

With sixteen hikes in May 2021, fuel prices now at all-time highs

June 1st, 2021

Continuous fuel price hikes in May 2021

Nearly every alternate day of May 2021 witnessed fresh hikes of fuel prices in India. After witnessing a total of sixteen fuel price hikes, the month ended with all-time high prices in some metro cities of the country. Same number of hikes were previously seen in February 2021 (as shown in table 1).

In India's financial capital, Mumbai, petrol prices created a fresh record by crossing Rs. 100/litre for the first time, while diesel prices inched towards Rs. 92/litre on 31st May. Delhi witnessed petrol and diesel prices crossing Rs. 94/litre and Rs. 85/litre respectively, which refers to a cumulative hike of Rs. 3.83/litre (petrol) and Rs. 4.42/litre (diesel) for the month of May 2021.

Analysis of table 1 shows that fuel prices were hiked 42 times during CY2021 (Jan-May), compared with just 4 reductions in the same period. In the start of the ongoing calendar year, petrol prices hovered at ~Rs. 84/litre in Delhi, which at the end of five months rose by 12%, while diesel prices which stood at ~Rs. 74/litre on 1st Jan 2021, rose by 15% as of 31st May 2021.

Oil companies revise fuel rates based on the average price of benchmark fuel in the international market in the preceding 15-days and foreign exchange rates. Fuel prices differ from state to state depending on the incidence of local taxes such as VAT and freight charges. The highest VAT on petrol is levied in Rajasthan, followed by Madhya Pradesh and Maharashtra.

CY2021	No. of price hikes	No. of price reductions	Difference in price between last and first day of the month (Rs./litre)	
			Petrol	Diesel
January	10	0	+ 2.59	+ 2.61
February	16	0	+ 4.87	+ 4.99
March	0	3	- 0.61	- 0.60
April	0	1	- 0.16	- 0.14
May	16	0	+ 3.83	+ 4.42

Source: PPAC, CARE Ratings

Price build-up at Delhi

An analysis of the price build-up as on 1st June 2021 of Indian Oil Corporation Ltd., shows that excise duty and VAT (Rs. 54.7/litre) comprise 58% of the retail selling price in Delhi for petrol, while in case of diesel, the VAT and excise duty is Rs. 44.3/litre, i.e. 52% of the retail price. However, when compared with start of the year (1st Jan 2021), such taxes and duties were Rs. 52.3/litre (petrol) and Rs. 42.7/litre (diesel), which comprised 62% and 58% for petrol and diesel respectively.

This shows that as fuel prices have risen over the past 5 months, the taxes and duties have also increased proportionately. The government have been able to generate incremental tax revenues of Rs. 2.4/litre (petrol) and Rs. 1.6/litre (diesel) over the past 5 months in Delhi.

	Petrol			Diesel		
	1 st Jan 2021	1 st June 2021		1 st Jan 2021	1 st June 2021	
VAT and excise duty (Rs./litre)	52.3	54.7	↑	42.7	44.3	↑
Retail selling price (Rs./litre)	83.7	94.5	↑	73.9	85.4	↑
VAT and excise duty as a proportion of retail selling price	62%	58%	↓	58%	52%	↓

Source: CARE Ratings, Indian Oil Corporation Ltd.

Contact:

Madan Sabnavis
Chief Economist
madan.sabnavis@careratings.com
+91-22-6837 4433

Vahishta Unwalla
Research Analyst – Industry Research
vahishta.unwalla@careratings.com
+91-22-6837 4408

Mradul Mishra
Media Contact
mradul.mishra@careratings.com
+91-22-6754 3573

Disclaimer: This report is prepared by CARE Ratings Limited. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East) Mumbai - 400 022
Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect:

