ONGC News as on 22 September 2023 (Print)

ओएनजीसी ONGC

Publication : Business Standard	Editions : Mumbai
Date :22 September 2023	Page : 10

THE COMPASS

OMCs may feel the heat of high crude oil prices

DEVANGSHU DATTA

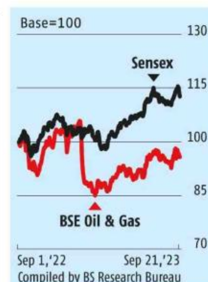
India's trade account could come under pressure and there could be an inflation push if crude oil prices remain above the $90 per barrel (Brent) for a prolonged period since India imports over 85 per cent of its oil and roughly 50 per cent of its gas.

A rebound in economic activity is bound to lead to higher fuel demand. While India is the third-largest importer of crude, it is a net exporter of refined products, which helps to compensate to some degree.

The recent price surge is due to the supply reduction announcements from Russia and Saudi Arabia. Saudi Arabia has set a production target of 9 million barrels per day (mbpd) for the remainder of the year, down from 11 mbpd in October 2022.

Russia, which also produces around 9.4 mbpd, has extended a reduction of 300,000 barrels per day of export until the end of December. So, Q3FY24 is expected to see high prices.

India has been hiking imports of Russian crude due to the discount in price but that discount, which was close to $30 per barrel in January 2023 is now down to $14. Even so, Russia holds around 34 per cent market share (August) in Indian imports down from 44 per cent (April). The Indian crude basket is averaging around $82-83 for April-August 2023 period, and expected to rise to around $87 for FY24.



Compiled by BS Research Bureau

Given that the global economy is in a downturn, balancing off imports by raising exports is difficult and hence, the trade balance may deteriorate, and of course, that may mean a Current Account Deficit. Taken together, the macroeconomic impact could create some more pressure on the rupee. Given the election pressures, there will be a reluctance to hike retail prices at the pump or in household gas. This could mean oil marketing companies (OMCs) absorbing under-recoveries, and perhaps sharing losses with upstream PSU oil producers.

It could also mean slippage on the fiscal deficit because just as the OMCs will be reluctant to hike retail prices, the government will also be reluctant to cut budgeted spend on infrastructure.

The likelihood is that upstream profits for producers will also be capped due to the windfall tax creating a ceiling above realisations of around $75 per barrel equivalent. Since international gas prices also move in tandem with crude, LNG prices could rise impacting the margins for city gas distribution (CGD) players who do import. According to energy analysts, gross refining margins (GRMs) will remain strong, especially in diesel, since the Saudi production cuts will push GRMs up. This means refined exports may compensate to some extent for a higher import bill.

Assuming crude and gas prices do remain elevated however, despite strong GRMs, the impact on the OMCs is likely to be clearly negative. Most analysts are factoring in earnings downgrades for downstream PSUs in the OMC sector. The CGD players may also see earnings downgrades though there's less clarity on this.

The upstream production PSUs, ONGC and OIL, will not see much change in estimates due to the Windfall tax unless they are pushed to subsidise the OMCs. The macro consequences of a weaker rupee could include more inflation, which may be a cause of concern for the RBI. Reliance Industries could be a potential beneficiary of exports of diesel and other refined products if GRMs are good.

Publication : The Hindu Business Line	Editions : New Delhi
Date :22 September 2023	Page : 8

Day trading guide

19769 » **Nifty 50 Futures**

S1	S2	R1	R2	COMMENT
19740	19660	19810	19880	Go short only below 19740. Keep the stop-loss at 19770

₹1554 » **HDFC Bank**

S1	S2	R1	R2	COMMENT
1525	1490	1580	1610	Go short now and at 1575. Keep the stop-loss at 1590

₹1502 » **Infosys**

S1	S2	R1	R2	COMMENT
1490	1470	1520	1550	Go long on dips at 1495. Keep the stop-loss at 1485

₹447 » **ITC**

S1	S2	R1	R2	COMMENT
444	441	451	455	Wait for a rise. Go short at 450 with a stop-loss at 452

₹187 » **ONGC**

S1	S2	R1	R2	COMMENT
186	184	189	191	Go short below 186. Stop-loss can be kept at 187

₹2365 » **Reliance Ind.**

S1	S2	R1	R2	COMMENT
2330	2290	2380	2400	Go short now and at 2375. Keep the stop-loss at 2390

₹588 » **SBI**

S1	S2	R1	R2	COMMENT
584	580	592	596	wait for a rise. Go short at 590 with a stop-loss at 593

₹3584 » **TCS**

S1	S2	R1	R2	COMMENT
3555	3525	3610	3630	Go long now and also at 3560. Keep the stop-loss at 3540

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

ओएनजीसी ONGC

Publication : The Economic Times	Editions : New Delhi
Date :22 September 2023	Page : 18

ELECTRIC VEHICLES SEEN EATING INTO SALES OF LIQUID FUELS

EV Rush Makes OMCs Think Beyond Oil

Cos look to offset impact by diversifying into EV charging infra, battery swapping stations

Kalpana.Pathak@timesgroup.com

Mumbai: Oil marketing companies (OMCs) — Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation — are facing a new challenge these days with every electric vehicle sold in the country eating into the sale of liquid fuel — petrol and diesel.

With EV sales steadily gaining pace, senior officials from these companies said they have already diversified into setting up electric vehicle (EV) charging infrastructure and battery swapping stations to offset the potential impact of lower fuel sales going forward.

"Every single EV coming in the market is impacting our petrol and diesel sales. Thousands of EVs are out of the liquid fuel ecosystem now. The portion of EVs is still insignificant but it is growing and is expected to reach a critical mass someday," said a senior official at an oil marketing company.

According to the Federation of Automobile Dealers Associations (Fada), a total of 56,747 electric three-wheelers were sold in the domestic market in August, a 71% jump from 33,130 vehicles a year earlier. The share of three-wheelers in the total EV market climbed to 56.8% as of August, from 55.1% in the same month last year.

In the electric passenger vehicle segment, sales doubled to 6,727 vehicles in August, from 3360 EVs a year earlier. The share of passenger vehicle segment in the total EV market has doubled to 2.2% as of August, from a year earlier.

In the electric commercial vehicle segment, a total of 515 vehicles were sold in August, a 84% rise from 280 vehicles a year earlier. The electric CV market share stood at 0.68% compared to 0.38% during the period under review.

In the EV two-wheeler segment, August this year saw sales of 62,396 units against 52,226 units, up 19.47%. Market share of electric two-wheelers rose to 5% from 4.4% during the period.

IOCL, BPCL and HPCL did not respond to emailed queries till press time. These companies have a combined more than 90% of India's fuel retail market. Diesel is the most consumed fuel, accounting for about two-fifths of domestic fuel demand.

"We are anticipating that in the next three to five years, EVs will gain much ground. So, this will impact the sale of fossil fuels. To counter this, we are chalking out an aggressive growth strategy in the alternative fuel segment," said another official at an OMC, adding his company is currently in a wait and watch mode on its expansion plan for the refining business.

The OMCs, however, are taking refuge in the fact that until heavy vehicles and buses adopt alternate fuels, including compressed natural gas or CNG, demand for liquid auto fuels will remain strong.

According to the International Energy Agency (IEA), India's daily oil demand is projected to rise to 6.7 million barrels by 2030 and to 7.4 million barrels by 2040.

On the Road

56,747 electric three-wheelers sold in domestic market in August: **Fada**

In the electric PV segment, sales doubled to **6,727** vehicles in **Aug**

SILVER LINING: Until heavy vehicles & buses adopt alternate fuels, demand for liquid auto fuel to be strong

India's daily oil demand projected to rise to **6.7 million barrels** by **2030: IEA**

Publication : The Free Press Journal	Editions : Mumbai
Date :22 September 2023	Page : 7

BPCL gives corporate guarantee for arm's loan

Bharat Petroleum Corp Ltd has issued a corporate guarantee in relation to a $200 mln three-year term loan facility, proposed to be availed by its step-down subsidiary BPRL International BV through State Bank of India's Dubai International Financial Centre Branch.

ओएनजीसी

ONGC

Publication : Mint	Editions : New Delhi
Date :22 September 2023	Page : 13

THEIR VIEW

Climate finance must get beyond greenwishing and greenwashing

Innovation will be crucial as policymakers and asset owners ponder how to channel capital at scale towards climate action

NOURIEL ROUBINI & REZA BUNDY

are, respectively, professor emeritus of economics at New York University's Stern School of Business and co-founder and chief executive officer of Atlas Capital Team.

REUTERS

As we move from UN Climate Week to CoP-28 in Dubai later this year, we must stop 'greenwishing' and 'greenwashing' and start thinking about the instruments that will enable the private sector and private investors to channel more capital toward climate resilience and sustainable development. While the public sector has an important role to play in this respect, scalable solutions require significant commitments of private-sector resources. With climate change already wreaking havoc on poor and rich countries alike, unlocking this largely untapped pool of capital has become an urgent priority.

Yet, as matters stand, many investors associate climate-centric investments with 'social impact' and reduced profitability. While sophisticated investors have the means to deploy their capital profitably toward decarbonization, the energy transition and other climate-related sectors, such investments tend to be illiquid. They remain tightly wound up in private-equity funds, and thus inaccessible to ordinary investors and savers who are most exposed to climate-driven food, water and energy insecurity.

The solution is to create climate investments that are profitable, liquid and accessible to all. CoP-28 offers an opportunity to rethink how we deliver such market solutions, and how we can harness digital innovation to scale up promising models. To mobilize capital at scale, we must draw on the global savings of individual investors as well as institutions such as pension funds, insurers, and sovereign funds. Risk diversification can be achieved through retail-friendly, liquid, easily accessible instruments such as exchange-traded funds (ETFs).

The sensible way to construct a profitable, long-term, climate-aligned, widely accessible investment strategy is to develop a diversified portfolio of assets that directly or indirectly support climate financing. For investors with a long-term horizon, a portfolio that meets these requirements should be composed of three main asset types.

The first is climate-resilient real estate and infrastructure—meaning assets in weather-proof, stable geographies that have low climate exposure. Real-estate and infrastructure valuations in such regions are poised to appreciate significantly on the back of population shifts from high-risk areas across the Southern Hemisphere to more resilient communities in North America, Northern Eurasia, and select geographies in the Global South.

Carefully selected Real Estate Investment Trusts (REITs) and exposure to greenfield developments through ETFs are two ways to secure reliable returns from climate-adaptation efforts. And as an added bonus, such investments offer broader economic and societal benefits, including productivity growth, job creation and the provision of employment and housing for migrating populations.

The second component is green commodities. An orderly transition to a more resilient future requires massive investments not only in energy, food and water assets, but also in the metals and critical minerals used in renewable energy and electric vehicles (EVs). These include commodities such as soy, wheat, copper, rare-earth elements, cobalt, lithium, and so forth. To avoid any 'greenflation' (inflation caused by decarbonization efforts) and supply bottlenecks, we urgently need to boost production and lower the cost of securing these commodities.

Finally, a sensible climate-aligned portfolio should include assets that provide a hedge against inflation and geo-economic risks, such as short-term and inflation-indexed sovereign bonds and gold. Not only does the negative correlation between these assets and other climate-related investments offer extra ballast, but it also provides liquidity and low volatility to meet the needs of many individual investors, pensioners and savers. And again, there is an added bonus: greater investments in inflation-proof sovereign assets will allow governments to do more to finance the green transition.

To achieve maximum impact, these climate-investment instruments must be made available to the average investor on liquid, low-cost terms. While ETFs can help, not everyone has a brokerage account, or even a bank account. We tend to overlook the unbanked populations of the Global South, as well as the younger generations for whom digital assets may be more appealing. According to the World Bank, 1.4 billion adults are unbanked globally, and the share of the unbanked population exceeds 50% in several Middle Eastern, Asian and African countries with larger youth ('digital native') populations.

QUICK READ

The sensible way to construct a profitable, long-term, climate-aligned, widely accessible investment strategy is to develop a diversified portfolio of assets that support climate financing.

With catastrophe staring us in the face, climate-action costs escalating rapidly and CoP-28 fast approaching, no further time should be wasted by anybody on empty greenwishing.

Owing to these factors, we will need to come up with a digital, tokenized representation of all the aforementioned climate-investment solutions, both to achieve global scale and to protect those most at risk of climate change and fiat currency debasement. But digital assets can offer a viable solution only if they are backed by real-world physical and financial assets. Mitigating speculation risks and preserving liquidity during crises is crucial to ensure that these do not become yet another form of fundamentally worthless crypto vaporware.

To build climate-resilient communities, encourage cross-border public-private partnerships, secure critical green supplies and accommodate climate-driven population shifts around the world, policymakers and asset owners urgently need to rethink how we channel capital at scale. With climate-driven costs escalating rapidly, innovation (both technological and financial) remains the most powerful tool at our disposal. With CoP-28 approaching, there is no more time for temporizing and empty green-wishing.

©2023/PROJECT SYNDICATE

Publication : Mint	Editions : New Delhi
Date :22 September 2023	Page : 2

‘Govt on course to achieving 12% ethanol blending target this year’

Puja Das
puja.das@livemint.com
NEW DELHI

The Centre is confident of reaching its target of 12% ethanol blending with petrol target by the end of the current ethanol supply year ending October, Union food and public distribution secretary Sanjeev Chopra said on Thursday.

This comes after the government procuring agency Food Corp of India (FCI) temporarily halted the supply of rice for ethanol production in July. While grains account for 20% of ethanol blending with petrol, sugar has a contribution of 80%.

Highlighting the achievements of the sector, Chopra said, “India’s sugar industry has been on a roller-coaster ride for decades, but recent years have energized the sector. Previously, the industry relied on subsidies. However, efforts such as the ethanol blending program have emerged as a game-changer. Starting with a 1.5% ethanol blending capacity in 2013-14 to a blending percentage of about 12% which we are likely to achieve this ethanol supply year.”

“In spite of the bounces in between we are confident to meet the 12% ethanol blending capacity by the end of the current ethanol supply year,” the food secretary said.

Ethanol blending with petrol (EBP) had reached 11.76% as of 31 August as against the target of 12% for the entire 2022-23 (December-October) ethanol supply year (ESY).

Indian Sugar Mills Association (ISMA) President Aditya Jhunjhunwala on Wednesday said sugar mills had contracted to supply about 4.5 billion litres of ethanol in the ongoing ESY.

Food and public distribution secretary Sanjeev Chopra.

He further said that though India has the potential to produce as much as 10 billion litres of ethanol from the current level of sugarcane production against a requirement of 12 billion litres to achieve a 20% EBP target by 2025-26. Sugar mills need to ramp up their capacity from the current 7 billion litres to at least 11 billion litres, which will require an estimated investment of Rs 17,500 crore.

“Sugar mills do not have the capacity and that needs to be raised urgently as only two years are left to meet the 20% ethanol blending target,” Jhunjhunwala added.

In the current ethanol supply year, sugar mills supplied around 4.5 billion litres of ethanol to oil marketing companies (OMCs). Another 1 billion litres were supplied to the alcohol and other industries.

The sugar industry has played a pivotal role in the transformation. Currently, cane dues to farmers are at their lowest in years, which is a remarkable achievement.

Around ₹24,000 crore was approved by the union government for the sugar industry in the current sugar year ending September for cane dues to growers.

There is a lot more to be done, including digitalization of the sugar industry, and the government along with ISMA is committed to supporting the industry, the food secretary said.

“The sugar industry is doing a lot but there is more required which is intended to do and ISMA is aware of the possibilities. In terms of sugar recovery, we are currently at 11% which is a low-hanging fruit. In the next few years, we aim to achieve a 13% sugar recovery. For this, we need to digitise the entire sugar chain and ISMA is working on it,” Chopra said.

“They are planning to use remote-sensing technology to ensure that the harvesting of sugarcane is happening at the appropriate time, even if the difference between the sugarcane arrival and the crushing is minimal so that the recovery could be maximised.”

Publication : The Economic Times	Editions : New Delhi
Date :22 September 2023	Page : 18

Tata Power Renewable Energy Enters Nepal

MUMBAI Tata Power Renewable Energy (TPREL) has signed an agreement with Nepal-based Dugar Power, a subsidiary of Dugar Group, to deploy transformative solar technologies to produce a range of on- and off-grid energy solutions. The deal will cater to Nepal's diverse energy requirements, offering scalable solutions from 1 KW to MW levels, opening up new horizons for TPREL to diversify its offerings, including supply cells & modules, engineering, procurement, and construction (EPC) as well as operations and maintenance (O&M) in Nepal, the company said in a statement. "As we make our entry into Nepal's promising renewable energy market, we intend to generate a transformative impact," said Ashish Khanna, CEO, TPREL. **–Our Bureau**

ओएनजीसी ONGC

Publication : The Economic Times	Editions : Mumbai
Date :22 September 2023	Page : 12

Azure Power Plans to Raise $700M for Expansion

RENEWABLE ENERGY co could tap existing Canadian investors; it may also sell minority stakes in projects, take bank loans

Shilpy.Sinha@timesgroup.com

Mumbai: Solar-focused renewable energy company Azure Power Global is looking to tap existing investors — Canada's CDPQ and OMERS — and also exploring options like selling minority stakes in its projects and bank debt, to raise as much as ₹5,800 crore ($700 million) to fund capacity expansion.

It is considering part equity and part debt for the fundraising as it works to limit leverage.

"Azure Power will need $700 million to deliver the next three power projects including 700 MW solar, 120 MW wind and 150 MW hybrid project," said a company spokesperson. "To deliver the projects by next financial year, Azure will have to bring in part equity and raise debt. The company is relying on several sources to meet the capital need."

Azure Power's portfolio comprises 7.2 GWs, with 2.9 GWs in operation and 4.3 GWs contracted or awarded.

A CDPQ spokesperson declined to comment while an OMERS spokesperson did not respond to a request for comment. CDPQ owns a 53.4% stake in the company while OMERS holds 21.4%. The remaining is public shareholding.

Azure Power has been facing a series of challenges, raising concerns about potential defaults and delisting. In July, the company assured bondholders in Singapore

that it would publish its long-delayed audited results for FY22 within 14 weeks to avoid a technical default. The NYSE suspended trading in Azure Power Global's shares on July 13 due to the company's failure to file its annual report for FY22 and the results for the first half of FY23.

After its failure to release audited financial results for FY22, the company appointed ASA & Associates LLP and a member firm of BDO International as auditors to replace its original auditor, SR Batliboi & Co, an affiliate of Ernst and Young Global.

As of March 31, 2023, the company held cash and bank balances amounting to ₹2,096 crore, including ₹804 crore in restricted cash. It had total external debt of ₹13,140 crore. It had raised funds through a $250-million rights issue in February 2022, which will be partly used for the upcoming projects. Azure Power has consistently maintained that there was no technical default on the US dollar bonds it issued, despite the suspension of its shares by the NYSE. In an update on July 13, 2023, the company said it secured time extensions from banks regarding certain financial covenants.

"As of the date of this release, no lender has indicated that it intends to take any action to cause the early repayment of any of the group's borrowings, given the operational and financial performance of the operating projects and the ability of the members of the group to service their respective facilities," the company had said in its July release.

Moody's downgraded the senior unsecured debt of Azure Power Energy, a special purpose vehicle of Azure Power Global, to B2 from B1 due to the increasing likelihood of a technical default on the bonds.

Publication : The Economic Times	Editions : Mumbai
Date :22 September 2023	Page : 12

GROWTH PLANS, DIVIDEND PAYOUTS TRIGGERS

'SJVN Presents Favourable Risk-Reward Positioning, Offer of Sale's Worth a Bid'

Rajesh.Mascarenhas
@timesgroup.com

Mumbai: Retail investors may consider participating in government's share sale in hydroelectric power company SJVN if they can withstand short-term swings in the stock price. With the stock having more than doubled in the past three months, analysts said the near-term upsides seem capped, but the company's growth plans and a stable dividend-paying record are driving investor interest.

The government will sell 174 million shares or 4.92% stake in the state-owned company at a floor price of ₹69 per share through a two-day offer for sale. Shares will be sold to retail investors on Friday, the second day of the OFS.

The OFS, which opened for non-retail investors on Thursday, was subscribed 2.4 times. The OFS garnered demand for 200 million shares, as against the 96.6 million shares on offer. The indicative price on the first day stood at ₹69.64, exceeding which retail investors can place their bids on Friday.

"With an improving financial landscape and a focus on renewable projects, SJVN's offer for sale becomes a compelling prospect for long-term investors keen on the renewable energy sector," said Manick Wadhwa, director of strategy, SKI Capital Services. "The projected three-year revenue from new capacities is around ₹10,800 crore to ₹11,800 crore."

Shares of SJVN, which surged 128% in the last six months, ended 13% lower at ₹ 71.05 on Thursday. Analysts said the company's dividend payout of 57.1% is healthy.

SJVN aims for a six-fold capacity increase within three years. With 16 projects under construction and 40 in the pipeline, the company is expanding into renewable energy.

"Like NTPC, we believe SJVN's combination of steady cash flows from regulated business and robust growth outlook from renewable energy provides a favourable risk-reward positioning," Goldman Sachs said in a recent note. "Materialisation of multiple optionalities and core-business rerating from rising peak shortages could drive further upside."

ओएनजीसी
ONGC

Publication : The Hindu Business Line	Editions : Mumbai
Date :22 September 2023	Page : 9

Shell seeks partners for renewable assets in India

Reuters
London

Shell said on Thursday it is seeking partners to invest in renewable assets developed and operated by its Indian business Sprng Energy as part of CEO Wael Sawan's effort to boost profits.

Sprng, which Shell acquired from Actis in August 2022 for $1.55 billion, develops and supplies solar and wind power to electricity distribution companies in India, seen as a major growth market in the power sector in the coming decades.

"We continue to develop new projects (of the Sprng Energy group) while exploring partnering opportunities with investors who want to deploy capital on de-risked operational assets, with Shell retaining a stake in such assets," Shell said in a statement to *Reuters*.

"This focus on capital discipline will enable Shell to further accelerate growth of our renewables portfolio."

The move is part of Sawan's plan to boost Shell's performance and returns, which includes doubling down on oil and gas operations and scaling back some investments in renewables.