



## **Not so Straight Strait of Hormuz**

The disruptions in one of the richest commercial hubs during 10<sup>th</sup>-17<sup>th</sup> century- The Strait of Hormuz, controlling 14-15mnbpod of crude oil transit, 1mnbopod of LPG and 2mnbopod of middle distillates currently, has kept global equity markets under stress for the past few days. Ongoing US/Israel-Iran war engulfing the whole of Middle East, has sent Brent surging from USD63.6/bbl in Q3FY26 to USD84/bbl currently. Attacks on regional refineries has sent diesel cracks surging from USD22.6/bbl in Q3FY26 to USD55/bbl currently. Similarly, petrol crack spread has also jumped from USD13/bbl in Q3FY26 to USD18/bbl currently.

How long will these continue, only time will tell. However, if history is to be believed, the Strait of Hormuz has never been closed for an elongated period of time. We delve into instances of disruptions in the Strait of Hormuz since 2000.

Largely, two instances have been there, one in 2011-12 and the other in 2019.

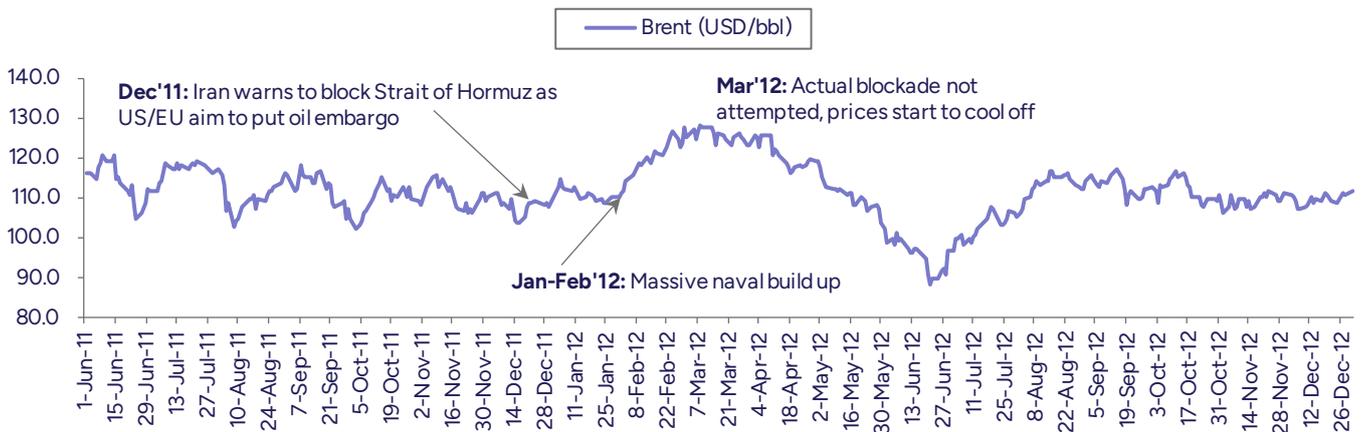
**US/EU embargo on export of Iranian crude oil:** By Dec'2011, when US/EU started to put sanctions against Iranian Central Bank as a part of sanctions against export of Iranian crude, Iran started threatening to block the Strait of Hormuz. Iran started naval exercises as a precursor to the blockade. Amidst these events, the US and its allies deployed a large naval presence by Jan-Feb'12. The Strait was never closed and oil prices, which had jumped by 10-12% started to cool off by Mar'12.

**Sabotage of Saudi Arabian oil field:** In May'19, four vessels were damaged just outside the Strait of Hormuz. In Jun'19, few more tankers were attacked in The Gulf of Oman. Iran's Revolutionary Guards were largely believed to be responsible for this. In Jul'19, Britain and Iran seized each other's tankers. Operation Sentinel was launched involving US, UK, Australia, Bahrain, Saudi Arabia and UAE. In Sep'19, Abqaiq and Khurais oil assets of Saudi Arabia were attacked cutting supply of 5.7mnbopod of oil temporarily. This resulted in 20% jump in oil prices immediately. Once again, the Strait was never closed and oil prices normalized by Oct'19.

**Will 2026 be any different?** Hard to say, honestly. Iranian government has been cornered critically, which has resulted in nearly an all-out war across the Middle East. We have already been witnessing a fledgling global economy. Large parts of Europe are either already in recession or near recession. The US witnessed 1.4% growth in Q4CY25. Chinese economy grew by 5% in 2025. Official target is to grow by 4.5-5% in 2026, the lowest growth target since 1990s. Sustained high oil prices may challenge global growth further and may strain whatever temporary boost these expansions in cracks and Brent may give to few companies through lower equity flows.

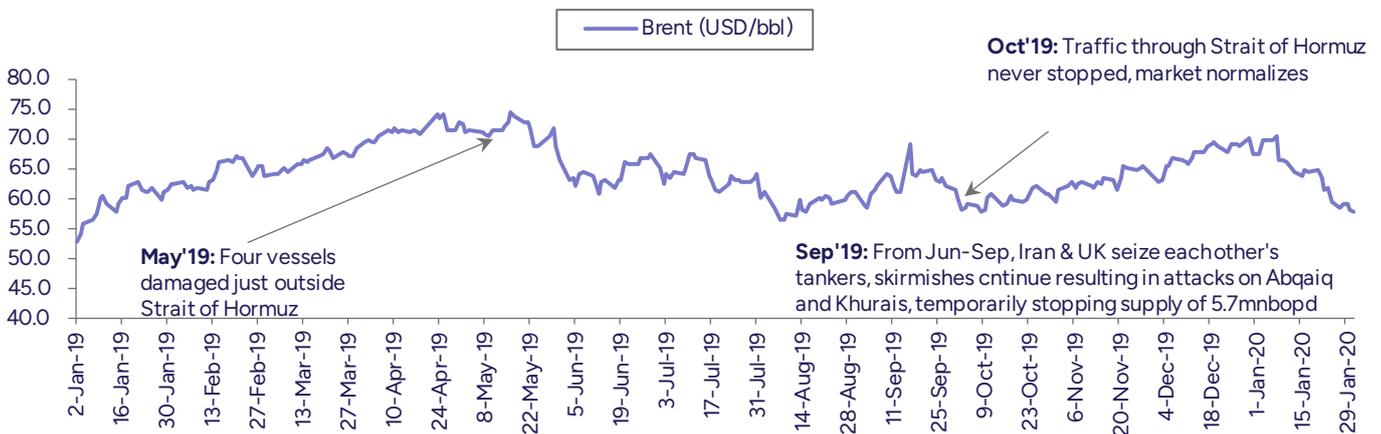
**Our picks:** Post the recent volatility, we maintain our positive stand on OMCs, RIL, Mahanagar Gas and GAIL. Among the OMCs, we prefer HPCL, trading at ~1x FY28 PBV. With Rajasthan refinery also being commissioned, we expect its debt to start coming off. RIL is likely to benefit from strong cracks and expected consolidation in Petrochem capacities globally. Mahanagar Gas is expected to maintain strong volume growth. GAIL is also expected to see volume growth in the medium term, while short-term issues could be there due to force majeure of Qatar Gas.

**Exhibit 1: Skirmishes of 2011-12**



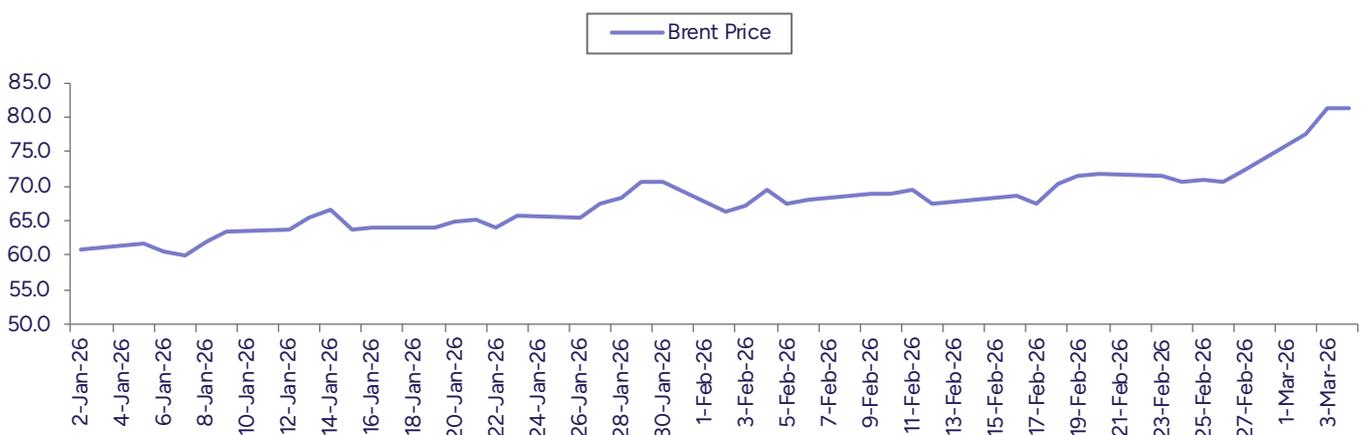
Source: Industry, PL

**Exhibit 2: Another one in 2019**



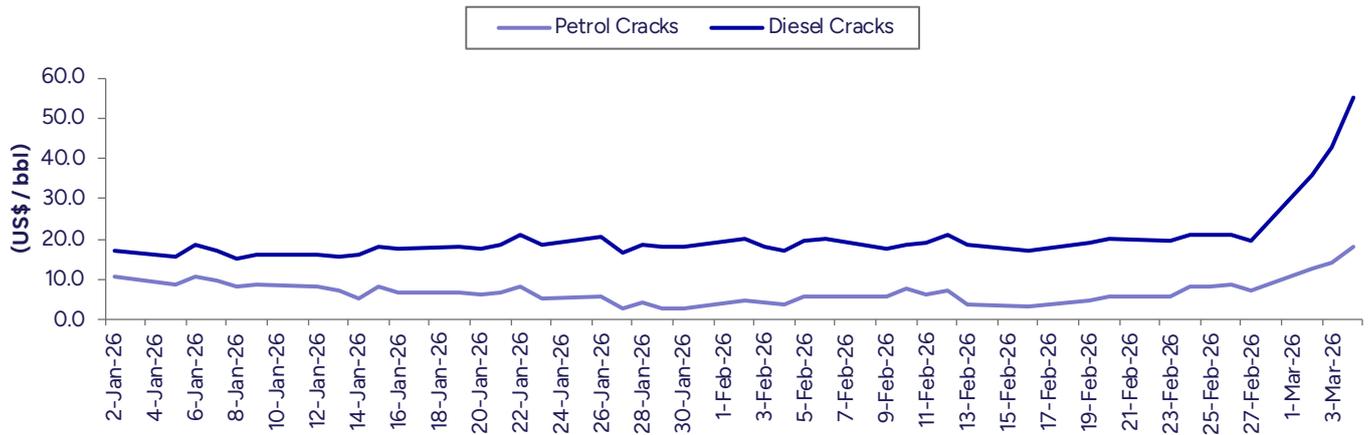
Source: Industry, PL

**Exhibit 3: Spike in Brent (USD/bbl)**



Source: Industry, PL

**Exhibit 4: Spike in fuel cracks**



Source: Industry, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	466	430
2	Bharat Petroleum Corporation	Accumulate	406	373
3	Bharti Airtel	Accumulate	2,313	2,038
4	Clean Science and Technology	Hold	841	861
5	Deepak Nitrite	Hold	1,673	1,634
6	Fine Organic Industries	BUY	5,117	4,423
7	GAIL (India)	BUY	190	160
8	Gujarat Fluorochemicals	Hold	3,434	3,360
9	Gujarat Gas	Accumulate	422	399
10	Gujarat State Petronet	Hold	296	303
11	Hindustan Petroleum Corporation	Accumulate	457	428
12	Indian Oil Corporation	Accumulate	195	176
13	Indraprastha Gas	Accumulate	191	167
14	Jubilant Ingrevia	Hold	657	626
15	Laxmi Organic Industries	Reduce	125	143
16	Mahanagar Gas	Accumulate	1,305	1,181
17	Mangalore Refinery & Petrochemicals	Accumulate	162	151
18	Navin Fluorine International	Accumulate	7,038	6,387
19	NOCIL	Hold	159	153
20	Oil & Natural Gas Corporation	Accumulate	297	267
21	Oil India	Accumulate	527	479
22	Petronet LNG	Hold	288	290
23	Reliance Industries	BUY	1,688	1,423
24	SRF	Hold	2,894	2,883
25	Vinati Organics	Accumulate	1,671	1,496

**PL's Recommendation Nomenclature**

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

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