

## **Merger of ONGC-HPCL**

### **Why in news?**

\n\n

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

\n\n

### **What is the status of oil firms in India?**

\n\n

\n

- India imports – \n\n

\n

1. 80% of its crude oil demand.

\n

2. 50% of its liquefied petroleum gas (LPG) demand.

\n

3. 35% of its natural gas requirement.

\n

\n

\n

- India has 18 PSU oil firms.

\n

- Hindustan Petroleum Corporation (HPCL) is the country's second largest fuel retailer.

\n

- Oil and Natural Gas Corporation (ONGC), is the country's largest oil producer.

\n

- Gas (India) Limited (GAIL) is the largest state-owned natural gas processing and distribution company in India.

\n

\n\n

### **What is the need for the merger?**

\n\n

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

\n\n

### **What are the advantages of the merger?**

\n\n

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

\n\n

### **What are the concerns of the merger?**

\n\n

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

\n

- There are concerns about assimilating employees from very different work cultures.

\n

- The quality of service may be reduced, due to lack of competition.

\n

\n\n

\n\n

**Source: The Hindu, Business Standard**

\n

