



ONGC News, 27.11.2020 Print

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PTI

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mint primer

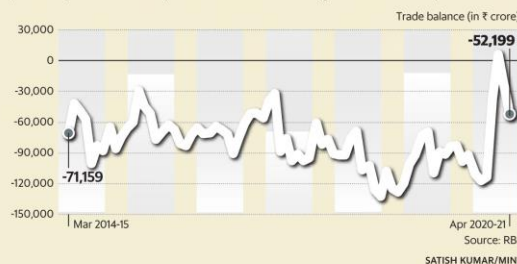
Cheap oil, more exports may keep India's CAD low

BY KARAN BHASIN

Traditionally, India has had a current account deficit (CAD) as we import more than we export. The recent surplus is attributed, by some, to weakness in the economy. There are also those who highlight the prospects of a structurally lower CAD going forward. *Mint takes a look.*

Rising import bills

Data shows a consistent trade deficit due to our dependence on imports. While the pandemic may have resulted in the occasional trade surplus, there is a possibility of a structurally lower level of CAD owing to the muted oil prices.



SATISH KUMAR/MINT

1 Why is current account suddenly in a surplus?

India's current account has historically been in deficit. Many factors are responsible for a current account surplus, including low oil prices, supply disruptions, and an increase in the value of our exports because of the massive fiscal response by some advanced countries. Even before the coronavirus outbreak, our current account deficit (CAD) had narrowed because of the low oil prices that came as a result of excess supply in the international market. The high value of oil imports makes our current account sensitive to changes in oil prices.

2 Does this mean weaker domestic demand?

For an economy such as India, a current account deficit could imply a weaker domestic demand as it signals less imports rather than greater exports. However, several other factors are at play. Lockdown restrictions could have resulted in adequate inventory piling up, leading to reduced imports. There could also be risk aversion on the part of businesses and consumers. Nevertheless, a current account deficit at this juncture does point at a weaker level of domestic demand which could be because of the heightened uncertainty and its consequent risk aversion.



3 What keeps the current account in deficit?

A current account deficit means imports are more than exports. Key items in our imports include oil, gold, and electronic products. Therefore, a sharp increase in international oil prices impacts the value of our imports, thus increasing the current account deficit, while a sharp decrease has the exact opposite impact. This is also true for gold.

4 Why are oil prices low for so long?

Low oil prices have resulted in a lower level of CAD and even surplus at times over the last few years. The availability of US oil has resulted in surplus oil production, leading to low prices. The curbs across the world further reduced the demand for oil, resulting in a significant dip in international oil prices. The Opec has announced production cuts from time to time. However, non-Opec producers have emerged as significant market players in the international market diminishing Opec's ability to determine oil prices.

5 What other factors can affect CAD?

Low oil prices may become the norm and benefit India as the world curtails the use of fossil fuels. The UK has announced that it will ban the sale of petrol and diesel cars by 2030 while France plans to ban it by 2040. As India integrates with global value chains over the coming few quarters, we will see a significant improvement in our export performance. The substantial stimulus by other nations is positively influencing our exports and is likely to continue till such policies are reversed.

Karan Bhasin is a policy researcher.

Equal access to subsidies

Why not give LPG subsidies to a privately-owned BPCL?

NOW THAT THE government is in the final leg of the BPCL privatisation—a lot depends on whether the bids will be higher than the internal valuation of BPCL's value—it is trying to sort out the issue of the LPG subsidies BPCL gives to its customers; and it appears there is some unease over the government continuing to reimburse the PSU for the amount it spends on subsidies. The good news here, of course, is that the government realises that the subsidy needs to be given. One view is to shift BPCL's household cooking gas customers to the remaining oil PSUs—IOC and HPCL—over a period of time and, till then, to continue to pay the subsidy to the privately-owned BPCL. Keep in mind that not doing this in the 2000s killed off the oil retail business of firms like Reliance Industries and Essar Limited. Both firms set up oil retailing businesses following the government decision to stop subsidies on petrol and diesel; but when the subsidy wasn't phased out, and this was not available to Reliance and Essar, customers remained with IOC, HPCL and BPCL where petrol/diesel was available at a subsidised price.

What is not clear, either then or now, is why the government is uneasy about giving subsidies to customers of private entities. After all, the amount of subsidy on petrol/diesel/LPG remains the same, whether it is sold through the oil PSUs or private firms. And, while there was still some possibility of the private sector firm cooking up the subsidy numbers in the early 2000s, this possibility is much smaller with Aadhaar numbers and direct bank transfers to the consumer accounts. And even today, as it happens, government programmes—and that includes subsidies—are routed through private delivery partners. Several schools were set up in response to the Right to Education scheme and get paid for every student they teach, some states that offer free electricity to consumers do so by paying private sector discoms; indeed the central government's ambitious highways programme is operated through private construction companies. And, in the case of food procurement, given how inefficient FCI is, the government costs would come down significantly if private firms were paid on the basis of how much grain they procured. As the government decides to exit more sectors, it will find that in several cases its social agenda will be better served if routed through the private sector with clearly defined—and rigorously monitored—deliverables.



अजय मोदी

सुधार को लेकर आशान्वित होने की है पर्याप्त वजह

अनेक संकेतकों से अलग-अलग संकेत मिल रहे हैं और हम महामारी के बाद सुधार हासिल करने के लिए प्रयासरत हैं। इस विषय में विस्तार से जानकारी प्रदान कर रहे हैं अजय शाह

भारतीय अर्थव्यवस्था फिलहाल दिलचस्प मोड़ पर है। इस समय उत्पादन एक वर्ष पहले की तुलना में कम है लेकिन कई क्षेत्रों में गतिशीलता के कारण आशावाद भी नजर आ रहा है। हम कुछ संकेतकों पर नजर डालेंगे, जिनमें जुलाई-सितंबर तिमाही के आंकड़े या सितंबर और अक्टूबर के मासिक आंकड़े शामिल हैं। इसमें व्यापक नतीजे देखने को मिलते हैं। गैर वित्तीय सूचीबद्ध कंपनियों के कर पश्चात लाभ में 41 फीसदी का इजाफा देखने को मिला है मगर उपभोक्ताओं के रुझान का स्तर 51 फीसदी ऋणात्मक रहा। अर्थव्यवस्था के जो हिस्से पूरी तरह सक्रिय हो गए हैं उनमें मांग तैयार होगी और उसके संकेत समूची अर्थव्यवस्था में जाएंगे। अनुमान तो यही है कि आने वाले महानों में तमाम अन्य संकेतक भी सालाना आधार पर सकारात्मक वृद्धि दर्शाएंगे।

महामारी के कारण बीमारी और मौत के शिकार हुए लोगों के आंकड़े देखे जाएं तथा उनकी तुलना फरवरी और मार्च में लगाए गए अनुमानों से की जाए तो कहा जा सकता है कि महामारी के दौरान भारत का प्रदर्शन अपेक्षाकृत बेहतर रहा है। अब यह बात

काफी हद तक स्पष्ट है कि देश की आबादी का एक बड़ा हिस्सा वायरस की चपेट में आ चुका है और उसमें प्रतिरोधक क्षमता विकसित हो चुकी है। बीमारी के संपर्क में आने पर बहुत कम लोगों की मौत हुई या वे गंभीर रूप से बीमार हुए। हमें अब तक पता नहीं है कि कोविड-19 वायरस भारत तथा अन्य गरीब मुल्कों पर उतना घातक क्यों नहीं रहा। हां, यह बात भरोसे से कही जा सकती है कि देश की आबादी का बड़ा हिस्सा प्रतिरोधक क्षमता विकसित कर चुका है और दिसंबर तक शायद देश के बड़े हिस्से में प्रतिरोधक क्षमता का विकास हो जाएगा।

गैर वित्तीय सूचीबद्ध कंपनियों के आंकड़े दिलचस्प हैं। उनकी बिक्री में तो 9.2 फीसदी की गिरावट आई मगर मुनाफा 41 फीसदी बढ़ गया। शायद इन कंपनियों ने अपने खर्च में व्यापक कटौती की। शायद उनका अनुमान था कि भारत कोविड-19 से बहुत बुरी तरह प्रभावित होगा। लेकिन ऐसा नहीं हुआ और यही वजह है कि चकित करने वाले तथा सकारात्मक नतीजे सामने आए। मुनाफे से जुड़ा यह प्रदर्शन बड़ी कंपनियों के नेतृत्व के लिए भी राहत लेकर आया। जहां तक कंपनियों की कुल बिक्री में 9.2 फीसदी

गिरावट की बात है तो सरकार के कर संग्रह में 13 फीसदी गिरावट के हिसाब से आंकड़ा सही लगता है। बैंकों की ऋण वृद्धि वास्तविक संदर्भ में नकारात्मक रही लेकिन यह कंपनियों और व्यक्तियों द्वारा ऋण की मांग में कमी के बजाय 2012 के बाद से देश के बैंकिंग क्षेत्र में चली आ रही दिक्कतों के परिणामस्वरूप भी हो सकती है।

आगे की बात करें तो एक अहम सवाल यह भी है कि आखिर कंपनियां महामारी के दौर के अनुभवों को उत्पादकता में स्थायी सुधार के लिए किस हद तक काम में ला सकती हैं? क्या हम दोबारा पहले की तरह कार्यालयों में जाकर काम करेंगे? क्या हम दुकानों में जाकर खरीदारी करेंगे या कंप्यूटर स्क्रीन ही इसका जरिया बनी रहेगी? घर से काम करने के मोर्चे पर प्रबंधन तकनीक सूचारु रूप ले लेगी तो शायद कई कंपनियां दोबारा काम का पुराना तौर तरीका नहीं अपनाएंगी। कई कंपनियों को शायद अब कम खर्च में ही वर्ष भर पहले का उत्पादन स्तर हासिल हो सकता है। जिन कंपनियों ने सन 2020 में बदली प्रक्रियाओं के मामले प्रगति की है, वे अपने उन प्रतिद्वंद्वियों पर काफी प्रतिस्पर्धी दबाव बनाएंगी जो ऐसा

करने में नाकाम रहें।

यदि यह उच्च मुनाफा स्तर अक्टूबर-दिसंबर तिमाही में भी बरकरार रहता है तो हम आशा कर सकते हैं कि सन 2021 के आरंभ से ही मनमुताबिक खर्च के मामले में कंपनियों में हालात सामान्य होने शुरू हो जाएंगे। विश्व अर्थव्यवस्था पटरी पर लौट रही है और भारतीय निर्यातकों को ऑर्डर मिलने शुरू हो चुके हैं। इसके विपरीत निर्यात वृद्धि अभी तक नकारात्मक है। सामान्य तौर पर इस महीने कच्चे माल का आयात अगले महीने के निर्यात में खप जाता है। ऐसे में निर्यात से जुड़ा आयात बेहतर प्रदर्शन का कारक बनता है। परंतु आयात में ऋणात्मकता यह बताती है कि घरेलू मांग में धीमापन बरकरार है और यह बात कुल बिक्री में 9.2 फीसदी की गिरावट से भी साबित होती है।

सितंबर से अक्टूबर के बीच बिजली उत्पादन में सुधार हुआ (4.77 फीसदी से 8.88 फीसदी), पेट्रोलियम उत्पादों की खपत में भी सुधार हुआ और 4.32 फीसदी की गिरावट के बजाय यह 2.5 फीसदी ऊपर आ गई। इसी तरह आयात 12.17 फीसदी की गिरावट से सुधकर 4.59 फीसदी की गिरावट पर रुक गया। अगर यह गति बरकरार रहती है तो अक्टूबर-दिसंबर तिमाही में उत्पादन काफी बेहतर हो सकता है।

मुनाफे, रोजगार और निवेश के बीच भी आपसी रिश्ता है। कंपनियां पहले लाभ में स्थायित्व हासिल करना चाहती हैं और इसके बाद वे मौजूदा उत्पादन सुविधाओं में नए श्रमिक लगाती हैं ताकि पहले बिक्री में वृद्धि के भंवर से निजात पाई जा सके। इसके बाद ही वे निवेश को ओर बढ़ती हैं। ऐसा करने से रोजगार में सुधार, निवेश में सुधार से पहले होता है।

इस समय रोजगारशुदा लोगों की तादाद पिछले वर्ष की तुलना में दो फीसदी कम है। कंपनियां आम तौर पर तब तक नई भर्तियों से परहेज करती हैं जब तक उनके पुराने कर्मचारियों का पूरा इस्तेमाल न हो जाए। इसके अलावा वर्ष 2020 में उत्पादकता लाभ का एक पहलू यह भी है कि कम कर्मचारियों को मदद से सन 2019 के उत्पादन स्तर को हासिल किया जा सके। इस पर बहस करने की आवश्यकता है कि जब बिक्री में वृद्धि सालाना आधार पर दोबारा शून्य हो जाएगी तो अर्थव्यवस्था में रोजगार आखिर कितने कम होंगे? ये चिंताएं शायद उपभोक्ताओं के रुझान में भी परिलक्षित हुई हैं। सितंबर में इसका मूल्य पिछले वर्ष की समान अवधि की तुलना में 58 फीसदी कम था और अक्टूबर में यह थोड़ा सुधकर 51 फीसदी कम रहा।

उपभोक्ताओं के रुझान में 51 फीसदी गिरावट के बरअक्स मुनाफे में 41 फीसदी वृद्धि की आलोचना करना आसान है लेकिन हमें यह भी ध्यान देना होगा कि बाजार अर्थव्यवस्था के विभिन्न तत्त्व आपस में गहराई से जुड़े रहते हैं। अर्थव्यवस्था में सुधार की इकलौती राह यही है कि मुनाफे में वृद्धि हो और रोजगार में भी इजाफा हो। इसका असर निवेश पर भी पड़ेगा। जुलाई-सितंबर तिमाही की सबसे अच्छी खबर यही है कि गैर वित्तीय सूचीबद्ध कंपनियों का मुनाफा बेहतर रहा है।

(लेखक स्वतंत्र स्कॉलर हैं)

● **INTERVIEW: ASHISH BHANDARI,**

MD and CEO, Thermax

'Thermax to focus on clean energy, water, air'

Engineering company Thermax does not plan to remain just a capital goods company in the coming years, says Ashish Bhandari, managing director and CEO. He tells Shubhra Tandon that the company is transforming itself from being just a supplier of equipment to providing products and solutions for the sustainability needs of its customers. He said the future is not just in large capital-intensive projects, but several small and distributed projects for clean energy, water and air. Excerpts.



Thermax is still facing challenges in getting large orders in the mainstay segments like boilers and heaters. What are the challenges there?

Many of the large projects, which are ₹300-crore-plus, are currently being rescope for one reason or another, which is often the case with large capex projects. But that is delaying projects. Also, what I cannot say for sure [is that] while discussions have started in earnest, how customers will close out these projects and what Thermax's win rates will be. That is because as the market opens up, the competitiveness remains to be seen.

What is the outlook on private capex? Are you seeing signs of revival?

Looking at our manufacturing index starting to build up nicely by September and even in October, there are green shoots of recovery for the industrial segment at large ... I think private players are opening their chequebooks for projects which have less than three years payback and projects that have a sustainability impact.

How are these projects in terms of moving the needle of large orders, and how revenue accretive will they be?

India's capital goods industry, even before Covid-19, for almost last 10 years, has underperformed the larger market. So for companies like Thermax, to wait for really big projects in the range of ₹500-₹1,000 crore may not be the answer. We have to change our business models, because the nature of energy is changing ... We will see more distributed projects, which will be for clean energy, clean water and clean air. This will therefore change the mix that companies like Thermax will have going forward.

How do we then see Thermax in the next three to five years in this changed scenario in terms of the focus and project profile?

Thermax will not be only a capital goods company. While it already is [one], it can be even more of a clean energy, clean air, clean water company. It will think about products and solutions more in terms of how do we help our customers balance sustainability along with energy and resource availability. Introducing new technologies in some of these high-tech clean energy space areas — that means pushing products and services in a constructive manner, pushing finance-based build, own, operate models a lot more.

Some of Thermax's global businesses are under pressure. What are the challenges and plans to iron out those issues?

We expect more from our international businesses. Our plans in Indonesia are very nascent, but we are very committed there. In the short term, we are going through challenges in some of the international businesses because of ... travel restrictions ... I think in some of these cases, both in Europe and South East Asia, not having businesses where we have local manufacturing presence be at scale is something which is hurting us right now.

Any investments planned in the international businesses?

We will do investments for expansions, but we will not do mergers and acquisitions outside of India in the near future. We will continue to invest in three areas in the international market. We will look at new technology areas, growing and adding new footprint capability within the plants that we have, and improving our capability from services perspective.

Data suggests the tenders and awards scenario continues to remain weak. What is the outlook on your fresh orders intake for the current financial year?

The order intake took a beating in the first two quarters for expected reasons. However, Q2 was better than Q1, and ... in Q3, at least we expect that our base orders would get back to normalcy. Many of our customers have good order books, including steel and cement, and they are ready to spend in most cases. However, some big projects, where no work was happening for months, the customers have had to re-estimate them.

Are orders coming in from the government-led programmes and PSUs?

We are not as dependent on state governments. But we have some big tenders from central PSUs like NTPC and IOCL. It is just that with no activity happening, these projects have to be rescope in portions. We have big FGD orders that NTPC is looking to go through the tendering process for. However ... all of the players are dependent on China for a particular component. So with some of those China embargoes, the cost increase is resulting in project delays.

PNGRB simplifies gas pipeline tariff to make it more affordable

ENSECONOMIC BUREAU

NEW DELHI, NOVEMBER 26

THE PETROLEUM and Natural Gas Regulatory Board (PNGRB) on Thursday released a unified tariff structure for over a dozen pipelines, including GAIL's network of seven pipelines, with the aim of making natural gas more

affordable to users far from the source of natural gas or import terminals. The move is part of the government's efforts to boost gas consumption in the country.

According to experts, the move, which sets a fixed tariff for the first 300 km distance from the source of gas and a fixed tariff for distances over 300 km on the same integrated pipeline network,

will lead to significantly higher usage of gas in areas far from LNG terminals and sources of natural gas clustered on the west coast of the country.

"These regulations have set the ground for gas consumption to go up for people in far flung areas of the country," said Vivekanand Subbaraman, analyst at Ambit Capital.

Adani Gas to change name to Adani Total Gas

NEW DELHI: Adani Gas Ltd, the city gas distribution firm of billionaire Gautam Adani's group, will change its name to Adani Total Gas to reflect French energy giant Total's stake in the firm.

Adani Gas has through a postal ballot sought shareholders' nod to change the name as well as alter its memorandum and articles of association, according to the firm's filing to stock exchanges.

After the French giant buying stake, Adani Gas is now "a joint venture company of Adani Group and TOTAL Group, France with 37.40 per cent stake by each promoter and remaining 25.20 per cent with public shareholders," it said.

"In order to reflect the names of both promoter groups, it is proposed to change the name of the company from 'Adani Gas Limited' to 'Adani Total Gas Limited' to reflect the holding structure," the filing said.

The Board of the firm, which retails CNG to automobiles and piped natural gas to household kitchens and industries in 15 geographical areas, had on November 3 approved the name change.

The company board is headed by Adani and has two nominees of Total - its India head Alexis Thelemaque and Jose-Ignacio Sanz Saiz.

Adani's nephew Pranav Adani is the other promoter director on the board from Adani's side. Adani Gas said its present business objective includes carrying out the business of natural gas, liquefied natural gas, compressed natural gas (CNG) and other forms or natural gas, associated gaseous substance, etc.

PFI

'GOVT'S PLAN TO SET UP BIO-GAS PLANTS TO BOOST BAMBOO OUTPUT'

NEW DELHI: The government's plan to set up 5,000 compressed bio-gas plants by 2023-24 would give a boost to the country's bamboo production and promote the industry as the commodity can be used to produce the gas, according to IBF. India Bamboo Forum Chairman and former union minister Suresh Prabhu said he would work with all the stakeholders across the bamboo value chain including farmers, harvesters, and entrepreneurs so that they can access the benefits of the plan. Oil Minister Dharmendra Pradhan has said that India will see an investment of Rs 2 lakh crore in setting up 5,000 plants that will produce gas from bio wastes by 2023-24.

Oil regulator simplifies gas pipeline tariff

NEW DELHI: Oil regulator PNGRB has simplified the country's gas pipeline tariff structure to make the fuel more affordable for distant users and to attract investment for building gas infrastructure.

The Petroleum and Natural Gas Regulatory Board (PNGRB) has notified regulations for a 'unified' tariff structure for over a dozen pipelines that form the National Gas Grid which will lead to a 20-30 per cent rise in transportation charges paid by users near the source but a reduction for consumers in the hinterland.

"Unified tariff shall be determined by the Board in respect of the national gas grid system for each financial year before the start of such financial year," it said.

Currently, the tariff is levied in proportion to the distance transported - the longer

the distance, the higher is the charge. This resulted in consumers away from the coast paying higher charges as compared to those near it.

PNGRB has now notified a two-zone tariff structure - Zone-1 will be 300-km from the source of gas (gas field or LNG import terminal) and Zone-II will be beyond that.

PNGRB said the tariff for the first tariff zone will be 40 per cent of the tariff for the second zone.

This, industry sources said, will lead to an immediate increase in tariff for user industries such as power plants and fertilizer units in Gujarat, which is the landfall for ONGC's offshore gas field as well as houses three gas import terminals.

Consumers further away from the source, say in Uttar Pradesh or Bihar, will benefit as they will now pay a lesser tariff.

"The tariff for zone-1 of Hazira-Vijaipur-Jagdishpur pipeline (India's main truck line from Gujarat to Uttar Pradesh via Madhya Pradesh) will rise from Rs 20 per million British thermal unit to Rs 26 per mmBtu," a source said.

The increase will vary from pipeline to pipeline. "On average, the tariff for zone-1 customers will go up by 20-30 per cent," the source said. PFI

फ्यूल के दामों में फिर बढ़ोतरी

विसं, नई दिल्ली: तेल कंपनियों ने गुरुवार को फिर पेट्रोल-डीजल के दामों में बढ़ोतरी कर दी। डीजल के दाम 22 पैसे और पेट्रोल के दाम 11 पैसे तक बढ़े। दिल्ली में पेट्रोल 81.70 रुपए और डीजल 71.62 रुपए प्रति लीटर पर पहुंच गया।

पेट्रोल-डीजल की कीमतें फिर बढ़ीं

नई दिल्ली। तेल कंपनियों ने एक दिन की स्थिरता के बाद गुरुवार को फिर से पेट्रोल और डीजल के दाम बढ़ा दिए। डीजल 20 से 22 पैसे और पेट्रोल 11 पैसे प्रति लीटर तक मंहगा हुआ है। लगातार पांच दिन पेट्रोल और डीजल के दाम बढ़ाने के बाद बुधवार को दोनों ईंधनों की कीमत स्थिर रही थीं।