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EDITORIAL HIGHLIGHTS

DELHI CENTRE:
636, Mukherjee Nagar
New Delhi-110009

PRAYAGRAJ CENTRE:
1/1/8A, Stanley Rd,
Maharana Pratap Chauraha,
Civil Lines, Prayagraj, UP - 211002

 9555-124-124

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GS 3: INDIAN ECONOMY

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India has sufficient stocks of fuel, commodities: govt.

Centre says no reason for panic buying, conservation efforts are only aimed at boosting long-term preparedness; Rajnath asks Ministries, States to implement PM's appeal on responsible use of fuels

Saurabh Trivedi
NEW DELHI

India faces no shortage of petroleum products and commodities despite the escalating conflict in West Asia, the fifth meeting of the Informal Group of Ministers (IGoM), chaired by Defence Minister Rajnath Singh at Kartavya Bhavan in New Delhi, was informed on Monday.

According to the Ministry of Defence, India currently has 60 days of crude oil reserves, 60 days of natural gas and 45 days of LPG rolling stock, ensuring uninterrupted supply across the country.

India's foreign exchange reserves remain strong at \$703 billion, while the country continues to meet domestic fuel demand in full despite global disruptions. The Centre highlighted that India was among the few nations where petroleum prices have remained stable even after more than 70 days of



Taking stock: Defence Minister Rajnath Singh and others at the meeting of Informal Group of Ministers in New Delhi on Monday. ANI

conflict-driven international volatility.

In contrast, many countries have witnessed fuel price hikes ranging from 30% to 70%. However, Indian oil marketing companies are reportedly absorbing losses of nearly ₹1,000 crore daily, with under-recoveries touching almost ₹2 lakh crore in the first quarter of 2026, to protect citizens from rising international crude prices.

They were told that there was sufficient availability of essential commodities with no reason for public anxiety or panic buying. Supply chains remain stable, and conservation efforts were aimed at strengthening long-term preparedness if the crisis prolongs further, it added.

Mr. Singh directed Ministries and State governments to implement Prime Minister Narendra Modi's

appeal for responsible fuel consumption and public participation.

'Use public transport'

Citizens have been encouraged to use public transport, opt for carpooling, reduce unnecessary foreign travel, promote domestic tourism and avoid non-essential gold purchases for a year to help conserve foreign exchange reserves.

The Prime Minister also appealed to farmers to reduce chemical fertilizer use by 50%, adopt natural farming practices, and expand the use of solar-powered irrigation pumps to cut diesel consumption in agriculture.

The Defence Minister stressed that India's priority was to ensure uninterrupted energy flows, maintain economic stability, and secure maritime trade routes.

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GS 2: INTERNATIONAL RELATIONS

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A new phase in the India-Vietnam strategic partnership

The state visit of Vietnamese President Tô Lâm to India last week (May 5-7, 2026) marks a consequential moment in the steady deepening of India-Vietnam ties, reflecting both the maturation of a long-standing partnership amid the sharpening strategic imperatives of the Indo-Pacific. The decision to elevate bilateral relations to an Enhanced Comprehensive Strategic Partnership, along with a wide range of agreements spanning defence, technology, finance, and energy, signals not merely incremental progress but a qualitative shift in the trajectory of the relationship.

The visit comes at a time of heightened geopolitical flux in the Indo-Pacific as Vietnam finds itself navigating an increasingly assertive China in the South China Sea, while India continues to consolidate its Act East policy into a more security-oriented Indo-Pacific strategy. The convergence of threat perceptions, particularly regarding maritime coercion, supply chain vulnerabilities, and strategic autonomy, has provided a durable foundation for bilateral engagement. Indeed, the evolution of India-Vietnam ties has been gradual but structurally consistent, with India's erstwhile Look East (now Act East) policy providing the initial impetus and the elevation to a Comprehensive Strategic Partnership in 2016 enabling institutionalised defence and security cooperation. Since then, regular high-level exchanges, defence dialogues, and capacity-building initiatives have deepened trust.

The pillar of defence cooperation

Defence cooperation, in particular, has emerged as the backbone of the partnership. In addition to symbolic actions such as the transfer of the missile corvette, *INS Kirpan* (in 2023), India has offered Vietnam finance lines, training assistance, and maritime cooperation structures. The



Harsh V. Pant

Vice-President for Studies at the Observer Research Foundation and Professor of International Relations at King's College London



Pratinashree Basu

Associate Fellow – Indo-Pacific, Strategic Studies Programme at the Observer Research Foundation

Indo-Pacific dynamics are reshaping the India-Vietnam bilateral relationship

current debates around the possible shipment of BrahMos supersonic cruise missiles demonstrate a change in the deterrence calculation in the South China Sea from capacity-building to capability enhancement.

Similarly, economic ties, while less prominent historically, are now acquiring greater salience. Bilateral trade has crossed \$16 billion, with an ambitious target of \$25 billion by 2030, underscoring the recognition of untapped potential. A move toward next-generation economic participation is shown in the focus on supply chain resilience, rare earth collaboration, and digital payment integration. Moreover, Vietnam's position as an Association of Southeast Asian Nations (ASEAN) manufacturing powerhouse makes it an essential partner for India's diversification plans, especially in terms of scaling back reliance on supply chains that are mostly focused on China.

The regional impact

This deepening partnership has important regional ramifications. First, the relationship between India and Vietnam forms an important component of multilateral balancing in the Indo-Pacific.

Together with Japan, Australia, and the United States, both nations contribute to a wider network of strategic alliances that fight to maintain a rules-based maritime order, even if they are not legally included in U.S.-led alliance structures. A common normative framework intended to combat unilateralism in the South China Sea is shown in the explicit focus of joint statements on the "rule of law, peace, and stability".

Second, the partnership underscores the growing centrality of ASEAN in India's Indo-Pacific vision. Vietnam, as one of ASEAN's more geopolitically assertive and strategically

consequential members, serves as a linchpin for India's deeper engagement with Southeast Asia. At the same time, Hanoi's own foreign policy, characterised by diversification and strategic hedging, finds a natural complement in India's multipronged partnership approach.

Third, the expansion of cooperation into areas such as critical minerals and emerging technologies points to the evolving nature of strategic competition in the Indo-Pacific. Partnerships such as the India-Vietnam partnership will be crucial in shaping alternative economic architectures as global supply chains become more securitised. The agreements made during the visit point to an effort to move beyond conventional economic ties in favour of a more comprehensive framework for economic security.

Structural issues

Looking ahead, the trajectory of India-Vietnam ties will depend on the ability of both sides to translate strategic intent into operational outcomes. Implementation gaps, particularly in trade, connectivity, and defence industrial cooperation, remain despite the strong political and strategic alignment. For example, navigating scientific, financial, and geopolitical obstacles will be necessary to realise defence exports such as BrahMos. In a similar vein, resolving structural obstacles, including logistics, legal frameworks, and private sector involvement, will be necessary to meet the ambitious trade goals.

India-Vietnam relations are likely to become increasingly embedded within the evolving architecture of the Indo-Pacific. Partnerships that combine functional cooperation with strategic trust will become more important as great power competition heats up. Hence, Mr. Tô Lâm's visit is more about marking the beginning of bilateral ties as a mature, multifaceted partnership than about a single diplomatic milestone.

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As PM Modi calls for pause, spend on travel abroad already seen sliding

Reserve Bank of India data show that the real growth areas in terms of foreign spending are purchases of immovable assets abroad and investments in foreign debt and equity; spending on gifts sent abroad contracted 12.7% and 19.1% in the first 11 months of 2025-26 and 2024-25 respectively

T.C.A. Sharad Raghavan
NEW DELHI

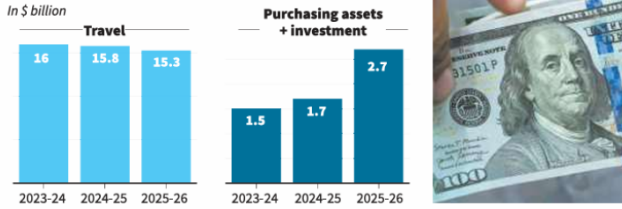
At a time when PM Narendra Modi has urged Indians not to travel abroad and give up on foreign weddings for at least a year, official data show foreign spending by Indian tourists actually slid in the last two years.

In fact, an analysis of data from the Reserve Bank of India (RBI) show the real growth in dollar outflow was coming from high-net-worth individuals (HNIs) investing in movable and immovable foreign assets, rather than from holiday-goers or those getting married in foreign locations.

Addressing a gathering

Beyond travel

Indians are increasingly spending on foreign investments while expenditure on foreign travel has been declining



Source: RBI • Note: Data is for spending under the Liberalised Remittances Scheme for the first 11 months of each year

in Telangana on Sunday, Mr. Modi gave a seven-point list of suggestions to the Indian public to help the Indian economy and government during the on-

going West Asia crisis.

“The growing culture of weddings abroad, travelling abroad, and vacationing abroad is becoming prevalent among the mid-

dle class. We must decide that during this time of crisis, we should postpone travelling abroad for at least a year,” Mr. Modi said as one of his suggestions.

RBI data on the expenditure under the Liberalised Remittances Scheme, the only formal pathway under which Indians can spend abroad, shows a total of \$26.4 billion spent under this scheme in the first 11 months (April 2025 to February 2026) of 2025-26. This was 2.3% lower than what was spent in the same period of 2024-25.

Lower spend

Of this, spending on foreign travel stood at \$15.3 billion, the largest category, but this amount was 3.1% lower in April 2025-February 2026 than in the same period of the previous year, which itself was 1% lower than in April

2024-February 2025.

Similarly, spending on gifts sent abroad contracted 12.7% and 19.1% in the first 11 months of 2025-26 and 2024-25, respectively.

Debt, equity investment

On the other hand, investment by Indians in foreign debt and equity surged almost 59% to \$2.2 billion between April 2025-February 2026. For context, this figure was \$621 million in the first 11 months of 2021-22. Similarly, the amount spent on the purchase of immovable assets abroad jumped more than 76% in the first 11 months of 2025-26, to \$490 million. This stood at \$96.7 million in the same period of 2021-22.

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CALLS WEST ASIA CONFLICT 'BIGGEST CRISIS OF THIS DECADE'

Second day, PM makes austerity push, invokes Covid-era habits



Prime Minister Narendra Modi at the Somnath temple in Gujarat, Monday. [RELATED REPORT, PAGE 7](#)

Behind PM's call, dipping foreign exchange reserves, rising gold imports

Gold import bill doubles in two years to \$72 billion, foreign travel spend under LRS \$15 billion in Apr-Feb 2026

George Mathew & Aanchal Magazine
Mumbai, New Delhi, May 11

RISING PRESSURE on India's external sector with forex reserves plummeting by \$38 billion in just two months since the onset of the West Asia conflict, and crude oil prices continuing to hover over \$100 a barrel, have started to worry policymakers.

Behind Prime Minister Narendra Modi's call for austerity measures by citizens are substantial foreign exchange outflows linked to higher gold imports and spending on overseas travel under the Liberalised Remittance Scheme (LRS). While the gold import bill has almost doubled to \$72 billion in 2025-26 in two years, outflow under LRS

for foreign travel accounted for \$15 billion or 57 per cent of the total \$26.34 billion LRS in the first 11 months of 2025-26.

The fall in reserves to \$691 billion has also been driven by sustained capital outflows from foreign institutional investors (FIIs) amid heightened global uncertainty. FII outflows in January-May period were Rs 1.97 lakh crore as foreign investors continued their sell-off in the stock markets. The rupee also dropped below the 95 level to 95.21 against the US dollar.

Unlock value through Gold Monetisation Scheme

Gold imports rose 24 per cent to a record \$71.98 billion in

Hold online classes, work from home, cut gold purchase, foreign travel, fuel and cooking oil consumption: Modi

Aditi Raja
Vadodara, May 11

WITH NO signs of an immediate end to the conflict in West Asia, Prime Minister Narendra Modi Monday again urged government and private offices to revert to 'Covid-era' habits such as work-from-home and virtual meetings, and asked citizens to opt for car pooling and reduce fuel consumption.

"If the coronavirus pandemic was the biggest crisis of

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PM FRAMES SEVERITY OF ENERGY CHALLENGE

GOVT, OIL COMPANIES CAN'T ABSORB ENERGY SHOCK INDEFINITELY
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this century, then the conflict in West Asia is among the biggest crises of this decade," Modi said

addressing a gathering to inaugurate the Patidar community's Sardardham in Vadodara.

The sharp depletion of foreign exchange reserves since the beginning of the conflict, and the prospects of a worsening current account deficit are becoming big worry points for policymakers now. In Q3 last year i.e., October-December 2025, the deficit had increased to \$13.2 billion or 1.3 per cent of GDP compared with \$11.3 billion or

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Forex, gold

2025-26. In two years, the gold import bill has almost doubled from \$35 billion in 2022-23. The import bill stood at \$45.54 billion in 2023-24, indicating a consistent upward trend in value term over the last two years.

Rajesh Rokde, Chairman of All India Gem and Jewellery Domestic Council (GJC) has proposed a monetisation scheme to unlock value in gold. India already possesses thousands of tonnes of idle household gold. "The solution may not lie only in reducing demand, but also in unlocking the immense value of existing gold through a transparent and regulated Gold Monetisation Scheme (GMS)," he said.

Instead of idle gold remaining locked in households and lockers, GMS can channel it into the formal economy — reducing imports, easing current account deficit (CAD) pressure and strengthening India's financial ecosystem. The answer lies not only in consuming less gold, but in utilising existing gold more efficiently, transparently and productively, Avinash Gupta of the Council said.

According to an AngelOne report, India is the world's sec-

ond-largest gold consumer after China, with imports largely meeting jewellery sector demand. Higher gold imports have implications for the current account deficit, which rose to \$13.2 billion, or 1.3 per cent of GDP, in the December quarter, according to RBI data released on March 2, 2026. Switzerland remained the largest source of India's gold imports, accounting for around 40 per cent of the total, followed by the UAE with over 16 per cent and South Africa with nearly 10 per cent. Imports from Switzerland increased by 11.36 per cent to \$24.27 billion in 2025-26.

Outward remittances remain high

Under LRS, outward remittances were at \$29.56 billion in FY25. Of this, travel accounted for more than 50 per cent outgo at \$ 16.96 billion. In the first 11 months of FY26, the LRS remittances stood at \$24.68 billion; January and February outward LRS were \$2.68 billion and \$2.33 billion, respectively.

Crude impact high

Crude oil is likely to remain elevated and volatile, even with a temporary ceasefire. The geopolitical risk premium — particularly around the Strait of

Hormuz — is unlikely to dissipate quickly. "For India, this is a critical vulnerability. Sustained high crude prices would widen the current account deficit and feed directly into inflation," former RBI Governor D Subbarao said.

Even without an actual supply disruption, uncertainty alone can keep prices elevated. The more realistic scenario is one of moderately high and volatile oil prices, rather than a return to earlier benign levels. State-owned oil marketing companies — Indian Oil, Bharat Petroleum and Hindustan Petroleum — are estimated to be piling up under-recoveries, which is the difference between the retail price and the import price, of about Rs 30,000 crore a month on petrol, diesel and cooking gas.

The ongoing conflict in West Asia could drive up diesel and petrol prices in India, which may, in turn, add to inflationary pressures. In its latest monthly economic review released April, the Ministry of Finance had said while some countries are yet to pass on higher prices of energy products and other commodities to households and businesses, it is "inevitable" they will have to do so. The Prime Minister has encouraged citizens to

adopt electric vehicles, use car-pooling, and rely more on public transport.

Foreign travel, overseas weddings

Foreign travel by Indians has surged post-pandemic even as tourist arrivals into India from other countries have lagged behind. As per the Ministry of Tourism data, India saw a record departure of 32.71 million nationals during 2025, a 5.9 per cent growth over the previous year. In 2024, the departure of Indian nationals was recorded at 30.89 million. Except for the pandemic years of 2020 and 2021, which saw a sharp dip, Indians have increasingly opted to travel abroad.

Meanwhile, foreign tourist arrivals in India in 2025 were 9.02 million, 9.4 per cent lower than the previous year. Foreign exchange earnings during 2025 stood at Rs 2.74 lakh crore, down 6.6 per cent from the previous year. Tourism plays an important role in the country's GDP and is as well an employment-providing sector. In 2023-24, tourism is estimated to have contributed 5.22 per cent to the country's GDP, while 3.69 crore people were employed directly in tourism, the Ministry data showed.

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MODI TO VISIT UAE, ATTEND NORDIC SUMMIT; ECONOMY & ENERGY TOP AGENDA

Amid Gulf conflict, PM on a five-nation trip from May 15

Shubhajit Roy
New Delhi, May 11

PRIME MINISTER Narendra Modi will go on a five-nation trip from May 15 to 20, during which he will visit the United Arab Emirates, The Netherlands, Sweden, Norway and Italy, the Ministry of External Affairs announced on Monday.

Modi will begin his visit from the UAE on May 15. Thereafter, he will visit The Netherlands (May 15-17), Sweden (May 17-18), Norway (May 18-19) and Italy (May 19-20).

In Norway, he will attend the India-Nordic Summit on May 19, which will be attended by leaders from Denmark, Finland, Iceland, Sweden and Norway. PM's visit to Norway for the Summit was scheduled in May last year, but was cancelled after Op Sindoor.

About the UAE leg, the MEA said, "Prime Minister Narendra Modi will pay an official visit to the United Arab Emirates on May 15, 2026, where he will meet the President of the UAE, Sheikh Mohamed bin Zayed Al Nahyan. The two leaders will have the opportunity to exchange views on bilateral issues, in particular energy cooperation, as well as re-

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Critical timing

PM Modi's UAE and Europe trip comes at a time when the war in West Asia and US President Donald Trump's actions have disrupted the world order. The visits are expected to boost cooperation with each of these countries in sectors including technology, energy, defence and the Arctic region. The UAE leg will be key for India's energy security.

gional and international issues of mutual interest. They will also discuss ways to advance the bilateral Comprehensive Strategic Partnership underpinned by strong political, cultural, economic and people-to-people links." "The visit will serve to promote the significant trade and investment linkages between the two countries," it said.

At a time when India is navigating security and economic challenges amidst the instability in West Asia, the last-minute addition of the UAE is significant.

For the second leg of his visit, PM Modi will be visiting The Netherlands from May 15-17, where he will meet Dutch PM Rob Jetten.

During the visit, he will call on Dutch King Willem-Alexander and Queen Máxima as well.

In his talks with Prime Minister Jetten, Modi will discuss cooperation in "defence, security, innovation, green hydrogen, semiconductors and a strategic partnership on water".

The MEA said, "Prime Minister's visit early in the tenure of the new (Dutch) government will provide an opportunity to further deepen and expand the multifaceted partnership."

For the third leg of the visit, PM Modi will meet Swedish PM Ulf Kristersson on May 17-18 at Gothenburg, Sweden.

The MEA said, "PM Modi will hold bilateral talks with PM Kristersson to review the entire gamut of bilateral relations and explore new avenues of cooperation to enhance bilateral trade, which has reached \$7.75 billion (2025), and Swedish FDI into India which has reached \$2.825 billion (2000 - 2025), as well as collaboration in green transition, AI, emerging technologies,

startups, resilient supply chains, defence, space, climate action and people-to-people ties."

The two prime ministers will also address the European Round Table for Industry, a leading pan-European business leaders forum, along with Ursula von der Leyen, President of the European Commission.

In the fourth leg of his visit, Prime Minister Modi will visit Norway from May 18 to 19 for the Third India-Nordic Summit and bilateral engagements. This will be Modi's first visit to Norway, and the first visit by an Indian PM in 43 years.

He will also call on King Harald V and Queen Sonja, and hold bilateral talks with Norwegian PM Jonas Gahr Støre.

The 3rd India-Nordic Summit will take place in Oslo on May 19. Here, PM Modi will be joined by Norwegian PM Støre, Denmark's PM Mette Frederiksen, Finland PM Petteri Orpo, Iceland PM Kristrún Frosadóttir and Swedish PM Kristersson.

In the final leg, Modi will visit Italy on May 19-20 and meet Italian PM Giorgia Meloni. He will also call on Italy's President Sergio Mattarella.

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Government, oil companies can't absorb energy shock indefinitely

FOR DECADES, the global energy economy has functioned on the tacit assumption that the Strait of Hormuz would always remain open. That assumption has been fundamentally shaken this year.

The disruption has been without precedent. The 1973 Arab oil embargo endured for five months but never resulted in the closure of the strait. During the tanker war phase of the 1980-88 Iran-Iraq conflict, shipping traffic was constrained, though not completely interrupted. Likewise, the 2019 drone attacks on Saudi Arabia's Abqaiq facility caused only a temporary disruption before supplies stabilised. In all these earlier episodes, the shock to global energy markets lasted only a short time. The present crisis, however, has extended well beyond two months and increasingly appears to be a disruption with no immediate resolution.

For India, the exposure has been severe, with a significant share of crude oil imports and LPG and LNG volumes transiting through the strait. Within eight days of the disruption, the government issued the LPG Control Order. Refineries were directed to maximise LPG yields to meet domestic demand, despite such production being uneconomical under normal circumstances. LPG production was increased from 36,000 MT to 54,000 MT per day. On the demand side, priority was accorded to protecting supplies for domestic consumers. Similarly, in the natural gas sector, domestic PNG and transportation CNG were prioritised. Export duties were imposed to protect supplies to the domestic market.

Over the past two months, global crude

oil prices have risen by 80-100 per cent, topping \$120 at times, with product prices also increasing sharply. Yet on petrol and diesel sold through retail outlets, these increases have not, so far, been passed on to domestic consumers. Instead, the exchequer has absorbed the burden through reductions in duties and through oil marketing companies (OMCs) bearing losses. The depreciation in the rupee-dollar exchange rate has only aggravated the challenge.

The crisis could have been far more crippling had India not significantly expanded its energy infrastructure over the past decade. LPG import terminals have increased from 11 to 22, LPG pipeline infrastructure from 2,311 km to 6,242 km, strategic crude reserves from zero to 5.33 MMT, and refining capacity from 215 MMT to 258 MMT. Ethanol blending, too, has risen from 1.53 per cent to 20 per cent, reportedly saving the exchequer more than Rs 1.5 lakh crore. In addition, the refineries are operating above 100 per cent capacity utilisation to meet the increased demand.

The surge in energy prices has affected consumers worldwide. Most European and East Asian economies have increased retail fuel prices by 25-35 per cent. Several countries in India's neighbourhood have resorted to fuel rationing, reduced work weeks, austerity measures, or have faced severe shortages. In contrast, Indian consumers have, by and large, been shielded from steep price increases, while supplies have been largely uninterrupted and free from major restrictions.



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If the conflict persists, difficult decisions may become unavoidable, with every stakeholder required to bear a part of the burden until the crisis passes: The GoI, state governments, and consumers

This protection for consumers has been real, but it has not come without a cost. The obvious question is whether such a model is sustainable. The answer is clearly no. Neither the government nor the oil companies can indefinitely absorb such financial stress.

Fifteen major oil and gas companies together contribute approximately Rs 7,40,765 crore to the government by way of taxes, duties, and other levies. Of this, Rs 3,25,504 crore accrues to state governments, largely through VAT on petrol, diesel and ATF. Based on excise duty reductions alone, the government is estimated to lose nearly Rs 460 crore per day — translating to almost Rs 1,68,000 crore annually.

There is also a widespread perception that oil companies make windfall profits whenever crude prices decline, while retail fuel prices remain unchanged. However, data published by PPAC shows that the three major OMCs together earned a post-tax profit of Rs 33,602 crore on revenues of Rs 18,20,477 crore in 2024-25 — a return of only 1.85 per cent, when the Indian basket of crude averaged \$78.6 per barrel. By comparison, returns during 2022-23 (average crude price of \$93.2 per barrel) and 2023-24 (\$82.6 per barrel) were 0.06 per cent and 4.4 per cent respectively, the latter being an exceptional year. Even in 2019-20, prior to the pandemic, when crude averaged \$60.5 per barrel, returns stood at just 0.56 per cent.

The capital expenditure of the three OMCs stood at Rs 72,000 crore in 2024-25, compared to Rs 68,350 crore and Rs 63,491 crore in the preceding two years. The indus-

try operates on the principle of creating and enhancing supply infrastructure ahead of demand. This approach has largely ensured the uninterrupted availability of petroleum products even during periods of severe disruption, including times of natural calamities. LPG supplies during Covid are a recent example. The trend has to continue if the energy needs of a growing economy are to be met in the years ahead. These investments also extend to emerging energy options in the ongoing energy transition, besides planned expansion of storage capacities in view of evolving geopolitical realities.

Between March 16 and April 30, the total loss suffered due to prices being maintained is estimated at around Rs 62,000 crore. Of this, the GoI has suffered a loss of around Rs 30,000 crore due to excise duty reduction and the OMCs have borne the rest.

Given the strategic importance of this sector, the companies must continue to function efficiently and generate adequate resources. The sector cannot afford to bleed indefinitely or with companies ending up with weak balance sheets. If the conflict persists, difficult decisions may become unavoidable, with every stakeholder required to bear a part of the burden until the crisis passes: The GoI through duty reductions, state governments through rationalisation of VAT on fuels, and consumers through higher prices at the pump.

It is undoubtedly a difficult proposition, but perhaps the only viable path to endure a prolonged crisis.

The writer is former chairman, Indian Oil Corporation Ltd