ONGC News as on 14 December 2023 (Print)

ओएनजीसी ONGC

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The spirit of Article 371A and Article 371F is different

Back in August 2019, when Article 370 of the Constitution was removed from the statute, there was consternation in north-eastern states like Nagaland and Sikkim that it was now a matter of time before Articles 371A and 371F, granting special status to these two states, would also be removed. To allay the apprehension, the Centre had to issue a clarification that various clauses of Article 371 would not be touched. The promise has so far been kept and it is well that it has been so.

For, the spirit of Article 371A and Article 371F are not the same as that of Article 370. The logics behind granting special status to Nagaland and Sikkim are more or less the same: to ensure that the tiny communities of Naga tribes or the ethnic Sikkimese people are not overwhelmed by the mainstream Indian people because of the merger of the Naga hills or Sikkim with India post-Independence. The inhabitants of these geographical areas, numbering only a few hundreds of thousands, had their distinct languages, culture and ways of life. To prevent these from being swamped by the ways of life of mainstream India, a constitutional protection was necessary. Hence the provision was made under Article 371A, for instance, of preserving the traditional powers and rights of the village councils which under traditional practices of the Naga people enjoyed the ownership right of mineral resources lying underground. This is the reason why it has not been possible till only lately for the ONGC to engage in commercial extraction of oil from the oilfields in Nagaland. Village councils in Nagaland had never agreed to forego the right of collection of royalty which the ONGC under its rule book had been ready to pay only to the Nagaland government.

In Sikkim, special status under Article 371F has granted protection to the ethnic Sikkimese communities in matters like ownership of land and right to employment; rights which had been made sacrosanct under the Sikkim Subject Regulation which had been formulated by the ruling Chogyals and which the Government of India pledged to protect under Article 371F during the merger of Sikkim with the Indian Union in 1975. In fact, the way the way of life of the ethnic communities in Sikkim has been protected in India under Article 371F poses a striking contrast with the way in Tibet, the northern neighbour of Sikkim, the language, culture and economic rights of the Tibetans have been overwhelmed under the illegal occupation of China. The Han Chinese people have been encouraged to migrate in large numbers and settle in Tibet. They hold all the coveted jobs in Tibet, Tibetan Buddhism has been suppressed and Tibetan children are forced to join boarding schools where they learn only Mandarin.

The case of Article 370 was completely different. Neither the language nor the culture of the Kashmiris was under any kind of threat as the people of Kashmir have always belonged to the mainstream Indian society. With a reasonably large population base and pursuing a religion with a vibrant existence in India, the Kashmiri society had never been under the threat of becoming extinct. The Maharaja of Kashmir had decided to join the Indian Union when Pakistan had launched an armed attack to occupy the territory. The move of the Centre to grant special status to Kashmir under Article 370 was more a political one than being guided by any fundamental reason. Later, the controversial article has often been used as a screen to promote separatist movements.

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DIVIDENDS FROM CPSEs CROSS 90% OF ANNUAL TARGET

THE CENTRE'S DIVIDEND receipts from the CPSEs have crossed ₹39,000 crore so far, which is over 90% of the target for the current fiscal, boosting its non-tax receipts, reports **Prasanta Sahu**. The amount is over 11% higher than the corresponding period in the previous fiscal. ■ PAGE 2

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SURPLUS TO COVER DISINVESTMENT SHORTFALL

CPSE dividend receipts cross 90% of target

May exceed ₹60,000 crore against BE of ₹43,000 crore

PRASANTA SAHU
New Delhi, December 13

CPSE dividends robust, post-pandemic

(₹ crore) Budget estimate Achievement

THE CENTRE'S DIVIDEND receipts from the central public sector enterprises (CPSEs) have crossed ₹39,000 crore so far, which is over 90% of the target for the current financial year, boosting its non-tax receipts.

The dividend receipts of ₹39,086 crore so far in FY24 were over 11% higher than the corresponding period in the previous fiscal. Given that the OMCs' profitability has improved substantially due softening of global crude prices, the CPSE dividend receipts will likely exceed ₹60,000 crore in FY24 as against the Budget target of ₹43,000 crore.

Earlier this week, the government received about ₹5,933 crore and ₹4,260 crore from Coal India and ONGC respectively as dividend tranches. It also recently received about ₹3,636 crore from Indian Oil Corporation and about ₹1,910 crore from Power Grid Corporation of India (PGCIL) as dividend tranches. The dividend payments reflect the robust profitability of state-run commodity and energy firms, among others.

Despite a drastic fall in the profitability of oil marketing companies (OMCs), a major contributor to dividend receipts, the Centre's dividend receipts in FY23 were around ₹59,000 crore, 37% more than the Budget target of ₹40,000 crore.

With disinvestment receipts likely to fall short of the target of ₹51,000 crore substantially in FY24, the extra dividend receipts would cover the shortfall to an extent.

Despite the government reducing its stake in several of these companies, higher commodity prices also aid the Department of Investment and Public Asset Management's (Dipam's) policy of nudging CPSEs to give higher dividends to keep investors' interest in their stocks.

CPSE dividend receipts under the supervision of the Dipam do not include receipts from state-run financial institutions such as banks and insurance companies.

RBI's surplus transfer to the Centre rose 188% on year to ₹87,416 crore in FY24 (for accounting year FY23), which was very close to ₹91,000 crore estimated from dividend receipts from the RBI, public sector banks and financial institutions (₹48,000 crore) and the CPSEs (₹43,000 crore) in FY24.

It is to be noted that the Centre's net tax revenues are also estimated to exceed the Budget target in the current financial year, putting the Centre's finances in a comfortable position to meet the fiscal deficit target even after meeting additional spending needs for subsidies among others.

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Day trading guide

21035 » Nifty 50 Futures

S1	S2	R1	R2	COMMENT
20950	20900	21080	21160	Go long only above 21080. Stop-loss can be kept at 21040

₹1632 » HDFC Bank

S1	S2	R1	R2	COMMENT
1615	1595	1640	1670	Go long only above 1640. Keep the stop-loss at 1630

₹1449 » Infosys

S1	S2	R1	R2	COMMENT
1440	1425	1455	1475	Go long only above 1455. Keep the stop-loss at 1445

₹456 » ITC

S1	S2	R1	R2	COMMENT
454	452	457	460	Go long only above 457. Stop-loss can be kept at 456

₹193 » ONGC

S1	S2	R1	R2	COMMENT
192	190	195	197	Go short now and at 105. Stop-loss can be placed at 196

₹2433 » Reliance Ind.

S1	S2	R1	R2	COMMENT
2420	2400	2450	2470	Wait for dips. Go long at 2425. Keep the stop-loss at 2410

₹620 » SBI

S1	S2	R1	R2	COMMENT
617	613	622	625	Go long now and at 618. Stop-loss can be kept at 616

₹3594 » TCS

S1	S2	R1	R2	COMMENT
3560	3520	3635	3670	Wait for dips. Go long at 3570. Keep the stop-loss at 3540

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

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Export-oriented green hydrogen projects may get fiscal support

AGGAM WALIA
New Delhi, December 13

THE GOVERNMENT IS looking at a demand to amend a rule that prevents renewable energy plants set up for captive consumption in Special Economic Zones (SEZs) from receiving tax breaks.

The tweak, which is before the Ministry of Commerce, could potentially allow export-oriented green hydrogen projects to avail fiscal benefits for setting up and operating renewable energy plants used for the production of green hydrogen.

The commerce ministry is also looking at notifying SEZs that can be spread out across multiple locations, specifically for green hydrogen projects. These suggestions were made by green hydrogen developers at a meeting on October 19 with the Ministry of New and Renewable Energy (MNRE), where officials from the Ministry of Commerce were also present, according to the meeting minutes accessed by The Indian Express through the RTI. Allowing multi-locational SEZs will enable developers to use wind energy for which turbines are placed at a considerable distance from each other.

Allowing multi-locational SEZs will enable developers to use wind energy for which turbines are placed at a considerable distance from each other

Currently, SEZs must have a contiguous land area of 50 hectares or more, a requirement the commerce ministry is open to relaxing for green hydrogen projects.

As per industry estimates, the distance between two wind turbines could be anywhere between 250 metres to 400 metres apart, depending on their size.

Without multi-locational SEZs, export-oriented green hydrogen projects using wind energy could face difficulties in securing vast amounts of land for renewable energy generation alone. With multi-locational SEZs, however, they will be able to designate specific and discontiguous patches of land upon which wind turbines are installed as part of a singular SEZ.

The commerce ministry did not respond to questions enquiring about action taken on the suggestions received from green hydrogen developers during the meeting with MNRE.

Green hydrogen developers have sought an amendment to an order issued by the commerce ministry's SEZ Division on June 7, 2021, which bars non-conventional power plants set up for captive consumption in an SEZ unit from being eligible for tax and duty benefits.

As per industry sources, plants supplying renewable energy for producing green hydrogen are akin to raw material, hence they should be eligible for concessions. Currently, SEZ rules do allow fiscal benefits only for renewable energy plants set up as SEZ units and meant for selling power outside of SEZs.

However, renewable energy plants become ineligible for benefits when used for captive consumption. The considered amendment will make renewable energy plants for captive consumption also eligible for fiscal benefits. As per the meeting minutes, MNRE also issued directions to the Ministry of Power and the Ministry of Ports, Shipping and Waterways (MoPSW) to address transmission and logistics related issues being faced by green hydrogen developers. It asked the power ministry to look into reducing bank guarantees required for the grid connectivity of renewable energy plants from ₹10 lakh per megawatt to ₹5 lakh per megawatt.

It also asked the power ministry to examine contract demand charges being levied by different state governments for providing grid connectivity and to provide dual connectivity for green hydrogen projects through both central and state transmission systems.

Representatives of green hydrogen developers present at the meeting were also asked to share the locations of their upcoming green hydrogen plants and the corresponding power capacity required by them so that the transmission infrastructure can be planned accordingly.

Developers represented at the meeting included central PSUs like Indian Oil Corporation and NTPC, and private players like Reliance Industries, Adani Group, L&T India, ACME Group, Torrent Power, JSW Group, Essar Group, among others.

MNRE also proposed a separate meeting with MoPSW to discuss issues pertaining to allocation of land near ports for setting up green hydrogen projects.

It also urged MoPSW to set up common infrastructure for bunkering of green ammonia, which is a derivative of green hydrogen, at ports. Bunkering involves putting in place infrastructure for the safe storage and supply of green ammonia to carrier ships. MoPSW has already identified three major ports to set up green ammonia bunkers, which are Paradip Port in Odisha, Deendayal Port in Gujarat, and VO Chidambaranar Port in Tamil Nadu.

As per MoPSW's Harit Sagar Green Port Guidelines issued in May earlier this year, green ammonia bunkers and refuelling facilities shall be established at all major ports by 2035.

Under the National Green Hydrogen Mission (NGHM) launched in January this year, the government plans to reach 5 million tonnes of green hydrogen produced per annum by 2030, with an added renewable energy capacity of 125 gigawatts. NGHM's capital outlay of ₹19,744 crore is expected to create 600,000 jobs and a further ₹8 trillion in investments.

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'Identify companies with a set of key metrics for high returns'

India will be one of the most vibrant capital markets in the world in the next five years. To capture this growth, Indian investors need to think through their investment frameworks, says Raamdeo Agrawal, co-founder and chairman of MOFSL. >P6

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'Identify firms with a set of key metrics for high returns'

Ranjani Raghavan
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MUMBAI

Everywhere he goes, Raamdeo Agrawal, 67, is recognized. From security personnel at the airport to the janitor of a restroom, all want to approach him, take a photo with him. "They all watch (financial and stock market information on) YouTube. They have taken SIPs (systematic investment plans)," the co-founder and chairman of Motilal Oswal Financial Services, one of India's leading home-grown broking and mutual funds platforms, said in an interview on the sidelines of the launch of the firm's 27th annual wealth creation study (2023).

The fastest wealth creators, according to the study, were Lloyds Metals, Adani Enterprises and Tube Investments. The most consistent wealth creators were Capri Global, Varun Beverages and Grindwell Norten, among others. And the biggest wealth creators were Reliance Industries, TCS and ICICI Bank, according to the study.

His popularity is not surprising in the context of the Indian stock markets, which hit record levels this week, on the back of a sustained investment surge from retail investors through SIPs. The BSE Sensex crossed 70,000 this week. Local demat account openings have risen from 40 million in 2020 to more than 130 million accounts as of last month, he said.

"There is a demand for Indian equities and, because of that, there will be massive supply of equity. That is why you are seeing block deals. India will be one of the most vibrant capital markets in the world in the next five years," Agrawal added.

Raamdeo Agrawal, co-founder and chairman of Motilal Oswal Financial Services.

To capture this growth, Indian investors need to think through their investment frameworks, he said. Drawing from the book *Strategy Beyond the Hockey Stick* (by Chris Bradley, Martin Hirt and Sven Smit), Agrawal suggests that investors need to identify companies based on a set of metrics to generate hockey stick returns (HSRs). The Motilal Oswal study defines HSR as compounded annual growth returns of 25% over 10 years.

"Our first conclusion is that economic profit is a superior metric to accounting profit to understand the true profitability of a company," he said, referring to the firm's latest study. For economic profit, investors need to capture the price of equity capital. Several companies such as Reliance Industries, Tata Steel, Tata Motors, JSW Steel or BPCL report robust accounting profit, but have zero or negative economic profits after pricing in the cost of equity capital, the study says.

Companies that exhibit robust economic profits have the ability to deliver parabolic returns to investors

Firms that exhibit robust economic profits have the ability to deliver parabolic returns to investors, he said.

It encourages investors to identify companies based on trend, endowment and moves (TEM). The market trend specific to the company is external, but the company's "endowments" such as its revenue, corporate ownership, management, brand, market share and distribution network are internal to it, the study said. "Moves" or the ability of the company to take strategic initiatives or corporate action is also internal to the firm.

"The current capital market trend is very strong and is in an upcurve. My sense is that it is a 'decadal trend' and is going to be life changing for a lot of companies who are in markets like ours," he said. "This is a great opportunity for Indian corporates to tap the capital market and build their companies, whatever their ambitions are."

As India is growing at 7%, many sectors currently are on an uptrend, he said. These include cement, financial services, defence, and real estate, among others.

"Investors should go to a company which has some base—it may not be the largest, but may be somewhere in the middle. The company should be on a trend and there should be some sort of a corporate action," Agrawal said. As a result, mid-cap and small-cap firms are "favourably placed" to deliver HSRs, he said, though he cautioned that currently mid-cap and small-cap indices were overvalued, compared to the large-cap index. The $3-trillion Indian economy has a market cap of $4 trillion now—it is certainly not undervalued, he added.

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BPCL looking at buying Venezuelan oil, official says

MINT

New Delhi: State run refiner Bharat Petroleum Corp Ltd (BPCL) is looking at buying Venezuelan oil, its head of refineries Sanjay Khanna said on Wednesday. "Our refineries are capable of processing Venezuelan oil and we have given our international trade (department) the okay to buy it," Khanna said. The import of Venezuelan oil will not be a threat to BPCL's Russian oil imports, he added. **REUTERS**

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Gas firms seek price deregulation as city distribution targets fall behind

SUBHOMOY BHATTACHARJEE
New Delhi, 13 December

Irked by the sluggish rollout of city gas distribution (CGD) networks in India, the Petroleum and Natural Gas Regulatory Board (PNGRB) has warned companies to expedite their efforts or risk having their bank guarantees seized.

In response, the companies have expressed hesitancy in committing investments without clear government guidance on the time frame during which natural gas will have free play in the economy, according to sources. Oil and gas companies have provided bank guarantees worth ₹35,000 crore, and while PNGRB has not specified whose funds could be seized, the slow pace of progress is evident.

PNGRB officials have not commented on potential actions against companies, but Chairman Anil Jain has emphasised the need for the government to outline a road map for the transition in the transport sector, involving roles for both compressed natural gas (CNG) and electric vehicles (EVs).

"We must move assuredly towards our net-zero targets; otherwise, CNG may not attract investor or consumer interest," he said.

International gas prices, typically one-sixth of oil prices, have risen since late 2021, touching $100 per barrel

Price control

International gas prices, typically one-sixth of oil prices, have risen since late 2021, touching $100 per oil barrel at times. In 2022-23, 46.3 per cent of the gas used in India was imported.

As prices cannot be controlled, it stands to reason that the gas economy should respond to the market and attract investments. However, this has not occurred in India due to stagnant petrol and diesel prices at oil bunks since May 2022, despite the government easing control.

Oil prices in Delhi (retail) have hardly moved since 2020, except for one correction. The unchanged prices provide the government relief from inflation pressures.

With stable prices of oil products, the appetite for CNG in commercial and personal vehicles is low. CGD operators, licenced to operate gas stations for vehicles and sell piped natural gas (PNG), argue that the lack of demand has made their investments risky. The envisioned business model suggested that gas stations would be profit centres for operators, with PNG to homes being slightly subsidised. Kaushik Deb, a senior research scholar at the Center on Global Energy Policy at Columbia University's School of International and Public Affairs, highlighted a larger problem.

"Retail prices for oil products are ostensibly deregulated. But given that public sector oil companies, under the administrative control of the Ministry of Petroleum and Natural Gas, account for about 85 per cent of the market, it's an accurate assessment that all energy prices in India are controlled," he said. Jain echoed a similar sentiment, asking, "Since prices of competing fuels are controlled, can we expect market-priced gas to compete with them?" Companies reached out to by *Business Standard* did not comment on the topic.

Coal control

The issue extends to the coal sector, where 85 per cent of coal supplies are on fuel supply agreements with thermal power companies, determining prices long-term. Although the National Coal Index has begun to swing in tandem with international prices, it mainly reflects spot prices in e-auctions. For the government, this situation is favourable, as coal auction process keeps electricity prices low for household budgets. the rapid adoption of EVs, requiring recharging at reasonable prices, has been a gain.

Deb pointed out the lack of price discovery in the retail energy market. "The only price discovery elements in these sectors are (1) the award of drilling rights via auctions and (2) in the export of oil products."

Many CGD companies are lagging behind their commitments, endangering government plans to have the gas economy serve 15 per cent of the Indian economy's energy needs.

According to current estimates, the government may not achieve targets for 2023-24 or even 2024-25. PNGRB has issued licences to CGD companies covering about 98 per cent of the population and 88 per cent of the total geographical area of the country. The target is to provide 125 million PNG domestic connections over the next eight to 10 years.

More on business-standard.com

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ADB to lend $200 mn for U'khand climate resilient power project

Government of India and the Asian Development Bank (ADB) on Wednesday signed an agreement for a $200 million loan to improve the quality, efficiency, and reliability of power supply in Uttarakhand. "The funding will strengthen power system infrastructure and help Uttarakhand in achieving its goal of providing 24x7 power to its residents," said Juhi Mukherjee, joint secretary, Department of Economic Affairs, after signing the agreement. PTI

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COP28 leaves room for India's short-term coal capacity plan

Experts concerned UAE deal being ambivalent about RE financing

ARUNIMA BHARADWAJ
New Delhi, December 13

EVEN AS THE hotly negotiated COP28 deal requires accelerated efforts among countries towards the "phase-down of unabated coal power," it leaves room for India's contingency plan to add more coal-based capacity than envisaged earlier in the short to medium term, to avert an energy crisis in the fast-growing economy.

This is because the final document or the UAE Consensus after the Dubai summit, dropped references to "limiting the permitting of new and unabated coal power generation" under pressure from India and China.

Union power minister RK Singh has recently stated that the country would add another 30 giga watt (GW) to the nearly 50 GW of coal-based capacity that is already in the works. India also has no plans for retirement or re-purposing of coal-based power stations before 2030, even as the country sticks to the pledge to become carbon-neutral by 2070.

At present, coal-based power accounts for three-fourths of India's power supplies, and by all indications, it would still have a share of over 60% even a decade from now. This is despite continued focus on renewable energy capacity, and investments being planned to bolster RE storage capacity and connectivity of the benign energy to the grid. A key challenge is to address the intermittency of RE.

Bhupender Yadav, minister for environment, forest & climate change, at the COP28 climate conference on Wednesday PTI

The UAE Consensus dropped references to "limiting the permitting of new and unabated coal power generation" under pressure from India and China

"It will be different for countries like India (to reduce dependence on coal) as they will need to depend on fossil fuels for a longer period than advanced countries. India's RE capacity will be accelerated but even that is not going to meet the fast-growing demand," said Partha S Bhattacharya, former chairman of Coal India.

The final deal at the COP28 summit in Dubai called for "transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade" which came against the "phase-out" of fossil fuels as pleaded by more than 100 nations.

For India, this of course means adding RE capacity at a greater pace but not doing away with its dependence on coal to meet its energy requirements and demand.

"We are a growing economy and for us to grow at this pace and meet growth targets, energy security needs to be in place. The share of conventional coal coming down and RE capacity to go up will happen over years," said Vikram V, vice president and co-group head at Icra, Corporate Ratings. "We should have enough buffer to meet our demand. In this scenario we might even add some coal-based capacity," Vikram said.

Another aspect that needs attention is financing of RE projects. "In order to make this agreement actionable, what is required is financing for the developing countries to sort of absorb emissions," Bhattacharya said. "Developing countries expect the developed countries to come forward with their money and make the technology available."

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UltraTech aims 85% green energy usage

UltraTech Cement Ltd on Wednesday announced plans to increase the share of green energy in its total energy mix to 85% by 2030.

In a statement, the company also said as part of a transitional plan, it aims to increase its total green energy share threefold from its current 22% to 60% by FY26.

The Aditya Birla Group company said it would not add any further captive thermal power capacity, in line with its objective to reduce dependence on fossil fuels and increase the use of green energy.

The cement major outlined its plans to explore innovative technologies like carbon capture, utilization, and storage (CCUS) in collaboration with startup technology companies such as CarbonOrO, Coomtech, and Fortera. The company also highlighted its partnership with Coolbrook, a Finland-based transformational technology and engineering company.

VAAGEESH THIRUMALAI

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ONGC

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OPEC's Nov crude output falls slightly to 27.84 mn bpd

INFORMIST / Mumbai

The Organization of the Petroleum Exporting Countries' crude oil production declined slightly in November with output from Angola and Iraq falling the most among all the members, the cartel said in its monthly Oil Market Report.

In November, OPEC produced 27.84 mln bpd of crude oil, 57,000 bpd lower than October, according to secondary sources cited by the cartel. Crude oil production in Saudi Arabia rose slightly by 12,000 bpd last month to a little below 9.0 mln bpd.

Production by Angola declined by 37,000 bpd to 1.13 mln bpd last month, while that of Iraq slipped by 77,000 bpd to 4.28 mln bpd, according to the report.

After much deliberation late on Dec 1, OPEC and allies agreed to reduce oil production by an additional 1 mln bpd for Jan-Mar on growing concerns over a possible glut in the market.

As part of the deal, Saudi Arabia also announced the extension of its voluntary production cut of 1 mln bpd for the first quarter of 2024, taking the total amount of reductions to 2.2 mln bpd.