

## Daily petrol, diesel price revision: Without required infra in place, expect chaos at pumps

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**Business** Sulekha Nair Jun, 12 2017 21:41:18 IST

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The government's decision to implement dynamic auto fuel pricing mechanism pan India from 16 June is likely to make consumers and dealers' life difficult, with adequate infrastructure system not in place yet.

It has raised concerns for petroleum dealers who are planning their next move: Should they go in for an all-India strike or have meetings with the ministry are some of the decisions the dealers are pondering over. Nothing has been decided so far.

The dynamic auto fuel pricing mechanism refers to the government's decision to change petrol and diesel prices on a daily basis depending on the movement of crude oil prices in international markets and variation in foreign exchange rates.

Rates will vary from city to city as well as from petrol pump to petrol pump with Indian Oil Corp (IOC), Hindustan Petroleum Corp Ltd (HPCL) and Bharat Petroleum Corp Ltd (BPCL) deciding to follow a marginal differential pricing, *PTI* reported.

## **How it will play out**

On midnight of 15 June, the price of fuel will be changed across 58,000 petrol pumps in the country. Of the total petrol pumps, only 40 percent have been automated. Of this 20 percent do not function fully, said Ravi Shinde, president, petrol dealers association, Mumbai.

The government ran a pilot project for dynamic auto fuel pricing mechanism in five cities in the country from 1 May -- Puducherry, Visakhapatnam, Udaipur, Jamshedpur and Chandigarh. "The dealers who were part of the project in Chandigarh were put to much hardship and financial loss," said Sandeep Sehgal, president, petrol dealers association, Punjab.

The petrol dealers' commission are on a fixed basis and on volume. In the pilot run by the government, the dealers had to physically come to the petrol pumps and change prices at midnight. "Coming to the petrol pump daily at midnight to change prices is just not practical as many of the dealers stay far away from the petrol pump stations," said Sehgal.



Also, there were instances where dealers were at the receiving end of consumers' ire as they started arguing with the attendants after they found the price had changed by the time they moved ahead in the queue.

The petrol pump owners could ask their managers to change prices manually which could lead to occasional errors, says Shinde.

The new system to be introduced is likely to create confusion for consumers, too. For one, how do you ascertain whether the rate displayed is indeed the updated one? How do you ensure that you are not cheated? There is no way to check that, says Kaushik Madhavan, director, automotive and transportation, Frost & Sullivan. There will be scope for errors when the price is changed daily.

What the government has not spelt out is a monitoring mechanism on how they will ensure the right prices are

being displayed at the petrol pumps. As of now the oil companies conduct surprise checks at petrol pumps to monitor quality and quantity of the fuel but this cannot be a solution to ascertain price fluctuations.

The transparency is suspect, effectiveness of the daily price change mechanism is also suspect and until that can be ensured it will be difficult for both consumers and dealers, said Madhavan.

However, dealers try to allay these fears. They say the price fluctuation is usually only in a few paise terms and on rare occasions could be a few rupees, not drastic enough to be manipulated. Consumers could also ensure their fuel tanks are full, just as they do in the case of a strike. But it will be the freight carriers who will have to bear the brunt of the daily price changes, they said.

With regard to oil companies and the consumer, the impact will be neutral, say analysts but for transport companies, it could go either way, they said.

Government vehicles too take fuel from petrol pumps and clear their bills fortnightly. With the daily price fluctuation, the dealer will have to make a separate bill and that can be bothersome, they pointed out.

## **Dealers' problems**

The dealers met with the oil companies on 29 May in Mumbai. With all petrol pumps in the country not being fully automated, the oil companies were asked to hold a

seminar to explain the ground realities and also hear the difficulties faced by the dealers.

"The oil companies haven't provided us any infrastructure. If only they could talk to the government to postpone the auto fuel pricing mechanism rollout till all the petrol pumps are automated, this plan can work out well," suggested Shinde.

The world over this system - daily fuel price revision mechanism, is followed though it is a new change for consumers and dealers in the country. "Abroad, the oil companies and big buyers of fuel enter into a contract on pricing so that both are in a win-win situation," said Jaspal Singh, Partner and co-founder Valorise Consultants. "The dealer get a fixed price despite the daily price fluctuation. Maybe as the market evolves in India, the oil companies here too may put up a markup to protect the dealers."

## **Way out**

One of the ways to prevent fuel stations from fleecing consumers is to fully automate them and ensure that all the 58,000 petrol pumps are functioning. Another way is to let the oil companies be the sole owners of the fuel which are stored in underground tanks in the petrol pumps like it is abroad.

"When I buy fuel at a certain price and fill my tanks, the produce is mine now," said Shinde. With the proposed

daily fluctuation in price, the dealer's margins will be eroded.

“Let the dealer be responsible for only sale of fuel through dispensing units and commissions depend on how much fuel is sold. Independent of crude oil price, let the dealer be ensured of his commission,” said Shinde.

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## After China sellout, Uber may now sharpen its focus on India, look for buyouts

by Aug 1, 2016

#[Didi Chuxing](#) #[Frost & Sullivan](#) #[Kaushik Madhavan](#) #[Ola](#) #[Paula Mariwala](#) #[Sanchit Gogia](#) #[Seedfund](#) #[Uber](#)

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Uber has created a bump in its tracks with Didi Chuxing, the global giant's arch rival in China buying out its operations there. The combined entity is now valued at \$35 billion, according to news reports.

The buyout is a jolt in the smooth travel of Uber operating in several countries across the world. It is also in keeping with the rumblings that Uber has managed to create with its caring two hoots for local regulations in some of the countries it has a presence in.



Reuters

Recently, in France and Germany, for instance, it got into trouble with the government for violation of local transport laws. Uber has met with tough resistance in whichever country it has gone to because of its low fares and their impact on local taxi operators.

With the company being bought out in China, how will this play out in the Indian market?

The Indian market is different from China and there are no comparisons. Not many big international players have been able to hold on to their positions in the Chinese market. Think Amazon, Facebook or even Google.

The Indian environment is open to foreign presence, says Sanchit Gogia, chief analyst and CEO, Greyhound Research. “Though Amazon and other players have not been able to make an impact in the Chinese market, they continue to be big names in India. So in that sense, we should not have inference from the China market. “

The rule of the game is far more restrictive in China where the policy is protectionist with regard to local companies. Thus, an Amazon would not be given any leeway when an Alibaba, a home-grown company has a

huge presence in China. “Traditionally, internet players find it hard to break through in China,” says Paula Mariwala, Partner, Seedfund, and Co-Founder, Stanford Angels. “In India, an Amazon and a Flipkart can survive. That is not the case in China,” she says.

However, there could be consolidations, points out Jaspal Singh, Partner and co-founder Valorise Consultants, market research services for transportation companies. He feels that consolidation would be the name of the game for Uber in most of its markets across the globe but with a difference -- Uber could be in the driver's seat, he feels. “Uber is losing money by providing high incentives to drivers and discounts to customers,” he says, adding that it may buyout local companies in other countries where it has an edge and be in a win-win situation. He says that Uber was also pushed by its investors to sell to the dominant player in China. They could not afford to bleed and it made sense to consolidate”, says Singh.

Didi Chuxing has invested in Ola Cabs, a key rival for Uber in India. So what would be its strategy in India then? Uber in India declined to comment when approached for this story.

Mariwala sees consolidation in the future for Uber as it would be a better strategy than to get into trouble with the local government. Recently, taxi drivers went on strike in the NCR region as it said taxi aggregators charged lower fares affecting the business of taxi operators.

Uber's target is to be a global leader in mobility and it will swipe aside its ego to grow by consolidating with local players. This will help it to retain its numero uno position in the market, says Singh of Valorise Consultants.

Gogia of Greyhound Research, feels that the likes of Meru may be snapped by Uber to consolidate its position in India.

The Indian market is still growing and has space for more players, say analysts. Uber will be interested in growing itself in this emerging market, they aver. Kaushik Madhavan, director, Automotive and Transportation business unit, Middle East, North Africa and South Asia, Frost & Sullivan says that with the China business operations out of its way, Uber may now increase its investments in India. “Ola is its biggest competitor in India. Didi Chuxing has invested in Ola and will be its support. Ola and Uber will be competitors in India in the short-term.”

The only way Uber can continue to hurt itself would be by not respecting local regulatory frameworks, as it continues to do so as of now. If the Indian government rules in favour of taxi operators and forces Ola and Uber to follow meters instead of Global Positioning System (GPS), then the rules of the game will change overnight.



## You can pay by cash for an Uber ride in Ahmedabad, Chandigarh, Jaipur, Kochi too

by Jul 22, 2015

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After fighting for each new customer, taxi service companies Uber, Ola-Taxi for Sure combine and Meru are now taking the battle to modes of payment for cab rides.

Uber had been conducting a pilot project for cash payments in Hyderabad since May. It today announced that four more cities can now pay for rides in cash - Ahmedabad, Chandigarh, Jaipur, and Kochi. It has recently restarted credit card payments and already has the Paytm wallet option.

Industry sources said Ola is in preliminary talks with Paytm to allow e-payments through a wallet. As of now, Ola allows e-payments through a closed wallet called 'Ola Money' but this wallet cannot be used for making any other payments except the rides. TFS is already integrated with Paytm besides allowing cash payments.

And Meru has recently integrated with multiple wallets to offer cash plus e-payment options to users besides cash.

An analyst tracking the industry said Uber may extend cash payments in the near future but this may result in only 5-10% incremental bookings.



Representational Image. Reuters.

He said the company began testing out cash payments for the first time anywhere in the world in Hyderabad this May and make take this payment model to some countries in Africa.

What's the road ahead for Ola, which remains the largest cab service provider in India with an estimated two lakh rides every day but does not offer a semi-open wallet payment option like a Paytm or Mobikwik? A company spokesperson did not respond to a query on whether Ola is looking to integrate with e-payment options other than Ola money. He merely said Ola was the first one in the industry to offer a mobile wallet and anyway cash option exists too.

The industry analyst mentioned earlier pointed out that Ola may need to integrate with Paytm to not only get those customers who avoid closed wallets like Ola Money, this may also help in Ola's integration with TFS which already allows Paytm wallet payments.

Meanwhile Meru seems to be the most aggressive in offering multiple payment options to customers. Cash payments have always been allowed but now Meru has partnered with Paytm, Citrus and Mobikwik too for e-payments. CEO Siddhartha Pahwa says over 70 percent of business now comes from Meru digitization platform. And that Meru is also in discussions with one telecom service provider with a mobile wallet and a large private sector bank to offer even more cashless payment options.

E-payments are the way forward for cab services companies. Jaspal Singh, Partner at Valorise Consultants, who tracks the transport industry closely, says less cash transactions will be seen for cab rides on future as users get more e-wallet options.

"Taxi companies wanted to incentivise people to use more wallet options as this helped retain customers initially.....they are now integrating with other e-commerce services."