



Bald eagle strikes the colourful Icterus

The flip of the calendar witnessed start of a new era where the US struck upon Venezuela, capturing its President Nicolas Maduro and his wife. Maduro, after being elected as the President in 2013, has been ruling the country mostly by the *rule of decree*. This event would certainly create a short-term turbulence in the oil markets. Let us deliberate on the full context.

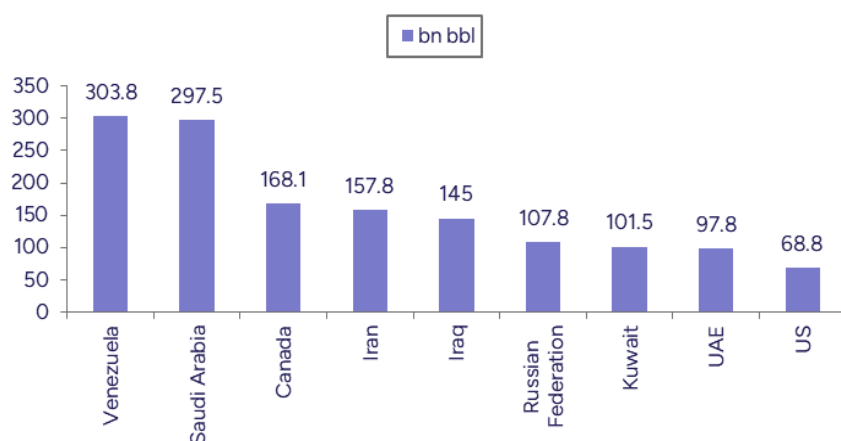
Venezuela has the largest proven oil reserves with estimate of 303.8bn bbl (2020) trailed by 297.5bn bbl of Saudi Arabia. The next three largest reserves are way behind at 168.1bn bbl, 157.8bn bbl and 145bn bbl with Canada, Iran and Iraq respectively. To keep things in the perspective, the largest consumer, the United States has meagre 68.8bn bbl of reserves. India, sadly, doesn't even count with 4.5bn bbl.

However, due to several factors, Venezuelan production has been way disappointing with barely ~1mn bopd in Nov'25 vs the United States at 13.7mn bopd and Saudi Arabia at 9.7mn bopd. In fact, Venezuelan production is one-third of what it used to be a decade back. The prolific reserves of Venezuela have been a public knowledge since ages. In fact, going back to 1970, one can see that Venezuela was indeed one of the largest oil producers with 3.7mn bopd, trailing behind 11.7mn bopd of the United States and 7.1mn bopd of the then USSR, but at par with Saudi Arabia at 3.9mn bopd. However, lack of expertise, under-investment, political interference, mis-management, corruption and then sanctions have paralyzed the exploitation of its oil reserves.

Will the recent events be a bane for the development of its oil reserves? After all, the other super powers like Russia and China also have deep relationship with Venezuela. They are unlikely to see the exploits landing in the pockets of the United States unilaterally. Or would be similar fallouts for China-Taiwan and Russia-Ukraine? It is hard to say. The next few days would be interesting to watch out for.

In the meantime, what is sure is that there is no Elder Wand of Harry Potter, the use of which is going to raise Venezuelan oil production immediately. Even for the first traces of this to appear, it would take atleast 3-6 months. In the short-term, the risk premium is expected to rise with global uncertainties and there may be minor spike as well depending upon how Russia and China respond to this. With Brent at ~USD60/bbl, we place our bets on upstream companies ONGC and Oil India. The OMCs are set to retain their profitability with low oil prices. However, the recent excise hike in cigerrattes also signals towards a probable rise in excise duty for petrol and diesel, with OMCs expected to absorb like in April 2025 and makes us wary, especially at current rich valuations.

Exhibit 1: Venezuela ranks first in proven oil reserves

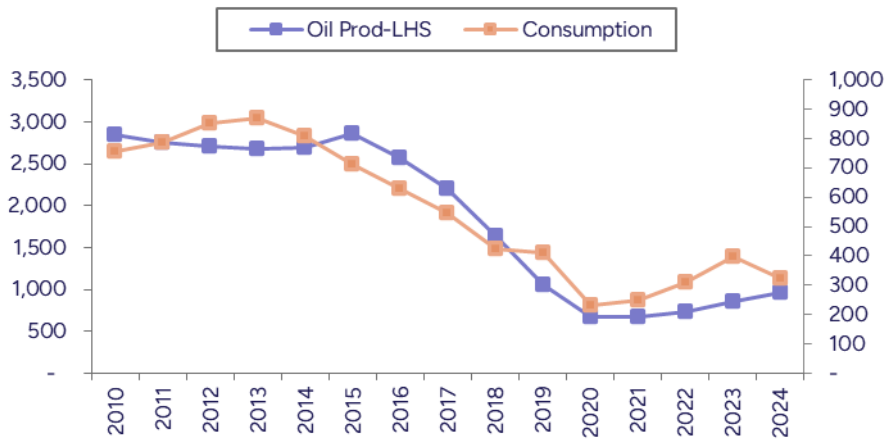


Source: BP Statistical Reserves, PL

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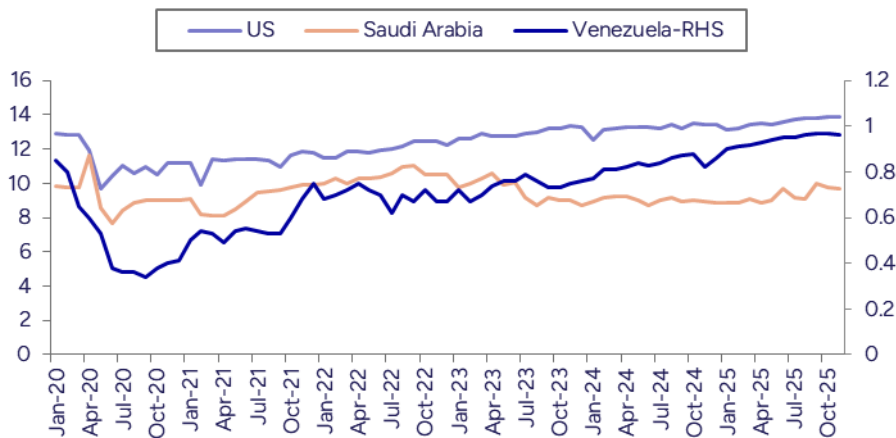
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Exhibit 2: Venezuelan production and consumption of oil (kbopd)



Source: BP Statistical Reserves, PL

Exhibit 3: Oil production of Venezuela compared with US and Saudi Arabia



Source: EIA, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	403	375
2	Bharat Petroleum Corporation	Hold	361	357
3	Bharti Airtel	Accumulate	2,259	2,113
4	Clean Science and Technology	Hold	1,002	981
5	Deepak Nitrite	Hold	1,768	1,741
6	Fine Organic Industries	BUY	5,386	4,346
7	GAIL (India)	BUY	211	180
8	Gujarat Fluorochemicals	Hold	3,637	3,480
9	Gujarat Gas	Hold	415	408
10	Gujarat State Petronet	Hold	311	301
11	Hindustan Petroleum Corporation	Hold	476	476
12	Indian Oil Corporation	Accumulate	166	155
13	Indraprastha Gas	Reduce	201	213
14	Jubilant Ingrevia	Hold	695	677
15	Laxmi Organic Industries	Reduce	192	198
16	Mahanagar Gas	BUY	1,531	1,271
17	Mangalore Refinery & Petrochemicals	Accumulate	159	142
18	Navin Fluorine International	Accumulate	6,441	6,025
19	NOCIL	Hold	185	181
20	Oil & Natural Gas Corporation	BUY	292	249
21	Oil India	BUY	532	436
22	Petronet LNG	Hold	290	275
23	Reliance Industries	BUY	1,668	1,417
24	SRF	Hold	3,123	3,028
25	Vinati Organics	BUY	1,915	1,662

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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