

## India's Petroleum Product Exports Face Headwinds, Decline 3% in Q1 FY26



India's petroleum product exports experienced a notable downturn in the first quarter of the financial year 2025-26 (Q1 FY26), declining by 3% in volume terms to 14.5 million tonnes compared to 15.0 million tonnes in the same period of the previous fiscal year. In value terms, the drop was even more pronounced, falling by almost 21.8% to \$8.6 billion from \$11 billion in Q1 FY25, according to data released by the Petroleum Planning and Analysis Cell (PPAC). This decline reflects a confluence of factors, including evolving global sanctions and fluctuating crude oil prices.

The reduction in exports is particularly significant given that refined petroleum products traditionally constitute a substantial portion, around 15%, of India's total goods exports. While overall goods exports in Q1 FY26 saw a marginal year-on-year growth of 1.92%, the petroleum sector's performance presented a notable contrast.

A key factor contributing to this decline appears to be the latest package of sanctions imposed by the European Union (EU) on Russia, which came into effect on January 21, 2026. These sanctions specifically target refined petroleum products made from Russian crude, even if processed in third countries like India. Given that Europe has emerged as a top destination for India's refined fuel products following the Russia-Ukraine conflict, these restrictions directly impact a significant export market. One notable instance is the EU's decision to sanction a Russian-linked Indian refinery, potentially disrupting supply chains for major domestic players.

Anirudh Garg, Partner and Fund Manager at INVasset, noted the strategic implications for Indian refiners: "The sanction announcement disrupts this finely calibrated supply chain. Even though the measure targets a single facility, it may trigger ripple effects, restricting access to Russian crude via banking channels, shipping insurance, or logistical bottlenecks." This could lead to increased costs for Indian refiners who might have to swap discounted Russian volumes for more expensive crudes from other regions.

Beyond sanctions, lower global crude oil prices during Q1 FY26 also played a role. The average price of the Indian crude basket was \$67.2 a barrel, significantly lower than \$85.2 a barrel in the corresponding period last year. This directly impacts the value of exported refined products. Additionally, planned maintenance shutdowns at major Indian refineries, including those operated by Reliance Industries, Indian Oil Corporation, and Mangalore Refinery and Petrochemicals, temporarily reduced crude processing volumes and, consequently, exportable surpluses.

Looking ahead, the petroleum export market may continue to face pressure from subdued global demand and ongoing geopolitical complexities. While India's domestic consumption of petroleum products remained largely stable during Q1 FY26, the sector's export performance will be keenly watched as refiners adapt to the new international trade landscape and seek to diversify their markets and crude sources.