

OMCs face renewed pressure as US-Iran peace talks collapse

Indian vessel carrying nearly 20,400 tonnes of LPG crossed Hormuz on April 11

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The profitability of India's oil-marketing companies (OMCs) is likely to come under renewed pressure after peace talks between the US and Iran ended without a breakthrough, a development analysts say could keep energy prices elevated.

Energy prices are expected to surge when markets reopen on Monday, they said.

The conflict in West Asia is likely to drag on, with uncertainty looming over the reopening of the Strait of Hormuz, posing energy supply challenges for Indian companies amid high energy prices. The US and Iran failed to reach an agreement on Sunday, with key differences remaining over the status of the Strait of Hormuz and Tehran's nuclear programme, according to officials.

Indian consumers may soon face higher fuel prices if OMCs are unable to absorb the impact of rising global rates.

"Procurement costs have escalated sharply over the past 30 days, particularly since the conflict's onset on February 28. While the Indian gov-



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ernment has temporarily shielded citizens through excise duty cuts of ₹10 per litre, the pressure on OMCs is mounting," said Deepak Mahurkar, partner-oil and gas at PwC.

"We are reaching a critical juncture where the ability of these firms to absorb these costs without passing them on to domestic consumers will be fundamentally challenged," added Mahurkar.

As state-run OMCs have left fuel prices unchanged despite crude

Cascading effect

- Indian consumers are likely to face higher energy prices if OMCs fail to absorb surging global rates
- Procurement cost has gone up significantly in last 30 days and is expected to climb
- The govt has increased export duties on diesel and ATF to secure domestic energy supplies
- Experts believe OMCs ability to curb domestic energy prices from rising will be challenged in near term

prices rising to over \$100 per barrel, the firms are incurring steep under-recoveries of ₹24.40 per litre on petrol and ₹104.99 per litre on diesel at current retail selling prices, the government said.

"Crude prices will jump on Monday as talks have failed. There will again be risks for vessels to pass through Strait of Hormuz. India's oil and gas sector will be impacted by the jump in energy prices. OMCs will see significant impact on both availability of supplies and their margins," said Prashant Vasisht, VP & co-head

of corporate ratings at Icra.

In a bid to secure domestic energy supplies and curb exports, the government has sharply increased export duties on diesel and aviation turbine fuel. The duty on diesel exports has more than doubled to ₹55.5 per litre from ₹21.5 per litre, while the levy on jet fuel exports has been raised to ₹42 per litre from ₹29.5 per litre.

Meanwhile, an Indian-flagged liquefied petroleum gas (LPG) vessel, Jag Vikram, carrying 20,400 tonnes of cooking fuel safely crossed the Strait of Hormuz on Saturday.

Of the Indian vessels stranded in Hormuz, the government is prioritising safe passage of LPG tankers amid an acute shortage of cooking fuel in the country. So far, seven other Indian-flagged LPG carriers have crossed the region and reached Indian ports. Despite the safe passage of several LPG tankers, India continues to face a cooking gas shortage due to the conflict in West Asia.

Fifteen vessels remain in the Persian Gulf, including one liquefied natural gas (LNG) carrier, six crude oil tankers, and one empty LPG vessel, with the rest comprising container, chemical, and bulk carriers.