

MARKETING COST OF PETROL AND DIESEL

Major Findings of the Joint study done by Office of Chief Advisor (Cost), Ministry of Finance & Director (F), Petroleum Planning & Analysis Cell, Ministry of Petroleum and Natural Gas



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1. TERMS OF REFERENCE

1.1 Ministry of Petroleum and Natural Gas constituted a group comprising of representatives of erstwhile Cost Accounts Branch and now office of Chief Adviser (Cost) in the Ministry of Finance along with Director (Finance), Petroleum Planning & Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas to examine price build up of petrol and diesel. The group would take into consideration the following aspects while finalizing its recommendations:-

- (i) Government's decision regarding implementation of principle of Trade Parity with reduction in custom's duty on petrol and diesel from 10% to 7.5%.
- (ii) Audited actuals for financial year 2005-06 along with reference to recommendations of Dr. Rangarajan Committee and Trade Parity.
- (iii) Representatives from IOC, BPC, HPC and ONGC can also be co-opted to the group, if necessary.
- (iv) The pricing formula as may be evolved based on such findings would be submitted for approval.

2. METHODOLOGY OF STUDY

2.1 PPAC in consultation with Public Sector Oil Marketing Companies prepared a format showing current price built up of petrol (Motor Spirit) and diesel (High Speed Diesel) and requested the oil Public sector undertakings to furnish marketing data pertaining to the year 2005-06 under various heads which were prevalent when Administered Price Mechanism was in force. The cost data as submitted by the oil companies in the format designed by PPAC was sent to Office of Chief Adviser (Cost) in respect of Indian Oil Corporation Ltd. (IOC), Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Ltd. (BPCL) and IBP Company Ltd.

2.2 After receipt of data, from the public sector oil companies, offices of four oil companies at Mumbai were visited by officials of Chief Adviser (Cost) for understanding the data.

2.3 The data of marketing activities of oil companies for the financial year 2005-06 was examined element-wise to work out the marketing cost. Broad heads under which cost is

build up from refinery gate price (Trade Parity Price) to the consumer level consists of operational and functional costs of marketing companies and duties and levies on the factory gate price. Elements which constitute marketing costs and are reflected in the price build up in the financial accounts of marketing companies are as follows:-

Natural Expenditure Heads (Marketing Costs)

- (i) Salaries & Wages
- (ii) Stores & Spares
- (iii) Power & Fuel
- (iv) Repair & Maintenance
- (v) Other expenses less miscellaneous income

Expenditure Specific to OMCs

- (i) Freight
- (ii) RPO operating cost
- (iii) Domestic Logistics Adjustment Factor
- (iv) Delivery charges under recovery
- (v) Terminalling Charges
- (vi) Stock Loss
- (vii) Demand draft charges (RPO surcharge) and other miscellaneous items

2.4 The marketing costs of petroleum products were separated by the companies from other activities on the basis of method followed for their allocation / booking as separate cost centres. These expenses are adjusted for miscellaneous income, if any, under each head. The expenses under each of these heads were examined before analysis and accepting for the purpose of present exercise. Besides the above expenses, duties and levies like excise duty and Value Added Tax (VAT) and dealers commission also form part of retail price.

3. PRESENT METHODOLOGY FOR ARRIVING AT EX-STORAGE POINT SELLING PRICE

3.1 Before dealing with actual costs as verified on the basis of audited financial accounts for the year 2005-06, it was considered prudent to understand the present elements of ex-storage point selling price over and above the Import Parity Price / Trade Parity Price. It was

explained by the companies that the following elements which are related to marketing activities, are added after the Trade Parity Price to arrive at ex-storage point selling price exclusive of freight, duties/taxes, dealer's commission, etc.

1. **Marketing costs** cover compensation for the following elements:-

- a. Infrastructure handling and maintenance cost including depreciation
- b. Salaries and wages of employees in the operating locations

The operating cost in marketing the products at Rs. 425.43 per KL is being considered at present. A 5% escalation on a year-to-year basis has been provided since 2002-03.

2. **Marketing Margin** is towards return on net fixed assets, employed in the marketing of these products. This element is to provide for future investment on / replacement of infrastructure for storage, handling and marketing of petrol / diesel. Rs. 390.79 per KL for Petrol and Rs. 400.05 per KL for diesel as marketing margin being 5% of March 02 import parity price is being considered. This has been frozen at the level applicable during March 2002, the last month under APM.

3. **Return on working capital** has been considered at 20 days cost of sales X State Bank of India Prime Lending Rate. Based on price build up applicable for 2nd fortnight October 2006, Rs 207.28 per KL on MS and Rs 172.12 per KL on HSD is being included at present.

4. **Stock loss @ 0.5%** of cost of sales for petrol and at 0.125% of cost of sales in case of diesel is being considered. Based on price build up applicable for 2nd fortnight October 2006, Rs 171.95 per KL on MS and Rs 35.69 per KL on HSD is being included at present.

5. **Retail Pump Outlet charges** amounting to Rs. 150 per KL is being considered towards oil marketing companies costs and return on investments at retail pump outlets. There has been no revision in the rate since April 2002.

6. **Freight (Equalized transportation costs)** is a legacy of the APM period. Post APM, oil marketing companies (OMC's) recover weighted average cost of transportation on import parity basis i.e. from the nearest port to Depot on an equalized basis for all locations in the country while fixing the retail selling prices of petrol and diesel. At present, Rs 322.75 per KL in case of petrol and Rs 406.73 per KL in case of diesel, is included as weighted average freight from the ports to various depots while determining

- ex storage point selling prices. Inclusion of equalized freight ensures that the impact of high transportation costs for inland location / far- flung areas is contained.
7. **DLAF (Domestic Logistic Adjustment Factor):** Depending upon the availability of product at the refineries and the markets attached to those refineries for the purpose of pricing, it is likely that Petrol / Diesel would have to be moved from other refineries to meet the requirements of the customers. Such movements would result in additional logistic cost to the oil companies, for which an amount Rs. 100/- per KL has been provided towards DLAF in the price build up. This has been frozen at the level applicable since April 2002.
 8. **Terminalling charges:** Rs. 50 per KL has been considered as terminalling charges as compensation to refineries for providing facilities for marketing activities in price build up of petrol and diesel. This has been frozen at the level applicable since April 2002.
 9. **RPO surcharge:** Some of the Dealers who procure supplies from marketing companies make payments by demand drafts. Commission paid to dealers does not recognize this element as it is assumed that payments have been made by cheque. As the dealers incur charges for making these demand drafts, the additional cost incurred by them is compensated by reimbursing them and including this element in the retail selling price. These charges were a part of the price build even during APM. The oil companies want separate compensation for this element on the ground that they are reimbursing the expenses to the dealers and if cheques are accepted, there may be bad debts and delay in receipts. An amount of Rs 36 per KL on MS and Rs 21 per KL on HSD is being included in the price build at present.
 10. **Delivery charges under recovery:** This item shows the impact of under realization in transportation charges from the oil companies' storage depot to the dealers retail outlets. An amount of Rs 40 per KL is being included at present both for MS and HSD.
- 3.2. Further discussions were held with the public sector oil companies on 15th September, 2006 and progress of the data submitted by them and that which was yet to be submitted was reviewed by the group. The group made an in depth study of the data submitted by oil companies and has adopted the same in finalizing various parameters in the subsequent portions of the report.

4. ANALYSIS OF ACTUAL COSTS

4.1 **Marketing costs:** - The actual cost claimed by the oil marketing companies as per audited accounts for the year 2005-06 vary from Rs. 413 to Rs. 463 per KL and the weighted average cost of all the four companies for the year 2005-06 is Rs. 428.34 per KL. The cost being considered in the present price build up is Rs. 425.43 per KL and escalation at the rate of 5% is being allowed on a year to year basis from 2002-03. Normally, for determination of prices across various industries 5% annual escalation is allowed in salaries and wages and 2.5% on the fixed component of other overheads. Depreciation tends to come down due to passage of time and is not escalated. However, in an industry where rejuvenation is continuous it is possible that additions made every year may not allow the depreciation to come down. The question of linking escalation to wholesale price index was also examined. The basket of wholesale price index consists of heterogeneous products and the marketing costs have no relation whatsoever to the wholesale price index. At the most they are related to labour index as major constituent of marketing cost continues to be employee cost. Marketing companies, however, felt that existing practice of allowing 5% needs to be continued. The group examined this aspect at length and recommends that in future escalation may be restricted to 4% instead of 5% on the overall marketing cost and companies should contain their expenditure so that their expenses do not increase the ceiling.

4.2 **Marketing Margin:** Marketing margin represents return on net fixed assets employed in the marketing of various products by the oil companies. The margin is provided as a reward on the investments made in the past and also for future investments, replacement of infrastructure for storage, handling and marketing of petrol and diesel. At present, this margin is at Rs. 390.79 per KL for Petrol and Rs. 400.05 per KL for diesel which is frozen at 5% of March 2002 Import Parity Price. Oil companies submitted a detailed note pleading that marketing margin be continued at the rate of 5% of the retail Trade Parity Price in vogue from time to time instead of keeping it frozen at the level of March 2002. They have pointed out that marketing margin is a dynamic concept compared to the return on capital employed and that it is more pervasive than the return on capital concept. According to them, in addition to the return on capital employed, a return from the entrepreneurial abilities of the business and the risk associated with the business in the current competitive scenario are covered in the same and besides it covers the exposure to the price risk being taken to the time gap between the date of purchase and date of sales during which the prices could fluctuate either upward or downward. This also covers for the brand premium-

established through the efforts of the marketing company. They have requested that freeze on the marketing margins be removed and they should be allowed to charge 5% marketing margin as such a practice is adopted internationally. They have also pointed in the neighbouring countries like Pakistan, the margin allowed for the marketing company is around 3.5% of the location selling price which consists of Import Parity Price + duties and in Sri Lanka the margin varied between 1.5% to 5% of selling prices and in developed countries between 5% to 10%. No doubt the companies claimed margin on Trade Parity Price or Import Parity Price but Government had laid down a policy for allowing return on capital employed / net worth as the case may be. Capital employed or net worth indicates the productive requirement of capital resources and return has to be allowed on the same as per the policy. In the instant case, marketing margin has been taken at two points, namely, one in marketing and other in retail pump outlet establishments which are also part of marketing effort by the companies and have been discussed later in this chapter. An attempt has been made to calculate incidence of pre-tax return on net fixed assets deployed for marketing by each of the public sector oil companies. The following table gives the computations relating to marketing margin of the oil companies:-

S.No.	Name of the oil company	Average Net fixed Assets for the year 2005-06 * (Rs./Lakhs)	Quantity handled / sold during 2005-06 (TKL)	Pre - tax return at 18.09% Rs/KL
1.	HPCL	176635	16971	188.28
2.	IOC	285160	40068	128.74
3.	BPCL	228565	18447	224.14
4.	IBP	32537	5344	110.14
	Weighted Average	722897	80830	161.78

*excludes separately identifiable assets for functions like direct sales from refinery, Aviation, LPG, RPO lubes etc.

In fact, as per normal practice which is commonly followed in allowing return as per guidelines to the net fixed assets, working capital need to be added and capital employed so determined has to be apportioned in the ratio of debt equity. While equity portion should get post tax return, debt portion would get interest at the average rate of interest of each of the units during the year 2005-06. In the instant case, working capital requirements are being separately provided for and do not form part of the margin. We have, therefore, treated the

entire net fixed assets as eligible for post tax return to arrive at incidence of margin that may be permitted by making the presumption that entire investment in assets is out of own funds. Emphasis has to be laid on productive deployment of assets and this is only possible if the return is linked to the assets and not otherwise. We have, therefore, allowed 12% return on net fixed assets and grossed up the same for corporate tax at 30%, surcharge at 10% and education cess at 2% resulting in pre tax return rate at 18.09%.

4.3 **Interest on Working Capital:-**

At present, interest on working capital has been considered at 20 days' cost of sales excluding depreciation and State Bank of India prime lending rate, which is 11%, have been used to arrive at incidence of working capital. This incidence comes to Rs 207.28 per KL for petrol and Rs 172.12 per KL for diesel for the 2nd fortnight of October 2006. The impact of working capital requirements was examined in detail. The companies submitted details showing working capital requirements for marketing activities separately. Working capital requirements indicated by each of the companies is given below:

S.No	Name of the Company	Average inventory holding in the Marketing (equivalent to number of days cost of sales)	
		MS	HSD
1.	HPCL	33	30
2.	BPCL	31	32
3.	IBP	7	6
4.	IOC	39	32

On overall basis, working capital requirements do not exceed 20 days' cost of sales excluding depreciation. In view of this development, the group recommends adoption of 20 days' cost of sales excluding depreciation as in the past and interest be allowed at the current PLR rate of State Bank of India.

4.4 **Stock Loss:**

Stock loss is presently allowed at 0.5% of cost of sales for petrol and 0.125% of cost of sales in case of diesel in the price build up. This matter was discussed at length with the oil marketing companies and it was explained to them that they should indicate opening stock, purchases during the year, sales and closing stock. Having done this computation, they should compare closing stock as actually obtained to work out the loss.

The factors that contribute to the product loss during handling operations at various terminals and depots are as under:-

- a) **Evaporation:** As stated above, evaporation of petroleum products is unavoidable due to volatile nature of products. The factors which contribute evaporation losses depend on temperature, atmospheric pressure, surface area exposed to atmosphere, volume of vapour space, temperature variation during days cycle of 24 hours and the nature of product and its RVP. Since at all the handling operations the above factors are unavoidable, evaporation loss is also unavoidable.
- b) **Leakage / spillage:** Leakage of product during various operations like receipt, storage, deliveries, etc add to stock loss. However, this loss can be controlled to some extent with proper inspection and maintenance of facilities.
- c) **Gauging / calibration of equipments :** This loss occurs due to human error in gauging operation as well as improper calibration of delivery equipments. Delivery equipments are calibrated by Department of Legal Metrology (Weights & Measures Dept.) of the State Department and as such it is presumed that there is no loss on this account.
- d) **Pilferage:** Pilferage of products also adds to the product loss. However, this loss is also controllable.

From the above, it may be observed that the losses in petroleum products occurs mainly due to uncontrollable environment factors like RVP of product, ambient temperature, etc. Petroleum products have got tendency to expand due to rise in temperature and contract during cooling. The coefficient of expansion of MS is 1.26 litres / KL/degree centigrade and coefficient of expansion of HSD is 0.90 litres/KL/degree centigrade. As such, when accounting of the product is done at a standard temperature, there is bound to be loss of product although if product is received at lower temperature and delivered at higher temperature there may be some volumetric gain at natural temperature.

At terminals/depots wherever the product is received either through pipeline or through ocean tankers, accounting of product starts after receipt of product in the storage tanks. If

the finalization of storage tank quantity is done in the early morning hours when the temperature is low and delivery of the product is done all throughout the day, there may be gains due to expansion of product during temperature rise during the day but there will not be any gain if quantity of product is converted into a standard temperature.

The submissions made by the oil companies are not borne out by facts as contained in their annual accounts. In respect of IOC for the last two years, with respect to petroleum products as a group, showed a gain. In respect of data submitted by HPCL for MS and HSD, they also showed a gain for the year 2005-06 of 0.12% and 0.23% respectively. The phenomena though looks strange was examined. Diesel and petrol normally gain on dispatches on account of heat as supplies are made in the early morning hours. As a result on overall basis, there is a gain in volume in spite of some evaporation of petrol. It was indicated that since sales of diesel were 3.94 times the sales of petrol during the last three years 2003-04 to 2005-06, there is an overall gain in the closing stock in the audited accounts. IBP does not have any refinery and is purely a marketing company whereas others have refineries as well as marketing wings.

In view of the above position and the fact that the companies have been given opportunity to come up with data we are unable to recommend any stock loss on an overall basis in the price build up based on the analysis of financial records. Since there is gain as per these records we do not recommend that the companies be deprived of this gain but the companies should maintain records on a regular basis and submit to the Government as and when required. However, to examine this matter in greater detail, we suggest that an expert committee consisting of costing and technical experts may be appointed to review this matter.

4.5 Retail Pump Outlet Charges:-

An amount of Rs. 150 per KL has been considered towards oil marketing companies cost of maintenance of retail pump outlets, depreciation and return on investments at retail pump outlets. The rate continues to be at the same level as frozen in March 2002 at the time of dismantling APM. Commission earned by the company owned, controlled and operated retail outlets and license fee earned from retail outlets against supplies of equipment etc. are duly credited while working out the expenses of retail pump outlets. The actual cost as per

audited accounts for the year 2005-06 varied between Rs. 86 .18 per KL to Rs. 94.87 per KL exhibiting weighted average for all the four public Sector Oil companies at Rs. 90.99 per KL for 2005-06. This could be taken as industry weighted average. Depreciation is a retained earning by the oil PSUs which could be redeployed for expansion and maintenance of retail outlets. There was considerable discussion on the issue of getting net fixed assets for the retail outlets but oil companies initially did not provide these details. After protracted discussions, they submitted the details. We have taken the corporate tax rate at 30%, surcharge at 10% and Education Cess at 2% resulting in pre tax rate at 18.09%. Details as submitted by the companies and the quantity handled along with return as computed are given in the table below:-

Computation of return

S. No	Name of the company	Average Net fixed assets (Rs Lakhs)	Quantity handled (TKL)	Pre Tax return at 18.09% (Rs./KL)
1.	HPCL	118712	10800	198.84
2.	IOC	350591	22900	276.95
3	BPCL	196598	12585	282.59
4	IBP	75051	4630	293.23
	Weighted Average	740952	50915	263.25

The return as worked out above would be over and above cost of retail operations. The overall component of retail pump outlet cost including return would be Rs 354 per KL as against Rs 150 per KL at present. There is therefore an increase of 136% in the RPO cost as compared to the cost in the existing price build up. However, return on marketing activity is coming down and the overall impact on marketing return would be that the marketing return/margin which was Rs 390.79 per KL and Rs 400.05 per KL on petrol and diesel respectively (average of Rs 398 per KL for both petrol and diesel) would come down to Rs 162 per KL as an average for both. There will, therefore be reduction of Rs 236 per KL. At the same time, RPO cost as explained above would go up from Rs 150 per KL including return to Rs 354 per KL. The increase would therefore be Rs 204 per KL. Therefore, on a overall basis, the restructuring of the built up of price of petrol and diesel would result in savings to the consumer based on figures for the year 2005-06.

4.6 Freight: -

At present, Rs. 322.75 per KL in case of petrol and Rs. 406.73 per KL in case of diesel is included as weighted average equalized freight from the ports to various depots while

determining ex-storage selling prices. The following table gives the sales volume and the freight under recovery of Motor Spirit and Diesel:-

S. NO	Name of the company	Sales Volume (000/KL)	Freight under recovery (Rs./KL)
Motor Spirit			
1.	HPCL	2903.37	295.42
2.	IOC	4034.90	353.18
3.	BPCL	3484.13	301.50
4.	IBP	1033.378	352.34
	Total	11455.781	322.75
Diesel (HSD)			
1.	HPCL	8644.113	383.95
2.	IOC	21437.21	409.64
3.	BPCL	9100.66	400.66
4.	IBP	3702.093	457.95
	Total	42884.078	406.73

The incidence of freight included in the price built up could be retained at the level indicated above.

4.7 **Delivery Charges:**

These are levied at the rate of Rs. 44 per KL based on free delivery zone rate upto 39 kms and at the rate of 0.84 per KL per Km for deliveries beyond 39 km. As against these rates, the actual amounts incurred by the OMCs are much higher. To compensate for this under recovery, an amount of Rs 40 per KL is added towards under recovery on delivery charges. However, the actual amount of under recovery as claimed by oil companies for 2005-06 is given below:-

Details of Under recovery in respect of Delivery Charges on MS/HSD

S.No	Name of the company	Overall weighted average under recovery(Rs./KL)
1.	HPCL	65.36
2.	IOC	55.89
3.	BPCL	69.68
4.	IBP	116.45
	Weighted Average	65.95

Under recovery towards delivery charges needs to be increased from Rs 40 per KL to Rs 66 per KL. There is scope for cost reduction through better planning and co-ordination.

4.8 Domestic Logistic Adjustment Factor:-

Depending upon the availability of product at the refineries and the markets attached to those refineries for the purpose of pricing, it is likely that petrol / diesel would have to be moved from other refineries to meet the requirements of these customers. Such movements would result in additional logistic cost to the oil companies for which Rs. 100 per KL are already provided in the price build up after the dismantling of Administered price mechanism. Logistic cost showed different behaviour in respect of inland refineries and costal refineries. Costs are lower in case of coastal refineries and higher in case of inland refineries. The companies have claimed different costs but such costs represent efficiency in handling the operations as well. The ratio of inland and costal handling varies from refinery to refinery. The weighted average of the actual cost incurred during 2005-06 on account of this factor is given below: -

S.No	Name of the company	Volume handled (TKL)	Under Recoveries out of zone product movements (Rs/lakhs)	Under Recovery per Unit (Rs./KL)
Motor Spirit				
1.	HPCL	2903.37	3400	117.11
2.	IOC	4207.02	9290	220.82
3.	BPCL	3491.83	3695.09	105.82
	Total	10602.22	16385.09	154.54
Diesel (HSD)				
1.	HPCL	8644.113	9800	113.37
2	IOC	20963.94	27300	130.22
3	BPCL	10346.99	12464.58	120.47
	Total	39955.043	49564.58	124.05

Since IBP is getting their products from OMCs they have no DLAF charges. No doubt, such movements are unavoidable but they entail additional expenditure and have to be so organized that expenses are kept to the minimum. No doubt, the actuals based on financial records are more than those presently allowed but continuation of existing charges is preferred in the interest of efficiency.

4.9 **Demand Draft Charges paid to dealers (RPO surcharge) :**

It has been claimed that some dealers who procure supplies from marketing companies make payments by demand drafts and since this element is not included in the dealer's

commission as it is assumed that payments have been made by cheque dealers incur additional charges in making these demand drafts and since these costs are required to be reimbursed they should be recognized as a part of selling price. At present Rs 36 per KL in case of petrol and Rs 21 per KL on diesel is considered in the price build up on this account. This aspect has been examined. E-banking facility, transaction card, etc. could be utilized instead of demand draft. However, there is a limitation on utilization of these facilities across the length and breadth of the country where petrol and diesel are retailed. Moreover, it is one of the safe financial instrument under which the companies take no risk Accordingly, demand draft charges need to be recognized as additional element of cost for the purpose of build up of purchase price at Rs 35 per KL for MS and Rs 20 per KL on HSD, until suitable arrangements could be mutually evolved between oil PSUs and dealers. We strongly recommend evolving a suitable arrangement mutually between oil PSUs and dealers for greater use of available facility to electronically transfer funds.

4.10 Terminalling Charges:

Rs. 50 per KL has been considered as terminalling charges as compensation to refineries for providing facilities for marketing activities in price build up of petrol and diesel from the time when administered price was withdrawn. These charges have not been increased thereafter. The total charges experienced by oil companies during 2005-06 are given below:-

S.No	Name of the company	Volume handled (TKL)		Wt.Average Terminalling Charges (Rs/KL)		Weighted Average (Rs/KL)
		MS	HSD	MS	HSD	
1.	HPCL	2903.37	8644.11	33.84	41.11	39.28
2.	IBP	1033.38	3702.09	33.60	39.89	38.52
3.	IOC	4034.90	21437.21	38.21	43.43	42.60
4.	BPCL	3484.13	9100.66	34.46	44.82	41.95
	Weighted Average			35.55	42.95	41.39

There is therefore, a case for marginal reduction in the terminalling charges from Rs. 50 per KL to Rs. 41 per KL.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 The issue of related efficiency of marketing operations is quite important. In case reimbursement is based on actuals, efficiency may suffer. There has to be some measure of inbuilt efficiency norms particularly when they have to operate in future under competitive environments. The recovery of expenses through price built up, therefore, need to be studied with a view to establish efficiency parameters. This could be done separately.

5.2 The various elements of costs in the price build up at present and those recommended on the basis of study of data for the year 2005-06 in respect of oil companies are given below :-

S. No	Particulars	Petrol		Diesel	
		Currently in Price Build up (Rs. Per KL)	Recommendation of the group (Rs. per KL)	Currently in Price Build up (Rs. Per KL)	Recommendation of the group (Rs. per KL)
1.	Import parity freight (less : APM freight in price)	322.75	323.00	406.73	407.00
2.	Under towards delivery charges	Rs 40 per KL	Rs 66 per KL	Rs 40 per KL	Rs 66 per KL
3.	Terminalling charges	50	41	50	41
4.	Marketing cost	425.43	425	425.43	425
5.	Escalation in marketing cost per annum	5%	4%	5%	4%
6.	Marketing margin	390.79	162	400.05	162
7.	Stock loss	171.95	Nil	35.69	Nil
8.	Return on working capital	Equivalent to 20 day's cost excluding depreciation @ interest of 11%	Equivalent to 20 day's cost excluding depreciation @ interest of 11%	Equivalent to 20 day's cost excluding depreciation @ interest of 11%	Equivalent to 20 day's cost excluding depreciation @ interest of 11%
8.	Retail pump outlet charge (only cost)	150	91	150	91
9.	Margin on retail pump outlet	-	263	-	263
10.	DLAF	100	100	100	100
11.	RPO surcharge	36	35	21	20

5.3 The overall impact of revised price built up would be a slight reduction in the charges being levied at present.