

₹53,700 cr loss: Nuvama expects Oil PSUs to get ₹30,000 cr LPG subsidy

ANI

NEW DELHI

Oil Marketing Companies (OMCs) continue to face heavy financial pressure from LPG under-recoveries, even as the government prepares to release subsidies over the coming months, highlighted a report by Nuvama Research.

According to the report, LPG-related losses for OMCs currently stand at Rs 53,700 crore. The companies are likely to receive LPG subsidy of Rs300 bn (Rs 30,000 crore) in 12 tranches from the government, compared with cumulative under-recoveries of around Rs 537 bn (Rs53,700 cr) at the end of September 2025.

The report stated "OMCs are likely to get LPG subsidy of Rs300bn in 12 tranches from the government versus cumulative under-recoveries of ~Rs 537bn at end-Sep'25".

The equal monthly instalments are scheduled to start from November 2025, and the receipts will be accounted for directly as revenue.

However, the report cautioned that under-recoveries are expected to increase further. Regional LPG prices typically rise during the winter season, and the declared subsidy covers only about 56 per cent of the existing cumulative losses.

This means the financial gap for OMCs is likely to widen despite the subsidy



support.

LPG under-recovery refers to the financial loss incurred by OMCs when the cost of importing or sourcing LPG is higher than the retail price offered to consumers. This gap is compensated partly by government subsidy, but the current levels remain insufficient to cover the full burden.

The report also noted that OMCs capex is expected to remain elevated due to long-gestation infrastructure projects. This is likely to put pressure on their return ratios in the near term.

The report added that city gas distribution (CGD) company valuations may see derating, as the sector continues to face uncertainty amid ad-hoc government policies.

On the upstream side, the report said ONGC's production guidance appears optimistic, given that the company has failed to meet its targets for the last seven years.

It also remains cautious on GAIL due to weak demand conditions and persistent volatility in its marketing earnings.