

# OMCs may face LPG under-recovery of around ₹80,000 crore in FY27: Icra

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India's state-run oil marketing companies (OMCs) could face under-recoveries of around ₹80,000 crore on sale of liquefied petroleum gas (LPG) in FY27 if current loss levels persist throughout the year, rating agency Icra said on Wednesday.

"With supplies of LPG blocked from West Asia, international LPG prices have surged. While LPG production has been increased by the refining companies and cargoes procured from the US, Australia etc, addressing the supply side issues to an extent, under recoveries on sale of domestic LPG remain high for the OMCs," said Prashant Vasisht, senior vice president & co group head at Icra.

The OMCs are estimated to be incurring loss of ₹14 per litre and ₹18 per litre on sale of petrol and diesel, respectively,

at crude prices of \$120-\$125 per barrel and long-term averages of crack spreads, said Icra. The raw material cost pressures as well as supply constraints are likely to impact the profitability of key downstream sectors including oil marketing segment, fertiliser, chemical and city gas distribution (CGD) sector in FY27, amidst the ongoing West Asia conflict, it added.



**WEST ASIA  
CONFLICT**

The fertiliser sector also faces significant cost pressures driven by rise in the sulphur and ammonia prices, which in turn feed into other raw material and finished products. With the sharp raw material price inflation for both urea and non-urea fertiliser segment, Icra estimates the subsidy requirement for FY27 at ₹2.05 trillion to ₹2.25 trillion, with an upward bias.

"We expect the Government of India (GoI) to enhance the allocation towards fertiliser subsidy during FY27, from the

budgeted ₹1.71 trillion, to maintain a stable credit profile for this sector," said the rating agency.

The CGD sector continues to face rising cost pressures amid currency depreciation and rising gas prices. Icra expects profitability on domestic piped natural gas (PNG) for CGD entities to remain stable as demand is being met through preferential allocation of the administered price mechanism (APM) gas. However, for the CNG segment, the margins are expected to face headwinds on account of the increased gas costs as well as currency depreciation which might not get passed on fully to the consumers.

With the disruption in the Strait of Hormuz, 20 per cent of global oil and LNG trade and sizeable share of supplies of various fertilisers and chemicals has been impacted. The disruption has raised prices across commodities, exerting cost pressures in downstream industries, said Icra.