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▶ CLSA RAISES INDIA
EXPOSURE OVER SUPPORTIVE
MACRO OUTLOOK

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CLSA raises India exposure over supportive macro outlook

SAMIE MODAK
Mumbai, 11 October

CLSA has increased its India allocations citing a supportive macro outlook. The brokerage owned by China's CITIC Securities has assigned a weighting of 18.2 per cent to India, 301 basis points higher than the nation's weighting of 15.1 in the MSCI All Country Asia Pacific ex-Japan index.

"We posit that in combination, a strong credit impulse, favourable energy pricing, improving external balance dynamics, robust GDP and EPS growth, increasing profitability, a supportive macro outlook, and additional capacity for non-resident asset accumulation will sustain the Indian equity momentum trade into 2024," CLSA has said in a note.

Previously, CLSA was 40 per cent underweight on India compared to its weighting in the MSCI index. "Our previous contrarian underweight position worked between late October 2022 and late March 2023 but ultimately we persisted for too long with our negative view. Valuations and RBI monetary policy inflexibility remain our principal concerns," it noted.

Despite these concerns, CLSA believes that a positive trajectory for India's credit impulse will be supportive of the equity market. However, it struggles with "expensive valuation and relative lack of RBI policy flexibility". At 2.8 times, India's CAPE (cyclically adjusted PE) ratio is lower than the peak of 3.1 times in October 2022 but is still "distinctly unappealing," according to the brokerage.

"India ranks as having among the least flexibility for interest rate accommodation versus EM (emerging market) peers on our monetary policy scorecard," it said.

CLSA's quality growth stocks and



TURNING BULLISH

CLSA country weights versus MSCI All Country Asia Pacific ex-Japan

	Neutral wt (%)	CLSA wt (%)	OW/UW (bps)
China	28.7	28.7	0
Australia	15.9	8.7	-714
India	15.1	18.2	303
Taiwan	14.5	15.3	73
South Korea	11.5	13.9	231
Hong Kong	5.1	5.1	0
Singapore	3.2	3.2	0
Indonesia	1.9	2.6	75
Thailand	1.7	1.7	0
Malaysia	1.3	0.7	-67
Philippines	0.6	0.6	0
New Zealand	0.4	0.4	0
Cash	0.0	1.0	100

OW is overweight, UW is underweight Source: CLSA

high conviction calls include Reliance Industries, HDFC Bank, ICICI Bank, Bharti Airtel, State Bank of India, Bajaj Finance, Larsen & Toubro, Axis Bank, ONGC, and Tata Motors.

Last month, Nomura upgraded its stance on the Indian market from "neutral" to "overweight". In its Asia (excluding Japan) portfolio, the brokerage recommended an 18.2 per cent weighting for India, 100 basis points higher than India's weighting in the benchmark MSCI Asia ex-Japan index. Nomura is also overweight on China and South Korea, while maintaining an underweight position on Singapore and the Philippines.



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ONGC arm keen on Sri Lankan blocks

ENS ECONOMIC BUREAU
New Delhi, October 11

ONGC VIDESH (OVL) is keen to participate in oil and gas exploration opportunities in Sri Lanka and is waiting for the island nation to unveil its roadmap and policy on developing the upstream petroleum industry. OVL is the overseas investment arm of India's state-owned oil and gas major Oil and

Natural Gas Corporation (ONGC). According to OVL's Managing Director Rajarshi Gupta, a presence in oil and gas assets in Sri Lanka would gain from the synergies of the larger ONGC group, as the parent company has significant upstream assets and infrastructure in southern India.

Geologically, the island nation and its offshore areas are quite similar to part of southern

India, and ONGC is experienced in operating in such zones. Sri Lanka's geographical proximity to India is also seen as a major attraction for OVL. Gupta added that OVL would be open to government-government negotiations, competitive bidding, or any other route that the Sri Lankan government decides on to enable participation in the island country's upstream petroleum sector.

INDIA STANDS AS THIRD-LARGEST GLOBAL HUB FOR UNICORNS

India's start-up ecosystem and energy sector reshaping nation's economy: Puri

SIMONTINI BHATTACHARJEE

NEW DELHI: India's Minister of Petroleum and Natural Gas, Hardeep Singh Puri, recently highlighted the transformative power of India's dynamic entrepreneurial spirit and thriving start-up ecosystem while addressing at the 14th edition of KPMG's Innovation and Energy Conclave. Puri shared remarkable statistics, underscoring India's ascent in the global start-up landscape and the nation's commitment to innovation and sustainable energy practices.

In his address, the minister announced that India now stands as the third-largest global hub for unicorns, with over 100 collectively valued at approximately \$347 billion USD. This achievement is a testament to the rapid growth of India's start-up ecosystem, which has been nurtured under the "Start-up India" initiative launched by Prime Minister Narendra Modi.

A noteworthy facet of this initiative has been the minister's directive to Oil and Gas Public Sector Undertakings (PSUs) to foster innovation and support start-ups in fields such



REPRESENTATIONAL PIC

as the Internet of Things (IoT), digitalization, green fuels, alternative energy, and more. The Oil and Gas PSUs have responded with remarkable commitment, creating startup funds totalling Rs. 405 crores, enabling funding for 232 start-ups, with a disbursed value of Rs. 208 crores.

Puri further showcased success stories that have emerged from this collaboration, including Bandicoot, a robotic scavenger developed by Gen Robotic Innovations, and Vasitars Private Limited, a technology-driven company funded by Indian Oil Corporation (IOCL). Vasitars specialises in in-situ composite repair solutions for transmission pipelines, using innovative

Nano Filler Reinforced Polymer Composite Wrap, which promises to revolutionise pipeline repair in India.

Moreover, the minister emphasised India's surging energy demand, highlighting its role as a driving force for future economic growth. India currently ranks as the third-largest consumer of oil, LPG, and LNG globally, and it stands as the fourth-largest refiner and automobile market worldwide. It is estimated that India will contribute 25 per cent of global energy demand growth over the next two decades.

Recognizing the importance of sustainable energy practices, the energy industry in India is now committed to decarbonization. Oil and gas

The Oil and Gas PSUs have responded with remarkable commitment, creating startup funds totalling Rs. 405 crores, enabling funding for 232 start-ups

PSUs have pledged to achieve net-zero emissions (scope 1 and 2) within specific timeframes: IOCL by 2046, ONGC by 2038, GAIL, BPCL, HPCL, and OIL by 2040, and EIL by 2035.

Biofuels have also seen significant progress in India, with the nation becoming the third-largest producer and user of ethanol. Ethanol blending in petrol has surged from 1.5 per cent in 2014 to nearly 11.70 per cent. India has even advanced its 20 per cent ethanol blending target to 2025-26, with approximately 5,000 fuel stations dispensing E20 fuel.

India is also leading the way in the adoption of flex-

fuel vehicles. The government has unveiled the prototype of the world's first BS-6 Stage-II Electrified Flex Fuel vehicle, emphasising the drive to encourage biofuel adoption on a large scale, moving toward an E20 blend ecosystem.

Puri highlighted the Global Biofuel Alliance (GBA), a collaborative platform formed by India, the USA, and Brazil, which aims to transform the global biofuel landscape, representing a potential \$500 billion opportunity. Additionally, green hydrogen, part of India's Green Hydrogen Mission, is a promising area for sustainable fuel growth. India aims to produce 5 million metric tons per annum (MMTPA) of green hydrogen by 2030.

The minister also encouraged stakeholders to explore investment opportunities in India's energy industry and prioritise sustainable business practices, emphasising that these are the keys to thriving and surviving in the future. The focus on innovation and sustainability in India's start-up ecosystem and energy sector signifies a promising future for the nation's economic growth and transformation.

CLSA hikes India allocation to 20% above MSCI benchmark

RAISING EXPOSURE. Eight reasons behind turnaround; picks 10 quality growth, high conviction stocks

Our Bureau
Chennai

CLSA is the latest foreign investment advisory to join India's bullish bandwagon after Goldman Sachs, Morgan Stanley and Nomura.

CLSA analysts, Alexander Redman and Della Chen, in "Incredible India: Raising exposure" report said: "we raise our regional allocation for India to a 20 per cent overweight stance. Our previous contrarian underweight position worked between late October 2022 and late March 2023 but ultimately we persisted for too long with our negative view," CLSA said adding "valuations and RBI monet-

ary policy inflexibility remain our principal concerns."

KEY FACTORS

Recently, Nomura and Morgan Stanley upgraded India equity to Overweight. There were eight major reasons for CLSA's turnaround – a rebounding credit impulse signalling robust equity momentum; more manageable energy pricing given discounted Russian crude; improving basic balance and likely bond inflows support the rupee; strongest economic growth across primary emerging markets; Indian equities trading at fair value on our model with 22 per cent upside; a return to superior relative profitability metrics for India vs

STOCK PICKS

- Reliance Industries
- HDFC Bank
- ICICI Bank
- Bharti Airtel
- State Bank of India
- Bajaj Finance
- Larsen & Toubro
- Axis Bank
- ONGC
- Tata Motors

EM; trend breakout in EPS growth supported by GDP and revisions; and foreign investors do not appear over-exposed to Indian equities.

CLSA's 'quality growth

names with high conviction' calls included Reliance Industries, HDFC Bank, ICICI Bank, Bharti Airtel, State Bank of India, Bajaj Finance, Larsen & Toubro, Axis Bank, ONGC and Tata Motors.

Per its econometric regression model, Indian equities are now at a fair value relative to prevailing macro conditions in contrast to being 21 per cent overbought in November 2022 and 14 per cent overbought in June.

EPS GROWTH

On first inspection, the trajectory of the consensus outlook for the progression of local currency Indian earnings growth appears extremely demanding relative to the past dozen years.

Specifically, consensus EPS estimates for FY24 and FY25 (ending March 2025 and March 2026, respectively) are above the initial forecasts made by sell-side analysts.

"Not in a single year since at least 2011 has the final EPS outturn come even close to beating initial expectations. Indeed, the average for the dozen years from 2011 through 2022 has been a 28 per cent disappointment in final reported EPS versus analysts' original forecasts."

However, the outlook for India's nominal GDP growth relative to trend is supportive of the FY24 and FY25 consensus EPS growth forecasts of 15 per cent and 13 per cent, respectively.

Day trading guide

19852 » Nifty 50 Futures

S1	S2	R1	R2	COMMENT
19815	19750	19930	20000	Go long now and at 19825. Stop-loss can be placed at 19790

₹1539 » HDFC Bank

S1	S2	R1	R2	COMMENT
1520	1500	1550	1580	Go long only above 1550. Keep the stop-loss at 1540

₹1494 » Infosys

S1	S2	R1	R2	COMMENT
1480	1455	1515	1535	Go long now and at 1485. Keep the stop-loss at 1475

₹448 » ITC

S1	S2	R1	R2	COMMENT
446	443	452	456	Go long now and at 447. Stop-loss can be kept at 445

₹183 » ONGC

S1	S2	R1	R2	COMMENT
181	180	185	187	Go short now and at 184. Stop-loss can be placed at 186

₹2345 » Reliance Ind.

S1	S2	R1	R2	COMMENT
2320	2300	2380	2400	Go long now and at 2325. Keep the stop-loss at 2310

₹588 » SBI

S1	S2	R1	R2	COMMENT
586	581	590	594	Go short now and at 589. Stop-loss can be kept at 591

₹3610 » TCS

S1	S2	R1	R2	COMMENT
3600	3575	3635	3650	Go short on a break below 3600. Stop-loss can be kept at 3610

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

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ONGC Videsh interested in oil and gas exploration in Sri Lanka

ENSECONOMICBUREAU
NEW DELHI, OCTOBER 11

ONGC VIDESH (OVL) is keen to participate in oil and gas exploration opportunities in Sri Lanka and is waiting for the island nation to unveil its roadmap and policy on developing the upstream petroleum industry.

OVL is the overseas investment arm of India's state-owned

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Geologically, the island nation and its offshore areas are quite similar to part of southern India,

and ONGC is experienced in operating in such zones. Sri Lanka's geographical proximity to India is also seen as a major attraction for OVL. Gupta added that OVL would be open to government-government negotiations, competitive bidding, or any other route that the Sri Lankan government decides on to enable participate in the island country's upstream petroleum sector. **FULL REPORT ON**
www.indianexpress.com

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Govt may hike cane-ethanol price up to 3% for 2023-24 season

SANJEEB MUKHERJEE
New Delhi, 11 October

The government may increase the price of ethanol produced from sugarcane-based molasses for the 2023-24 season starting November 1 by up to 3 per cent.

This is in line with the trend followed since the last few years, trade and industry sources said.

Though there has been no official announcement, industry sources said it could happen before the start of the new season.

The 2022-23 ethanol supply year will end on October 31, a month ahead of the earlier schedule. This will align it with the sugar production season.

Sources said that for ethanol produced from 'B-heavy' molasses, the procurement price could be

raised by ₹1.15 a litre.

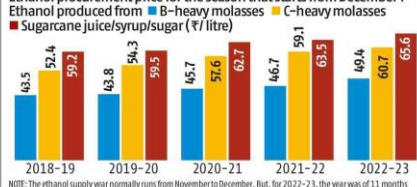
For the one produced from 'C-heavy' molasses, it could be raised by ₹1.75 per litre. That produced from sugarcane juice, syrup or sugar, the price could be raised by ₹2.25 per litre from what has been prevailing in the 2022-23 season that ends on October 31.

In the ongoing ethanol supply year, the procurement price of ethanol produced from B-heavy molasses is ₹49.41 per litre, while that produced from C-heavy molasses has been fixed at ₹60.73 per litre. The one produced from sugarcane juice, syrup and sugar is at ₹65.61 per litre.

Uppal Shah, co-founder & chief executive officer (CEO), Agrimandi.live Research said that according to domestic sugar mills, to produce ethanol directly from

PRICE CHECK

Ethanol procurement price for the season that starts from December 1



NOTE: The ethanol supply year normally runs from November to December. But, for 2022-23, the year was of 11 months from December 1 and October 31. Henceforth, the ESY will be from 1 Nov to 31 Oct. Source: Government

sugarcane juice, there is a higher production cost plus sugar mills have to sacrifice on sugar.

Keeping this in mind, the government must increase ethanol prices by about 7 to 8 per cent, to give

the sugar industry the extra incentive.

A few months back, the oil marketing companies (OMCs) had twice raised the procurement price of ethanol made from damaged

food grain and maize.

In the last round, the price of such ethanol was raised by ₹3.71 per litre, thus taking the total procurement price increase in the 2022-23 supply year to ₹8.46 per litre. It was ₹9.72 per litre for maize for the remaining part of the supply year. This final price includes the interim relief announced on August 7.

The additional incentive was announced after the supply of surplus Food Corporation of India (FCI) rice for ethanol blending was stopped. This threatened to jeopardise the total programme.

After the last hike taken on August 22, the procurement price for ethanol produced from damaged grains for OMCs in the 2022-23 season was ₹64 per litre. This was against ₹55.54 fixed at the start of the season. That from maize

was ₹66.07 per litre against ₹56.34 at the start of the season.

Till early July 2023 (of the 2022-23 ethanol supply year that will end in October 2023), around 3.51 billion litres of ethanol had been supplied by sugarcane- and grains-based ones.

Around 2.85 billion litres, or roughly 82 per cent, of that supply was from sugarcane-based sources and 660 million litres, or 18 per cent, from grain-based ones.

India is poised to achieve nearly 12 per cent annual average all-India ethanol blending in 2022-23 season.

Basically, ethanol is produced in India from two feedstocks.

First is sugarcane and second is grains, which includes rice supplied at concessional rates from FCI depots, maize and damaged grains (which is broken rice only).



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Oil cost surge to impact global economic revival: Puri

Higher oil prices would pose a challenge to the economic revival of many nations, as it would reduce demand in many markets, Petroleum and Natural Gas Minister Hardeep Singh Puri said on Wednesday. He said prices hitting \$100 would lead to disruptions.

SUBHAYAN CHAKRABORTY

Oil dips after Saudi pledge; investors wary about Israel

NICOLE JAO
New York, October 11

OIL PRICES FELL over 2% on Wednesday as fears of disruption to supplies due to conflict in the Middle East receded a day after top OPEC producer Saudi Arabia pledged to help stabilise the market.

Brent futures fell \$2.10, or 2.4%, to \$85.55 a barrel by 10:41 a.m. EDT (1441 GMT). US West Texas Intermediate (WTI) crude fell \$2.55, or 3.0%, to \$83.42. Brent and WTI had surged more than \$3.50 on Monday on concern the clashes between Israel and Palestinian Islamist group Hamas could escalate into a broader conflict that could disrupt global oil supply. Prices settled slightly lower on Tuesday after Saudi Arabia

PRICE SOFTENS

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said it was working with regional and international partners to prevent an escalation, and reaffirmed its efforts to stabilise oil markets.

"We've taken 6.4% of the refinery utilization rate off the table in the last three EIA (US Energy Information Administration) reports... That's over

1,000,000 barrels that didn't go through the refinery," said Bob Yawger, director of energy futures at Mizuho, a bank.

Moreover, in the higher rates environment moving forward that "could put the brakes on the upside as far as crude oil," Yawger said. Interest rate hikes to tame inflation can slow economic growth and reduce oil demand.

Exxon Mobil agreed to buy US rival Pioneer Natural Resources in an all-stock deal valued at \$59.5 billion that would make it the biggest producer in the Permian shell, the largest US oilfield. "Both WTI and Brent retreated yesterday as concerns of a sudden and unexpected supply disruption have been swept aside for now," PVM analyst Tamas Varga said.

— REUTERS

Power shortage puts Karnataka govt in a fix



The State's woes have worsened as the renewable energy generation — wind and solar — has reduced considerably

Hari Priya Sureban
Bengaluru

In the far north of Bengaluru, small industrialists in the Peenya manufacturing hub fear the ugly prospect of regular power cuts and surging tariffs impacting their already-strained bottom line.

Due to the scanty rains and failure of the southwest monsoon, the State has been unable to keep up with the rising power demand. Karnataka is realising an unexpected demand of more than 15,000 MW in October 2023. On a daily basis, it is facing a shortfall of 40-50 million units (MU). While the monsoon was moderately active in the last two weeks of July this year, there was a considerable shortage of rainfall throughout August and September, with the exception of a few sporadic showers. This has resulted in low storage in major hydro dams, and the energy available for the current year is deficient less by approximately 3,000 MU.

RE GENERATION DOWN

The woes are further worsened as the renewable energy (RE) generation — wind and solar — has reduced considerably. Wind generation decreased from 53.63 MU on October 1 to 9.44 MU on October 6. Additionally, heavy rains at coal mines supplying the State's thermal power plants have led to the coal getting wet, causing frequent plant breakdowns. All the adverse circumstances have led to an acute shortage of approximately 1,500-2,000 MW.

The power deficit is now a rising problem in the State as

farmers rue the lack of irrigation pumps and industrialists fear frequent power cuts and tariff increases. Shivakumar, President of Peenya Industrial Association rues, "We are already seeing initial power disconnections for short durations of 10-20 minutes. If the deficit situation invokes the need to purchase power, we fear the power tariffs will be hiked again. This will dent our revenues and profits significantly and even lead to the shutdown of some companies."

As apprehensions arise, the State government is taking various measures to reduce the shortage. Gaurav Gupta, Additional Chief Secretary, Energy Department, said that the government will participate in active bidding to purchase power through the day ahead market (DAM) and the real-time market (RTM).

The State will also be negotiating for swapping of power from UP and Punjab. Proposals are also being made to procure power through short-term tender to the extent of 1,250 MW power on an RTC basis and 250 MW on RTM as and when required. Additionally, officers have been appointed for each district to closely monitor the power supply and ensure that equitable power supply across the State, he added.

PLEA TO CENTRE

KJ George, Minister of Energy, is also trying to get a helping hand from the Centre. He met with the Minister for Power, New and Renewable Energy, GOI, RK Singh, and has requested to support Karnataka's need for additional power through higher share in Central generating stations.