

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

STARRED QUESTION NO:224
ANSWERED ON:29.03.2012
PROFIT OF OIL COMPANIES
Sinh Dr. Sanjay

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

- (a) the production cost of petrol and diesel per litre during the last two years;
- (b) the sale price per litre of petrol and diesel in the metropolitan cities of the country during the last two years;
- (c) the landed price, taxes/duties levied by Union/State Governments and margin of profit earned or loss incurred by oil companies in the public and private sectors after paying all the taxes and duties during the last two years; and
- (d) the steps taken by the Government to regulate petrol and diesel prices so as to ensure their affordability to the customers?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS(SHRI S. JAIPAL REDDY)

(a) to (d) : A statement is laid on the Table of House.

Statement referred to in reply to parts (a) to (d) of Lok Sabha Starred Question No. 224 asked by Dr. Sanjay Sinh to be answered on 29th March, 2012 regarding "Profit of Oil Companies."

(a): Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate products streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately.

(b): The details of revision in Retail Selling Price (RSP) of Petrol and Diesel at four metropolitan cities viz. Delhi, Mumbai, Kolkata and Chennai since January, 2010 are given at Annexure 1.

(c): The price buildup of Petrol and Diesel at Delhi, including price before tax and taxes/ duties levied by Central and State Government, effective 16.3.2012 is given below:

| (₹/litre) | | |
|---|--------|--------|
| Particulars | Petrol | Diesel |
| Price paid to Refinery (RGP) | 42.47 | 44.25 |
| Other Cost Elements# | 3.88 | 3.24 |
| Excise Duty | 14.78 | 2.06 |
| VAT including Pollution cess on Diesel## | 10.94 | 4.46 |
| Total | 72.07 | 54.01 |
| Less: Under recovery to OMCs | 6.48 | 13.10 |

Existing Retail Selling Price 65.64 40.91

\$ As per IOC, as petrol is a deregulated product.

Other Cost elements include Dealer Commission, freight, Marketing Costs & Margins etc.

Delhi VAT

#based on refinery gate price effective 16.3.2012

The details of taxes/ duties on contribution to Central and State exchequer by the petroleum sector companies during the last 2 years and current year are given at Annexure 2.

The details of Profit After Tax (PAT) of public sector oil companies during the last 2 years are given below:

(` crore)
2009-10# 2010-11# 2011-12
(April-
December, 2011)

Public Sector Oil Companies

Indian Oil Corporation limited (IOC) 10,221 7445 -8,716

Bharat Petroleum Corporation limited(BPC) 1,538 1,547 -2,652

Hindustan Petroleum Corporation limited (HPC) 1,301 1,539 -3,720

Oil & Natural Gas Corporation (ONGC) 16,768 18924 19,479

Oil India Limited (OIL) 2,611 2,888 3,002

GAIL (India) Limited (GAIL) 3,140 3561 3,171

Source – Oil Companies.

OMCs could make meager profit only after taking into account cash assistance from Government and discount on sale of crude oil and products by Upstream oil companies.

Data for private sector oil companies is not being maintained.

(d): In the light of the recommendations made by the Expert Group set up to advice on a viable and sustainable system of pricing of petroleum products, under the chairmanship of Dr. Kirit S. Parikh, the price of Petrol have been made market-determined with effect from 26.6.2010. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of petrol in line with the international oil prices and market conditions. Even after implementation of the market determined pricing, the OMCs have been making price revisions of Petrol in a guarded manner, at times, absorbing a part of under-recovery themselves. However, the Government continues to modulate the retail selling price of Diesel in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions. Based on the Refinery Gate Price effective 16.3.2012, OMCs are incurring under-recovery of ` 13.10 per litre on sale of Diesel. During the current year, the OMCs are likely to incur under-recovery of ` 1,39,659 crore on sale of Diesel, PDS Kerosene and Domestic LPG, out of which ` 82,417 crore (59%) would pertain to Diesel alone.

In addition, to reduce the burden of the rise in international oil prices 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 ` 2.60 per litre. The remaining Excise Duty of ` 2.06 per litre on Diesel could not be reduced as it is earmarked towards Road and Education cess.

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

Through above measures listed from serial (i) to (iii), the Government sacrificed an amount of ` 49,000 crore annually.