Why easing OMC losses may not translate into cheaper fuel anytime soon

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After weeks of pressure from rising global oil prices, India's state-run oil marketing companies (OMCs) are beginning to see some relief. But for consumers hoping for cheaper petrol, diesel and LPG after recent price hikes, any immediate relief may remain unlikely.

The recently announced peace deal between the United States and Iran has eased concerns over prolonged supply disruptions, with expectations that crude prices will cool from recent highs.

During the conflict, global crude prices remained above $100 per barrel, sharply increasing losses for India's OMCs. Their under-recovery on the sale of fuel and liquefied petroleum gas (LPG) rose to nearly ₹30,000 crore per month.

Initially, fuel retailers kept pump prices largely unchanged despite rising procurement costs. But as pressure mounted, domestic fuel prices eventually began rising.

In May 2026, state-run fuel retailers increased petrol and diesel prices by ₹3 per litre -- the first revision in four years and the first since the conflict began.

Price increases continued through the month. On May 26, OMCs raised petrol and diesel prices by another ₹2.61 per litre and ₹2.71 per litre, respectively. Since May 15, petrol and diesel prices have risen cumulatively by ₹7.38 per litre and ₹7.52 per litre.

Following the revisions, non-branded petrol in Delhi crossed ₹100 per litre to reach ₹102.12, while diesel climbed to ₹95.20.

Households also faced higher cooking fuel costs after OMCs increased domestic LPG prices by ₹29 per cylinder on June 7 -- the second hike since the beginning of the West Asia crisis.

Losses narrow, but fuel relief may take time

The fuel price increases have reduced pressure on OMC finances. As of June 15, under-recovery on petrol sales by OMCs had fallen to ₹3 per litre, nearly half the ₹6 per litre recorded a week earlier. Diesel under-recovery declined to ₹27 per litre from ₹30 per litre on June 8.

However, experts say this does not necessarily mean consumers should expect immediate price cuts.

"Relief for consumers is unlikely in the very near term," Rajeev Sharan, head of research at Brickwork Ratings, told *Business Standard*. "Any meaningful reduction in retail fuel or LPG prices is more likely later in the year, once global prices stabilise and inventory costs normalise. In the near term, companies will prioritise rebuilding balance sheets and maintaining margin stability."

Madan Sabnavis, chief economist at Bank of Baroda, expressed a similar view.

"This may not happen any time soon as the OMCs are still incurring high losses as under-recoveries," Sabnavis told *Business Standard*. "Besides, supplies and prices need to get regularised at the global level which can take 3-6 months given that production facilities in the UAE, Kuwait, Oman and Saudi Arabia have been attacked during the war."