

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

UNSTARRED QUESTION NO:1538
ANSWERED ON:22.03.2012
EXPENDITURE OF OIL PSUS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Oil Marketing Companies (OMCs) have asked their employees to adopt austerity measures and demanded persistently from the Government to increase the rates of various petroleum products;
- (b) if so, the details of the income and expenditure of the OMCs during the last three years and the current year;
- (c) whether the deficit projected by the OMCs does not reflect their actual accounts; and
- (d) if so, the steps taken by the Government to keep a check of the accounts of the OMCs?

Answer

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

(a): The public sector oil marketing companies (OMCs) viz., Indian Oil Corporation Limited (IOC), Hindustan Petroleum Corporation Limited (HPC) and Bharat Petroleum Corporation Limited (BPC) have put in place measures for fiscal prudence and economy in expenditure.

(b) The details of income and expenditure of the OMCs during the last three years and the current year are as follows:

In Rs Crore

Description 2008-09 2009-10 2010-11 Apr-Dec-2011

BPC

Income 146901 133740 164973 156345

Expenditure 145897 131374 162561 158994

HPC

Income 125658.2 109283.62 134842.48 126588.85

Expenditure 122863.14 106258.68 131597.1 128602.86

IOC

Income 307413.03 277756.07 336866.71 308385.85

Expenditure 303084.44 263649.98 327770.85 317101.66

(c): As per Committee on Pricing and Taxation of Petroleum Products, chaired by Dr. C. Rangarajan, Chairman PM's Economic Advisory Council, "Refining of crude oil is a process industry where crude oil constitutes around 90% of the total cost. Since value added is relatively small, determination of individual product-wise prices becomes problematic. The oil marketing companies (OMCs) are currently sourcing their products from the refineries on import parity basis which then becomes their cost price. The difference between the cost price and the realized price represents the under-recoveries of the OMCs."

The under-recoveries as computed above are different from the actual profits and losses of the oil companies as per their published results. The latter take into account other income streams like dividend income, pipeline income, inventory changes, profits from freely priced products and refining margins in the case of integrated companies.

(d) The accounts of OMCs are audited by Statutory Auditors appointed by the office of Comptroller & Auditor General of India.