

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

STARRED QUESTION NO:126
ANSWERED ON:01.12.2005
LOSSES/ PROFITS OF OIL PSUS
Patle Shri Shishupal Natthu;Varma Shri Ratilal Kalidas

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

- (a) whether Public Sector Oil Companies have assessed their loss/profit position during the first six months of the current financial year;
- (b) if so, the details thereof, PSU-wise;
- (c) whether various petroleum products are being sold at lesser price than their cost price;
- (d) if so, the details thereof and the amount of losses suffered as a result thereof so far, product-wise; and
- (e) the steps taken/proposed to be taken by the Government to overcome the situation without hurting the interest of the common man?

Answer

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

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

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 126 TO BE ANSWERED ON 1ST DECEMBER, 2005 REGARDING LOSSES/PROFITS OF OIL PSUs.

(a) & (b) : Yes, Sir, as detailed below:

(Rs. in crore)

S.No. Name of the Oil PSU Estimated Profit/Loss during
the first half of the year 2005-06

1	Oil India Ltd.	815.78
2	GAIL (India) Ltd.	1258.00
3	Oil and Natural Gas Corporation Ltd.	7457.00
4	Numaligarh Refinery Ltd.	157.90
5	IBP Co. Ltd.	(-) 424.50
6	Hindustan Petroleum Corporation Ltd.	(-) 530.00
7	Balmer Lawrie & Co. Ltd.	25.27
8	Engineers India Ltd.	77.70
9	Mangalore Refinery and Petrochemicals Ltd.	381.74
10	Indian Oil Corporation Ltd.	895.00
11	Kochi Refineries Ltd.	279.00
12	Bharat Petroleum Corporation Ltd.	(-) 634.37
13	Biecco Lawrie Ltd.	0.51
14	Bongaigaon Refinery & Petrochemicals Ltd.	117.96
15	Chennai Petroleum Corporation Ltd.	430.42

(c) to (d) : Yes Sir. The complexity of the refining process, which involves the distillation, cracking, coking and de-sulphurization of many different products, makes it difficult to accurately assess product-wise losses and the apportionment of product-wise costs. What is clear, however, is that during the period April-November'05, the four sensitive petroleum products, i.e. petrol, diesel, PDS Kerosene and domestic LPG have been sold at prices lower than corresponding international import parity cost. This leads to "under-recoveries". The estimated under-recoveries for the period April-November'05 in respect of the sensitive products are tabulated below:

Rs./Crores

Products Estimated Under-recoveries
for April-Nov '05

On PDS Kerosene and Domestic LPG 14,373
On petrol and diesel 12,353
Total 26,726

e) The Government is continuously monitoring the price situation. The pricing mechanism attempts to balance the interests of various stakeholders, viz., Consumers, Government and Oil Companies.

With a view to containing the burden of the increase in international prices on sensitive petroleum products, particularly since June 2004, the Government resorted to several measures which inter alia included downward revision in customs and excise duties on sensitive petroleum products and moderate price increases, especially in petrol and diesel from time to time. This has been done with a view to ensure equitable distribution of the burden amongst various stakeholders, i.e. Government, oil marketing companies and consumers. Further, the Government has formulated a loss sharing scheme as per which upstream oil companies, namely ONGC, OIL and GAIL share 1/3rd of under-recoveries on sensitive petroleum products. The Government is also considering issue of bonds for under recoveries suffered by PSU oil marketing companies on subsidised petroleum products.

The Government has also constituted a high-powered committee under the Chairmanship of Dr. C Rangarajan. This Committee will examine the pricing and taxation structure in respect of petroleum products with a view to ensure stability and rationalisation in pricing of petroleum products.