

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

STARRED QUESTION NO:261

ANSWERED ON:11.08.2005

LOSSES TO OIL PSUs

Chakraborty Shri Swadesh; Shahid Shri Mohammed

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

- (a) whether the oil PSUs are suffering losses even after the recent hike in oil prices;
- (b) if so, the details thereof before and after price hike;
- (c) whether the huge losses suffered by oil PSUs are on account of faulty duty structure;
- (d) if so, whether the Ministry of Petroleum and Natural Gas has initiated any dialogue with the Ministry of Finance to check further hike in oil prices;
- (e) if so, the outcome thereof; and
- (f) if not, the other steps taken by the Government to maintain the present level of diesel and petrol prices ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO. 261 BY SARVA SHRI MOHD. SHAHID AND SWADESH CHAKRABORTTY TO BE ANSWERED ON 11TH AUGUST 2005 REGARDING LOSSES TO OIL PSUs.

(a) & (b): Yes, Sir. Amongst the Oil Public Sector Undertaking (PSUs), Oil Marketing Companies (OMCs) such as Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and IBP Company Limited have registered losses during the first quarter of the current year. The comparative figures showing profit/(loss) after tax for the OMCs, net of contribution by the upstream PSUs during 2004-05 and the first quarter of the current year vis-à-vis that of last year are as under :

(Rs Crore)

Companies Profit After Tax (As per Published Figures)

2004-05 Apr-June 04 Apr-Jun 05

IOCL	4891	1472	(-)	54	
HPCL	1277	247	(-)	508	
BPCL	966	147	(-)	431	
IBP Co	59	(-)	9	(-)	234
Total	7193	1857	(-)	1227	

Contribution by upstream PSUs in the above 5948 1156 3257

As per preliminary estimates, even after the recent hike in the prices of Motor Spirit (MS) and High Speed Diesel (HSD) effective

20th/21st June 2005, the Public Sector OMCs have incurred a total cash loss (without considering contribution by the upstream PSUs) of Rs 1,516 crore in July 2005 (IOCL - Rs 564 crore, HPCL Rs 343 crore, BPCL - Rs 425 crore, IBP - Rs 184 crore).

(c) to (f): The substantial and increasing losses suffered by the OMCs are on account of the continued and widening mismatch between domestic retail prices of petrol, diesel, PDS kerosene and domestic LPG, on the one hand, and international oil prices which have been relentlessly on the rise in 2005, on the other. The price of PDS kerosene has remained unchanged since April 2002, while only marginal increases have been made in case of domestic LPG, the last being in November 2004. The comparative figures showing the international prices and the domestic prices of crude and sensitive petroleum products are as under :

Trend in International Prices

Period	Indian Basket (\$/bbl)	Petrol (\$/bbl)	Diesel (\$/bbl)	Kerosene (\$/bbl)	LPG (\$/MT)	Crude (\$/bbl)
March 2002	23.31	26.43	23.27	23.65	194.00	
2002-03	26.66	30.15	28.93	29.33	280.40	
2003-04	27.96	35.03	30.48	31.19	278.45	
2004-05	39.22	49.01	46.91	49.50	368.52	
2005-06 (Apr-Jul`05)	51.08	58.85	62.58	66.21	408.30	
8th August 2005	58.83	70.70	66.49	69.71	403.60	
% Increase (8.8.05 over Mar`02)	152.4%	167.5%	185.73%	194.75%	108.04%	

Trend in Domestic Prices

Period	Petrol Rs./Litre	Diesel Rs./Litre	Kerosene Rs./Litre	LPG Rs./Cylinder
As on 31st March 2002	26.54	16.59	8.98	240.45
As on 8th Aug 2005	40.49	28.45	9.05	294.75
% Increase (8th Aug 2005 over Mar`02)	52.6%	71.5%	0.8%	22.6%

The Parliamentary Standing Committee on Petroleum and Natural Gas has recommended restructuring of taxes/duties on petroleum products keeping the interests of the consumer in mind. The recommendations of the Standing Committee were examined in detail in consultation with the Ministry of Finance (MoF) and other authorities concerned. The revision in prices by the Cabinet and the changes by the Ministry of Finance (MoF) in customs and excise duties, including structural changes, on crude oil and petroleum products have been effected on the principle of equitable burden sharing and striking a proper balance among the three principal stakeholders, namely, the Government, the oil companies and the consumers. However, the relentless increase in international prices has put an unduly large burden on the oil marketing companies threatening to make them sick. The Government is continuously monitoring the price situation with a view to taking appropriate remedial measures.