ONGC News as on 18 October 2023 (Print)

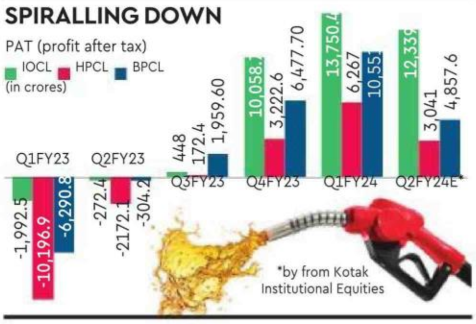
Publication : Financial Express	Editions : New Delhi
Date :18 October 2023	Page : 3

AMID SHARP FALL IN MARKETING MARGINS

OMCs to register a weak Q2

Sequential rise in refining margins may have provided a cushion

ARUNIMA BHARADWAJ
NEW DELHI, October 17



STATE-RUN OIL MARKETING COMPANIES (OMCs) – IOC, BPCL and HPCL-- are seen to have posted weaker earnings in the second quarter of the current financial year, due to a sharp fall in the marketing margins of petrol and diesel, after the rise in benchmark crude oil prices.

However, analysts believe that a sequential improvement in the refining margins can provide some cushion for these downstream oil companies in the July-September quarter.Although the OMCs may still have partly recouped the losses reported in the last financial year in the first half of FY24, the prospects are not bright for the second half of the current year.

"We expect a sharp QoQ decline (off a bumper 1QFY24 base) in EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortisation) for oil marketing companies, as marketing margins on petrol/diesel declined sharply with the rise in crude and product cracks," said Kotak Institutional Equities in a report.

The latter half of the second quarter saw a great volatility in the oil market owing to the production cuts by Saudi Arabia and Russia, in addition to those already in place by the Organization of Petroleum Exporting Countries.

Crude prices, as a result, touched their highest level of $97/bbl since November 2022. Added to the concern was the outbreak of Israel-Hamas war.Elara Securities, however, saw a rise in the average crude inventory to $5.8/bbl in Q2FY24 compared to nil in Q2FY23.

"OMCs diesel retail gross margin should post ₹15.6/litre YoY gain but fall ₹7.6/liter QoQ to ₹2.1/litre," Elara Securities said. It also expects gasoline margin to fall ₹2.8/litre on quarter to ₹7.9/litre, but increase ₹7.3/litre on a yearly basis.Even though brokerage firms expect refining margins of the OMCs to go up, they remain cautious on the retail pricing of petrol and diesel, which will primarily determine the earnings of these companies in the quarter that just ended.Analysts at Prabhudas Lilladher expect that recovery in refining margins will take Q2 PAT (Profit After Tax) of the downstream companies to ₹19,700 crore, 25.2% down from ₹30,500 crore in Q1FY24.

The brokerage firm also sees OMCs EBITDA declining to ₹34,000 crore, down 28.3% from the previous quarter. The adjusted PAT is seen declining 35.3% to ₹197 billion.Nuvama Institutional Equities foresees a decline of 51.8% in the EBITDA of OMCs from Q1FY24.

The average refinery utilization of OMCs is estimated at 107.1% compared with 110.6 in the first quarter.The refinery utilization is however estimated up from 97.3% in Q2FY23.\"

However, even on the rise in Brent crude prices, the reported GRMs (gross refining margins) of OMCs is likely to rise sharply by $14-19 per barrel in the September quarter", according to the brokerage.

Analysts at Motilal Oswal expect blended marketing margins for OMCs at ₹5/5.4/5.1 per liter in Q2FY24 due to an increase in the Brent crude prices and stable retail fuel prices during the period.The brokerage firm has further estimated Brent prices by Q4FY24 to be at $90/bbl and to remain at this level throughout FY25 as the International Energy Agency expects oil markets to tighten in the second half of the calendar year 2023.

If crude prices surge even beyond, OMCs may find themselves in a more upsetting situation.Over the past two quarters, OMCs have been posting profits until late September when crude prices rose significantly and these companies had to suffer under-recoveries to the tune of Rs 7/litre on sale of petrol and diesel."IOC (Indian Oil Corporation Ltd) is likely to report weak operating profit due to decline in marketing margins (Rs 4.4/ltr vs Rs 8.7/ltr in Q1)," Prabhudas Lilladher said in its preview. The firm also expects the company's gross refining margin to be at $12.4/bbl.While analysts see earnings of the OMCs taking a hit in Q2FY24, upstream companies, on the other hand, might seem to have benefited from high crude oil prices realizations due to lagged impact of windfall tax and also QoQ higher product sales.Upstream companies ONGC and OIL are, however, likely to improve their Q2 PAT to ₹12,200 crore compared with ₹11,300 crore in Q4FY23, with steady net crude price realization post windfall taxes and capped domestic gas prices at $6.5/mmBtu, analysts at Prabhudas Lilladher noted.Elara Securities also expect PAT for upstream companies to increase in the range of 13-22% on year."ONGC oil & gas production fell 1% YoY but rose 1% QoQ while Oil India oil & gas production is likely to improve 1% YoY and 4% QoQ," the firm said in its report.

Publication : Financial Express	Editions : New Delhi
Date :18 October 2023	Page : 1, 2

IMPROVED REVENUES PROMPT MOVE

Capital infusion in OMCs set for a cut

PRASANTA SAHU
New Delhi, October 17

THE CAPITAL INFUSION plan for state-run oil marketing companies (OMCs) may turn out to be much lower than the budgeted level of ₹30,000 crore in the current fiscal.

The government is weighing the option of releasing only a part of the budgeted amount in the current fiscal, and balance in subsequent years if found necessary after assessing the financial position of these companies, according to official sources.

In the Budget 2023-24 presented on February 1, the government announced the equity investment plan for the three OMCs — IOC, BPCL and HPCL — towards energy transition and net-zero objectives.

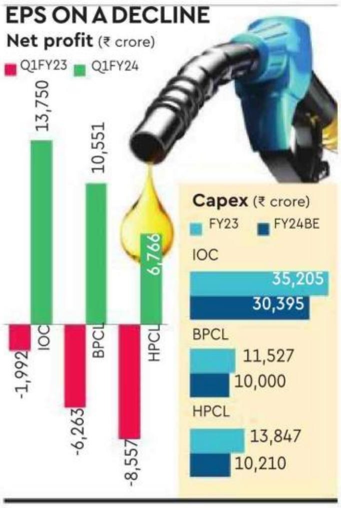
The change in the plan is in view of the improved revenues of the firms in recent months. Also, there are concerns about the shareholders having to cope with a fall in earning per share (EPS) as a result of the budgeted equity infusion plan.

"Capital infusion will happen gradually as that much cash is not immediately required by OMCs due to their improved revenues in recent months," a senior official told *FE*, adding that "only a portion" of the amount may be provided to the OMCs in FY24.

Following the Budget announcement, the BPCL Board in June approved an ₹18,000 crore rights issue to shareholders, entailing at least ₹9,500 crore capital infusion by the Centre for its 52.98% stake. In July, the IOC board approved a rights issue for raising ₹22,000 crore, which requires the government to infuse at least ₹11,330 crore for its 51.5% stake.

The remaining amount of capital infusion by the government was to go to HPCL, a subsidiary of state-run upstream major ONGC, likely through a preferential allotment.

EPS ON A DECLINE



Continued on Page 2

Publication : Financial Express	Editions : New Delhi
Date :18 October 2023	Page : 1, 2

Capital infusion in OMCs set for a cut

"Putting too much additional equity is problematic as other shareholders would also infuse equity in their rights issues. EPS will come down, which will impact the share prices also," the official added.

EPS of IOC, BPCL and HPCL suffered in the previous financial year due to sharp increases in crude prices, which could not be passed fully to consumers due to price freeze. The IOC EPS fell to ₹5.98 in FY23 (from ₹26.34 in FY22), BPCL's to ₹8.78 (₹41.31) and HPCL's ₹63.26 (₹13.97). Lower EPS, an indicator of lower profitability, impacts investor sentiment on the stocks, hurting minority shareholders the most.

The combined loss of three state-run retailers – IOC, BPCL and HPCL – for the first half of the last financial year was a whopping ₹21,201 crore due to petrol and diesel prices freeze when global prices rose. To compensate them, the Centre provided an equivalent amount of Budget support last year.

IOC reported a net profit of ₹13,750 crore in Q1FY24 compared to a net loss of ₹1,992 crore in the year-ago quarter. BPCL reported a net profit of ₹10,551 crore during the quarter against a loss of ₹6,263 crore in Q1FY23. HPCL's net profit was ₹6,766 crore in Q1FY24 against a loss of ₹8,557 crore in the same period last year.

"Retail fuel prices in India have been frozen since May 2022, but we view the prolonged state interference as credit-neutral. This is because price controls have continued through periods of both rising and falling crude prices, allowing OMCs to recoup losses during subsequent periods of high crude prices, even over a protracted timeframe," Fitch Ratings said in a note.

Due to Russia-Ukraine war, the Indian basket of crude prices shot up by an average of 18% in FY23 to $93.15/barrel compared to $79.18/barrel in FY22. The Indian basket of crude oil averaged $74-75/barrel in May, June 2023, $80.37 in July, $86.43 in August, $93.54 in September and $89.4 so far in October, reflecting fluctuations in prices due to global developments. OMCs are expected to continue making profit till the oil price remains below $85 a barrel, analysts have said.

Recently oil prices have moved up due to conflict in Israel.

"Another war has started (in Israel) and elections are coming up. If OMCs are not able to raise prices when the cost rises, whether the government will reduce excise duty or OMCs will absorb losses for a while needs to be seen," another official said.

IOC has projected a capex of ₹30,395 crore in FY24 compared with ₹35,205 crore in FY23. BPCL's estimated capex is ₹10,000 crore in FY24 from ₹11,527 crore in FY23. HPCL is to invest ₹10,210 crore in FY24 as against ₹13,847 crore in FY23.

The share price of IOC, BPCL and HPCL rose 1.01%, 2.23% and 2.08% respectively on Monday from the previous closing price on the BSE.

Publication : The Hindu Business Line	Editions : New Delhi
Date :18 October 2023	Page : 8

Day trading guide

19809 » **Nifty 50 Futures**

S1	S2	R1	R2	COMMENT
19770	19720	19870	19940	Go long now and at 19785. Stop-loss can be kept at 19740

₹1541 » **HDFC Bank**

S1	S2	R1	R2	COMMENT
1535	1510	1550	1600	Go long only above 1550. Keep the stop-loss at 1540

₹1443 » **Infosys**

S1	S2	R1	R2	COMMENT
1430	1400	1460	1485	Go long now and at 1435. Keep the stop-loss at 1425

₹453 » **ITC**

S1	S2	R1	R2	COMMENT
450	447	455	458	Go long only above 455. Stop-loss can be kept at 454

₹186 » **ONGC**

S1	S2	R1	R2	COMMENT
185	184	187	190	Go long only above 187. Stop-loss can be placed at 186

₹2356 » **Reliance Ind.**

S1	S2	R1	R2	COMMENT
2340	2320	2360	2380	Take fresh longs above 2360 with a stop-loss at 2350

₹576 » **SBI**

S1	S2	R1	R2	COMMENT
575	571	581	586	Take fresh longs now. Keep a tight stop-loss at 574

₹3507 » **TCS**

S1	S2	R1	R2	COMMENT
3500	3470	3525	3550	Wait for a rise. Go short at 3520. Keep the stop-loss at 3535

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

Publication : The Hindu Business Line	Editions : New Delhi
Date :18 October 2023	Page : 3

Coal India, partners to invest $372 m in fertilizer JV to lift output

Reuters
New Delhi

State-run firms, Coal India, GAIL India, and Rashtriya Chemicals & Fertilizers (RCF), will invest ₹3,095 crore ($371.90 million) in their fertilizer joint venture in Odisha, two government officials told Reuters.

GAIL and RCF will put in ₹1,730 crore, while Coal India will invest ₹1,364 crore in Talcher Fertilizers to maintain their current stakeholding, adjusted for an increase in project costs, said the sources, who are not authorised to speak to the media.

Each of the three firms holds a 31.85 per cent stake in Talcher Fertilizers.

Coal India will need a Cabinet nod for the infusion as the company has hit its investment ceiling, the sources said, adding that the Cabinet is likely to take a call in the coming weeks.

Project cost at Talcher Fertilizers has increased, with the government trying to boost the facility's output to reduce India's dependency on imports for nitrogen-based urea fertilizers. The infusion is aimed at reviving Talcher and turning it into a coal gasification-based urea fertilizer plant with an annual capacity of 1.27 million tonnes. India imported 22 million tonnes of fertilizers worth $15.3 billion last fiscal year.

Publication : Mint	Editions : New Delhi
Date :18 October 2023	Page : 2

Inter-ministerial group set up for climate negotiation strategy

New Delhi: India has set up an inter-ministerial group to develop a "well thought-out view" on important matters to be discussed during global climate negotiations, according to people familiar with the matter. Constituted in August, the inter-ministerial group on climate change comprises members from all the ministries and departments concerned, including the ministry of environment, forests and climate change, the ministry of power and the ministry of new and renewable energy, a source told *PTI*. The group will hold discussions mainly on five issues—mitigation, adaptation, loss and damage, climate finance and Article 6 of the Paris Agreement. **PTI**

Publication : Mint	Editions : New Delhi
Date :18 October 2023	Page : 8

Net zero success hangs on rapid power grid build-out, IEA says

BLOOMBERG

Investment in the world's electricity grids must double to more than $600 billion a year if nations are going to meet their climate targets and maintain energy security. That would pay for adding or refurbishing about 80 million kilometers (49.7 million miles) of power transmission and distribution lines by 2040, the International Energy Agency (IEA) said in a report on Tuesday. BLOOMBERG

Publication : Mint	Editions : New Delhi
Date :18 October 2023	Page : 4

Freight rates for Russian crude oil to India up 50% in a week

Reuters
feedback@livemint.com
MOSCOW

Oil freight rates from Russia's Baltic ports to India are up some 50% since last week as more shipowners quit the market after the first US sanctions on shipowners carrying Russian crude priced above a G7 cap, three persons in the know said on Tuesday.

The Group of Seven (G7) countries imposed sanctions in December last year prohibiting shippers or insurers domiciled in member countries from offering services to facilitate Russian oil exports when the price is above $60 a barrel.

The sanctions do not apply to shipping companies or insurers from other countries, regardless of the price.

"Freight rates rose to some $7.5 million per voyage on Monday from $4.5 million-4.8 million last week," a person with a trading firm involved in Russian oil sales told *Reuters*.

Shipping costs for Russian oil have been gradually declining since winter, when the G7's price cap was implemented.

"Some vessels were put on subs above $7 million as more shipowners, especially Greek, decide to exit Russian business. Some have quit a month ago, but today the number of such companies went up," the person said, on condition of anonymity.

"The freight market is bullish in general, with rates going up for West Africa-US Gulf, West Africa-Mediterranean and cross Mediterranean routes, tempting shipowners to seek safer alternatives," the person added.

Higher shipping rates and payment issues amid rising US control over Russian oil shipments may put Moscow's plan to trim discounts for its oil on the global market on hold, one of the persons said.

"Urals discounts (on a cost, insurance and freight basis) may widen due to higher freight, transaction costs and sanction risk," another trader in the Russian oil market said.

Russian crude discounts to global benchmarks have stabilised at $11-12 per barrel from $35-38 per barrel in early 2023, Russian deputy prime minister Alexander Novak said in an interview.

Shipping costs for Russian oil have been gradually declining since winter, when the price cap was implemented, amid growing vessel numbers and as many shipowners, including in Europe, were attracted to the market by high rates.

The decline in shipping costs helped Russian oil exporters to increase profits.

The US and its partners in the G7 were committed to denying Russia any energy revenues, Geoffrey Pyatt. the US assistant secretary for energy resources, said on Friday.

Publication : Mint	Editions : Mumbai
Date :18 October 2023	Page : 6

Hitachi Energy aims to build India supply chain: Facchin

CEO said the company would focus on power grid, energy transition technologies

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI


Hitachi Energy chief executive officer Claudio Facchin.

Hitachi Energy, which helps companies modernize power grids and meet energy transition goals, aims to expand its portfolio and manufacturing capacity in India, and boost its domestic supply chain network to meet global energy transition requirements.

In an interview, Hitachi Energy chief executive officer Claudio Facchin said that the Zurich-based company would continue to focus on power grid technologies and newer areas such as integrating electric vehicle (EV) batteries, charging infrastructure and green hydrogen manufacturing plants into the grid.

"I think we have to look at this opportunity beyond our own footprint and find in India, the right combination to build the supply, the entire supply chain across the value chain, not only for India but also for the global energy transition needs," Facchin said.

Citing the government's focus on boosting domestic manufacturing in various sectors in the energy space, the Hitachi Energy CEO said: "India as a country is already working on that, investing in manufacturing in India, conductors and batteries and solar cells and EVs. So, there is a lot of momentum already there, and I think we should be part of that with, of course, our focus on the grid part."

According to the company's 2030 strategy, it will invest in its core portfolio of transformers, switch gears, high-voltage direct current (HVDC) power transmission systems, power quality, grid automation, and related software, he said.

"But we also realize that for us to be able to help our customers to go through this transition, we need to expand ourselves towards the edge of the grid. So, to decarbonize the energy system, we need to electrify sectors, we need to electrify mobility, and we need to electrify industry. And that means for us learning what it means to integrate charging infrastructure. So, we expand our portfolio to look at that...understanding how to integrate large scale, depot charging or fleet charging for buses for flash charging technology that has an impact on the grid."

The company is also considering partnering with a company involved in electrolyzers or green hydrogen processes to create an ecosystem to deliver green steel. Facchin said the company has not yet finalized with which Indian company it would partner in the green hydrogen or electrolyzer space, but it is looking at the opportunities offered by the country.

On the plans to increase its workforce in India, Facchin said that Hitachi Energy's current workforce in India stands at 6,000, and nearly half of it is dedicated to its global business, and it would continue to expand its workforce in the country.

Recently, the company inaugurated the Hitachi Energy Global Technology and Innovation Center in Chennai, which would employ around 2,500 people. Last year, the company added 1,000 people to its operations in India.

"Our plan is to add an additional 20% (2,500) more by the end of this financial year. So that's the kind of speed at which we are working on that," he added.

EXPANDING BASE

AS per Hitachi's 2030 strategy, it will invest in its existing core portfolio that includes HVDC

THE company is also looking at partnering with a firm involved in electrolyzers or green hydrogen

HITACHI Energy has 6,000 staff in India, and it plans to keep growing workforce in the country

RECENTLY Hitachi Energy launched its global technology and innovation centre in Chennai

Publication : The Morning Standard	Editions : New Delhi
Date :18 October 2023	Page : 1

Green push: Aggregators told to go electric by '30

ANUP VERMA @ New Delhi

THE Arvind Kejriwal-led government on Tuesday approved Delhi Motor Vehicle Aggregator and Delivery Service Provider Scheme 2023, which aims to promote green and sustainable mobility.

The government said that the scheme sets the stage for regulation and licensing of aggregators providing passenger transport services and delivery service providers. The file has now been submitted to the L-G's office for approval.

"It marks a significant milestone in Delhi's fight against pollution. With this, Delhi has become the first state/UT in India, and among a few cities globally, to mandate a time-bound transition of commercial vehicle fleets of aggregators, delivery service providers and e-commerce entities to zero-emission electric vehicles," Kejriwal said. The CM said the scheme also paves the way for the launch of electric bike taxi services in Delhi.

Transport minister Kailash Gahlot stated, "It is the first time in India that any aggregator scheme has defined targets for them to convert their fleet into electric vehicles, promoting green & sustainable mobility in the city."