

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

UNSTARRED QUESTION NO:450  
ANSWERED ON:14.07.2014  
FINANCIAL CONSTRAINTS TO OIL COMPANIES  
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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the Public Sector Oil Marketing Companies (OMCs) are in financial crisis due to huge under-recoveries in pricing of petroleum products;
- (b) if so, the details thereof along with quantum of profit earned/loss incurred by OMCs during each of the last three years and the current year; and
- (c) the measures taken by the Government to strengthen the financial position of OMCs without affecting the common man?

**Answer**

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN)

(a) & (b): 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 budgetary 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 and products.
- (iii) Public Sector Oil Marketing Companies, by absorbing a part of the under-recoveries.
- (iv) Consumers, by minimal price increase

The net profit reported by the OMCs during last 3 years is given below:

	(Rs.crore)		
	2011-12	2012-13	2013-14
IOC	3,954	5,005	7,019
HPC	911	905	1,734
BPC	1,311	2,643	4,061

The OMCs could report profits only as a result of getting significant compensation of under-recoveries from the Government and the public sector upstream oil companies.

(c): The 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, the Government on 17.01.2013 authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paise to 50 paise 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 and a scheme of Direct Cash Transfer in Kerosene 2012 has been initiated with an aim to curtail diversion of PDS Kerosene.

(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. On 30th January, 2014, the cap on subsidized cylinders has been increased to 12 cylinders per consumer per annum w.e.f. 1st April, 2014.