



ONGC News as on 03 May 2024 (Print)

Day trading guide

22780 » Nifty 50 Futures

| S1 | S2 | R1 | R2 | COMMENT |
|-------|-------|-------|-------|--|
| 22700 | 22630 | 22860 | 23000 | Go long only above 22860 Stop-loss at 22840 |

₹1533 » HDFC Bank

| S1 | S2 | R1 | R2 | COMMENT |
|------|------|------|------|---------------------------------------|
| 1520 | 1500 | 1540 | 1565 | Long above 1540. Stop-loss at 1535 |

₹1415 » Infosys

| S1 | S2 | R1 | R2 | COMMENT |
|------|------|------|------|---|
| 1405 | 1380 | 1425 | 1445 | Short only below 1,405. Stop-loss at 1,415 |

₹439 » ITC

| S1 | S2 | R1 | R2 | COMMENT |
|-----|-----|-----|-----|-------------------------------|
| 438 | 435 | 443 | 447 | Go short below 438. SL at 440 |

₹830 » SBI

| S1 | S2 | R1 | R2 | COMMENT |
|-----|-----|-----|-----|--|
| 826 | 820 | 835 | 840 | Go long above 835. Stop-loss at 833 |

₹2932 » Reliance Ind.

| S1 | S2 | R1 | R2 | COMMENT |
|------|------|------|------|--|
| 2915 | 2900 | 2960 | 3000 | Wait for dips. Go long at 2920; SL at 2905 |

₹3864 » TCS

| S1 | S2 | R1 | R2 | COMMENT |
|------|------|------|------|---|
| 3855 | 3800 | 3885 | 3900 | Go short below 3855. Stop-loss at 3865 |

₹283 » ONGC

| S1 | S2 | R1 | R2 | COMMENT |
|-----|-----|-----|-----|---------------|
| 279 | 275 | 286 | 288 | Avoid trading |

S1, S2: Support 1 & 2; R1, R2: Resistance 1 & 2.

After lacklustre Q4 results, headwinds persist for Indian Oil

DEVANGSHU DATTA

State-run Indian Oil Corporation (IOCL) reported a weak performance in the fourth quarter of FY24 (January-March 2024), and the turmoil in the energy market indicates it could endure another lacklustre quarter.

The oil marketing company (OMC) reported an Ebitda of ₹10,400 crore, down 27 per cent year-on-year (Y-o-Y) due to weak reported gross refining margin (GRM) of \$8.4 per barrel in Q4FY24, which was almost half the consensus expectation of \$15 per barrel.

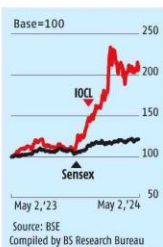
The petrochemical division also had a poor result with earnings before interest and tax (EBIT) loss of ₹400 crore. The core GRM

per barrel in Q4FY24 was actually around \$10.6 and the core GRM for FY25-26 could bottom out at \$9. However, the petchem division had an operating loss for the second successive quarter with weak spreads in key products like Polyethylene and Polypropylene. The petchem cycle may not turn around until H2FY25.

The April marketing margins for OMCs are estimated to be around ₹2 per litre on petrol and ₹0.5 per litre on diesel, which is well below the earlier assumptions of above ₹3 per litre for both products. The difference between the reported GRM of \$8.4 and core GRM of \$10.6 can be attributed to the inventory loss of \$2.2 per barrel during Q4FY24. The refining throughput was around consen-

sus at 18.3 million metric tonnes (MMT), down 4 per cent Y-o-Y. The domestic sales volume was also in line with consensus at 23.7 MMT (up 3 per cent Y-o-Y). The petchem sales volume rose 18 per cent Y-o-Y to 0.80 MMT (versus 0.68 MMT in Q4FY23).

But along with an EBIT loss, petchem margins remained flat quarter-on-quarter (Q-o-Q) during Q4FY24. The Q4FY24 marketing margin (including inventory) was somewhat above estimates at ₹5.2 per litre (vs ₹4.5 per litre in



Source: BSE
Compiled by BS Research Bureau

Q3FY24). While the Ebitda was down 27 per cent Y-o-Y, the reported profit after tax (PAT) stood at ₹4,840 crore down 52 per cent Y-o-Y.

In FY24, Ebitda was up 2.4x Y-o-Y to ₹69,400 crore, with a PAT of ₹39,600 crore (versus PAT of

₹8,200 crore in FY23). Refining throughput for the financial year was up 1 per cent Y-o-Y to 73.3 MMT, with a reported GRM of \$12.1 per barrel. The blended marketing margin stood at ₹6 per litre

(versus the loss of ₹1.1 per litre in FY23). IOCL had a cumulative negative net buffer of ₹1,020 crore as of March 2024 due to the under-recovery on LPG cylinders (where the retail selling price was less than the market-determined price). The total cumulative uncompensated loss stood at ₹4,800 crore.

There are several ongoing projects, which will be completed as follows: Gujarat refinery (18 MMT per annum) by October 2024, Barauni refinery (9 MMT per annum) by December 2024, and Panipat refinery (25 MMT per annum) by December 2025. In Q1FY25, the benchmark Singapore GRM (per barrel) has declined to \$4.1 (versus \$7.3 during Q4FY24). IOCL could see a down-

turn in GRM. Q1FY25 is likely to be difficult for OMCs, given the sharp correction in refining margins and auto fuel under-recoveries following the recent price cuts despite higher crude prices.

Moreover, there's no pricing power due to the long drawn-out election schedule. So, the OMCs may have to absorb losses. For IOCL, the weak petchem cycle is also a cause for concern. Analysts mostly have 'reduce' or 'sell' recommendations with the few 'buy/hold' recommendations being accompanied by downgrades in earnings and valuation estimates.

However, the share price has held firm — after falling 4.4 per cent on Tuesday (results came during market hours), it was up 2.6 per cent on Thursday.

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Page : 16

Mohit Bhatia takes over as Director at Indraprastha Gas Ltd



Mohit Bhatia took over as Director (Commercial) of Indraprastha Gas Ltd (IGL), the largest CNG distribution company in the country. A Civil Engineer and an MBA in Marketing, Bhatia brings to IGL a rich experience of over 31 years in the oil and gas sector in the fields of Operations, Engineering and Marketing after joining BPCL in 1993. IGL is a joint venture of GAIL (I) Ltd and BPCL along with Govt of NCT of Delhi.

Weak Q4 has IOC on the backfoot

Ashish Agrawal
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Shares of Indian Oil Corp Ltd (IOC) recovered partially on Thursday, rising over 2% after dropping 4.4% on Tuesday after the state-run company announced its March quarter (Q4FY24) results. The Indian stock market was shut on Wednesday on account of Maharashtra Day.

Investors were disappointed that IOC's standalone Ebitda fell as much as 32% year-on-year in the quarter, even as its revenue was down just 2.5%. Ebitda is earnings before interest, tax, depreciation and amortisation.

While the drop in profitability seems large, it is primarily because of inventory accounting—not an unusual feature for state-run Indian oil marketing companies (OMCs).

However, the Street was broadly expecting IOC to see an inventory gain last quarter thanks to the steep sequential rise in oil prices.

"IOCL surprisingly reported a significant impact from crude inventory loss of ₹2,390 crore/\$2.2 per barrel in Q4, despite the sharp rise in end-of-period crude prices by \$9.4 per barrel," said



IOC's standalone Ebitda fell as much as 32% y-o-y in the Mar quarter. BLOOMBERG

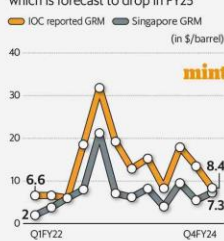
Hemang Khanna, analyst at Nomura Financial Advisory and Securities (India) in a report on 1 May.

For perspective, the brokerage had factored crude inventory gains of ₹1,400 crore/\$1.3 per barrel.

Accordingly, IOC's reported gross refining margin (GRM) in Q4 came in at

Moving in tandem

Indian Oil's margin largely moved in sync with benchmark Singapore GRM, which is forecast to drop in FY25



Note: GRM is gross refining margin; it is calculated as the difference between the weighted average price of products and crude oil price

Source: Company, Motilal Oswal Financial Services

PRANAY BHARDWAJ/MINT

\$8.4 per barrel, missing analysts' estimates.

Moreover, IOC's marketing segment failed to compensate for the weak showing by the refining business, leading to muted Q4 results. Even so, IOC's FY24 performance is nothing to sneeze at, with standalone Ebitda rising by

212% year-on-year to ₹69,400 crore despite core GRM (adjusted for inventory gain/loss) dropping to \$11.4 a barrel during the year from \$20 in FY23.

What gives? To start with, on the profitability front, the company had a favourable base.

Secondly, the marketing segment delivered a strong performance.

According to Nomura, FY24 Ebitda benefited from the recovery in auto fuel marketing margins to supernormal levels of ₹4.90 a litre versus a negative ₹5.40 a litre in FY23.

Investors have taken note. In the past year IOC's shares have gained about 11%. But sharp upsides could well be capped as IOC faces near-term pressures in both its key segments.

As analysts from Kotak Institutional Equities pointed out, Q1FY25 is set to be dismal for OMCs, given the sharp correction in refining margins over past few weeks and the return of auto fuel under-recoveries since the recent price cut amid higher crude prices.

Meanwhile, the Ebit (earnings

before interest and tax) loss of IOC's petrochemicals business widened in Q4FY24, hurt by lower margins. But the business is currently too small to move the needle for the company, accounting for about 3% of FY24 consolidated gross segment revenue.

IOC plans to double its petrochemicals capacity by FY27. It has also increased its focus on other related businesses such as renewables.

This would not only derisk it from the fluctuation in oil prices but also help its green push.

Revenues from these have doubled between FY22 and FY24 although their share in the total is still less than 5%.

Overall, IOC has enough cash and managed to lower its net debt in FY24, which should help with its diversification push.

For now, investors should keep tabs on the resumption of daily revisions of petrol and diesel prices after the general elections.

This should bring comfort on marketing margins.

MUTED GROWTH

IOC's reported gross refining margin in Q4 came in at \$8.4 per barrel, missing analysts' estimates

IOC's marketing segment failed to compensate for the weak showing by the refining business



| | |
|-----------------------------|----------------------|
| Publication : The Statesman | Editions : New Delhi |
| Date :3 May 2024 | Page : 8 |

IndianOil achieves best-ever financial and operational performance in FY 2023-24: IndianOil announced a historic financial performance for the fiscal year 2023-24, marking a significant milestone in the company's over six-decade long journey. Demonstrating an exceptional year, IndianOil recorded a net profit of ₹39,619 crore, the highest ever in the company's history and over four-fold increase from the net profit of ₹8,242 crore in the previous year.

ON A HIGH

Oil marketing firms' stocks
(Close in ₹, gain in %)

| Stock | Close | Gain |
|-------|--------|------|
| IOC | 173.35 | 2.60 |
| BPCL | 634.80 | 4.77 |
| HPCL | 533.20 | 7.67 |

Shares of oil firms surge

OUR SPECIAL CORRESPONDENT

Mumbai: Shares of oil marketing companies (OMCs) surged by up to 8 per cent during intra-day trades on Thursday as crude oil prices fell to a two-month low on expectations of a ceasefire in West Asia.

Brent crude for July delivery was trading below the \$84 mark at \$83.22 per barrel after falling to a day's low of \$83.05 a barrel. They had hit the \$91 mark last month following tensions between Israel and Iran.

During the day, shares of Indian Oil Corporation (IOC) ended with gains of 2.60 per cent at ₹173.35 on the BSE after hitting an intra-day peak of ₹174.50, a rise of 3.28 per cent.

Similarly, Bharat Petroleum Corporation Ltd (BPCL) ended 4.45 per cent higher at ₹634.80 after gaining 4.77 per cent to hit a high of ₹636.75.

Hindustan Petroleum Corporation Ltd (HPCL) was the most active as its shares spurted by 7.67 per cent to end at ₹533.20 after zooming 8.40 per cent during the day to ₹536.80.

The buying in these counters came on a day when the Sensex settled higher by 128 points at 74611.11 following record GST collections in April and positive manufacturing data.

The 30-share BSE Sensex climbed 128.33 points or 0.17 per cent to end at 74611.11.



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Page : 8

Shell beats forecasts with \$7.7 bn quarterly profit

Shell reported first-quarter profit of \$7.7 billion on Thursday, exceeding expectations as disruption to Red Sea shipping and Russian refining boosted oil trading and liquefied natural gas production rose. The company said it will buy back a further \$3.5 billion of its shares over the next three months, at a similar rate to the previous quarter. Its dividend remained unchanged. Shell's cashflow rose by 6 per cent from the previous quarter to \$13.3 billion reflecting strong operational performance, particularly in its liquefied natural gas division, which together with trading helped to offset a decline in natural gas prices. **REUTERS**

RELIANCE TRADES US OIL SETTING BRENT BENCHMARK



RELIANCE HAS MADE its first foray into trading a type of US crude oil that underpins the global Brent benchmark in a process run by S&P Global Commodity Insights, the oil-index publisher said. It offered a cargo of WTI Midland in the Platts Market on Close process, known as the Platts window, on Wednesday. It was Reliance's first time offering WTI in the window, Platts spokesperson Kathleen Tanzy said. A Reliance spokesperson did not immediately respond to a Reuters request for comment.

● OIL IMPORTS AT 9-MONTH HIGH IN APRIL

More oil flows in from Russia as Moscow pushes exports

SUKALP SHARMA
New Delhi, May 2

INDIA'S RUSSIAN OIL imports jumped to a nine-month high in April as partly impaired Russian refining capacity due to Ukrainian drone attacks nudged Moscow's oil producers to push more discounted barrels for exports, according to vessel tracking data and industry watchers.

Notably, this surge in India's imports of Russian crude came despite the latest round of sanctions by the US against Russia's oil shipping syndicate, which had led to speculation that Indian refiners could turn extra cautious in taking deliveries. Trade sources, however, said that the sanctions at the most had a marginal and short-lived impact on Russian oil flows to India. Indian refiners imported a total of 1.96 million barrels per day (bpd) of Russian crude oil in April, the highest since July of last year, and nearly 19% higher than volumes imported in March, as per provisional ship-tracking data from commodity market analytics firm Kpler.

Russia accounted for 40.3 per cent of the total 4.86 million bpd of crude oil imported into India in April. This is the first instance in seven months of Moscow having a share of over 40 per cent in New Delhi's oil imports. Russia's share had declined to around 33 per cent in the past four months from the peak level of nearly 46 per cent seen in May 2023, the data shows.

"The first wave of Ukrainian drone strikes (on Russian refining infrastructure) in late January-early February has pushed (Russia's) seaborne oil exports



Russia accounted for 40.3% of the total 4.86 million bpd of crude oil imported into India in April

to 3.8 million bpd, so some 300,000 bpd higher than the 3.5 million bpd average of November 2023-February 2024. Not having the ability to refine that much domestically, Russia's oil producers have exported those surpluses and consequently Indian buyers had more to buy from," said Viktor Katona, head of crude analysis at Kpler.

Limited impact of sanctions
The US has over the past few months sanctioned a number of vessels for evading the G7 price cap of \$60 per barrel on Russian seaborne crude, apart from sanctioning a few fleet operators and vessel owners. Notably, Russia's state-owned shipping major Sovcomflot and 14 related tankers were sanctioned by the US in the last week of February.

Following that, Indian refiners had started refusing deliveries on Sovcomflot tankers in an evident bid to steer clear of any secondary sanction risk. The pause, however, was short-lived as the Sovcomflot tankers have started

discharging crude at Indian ports after India received more clarity on the scope of the latest sanctions.

According to industry insiders, Indian refiners are still avoiding tankers explicitly sanctioned by the US and its allies, but are not following any blanket ban on Sovcomflot tankers, as was the case initially after Washington announced the latest round of sanctions.

Ship tracking data shows that at least two Sovcomflot tankers discharged oil at Indian ports over the past week. To be sure, India buys Russian oil on a delivered basis, which means that the responsibility of arranging shipping and insurance for the cargoes rests with the Russian suppliers and Indian buyers have no liability on that count.

"Seemingly, even direct sanctions are not a problem, especially as Russia's shipping and India's maritime regulatory services start to align," Katona said.

India's shipping regulator last week approved a few Rus-

sian insurance firms for providing marine insurance cover to tankers. Using services of such insurers would ensure that the cargoes are not subject to the G7 price cap. The price cap regime was introduced in December 2022 and prohibits export of Russian seaborne crude at over \$60 per barrel if the trade involves Western shipping or insurance services. Service providers in coalition countries are dominant players in the global shipping industry.

Discounts matter
Supply of the medium-sour Urals crude—Russia's flagship crude grade and the mainstay of India's Russian oil purchases—to Indian refiners touched a record high in April at 1.54 million bpd, accounting for nearly 79 per cent of India's Russian oil imports. Evidently, the price differential between Urals and competing crude grades from India's traditional West Asian suppliers was significant enough for Indian refiners to prefer the Russian grade. In April, India's oil imports from Saudi Arabia fell to a seven-month low of 0.61 million bpd, which was 20.2 per cent lower than volumes imported in March. Similarly, April import volumes from Iraq were down by a fourth on a month-on-month basis at 0.88 million bpd.

Prior to the war in Ukraine, Iraq and Saudi Arabia were the top two suppliers of crude oil to India. But as the West started weaning itself off Russian energy supplies following Moscow's February 2022 invasion of Ukraine, Russia started offering discounts on its crude and Indian refiners started snapping up the discounted barrels.

Share of Russian Crude in India's Imports Rises to Nearly 40% in April

India imported 1.78 million barrels a day of crude oil from Russia in April, up 19% from March



Sanjeev.Choudhary
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New Delhi: Russia increased its share in Indian crude oil imports to nearly 40% in April from 30% in March, closing in on its all-time peak of 42% last July, as higher global oil prices pushed Indian refiners to increase intake of discounted Russian barrels to reduce their average crude purchase cost.

Indian refiners imported 1.78 million barrels a day (mb/d) of crude oil from Russia in April, up 19% from March, according to energy cargo tracker Vortexa. This exceeded China's import of 1.27 mb/d and Europe's 396,000 barrels per day (bp/d) of seaborne Russian crude in April.

Russia supplied more oil to India than its next three top suppliers — Iraq, Saudi Arabia, the UAE — put together in April.

India's overall crude imports, however, dropped 8% month-on-month to 4.5 mb/d in April. Imports from Iraq, the second-largest supplier, dropped 31% to 776,000 barrels per day (bp/d) while the supply from Saudi Arabia fell 6% to 681,000 bp/d. The UAE's exports to India fell by 40% while those from the US reduced by 15%.

Iraq's share in Indian imports fell to 17% in April from 23% in March while that of the UAE declined to 6% from 9%. Russia's share in April was higher than the average of 35% in 2023-24.

"India's imports of Russian crude in April rose to a nine-month

high. Higher Russian crude exports in Feb/Mar as well as lower imports by Chinese refiners have made available more volumes for Indian refiners," said Serena Huang, analyst at Vortexa.

High global oil prices are driving up Indian refiners' appetite for Russian oil as it helps lower their average crude purchase costs, said an industry executive. Higher oil prices are already weighing on Indian refiner's profits, with Indian Oil, the nation's top refiner, reporting a 52% drop in its fourth-quarter profit.

Brent, the international crude benchmark, is around \$85 per barrel, reflecting the current physical demand-supply situation and the geopolitical premium due to the Middle East conflict.

Urals, the flagship Russian crude, is available at a discount of \$7-8 per barrel to Brent on a free-on-board basis. Discount narrows to about \$2-3 per barrel on a delivered-at-port basis, the preferred mode of Russian crude purchase by Indian refiners. Urals made up 89% of India's Russian oil purchases in both April and March.

Indian private sector refiners — Reliance Industries and Nayara Energy — accounted for 45% of all Russian crude imports in April. Nayara Energy is partly owned by Russian energy giant Rosneft.



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Page : 12

CPCL achieves strongest operational performance ever

NEW DELHI: Chennai Petroleum Corporation Limited (CPCL) achieved its strongest operational performance ever, refining a record-breaking 11.64 million tonne (MMT) of crude oil in FY24. This surpasses the previous high of 11.32 MMT set in FY23 and represents 111% of the refinery's installed capacity. The company credits this success to its efficient operations and enhanced reliability. *ENS*