

MARGINS NEGATIVE DESPITE EXCISE DUTY CUT

OMC Losses to Deepen on W Asia Crisis: ICRA

Our Bureau

Mumbai: The West Asia conflict is worsening marketing margins for oil marketing companies (OMCs), which remain deeply negative despite a recent ₹10 per litre excise duty cut, ICRA said on Wednesday.

At crude prices of \$120-125 per barrel, marketing margins are estimated at around negative ₹14 per litre for petrol and ₹18 per litre for diesel, according to the ratings agency.

For every \$1 per barrel increase in crude prices, fuel marketing losses rise by about 60 paise per litre, assuming no change in retail prices.

The pressure comes amid disruptions in supply chains through the Strait of Hormuz, which handles about 20% of global oil and liquefied natural gas (LNG) trade. The disruption has pushed up prices of crude oil, natural gas, fertilisers and chemicals, raising costs across downstream sectors.

In the liquefied petroleum gas (LPG) segment, supply disruptions have led to a surge in

global prices, widening losses on domestic sales.

ICRA estimates LPG under-recoveries could reach ₹80,000 crore in FY27 if current trends persist, despite efforts by refiners to increase production and source cargoes from markets such as the US and Australia. The fertiliser sector is



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also facing higher input costs, particularly for sulphur and ammonia. Gas prices for urea production rose to about \$19 per mmbtu in April 2026 from \$13 prior to the crisis.

As a result, fertiliser subsidy requirements are projected at ₹2.05-2.25 lakh crore in FY27, above the budgeted ₹1.71 lakh crore, indicating a likely upward revision by the government. Profitability of phosphatic and potassic fertiliser makers is expected to moderate due to limited subsidy support and partial pass-through of higher costs.