# ONGC News as on 06 June 2024 (Print)

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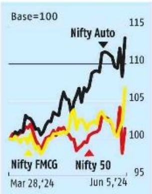
THE COMPASS

# Policy, valuations could keep rural stocks in play




Source: NSE
Compiled by BS Research Bureau

DEVANGSHU DATTA

Most brokerages are betting that the new government will shift to a policy focusing on boosting rural incomes and consumption since that has clearly been a pain point. This could coincide with a cyclical upturn in GDP growth, given the latest estimates. The next Budget will provide a clearer picture but this is a rational rebalancing of portfolios if we assume policy will be driven by domestic political considerations. In that case, we are likely to see a shift of investment into three or four sectors that tend to traditionally benefit from rural welfare. One is FMCG, second is two-wheelers and the third, tractors.

Agrochemical consumption could also see an uptick, especially in the context of normal or better monsoon expectations for 2024. A greater focus on welfare schemes like Ujjwala, Jal Jeevan, Swachh Bharat Abhiyan among others, could also be a booster for rural well-being and optimism.

While the last two or three years have been low-growth for FMCG, which has also suffered margin compression due to inflation, the FMCG majors have focused on improving distribution footprints and quick commerce access.

Raw material costs are moderating for most FMCGs and their efforts to improve distribution could also start paying off with a lag. Seasonal portfolios like Dabur, Emami, and Godrej Consumer are likely to see a bigger boost from good monsoons.

The FY25 full-term Budget may be consumption oriented.

While FMCGs traditionally receive high stock market valuations due to the better predictability of profits, many blue-chips are currently trading at some discount to their historical PE ranges. There could be a spate of analyst upgrades of valuation targets for stocks like Dabur, HUL, Nestle, Colgate, etc.

However, despite its FMCG and rural agro-focus, ITC could be under pressure since cigarettes is the "go-to sector" when governments wish to hike tax revenues.

Agrochemicals, two wheelers and tractors are all direct plays on rural/ semi-urban well-being.

A good monsoon will push agrochem usage. More money in rural pockets will lead to better sales volumes for two wheelers though this is usually boosted by festive season and wedding season discounts. Tractors are also likely beneficiaries and Maruti could pick up volumes in the entry-level four wheeler segment.

Real estate gains depend on the type of products that the sector offers. While there was a K-shaped recovery this could change if there's a rural focus with affordable housing schemes witnessing a boost.

Allied segments like building materials would benefit but cement may be in over-supply and many cement majors are highly valued. Power consumption will continue to grow but policy could go soft on cost recovery, leading to issues with low tariffs, free units, and high receivables for generators.

White goods companies making ACs, and smartphones could also be areas to look at.

The telecom services sector may see a bounce in average revenue per user, as Vodafone receives a new lease of life, the three private telcos institute tariff hikes and better mobile broadband networks are rolled out across rural India.

Another knee jerk policy reaction along with low power tariffs, could be cutting the retail price of petrol, diesel, CNG and gas cylinders, etc.

Since the petro-sector is largely dominated by PSUs, price-control through APM or other means is relatively easy. This could impact bottom lines for these listed companies, which is why investors have sold off upstream (ONGC, Oil India), and downstream (GAIL, BPCL, MGL IGL). A refocus on defensive stocks with relatively lower valuations and a rural exposure is likely to be where the smart money will go. Extremely highly valued industrials and defence sector stocks could continue to see sell offs.

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# Asian Energy Services plans to double revenue in FY25

ARUNIMA BHARADWAJ
New Delhi, June 5

**ASIAN ENERGY SERVICES,** a service provider to the energy sector, plans to double its revenue to ₹600 crore in the current financial year 2024-25 from the previous fiscal, said Kapil Garg, managing director of the company.

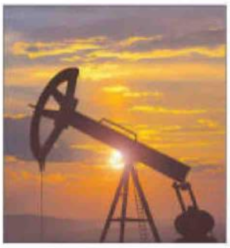
Additionally, the company has a third party order book of over ₹1,000 crore which it intends to execute in the next two to three years.

"We already have a third party order book of more than ₹1,000 crore which is to be executed in the next two years or less," Garg said.

"We are looking to at least double the revenue target going forward. This year, we will be looking to double from ₹300 crore to ₹600 crore."

Asian Energy Service is a subsidiary of Oilmax Energy which provides services that include geophysical data acquisition (seismic), production facility construction (EPC) and operation and maintenance.

In the past 2.5 years, the company has also diversified into the coal sector and will



further look to expand its footprint in the coal gasification and minerals mining segment going ahead.

Presently, ASEL has five ongoing projects to build coal handling plants with different subsidiaries of Coal India and will continuously look for further expansion in the truck loading systems, Garg noted.

"For quite some time, we have been hearing about the government's 100-day agenda for the year. We feel there is going to be a lot more focus in the mining sector going ahead," he said, adding that the company will diversify its business in mining of minerals.

The company is in discussions with National Mineral Development Corporation (NMDC) and Vedanta's Cairn to explore opportunities in the mining segment but have not gotten to the stage of bidding yet, Garg informed.

"We are trying to leverage on the existing relationships with Vedanta to build and take it further. We constantly keep on looking for opportunities," he said.

Garg is also optimistic of receiving at least ₹1,000 crore worth of seismic tenders from the country's upstream sector companies in the next 1-2 years.

"This year looks exciting for seismic surveys because the national seismic programme phase 2 which is already approved is in the tendering process. And when you combine that work with existing fields, it's looking very exciting," he said.

The company is hopeful of bagging a generous amount of tenders from Oil India, Oil and Natural Gas Corp (ONGC), and Vedanta's Cairn Oil and Gas which will be out in the next two months. "We will win some of those by September, execution should begin from mid October to early November and they will all be finished by June next year."

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REUTERS


## UAE's Adnoc offers India stake in its new LNG terminal

State-run Abu Dhabi National Oil Co. (Adnoc) has offered India a stake in its upcoming LNG liquefaction terminal at Ruwais in Abu Dhabi. Also, Indian Oil Corp. Ltd plans to sign a long-term LNG deal to buy 1 mmtpa of clean fuel from Adnoc. >P5

| Publication : Mint | Editions : New Delhi |
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# UAE gas terminal stake for India

## Adnoc stake will mark India's first acquisition in an overseas LNG terminal and add to energy-security efforts

Utpal Bhaskar
utpal.b@livemint.com
NEW DELHI

State-run Abu Dhabi National Oil Co. (Adnoc) has offered India a stake in its upcoming LNG liquefaction terminal at Ruwais in Abu Dhabi. In a related development, Indian Oil Corp. Ltd (IOC) plans to sign a long-term LNG deal to buy one million metric tonnes per annum (mmtpa) of clean fuel from Adnoc, said two people aware of the development.

If concluded, this would be India's first equity stake in an overseas LNG terminal, adding heft to energy-security efforts by the world's third-largest energy consumer.

The development comes amid a growing partnership between India and the UAE, an Opec member. Prime Minister Narendra Modi has visited the country seven times in nine years and UAE President Sheikh Mohamed bin Zayed Al Nahyan has visited India four times. India has also signed a free-trade agreement with the UAE.

With a growing presence in India's energy security architecture, Adnoc is the only company to commit to India's crude oil reserve programme. REUTERS

"Conversations are on at the government-to-government level," said one of the two people cited above.

The LNG project at Al Ruwais Industrial City will have two 4.8-mmtpa LNG liquefaction trains with a total capacity of 9.6 mmtpa. This will double Adnoc's LNG production capacity to around 15 mmtpa.

Adnoc has already signed three LNG agreements from the project with Germany's SEFE Marketing & Trading Singapore Pte Ltd, EnBW Energie Baden-Württemberg AG (EnBW), and China's ENN Natural Gas. An Adnoc spokesperson wrote in an emailed response to *Mint's* queries, "We don't comment on market speculation," adding, "Adnoc's lower-carbon Ruwais LNG project continues to progress toward the final investment decision, expected this year."

India imports around 55% of its gas requirement to meet the growing demand from its fertiliser, power, and city gas distribution sectors. According to Petroleum Planning and Analysis Cell (PPAC), India's LNG imports increased 17.5% year-on-year by volume in FY24 to 23.5 mmtpa.

**55%** of India's gas requirement is imported

"Indian Oil Corp will also sign a long-term LNG deal to buy 1 mmtpa from Adnoc," said one of the people cited above. IOC had signed a deal with Adnoc for the supply of 1.2 mmtpa of LNG from 2026.

The proposed deal is part of India's efforts to fortify its imports of LNG.

IOC previously signed a long-term contract with France's TotalEnergies for 1 mmtpa of LNG for around 10 years, as *Mint* reported. Petronet LNG also extended its contract with QatarEnergy LNG in February by signing a long-term agreement for 7.5 mmtpa of LNG.

"This is about securing a toe-hold outside the country. It will help Indian state-run firms become world-class companies. Adnoc has been a good partner and has been offering India opportunities. The relationship between the two governments at the highest level has helped," said one person cited above.

With a growing presence in India's energy security architecture, Adnoc is the only company to commit to India's strategic crude oil reserve programme to date. In February 2018, an Indian consortium comprising ONGC Videsh, Indian Oil Corp and Bharat PetroResources Ltd was awarded a 10% participating interest in Abu Dhabi's offshore Lower Zakum Concession – a first for India.

Queries emailed to spokespersons for India's ministry of petroleum and natural gas and IOC did not elicit a response.

| Publication : The Hindu Business Line | Editions : New Delhi |
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## Day trading guide

22584 » **Nifty 50 Futures**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 22550 | 22400 | 22700 | 22850 | Take fresh longs only above 22700 with a stop-loss at 22670 |

₹1551 » **HDFC Bank**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 1535 | 1520 | 1560 | 1595 | Go long only above 1560. Keep the stop-loss at 1555. |

₹1430 » **Infosys**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 1415 | 1400 | 1540 | 1565 | Take fresh longs above 1540 with a stop-loss at 1535 |

₹430 » **ITC**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 426 | 422 | 436 | 439 | Go short only below 426. Stop-loss can be kept at 428 |

₹248 » **ONGC**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 246 | 243 | 252 | 258 | Take fresh longs above 252. Keep the stop-loss at 250 |

₹2842 » **Reliance Ind.**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 2800 | 2770 | 2860 | 2890 | Take fresh longs only above 2860 with a stop-loss at 2855 |

₹790 » **SBI**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 778 | 765 | 793 | 797 | Go short only below 778. Stop-loss can be placed at 781 |

₹3747 » **TCS**

| S1 | S2 | R1 | R2 | COMMENT |
|---|---|---|---|---|
| 3740 | 3700 | 3790 | 3810 | Go short on a break below 3740. Keep the stop-loss at 3750 |

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

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# Govt re-initiates process to find new IOC chairman

The government has invited applications for the new chairman of Indian Oil Corporation (IOC), ending the uncertainty over continuance of incumbent Shrikant Madhav Vaidya. In an advertisement posted on its website, the Ministry of Petroleum and Natural Gas sought applications from engineers, chartered accountants and cost accountants with post graduate management degrees from leading institutions and having at least 5 years experience in leadership roles, by July 3. The age eligibility cut off has been set at not more than 58 years for internal candidates and 57 years for outsiders with 60 years as retirement age, it said. PTI

ओएनजीसी ONGC

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# India to acquire stake in Adnoc LNG terminal

**Utpal Bhaskar**
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**NEW DELHI:** State-run Abu Dhabi National Oil Company (Adnoc) has offered India a stake in its upcoming LNG liquefaction terminal at Ruwais in Abu Dhabi. In a related development, Indian Oil Corp. Ltd (IOC) plans to sign a long-term LNG deal to buy one million metric tonnes per annum (mmtpa) of clean fuel from Adnoc, said two people aware of the development.

If concluded, this would be India's first equity stake in an overseas LNG terminal, adding heft to energy-security efforts by the world's third-largest energy consumer.

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Queries emailed to spokespersons for India's ministry of petroleum and natural gas and IOC did not elicit a response.

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## GAIL (India) Limited launches 'Waah Kya Energy Hai' Campaign to Promote Clean and Sustainable Fuel Choices

GAIL (India) Limited has launched yet another series 'Waah Kya Energy Hai' to highlight the accessibility and benefits of embracing new, clean and environmentally friendly fuel options – Compressed Natural Gas and Piped Natural Gas offered by GAIL and its group companies. Representing one more venture by GAIL in Business-to-Consumer (B2C) digital communication, the campaign is strategically geared towards engaging retail Natural Gas consumers across India. 'Waah Kya Energy Hai', which comprises four short films in a mini-series format, tells the stories of a close-knit middle-class Indian family and how they navigate their challenges through a smarter choice of fuel usage, switching to D-PNG (Domestic Pipe Natural Gas), C-PNG (Commercial Pipe Natural Gas), CNG and Industrial PNG. A witty and emotional delivery of the story line and character arcs of the Mishra family makes their stories relatable, engaging the viewers to not only enjoy these short films but also encourage them to think about a shift to clean fuel. These 4-5 minutes content capsules will be promoted digitally through digital and social media including GAIL's YouTube channel, banners and influencer engagements across platforms. Well-known actors Srikant Verma, Divya Jagdale, Luv Vispute and Ahmed Khan play key roles in the four episodic short films, adding a relatable and compelling touch to the message of sustainability and progress. Launching the campaign, Shri Sandeep Kumar Gupta, Chairman and Managing Director, GAIL said "Wah Kya Energy Hai is strategically crafted with GAIL's key objectives in mind. The campaign also endeavors to highlight the advantages of using natural gas over other fuel choices in view of the effects on both health and the environment. Through these concerted efforts, GAIL's campaign endeavors to catalyze a widespread shift towards cleaner and more sustainable fuel alternatives".

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# Indian refiners maintain buy momentum on Russian, Iraqi crude in May

**Rishi Ranjan Kala**
New Delhi

Indian refiners continued their purchase momentum for medium sour grades from its two largest trading partners, Russia and Iraq, during May 2024 as crude oil flows from another top supplier, Saudi Arabia, declined due to higher prices.

Analysts and trade sources indicated that price arbitrage favours Russia against Saudi Arabia by around $5 per barrel. The world's largest crude oil exporter has been raising the official selling price (OSP) of its medium sour grade, Arab Light, to Asia for three consecutive months running into June as it attempts to tighten the oil market. According to energy intelligence firm Vortexa, India imported higher volumes from Russia, Iraq, the UAE and the US last month compared to April 2024.

**SAUDI PRICES**

Crude oil imports from Russia fell marginally to 1.72 mb/d in May 2024 (April: 1.75 mb/d) on a monthly basis, and by 13 per cent y-o-y. Ural shipments stood at 1.44 mb/d last month compared to 1.56 mb/d in April 2024.

Vortexa's Head of APAC Analysis, Serena Huang told *businessline*, "Russia continues to be the top crude supplier for India in May. Whilst imports of Russian crude are down slightly in May compared to April, May's volumes are still the second highest compared to last July."

An official with a domestic refiner said that price is a major factor. Russian barrels continue to be more viable compared to Saudi Arabia. "Russia-India crude trade is one commercial opportunity both sides cannot ignore. Despite issues of payment and vessels, it has worked, which indicates the inherent value in it for both sides," the official explained.

India's crude oil imports
(Barrels per day - kb/d)

| Month/ Year | Russia | Iraq | Saudi Arabia | Total |
|---|---|---|---|---|
| February 2023 | 16,19,060 | 10,19,695 | 6,53,604 | 46,12,169 |
| March 2023 | 16,72,476 | 8,37,063 | 9,72,171 | 48,11,130 |
| April 2023 | 17,42,060 | 8,12,206 | 6,75,545 | 46,77,142 |
| May 2023 | 19,67,360 | 7,37,421 | 5,47,917 | 44,66,522 |
| June 2023 | 19,24,486 | 7,81,151 | 7,20,277 | 45,30,876 |
| July 2023 | 19,90,540 | 8,23,273 | 5,09,510 | 46,50,734 |
| August 2023 | 13,98,308 | 8,26,564 | 8,54,754 | 43,04,538 |
| September 2023 | 15,88,617 | 9,29,742 | 5,01,498 | 41,25,279 |
| October 2023 | 14,58,925 | 7,77,778 | 8,60,167 | 43,58,419 |
| November 2023 | 16,19,930 | 9,67,615 | 6,89,132 | 46,03,447 |
| December 2023 | 13,27,286 | 9,84,589 | 6,63,137 | 43,31,678 |
| January 2024 | 13,02,528 | 11,80,878 | 6,86,611 | 48,51,356 |
| February 2024 | 14,16,075 | 7,85,586 | 8,33,590 | 44,56,233 |
| March 2024 | 13,62,000 | 10,91,000 | 7,68,000 | 48,93,000 |
| April 2024 | 17,48,185 | 8,06,195 | 6,72,748 | 45,84,490 |
| May 2024 | 17,20,675 | 9,35,580 | 6,06,410 | 45,42,513 |

Source: Vortexa

Huang pointed out that Russian crude will likely continue to be priced at a discount to Middle Eastern grades, given the importance of India and China as destination markets and the lack of alternative markets. Both public and private sector refiners continued their import momentum from Russia, albeit at a lower volume compared to April 2024.

Public refiners such as Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL) and Hindustan Petroleum Corporation (HPCL) imported 1.04 mb/d crude oil, marginally down from 1.05 mb/d in April 2024. However, imports on an annual basis were down 16 per cent. Private refiners, Reliance Industries (RIL) and Rosneft-backed Nayara Energy, imported around 6,79,000 barrels b/d from Russia in May 2024 compared to 6,95,000 b/d in April. Shipments were down by 5 per cent y-o-y.

Crude oil imports from Iraq rose by 16 per cent m-o-m and 27 per cent y-o-y to around 9,36,000 b/d. Similarly, imports from the UAE rose by 7 per cent m-o-m to 3,40,000 b/d. In May 2023, India imported around 1,90,000 b/d from the UAE. The FTA and Rupee trade settlement also helped improve volumes.

However, cargoes from Saudi Arabia fell by 10 per cent m-o-m to around 6,06,000 b/d. But, imports were higher by 11 per cent on an annual basis.

Crude oil shipments from the US rose by 7 per cent m-o-m to around 3,40,000 b/d. In May 2023, the imports stood at around 1,35,000 b/d.

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# Hunt on for new IOC chief

**New Delhi:** The government has invited applications for the new chairman of Indian Oil Corporation (IOC).

In an advertisement posted on its website, the ministry of petroleum and natural gas sought applications from engineers, chartered accountants and cost accountants with postgraduate management degrees from leading institutions with at least five years of experience in leadership roles by July 3.

The age eligibility cut-off has been set at not more than 58 years for internal candidates and 57 years for outsiders. The retirement age will be 60.

Shrikant Madhav Vaidya, who took over as the chairman of India's biggest oil company on July 1, 2020, was to retire on August 31, 2023 when he attained the superannuation age of 60 years.

But Vaidya was, in a rare move, "re-employed on a contract basis" for one year "beyond the date of his superannuation i.e with effect from September 1, 2023, till August 31, 2024," according to an official order dated August 4, 2023.

PTI

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ONGC

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| Date :6 June 2024 | Page : 10 |

# OPEC+'s decision on crude oil: What will be the impact?

BY TEJI MANDI

STOCK INVESTING SIMPLIFIED
tejimandi

The international market is experiencing fluctuations in crude oil prices. On one hand, demand is decreasing, while on the other, production in the United States is increasing, causing market instability. Amidst this, OPEC+ countries have decided to increase cuts in oil production. This decision aims to stabilise crude oil prices in the market.

Let's explore how this decision will impact crude oil prices and what it means for investors.

## What's Happening?

On June 3, 2024, OPEC+ announced an agreement to continue their supply cuts through the third quarter, gradually reducing them over the next 12 months. This move is part of a strategy to balance the crude oil market, recognising that demand won't remain low indefinitely. Additionally, an extra 5,00,000 barrels per day are expected to enter the market by December, with this number projected to increase to 1.8 million barrels per day by June 2025.

## Impact on Crude Oil Prices

OPEC+'s goal is to stabilise the market by controlling supply. Reducing supply aims to balance demand and supply, thereby boosting prices. According to the Economic Times, OPEC+ is currently cutting 5.86 million barrels per day (bpd), which is approximately 5.7% of global demand. Regarding Brent crude oil futures, during the trading session on June 4, 2024, prices fell by 7.7%, reaching a four-month low of $77.6 per barrel. Similarly, over the past five trading sessions up to June 4, 2024, WTI prices have also dropped by 8%.

## What Does This Mean for Investors?

OPEC+'s decision could impact the stocks of companies in the oil sector. If crude oil prices increase, these companies may benefit. Conversely, if prices decline, these companies could suffer losses. Investors should remember that crude oil prices are influenced by many factors. Global economic conditions, geopolitical events, and the strength or weakness of the dollar can also affect crude oil prices. Therefore, investors should consider all market aspects before investing in the oil sector.

## What's Next?

OPEC+ believes that demand will be higher in 2024, which is why they are cutting production. On the other hand, the International Energy Agency estimates that including stock levels, the demand for OPEC+ oil in 2024 will be much lower, averaging 41.9 mn barrels per day. In simple terms, OPEC+ aims to keep oil demand high to boost prices, while the IEA believes demand will be weaker. This contradiction creates uncertainty in the market, and it remains to be seen how actual demand will unfold in the future.

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# India to benefit as global oil prices decline by over $4 a barrel

India stands to gain as oil prices have fallen by over 4$ a barrel this week to a four-month low in the international market following the OPEC+ cartel's plan to allow an increase in production this year while an increase in the US crude stockpiles has added to bearish sentiments. Brent oil futures for August edged lower to $77.50, on Wednesday, while July crude oil futures on WTI were at $73.22. Oil prices have now fallen below $80 a barrel for the first time since February 7.

| Publication : The Hans India | Editions : Hyderabad |
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## Cairn Oil's ESG initiative

Cairn Oil & Gas, part a leading private oil and gas exploration and production company, is set to become Net Zero Carbon by 2030, by pioneering Environmental, Social, and Corporate Governance (ESG) leadership across the E&P value chain. As part of a multi-pronged strategy, Cairn's focused ESG roadmap covers carbon emission reduction, leverage renewable energy sources, leveraging nature-based carbon solutions and adopting innovationssuch as waste to energy, carbon capture utilisation and storage (CCUS) among others. With this, Cairn hasfast-tracked its vision of attaining Net Zero Carbon by 2030.

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# S&P expects policy continuity in energy, commodity sectors

**Rishi Ranjan Kala**
New Delhi

Prime Minister Narendra Modi has said the National Democratic Alliance will form the government for the third consecutive time. This is expected to ensure policy continuity for energy and commodity sectors, S&P Global Commodity Insights said on Wednesday.

NDA is all set to form the government for the third time, Modi told party workers in a victory speech after the results showed the alliance was ahead in about 290 seats, past the qualifying 272-mark in the 543-member Lok Sabha.

"India's rapid economic growth will be underpinned by a multidimensional energy transition — with strong demand growth for oil, gas and renewables. With this win, we can expect policy continuity; new investment opportunities for both domestic and international investors," said Atul Arya, S&P Global Commodity Insights' chief energy strategist.

The BJP-led alliance won fewer seats than in the 2019, while the opposition alliance improved its performance.

**UNFINISHED AGENDA**

The new government will face the familiar challenges of keeping energy supply affordable, reliable and clean — all of which necessitates a 15 per cent share for natural gas in the country's primary energy mix by 2030.

The government first set this target in 2017, when the share of gas was just over 6 per cent, but nearly six years later the needle has not moved much. While the 15 per cent target has remained unchanged, the energy landscape has evolved rapidly, raising questions over whether the target still holds.

India, as the world's third-largest ethanol fuel producer, aims to achieve 20 per cent ethanol blending in gasoline by 2025. Scarcity of first-generation feedstocks, sourced from sugarcane and corn, which could pose a delay, is a concern.

**ENERGY SECURITY**

Modi said in his speech that the new government will "focus on the environment, green industrialisation and green mobility."

The evolving energy landscape, coupled with the turbulent geopolitical situation and heightened attention on India as a hub for oil demand expansion could throw up challenges for the new government as it tries to ensure affordable energy and energy security, while working towards meeting its climate pledge, S&P Global Commodity Insights said.