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Pandemic makes Digital Tech the New Normal at ONGC

Chairman Shashi Shanker tells ET about planned rejig of people, functions, resources

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New Delhi: ONGC is working on "reinventing" itself by reorganising its people, functions and resources with a heavy dose of digital technology, an influence of the lessons learnt during the pandemic and to ensure that the firm turns more efficient and ready for the energy transition, its chairman said.

"The industry has realised the importance of technology. What began as an experiment during the pandemic would become the norm for many," ONGC chairman Shashi Shanker told **ET** in an interview, recounting how executives quickly adapted to digital ways, conducted virtual meetings efficiently, obviating the need to travel for any meeting.

ONGC plans to move all its human resources, finance and accounts, material management and infocom employees, currently scattered all over the country, to one location, Shanker said, adding that these functions are "better equipped for remote and teleworking" and such "integrated shared service centre" is being created with an aim to build a "future-ready organisation".

Some of these functions will be moved entirely to a non-metro city where ONGC has enough land or building for their employees, Shanker said. This may take about six months. "By getting all the people of one function under one roof, monitoring will become much easier, accountability will rise and satisfaction will increase," he said.

The important field services such as drilling, well services, logging and workover, as well as high performance computing in exploration are also being turned into shared services, which would facilitate seamless data flow and pooling of resources to deliver effective and efficient service to end users.

"With sharing of services, there will be better utilisation of rigs and other services and lower idling of resources," Shanker said. "During an oil crisis, we have to think of smarter ways."

The tendering process will also get reformed with involvement of fewer people and increased use of technology, he said. Executives will be able to centrally administer the tender award process from the head office with an objective to cut time and raise process efficiency.

ONGC has also laid out a roadmap till 2040 that envisages bringing in "new technology and partnerships into its core business" and consolidating presence in low-carbon business like gas and renewables.

A Wider Trend

The present disruptions are expected to dent the profitability and sustenance of oil and gas companies globally. Though the consumption side is recovering now, the impact on the upstream side is going to be a prolonged one

SHASHI SHANKER Chairman, ONGC

Mint
With ONGC shares struggling, a quarter's earnings beat won't be enough
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With ONGC shares struggling, a quarter's earnings beat won't be enough

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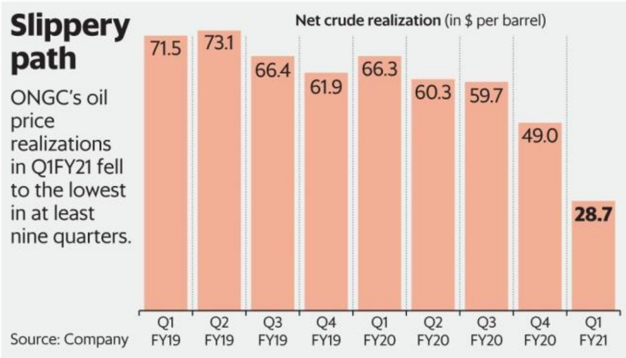
This is a year of many unpleasant firsts. In February, shares of Oil and Natural Gas Corp. Ltd (ONGC) fell below ₹100 apiece for the first time since 2005. Now, the ONGC stock trades at around ₹80.

"Continuous divestment by way of ETFs in the last 2-3 years has hurt ONGC's stock performance," said a report by ICICI Securities Ltd on 2 September.

Agreed, the substantial underperformance renders valuations appealing. "But valuations were attractive six months ago as well and that's clearly not exciting investors," said Probal Sen, senior vice-president, Centrum Broking Ltd.

As such, the near-term outlook for the stock continues to remain clouded for two main reasons. "First, older oil fields would mean oil production is likely to remain subdued. Two, oil prices outlook is weak as markets are suitably supplied and demand remains sluggish amid the pandemic," said Nitin Tiwari, an analyst with Antique Stock Broking Ltd.

For the June quarter, crude oil production declined by 3.5%. Gas output declined at a faster pace of 13.6% and offtake by some customers was lower. Moreover, covid-19 disruptions took a toll on global crude oil prices. Benchmark Brent crude oil prices dropped to a low of $19 a barrel in April, but have recovered to about $46 a barrel currently.



SATISH KUMAR/MINT

Lower prices impacted ONGC's revenue performance for the June quarter with crude oil price realizations declining by nearly 57% to $28.72 per barrel. This is also far lower than the March quarter crude realization, which was $49.01 per barrel. Moreover, gas prices were lower as well, contributing to subdued revenues. Overall, ONGC's standalone revenue decreased by 51% year-on-year to ₹13,011 crore.

Net profit declined by a whopping 92% to ₹496 crore, but it was much better than the loss of ₹54 crore that a *Bloomberg* poll of analysts had estimated.

ONGC's better-than-expected Q1FY21 profit can be attributed to lower-than-estimated operating costs. Other expenses declined by 16% compared to last year's June quarter. Statutory levies and exploratory costs written off fell by about 52% year-on-year.

Even so, not everyone is thrilled with the earnings beat. "True, June quarter earnings beat estimates, but that was owing to better cost management, which are transient. ONGC's production remained muted and management commentary suggests gas production improvement is still some time away," said Sen.

Even as ONGC shares increased by 1% on Wednesday post results, the stock is still about 38% lower from its pre-covid highs seen in January. Tiwari said: "Gas price deregulation could be a trigger, but that's still some time away and limited number of players in the Indian gas market make price discovery challenging." In short, sharp upsides in the stock in the near future will be hard to come by.

KENT RO introduces AI based attendence Product

In wake of COVID-19 outbreak, KENT RO Systems Limited,touchless attendance based on Facial Recognition. It uses AI based computer vision to capture and recognize the face of an employee for attendance purpose.

Commenting on the new KENT Cam Attendance solution, Mr. Mahesh Gupta, CMD, Kent RO Systems Ltd. said, “This new product improves employee confidence & safety in these pressing times.This is a unique and a revolutionary solution to help capture & manage attendance without risking infection via surface transmission. KENT Cam Attendance is touchless attendance system which uses facial recognition and Artificial Intelligence to completely eliminate the need of tactile interaction as experienced in biometric or manual systems.”

Bollywood actor Shah Rukh Khan has been roped in as the brand ambassador for KENT Cam Attendance.

ICSI to sensitize Nidhi Companies

The Institute of Company Secretaries of India, organised a Live Webinar on “Regulatory Regime for Nidhi Companies”to reiterate on the fundamentals of the legal framework regulating and governing the Nidhi Companies as per Section 406 of the Companies Act 2013 and the practical aspects relating thereto. Shri Rajesh Verma, Secretary MCA, was the Chief Guest,on the occasion, while Shri Manoj Pandey Joint Secretary MCA and Shri S. K Vashishtha, Deputy Secretary MCA were the guest faculties.

The Ministry of Corporate Affairs, Government of India, had amended the provisions related to Nidhi Companies under the Companies Act (Section 406) and the rules made there under in August 2019, to accomplish the objective of transparency and investor friendliness in corporate environment in the country.

Shri Rajesh Verma congratulated ICSI on organising a timely and much required webinar and highlighted upon the reintroduction of the mandatory requirement of declaration to the Central Government. Deliberating on the provisions relating to Nidhi Companies and the role played by Professional Institutes Shri Manoj Pandey said “ICSI should, through its various offices and its members, sensitize the management of Nidhi Companies on complying with the rules and provisions of the Act .Shri S. K. Vashishtha ,educated the audience with a presentation on how Nidhi Companies have evolved over the years and the various amendments to the provisions .Speaking on the occasion, CS Ashish Garg, President ICSI said “Implementation of laws in a transparent manner has a critical bearing.

Bhakra Beas awarded for Environmental Preservation 2020

Bhakra Beas Management Board has been conferred with ‘Silver Award’ in “7th Exceed Environment Award 2020” under “Environment Preservation” category in Power (Inclusive Renewable) Sector. Hon’ble Union Minister of Environment, Forest and Climate Change conferred the award to BBMB in a virtual webinar organized by Sustainable Development Foundation(A Unit of Ek Kaam Desh ke Naam) on 20.08.2020 at New Delhi. BBMB annually generates 10,000 to 14,000 million units of green & pollution free energy for its partner States. BBMB is committed for preserving green & pollution free environment at all its project stations. In this regard Bhakra Beas Management Board is planting trees every year in catchment area of it’s projects to avoid soil erosion and also to reduce carbon dioxide from the environment. In its continuous effort to maintain environment preservation, last year BBMB planted/distributed 7 lakh saplings in the vicinity of its catchment area with 80% survival rate.

Uttar Haryana Bijli Vitran Nigam

Consumer Grievances Redressal Forum (CGRF) of Uttar Haryana Bijli Vitran Nigam will be held in Sonipat on September 02, Panipat on September 04, Kurukshetra on September 07, Yamuna Nagar on September 10, Kaithal on September 14, Karnal on September 16, Jhajjar on September 18, Ambala on September 24, Rohtak on September 25 and Panchkula on September 29, respectively.

The CGRF shall take all grievances/complaints of consumers like billing problem, voltage complaints, problems in metering, disconnection and reconnection of power supply, interruptions, failure of power supply, efficiency, safety, reliability, non compliance of Haryana Electricity Regulatory Commission orders etc.

Salal Power Station Organised Half Yearly Meeting of Tolic ,Reasi

In the District Reasi, “Town Official Language Implementation Committee, Reasi” is constantly working as a common platform for all the Central Government offices for proper compliance of the Official Language Policy and promotion of Hindi. The first half-yearly meeting for the year 2020-21 of this committee was conducted online on 29 August 2020. The meeting was chaired by Shri N,Ram, Head of Power Station, Salal Power Station. Shri Kumar Pal Sharma, Deputy Director (Implementation) attended the online meeting as a special guest from Department of Official Language, Ministry of Home Affairs, Government of India.

In order to ensure proper compliance of the Official Language policy all the member offices of the committee has discussed the various agendas in detail and were motivated to propagate the Official Language Hindi.

ONGC posts net profit of ₹ 496 crore

ONGC Board approved the results for First Quarter (Q1) of FY 2020-21. The revenue and PAT for Q1 have been impacted by lower crude price realization in the wake of COVID-19 fall out on global oil and gas industry as a direct consequence of adverse price movements in global crude prices.

'Covid restrictions to shave off 18% of ONGC capex'

NEW DELHI: State-owned Oil and Natural Gas Corp (ONGC) may see capital spending this fiscal reduce by close to one-fifth after COVID-19 related restrictions delayed projects, its director-finance Subhash Kumar said on Wednesday.

ONGC, India's top oil and gas producer, had budgeted Rs 32,501 crore of capital expenditure for the fiscal to March 2021 (FY21).

But the actual spending may be around Rs 26,500 crore as project implementations got impacted due to COVID-19 restrictions disrupting supply chain and movement of labour, he said at post-first-quarter earnings call with investors.

"There is no conscious effort to reduce capex but considering the time lost (due to COVID-19 lockdown) and disruption in the supply chain, there may be a loss of around Rs 6,000 crore capex which would get pushed into next fiscal," he said.

Oil and gas exploration and production projects typically involve the supply of equipment from overseas suppliers. Also, some facilities like rigs are operated by foreign crews.

Lockdowns in several parts of the world including India restricted movement of labour as well as disrupted supply chains. "Capex flow will get pushed to next fiscal," he said adding FY21 capex would be around Rs 26,500 crore. MPOST

ONGC unlikely to buy overseas oil, gas assets at current prices

OUR CORRESPONDENT

NEW DELHI: State-owned Oil and Natural Gas Corp (ONGC) is unlikely to invest in overseas oil and gas assets at current crude prices of USD 40-45 per barrel and foreign acquisitions make sense only at lower rates, its director finance said on Wednesday.

ONGC Videsh Ltd (OVL), the overseas arm of the company, has seen profitability drop by about 73 per cent to Rs 454 crore in the fiscal ended March 31.

The company has not made an overseas investment in two-and-half years.

At the first quarter earnings call with investors, ONGC Director (Finance) Subhash Kumar said "any acquisition by OVL will be justified only at significantly lower oil prices than current rates."

Prices are stuck at USD 45 per barrel, he said.

OVL is the overseas investment arm of ONGC. It has 39 projects in 19 countries spanning from Venezuela to New Zealand. It has so far invested $29.28 billion in projects abroad.

Its last acquisition was a 4 per cent stake in Lower Zakum Concession in the UAE in February 2018.

Some of its past decisions, such as the 2014 decision to buy 16 per cent stake in a Mozambique gas block, have come under intense scrutiny of the present government.

Kumar said OVL's overseas investments are largely funded through borrowings by the company. Such debt is backed by ONGC.

He, however, said OVL can invest if there is a right opportunity.

Cash squeeze set to hit $70 bn Saudi Aramco JV in Maharashtra

The oil producer expressed concerns about the delays the project is facing due to unavailability of land

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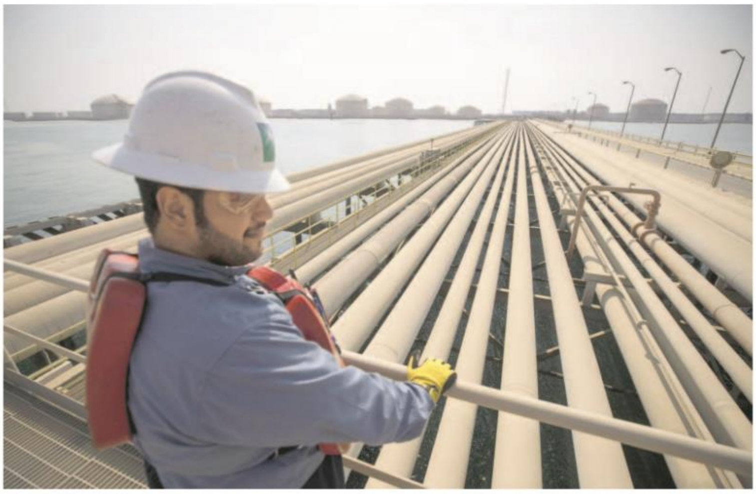
The $70 billion Ratnagiri Refinery and Petrochemicals Ltd (RRPCL) project in Maharashtra is facing an uncertain future amid a lengthy delay in land acquisition followed by a sharp cut in capital expenditure plans by joint venture partner, Saudi Aramco, the world's largest crude oil producer.

"Saudi Aramco has been expressing concerns about the delays the refinery project is facing due to unavailability of land. Though it has not informed us of any plans to opt out of the project, the significant delay is a cause of concern," said a senior official from an oil marketing company, working closely on the project.

Amin Nasser, chief executive of Aramco, had on 9 August said the company's 2021 capex would be significantly lower from its official guidance of $40 billion to $45 billion, to the lower end of the $25 billion to $30 billion range. This follows Aramco posting a 73% plunge in its second quarter profit and 50% drop in revenue, leading the company to effect plans to protect its balance sheet at a time of low commodity prices. Since the outbreak of covid-19 last November, crude oil prices have fallen 26%, affecting producers like Aramco.


The 60 million-tonne-per-annum Ratnagiri project is a joint venture of Aramco, Adnoc, IOCL, BPCL and HPCL.

RRPCL and Aramco did not respond to queries emailed on 28 August.

The 60 million-tonne-per-annum Ratnagiri project is a joint venture of Aramco, Abu Dhabi National Oil Company (Adnoc), Indian Oil Corp. Ltd (IOCL), Bharat Petroleum Corp. Ltd (BPCL) and Hindustan Petroleum Corp. Ltd (HPCL). Aramco and Adnoc signed in July 2018 an initial agreement to jointly develop and build the integrated refinery and petrochemicals complex taking a combined 50% stake.

SLIPPERY SLOPE

ANNOUNCED in Dec 2015 but delay in acquiring land has pushed the deadline to 2025 and beyond

IOCL, BPCL, HPCL are investing a total of ₹100 cr to complete preliminary work on the project

IOCL is putting in ₹50 crore, BPCL and HPCL will contribute ₹25 crore each

Announced in December 2015, the project was to be commissioned by 2022, but delay in acquiring land has pushed the deadline to 2025 and beyond.

"Upstream oil-related capex is likely in the ballpark of $13 billion and the rest is spent on gas and downstream. With these cuts, it is natural that its international investment plans are being scrutinized, which includes refining projects," said Credit Suisse in a 25 August research note on Aramco. For major crude exporters like Aramco looking to secure markets for their output, there are several options including buying stakes in refineries or building refineries (domestically or internationally in partnership). China and India are two important markets for Aramco, where it so far has limited exposure in refining, said Credit Suisse.

While RRPCL completed a pre-feasibility study in January 2019, state-run refiners IOCL, BPCL and HPCL are investing a total of ₹100 crore to complete preliminary work on the project. IOCL is putting in ₹50 crore, BPCL and HPCL will contribute ₹25 crore each. The companies have completed the configuration study and are preparing the project report, in addition to awaiting an update from the Maharashtra government on land allocation.

Meanwhile, Aramco's letter of intent with Reliance Industries Ltd (RIL) to buy a 20% stake in RIL's oil-to-chemicals business for $15 billion is also delayed following the cut in capex and differences over valuation. The deal was first announced in August 2019 by RIL.

This June, Aramco acquired a 70% stake in Saudi Basic Industries Corporation (SABIC) from the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia, for $69.1 billion to strengthen its presence in the global petrochemicals industry.

Exxon Mobil assesses worldwide job cuts

EXXON MOBIL Corp is assessing possible worldwide job cuts, a spokesman said on Wednesday, after the company announced a voluntary lay-off programme in Australia. Exxon is the latest oil major to embark on axing jobs spurred by a historic collapse in fuel demand because of the coronavirus pandemic.

MAHARASHTRA

10 injured in LPG cylinder blast in Pune

Pune: Ten persons were injured when an LPG cylinder exploded in a building in Pune's Wadgaon Sheri on Wednesday. According to the fire brigade, the explosion took place at 6.30 am at the residence of the Bhondave family on the building's second floor. The impact of the explosion was such that the walls of the house collapsed while cracks emerged in other parts of the building. **ENS**