



## OMC – delay in Q2 result can translate into bigger compensation

The Q2FY11 results of IOC, BPCL, HPCL will be declared between 10<sup>th</sup> Nov-14<sup>th</sup> Nov, previously it was expected in last week of October. The board meetings have been deferred which could, hopefully, translate into some good news from the viewpoint of getting a bigger compensation package from the Finance Ministry. OMC's were given an ad hoc sum of ~ Rs 10,000 cr. to set off their fuel losses for a period of H1FY11 out of total under-recoveries of ~ Rs 31,367 cr. This includes Rs 2,227 cr oil firm lost on selling petrol below cost till Jun-25. Upstream companies would bear 1/3 of total under-recoveries and OMC's would have to absorb over Rs 10,000 cr among them which would be result in big net losses.

### Subsidy sharing formula

(Rs Cr)	Q2FY11E	Q1FY11	% change	H1FY11	Formula
Govt. share	5529	10155	-45.6	15684	50%
OMC (HPCL, BPCL, IOCL)	1880	3453	-45.6	5333	17%
Upstream sharing	3649	6702	-45.6	10351	33%
Total Subsidy	11057	20310	-45.6	31367	

Efforts of the petroleum ministry are under way to persuade the Finance Ministry to increase its compensation by at least another Rs 5,000 cr (as per predefined formula 50% will be shared by Govt.). It would also help to improve the case of IOC whose disinvestment exercise kicks off in the last quarter of this fiscal.

At current levels of crude prices (\$82/bbl) OMC's are bearing a losses on diesel Rs 2.87 /lt ,on kerosene Rs 16 /lt and Rs 188/ LPG cylinder. The Price hike in diesel needs to be ~ 8% and it is difficult for Govt. to take a decision on the diesel deregulation because any hike in diesel will have an impact on food inflation.