

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

UNSTARRED QUESTION NO:590

ANSWERED ON:15.03.2012

LOSSES OF OMCS

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

- (a) whether Oil Marketing Companies (OMCs) are incurring losses on sale of petroleum products in the country;
- (b) if so, the company-wise detail thereof;
- (c) the steps taken/being taken by the Government to mitigate the losses being incurred by these companies;
- (d) whether the Government has any plan to minimise its effect on common man and inflation; and
- (e) if so, the details thereof?

Answer

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

(a): In order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government continues to modulate the Retail Selling Prices (RSP) of Diesel, PDS Kerosene and Domestic LPG. Their current prices are below the required market price, resulting in huge under-recovery to OMCs on the sale of these products. Based on the refinery gate price effective 7th March 2012, the OMCs are currently incurring under-recovery of ` 12.17 per litre on Diesel, ` 28.66 per litre on PDS Kerosene and ` 439.00 per 14.2 kg cylinder of Domestic LPG.

The details of under-recovery incurred by the Public Sector OMCs during 2010-11 and 2011-12 (upto December, 2011) on sale of the sensitive petroleum products viz. Petrol (upto 25.06.2010), Diesel, PDS Kerosene and Domestic LPG is as under:

(Rs in crore)

OMCs	2010-11	2011-12
	(upto	
	December, 2011)	

Indian Oil Corporation Limited	43,109	53,251
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Hindustan Petroleum Corporation Limited	17,118	21,316
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Bharat Petroleum Corporation Limited	17,962	22,746
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Total	78190	97,313
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(c) to (e): In view of the alarming situation arising out of projected under-recoveries of the OMCs of Rs1,71,140 crore during 2011-12 (assuming the average price of Indian Basket of \$ 110 per barrel) and to reduce the burden of price rise on the consumers, Government took the following decisions on 24th June, 2011:-

- (i) Elimination of 5% Customs Duty on Crude Oil and reduction in Customs Duty on petroleum products by 5%.
- (ii) Reduction of Excise Duty on Diesel by Rs 2.60 per litre. The remaining Excise Duty of Rs 2.06 per litre on Diesel could not be reduced as it is earmarked towards Road and Education cess.

(iii) Minimal price increase of Rs 3/- per litre on Diesel, Rs 2/- per litre on PDS Kerosene and Rs 50/- per 14.2 kg Domestic LPG cylinder, excluding State levies.

Even after the duty reductions and the increase in retail selling prices effective 25.06.2011, the OMCs are estimated to incur under-recovery of Rs 1,39,192 crore during the year 2011-12.