

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:2338

ANSWERED ON:17.08.2006

PROFIT MARGIN OF PUBLIC SECTOR OIL COMPANIES

Nayak Shri Ananta;Saroj Shri Tufani;Singh Shri Dushyant;Veerendra Kumar Shri M.P.

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the profit of Public Sector Oil Companies have declined during the first half of the year 2006-07;
- (b) if so, the details thereof and the reasons therefor, company-wise;
- (c) whether the Public Sector Oil Companies, particularly GAIL(India) Ltd. have demanded change in subsidy sharing mechanism;
- (d) if so, the response of the Government thereon; and
- (e) the other steps taken by the Government to make Public Sector Oil Companies profitable?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a): Yes, Sir. The profits of PSU Oil Marketing Companies (OMCs) have declined during the first quarter of 2006-07 (April-June) as per details given below:

(Rs. in crore)

OMCs	Profit After Tax	Profit After Tax	Profit After Tax
	2005-06	2005-06	2006-07
	(April-June)	(April-June)	(April-June)

IOCL	4915	(57.93)	1780.52#
BPC	130\$	(431.30)	(677.30)
HPC	406	(507.89)	(607.67)
IBP	12	(233.97)	(458.70)

\$Unaudited

#Represents IOC's Profit After Tax for the period April-June'06. However, this includes profit on sale of shares worth Rs.3224.78 crores. Hence profit/(loss) after tax before this item would be Rs.(1444.26)

(b): The OMCs have shown declining in profits on account of huge under-recoveries on sale of domestic LPG, PDS Kerosene, petrol and diesel.

(c)&(d): Yes, Sir. While it is appreciated that subsidy burden sharing by the upstream companies on LPG and kerosene places a strain on their profitability, the corresponding burden on the OMCs on account of under-recoveries on sensitive petroleum products is even higher. The burden sharing mechanism seeks to place collective responsibility on oil sector.

(e): Government has taken the following additional measures to make up the losses of public sector oil companies for the current fiscal year:

- (i) Issue of oil bonds amounting to Rs.28,300 crore during 2006-07.
- (ii) Sharing of under-realization by upstream oil companies amounting to Rs.24,000 crore during 2006-07.
- (iii) Change in pricing methodology of petrol and diesel. Discount from refineries.
- (iv) Reduction in Customs duty on petrol and diesel.