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Force majeure at BPCL, OVL's Mozambique LNG project
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Force majeure at BPCL, OVL's Mozambique LNG project

PRESS TRUST OF INDIA
NEW DELHI, 27 APRIL

The $20-billion liquefied natural gas project in Mozambique, where Indian firms hold a 30 per cent stake, has been suspended indefinitely after an escalation of violence in the area, according to a regulatory filing.

French energy giant Total SE, which is the project lead, declared force majeure on its LNG development in Mozambique, mothballing the investment, Bharat Petroleum Corporation Ltd (BPCL) said in a stock exchange filing today.

"Considering the evolution of the security situation in the north of the Cabo Delgado province in Mozambique, the Area 1 Operator, Total E&P Mozambique Area 1 Limitada, informed the withdrawal of all Mozambique LNG project personnel from the Afungi site. This situation leads Total E&P Mozambique Area 1 Limitada, as operator of Mozambique LNG project, to declare force majeure," it said.

BPRL Ventures Mozambique BV, an overseas subsidiary of Bharat PetroResources Ltd (BPRL) that is a wholly-owned subsidiary of BPCL, holds 10 per cent participating interest (PI) in the Area 1 concession. ONGC Videsh Ltd has 16 per cent interest and Oil India Ltd another 4 per cent.

Total E&P Mozambique Area 1 Limitada, a wholly-owned subsidiary of Total SE, operates Mozambique LNG with a 26.5 per cent participation.

Force majeure is a provision that allows parties to suspend or end contracts because of events that are beyond their control, such as wars or natural disasters.

The French energy major said it had activated the contractual get-out "considering the evolution of the security situation" in Mozambique's northern most Cabo Delgado region.

Dozens of civilians, including foreign workers, were killed in the Islamic State-linked attacks in the coastal Mozambique town of Palma, prompting Total to withdraw all staff from the nearby project on the Afungi peninsula.

The attack came just as Total was resuming work on the project last month after it was stalled since January because of security threats.

The fresh violence leads to Total declaring force majeure.

Total SE declares force majeure at OVL, BPCL's Mozambique LNG project

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The company's profit more than tripled to $2.6 billion in the first quarter. REUTERS

BP looks to buy back shares as profit rises

BP's profit more than tripled to $2.6 billion in the first quarter thanks to stronger oil prices and bumper revenue from natural gas trading, paving the way for the energy company to start buying back its shares.

The jump in profit from a year earlier comes as BP says it expects oil demand to recover in 2021 due to strong growth in the US and China as vaccination programmes accelerate.

In a sign of growing confidence in economic recovery and its operations following a year of cutting costs, headcount and its dividend, BP said it will buy back $500 million of shares in the second quarter to offset dilution from an employee share distribution programme.

Helping it deliver on its earlier promise to buy back shares, net debt fell below the company's $35 billion target sooner than expected, dropping $5.6 billion from the end of December to $33.3 billion at the end of March, chiefly due to around $4.8 billion worth of disposals and higher oil prices.

"We estimate a further $1.5-2 billion in buybacks is possible this year," Bernstein analysts, who have an outperform rating on BP stock, said in a note. REUTERS

Jio to drive Reliance Industries' March quarter Ebitda: Analysts

On consolidated basis, last year's low base expected to aid sharp jump in net profit

ADITI DIVEKAR
Mumbai, 27 April

Mukesh Ambani-led Reliance Industries (RIL) is expected to witness an increase of 8 per cent (on average) in its consolidated earnings before interest, tax, depreciation, and amortisation (Ebitda) in the March quarter (Q4), led by strong improvement in the profit of Jio, its telecom business.

Jio's Ebitda is seen rising 34.4 per cent YoY and 6 per cent sequentially, led by a rise in subscriber base to 421 million (33 million jump YoY; 10 million sequentially) and ex-IUC ARPUs (average revenue per unit) to ₹144 per month.

IUC is a cost paid by one mobile telecom operator to another when its customers make outgoing calls. As IUC would be absent in Q4 of financial year 2020-21 (FY21), reported revenues, however, would be down sequentially. They are estimated to rise over 17 per cent YoY.

Jio offers a slew of prepaid plans with the option of buying an additional IUC top-up. Given these sharp gains, Jio is expected to account for 38-40 per cent of RIL's consolidated Ebitda in Q4'FY21 as against 29 per cent a year ago.

Most analysts expect RIL's consolidated top line to grow in the single-digits in Q4'FY21 over last year, with a handful expecting it to rise between 13-17 per cent. The net profit, however, is expected to rise 78-141 per cent. Apart from the gains in Jio, the surge in bottom line will be driven by the year-ago quarter's low base, which was impacted by exceptional items of ₹4,267 crore. In the O2C (oil-to-chemical) business, while the profit is estimated to be down year-on-year (YoY), analysts see good recovery in petrochemical and refining margins compared to the December 2020 quarter. "We estimate GRMs (gross refining margins) to increase sequentially, led by better diesel and gasoline cracks," said Edelweiss, which estimates O2C Ebitda to rise 23.8 per cent sequentially and decline 3.8 per cent YoY.

OUTPERFORMER

RIL: Q4 FY21 ESTIMATES

in ₹ crore

	Edelweiss	Kotak	MOSL	MS	Bloomberg	Reliance Jio
Net Sales	1,40,836	1,39,012	1,55,000	1,59,973	1,38,953	17,449
% chg YoY	3.4	2.0	13.6	17.2	2.0	17.6
Ebitda	23,863	22,065	23,100	23,697	23,544	8,301
% chg YoY	9.6	1.3	6.1	8.8	8.1	34.4
Net Profit	15,311	13,248	11,300	12,404	13,704	3,423
% chg YoY	141.2	108.7	78.0	95.4	115.9	46.9

Consolidated financials for RIL; for Reliance Jio, the numbers are average of Edelweiss, Morgan Stanley (MS), Motilal Oswal Securities (MOSL) and IIFL; Ebitda: earnings before interest, depreciation, tax and amortisation; % change year-on-year for net profit is over reported figure of last year (which is after exceptional expense of ₹4,267 crore).
₹Source: Brokerages, *Bloomberg*

"We expect 8 per cent sequential increase in O2C business Ebitda, driven by higher volumes and margins for both refining and petrochemical segments," said Kotak Institutional Equities (KIE).

The sequential improvement would have been better but for the company's planned maintenance of its refinery in Q4, said analysts. In the retail business, the expectations are a bit mixed.

"The retail business is expected to be up by more than ₹400 crore quarter-on-quarter on the back of sustained recovery in revenues and margins," said analysts at KIE. However, some brokerages are also cautious. We expect trends to be mixed in Q4, given the return of lockdowns in some states, said Goldman Sachs analysts.

Overall, analysts say, while many companies are impacted by the Covid-19 surge across the globe, RIL is not expected to see significant impact on its Q4 earnings.

"We note RIL earnings are linked to global recovery for O2C, which is tracking well, while its India consumption exposure is more defensive for telecom and retail. Hence, we do not expect material earnings impact from the recent Covid wave for RIL," said analysts at Goldman Sachs in a report.

However, for FY22, brokerages are a tad cautious on the near-term prospects of RIL, even as many remain positive on the stock. With global refining capacity rationalisation having paused in recent months, a return to pre-pandemic utilisation and profitability levels remains unlikely in 2021, said Citi Research, which is neutral on RIL with a target price of ₹2,220.

"About 96 per cent of RIL stores were operational in Q3 as against 50 per cent and 85 per cent in Q1 and Q2. This sustained recovery could reverse in Q1FY22, which could weigh on segmental profitability," said Citi report.

Goldman Sachs, which has a 'Buy' rating on RIL with a target price of ₹2,405, on the other hand, foresees strong cash generation with declining capex intensity driving free cash flow yields of 8 per cent and 7 per cent for FY22 and FY23, respectively. In retail, online penetration is expected to continue, said brokerages.

"On average private labels on JioMart are 36 per cent cheaper than brands in personal care, 20 per cent in homecare and 20 per cent in packaged foods and beverages," the Goldman Sachs report said.

Last but not the least, subscriber additions should pick up for the telecom business following the new JioPhone offer in March, said Citi Research in its report. This should continue aiding RIL's numbers in FY22.

Opec+ confirms plan to gently increase supply

Opec and its allies recommended proceeding with plans to gently revive oil production as global demand recovers from the pandemic, despite surging infections in India. A committee led by Saudi Arabia and Russia agreed the coalition can skip a full-scale ministerial meeting originally scheduled for Wednesday, and press on with its roadmap for increasing supply, delegates said. The 23-nation alliance intends to restart about 2 million barrels of daily output over the next three months. World oil consumption will rebound by a vigorous 6 million barrels a day this year, though the recovery remains at risk from virus outbreaks in India and Brazil, a panel of Opec+ technical experts forecast on Monday. **BLOOMBERG**

Refiners cut capacity by 5-6% as lockdowns hit fuel demand

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With various state governments imposing lockdowns and curfews as the pandemic's second wave continues to surge across India, fuel demand is under pressure, said oil companies, forcing them to cut capacity utilization from 100% to 94-95%.

Maharashtra, Delhi, Jharkhand, Karnataka, Rajasthan and Goa have imposed local lockdowns and curfews.

"We have cut the capacity marginally at present and are observing the situation. In case the cases continue to rise, and states extend lockdowns and curfews, we will have to review the situation," said a senior official of an oil marketing company.

Indian Oil Corp., Bharat Petroleum Corp., Hindustan Petroleum Corp. and Reliance Industries did not respond to email queries.

"Refining and marketing companies are cutting down on capacity utilization, though the demand slowdown is not as severe as in April 2020," said Sabyasachi Majumdar, group head and senior vice president, ICRA, adding that capacity utilization and revenues and profitability of the refining and marketing firms is likely to get impacted owing to muted demand.

The slowdown is not as severe as in April 2020, analysts said. MINT

It will also impact their gross refining margins due to the disproportionately high fuel prices and losses, besides operating expenses on a per-barrel basis at lower capacity utilization.

According to the Nomura India Business Resumption Index, a weekly tracker of the pace of economic activity, Google retail and recreation and workplace mobility indicators have fallen by 11 percentage points and 13.6 percentage points, respectively, compared to the previous week—far steeper than the last few weeks.

"While cities in Maharashtra happen to be most hit (Mumbai and Pune), we are also observing weekly deterioration in the driving traffic in other cities like Bangalore, Chennai, Delhi and Hyderabad," said the Nomura India Business Resumption Index report, adding that the second wave is poised to badly hit auto sales, with factories asked to operate at half the capacity and dealerships shut.

Lim Jit Yang, adviser for oil markets for Asia-Pacific at Platts Analytics, said with lockdowns being imposed, India's total oil product demand growth for 2021 is adjusted down to 400,000 barrels per day for the latest update, as against 440,000 barrels per day last month, pending further adjustment in the future depending on the covid-19 situation.

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Second wave may not derail disinvestment
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Second wave may not derail disinvestment

SHRIMI CHOUDHARY
New Delhi, 27 April

The second wave of the pandemic may not derail the government's privatisation and strategic disinvestment drive as they are seen as key tools in boosting the economy amid the sharp surge in Covid-19 cases.

Sources in the government said there has been no revision so far in the timeline for the process for some of the key stake sales — including BEML, BPCL, Shipping Corporation, and Air India. They are confident of completing the transactions this fiscal (FY22). The government has set a disinvestment target of ₹1.75 trillion for the current fiscal.

"Privatisation and asset monetisation both remain the focus given the current fiscal space and the foreign direct investments flow," said a government source in the know. According to him, the pandemic won't change the condition at least of loss-making public sector undertakings (PSUs) and neither is the Centre anticipating very high valuation for such firms, so current market situation can't be counted.

Earlier this month, senior officials of the NITI Aayog, the Reserve Bank of India (RBI), and the finance ministry's financial services and economic affairs departments met to identify potential candidates for privatisation. Many more such meetings are required to fast-track the process and meet the deadline for this fiscal, said one of the two sources cited above.

It is learnt that in the first phase, the government is likely to shortlist at least two PSU banks and one general insurance company, and it will also chalk out the plan for the remaining candidates. However, the shortlist may not include entities that were merged or amalgamated in the last few years. These include Punjab National Bank, State Bank of India, Canara Bank, Indian Bank, and Union Bank. But they may consider Indian Overseas Bank, UCO Bank, Bank of India, Central Bank of India, and Punjab & Sindh Bank.

Sources say that like in the case of the proposed stake sale in Life Insurance Corporation, some amendments to laws are required for privatising banks. "We have been deliberating and remain focussed and expect to do it in a time-bound manner," one of the sources added.

However, in 2020, many of these strategic sales got stuck, including the one of Shipping Corporation, due to the nationwide lockdown. Investors from Singapore and Hong Kong had held multiple rounds of virtual meetings, but the deal could not go through. The corporation though is in the second stage of disinvestment and has received several bids for sale.

Sources also said the government intended to keep four to five banks, depending on the regions and states, under its control and the rest would be privatised in a phased manner.

ON TRACK

- Earlier this month, 4-5 shortlisted PSU banks were taken up for discussion
- Those who were merged and amalgamated are not part of the list
- Govt may pick up at least 2-3 banks, mostly loss-making ones
- More meetings to be held in the coming months to discuss the amendments requested to privatise PSU banks
- Expecting to complete relevant transaction in the key stake sales like Air India, BEML etc

Crude rises as OPEC+ set to follow output boost plan

REUTERS
NEW YORK, APRIL 27

OIL PRICES edged higher on Tuesday as OPEC+ was expected to stick to existing plans to boost oil output slightly from May 1, suggesting it doesn't see a lasting impact on demand from India's Covid crisis.

Brent crude was up 24 cents, or 0.4 per cent, at $65.89 a barrel by 12:32 p.m. ET (1632 GMT) after climbing to a session high of $66.45. US oil gained 45 cents, or 0.7 per cent, to $62.36. The group has also ditched plans to hold a full ministerial meeting on Wednesday, sources said.

A technical meeting on Monday had voiced concern about surging Covid-19 cases but kept its oil demand forecast unchanged.

Polls over, fuel rates likely to increase again

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NEW DELHI: Petrol and diesel prices, stationary for almost two months on account of the assembly elections in four sates and one Union territory , could start seeing small increments starting as early as the end of the month, with state-run fuel retailers losing about ₹3 a litre on sale of the fuel because of higher international oil rates and depreciation of rupee against dollar, people familiar with the matter said.

The last phase of polling in West Bengal is on April 29.

Both international oil prices and exchange rates affect import of crude oil. The average exchange rate for purchasing crude oil was ₹72.29 to the dollar about a month ago compared to ₹74.77 now. In the same time, the average price of crude oil has jumped by over $5 a barrel. Together, this translates into a ₹3-plus per litre increase in petrol and diesel prices, the people added, asking not to be identified. India imports more than 80% of crude oil it processes, and pays in dollars.

"Public sector OMCs [oil marketing companies] are bleeding as they are unable to raise fuel rates because of political reasons. But, they will take a commercial call soon after April 29," said one person who is directly involved in setting the price of fuels. Prices of petrol and diesel have been reduced marginally (four times) since February 27, a day after the Election Commission announced assembly polls.

To be sure, central and state levies account for the chunk of the retail price of fuel—in Delhi for instance, central levies account for over 36% of petrol's retail price, and state levies 23%. But, given the parlous state of the economy, especially in the midst of the raging second wave of Covid-19, it is unlikely that those will be reduced. Indeed, the Centre's move to raise excise even as global oil prices crashed last year, helped boost government revenues.

Fuel prices have been cut four times since Feb 27. HT PHOTO

Officially oil companies are free to align petrol and diesel rates every day in lines with international oil markets. The government, however, manages pump prices of the two fuels through state-run retailers—Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL)—that control almost 90% of domestic fuel retail market. The government deregulated pricing of petrol on June 26, 2010 and diesel on October 19, 2014.

IOC, BPCL and HPCL did not respond to emailed queries .

A second person said companies may raise petrol and diesel prices in small doses to compensate for their revenue losses as raising rates at one go may invite public outcry. "Besides, OMCs can also take advantage of any fall in international oil prices and recover past losses by absorbing the price advantage. Oil prices are expected to soften due to a decline in demand because of rising Covid-19 cases in various economies, particularly India, which is the third largest consumer," he said.

"A fuel price hike is imminent next month," added this person.

Benchmark Brent crude was hovering around $66 a barrel in intraday trade on Tuesday.

According to Icra Ltd, retail prices of auto fuels are expected to rise from May onwards.