

REFINING AND MARKETING INDUSTRY

LPG under-recoveries reduce but
remain sizeable

SEPTEMBER 2025





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While losses on domestic LPG sales have reduced since April 2025 owing to softening global LPG prices, nevertheless under-recoveries remain elevated highlighting continued pressure on profitability of OMCs and need for Government support.



- **Rising LPG import dependence:** India's LPG production has remained nearly stagnant over the past several years, while consumption has steadily increased driven by the Pradhan Mantri Ujjwala Yojana (PMUY). The import dependence has accordingly increased to ~59% in FY2025 from ~49% in FY2019. The growing domestic demand along with elevated international LPG prices has contributed to the large under-recovery burden on oil marketing companies (OMCs).
- **Pradhan Mantri Ujjwala Yojana (PMUY) subsidy burden rising:** PMUY connections rose to 10.3 crore in FY2025 from 8 crore in FY2020, while average consumption increased to 4.5 cylinders/beneficiary/year from 3 cylinders/beneficiary/year during same period. The Government of India (GoI) has approved Rs. 12,000 crore for PMUY subsidy in FY2026, but ICRA projects a requirement at ~Rs. 15,000 crore, indicating a modest shortfall.
- **LPG under-recoveries remain elevated:** Under-recoveries on sale of domestic LPG were high in FY2025 owing to high international LPG prices and unchanged domestic retail prices. However, in Q1 FY2026, the burden eased following a Rs. 50/cylinder increase in cylinder prices and some softening of global LPG prices. Despite the increase the under-recoveries remain high at about Rs.50/cylinder.
- **Rs. 30,000-crore grant approved by GoI to offset losses.** In August 2025, the GoI sanctioned a Rs. 30,000-crore LPG subsidy package for OMCs to be paid in 12 tranches. However, even after adjusting for Rs. 30,000 crore pending grant, the net projected under-recovery remains substantial, at ~Rs.27000 crore as on March 31,2026 highlighting continued pressure on profitability of OMCs and need for additional Government support.



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