

Economic Research | India

The \$50bn benefit that limits fuel price hikes in India vs. global trends

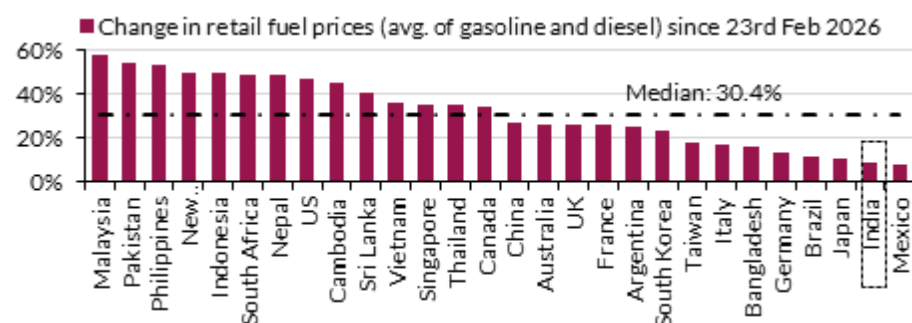
Even as geopolitical risks fade, with [33 ships crossing the Strait of Hormuz over 24 hours](#) (with permits), oil futures indicate Brent at or above US\$90/bbl for another six months at least. Going forward, if oil prices stay below US\$100, further hikes may be unnecessary other than to bring back the Rs10/l cut in excise. The relatively muted retail price increases in India (+8%) vs. those seen globally (median 30%) have created fears of large further increases. This is misplaced, as India's refining self-sufficiency effectively halves the necessary hikes in India: it only needs to adjust for US\$64bn of higher crude annually (at US\$105/bbl). There is no need to incorporate another US\$50bn equivalent jump in refining spreads (at 15-May levels), which some countries have had to.

25 May 2026

Fiscal

Retail fuel price hikes

Exhibit 1 - Retail fuel price hike in India among the lowest globally despite fall in INR



Source: www.globalpetrolprices.com, Axis Bank Research estimates

Jump in pump prices globally a wrong benchmark for India

Fuel prices at the pump have gone up sharply in several countries (Fig 1). Fears of large pending hikes in India (up only 8% so far) appear misplaced, in our view, once we account for: i) India's refining capacity surplus; and ii) counter-cyclical fiscal adjustments (India had raised taxes when crude fell; adjusted for the Rs10/l cut in excise, prices are up 18% in India). Refining self-sufficiency effectively halves the necessary hikes in India, as it only needs to adjust for US\$64bn of higher crude annually (at US\$105/bbl). Others also need to incorporate another US\$50bn jump in refining spreads (at 15-May levels). With [9% of global refining capacity knocked out](#), refining cracks are ~3x pre-war levels (Fig 3, 4). Refining surplus also delivers US\$8-10bn of gains on the current account as it is exported.

To be profitable (oil US\$105, USDINR 96), OMCs need Rs5-10/l of further hikes

Offsetting the material deterioration in marketing margins for Indian OMCs (Rs19/l loss on auto fuels) is the gain from elevated refining cracks: the blended margin is down only from Rs13/l pre-war to Rs4/l currently. As OMCs market more than they refine, they buy some refined products for sale: we assume these are procured from Indian private refiners at export parity prices (Fig 16, [link](#)). Still, to get to pre-war net margins for OMCs, the blended margin needs to be Rs9/l, implying Rs5/l of further hikes. If LPG prices are not hiked further, to offset the Rs740bn of annualized losses (Fig 10), another Rs5/l may be needed.

BoP, inflation-fiscal trade-off and the policy outlook

Crude prices are stabilising with [easing geopolitical risks](#), but oil futures still show prices above US\$90/bbl for another six months; the Rs10/l excise cut also needs to be reversed. Fuel price hikes so far imply a direct impact of ~35bps on CPI inflation; another Rs5-10/l could add 20-40bps. However, we see this just as a temporal adjustment: fiscal intervention spreads the impact on growth and inflation over time. The more immediate and necessary factor necessitating price transmission is the INR: FX markets are now getting the signal that the INR will not be forced to bear the entire burden of terms-of-trade adjustment.

Neelkanth Mishra

Neelkanth.Mishra@axisbank.com

Prateek Ancha

Prateek.Ancha@axisbank.com

Vipul Jindal

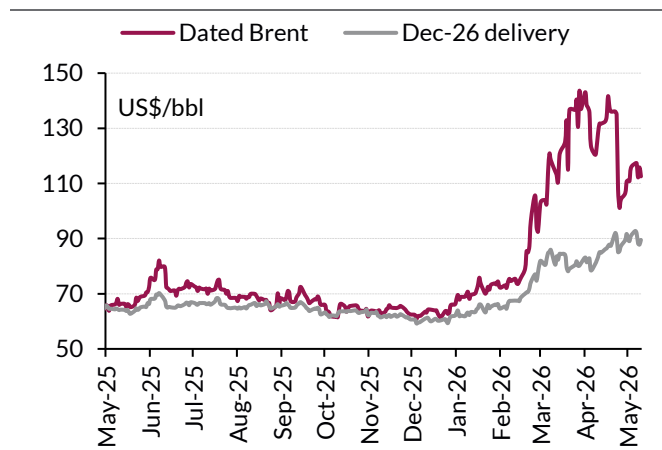
Vipul.Jindal@axisbank.com

Pulkit Kapoor

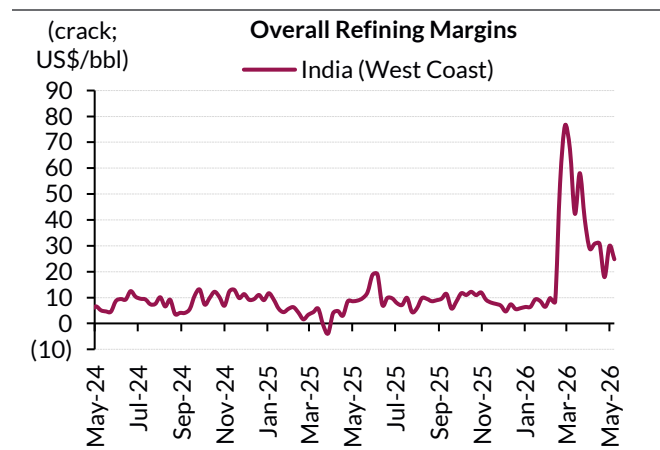
Pulkit1.Kapoor@axisbank.com

Tanay Dalal

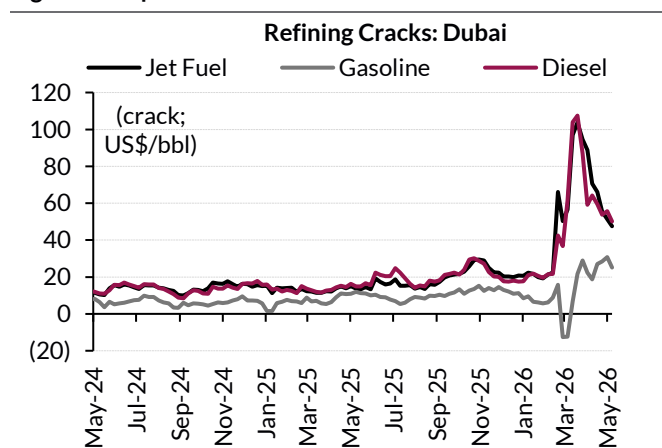
Tanay.Dalal@axisbank.com

Exhibit 2 – Crude oil prices are ~\$40/bbl above pre-war


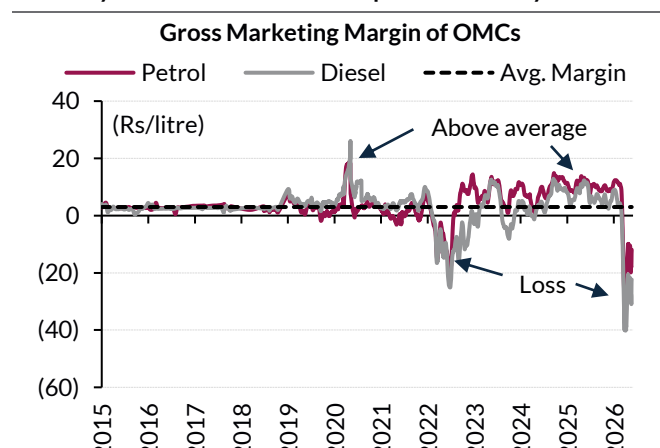
Source: Refinitiv, Axis Bank Research

Exhibit 3 – Higher refining cracks (~\$25/bbl) a partial hedge


Source: Refinitiv, Axis Bank Research

Exhibit 4 – Refining cracks for diesel and ATF are now >2x higher from pre-war levels


Source: Refinitiv, Axis Bank Research

Exhibit 5 – Blended gross marketing margin loss on auto fuels currently at ~Rs.17/litre after the price hike today


Source: Axis Capital estimates (Oil and Gas Team)

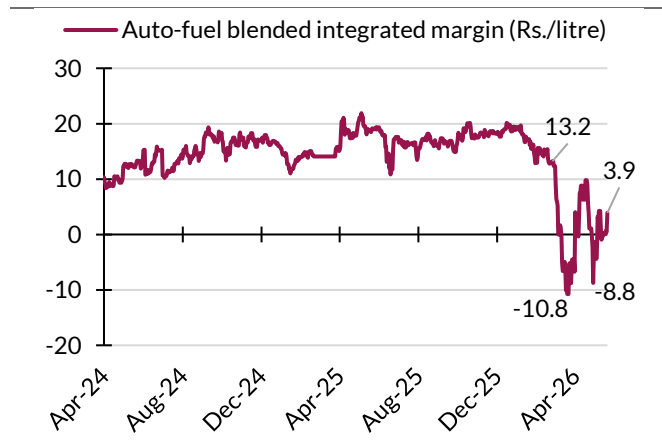
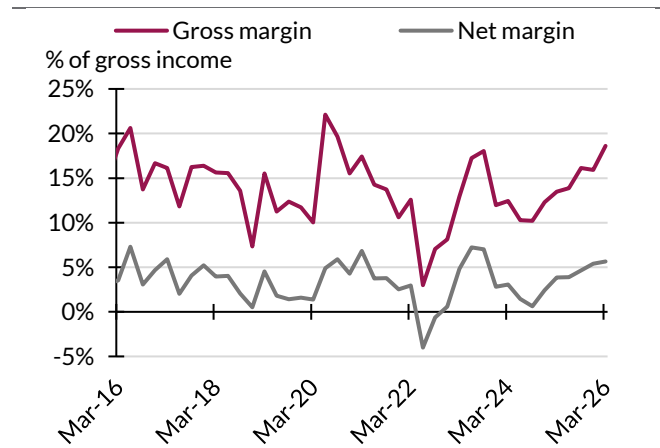
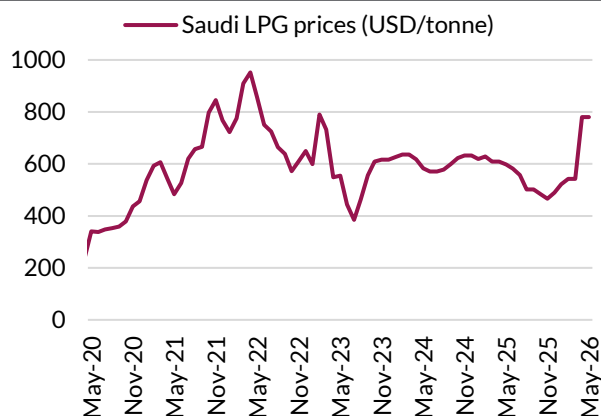
Exhibit 6 – Higher refining margins offset marketing losses; integrated margins at ~Rs. 4/litre (post the hike today)

Source: Axis Capital Report ([Link](#))

Exhibit 7 – OMCs net margins were healthy in Mar-26; more price hikes essential to restore positive net margins


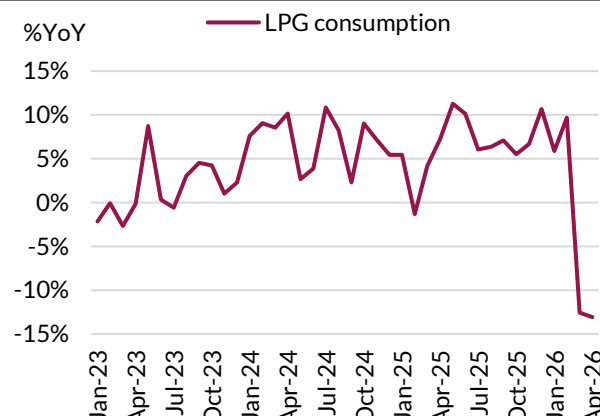
Source: Company, Axis Capital (Oil and Gas Team)

Exhibit 8 – Saudi LPG prices (most relevant for India) now 43% higher from pre-war levels



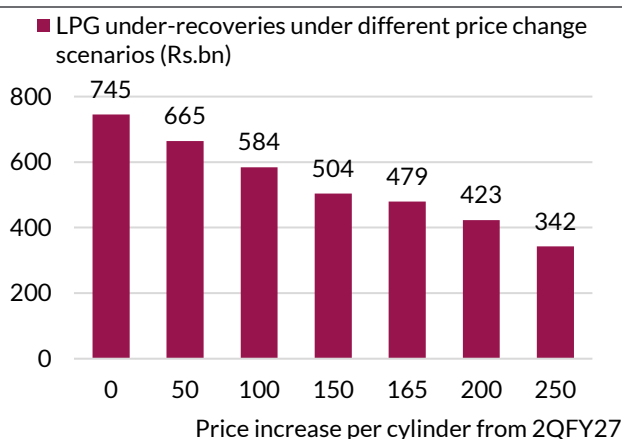
Source: Refinitiv, Axis Bank Research

Exhibit 9 – Higher prices and supply shortages have led to a 13% decline in domestic LPG consumption since March



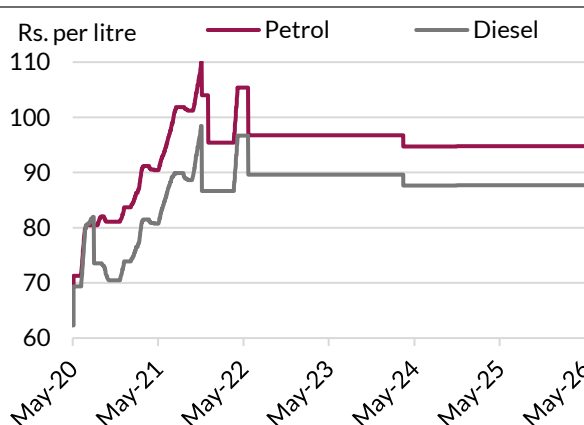
Source: PPAC, Axis Bank Research

Exhibit 10 – LPG under-recoveries under different price change scenarios from 2QFY27 (assuming no change in 1Q)



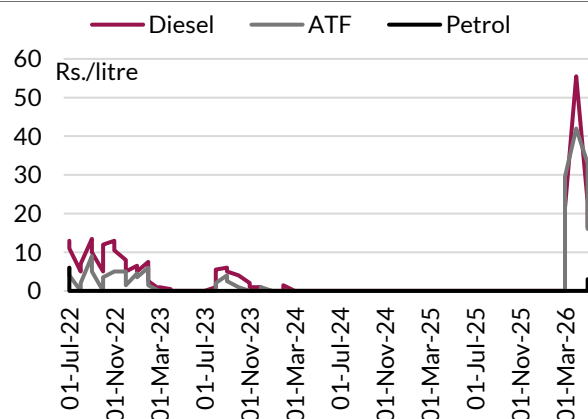
Source: PPAC, Axis Bank Research

Exhibit 11 – The recent hikes of Rs.7.5/litre (cumulative so far) in retail prices occurred after four years (Russia-UKR war)



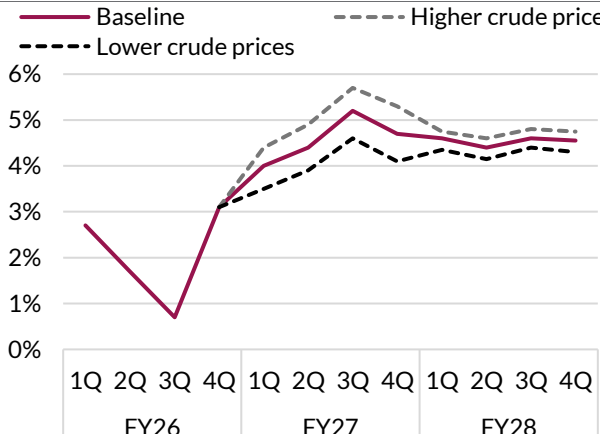
Source: CEIC, Axis Bank Research

Exhibit 12 – Trajectory of export duty changes in petroleum products (Govt. has lowered windfall gains; details in Fig 16)



Source: PPAC, Axis Bank Research

Exhibit 13 – 50bps inflation impact if crude prices increase by 10% over the baseline (\$85/bbl)



Source: RBI MPR Apr 2026

Exhibit 14 – Revenue loss/gains from excise duty cuts/export duty hikes under different scenarios

	Petrol	Diesel	ATF	Total
Revenue loss due to excise duty cut on petrol and diesel of Rs.10/litre				
Consumption (000 MT): FY26	42,586	94,704	--	137,290
Excise duty cut per litre	10	10	--	
PPAC Conversion Factors (MT to KL)	1.411	1.21	1.288	
Scenario 1: FY27 consumption growth as per PPAC est. (Petrol: +5.4% YoY, Diesel: +1.8% YoY)				
Consumption (000MT): FY27E	44,877	96,399	--	141,276
Consumption (000KL): FY27E	63,321	116,643	--	179,964
Revenue loss (Rs.bn)	633	1,166	--	1,800
Scenario 2: Lower growth in consumption in FY27 (Petrol: +3% YoY, Diesel: +1% YoY)				
Consumption (000MT): FY27E	43,864	95,651	--	
Consumption (000KL): FY27E	61,892	115,738	--	177,629
Revenue loss (Rs.bn)	619	1,157	--	1,776
Scenario 3: No growth in consumption of petrol and diesel for FY27				
Consumption (000MT): FY27E	42,586	94,704	--	
Consumption (000KL): FY27E	60,089	114,592	--	174,681
Revenue loss (Rs.bn)	601	1,146	--	1,747
Revenue gains due to hikes in export duties for diesel, ATF and petrol				
Exports (000 MT): FY26	16,666	27,318	6,806	50,790
Exports (000 KL): FY26	23,515	33,055	8,766	65,336
Hikes in exports duties (Rs. Per litre)	3	16.5	16	
Note: Latest figures, details in Exhibit 16				
Scenario 1: Slowdown in export volumes by 5% YoY				
Exports (000 KL): FY27E	22,339	31,402	8,328	62,070
Export duty collections (Rs.bn)	59	560	153	772
Scenario 2: Exports growth for Apr-May at -10% YoY (estimated growth from Apr trade figures); no growth thereafter				
Exports (000 KL): FY27E	23,138	32,614	8,607	64,359
Export duty collections (Rs.bn)	62	577	156	796
Scenario 3: No growth in export volumes				
Exports (000 KL): FY27E	23,515	33,055	8,766	65,336
Export duty collections (Rs.bn)	62	589	161	812

Source: PPAC, Axis Bank Research

Exhibit 15 – Possibilities where the estimates of OMC net margins could be different from currently estimated

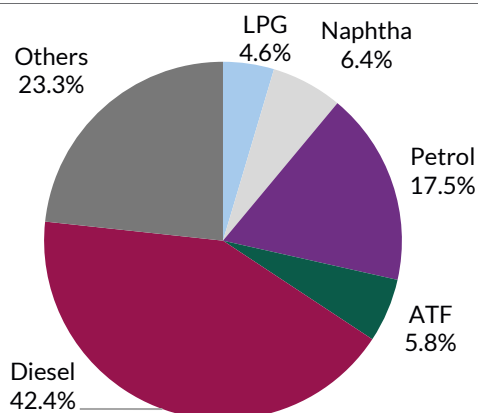
Upside	Downside
1. Higher crack margins for Indian refineries due to higher proportion diesel in the refining mix. 2. Buying from private refiners at slightly lower than market cost. 3. Modelling on Brent crude prices where Indian import basket is more diversified and landed price could be lower	1. Higher proportion of crude buying at spot prices. 2. Higher insurance and freight costs increasing the import parity price. 3. Further INR depreciation

Source: Axis Bank Research

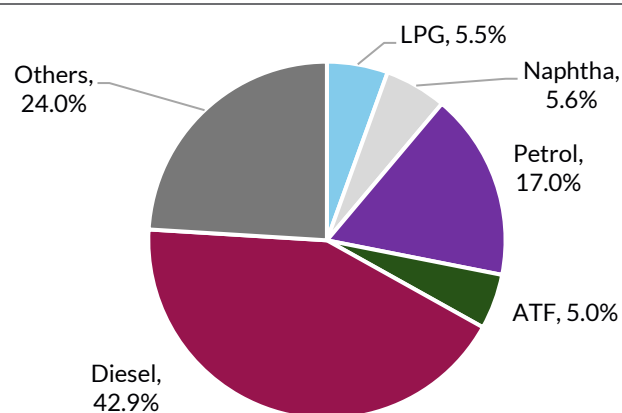
Exhibit 16 – Measures taken by the govt. on auto fuels and LPG since West Asia conflict started

Date	Measures announced
7-Mar-26	Households LPG cylinder price hiked by Rs.60 and commercial LPG cylinder price hiked by Rs.115
27-Mar-26	Hike in export duties: Diesel: Rs.21.5/litre ATF: Rs. 29.5/litre Excise duty cuts: Rs.10/litre on petrol and diesel
1-Apr-26	Commercial LPG cylinder (19kg) prices hiked by Rs.195.5 to Rs. 2,078.5 (Delhi)
11-Apr-26	Changes in export duties: Diesel: Duties hiked to Rs.55.5/litre ATF: Duties hiked to Rs.44/litre
1-May-26	Changes in export duties: Diesel: Duties reduced to Rs.23/litre ATF: Duties reduced to Rs.33/litre
1-May-26	Commercial LPG cylinder (19kg) prices hiked by Rs.993 (to Rs. 3,071.5 in Delhi)
15-May-26	Retail auto fuel pump prices hiked by Rs.3/litre CNG prices hiked by Rs.2/kg
16-May-26	Changes in export duties: Diesel: Duties reduced to Rs.16.5/litre ATF: Duties reduced to Rs.16/litre Petrol: Introduced export duty of Rs.3/litre
19-May-26	Retail auto fuel pump prices hiked by Rs.0.9/litre CNG prices hiked by Rs.1/kg
23-May-26	Retail auto fuel pump prices hiked by Rs.0.9/litre (Diesel: 0.91, Petrol: 0.87) CNG prices hiked by Rs.1/kg

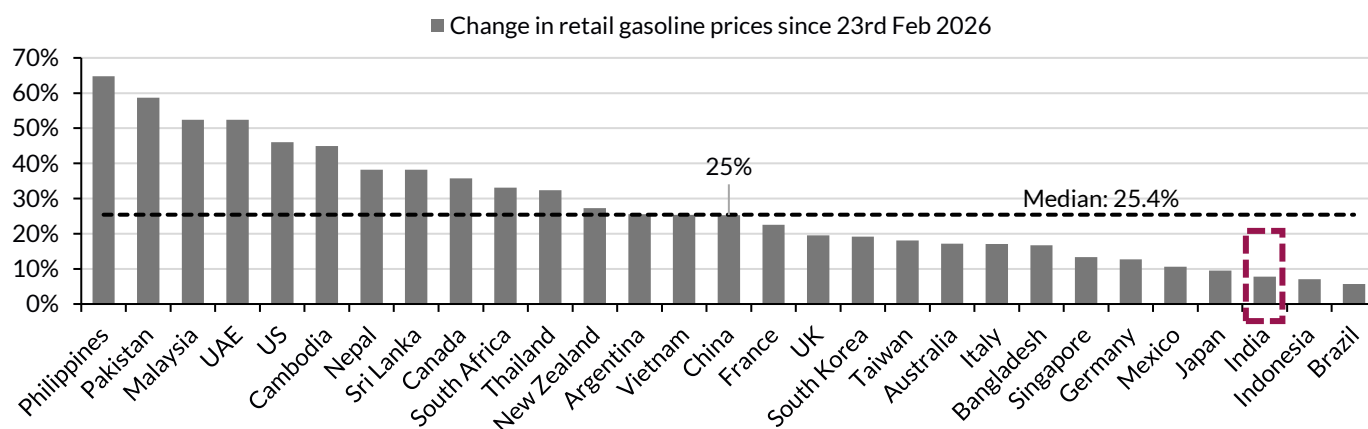
Source: News reports, Axis Bank Research

Exhibit 17 – Refining mix in India skewed towards diesel and petrol


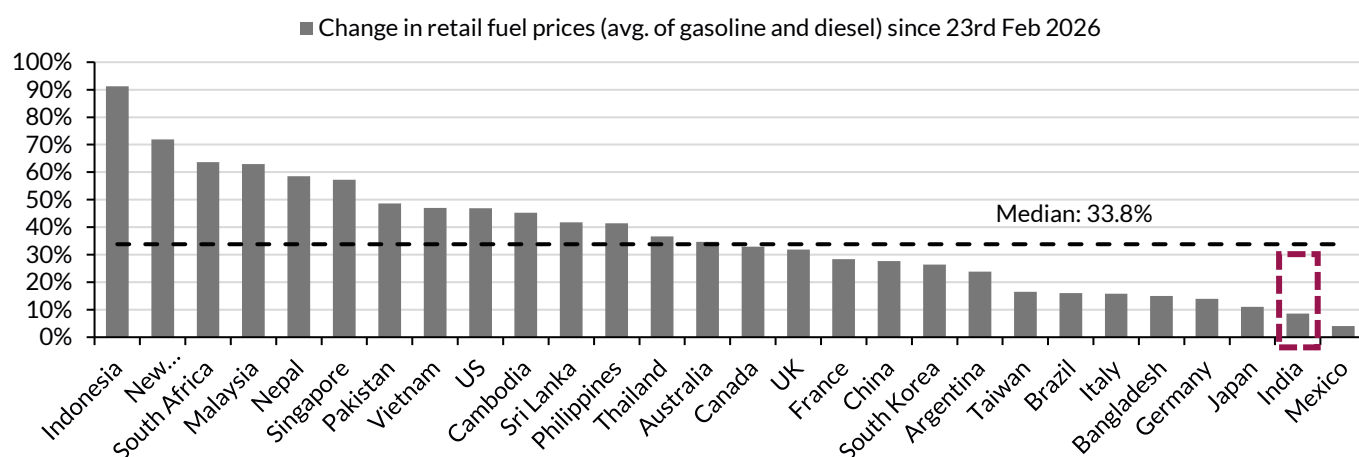
Source: PPAC, Axis Bank Research

Exhibit 18 – 1pp increase in LPG production share in the month of Mar-26


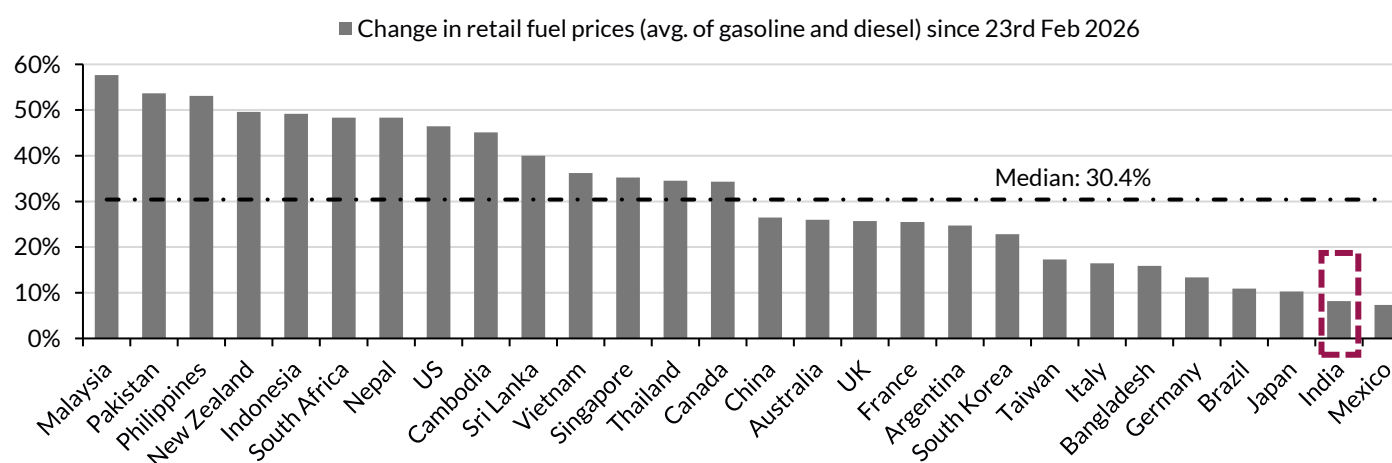
Source: PPAC, Axis Bank Research

Exhibit 19 – Petrol pump prices rose the most in Philippines, Pakistan and Malaysia


Source: www.globalpetrolprices.com, Axis Bank Research

Exhibit 20 – Diesel pump prices in Indonesia rose by 90% vs. pre-war


Source: www.globalpetrolprices.com, Axis Bank Research

Exhibit 21 – The simple average of auto fuel prices hikes was high in several Asian economies


Source: www.globalpetrolprices.com, Axis Bank Research

Disclaimer: The report and information contained herein is of confidential nature and meant only for the selected recipient and should not be altered in any way, transmitted to, copied, or distributed, in any manner and form, to any other person or to the media or reproduced in any form, without prior written approval of Axis Bank. The material in this document/report is based on facts, figures and information that are obtained from publicly available media or other sources believed to be reliable and hence considered true, correct, reliable and accurate but Axis Bank does not guarantee or represent (expressly or impliedly) that the same are true, correct, reliable and accurate, not misleading or as to its genuineness, fitness for the purpose intended and it should not be relied upon as such. Artificial Intelligence tools may have been used (i) during the information gathering stage for compiling or collating data from (a) publicly available sources, (b) databases to which Axis Bank subscribes, and (c) internally generated research data; and/or (ii) for compiling summaries of this report. The opinion expressed (including estimates, facts, figures and forecasts) is given as of the date of this document is subject to change without providing any prior notice of intimation. Axis Bank shall have the rights to make any kind of changes and alterations to this report/ information as may be required from time to time. However, Axis Bank is under no compulsion to maintain or keep the data/information updated. This report/document does not mean an offer or solicitation for dealing (purchase or sale) of any financial instrument or as an official confirmation of any transaction. Axis Bank or any of its affiliates/ group companies shall not be answerable or responsible in any way for any kind of loss or damage that may arise to any person due to any kind of error in the information contained in this document or otherwise. This document is provided for assistance only and should not be construed as the sole document to be relied upon for taking any kind of investment decision. The recipient is himself/herself fully responsible for the risks of any use made of this information. Each recipient of this document should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment in the securities of companies mentioned in this document (including the merits, demerits and risks involved), and should further take opinion of own consultants, advisors to determine the advantages and risks of such investment. The investment discussed or views expressed herein may not suit the requirements for all investors. Axis Bank and its group companies, affiliates, directors, and employees may: (a) from time to time, have long or short positions in, and deal (buy and/or sell the securities) thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn commission/brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The applicable Statutory Rules and Regulations may not allow the distribution of this document in certain jurisdictions, and persons who are in possession of this document, should inform themselves about and follow, any such restrictions. This report is not meant, directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would not be in conformation to the law, regulation or which would require Axis Bank and affiliates/ group companies to obtain any registration or licensing requirements within such jurisdiction. Neither Axis Bank nor any of its affiliates, group companies, directors, employees, agents or representatives shall be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information. Prospective investors and others are cautioned and should be alert that any forward-looking statements are not predictions and may be subject to change without providing any notice. Past performance should not be considered as a reference to future performance. The disclosures of interest statements if any included in this document are provided only to enhance the transparency and should not be construed as confirmation of the views expressed in the report. The views expressed in this report reflect the personal views of the author of the report and do not reflect the views of Axis Bank or any of its associate and group companies about the subject company or companies and its or their securities.

Disclaimer for Singapore clients: This document is published by Axis Bank Limited, India ("Axis Bank") and is distributed in Singapore by Axis Bank. This document is not a research analysis or report concerning any investment product. This document does not provide or purports to provide individually tailored investment advice, commentary or opinion. The contents in this document have been prepared and are intended for general distribution strictly to accredited investor, expert investor or institutional investor. A recipient of this document shall not provide or circulate this document to any other person. The contents in this document do not take into account the specific investment objectives, financial situation, or particular needs of any particular person. The instruments and product types mentioned in this document may not be suitable for all investors. You should independently evaluate particular investments or product types and seek independent advice from a financial adviser regarding the suitability of such instruments or product types, taking into account your specific investment objectives, financial situation and particular needs, before making a commitment on any instruments or product types. This is because the appropriateness of a particular instrument or product type will depend on your individual circumstances and investment objectives, financial situation and particular needs. The instruments and product types mentioned in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Disclaimer for DIFC clients: Axis Bank Limited (DIFC branch) is duly licensed and regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority ("DFSA"). This document is intended for use only by Professional Clients (as defined in the Rule 2.3 of the Conduct of Business Module of the DFSA Rulebook) who satisfy the regulatory criteria set out in the DFSA Rules, and should not be relied upon, acted upon or distributed to any other person(s) other than the intended recipients.