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PSU Oil Cos Raise Commission for Pump Dealers by Up to 55%

Our Bureau

New Delhi: State oil companies have increased the commission for petrol pump dealers by up to 55% under a revised formula that accounts for higher staff wages and, for the first time, the return on investment in land used for the filling station.

"This is a good move by the government and oil companies. The decision will mainly benefit low-selling retail outlets, many of which were running on losses," said Ajay Bansal, president of All India Petroleum Dealers' Association.

Indian Oil Corp. declined to comment for the story. Bansal said the commission hike is with effect from August 1. It wasn't clear if fuel prices reflected the increased commission.

The price of petrol was ₹65.40/litre in New Delhi on August 1, 14 paise higher than the rate on Monday, according to the Indian Oil website. The price of diesel was 8 paise higher.

The commission revision involves a complex formula, allocating a higher commission per litre to lower-selling outlets, Bansal said. It has for the first time factored in the return on investment in land owned by dealers, he added.

For selling 170 kilolitres of fuel, a dealer will now earn an additional commission of 63 paise a litre.

If the dealer also owns the land on which the filling station stands, the commission will go up by another 20 paise/litre.

Earlier, the dealer earned Rs 1.52 per litre.

The increase in commission is less for an outlet with sales exceeding 170 KL than for those selling a lower quantity, Bansal said.

The revised formula takes into account the minimum wages set by the Central government. Earlier, the companies took an average of wages fixed by the states, which was lower than the Central government's wages.

The commission varies with the location of pumps.

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LPG subsidies: Centre comes under Opposition fire in RS

Govt says LPG price hike part of subsidy rationalisation

OUR BUREAU
New Delhi, August 1

The government was on the back foot in the Rajya Sabha on Tuesday as Opposition members protested against the decision to hike subsidised LPG prices.

Oil Minister Dharmendra Pradhan justified the decision in the Upper House and said the move was initiated in June 2010 by the erstwhile UPA government so that the subsidies can be completely eliminated.

A government official, meanwhile, claimed that the price hike was the previous government's idea that the incumbent was implementing.

The official said that an Empowered Group of Ministers (E-GOM) chaired by then Finance Minister Pranab Mukherjee had decided that the price of domestic LPG will be increased by ₹35 per cylinder at Delhi, with corresponding increases in other parts of the country.

"It was also decided that the price will be periodically revised based on increase in paying capacity as reflected in the rising per capita income," he added.

In the Rajya Sabha, Opposition members attacked the Centre over the decision to remove subsidies for cooking gas. The House witnessed adjournments twice during the zero hour as Opposition members stormed to the Well of the House demanding the Centre to drop the move.

Deputy Chairman PJ Kurien adjourned the House first for 10 minutes and later till noon.

Trinamool charge

While raising the matter, Trinamool Congress leader Derek O'Brien said it is the social commitment of the Centre to provide cooking gas at subsidised rates. "Oil prices have come down from $111 per barrel to $48 but the government is raising rates of cooking fuel," he said and added that the BJP had promised that it will continue with the subsidies at the time of elections.

CPI(M)'s Sitaram Yechury reminded Prime Minister Narendra Modi about his campaign urging people to voluntarily give up subsidies so that subsidised LPG can be provided to the poor and needy.

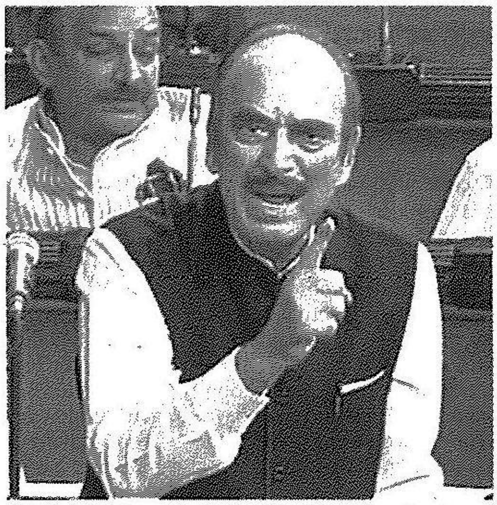
"But the government has now decided to charge all the poor ₹4 per cylinder more every month. This is strongly condemnable. The government should withdraw the decision," he said.

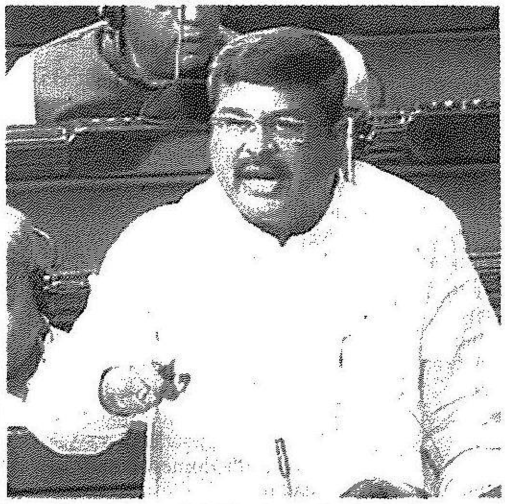
Leader of the Opposition Ghulam Nabi Azad said the people had voluntarily given up their subsidies in the hope that subsidised cooking gas will be given to the poor.

"This is not acceptable," he said and added that the Centre is killing the poor as the price of LPG would go up by ₹48 per cylinder at a time when oil rates globally have slumped.

The Oil Ministry official also said that with the expansion of LPG coverage, it was imperative to rationalise the subsidy component so as to ensure that the needy and poor are fully protected. At the same time the affluent households should pay a little more given their rising income and higher paying ability, he added.

The government is of the view that the increase in prices will have minimal impact on LPG consumers as the overall inflation remains at a low level. "Having said this, the government stands committed and will continue to provide subsidy assistance to the needy and poor households," he added.





Oil Minister Dharmendra Pradhan (right) and leader of Opposition Ghiulam Nabi Azad speaking in the Rajya Sabha on Tuesday PTI

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Mukesh Ambani Asia's second-richest man as debt fuels RIL growth

BY SAKET SUNDRIA & BHUMA SHRIVASTAVA

MUMBAI

Mukesh Ambani has elbowed past Li Ka-shing to become Asia's second-richest man as investors rallied behind his efforts to arm India's poor with cheap data-loaded phones. Some analysts are beginning to focus on the costs of his ambition.

The chairman of Reliance Industries Ltd (RIL) has added \$12.1 billion to his wealth this year, according to the Bloomberg Billionaires Index, as shares of his refining-to-telecom company surged to a record. Spurring the rally on is optimism that a new Rs1,500 phone launched last month will expand the market for Ambani's 4G mobile network into the hinterland. The whistles and applause that greeted the JioPhone obscured the fact that by one measure the firm's debt has climbed to at least a 15-year high.

The telecom business, Ambani's seven-year labour of love, has sucked in more than \$31 billion in investments and is yet to earn him and his shareholders any profits. It's contributed to a near tripling of the group's total debt since March 2012 and sparked a vicious price war in the world's second-largest mobile-phone market. About 90% of RIL's revenues continue to come from its legacy refining and petchem units, with retail, media and energy exploration contributing the rest.

Mukesh Ambani. ABHIJIT BHATLEKAR/MINT

Brokerage Kotak Securities Ltd sounded a warning on 23 July when it downgraded RIL's stock to reduce. "We remain wary of high capex run-rate and rising net debt levels," wrote analysts Tarun Lakhotia and Akshay Bhor.

The company's net debt-to-Ebitda ratio has quadrupled in the five years to March 2017 and is at the highest level since 2002, when *Bloomberg* began tracking the data. Ebitda (earnings before interest, tax, depreciation and amortization), is a gauge of a company's operating profit.

An RIL spokesman didn't respond to an email seeking comment about the firm's growing debt.

Ambani described Jio as "a jewel" among Reliance assets during the firm's annual general meeting in July. "Its business and societal value will grow immensely over the next decade," he said. "Jio will become India's largest provider of data service, products and application platforms."

To be sure, Kotak Securities is among a minority of four brokerages with a sell rating on RIL, compared with 13 hold and 21 buy recommendations among firms *Bloomberg* tracks. RIL shares have climbed close to 50% this year.

IDBI Capital Market Services cut its recommendation to "accumulate" from "buy" last month citing the recent share surge, while Macquarie re-initiated coverage of RIL with an "underperform" call.

Since Reliance Jio is a new business, it will have to account for "significant" depreciation and amortization charges, which will result in losses till the year ending March 2021, Macquarie Research analyst Aditya Suresh wrote in a 25 July report. Depreciation and amortization let firm spread out an asset's cost over its life.

To justify its share price "in addition to the growth from RIL's new refining and petchem projects and a constructive refining margin view, we need to ascribe \$12 billion option value for Jio", Suresh wrote. "With not a single dollar of revenue booked we consider this optionality premature."

For Ambani, the gains have swelled his net worth to \$34.8 billion, taking him to number 19 in the Bloomberg Billionaires Index from 29 at the end of 2016. He passed Li Ka-shing, whose empire spans telecom, retail and ports, for a few days in April and again on 7 July.

Jio took just nine months after launching with a free introductory offer to reach 117.3 million users and become India's fourth-largest telco, according to government data compiled by *Bloomberg*. Optimism about the telecom upstart's prospects grew after Ambani announced initial pricing for the service in February, sparking an almost 50% surge in RIL shares.

The 4G JioPhone unveiled this month further fuelled the rally. The handset will run on voice commands in 22 languages and the firm expects its cheaper rates and high-speed data access to open up a market of about 500 million customers currently using feature phones on 2G networks.

Investments in refining and petrochemicals may start benefiting RIL from the current fiscal year, said Vishal Kulkarni, a Singapore-based analyst at S&P Global Ratings. He expects operating profits from these businesses to grow by 50% in the year ending March 2019. Jio may make an operating profit of \$1 billion this fiscal and triple it next year, he said.

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Oppn stall Rajya Sabha over LPG price hike

OUR CORRESPONDENT

NEW DELHI: A united opposition on Tuesday stalled the pre-noon proceedings in the Rajya Sabha protesting against the government's decision to hike the prices of domestic cooking gas (LPG) by Rs 4 per cylinder every month to eliminate all subsidies by next March.

Congress, SP, TMC, BSP and Left MPs stormed into the Well of the House shouting slogans seeking withdrawal of the decision, forcing Deputy Chairman P J Kurien to first adjourn the proceedings for 10 minutes and then till noon.

The issue was raised by Derek O'Brien (TMC) who gave a notice under rule 267 that seeks to set aside the business of the day to discuss an important issue.

"When they make promises, why not implement it," O'Brien asked.

Sitaram Yechury (CPI-M) said at the call of Prime Minister Narendra Modi, people had voluntarily given up subsidies so that subsidised LPG can be provided to the poor and needy.

But the government has now decided to charge all the poor Rs 4 per cylinder more every month, he said. "This is strongly condemnable. The government should withdraw (the decision)."

Tapan Sen (CPI-M) said people are being "cheated".

Naresh Agarwal (SP) said this is a "government for profits."

When the House met again, Leader of the Opposition Ghulam Nabi Azad said the people had voluntarily given up their subsidies in the hope that subsidised cooking gas will be given to the poor.

But the government is "killing the poor", as within a year, the price of LPG would go up by Rs 48 per cylinder at a time when oil rates globally have slumped to a multi-year low.

"This is not acceptable," he said.

Clarifying the decision, Pradhan said the move flowed from a June 2010 decision under the previous UPA government to raise prices every month in small quantum to completely eliminate subsidies.

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He read out from a document that listed the decision and those who endorsed it.

Pradhan said the BJP-led government has in the last three years raised the LPG connections from 14 crore to 21 crore and given as many as 2.6 crore free connections to poor women household members.