GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:4671
ANSWERED ON:21.02.2014
LOSSES OF OMCS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of losses suffered by the Oil Marketing Companies (OMCs) on selling petrol and petroleum products at subsidized rates during the last three years and the current year along with the cash subsidy provided by the Government during the said period, company-wise;

(b) whether the rising crude oil prices and falling rupee has impacted the credit quality of the Public Sector OMCs and if so, the details thereof;

(c) whether the cash subsidy provided by the Government is lower than the amount sought by the OMCs;

(d) if so, the details thereof along with the reasons thereof; and

(e) the other steps being taken by the Government to overcome the losses of OMCs?

Answer

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

(a): The details of under-recovery incurred by the Public Sector Oil Marketing Companies (OMCs) on sale of sensitive petroleum products along with the cash assistance provided by the Government since 2010-11 is given below:

(Rs. crore)

	Under-recovery	Cash assistance by Government
2010-11#	78190	41000
2011-12	138541	83500
2012-13	161029	100000
April-December, 2013##	100632	35772

Price of Petrol is deregulated eff. 26.6.2010, Under-recovery on Petrol is only up to 25th Jun'10 ## provisional

(b): The increase in crude oil prices and depreciation of INR/ USD exchange rate has increased the under-recoveries of OMCs and adversely affected their cash flow position, resulting in high borrowings. The borrowing position of the OMCs since 2010-11 is given below:

(Rs. crore)

	March 2011	March 2012	March 2013	December 2013
Total	96727	128272	138522	134109

(c) & (d): In order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government has been modulating the Retail Selling Price (RSP) of sensitive petroleum products viz. Diesel (in retail), PDS Kerosene and Subsidized Domestic LPG, resulting in incidence of under-recovery to the Public Sector Oil Marketing Companies (OMCs). The Government has evolved a Burden Sharing Mechanism to ensure that the burden of under-recoveries incurred by OMCs is shared by all the stakeholders in the following manner:

(i) Government through oil bonds/cash assistance;

(ii) Public Sector Upstream Oil Companies namely, Oil and Natural Gas Corporation (ONGC), Oil India Limited (OIL) and GAIL (India) Limited (GAIL) by way of price discount on Crude oil products.

(iii) Public Sector Oil Marketing Companies, by absorbing a part of the under-recoveries.

(iv) Consumers, by minimal price increase

The details of under-recovery absorbed by the OMCs since 2010-11 are given below:

(Rs. crore)

	OMCs	
Year	Amount	%
2010-11	6,893	9%
2011-12	41	0.3%
2012-13	1,029	1%
April-December, 2013-14	16,889#	17%

unmet gap, pending finalization of burden sharing of under-recovery for the year 2013-14.

(e): Government has taken various steps in the recent past to reduce the under-recovery of the OMCs, as given below:

(i) Diesel: In order to reduce under-recovery on sale of Diesel and in pursuance of the decision taken by the Cabinet Committee on Political Affairs, the Government on 17.01.2013 authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price.

(ii) PDS Kerosene: The quota of PDS Kerosene has been rationalized over the years resulting in reduction in subsidy. The Government has formulated the Direct Transfer of Cash Subsidy on Kerosene (DTCK) and 11 States/UTs have so far confirmed participation in the scheme.

(iii) Domestic LPG: Effective 14th September, 2012, the Government decided to cap the supply of Subsidized Domestic LPG cylinders for each domestic LPG consumer to 6 cylinders (of 14.2 Kg) per annum, which was subsequently increased to 9 cylinders on 17th January 2013. Recently, on 30th January, 2014, the cap on subsidized cylinders has been increased to 12 cylinders per consumer per annum w.e.f. 1.4.2014 (11 cylinders for current year). Also, the Government has launched Direct Benefit Transfer for LPG (DBTL) scheme for direct transfer of subsidy to the customers in 291 districts of the country.