ONGC News as on 22 April 2024 (Print)

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Date :22 April 2024	Page : 4

SHRM INDIA HOSTS PSE LEADERSHIP CONCLAVE

SHRM INDIA HOSTED its pioneering PSE Leadership Forum. Distinguished HR leaders from Public Sector Undertakings (PSUs) convened to explore strategies and innovations in people leadership. The event welcomed senior leaders from renowned PSUs like GAIL, SAIL, ONGC, IFFCO, and others.

FE BUREAU & AGENCIES

Refiners may need a rethink amid shrinking Russian crude discounts

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Refiners may need a rethink amid shrinking Russian crude discounts

Even after reduction, discounts on Russian crude oil may be contributing $1.5 to $2.5 a barrel to refiners' gross refining margins

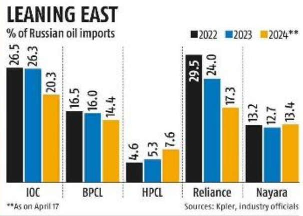
S DINAKAR
New Delhi, 21 April

India's appetite may be waning for crude oil from Russia, the country's biggest source, with discounts shrinking by 77 per cent from a record high in early 2023, and by 61 per cent from the months after the invasion of Ukraine in February, suggests exclusive data accessed by *Business Standard*. But even record-low discounts at present are offering value to India's state-run refiners, which are grappling with the inability to adjust pump prices for nearly two years. They lowered petrol and diesel rates by ₹2 per litre last month, despite rising crude oil prices.

Discounts on Russian crude oil could currently be contributing $1.5 to $2.5 per barrel to gross refining margins (GRMs) of state oil refiners, but there are no official numbers available, said Swarnendu Bhushan, co-head of research at Mumbai-based brokerage Prabhudas Lilladher. The refiners are securing 20-30 per cent of their crude oil imports from Russia, he added. The contribution accounted for around 15 per cent of the average GRMs posted in the nine months to December 2023.

"The increase in GRMs in recent quarters (compared to the 2021-22 level) can mainly be attributed to lower cost of crude oil procurement from Russia," said Sehul Bhatt, director, research, CRISIL Market Intelligence and Analytics. "Based on data available for 2022-23 and 2023-24 (April-January), the average realisation on Russian crude stood at 14 per cent, against average Indian import realisations (excluding Russia) of 11 per cent. It reduced India's crude import realisations by more than $2/bbl in the past two years."

Gross margin realisations of $2/bbl are not small by any measure for refiners. "While the margins and discounts would have come down from a high of 2022-23, they still continue to provide significant value to refiners' GRMs, said R Ramachandran, an oil industry consultant and former director of refineries, BPCL. He explained that Indian refiners had learnt to process Urals profitably with yields comparable to Arab Mix and Iraqi Basrah oil — coupled with discounts, Russian crude offers good value.



The contribution of Russian discounts to refining margins were higher in the past, Bhushan said. In the past six months, the discount on Russian oil, led by benchmark Urals, to the price of European benchmark, has averaged $3.5/bbl. Dated Brent on a delivered basis was oscillating between $2.5/bbl and $4/bbl, said a Mumbai-based refiner. But the discounts were several folds higher between April 2022 and June 2023, peaking in the January-March quarter of 2023, *Business Standard* has learnt.

Beginning at an average $9/bbl in the April-June quarter of 2022, discounts on Russian oil expanded to peak at around $15/bbl in the January-March 2023 quarter, before shrinking to $5/bbl in the July-September 2023 period following production cuts by Saudi Arabia and Russia reducing supplies of heavier crude grades, thereby increasing demand, said an industry official. (See table)

Russian purchases are reflected in bulging GRMs of state refiners, which have been much healthier in the past few years. The average GRM of Indian oil-marketing companies stood at $10.2/bbl in 2021-22, increasing to a record $19/bbl in 2022-23 and $13/bbl in the April-December period of 2023-24, CRISIL data shows.

Over the years, Indian state refiners have upgraded their refineries, converting fuel oil into value-added products, while discounts on Russian oil helped with record distillate cracks in 2022-23, said Prashant Vasisht, senior vice-president and co-group head, corporate ratings, at Mumbai-based ratings agency ICRA. GRMs have declined this year amid lower product cracks, and shrinking discounts, which averaged around $6 a barrel in 2023-24, compared with $10.5 a barrel in 2022-23, data from industry sources showed.

"GRMs depend on multiple factors – the price of crude oil and the technology – but discounted Russian oil can ensure better margins," said Narendra Taneja, a Delhi-based energy expert. "Indian refiners would continue to buy Russian oil as long as the discount offered is attractive."

Discounts played a key role in Russia's share of the Indian crude import market growing to over 35 per cent from less than 2 per cent in 2021--the crude is not viable without discounts because of logistical constraints.

"With Russia's export options limited, I expect crude oil to remain discounted, irrespective of a price cap," said Vandana Hari, a Singapore-based energy expert and founder of Vanda Insights. But over the medium term, the Russian crude oil discount will become a relatively small factor in India's refining margins.

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IRAN-ISRAEL CONFLICT

Oil, LNG prices to rise in India if Iran blocks Strait of Hormuz

India imports 85% of oil from Saudi, Iraq and UAE as well as LNG from Qatar through the Strait of Hormuz

New Delhi

OIL and LNG prices are likely to shoot up if Iran is to block Strait of Hormuz, through which countries like India import crude oil from Saudi Arabia, Iraq and UAE, leading to a spike in inflation, analysts said on the Iran-Israel conflict.

The Iran and Israel conflict has escalated over the last few days. Iran first launched drone and rocket attacks on Israel, which retaliated by firing a missile. Crude oil prices have hovered around $90 per barrel since the conflict.

In a note, Motilal Oswal Financial Services said while de-escalation efforts will likely control the crisis, oil and LNG prices will spike in case Iran completely or partially blocks the Strait of Hormuz.

The Strait of Hormuz is a narrow sea passage between Oman and Iran. It is about 40 km wide at the narrowest point, with 2 km of navigable channels for incoming and outgoing ships. It is the key route through which crude oil is exported by Saudi Arabia (6.3 million barrels per day), the UAE, Kuwait, Qatar, Iraq (3.3 million bpd) and Iran (1.3 million bpd). Oil flow via the Strait was 21 million barrels per day or 21 per cent of global oil consumption in 2022.

Crucial Shipping Route

- Strait of Hormuz carries 21 mn barrels of oil per day, representing 21% of global consumption
- Alternative routes exist for oil but have limited capacity and higher freight costs
- LNG prices might see a sharper rise due to the lack of viable alternative routes

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INDIA INC FEELS THE HEAT OF WEST ASIA CONFLICT

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India Inc feels the heat of West Asia conflict

Industry execs nervous about rising freight cost, longer delivery time

BS REPORTERS
New Delhi/Mumbai/Kolkata, 21 April

ILLUSTRATION: AJAY MOHANTY

IN A DILEMMA

ELECTRONICS	ENGINEERING	AUTOMOTIVE	TEA	TEXTILE
Raw material shortages and rising costs	Up to three weeks' delivery delays	Challenges persist in 'Westward logistics'	Worries over business in Iran, one of India's top 3 tea export markets	Extended working capital cycles

Source: Industry executives

Closely watched by the world for any escalation, the Iran-Israel conflict is already showing early signs of stress for India Inc — longer deliveries, doubling freight rates, extended working capital cycles, and higher costs.

For those yet to feel the heat, there is growing apprehension and nervousness over future developments, observed industry executives.

Akin to any geopolitical tension, oil prices and related escalation in fuel costs are immediate concerns for both the Indian government and industry watchers. Oil and liquefied natural gas (LNG) prices are likely to shoot up if Iran blocks the Strait of Hormuz, through which countries like India import crude oil from Saudi Arabia, Iraq, and the United Arab Emirates, leading to a spike in inflation, analysts said on the Iran-Israel conflict.

The conflict has escalated over the past few days. Iran first launched drone and rocket attacks on Israel, which retaliated by firing a missile. Crude oil prices have hovered around $90 per barrel since the conflict.

In a note, Motilal Oswal Financial Services said that while de-escalation efforts will likely control the crisis, oil and LNG prices will spike in case Iran completely or partially blocks the Strait of Hormuz.

"We have maintained that prices crossing $100 per barrel would lead to a very difficult situation. Whatever price shocks may occur, it seems there remains enough buffer before that is reached," said a top Ministry of Petroleum and Natural Gas official. The events have made trade more uncertain, raising average prices of spot purchases, the official said.

Ministry sources said that while the hostilities between Israel and Iran are not expected to affect oil flows directly, the government remains concerned about the cascading impact on global prices and incremental effects. Brent crude on April 19 closed at $87.39 per barrel.

Sehul Bhatt, director of research at CRISIL Market Intelligence & Analytics, noted that at present, there is an upside risk to CRISIL's crude oil price average of $83-88 per barrel range estimates for the calendar year 2024.

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India Inc feels the heat of West Asia conflict

"That's because ongoing tensions along some shipping routes could affect supplies. To wit, the Strait of Hormuz handles a fifth of global crude demand or around 21 million barrels a day. The Red Sea route handles around 8 million barrels," Bhatt said. In addition to the obvious fuel cost rise risk, Indian businesses are feeling the heat of higher freight costs, longer delivery times, raw material shortages, and increasing nervousness.

Arun Kumar Garodia, chairman of the Engineering Export Promotion Council (EEPC) of India, said that as goods were taking the longer route around the Cape of Good Hope from the beginning of the Red Sea issue, "It has added two to three weeks to the delivery time". He said any impact on exports could be determined only if the crisis escalates. Besides exports, West Asia is now a significant contributor to the engineering and capital goods order book of Indian companies. Industry insiders said they are closely monitoring the situation.

Sanjay Jadhav, chief executive officer (CEO) of Sterling Generators, said that the company's finished goods deliveries have been partially affected due to delays in goods movements through the affected areas.

Besides capital goods and engineering, consumer-focused segments such as tea, textile, pharmaceutical (pharma), and automotive (auto), which cater to export markets, are also reporting either early stress or apprehensions over any escalation.

Traditionally, Iran is among the top three markets for Indian tea.

India's tea exporters are nervous that any escalation in the Iran-Israel conflict could wash out hopes for a turnaround from last year's lacklustre business. So far, Assam orthodox tea opened to strong demand this season. However, an escalation of tension in West Asia could throw a spanner in the revival of exports to Iran.

Mohit Agarwal, director of Asian Tea & Exports, said Assam orthodox teas saw robust demand in the first three auctions of the new season with over 86 per cent of teas selling at ₹75 higher than last year. "But the prevailing tension in West Asia is making exporters nervous. Any escalation would also impact transportation and insurance costs to Europe and the Commonwealth of Independent States." Asian Tea is one of the top exporters of Indian tea.

Anshuman Kanoria, chairman of the Indian Tea Association, said that the market is buoyant. "If the Iran-Israel situation doesn't flare up, there will be good demand for Assam orthodox."For textile companies, the added weeks to delivery time have translated into longer working capital cycles. "Our working capital has gone up as it now takes 35 days to ship via the Cape of Good Hope, which earlier took 20 days to ship via the Suez Canal," said Kailash Lalpuria, executive director (ED) and CEO at Indo Count Industries.

Garodia from EEPC added that certain stainless steel and aluminium product exporters are also missing out on business as the longer delivery time clashes with time-period-related quotas for certain European markets.

India's automakers have already sounded off on 'Westward' difficulties. Last week, Rakesh Sharma, ED of Bajaj Auto, in an after-March 2023-24 quarter results interaction said the Iran-Israel escalation is making 'Westward logistics' difficult. There is an impact on shipping and freight rates that would, in turn, impact the delivery costs. Other automotive industry executives noted that cargo movement along that route continues, albeit with some slowdown.

Others, such as the electronics segment in India, also warn of a price rise, owing to a raw material shortage. "Prices of everything from freight to raw materials have increased, and there is even a chip shortage. We are witnessing an overall pricing increase of 10 per cent and it will go up further," said Avneet Singh Marwah, CEO of Super Plastronics, a Kodak brand licensee.

He added, "Seeing the global situation, prices of most raw materials could go up further and hence is preparing for a difficult 2024-25", as he foresees more challenges coming in through higher costs. For India's pharma industry, buffer stocks, amongst other reasons, have insulated exports from any impact so far. Pharmexcil (Pharmaceuticals Export Promotion Council of India) Director General Uday Bhaskar said that so far India's pharma exports remain unaffected. A Gujarat-based exporter of pharma goods said, "So far we have not faced any issue with demand from these countries, and most of them also carry buffer stocks of two/three months. However, if the cargo movement is affected, then there would be a rise in logistics costs as well as delivery delays. We will have to wait and watch." Other industry insiders opined that the MENA (Middle East and North Africa) region is expected to see some impact on pharma exports due to the escalation. In 2022-23, India's pharma exports to Israel was over $90 million or so. Overall exports to the MENA region in FY24 was over $1 billion, according to estimates.

With inputs from Subhayan Chakraborty, Ishita Ayan Dutt, Sharleen D'Souza, Sohini Das, and Amritha Pillay

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Looming oil risk

Volatility in crude oil markets threatens macro stability

Volatility in global crude oil markets has always been bad news for India. On Friday, the first deputy managing director of the International Monetary Fund, Gita Gopinath, warned there was the risk of a "severe oil shock". The backdrop for her warning is heightened tensions in West Asia. Israel's war in Gaza smoulders on; the worst-case scenario, a broader conflict that renders it impossible for crude oil exports to be fulfilled, seemed more likely for part of last week as Israel and Iran exchanged missile salvoes. The immediate danger seemed to be avoided when Iranian state media downplayed the effects of the Israeli response. While some in Hamas (and probably in Tel Aviv) might be willing to see the expansion of the battlefield, the United States and Arab powers seem to want to keep it contained.

However, the enhanced risks caused turmoil in the oil markets. News of the Israeli strike sent the price of a barrel of Brent crude oil, the international benchmark, over $90; it retreated following the Iranian media response. This is considerably higher than the "expected" level — which is relatively high following production cuts agreed to by the Organization of Petroleum Exporting Countries (Opec) and its partners. Big oil producers are likely under-producing by almost two million barrels a day. Crude oil prices are more than 10 per cent higher than at the beginning of 2024.

A deeper examination provides more insights. While the headline price of a barrel of Brent crude oil is now at $87, the second- and third-order responses are worth noting. Oil futures have not spiked upwards noticeably. In fact, they were at their highest before Iran sent its first set of missiles towards Israel. Lower futures prices suggest traders continue to be confident that a broader conflict, and thus an oil supply crisis, can be prevented. Part of this is because there is considerable spare petroleum production capacity in the system following the cuts by Opec-plus. Muted demand projections also provide some support to those who believe there is a ceiling on crude oil prices. A large buffer of crude oil has also been built up, including by large consumers such as China. But underlying this confident stability in futures prices is a scramble to insure against risk. Such risk is visible in unusually high intraday trading and volatility. The overall Vix index, which measures volatility and the cost of hedging on Wall Street, hit its highest level since the week after Hamas' attack on Israel in October last year. The volume of trading of option derivatives based on the Vix index hit a six-year high on Friday. Similar records are visible in oil options trading. The amount of options that bet on a price rise has reached the highest since the disruptions of 2020, the first pandemic year.

Indian policymakers cannot afford to be too sanguine about the future path of oil prices. The data shows India is ever more dependent on energy imports. High crude oil prices — especially if they go above $110 a barrel — will create inflationary pressures, stress the fisc, and cause instability on the external account. The dangers of an oil price spike must be planned for now.

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IF TENSIONS RISE, WE WILL BE ABLE TO NAVIGATE THEM: HARDEEP SINGH PURI

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'If tensions increase, we will be able to navigate them'

Union Minister for Petroleum and Natural Gas and Housing and Urban Affairs **HARDEEP SINGH PURI** discusses India's oil economy management amid escalating West Asia tensions with **Aditi Phadnis** and affirms the BJP's strategic electoral stance in Punjab. Edited excerpts:

Two wars are currently on, one for the hearts and minds of India and another between Iran and Israel that could impact oil trade, cripple supplies if the Strait of Hormuz is blocked, and possibly lead to a rise in oil prices that will inevitably affect political sentiment in India in the ongoing election. What do you think?
Two seemingly unrelated questions — 'seemingly', I choose my words carefully. But conceptually, there is an umbilical cord that binds the two... This election captures best, the evolution of India from 2014 to 2024. The prime minister put it very well the other day when he said 2014 was fought on hope. 2019 was fought on delivery. But in 2024, you can see the before and after effects.

Coming to the energy front, if the economy is doing well, it is axiomatic that you need much higher levels of energy consumption. Conversely, if energy purchase is going down, as in the case of the world's second-largest economy, that also tells you something. Here, it is a phenomenal story. Take three fronts: Availability of energy, affordability of energy and sustainability of energy. On all three fronts, India has a good story to tell. India's energy consumption is three times the global average. In the next 20 years, 25 per cent of the increase in demand for energy around the world is going to come from India. So, it stands to reason conflict between Russia and Ukraine, in Gaza, or between Israel and Iran, all have an impact on the geopolitical situation and if it affects supply lines, the Strait of Hormuz, for instance. If you have to buy oil through more circuitous routes, your freight charges go up, insurance charges go up. But if you ask me, the oil prices in the global market that you see today have already factored that in.

Really? The shortage could upset political plans...
There is no shortage of oil in the world. It is only attempts by some parties who are producers to limit the amount of oil they will make available. If you limit the amount of energy produced, obviously that affects the price. Today the price of Brent is $87 a barrel. Tomorrow, if there is an exacerbation of tension, it will go up. But will it go to $90? $100? I'm not a soothsayer. I have spoken to the secretary general of Opec. I am concerned. But my concern is enveloped by a reassurance that we will manage.

Q&A

HARDEEP SINGH PURI
Union Minister of Petroleum & Natural Gas

So, you're not spending sleepless nights over oil prices?
Do I look as if I am spending sleepless nights? All parties to the conflict don't want it to go out of hand. Second, if tensions increase, we will be able to navigate them. We have diversified sources of supply over the years. Earlier, we used to import from 27 countries, now, we're importing from 39. If supplies from one source are affected, we will bring them via the Cape of Good Hope. Freight charges will go up a little, at worst. And then, we also have the buyer's card. We consume 5 million (mn) barrels a day. If we are absent from the market, they won't be able to sell those 5 mn barrels to anyone else. So, we're not helpless bystanders in this game.

"WE HAVE DIVERSIFIED SOURCES OF SUPPLY OVER THE YEARS. EARLIER, WE USED TO IMPORT FROM 27 COUNTRIES, NOW, WE'RE IMPORTING FROM 39. IF SUPPLIES FROM ONE SOURCE ARE AFFECTED, WE WILL BRING THEM VIA THE CAPE OF GOOD HOPE"

You have asserted publicly several times that the BJP must break its alliance with the Shiromani Akali Dal (SAD), which the BJP has done in this election. Is that a sensible course to follow?
I am a long-distance runner. I had problems with the alliance with Shiromani Akali Dal on several fronts. One: Of the 117 seats in the Punjab assembly, we only contested 22 or 23. We are now a pan-India party that has grown from two seats in the Lok Sabha. Yet, of the 13 seats in the Lok Sabha from Punjab, we only fought three. My point is, going alone in Punjab will provide an opportunity for the BJP with its programme. Second, in the case of the Akali Dal, it has had a very poor public perception that was rubbing on us. Whenever they ruled Punjab, they looted it and it produced a reaction that resulted in the rise of the Aam Aadmi Party (AAP). Third, we have to restore Punjab's self-respect.

Everywhere you go, you see boards announcing courses to teach English. Young people want to leave Punjab and become truck drivers in Europe and America and Canada. Is this self-respect? You're just exporting human capital. My objection to the alliance is based on that.

In your ministries — Urban development and Oil and gas — what is the plan for the first 100 days of the government?
Every ministry has given its plan. When we form the government, we will have to do provisioning for some of those things. For instance, we have said we've built 40 million houses. We're going to build another 30 million. Isn't that something we will have to initiate in the first 100 days by providing for this? Read the manifesto carefully. It has the blueprint.

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LNG imports up 17.5% in FY24 as consumption rises

Still, import bill down 22% on softer prices

ARUNIMA BHARADWAJ
New Delhi, April 21

INDIA'S IMPORT OF liquefied natural gas (LNG) rose in volume term by 17.5% on year to 30,917 mmscm (million standard cubic meter) in 2023-24 due to increased consumption, data from the Petroleum Planning and Analysis Cell showed.

The rise in consumption by 11.1% on year in FY24 to 66,634 mmscm was driven by use of gas by the fertiliser, power, and city gas distribution (CGD) sectors.

Even as the import volume reported such increase, the gas import bill fell significantly by 22% to $13.3 billion in FY24 from $17.1 billion in FY23, as prices fell.

While the fertiliser sector contributed to 32% of the total consumption, CGD entities accounted for 19% of the total natural gas consumption, followed by the power sector at 12%.

In the fertiliser and other industries, natural gas is used as a feedstock and also as a fuel for electricity generation and heating purposes in industrial and commercial units.

Higher gas generation in the power sector was driven by higher peak thermal demand amid reduced hydropower generation. India generated 133,966.18 GWh of hydropower during April to March, a decline of 17% from 162,098.77 GWh in the same period a year ago, as per data from the Central Electricity Authority.

Moreover, the production of natural gas also grew by 5.7% on year to 36,438 mmscm in FY24. In March alone, the production stood at 3,138 mmscm, up 6.2% from the corresponding period a year ago.

India's consumption of LNG is expected to rise further in the coming months on the back of growing demand from the fertiliser and power industries, analysts say. Anticipated lower spot LNG prices will further add to this growth.

"In summer 2024, imports are expected to increase by a further 3 mmscm per day compared with 2023, driven by sustained demand in the power sector and continued growth in the industrial and fertilizer sectors," S&P Global had earlier said.

The total capacity of the country's existing LNG terminals at the end of FY24 was at 47.7 million tonne per annum. The LNG terminal at Dhamra operated at 23% capacity. Petronet LNG terminal at Dahej operated at 95.1% capacity while Shell's LNG terminal at Hazira operated at just 31.5% capacity during April-February period, according to PPAC.

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MCX casts net wider for foreign investors in crude, gas

Ram Sahgal
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MUMBAI: India's largest commodity derivatives exchange has opened its doors wider to foreign investors in its biggest segment, after a previous attempt to secure their interest did not take off as expected.

On Saturday, the Multi-Commodity Exchange of India Ltd (MCX) allowed FPIs under the categories of individuals, family offices and corporates into oil and natural gas derivatives, which made up 77% of MCX's March turnover. The move, which takes immediate effect, comes at a time of increased activity in energy derivatives worldwide.

Crude oil and natural gas derivatives contributed ₹20.74 lakh crore to MCX's total futures and options turnover of ₹26.83 lakh crore in March. MCX said FPIs will be allowed position limits of up to 20% of their client-level position limits in eligible derivative contracts and indices.

The move, which takes immediate effect, comes at a time of increased activity in energy derivatives worldwide. MINT

Saturday's decision follows a master circular from the Securities and Exchange Board of India (Sebi) on 4 August 2023, that laid down eligibility criteria for FPI participation in commodity derivatives. Sebi's master circular states that initially, FPIs can trade only in cash-settled non agricultural commodity derivatives, laying down two sub-categories—one whose position limits are equal to other client limits, and the other, which includes the three sub-categories MCX announced on Saturday with 20% of client limit.

MCX has fixed the client-level position limit across crude oil futures contracts at 480,000 barrels and across natural gas contracts at 6 million mmBTU (million British thermal units).The three sub-categories of FPIs (individual , corporate and family office) will be allowed to trade 96,000 barrels and 1.2 million mmBTU.

Market stakeholders see this as MCX's bid to raise FPI participation on its platform, which is the country's biggest for energy and metals derivatives trading. As precious and base metals are all delivery-based contracts, the FPIs mentioned earlier will be able to take positions only in crude and natural gas based derivatives, which are cash-settled contracts.

"This is a good move to increase market depth and participation," said Narinder Wadhwa, managing director of SKI Capital, a broker which has a few FPI clients who trade on commodity derivatives. "It could potentially increase FPI participation, which currently is not significant."

An MCX official was not immediately reachable. The listed exchange presents its March quarter results on Tuesday.

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IRAN-ISRAEL CONFLICT

Oil, LNG prices to shoot up if Tehran blocks Strait of Hormuz

Crude oil prices have hovered around $90 per barrel since the conflict

OUR CORRESPONDENT

NEW DELHI: Oil and LNG prices are likely to shoot up if Iran is to block Strait of Hormuz, through which countries like India import crude oil from Saudi Arabia, Iraq and UAE, leading to a spike in inflation, analysts said on the Iran-Israel conflict.

The Iran and Israel conflict has escalated over the last few days. Iran first launched drone and rocket attacks on Israel, which retaliated by firing a missile.

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The Strait of Hormuz is a narrow sea passage between Oman and Iran. It is about 40 km wide at the narrowest point, with 2 km of navigable channels for incoming and outgoing ships. It is the key route through which crude oil is exported by Saudi Arabia (6.3 million barrels per day), the UAE, Kuwait, Qatar, Iraq (3.3 million bpd) and Iran (1.3 million bpd).

'Unlike oil, for which alternative routes via Red Sea are available, no alternative routes are available for LNG'

Oil flow via the Strait was 21 million barrels per day or 21 per cent of global oil consumption in 2022. Also, about 20 per cent of global LNG trade moves through it, including almost all LNG exports from Qatar and the UAE.

Unlike oil, for which alternative routes via the Red Sea are available, no alternative routes are available for liquefied natural gas, it said. India, which is more than 85 per cent dependent on overseas suppliers to meet its crude oil needs, imports oil from Saudi, Iraq and UAE as well as liquefied natural gas (LNG) from Qatar through the Strait of Hormuz.

In the event of blockade of the Strait, "we anticipate materially higher crude oil prices, refining margins, and spot LNG prices", it said.

While alternative routes do exist, they may only be able to accommodate a fraction (around 7-8 million bpd of crude oil/refined products) of the volume currently passing through the Strait (21 million bpd), and that too at elevated freight costs.

"While investors focus on oil, we believe that spot LNG prices will witness even sharper escalation if the Strait of Hormuz is closed due to the absence of alternative routes," it said.

Both Saudi Arabia and the UAE have alternative export routes, which avoid the Strait. Saudi Arabia has the East-West pipeline with a capacity of 7 million bpd, according to the IEA. However, this pipeline opens up into the Red Sea, where traffic flow has already been disrupted due to attacks by Houthi rebels.

The UAE has onshore oil fields linked with Fujairah export terminal with a capacity of 1.5 million bpd; however, of this, 30-40 per cent capacity is already being utilized as per the IEA.

Hardik Shah, Director, CareEdge Ratings, said the crude prices were on an increasing trend since the start of calendar year 2024. "In case the situation worsens between Israel and Iran, it may lead to a spike in crude prices."

"However, India still has a decent share of supply of Russian crude which comprises 30 per cent of India's total imports by end FY24, and it should help to keep India's import bills for crude oil under check," he said.

Moody's Analytics in an April 15 report said the escalation of tensions in the Middle East poses a significant threat to Asia-Pacific economies. "The key risk comes from higher oil prices".

Higher oil prices, it said, threaten to derail the region's already choppy progress on inflation. "Most Asia-Pacific economies are net oil importers, leaving them vulnerable to global oil spikes. Impacts vary across countries, but broadly there are three main challenges from rising oil prices.

"First, they add to inflation through higher energy and fuel costs. Second, they add to the cost of production and overall transport costs, lifting prices on everything from food to flip-flops. The risk of higher food costs, via higher fertilizer, transport and seed costs, is especially worrisome because in much of Asia, it is stubbornly high food price inflation that keeps top-line consumer price indexes from retreating to central bank target ranges."

Third, higher oil prices can push up inflation expectations, making the job of central banks even harder, it said.

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MCX casts net wider for FPIs in crude, gas

Nod for FPIs under individual, family office, corporate categories

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MUMBAI

India's largest commodity derivatives exchange has opened its doors wider to foreign investors in its biggest segment, after a previous attempt to secure their interest did not take off as expected.

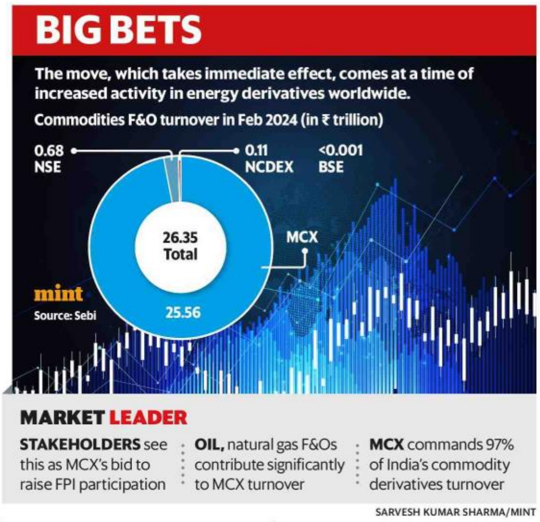
On Saturday, the Multi-Commodity Exchange of India Ltd (MCX) allowed FPIs under the categories of individuals, family offices and corporates into oil and natural gas derivatives, which made up 77% of MCX's March turnover. The move, which takes immediate effect, comes at a time of increased activity in energy derivatives worldwide.

Crude oil and natural gas derivatives contributed ₹20.74 trillion to MCX's total futures and options turnover of ₹26.83 trillion in March. MCX said FPIs will be allowed position limits of up to 20% of their client-level position limits in eligible derivative contracts and indices.

Saturday's decision follows a master circular from the Securities and Exchange Board of India (Sebi) on 4 August 2023, that laid down eligibility criteria for FPI participation in commodity derivatives. Sebi's master circular states that initially, FPIs can trade only in cash-settled non agricultural commodity derivatives, laying down two sub-categories—one whose position limits are equal to other client limits, and the other, which includes the three sub-categories MCX announced on Saturday with 20% of client limit.

MCX has fixed the client-level position limit across crude oil futures contracts at 480,000 barrels and across natural gas contracts at 6 million mmBTU (million British thermal units). The three sub-categories of FPIs (individual, corporate and family office) will be allowed to trade 96,000 barrels and 1.2 million mmBTU.

Market stakeholders see this as MCX's bid to raise FPI participation on its platform, which is the country's biggest for energy and metals derivatives trading. As precious and base metals are all delivery-based



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MCX casts net wider for FPIs in crude oil, gas derivatives

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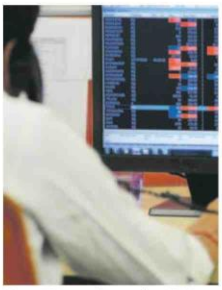
contracts, the FPIs mentioned earlier will be able to take positions only in crude and natural gas based derivatives, which are cash-settled contracts.

"This is a good move to increase market depth and participation," said Narinder Wadhwa, managing director of SKI Capital, a broker which has a few FPI clients who trade on commodity derivatives. "It could potentially increase FPI participation, which currently is not significant."

An MCX official was not immediately reachable. The listed exchange presents its March quarter results on Tuesday.

Naveen Mathur, director (currency and commodities) at Anand Rathi Shares & Stock Brokers, said that as MCX offered the most liquid platform for commodity derivatives, FPIs who participate in Indian equities could "well use their margins to trade in oil and gas after equity markets shut at 3:30pm".

Commodity derivatives, which are rupee denominated, are traded from 9am to 11:30pm, and to 11:55pm in winter.



Most FPIs trade on the NSE's equities segment. MINT

"The move has the potential to boost volumes as the categories of FPI mentioned in the circular tend to be more aggressive than other categories like banks and investment managers," Mathur said.

Crude and natural gas futures and options contracts are among the top contributors to MCX turnover, especially with Brent oil rising by almost a fifth from December to \$87 a barrel now, Mathur said.

Crude oil and natural gas derivatives contributed ₹20.74 trillion to MCX's total futures and options turnover of ₹26.83 trillion in March.

Interestingly, most FPIs trade on the National Stock Exchange's (NSE's) equities segment, with its clearing corporation clocking consolidated net profit of ₹369 crore in Q3FY24. Against this, the MCX's clearing corporation posted a profit of ₹22.94 crore in the third quarter.

However, in terms of turnover on commodity derivatives, MCX is the leader with 97% market share. In February, out of total commodity derivatives turnover of ₹26.35 trillion, MCX alone posted turnover of ₹25.56 trillion, followed by NSE (2.6% market share) which posted turnover of ₹68,600 crore. Agri bourse NCDEX, backed by the NSE (0.4%), posted volume of ₹11,429 crore, while BSE's market share was nearly zero, as per Sebi data.

MCX participants largely include hedgers and speculators in precious and base metals and energy contracts.

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होर्मुज जलडमरूमध्य अवरुद्ध होने से बढ़ेगी तेल, एलएनजी की कीमतें !

नई दिल्ली : ईरान-इजराइल संघर्ष पर विश्लेषकों ने कहा कि अगर ईरान ने होर्मुज जलडमरूमध्य को अवरुद्ध किया तो कच्चे तेल और एल.एन.जी. की कीमतें बढ़ सकती हैं। इस जलडमरूमध्य से भारत जैसे देश सऊदी अरब, इराक और यूएई से कच्चा तेल आयात करते हैं। ईरान और इजराइल के बीच संघर्ष पिछले कुछ दिनों में बढ़ गया है।

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Date :22 April 2024	Page : 6

5 booked for cheating petrol pump owner of ₹1cr in Bhiwandi

Thane: An FIR has been registered against five persons for allegedly cheating a petrol pump owner from Bhiwandi of Rs1 crore under the pretext of selling him an oil container from abroad, police said on Sunday. "The accused persons promised the dealer of petroleum products to get an oil container from abroad for Rs2 crore. He paid them Rs1 crore but never received any oil container promised to him. The alleged incident occurred in December 2023," a police official added.

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IRAN-ISRAEL CONFLICT

Oil, LNG prices to shoot up if Tehran blocks Strait of Hormuz

PRESS TRUST OF INDIA
NEW DELHI, APRIL 21

OIL AND LNG prices are likely to shoot up if Iran is to block Strait of Hormuz, through which countries like India import crude oil from Saudi Arabia, Iraq and UAE, leading to a spike in inflation, analysts said on the Iran-Israel conflict.

The Iran and Israel conflict has escalated over the last few days. Iran first launched drone and rocket attacks on Israel, which retaliated by firing a missile.

Crude oil prices have hovered around $90 per barrel since the conflict.

In a note, Motilal Oswal Financial Services said while de-escalation efforts will likely control the crisis, oil and LNG prices will spike in case Iran completely or partially blocks the Strait of Hormuz.

The Strait of Hormuz is a narrow sea passage between Oman and Iran. It is about 40 km wide at the narrowest point, with 2 km of navigable channels for incoming and outgoing ships. It is the key route through which crude oil is exported by Saudi Arabia (6.3 million barrels per day), the UAE, Kuwait, Qatar, Iraq (3.3 million bpd) and Iran (1.3 million bpd).

Crude oil prices have hovered around $90 per barrel since the conflict. *Reuters file*

Oil flow via the Strait was 21 million barrels per day or 21 per cent of global oil consumption in 2022. Also, about 20 per cent of global LNG trade moves through it, including almost all LNG exports from Qatar and the UAE.

Unlike oil, for which alternative routes via the Red Sea are available, no alternative routes are available for liquefied natural gas, it said.

India, which is more than 85 per cent dependent on overseas suppliers to meet its crude oil needs, imports oil from Saudi, Iraq and UAE as well as liquefied natural gas (LNG) from Qatar through the Strait of Hormuz.

In the event of blockade of the Strait, "we anticipate materially higher crude oil prices, refining margins, and spot LNG prices", it said. While alternative routes do exist, they may only be able to accommodate a fraction (around 7-8 million bpd of crude oil/refined products) of the volume currently passing through the Strait (21 million bpd), and that too at elevated freight costs.

"While investors focus on oil, we believe that spot LNG prices will witness even sharper escalation if the Strait of Hormuz is closed due to the absence of alternative routes," it said.

Both Saudi Arabia and the UAE have alternative export routes, which avoid the Strait. Saudi Arabia has the East-West pipeline with a capacity of 7 million bpd, according to the IEA. However, this pipeline opens up into the Red Sea, where traffic flow has already been disrupted due to attacks by Houthi rebels.

The UAE has onshore oil fields linked with Fujairah export terminal with a capacity of 1.5 million bpd; however, of this, 30-40 per cent capacity is already being utilized as per the IEA.

Hardik Shah, Director, CareEdge Ratings, said the crude prices were on an increasing trend since the start of calendar year 2024. "In case the situation worsens between Israel and Iran, it may lead to a spike in crude prices." "However, India still has a decent share of supply of Russian crude which comprises 30 per cent of India's total imports by end FY24, and it should help to keep India's import bills for crude oil under check," he said.

Moody's Analytics in an April 15 report said the escalation of tensions in the Middle East poses a significant threat to Asia-Pacific economies. "The key risk comes from higher oil prices".

Higher oil prices, it said, threaten to derail the region's already choppy progress on inflation. "Most Asia-Pacific economies are net oil importers, leaving them vulnerable to global oil spikes. Impacts vary across countries, but broadly there are three main challenges from rising oil prices.