
Indian oil marketing companies expect lower internal resources

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It is reported that delayed compensation and continued under recoveries have prompted public sector oil marketing companies Indian Oil Corporation, Hindustan Petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd to budget for a lower internal resource generation in 2010-11.

According to the Budget for 2010-11, the internal resource generation of IOC and BPCL is projected to be lower by 23.6% and 43.6% respectively. HPCL however, pegged the next financial year's internal resource generation at nil as compared to INR 940 crore according to the revised estimates of 2009-10.

An official at BPCL said that "These numbers are based on profit projections made on the basis of certain assumptions. But the final figures might be different since crude oil prices keep fluctuating. Moreover, there is uncertainty about the government's subsidy sharing mechanism for under recoveries, which we will incur next year."

BPCL projected an internal resource generation of INR 1,022 crore, down by 43.6% from the current year's revised estimate of INR 1,813 crore. For the current year, the underrecovery on petrol and diesel is being compensated by upstream companies, while the same on kerosene and LPG is supposed to be compensated by the government.

IOC, the biggest OMC pegged its internal resource generation in 2010-11 at INR 5,390 crore, down by 23.6% from the current year's revised estimate of INR 7,061 crore.

The three marketing companies are estimated to be together losing INR 196 crore daily on sale of petrol, diesel, kerosene and LPG with IOC alone losing INR 107 crore. For the full year, they are estimated to have under recoveries of INR 46,600 crore.

After the discounts provided by upstream companies Oil and Natural Gas Corporation, Oil India Ltd and Gas Authority of India Ltd the OMCs are still left with losses of over INR 31,000 crore.

(Sourced from Business Standard)

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