Merger of ONGC-HPCL

Why in news?

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The Union Cabinet nodded to the purchase of Hindustan Petroleum Corporation Limited by the Oil and Natural Gas Corporation.

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What is the status of oil firms in India?

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- India imports – \n\n
  1. 80% of its crude oil demand.
  2. 50% of its liquefied petroleum gas (LPG) demand.
  3. 35% of its natural gas requirement.
- India has 18 PSU oil firms.
- Hindustan Petroleum Corporation (HPCL) is the country’s second largest fuel retailer.
- Oil and Natural Gas Corporation (ONGC), is the country’s largest oil producer.
- Gas (India) Limited (GAIL) is the largest state-owned natural gas processing and distribution company in India.

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What is the need for the merger?

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- India’s oil import dependency is likely to rise up to 90%.
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- The primary reason is to improve the handle on energy security for the country.
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- The merger of public sector oil companies will create larger entities and a national brand.
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- Many Asian countries have single integrated oil companies, India want to try this model.
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- The occupational and maintenance cost of various agencies for one single sector is tedious.
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What are the advantages of the merger?

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- Helps India to compete at the global level, and help better absorb oil price shocks.
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- Promotes economic growth by cut on various managing expenses.
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- Helps the government for proper utilization of financial resources and technological expertise.
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- There are possibilities of exploring domestic oil potential.
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What are the concerns of the merger?

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- There is question on financial viability of ONGC to make this deal.
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- There are proofs for the inefficiency of ONGC investment on different firms.
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- There was a slippage in HPCL’s share price on the BSE.

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- There are concerns about assimilating employees from very different work cultures.
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- The quality of service may be reduced, due to lack of competition.
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Source: The Hindu, Business Standard

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