



# REFINING AND MARKETING INDUSTRY

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Marketing margins of oil marketing  
companies to remain healthy, despite  
increase in excise duty

APRIL 2025





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*The marketing margins of oil marketing companies (OMCs) are expected to remain healthy despite the excise duty increase.*

*ICRA estimates the OMCs' net realisation to be higher by ~Rs. 9/litre for petrol and ~Rs. 11/litre for diesel vis-à-vis international product prices in April 2025, post increase in excise duty*



- **Oil prices have declined sharply to \$64-65/bbl as on April 10, 2025 from over \$77/bbl as on March 31, 2025**, owing to growing fears of a global recession with retaliatory tariffs being announced by China. Additionally, the planned production increase by OPEC+ is also contributing to the downward pressure on crude prices.



- **The Government of India (GoI) announced an increase in excise duty on petrol and diesel by Rs 2/litre** with effect from April 8, 2025; however, pump prices are not expected to change. Despite the hike in excise duties, the marketing margins of oil marketing companies (OMCs) are expected to remain healthy owing to the significant decline in crude oil prices recently. The increase in the GoI's excise duty collections owing to the hike is expected to be ~Rs 35,000 crore for FY2026.



- **The GoI increased the price of domestic LPG by Rs. 50 per 14.2 kg cylinder with effect from April 8, 2025.** The OMCs have witnessed significant under-recoveries on domestic LPG sales. The total under-recoveries on domestic LPG sales are estimated at Rs. 43,000 crore for FY2025. With increase in the price of domestic LPG from April 8, 2025, the under-recoveries are expected to reduce by ~Rs. 10,000 crore for FY2026.



- **The additional excise duty collection may be passed on to the OMCs to offset the under-recoveries on domestic LPG sales**, as indicated by the Minister for Petroleum and Natural Gas. Accordingly, despite the outlook for moderate gross refining margins (GRMs), healthy marketing margins on retail sales of auto fuels and the expected reduction in under-recoveries on domestic LPG sales would support the profitability of the OMCs in FY2026.



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