ONGC News as on 14 June 2024 (Print)

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Loss-making ONGC JV may get package to turn profitable in 2 yrs

Equity infusion, capital revamp of petrochemicals producer on cards

SUBHAYAN CHAKRABORTY
New Delhi, 13 June

The Centre is working on a dedicated financial package to turn the financially beleaguered ONGC Petro Additions Ltd (OPaL) profitable in the next two years, officials said.

Aimed at reducing the debt equity ratio of the petrochemicals producer, the package may be announced in the next few months, they said.

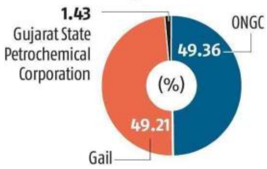
ONGC had set FY25 as the deadline for turning around the mega petrochemicals complex in Dahej, Gujarat, which has suffered major losses owing to a lopsided capital structure. The issue is under discussions with the finance ministry, which has to green light a proposed investment by ONGC into OPaL, officials at the Petroleum and Natural Gas Ministry said.

ONGC had earlier announced plans to do a sustainable capital restructuring of the company to reach an optimal debt-equity ratio for OPaL. Key to the capital restructuring plan is ONGC's decision to infuse ₹18,365 crore into OPaL, approved by the ONGC board in September 2023.

Currently, ONGC holds a 49.36 per cent stake in OPaL, with state-owned gas major Gail holding 49.21 per cent, and Gujarat State Petrochemical Corporation (GSPC) holding the remaining 1.43 per cent. A major equity investment by ONGC will see it edging out Gail.

Incorporated back in 2006, the company was envisaged to use the naphtha produced by ONGC at nearby Hazira as well as rich-gas being imported at Dahej. But the OPaL's first plant was commissioned in 2017. The mega petrochemical complex is spread over 5 sq km with a capacity to produce 1.4 million tonnes of polymers and 0.5 million tonnes of chemicals, including 1,100 kilo tonnes per annum (KTPA) ethylene, and 400 KTPA propylene, among others.

OPaL shareholding



OPaL's FY24 net loss: ₹3,455 cr
Accumulated loss: ₹13,000 cr

Losses continue

The company's net loss stood at ₹701.2 crore at the end of the fourth quarter (January-March) of FY24, down from ₹1863 crore in Q4 FY23. On an annual basis, the company faced a loss of ₹3,455.6 crore in FY24, down from ₹4,154.4 crore in FY23.

OPaL's accumulated losses touched ₹13,000.3 crore as on March 31, 2023, *PTI* had reported.

In FY24, the company's revenue has continued to be hit owing to weak prices because of lower global demand, continuing geopolitical issues and heavy dumping of polymers products in India from the Middle East at very low prices, a recent report by Crisil Ratings said. Case in point, FY24 revenue stood at ₹14,307.3 crore, slightly lower than the ₹14,593 crore notched up by the company in the previous year.

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L&T BAGS LARGE OFFSHORE ORDER FROM ONGC

ENGINEERING AND CONSTRUCTION conglomerate Larsen & Toubro (L&T) on Thursday said it has bagged a 'large order' from state-owned Oil and Natural Gas Corporation (ONGC). L&T has classified the order as 'large', which means the order value ranges between ₹2,500 crore and ₹5,000 crore.

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Natural gas, ATF may come under GST net

GST Council meet on June 22 may also review online gaming tax

PRIYANSH VERMA
& ARUNIMA BHARADWAJ
New Delhi, June 13

THE GOODS AND Services Tax (GST) Council will meet here on June 22, with a packed agenda, including proposals to bring natural gas and aviation turbine fuel (ATF) under the ambit of the GST, and a review of the way the tax on consumption is applied on online gaming, casinos and horse racing.

The meeting, the first after the new National Democratic Alliance (NDA) assumed office, is, however, unlikely to take up the long-pending agenda of an overhaul of the GST slabs. That would require more technical inputs, as an earlier ministers' committee that reviewed the matter was disbanded.

An ongoing process of correcting inverted duty structures may still be carried forward, with changes in tax rates for some products in the textile and fertiliser value chains.

The 53rd meeting of the council comes against the backdrop of an electoral verdict that marked a slight shift to federalism. While these proposals would be placed before the Council, the decisions will have to be taken by consensus. The states may raise revenue concerns.

Natural gas is currently outside the ambit of GST, and legacy taxes — central excise duty, state VAT, central sales tax — apply on the fuel. VAT on natural gas varies from state to state, and is in the range of 14% to 24%.

Currently on the state level, the VAT on ATF varies from 5-18%, and basic excise duty levied by the Centre stands at 11%, above which it also levies cesses.

Any move to bring natural gas under GST would have implications for the gas producers, marketers, and the entire petrochemical value chain, from polymers to plastics. Bringing ATF under GST would be a positive for airline companies, and air travellers, with the extent of benefits to each to be determined by whether and how the resultant cost savings are passed through.

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ON AGENDA

- Govt likely to consider review of **28%** levy on full face value of bets of **online gaming firms**

- Price pressures to ease for consumers across petrochem value chain if **gas brought under GST**
- **ONGC, Oil India and Reliance to be among beneficiaries as also GAIL, Petronet LNG & CGD entities**
- Bringing ATF under GST a positive for airline companies and travellers

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Natural gas, aviation fuel may come under GST net

ONGC, Oil India and Reliance would be among the beneficiaries of gas being included under the GST ambit along with city gas distribution companies. The proposed regime would provide them with greater availability of input tax credits to meet their tax liability of value-added outputs. The resultant operational efficiencies could boost their earnings, and/or make products across the value chain cheaper.

Gas is a feedstock for petrochem chain, like naphtha, a refinery output, which is already under GST.

Prashant Vasisht, senior vice-president, corporate ratings, Icra, said: "Bringing gas under GST should let companies like GAIL, Petronet LNG, and CGD entities reduce prices or result in savings for them."

There could be a similar positive impact on gas-based power capacities.

Sources in the know say the government is likely to consider a review of the 28% GST levy on full face value of bets of online gaming companies. In July and August last year, the Council had approved amendments to the GST laws to include online gaming, casinos, and horse racing as taxable actionable claims, clarifying that these activities would attract a 28% tax on the full face value of bets. During that time, it was mentioned that a review of this implementation would be conducted after six months (April 2024), but that didn't take place.

Currently, the online gaming industry faces around ₹2-trillion tax liability, which they have challenged in the courts. The Supreme Court is likely to hear their petitions in July, which challenge the retrospective GST notifications that demand payment calculated at a rate of 28% based on the face value of bets.

Experts say that the GST Council has two options: first, to refrain from taking corrective measures while the matter is sub-judice and awaits court directions; second, to immediately correct the disputed decision by removing the retrospective application of the 28% GST.

FE had reported earlier that the government is considering granting relief to the online gaming industry by exempting them from paying the GST at rate of 28% on the full face value of bets for the pre-October 1, 2023 period, citing official sources.

On the inverted duty structure, the government has identified a clutch of products where inverted duty structure is distorting trade and impacting manufacturing competitiveness and has initiated the process to address the issue, an official had told FE earlier.

Smita Singh, partner at S&A Law Offices, said this issue is a "major concern" for the industry, especially startups, as it increases costs and makes it tough to control the working capital. Currently, in the pharmaceuticals sector, various input medications attract 18% GST, while the final product is in 5% tax slab. Similarly in the EV sector also inputs are within the tax rate of 18-28% slab; whereas the EVs are taxed at 5% GST, which eventually leads to blocking up of capital for these manufacturers.

Saurabh Agarwal, tax partner, EY, said the larger issues with reference to relief on secondment, and rate rationalisation are likely to be taken up in the next GST Council meet which will happen after June.

Mahesh Jaising, partner, Deloitte India, said the expected clarifications on critical matters such as related party free of cost transactions and ESOP taxation from the 53rd Council meeting is also indicative of policymakers' efforts to engage with industry stakeholders and streamline procedures based on feedback.

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Day trading guide

23397 » **Nifty 50 Futures**

S1	S2	R1	R2	COMMENT
23320	23220	23450	23520	Go short on a break below 23320. Keep the stop-loss at 23340

₹1581 » **HDFC Bank**

S1	S2	R1	R2	COMMENT
1560	1540	1590	1620	Go short now and at 1585. Keep the stop-loss at 1595

₹1494 » **Infosys**

S1	S2	R1	R2	COMMENT
1485	1465	1505	1520	Go short only below 1485. Keep the stop-loss at 1495

₹430 » **ITC**

S1	S2	R1	R2	COMMENT
428	426	432	435	Go short now and at 431. Stop-loss can be kept at 433

₹277 » **ONGC**

S1	S2	R1	R2	COMMENT
275	272	279	283	Go long only above 279. Stop-loss can be placed at 278

₹2928 » **Reliance Ind.**

S1	S2	R1	R2	COMMENT
2910	2885	2950	2985	Take fresh shorts below 2910. Keep the stop-loss at 2920

₹844 » **SBI**

S1	S2	R1	R2	COMMENT
839	836	846	856	Go long only above 846. Stop-loss can be kept at 844

₹3877 » **TCS**

S1	S2	R1	R2	COMMENT
3835	3800	3915	3960	Can go either way from here. Avoid trading this stock for now

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

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NTPC arm in talks for green H2 supply to HPCL, Hindalco

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NEW DELHI

NGEL is looking for JVs with HPCL and Hindalco. BLOOMBERG

NTPC Green Energy Ltd (NGEL) is in talks with oil refiner and marketer Hindustan Petroleum Corporation Ltd (HPCL) and copper and aluminium maker Hindalco Industries Ltd to supply them green hydrogen, according to two people aware of the development.

NGEL, a subsidiary of India's top power producer NTPC Ltd, is discussing the possibility of seeding joint venture (JVs) with HPCL and Hindalco—as well as with other public and private sector companies—on the lines of the JV it has created with IndianOil Corporation Ltd (IOCL), the people said.

Last June, NGEL had incorporated a 50:50 JV with IOCL to supply the latter's refineries with renewable energy for captive consumption. Later, in October, IOCL's board approved an investment of up to ₹1,660.15 crore in the JV.

"NGEL has a tie-up with IOCL. It is also taking to HPCL and Hindalco, among a few others. The plan is to cater to the captive requirement of these companies including refineries," one of the two persons mentioned above said.

Queries sent to NTPC, HPCL and Hindalco remained unanswered till press time.

NGEL's keenness on JVs gains significance as it helps assured offtake for renewable energy and green hydrogen by the JV partner for captive consumption.

Assured offtake is key for green hydrogen producers as it is a highly capital-intensive commodity.

"The cost of green hydrogen production is about $3.7-5.3 per kg and that of electrolyzers, which is used for producing green hydrogen, is $450-$550 per kilowatt," said Prashant Vasisht, senior vice president and co-group head, corporate ratings, Icra. "The Centre is eyeing to bring it (green hydro-

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NTPC arm in talks with HPCL for H2 supply

FROM PAGE 1

gen production cost) below $1 to make it more viable."

Green hydrogen is produced with the help of renewable energy, and refineries and manufacturing of steel and metals like aluminium are key areas where it can be used.

Further, with the focus on India's net-zero target by 2070 and specific targets of the companies themselves, there is a major focus on adoption of green hydrogen in industries in place of grey hydrogen, which uses polluting inputs such as natural gas or methane.

India produces and consumes about 6 million tonnes of hydrogen currently, most of which is grey hydrogen.

IOCL aims to achieve net-zero by 2046, and Hindalco, an Aditya Birla Group company, by 2050.

The public sector oil refining and marketing major has already announced its intent to achieve net zero with an investment of around $30 billion through several emission mitigation pathways such as green hydrogen, biofuels, renewables, carbon offsetting, and carbon capture utilisation and storage (CCUS), among others.

Hindalco, in its annual report for FY23 said that it is researching the market for green hydrogen and exploring options for utilizing captured CO2.

For companies like Hindalco, a faster transition also gains significance in the wake of the European Union's Carbon Border Adjustment Mechanism, a tool to ensure lower carbon emission in products imported by the EU countries.

For a longer version of this story go to livemint.com

Publication : The Economic Times	Editions : New Delhi
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RIL Against Annual Hike in Petro Goods Pipeline Tariff

Co for linking it to rail freight rates to incentivise shift to pipelines

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New Delhi: Reliance Industries has told the downstream regulator that it didn't favour an annual escalation in petroleum products pipeline tariff and would like it to be linked to railway freight rates instead.

Reliance shared its views during a stakeholder meeting on draft regulations on the determination of petroleum and petroleum products pipeline transportation tariff. The meeting, organised by the Petroleum and Natural Gas Regulatory Board (PNGRB), was attended by executives of Indian Oil, Hindustan Petroleum, GAIL and Reliance BP Mobility Ltd.

At the meeting, PNGRB "expressed displeasure" that oil marketing companies, which mostly controlled petroleum product pipelines, "were not supportive" in sharing data, according to the minutes of the meeting. "In spite of that, draft regulations aim to provide reasonable transportation tariff to the pipeline entities and also to protect consumers' interest."

The draft has proposed a tariff escalation of 3.4% every year for pipelines commissioned before the notification of the PNGRB's tariff regulations of 2010.

"Reliance pointed out that with the proposed escalation of 3.4% in pipeline tariff, the pipeline tariff will surpass rail tariff by 2029, leaving little incentive for other users to shift to pipelines from rail and suggested to determine the tariff at 75-80% of the rail tariff rather than an annual tariff escalation," according to the minutes of the meeting.

EXPRESSING DISPLEASURE

Regulator says oil marketing cos, which mostly control the pipelines, 'were not supportive' in sharing data

Hindustan Petroleum (HPCL), however, said the rate of 3.4% may lead to "under recovery of investments/operational costs" and suggested a 5% escalation.

GAIL, the nation's largest gas pipeline operator, suggested setting the escalation rate at 4.5% for the petroleum product pipelines in line with the natural gas transmission tariff or linking it to the wholesale price index of the previous five years.

Indian Oil Corp suggested that the proposed transportation loss of 0.05% was less than normal transportation loss and urged a review of the same. PNGRB sought data to back the company's claim.

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Prabhudas Lilladher

GAIL INDIA (SELL)

Target: ₹170

CMP: ₹219.75

In next 3-4 years, we expect India's gas consumption to rise from 191mmscmd in FY24 to 218mmscmd. While GAIL's transmission would grow by 8 per cent c in FY24-26, trading is expected to grow a tad lower (6 per cent). Petrochemical and LPG are expected to remain muted.

India's trunk gas pipeline network is expected to rise from 23,391km in FY24-end to 27,516km in the next 3-4years. GAIL's own network is expected to rise from 16,240km to 19,970km (including spur lines) in the next 2-3years.

With already connected consumers (except power) consuming optimal amount of gas, and fewer new consumer additions, we expect GAIL's transmission volume to rise from 120mmscmd in FY24 to 130/140 mmscmd in FY25/26E. This includes seasonal boost from the power sector. Bringing natural gas under the GST ambit would bring down gas cost and aid volume growth too. However, increasingly, consumers are securing their contracts directly, thereby dampening the expected growth rate in trading. Incremental petrochem projects are also margin dilutive.

Considering the slow growth in transmission and low return ratios for petrochem expansions, we remain negative on the stock with a Sell rating and target price of ₹170, valuing it at 12x FY26 standalone EPS and adding the value of investments.

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Trial run of six natural gas-powered buses begins

B ANBUSELVAN @ Chennai

A trial run of four buses fuelled by Liquefied Natural Gas (LNG) in Chennai and two buses powered by Compressed Natural Gas (CNG) in Ramanathapuram was launched by the state transport department on Thursday. Transport Minister S S Sivasankar flagged off the trial operation at the MTC Central depot in Chennai.

The operational costs of CNG and LNG buses are estimated to be 5% to 20% lower than those of diesel-powered buses. Officials highlight that vehicles running on these natural gases offer greater mileage and are environmentally friendly as they don't emit smoke. Currently, diesel costs ₹92.34 per litre, while CNG is priced at ₹86 per kg and LNG at ₹61 per kg.

Among the six buses now powered by natural gas, two belong to the Metropolitan Transport Corporation (MTC) and they will ply on the West Saidapet-Sriperumbudur (553W) routes. Two mofussil buses of the Villupuram division of TNSTC will ply on the Kancheepuram-Poonamallee (76 CB) and Kancheepuram-Vadamangalam (76 VA) routes. Similarly, two mofussil buses from Kumbakonam division of TNSTC on Ramanathapuram-Periyapattinam (4A) and Ramanathapuram-Sayalkudi (228) routes, have been converted to CNG vehicles.

Plans are also in place to convert two buses each from TNSTC corporations, including Madurai, Salem and Tirunelveli, to run on CNG or LNG soon. A senior official said, "A comprehensive study will be conducted to assess factors such as mileage, maintenance, passenger comfort, fuel expense, and environmental impact before further decisions are made regarding the conversion of more buses."

Transport Minister SS Sivasankar inaugurating the trial operation of buses at the Central Depot in Chennai on Thursday | R AYYAPAN

The initiative was launched to cut the operational costs of eight transport undertakings that had been facing a huge fund crunch for several years. According to official records, the combined annual expenditure of eight undertakings for 2022-23 (up to February 2023) amounted to ₹16,985 crore, with fuel costs alone making up 28.35% at ₹5,194.68 crore. The daily loss was estimated at ₹15 crore in the 2022-23 fiscal.

A source said that the transport undertakings spent ₹6-₹11 lakh for the conversion of each vehicle from diesel to LNG/CNG, and that the Indian Oil Corporation facilitated the conversion in collaboration with the private company. "There is an LNG filling station in Sriperumbudur. Consequently, MTC and mofussil buses equipped with LNG tanks have been deployed on this route. Depending on the trial results, additional LNG filling stations will be launched at MTC depots," added the official.

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OPEC+ unlikely to raise crude oil output in 2024

OPEC+ plus countries probably will not need to raise oil output later this year without a ramp-up in world demand, a founder of Energy Aspects said. Led by Saudi Arabia, the Organization of Petroleum Exporting Countries and its partners unveiled a plan earlier this month to gradually start restoring roughly 2 million barrels a day of shuttered production from October. Those plans depend on market conditions, Amrita Sen said at a conference in Calgary. World oil demand will grow by 1.1 million barrels a day this year, Sen said.
BLOOMBERG

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US oil trade group to sue to block Biden's EV push

Reuters

The nation's largest oil trade group, which includes Exxon Mobil and Chevron, will file a federal lawsuit on Thursday seeking to block the Biden administration's efforts to reduce planet-warming emissions from cars and light trucks and encourage electric vehicle manufacturing, the group said.

The US Environmental Protection Agency issued new tailpipe emission rules in March that will force the nation's automakers to produce and sell more electric vehicles to meet the new standards. Under the rule, the administration projects up to 56 per cent of all car sales will be electric between 2030 and 2032. The American Petroleum Institute (API) says the EPA has exceeded its congressional authority with a regulation that will eliminate most new gas cars and traditional hybrids from the US market in less than a decade.

The National Corn Growers Association and the American Farm Bureau Federation will join API as co-petitioners. The two groups rely on gas-powered cars to support the corn-ethanol industry.

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NBCC and OIL build Rs 100 crore-worth repository

NBCC (India) Limited has joined hands with Oil India Limited (OIL) for the construction of OIL's centralised core repository with advanced laboratory facilities at Guwahati, Assam. The project is valued at approximately Rs 100 crore. The memorandum of understanding (MoU) was signed by Saloma Yomdo, ED (E&D), OIL, and Pradeep Sharma, ED (Engg.) in the

presence of Dr Ranjit Rath, CMD, OIL; K.P. Mahadevaswamy, CMD, NBCC; Saleem Ahmad, Director (Projects), NBCC, and other senior officials from both organisations. NBCC and OIL are working on several other projects such as housing, solar rooftop panel installation, guest houses, etc.