

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

STARRED QUESTION NO:539
ANSWERED ON:03.05.2013
PRICE OF PETROLEUM PRODUCTS
Argal Shri Ashok;Shekhar Shri Neeraj

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

- (a) whether prices of the petroleum products in the country are determined by the prices in the international market;
- (b) if so, the details thereof;
- (c) whether the Oil Marketing Companies (OMCs) have revised the prices of petrol in accordance with the decline in the price of crude oil in the international market during the last one year;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the total profits earned by the OMCs as a result of non-reduction of prices of petroleum products despite decline in the price of crude oil in the international market during the last one year, OMC-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SMT. PANABAAKA LAKSHMI)

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

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 539 asked by Shri Ashok Argal and Shri Neeraj Shekhar to be answered on 3rd May, 2013 regarding "Price of Petroleum Products."

(a) & (b): As per the prevailing pricing policy, the Public Sector Oil Marketing Companies (OMCs) pay Trade Parity Price (TPP) for purchase of Diesel and Import Parity Price (IPP) for purchase of PDS Kerosene and Domestic LPG from refineries. The IPP/TPP are determined based on the prices prevailing in the international market. The following elements are taken into account while calculating the Retail Selling Price (RSP) of petroleum products:

- # Price paid to refinery
- # Inland freight up to the market
- # Marketing Margin & Cost
- # LPG Bottling charges
- # Dealer/ Distributor commission
- # Excise duty
- # Value added tax and local levies

In order to insulate the public from the impact of rise in oil prices in the international markets and domestic inflationary conditions, the retail selling prices of Diesel (to retail consumers), PDS Kerosene and Subsidized Domestic LPG are being modulated by the Government and their prices are not being increased in line with the movement of prices in the international markets, resulting in incidence of under-recovery to the OMCs. Based on the Refinery Gate Price effective 1.5.2013, the OMCs are incurring under recovery of ` 3.80/ litre on sale of Diesel, ` 27.33/ litre on PDS Kerosene and ` 378.38 per 14.2 kg. cylinder of Subsidized Domestic LPG.

The prices of petroleum products other than Diesel (to retail consumers), PDS Kerosene and Subsidized Domestic LPG are market determined and the prices of such products including Petrol are being revised by the OMCs as per international oil prices and prevailing market conditions.

(c) & (d): The Government has made the price of Petrol market-determined with effect from 26.06.2010. Since then, OMCs take appropriate decision on the pricing of Petrol in line with international oil prices and market conditions. The OMCs have not only increased but also decreased the price of Petrol in line with international prices. The details of revision in Retail Selling Prices of

Petrol by Indian Oil Corporation Limited at Delhi since 1.4.2012 are at Annexure.

(e): During 2012-13, the average price of Crude Oil was \$107.97 /bbl. The profit and loss of the OMCs depends upon international price of crude oil and petroleum products, rupees-dollar exchange rate, sale of petroleum products, other income streams like dividend income, pipeline income, inventory changes, profits from freely products and refining margins, etc. During the year 2011-12 OMCs could make a meagre profit of ` 6177 crore only after taking into account cash assistance from the Government and discount on sale of crude oil and products by upstream oil companies. Public Sector OMCs namely, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have incurred a loss of Rs. 18,437 crore during the period April – December, 2012 as given below:-

Profit/(Loss) after Tax [PAT] of OMCs

(Rs.crore)
OMC (April-December, 2012)
IOCL (-) 9,508

BPCL (-) 6,775
HPCL (-) 2,154
Total (-) 18,437