The gross refinery margin of Indian Oil Corporation (IOC) continues to be very low compared to private refiners.

“The GRMs for the last month has not been very good. It is hovering around $2 a barrel. We are working on measures to increase our GRMs including focusing on value added products and integration with petrochemical units,” said Sanjiv Singh, Director (Refineries), IOC.

The GRM is the difference between the selling price of the finished products and raw material cost. It is believed that private sector players calculate their GRMs on actual price, while public sector players like IOC base their GRMs on price at which the crude has been sourced.

Singh told Business Line that IOC’s GRMs are not directly comparable with private players “as we do not take into account the marketing margins.”

Reliance Industries, which announced its financial results for the second quarter of the 2014-15 fiscal on October 13, reported a GRM of $8.3 per barrel. Essar Oil in its first quarter numbers had reported a GRM of $9.04 a barrel. Essar’s second quarter numbers are yet to be released.

The Petroleum & Natural Gas Minister Dharmendra Pradhan had told Businessline that “each refinery will have its own benefits no matter how old it is. When market dynamics are in play, the refiners have to see how they can deliver the product at competitive rates. The GRM of PSUs are low and they need to improve it. The efficiency needs to go up and the way to do that is to bring technology and a smart economically viable procurement model for crude.”

While agreeing with what the Minister said Singh pointed out that “approach has to be different for smaller refineries vis-a-vis larger ones. Smaller refineries need to focus on value added products. Integration with petrochemicals is another good option for improving GRMs. But upgrading the refinery to give it a greater complexity – ability to process cheaper varieties of crude oil – may not be viable at every refinery.”