global oversupply in petcvhem driven in part by China's capacity expansion means that even efficient producers face lower realisations. In response, companies are investing in recycling and sustainability, focusing on long-term competitiveness vs immediate returns.
- **D.K. Agarwal, Deputy Group CEO, Indorama Ventures:** His perspective was on polyesters, Polyethylene terephthalate (PET) and recycling value chains. He focuses on how demand in PET and polyester remains structurally supported by consumption patterns, even if the growth is moderate.
 - He also highlights how this transition is changing the investment priorities. Instead of only expanding the virgin production capacity, companies are increasingly allocating capital towards recycling the infrastructure and sustainable solutions.
 - Another aspect that he talked about was the global nature of polyester and PET markets. He explains that these are highly interconnected markets, where regional imbalances can quickly affect the pricing and flow worldwide.
- **Rebecca Liebert, President and CEO, Lubrizol:** She considers the current market environment as mixed, but not fundamentally weak. She describes that the market is less about large-scale supply imbalances and more about customer-specific demand, innovation, and resilience across end markets.
 - She emphasises that Lubrizol's positioning allows it to be somewhat insulated from the kind of margin pressure seen in bulk petrochemicals.
 - A major theme in what she discusses is innovation and collaboration with customers. She explains that growth in specialty chemicals is closely linked to how well companies can anticipate and solve customer challenges. This

includes areas like improving product performance, enabling new applications, and meeting evolving regulatory or sustainability requirements.

Similar views were expressed by the management of RIL and Chinese companies (Sinopec & PetroChina).

Sinopec (China Petroleum & Chemical Corp): State-owned refiner of China heavily relies on crude imports, increasing exposure to global turbulence vs some peers. China has put restrictions on fuel exports and refiners have cut the activity, in the wake of the conflict. Net income of China's largest oil refiner rose to 17.7bn yuan (USD2.6bn) in the first quarter Jan-March 2026, from nearly 14bn yuan a year earlier.

- China's sizeable stock of a low-cost inventory built-up prior to the war, may provide a buffer against downstream pressure. However, the hike in fuel prices is threatening to accelerate electrification across China's economy, which will be a longer-term challenge.
- To help cover a crude oil supply gap and restore refinery processing margins, Sinopec has sought policy support to tap into the commercial oil reserves and has obtained a full-year government quota for refined fuel exports this year. Its Asian refining processing margins have soared due to the war.

PetroChina: PetroChina operates an integrated model – covering upstream exploration, midstream transport and downstream refining/marketing. The company benefits from elevated oil and gas prices in the current environment.

- Net income rose to 48.3bn yuan (USD7bn) in the first quarter Jan-March 2026, from 46.8bn yuan a year earlier. The elevated oil and gas prices on effective closure of the Strait of Hormuz are aiding PetroChina's upstream expansion. So far, China's massive oil reserves have shielded it from the worst impacts of the conflict. Domestic consumption of refined oil products saw a marginal increase in the first quarter, while natural gas demand remained stable.
- The increasingly widespread issues are a sore point for producers and traders who are already grappling with the biggest oil supply shock in the history and threaten to haunt the key Middle Eastern energy markets long after shipping through the resumption of Strait of Hormuz. A unit of PetroChina Co. has clashed, with Shell Plc over a cargo of Emirati crude that was due to load in March month as per Media reports.

Reliance Industries (RIL): Management commented post Q4FY26 results that the Middle East conflict has altered the operating environment, as it caused a tight feedstock supply from the region. This is because 60-70% of Asian Naphtha used for Petchem operations moves through Strait of Hormuz (SoH). About 3.8mn tonnes of naphtha flows out of Strait of Hormuz (SoH). Further fuel gas shortages – LNG from Qatar energy – impacted Asian petchem crackers in Taiwan, Korea, Japan, Malaysia and Singapore. This resulted in decline of Asian cracker utilisation from 80% to 60% in March 2026.

- Chemical exports from Middle East also get blocked. Middle East accounts for 13% of ethylene capacity and 25% of global chemical exports which includes

polyethylene, polypropylene, methanol, styrene etc. Uncertainty continues to exist on product flows which is likely to tighten downstream chemical margins in near term.

- For RIL; elevated feedstock price of Naphtha led to weak polymer margins/deltas. For Q4FY26; naphtha prices were higher by 13%YoY and polymer product margins were lower YoY: Polyethylene (PE) margin down by 4%YoY and Polypropylene (PP) margin down by 28%YoY. This led to Oil-to-Chemicals (O2C) EBITDA declining by 4%YoY and 12%QoQ.
- Broad demand is stable for Polymer (flat YoY) and polyester (+1%YoY). Polymers – Polyethylene (PE) reported 3%YoY and Polypropylene (PP) reported 3%YoY domestic demand. Polyester – PSF reported 5%YoY demand in Q4FY26. Management expects the domestic demand to be resilient due to critical end-use applications (agriculture, infra and healthcare). However, demand growth for downstream chemical; products are likely to be influenced by availability of feedstock and price.

Fig 1 – Valuation summary

Particulars	Mar. 28E EBITDA (Rs mn)	Multiple (x)	Rs mn	Rs/share	Comments
Refining	340,824	6.5	2,215,354	174	6.5x EV/EBITDA
Petchem business	445,846	5.5	2,452,152	193	5.5x EV/EBITDA
Cyclical business			4,667,507	367	
Domestic E&P	187,613	4.5	844,259	66	4.5x EV/EBITDA
Value of Standalone business			5,511,766	434	
Other businesses					
Reliance Jio	827,484	12.0	9,929,808	782	
			6,596,371	519	On 12x EV/EBITDA on Mar.28; attributable value of 66.43% stake of RIL
Retail	337,844	35.0	11,824,537	931	On 35x EV/EBITDA on Mar.28 attributable value of 83.56% stake of RIL
			9,880,583	778	Option value at 1x Book value
Green energy			750,000	59	
Less -Net debt			2,284,440	180	
Target price (Rs)			25,731,670	1,610	

Source: Company, BOBCAPS Research

Summary: US–Iran conflict has produced a major supply shock, disrupting petrochemical feedstocks like ethylene and methanol and impacting a significant portion of global capacity. As a result, prices have become volatile, with short-term bullish pressure, despite the underlying oversupply conditions. Asian cracker utilisation rates have come down due to a cut in production.

- The conflict has also caused logistical bottlenecks, where petrochemicals are deprioritised behind essential commodities like oil and gas. Even after normalization, supply chains are expected to take time to recover, prolonging market disruption. The situation is forcing the companies to rethink supply chain resilience and sourcing strategies.
- This environment has reshaped product flows and led companies to diversify sources for their input requirements.

- We expect that energy markets will likely remain volatile in the near term, which will weigh on Asian region operating rates. The impact on companies with multi-geography sourcing and having strong demand from the local market will be limited.

Further policy measures announced by Gol in Upstream sector:

India rationalises upstream royalty regime to boost domestic oil & gas production. Positive for ONGC, Oil India and Reliance:

- Effective royalty on onshore crude oil production reduced from 16.66% to 10%. Offshore crude royalty lowered to 8%. Effective royalty on natural gas reduced to 8%. Introduction of a simplified “well-head price” mechanism with fixed deductions for post-production costs. Zero royalty for the first seven years for deepwater and ultra-deepwater blocks awarded under HELP/DSF regimes.
- For upstream companies, the move directly improves net realisations, operating profitability, and project viability:
 - Oil and Natural Gas Corporation (ONGC): the benefit is expected to be the most meaningful, given its large exposure to nomination regime onshore and offshore producing assets.
 - Oil India: is similarly positioned to benefit due to its sizeable onshore crude production portfolio.
 - Reliance Industries (RIL) : the impact is strategically positive, especially for deepwater gas production in the KG basin. The continuation of concessional royalty rates for deepwater and ultra-deepwater acreage strengthens the investment case for complex offshore developments that require high upfront capital expenditure and longer gestation periods.

Overall, royalty rationalisation marks another policy step toward creating a more globally competitive upstream framework in India.

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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