

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

UNSTARRED QUESTION NO:5885

ANSWERED ON:08.09.2011

LOSSES OF OIL COMPANIES

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

(a) whether the Government has conducted any inquiry in regard to the fact that oil companies do not keep check on their expenses and their losses keep on increasing despite making huge increase in prices of petroleum products by them; and

(b) if so, the measures proposed to be taken by the Government for reigning in activities of oil companies as well as the prices of petroleum products?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI R. P. N. Singh)

(a) & (b): India imports about 83% of its crude oil requirements. Since crude oil alone constitutes more than 90% of the cost of production of petroleum products, it would be untenable to argue that the price hikes of petroleum products could be checked through the management of expenditure.

The international price of the Indian Basket of Crude oil has been rising consistently with the average price of the Indian basket of crude oil increased from \$69.76/bbl in 2009-10 to \$112.28/bbl (average for the period from 01.04.2011 to 11.08.2011) during the current year. The Government does not have any control on the international prices of crude oil and petroleum products, which are influenced by several factors including demand and supply conditions in the world.

However, in order to insulate the common man from the impact of rise in international oil prices, the Government continues to modulate the prices of Diesel, PDS Kerosene and Domestic LPG, resulting in under-recoveries to the public sector Oil Marketing Companies (OMCs). The OMCs are presently incurring daily under-recovery of Rs. 4.57 per liter on the sale of Diesel, Rs. 23.26 on the sale of PDS Kerosene and Rs. 267 per cylinder of Domestic LPG as per Refinery Gate Price effective from 1.9.2011. As a result, the OMCs are incurring daily under-recovery of Rs. 228 crore and are expected to incur total under-recovery of Rs 1,21,571 crore on the sale of these three sensitive petroleum products during 2011-12.

Public Sector oil companies constantly take measures to optimize their expenditure. Some of the measures taken by the Oil PSUs are as under:

1. Expenditure on various activities is regularly monitored and compared against the targets and appropriate actions are taken to control the same.
2. Teams comprising of senior officers have been constituted to identify the areas for possible cost optimization and efforts are made to achieve the same.
3. System of e-collection has been implemented resulting in savings on interest cost.
4. Indigenous development of spares and in-house repair and maintenance is encouraged.
5. Video Conferencing is being encouraged to minimize the expenses on tour & travel.

Ministry of Petroleum & Natural Gas has requested all Oil PSUs to observe the directions issued by the Department of Public Enterprises (DPE) vide letter No. DPE/3(4)/08-Fin dated 8th October 2009 regarding austerity in their expenditure. CPSEs have also been advised to take guidance from economy instructions issued by Department of Expenditure vide O. M. No. 7(1) E dated 7th September 2009 to cut expenditure on advertisements and publicity by 10%.