

LOK SABHA

UNSTARRED QUESTION NO. 3474

TO BE ANSWERED ON 8.8.2016

NET PROFIT OF GAIL

3474. SHRI VENKATESH BABU T.G.:
ADV. M. UDHAYAKUMAR:

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

पेट्रोलियम और प्राकृतिक गैस मंत्री

(a) whether the turnover and net profit of Gas Authority of India Limited (GAIL) has been drastically reduced over the years and if so, the details thereof and the reasons therefor along with the steps taken/being taken by the Government to increase the profits in the coming years; and

(b) whether the decline in oil prices has downgraded the rating of ONGC and Oil India Limited despite strong liquidity/cash positions and if so, the details thereof along with the steps taken in this regard?

ANSWER

पेट्रोलियम और प्राकृतिक गैस मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)
(श्री धर्मेन्द्र प्रधान)

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF
PETROLEUM & NATURAL GAS (SHRI DHARMENDRA PRADHAN)

(a): The details of Turnover and Profit after Tax of GAIL during the last three years are as under:

(Rs. in Cr.)

Financial Year	Turnover/Sales (Net of Excise duty)	Profit After Tax
2013-14	57,245	4,375
2014-15	56,569	3,039
2015-16	51,614	2,299

The reasons for fall in turnover and profit and the steps taken to improve performance are at **Annexure-I and Annexure-II.**

(b): For Oil India Limited, the International Credit Ratings have not been downgraded. During their last review in February, -March, 2016, the International Credit Rating Agencies Moody's & Fitch have maintained the Credit Ratings of the Company at 'Baa2' & 'BBB-' respectively.

For ONGC, Moody's have maintained the ratings as 'Baa1' with stable outlook for domestic currency and 'Baa2' with stable outlook for foreign currency. S&P in view of the low crude oil price assumptions has revised stand alone credit profile of ONGC from 'a' to 'a-'. However, S&P has affirmed ONGC's long term corporate credit rating at 'BBB-' with stable outlook.

ANNEXURE-I REFERRED IN REPLY TO PART (a) OF LOK SABHA UNSTARRED QUESTION NO. 3474 TO BE ANSWERED ON 8.8.2016 REGARDING NET PROFIT OF GAIL

Reasons for fall in Turnover & Profit

Turnover & Profit after Tax of GAIL has come down due to following reasons:

1. Decrease in availability of Domestic Gas and usage of imported LNG which is expensive compared to domestic gas for Petrochemical production.
2. With fall in crude prices during FY14-15, there was a significant fall in average Price realization from sale of Liquid Hydrocarbons (including LPG).
3. Non-utilization of full capacity of newly set up pipelines.
4. Fall in Domestic gas coupled with Consumer resistance to buy high priced Long term LNG, particularly by Power & Industrial sectors.
5. Fall in profit due to reduction in Natural Gas pipeline network tariffs with retrospective effect starting from 20.11.2008.
6. Decrease in Production by 106 TMT in FY15-16 as compared with FY14-15 due to Preventive Maintenance shutdown, Integration of GPU I & II, lower gas availability due to ONGC shutdown etc.
7. Steep increase in Entry Tax by the Government of Madhya Pradesh on Natural Gas from 1% to 10% w.e.f. 01.04.2015, there has been a negative impact of on the profitability of GAIL in FY 2015-16.

ANNEXURE-II REFERRED IN REPLY TO PART (a) OF LOK SABHA UNSTARRED QUESTION NO. 3474 TO BE ANSWERED ON 8.8.2016 REGARDING NET PROFIT OF GAIL

Steps taken by GAIL to improve the Performance

- 1) Government has approved the scheme for supply of Gas under Power Pooling to Stranded Gas based Power Plants and Pooling of Gas in Fertilizer (Urea) Sector. Accordingly, GAIL has increased sale of Gas by 7-8 MMSCMD thereby generating additional Revenue and Margin for the company.
- 2) In order to reduce the losses in the Petrochemical Segment, GAIL has taken initiatives for procuring cheaper gas from Petronet LNG Limited (PLL)/RasGas for Internal Consumption purpose. GAIL is also continuously exploring the opportunity to source cheapest gas for Petrochemical Segment.
- 3) Long Term Gas contract with PLL/RasGas has been successfully renegotiated w.e.f. Jan'16.
- 4) GAIL has taken up various initiatives for improving the overall efficiency/cost optimization/cost reduction for improvement in Profitability of the company.
- 5) With the persuasion of the Central Government, the Government of Madhya Pradesh has restored the Entry Tax at original level of 1% on Natural Gas consumed for production of C2/C3 mix.