AXIS BANK

Economic Research | India

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

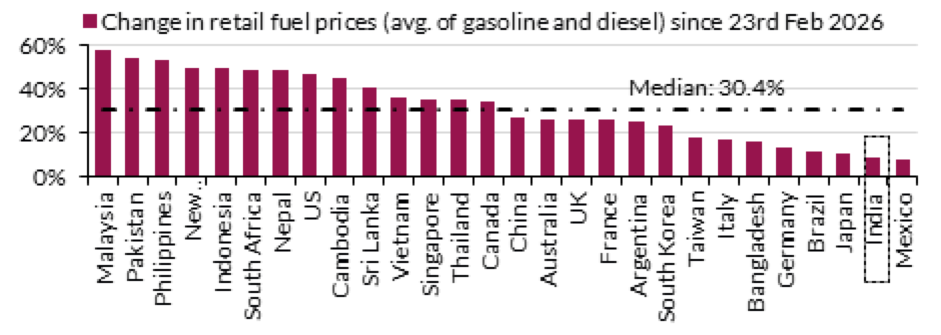
25 May 2026

Fiscal

Retail fuel price hikes

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.

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.

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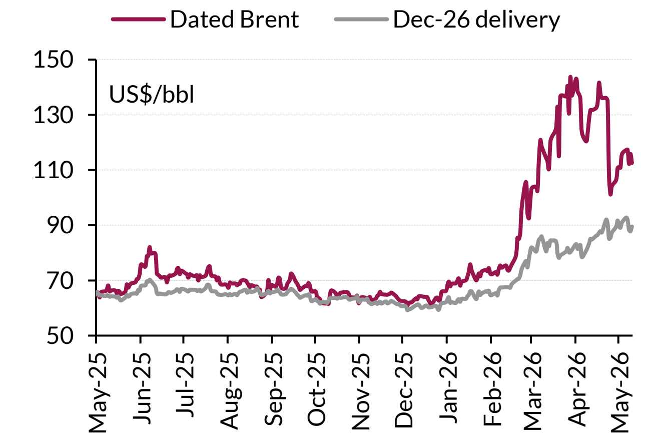
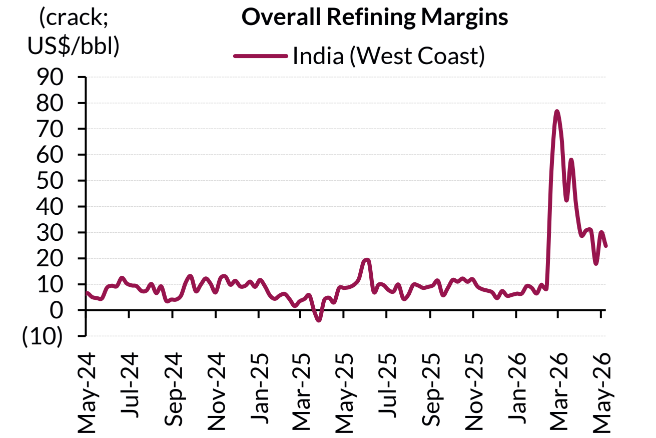
Exhibit 2 – Crude oil prices are ~$40/bbl above pre-war



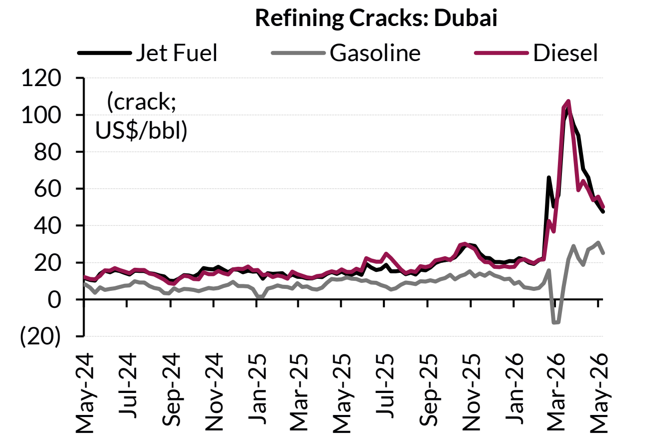
Source: Refinitiv, Axis Bank Research

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



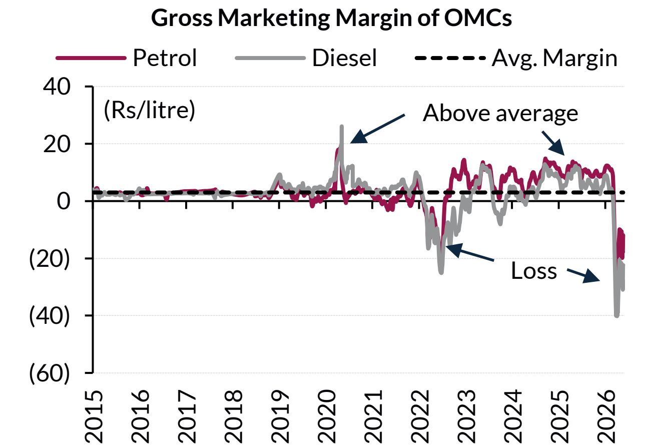
Source: Refinitiv, Axis Bank Research

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



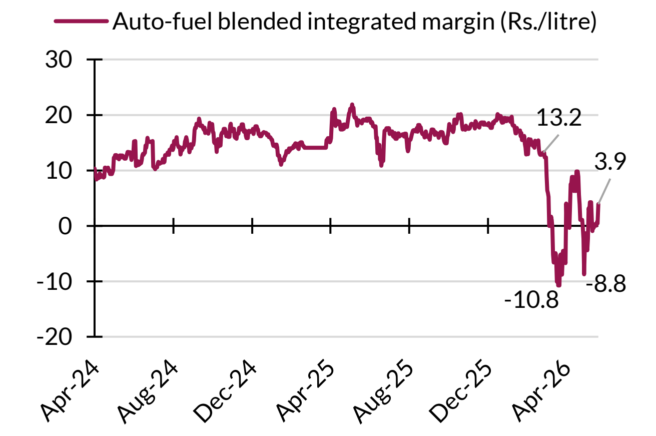
Source: Refinitiv, Axis Bank Research

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



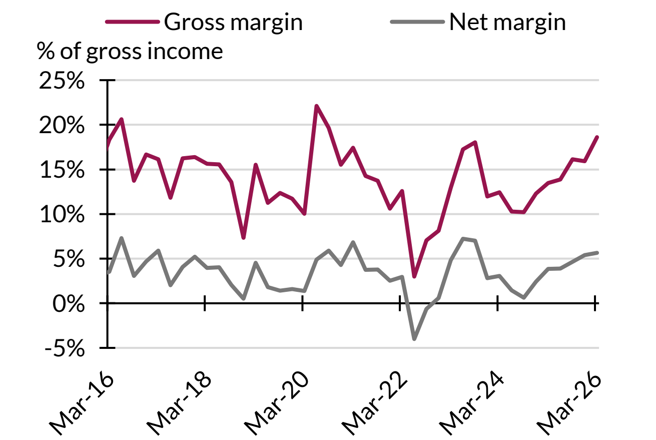
Source: Axis Capital estimates (Oil and Gas Team)

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



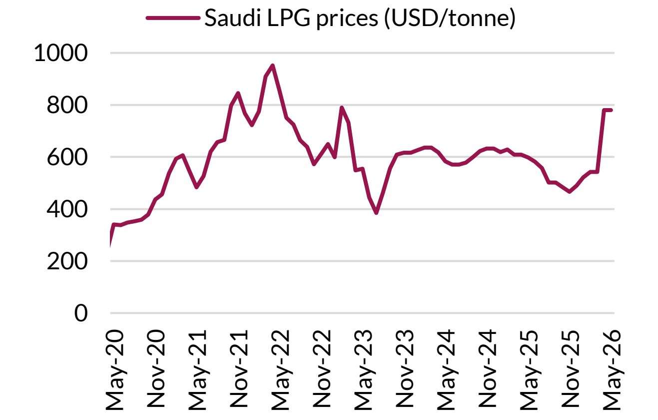
Source: Axis Capital Report (Link)

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



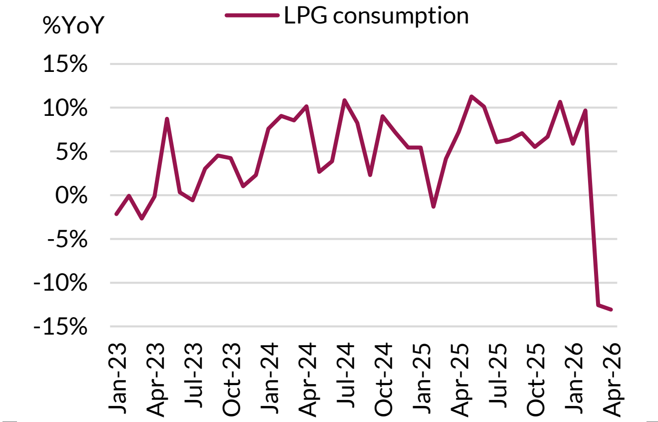
Source: Company, Axis Capital (Oil and Gas Team)

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



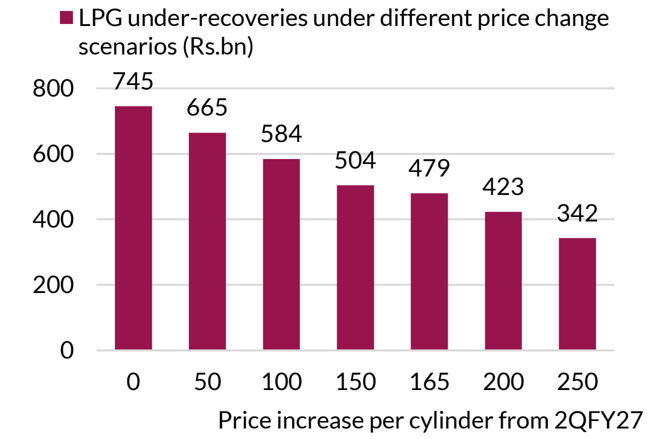
Source: Refinitiv, Axis Bank Research

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



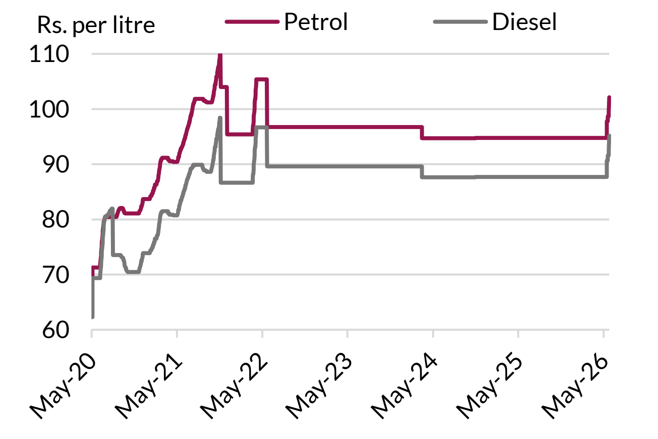
Source: PPAC, Axis Bank Research

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



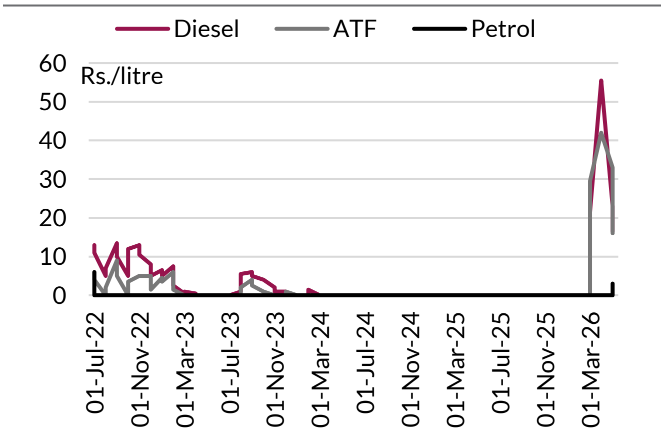
Source: PPAC, Axis Bank Research

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



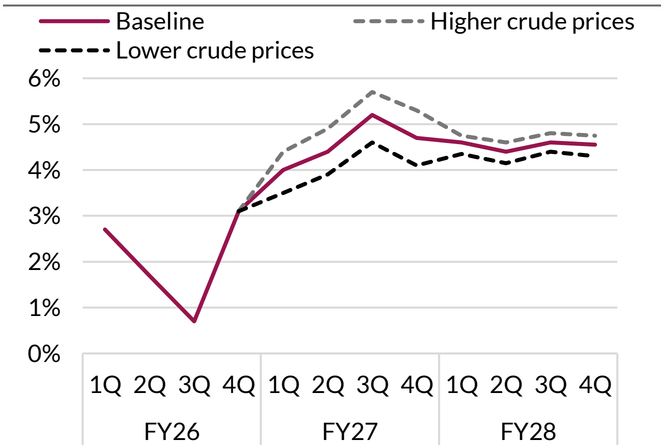
Source: CEIC, Axis Bank Research

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) Note: Latest figures, details in Exhibit 16	3	16.5	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

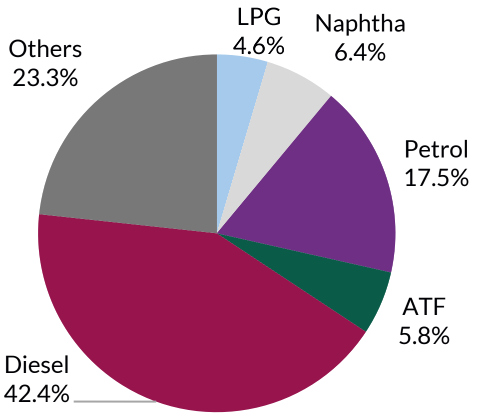
Source: Axis Bank Research

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

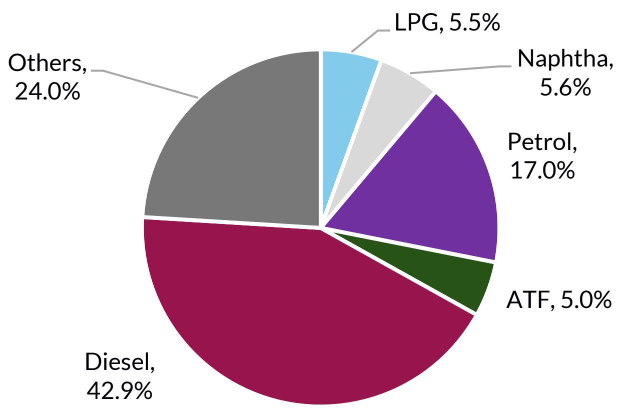
Source: News reports, Axis Bank Research

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



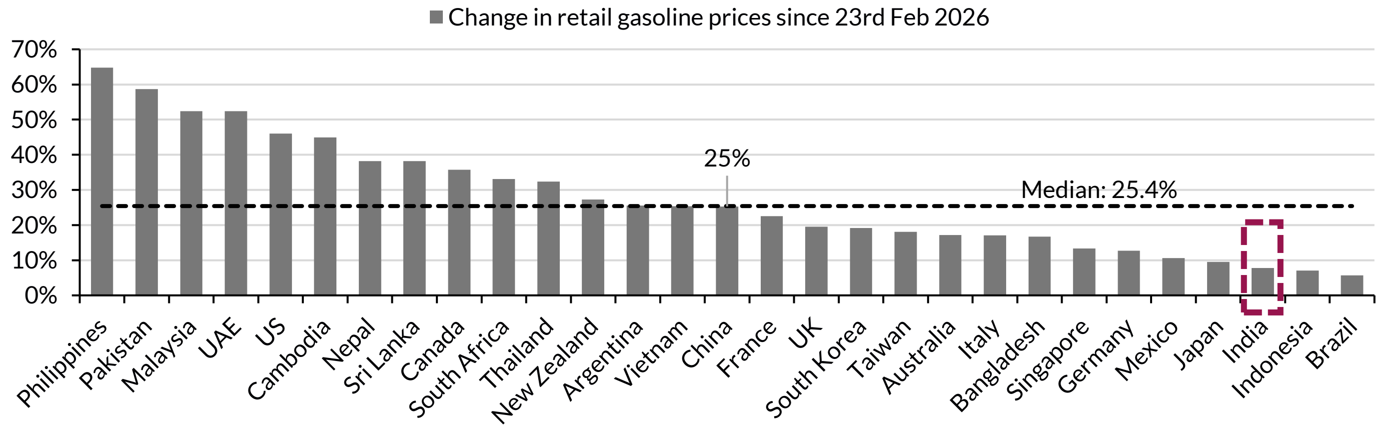
Source: PPAC, Axis Bank Research

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



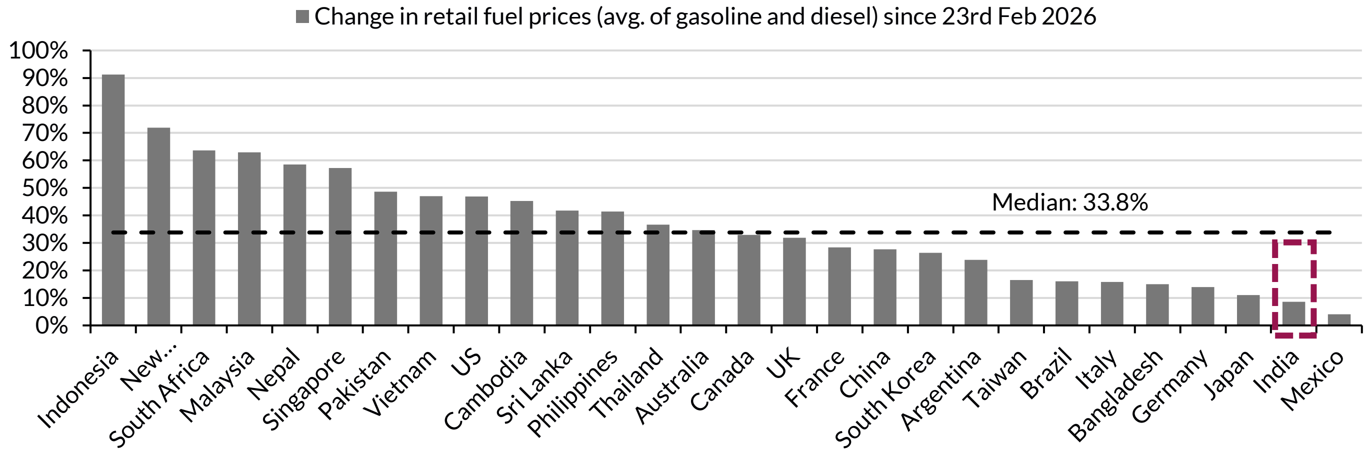
Source: PPAC, Axis Bank Research

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



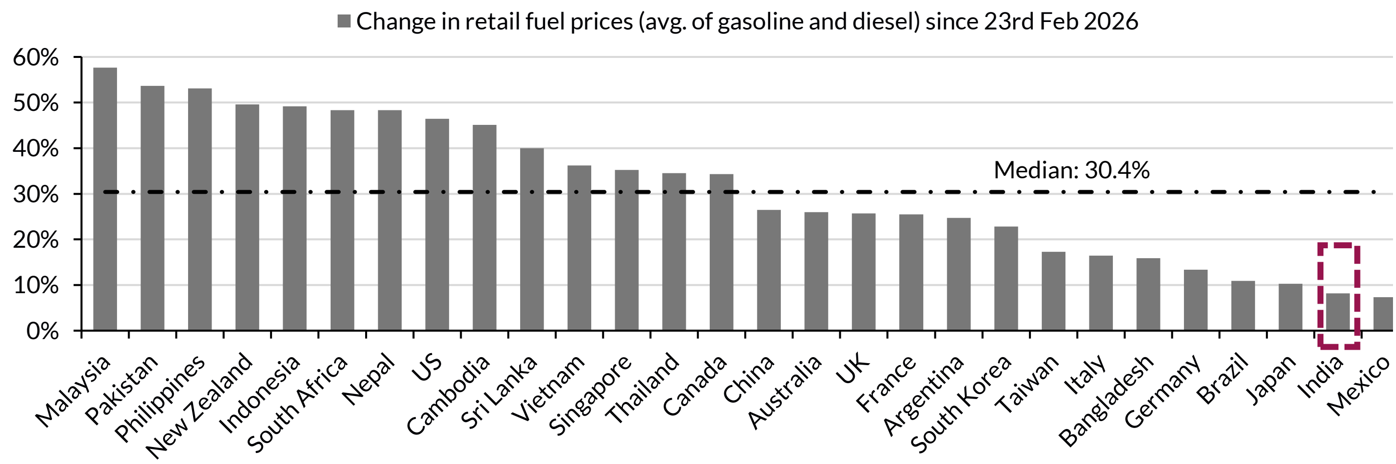
Source: www.globalpetrolprices.com, Axis Bank Research

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