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Diesel prices cut by OMCs, a first in three months



India's petrol and diesel consumption are expected to grow by 14% and 10% respectively in FY22

3 min read . Updated: 12 Jul 2021, 11:27 AM IST

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State-run oil marketing companies (OMCs) increased petrol prices by 28 paise per litre on Monday. Petrol and diesel were selling at ₹101.19 per litre and ₹89.72 per litre respectively in Delhi

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NEW DELHI: [Diesel prices](#) were cut by 16 paise per litre on Monday for the first time in three months in the backdrop of transportation fuel prices being on an upward trajectory.

However, state-run oil marketing companies (OMCs) increased petrol prices by 28 paise per litre on Monday. Petrol and diesel were selling at ₹101.19 per litre and ₹89.72 per litre respectively in Delhi at Indian Oil Corporation Ltd' outlets. Petrol prices have crossed ₹100 mark in all major metros.

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This is for the 39th time that petrol prices have been increased since the results for the assembly elections in West Bengal, Assam, Kerala, Tamil Nadu, and Puducherry were announced on 2 May.

Global crude prices have been going up in the backdrop of the Organisation of the Petroleum Exporting Countries (Opec) plus grouping unable to reach an agreement on oil production with differences between Saudi Arabia and United Arab Emirates.

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“We believe that Brent values will peak out around US\$80/bbl as OPEC supply will inevitably move higher given the lure of higher price realization and record high spare capacity. Needless to mention, markets are sensing resumption of Iranian Oil supply by the end of this year. We need to acknowledge that the recent spike in oil prices is primarily due to planned curtailment and not a supply disruption,” Yes Securities wrote in an 8 July report.

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This assumes importance given that Opec grouping accounts for a major part of India’s crude oil imports and around 40% of global production; India, the world’s third-largest oil importer has been flagging its concerns over the increasing global crude oil prices and requesting phasing out production cuts to Opec.

“In May 2021, crude oil imports grew 18.2% YoY to 17,259 TMT, while in April-May 2021 it grew 14% YoY to 35,516 TMT. Top regions from which India imported crude oil were Middle East (61.5% share), Africa (15.9% share) and North Africa (13.2% share), followed by Eurasia, South America and others. Imports from the OPEC countries had 72.8% share,” Care Ratings wrote in a 24 June report.

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India spent \$101.4 billion on crude oil imports in 2019-20 and \$111.9 billion in 2018-19. The country's petrol and diesel consumption are expected to grow by 14% and 10% respectively in FY22, according to rating agency ICRA.

India is particularly vulnerable as any increase in global prices can affect its import bill, stoke inflation and widen trade deficit. Following the covid outbreak, crude prices for the Indian basket of crude had plunged to \$19.90 in April last year during the first wave before recovering to \$71.98 a barrel in June, data from the Petroleum Planning and Analysis Cell showed.

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"Although demand is recovering and moving closer to pre-covid levels, it is rebounding from a depressed base and certainly not projected to sustain at elevated growth rates in the months ahead. With Global Oil demand for 2021 projected to remain 3mbpd (million barrel per day) below 2019 level amid OPEC spare production capacity of a record 7mbpd and projected global supply-demand deficit of 0.8mbpd, we think Oil at US\$100/bbl is a difficult proposition to sell," Yes Securities report added.