



Ref. No.: PF/9  
December 9, 2016

Shri S. Ramesh  
Member (CBEC)  
Department of Revenue  
Ministry of Finance  
Government of India  
New Delhi

**Sub.: Excise Duty on Branded HSD - Pre-Budget Memorandum 2017-18**

Dear Sir,

Further to the Pre-Budget Memorandum submitted by us on October 27, 2016 and the subsequent discussion held in Ministry of Finance on November 17, 2016, we would like to submit the following on behalf of the industry.

Oil Marketing Companies (OMCs) have been marketing two different grades of Motor Spirit (MS) and High Speed Diesel (HSD): one regular and the other termed as 'Branded fuel'. These branded fuels have quality to improve engine performance improving its life cycle, energy efficiency thereby overall lower emissions.

Retail prices of these fuels are marginally higher than the regular fuels due to extra processing cost. After the introduction OMCs experienced a good response for these fuels.

However, due to increase in the excise duty of these grades, the price differential between the regular and these high performances fuels became wide resulting in the drastic reduction in their sales. As desired, we have compiled the data of regular and branded grade sale is enclosed as Annexure -I.

With respect to branded MS, in the Union Budget 2014-15, the basic excise duty was brought down to Rs. 2.35 per litre compare to the regular grade at Rs. 1.20 per litre. As the gap narrowed, high performance grade MS exhibited improvement in sales volume in the year 2015-16. However, the excise duty difference of about 2.65 per litre still exists in case of diesel which continues to impact the sales volume of high performance grade.

In view of the fact that the high performance grade MS and diesel are overall beneficial to the consumer as well as to the environment, we feel that difference on excise duty between regular and high performance diesel also be brought down to make this fuel more acceptable to the consumers. This may be suitably considered in the forthcoming Union Budget 2017.

We shall be glad to provide any further information or clarification on the above.

Yours faithfully,

Dr. R.K. Malhotra  
Director General

Encl.: As above

cc.: Secretary, MoP&NG

**Petroleum Federation of India**

PHD House, 2nd Floor, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi 110 016 Tel.: +91-11-26537483, 26537062, 26537089, 26535284, 26535216, 65664067  
Fax : +91-11-26964840 E-mail : petrofed@petrofed.org Website : www.petrofed.org

## Impact of Price Diff. on the sale of Branded Fuels

Year	MS			HSD		
	Price Diff.	% Sale of Branded fuel		Price Diff.	% Sale of Branded fuel	
	RS / litre	IOCL	BPCL	RS / litre	IOCL	BPCL
2010-11	2.39	10.36	6.38	1.81	2.06	1.18
2011-12	2.50	5.59	4.36	4.20	0.54	0.52
2012-13	5.98	2.25	2.16	10.27	0.09	0.15
2013-14	8.89	0.35	0.49	12.78	0.00	0.02
2014-15	5.74	0.38	0.43	4.30	0.00	0.02
2015-16	2.63	2.19	3.58	3.33	0.00	0.02