ONGC News as on 20 June 2024 (Print)

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Headline- ONGC's big order to L&T

એલએન્ડટીને ઓએનજીસીનો મોટો ઓર્ડર

મુંબઇઃ ઇજનેરી ક્ષેત્રની જાયન્ટ કંપની લાર્સન એન્ડ ટૂબ્રોએ જાહેર કર્યું છે કે તેને જાહેર ક્ષેત્રની માંધાતા કંપની ઓઇલ એન્ડ નેચરલ ગેસ કોર્પોરેશન (ઓએનજીસી) તરફથી મોટો ઓર્ડર મળ્યો છે. એલએન્ડટીએ આ ઓર્ડરને મોટા ઓર્ડર તરીકે વર્ગીકૃત કર્યો છે, એનો અર્થ એ થયો કે રૂ. ૨૫૦૦થી રૂ. ૫૦૦૦ કરોડની રેન્જમાં હોવો જોઇએ.

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Day trading guide

23498 » Nifty 50 Futures

S1	S2	R1	R2	COMMENT
23450	23370	23600	23800	Trade in the direction of the break of 23450-23600 range.

₹1658 » HDFC Bank

S1	S2	R1	R2	COMMENT
1635	1615	1680	1700	Buy now and on a dip to 1635; keep a stop-loss at 1615.

₹1511 » Infosys

S1	S2	R1	R2	COMMENT
1500	1485	1535	1550	Go long now and accumulate at 1485; stop-loss at 1465.

₹423 » ITC

S1	S2	R1	R2	COMMENT
420	410	430	450	Initiate buys if the stock bounces off 420; stop-loss at 410.

₹271 » ONGC

S1	S2	R1	R2	COMMENT
270	250	285	300	Appears bearish but supports ahead; refrain from trading.

₹2918 » Reliance Ind.

S1	S2	R1	R2	COMMENT
2900	2850	2975	3000	Trading in a range. Avoid taking fresh trades now.

₹852 » SBI

S1	S2	R1	R2	COMMENT
840	825	860	880	Buy if the stock breaks out of 860; stop-loss can be at 840.

₹3801 » TCS

S1	S2	R1	R2	COMMENT
3800	3750	3840	3900	Short-term outlook is weak. But support ahead. Stay out.

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

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IMAGING: AJAY MOHANTY

INDIAN REFINING SEGMENT IN PARLOUS STATE

Govt-run refiners may not be able to aggressively invest in clean energy projects as they stare at a rough road amid dwindling margins, volatile crude prices, shrinking discounts on Russian oil buys, and an inability to set prices for the fuels they sell

S DINAKAR
New Delhi, 19 June

India's oil ministry made a show of record profitability of state oil marketing companies last fiscal — a performance that had more to do with geopolitics and some luck with global crude oil prices than with management or the government — but the noise generated failed to bury a poor fourth quarter and uncertain prospects moving forward. Moreover, such profits would not have been possible if state oil companies had stopped making supernormal margins on selling fuels, and had passed on lower costs from crude sourcing to Indian motorists, industry officials said.

GRMs of Indian refiners in FY24 dropped to an average of $10–$12/bbl from a record average of $16–$18/bbl a year earlier

Now, the road ahead looks unpaved. State-run refiners led by Indian Oil are staring at a rough year amid dwindling refining and marketing margins, volatile crude prices, shrinking discounts on Russian oil purchases, and, more important, an inability to set prices for the fuels they sell.

A projected downside in performance raises concerns over the capability of these companies to aggressively invest in clean energy projects that require billions of dollars, and the level of support they will require from the exchequer towards capex and operational needs — barring a one-time grant of ₹22,000 crore to refiners in FY23 for losses that they incurred from selling LPG, the Narendra Modi government has refrained from subsidising refiners directly in the last few years. Also, after setting aside ₹30,000 crore to fund energy transition initiatives of state oil companies, the government spent nothing, and cut the allocation by half after carrying forward disbursement to this financial year.

What will a coalition government's role be amid lower margins, shrinking discounts, and growing clean energy spends in a volatile global environment remains to be seen.

Gross refining margins, a measure of a company's profitability while processing crude to fuels, will dip sharply this fiscal from a year earlier in line with benchmark Singapore GRMs, which plunged to a fourth of August 2023 levels, according to industry reports. Marketing margins, generated by selling petrol and diesel at the pump, are also facing headwinds. Put together, they will impact cash flows and profitability, industry officials said.

"While FY23 and FY24 were exceptional years for Indian refiners, FY25 is expected to witness some normalcy with moderation in refining and marketing margins as a result of contracting discounts and lower product cracks," said Hardik Shah, director at CareEdge Ratings. The rating agency expects a refining margin of $6-$8/bbl in FY25, with full utilisation of refining capacities, around half of last year's levels.

"In the long term, given adequate capacity expansions in China and India, and weak demand prospects, we expect GRMs to remain weak," said Swarnendu Bhushan, co-head, institutional equities, Prabhudas Lilladher. The Mumbai-based brokerage built in a GRM of $6/bbl for FY25/26E, a third of what refiners earned in FY23.

The performance of oil marketing companies in the January-March 2024 quarter may set the tone for the year ahead. Combined profits of ₹12,987 crore fell by around 40 per cent or by over ₹8,300 crore in the January-March quarter. The shrinkage in profits was because of lower product cracks, shrinking Russian discounts, and lack of pricing power over petrol and diesel.

GRMs of Indian refiners in FY24 dropped to an average of $10-$12/bbl from a record average of $16-$18/bbl a year earlier. For instance, Indian Oil reported a GRM of $8.4/bbl in the January-March period, lower than an estimate of $12.3/bbl, contributing to a decline of 49 per cent in consolidated net profit during the quarter at ₹5,488 crore from a year earlier, Prabhudas Lilladher said.

Supernormal marketing margins have supported record annual profits at refiners despite lower GRMs. The operating profit of oil players jumped multi-fold last fiscal due to higher marketing margin, CareEdge's Shah said. Indian Oil, BPCL and HPCL posted combined profits over 25 times higher than the previous fiscal, the oil ministry had said.

Strong marketing margins were led by a decline in the price of the Indian crude basket to $82.6/bbl last fiscal from $93.2/bbl a year earlier coupled with discounts on Russian oil in January-June 2023 averaging as high as $15/bbl, according to the oil ministry and industry data. At the same time the retail price of petrol and diesel was unchanged since April 2022.

But profits from selling fuels at the pump are declining. Margins in May 2023 on petrol and diesel were as high as ₹13 and ₹12/litre, respectively, Prashant Vasisht, senior vice president and co-group head, corporate ratings, at ICRA said in an email. That slumped to ₹2 and a negative ₹0.03/litre this April after New Delhi cut pump prices by ₹2/litre prior to the general elections. In normal times, marketing margins are typically around ₹2.50-₹3/litre, refining officials said.

Prospects of lower profits from both refining and marketing leave state oil companies with less to invest, especially when capital expenditures are set to soar, led by the twin planks of fuels and clean energy. Strained finances leave them even more dependent on New Delhi to part-fund their clean energy projects, with refiners seeking a PLI equivalent scheme to build new facilities, industry officials said.

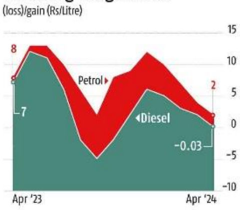
Indian Oil, Bharat Petroleum and Hindustan Petroleum have announced around ₹3.5 trillion investments in energy transition projects but execution is slow. Oil marketing companies are capable of financing their refining investments but as far as clean energy is concerned, it will take a much longer time to pan out, Bhushan said. But state ownership eases the process of securing funds, he added.

All three refiners have planned a combined capital expenditure of ₹55,000 crore in refining and petrochemicals for FY25, according to budget documents. Bharat Petroleum announced ₹1.7 trillion of investments in five years on refining, chemicals and clean projects, averaging around ₹35,000 crore annually, but in the 2024-25 budget, the refiner's annual capex is just ₹11,000 crore. Surprisingly, the budget makes no mention of a capex for clean energy projects for any refiner.

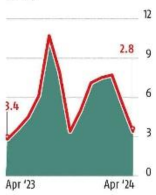
Product cracks have eased while oil prices are expected to be higher this fiscal by $5-$7/bbl from current levels, forecasts show. State interference in setting fuel prices looks set to continue in a coalition government, shrinking the headroom for refiners to diversify into energy transition while speeding up spending, leaving the state to step up its support.

ROUGH RIDE

Marketing margin trend
(loss)/gain (Rs/Litre)



Singapore GRM trend
($/bbl)



Source: Icra

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GPS RENEWABLES, IOC FORM JV FOR GREEN SOLUTIONS

INDIAN OIL CORPORATION (IOC) on Wednesday said it has entered into a joint venture with biofuels company GPS Renewables to foster sustainable energy solutions in India. — AGENCIES

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IOC and GPS Renewables aim to accelerate the deployment of CBG plants nationwide. MINT

IOC forms JV with GPS Renewables

State-owned Indian Oil Corporation (IOC) on Wednesday said it has entered into a joint venture (JV) with biofuels company GPS Renewables Pvt Ltd to foster sustainable energy solutions in India. "This association will pave the way for the formation of a 50:50 joint venture company dedicated to advancing biofuel adoption across the country," the firm said in a statement.

The agreement was signed by Mainak Chakraborty, CEO and co-founder of GPS Renewables and Santanu Gupta, executive director (alternative energy) at IOC.

"The joint venture will focus on integrating advanced biogas technologies to convert organic waste into compressed biogas (CBG), a cleaner and renewable energy source. This will significantly reduce greenhouse gas emissions while providing a sustainable alternative to traditional fossil fuels," it said.

By leveraging their combined expertise, IOC and GPS Renewables aim to accelerate the deployment of Compressed Bio Gas (CBG) plants nationwide. These initiatives complement IOC's long-term low-carbon development strategy and will help the firm achieve net zero carbon emissions by 2046. PTI

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Supplying 20 trucks to Delhivery, Volvo Trucks sets off on LNG journey

G Balachandar
Chennai

Volvo Trucks India has taken a significant step in its LNG (liquefied natural gas) journey by delivering its first set of 20 LNG-powered heavy-duty trucks to Delhivery, a third-party logistics service provider.

These LNG-powered trucks will operate alongside Delhivery's existing fleet of Volvo diesel-powered trucks. As India continues to promote a gas-based economy, Volvo Trucks has conducted trials in India with LNG and decided to introduce its LNG trucks for select applications. Volvo's LNG trucks are equipped with the company's patented HPDI (high-powered direct injection) technology. Unlike spark ignition engines, HPDI uses compression ignition or diesel cycle, resulting in a 15-20 per cent improvement in fuel economy over other LNG trucks. Additionally, HPDI technology produces lower emissions compared to spark-ignited LNG trucks while maintaining the same torque and efficiency as diesel engines, according to B Dinakar, Executive Vice President of Volvo Trucks, VE Commercial Vehicles Ltd.

B Dinakar, Executive Vice President of Volvo Trucks
BIJOY GHOSH

Dinakar also noted that Volvo Trucks is actively working on building an ecosystem for LNG transportation while promoting its LNG vehicles. The company is collaborating with various stakeholders, including regulatory authorities, to ensure the availability of LNG filling stations along routes used by LNG trucks.

Volvo Trucks is in discussions with Indian Oil Corporation, Mahanagar Gas in Mumbai, and several other companies, including city gas distribution firms. "Collaboration is the way forward in this space, and Volvo Trucks will continue to work towards building the ecosystem," Dinakar added.

GROWTH MARKETS

LNG is measured in kilograms, with one kilogram of LNG providing the same energy as 1.4 liters of diesel. Although LNG prices increased during the recent crisis, LNG is currently about 10 per cent cheaper than diesel. Compared to fossil fuels, LNG reduces CO2 emissions by 20 percent. Volvo's LNG trucks are also BioLNG compatible, which can potentially reduce CO2 emissions by 100 per cent.

"We view India as one of our key growth markets," said Hanna Ljungqvist, Head of Market India & Indonesia, Volvo Trucks.

"With the rapid development of roads and expressways, the value of Volvo trucks in terms of safety, durability, and speed presents a significant growth opportunity across various segments."

Globally, Volvo Trucks has sold over 7,500 LNG trucks, with Europe accounting for more than one-third of its LNG volumes.