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## Adani Gas net profit drops 42% to ₹46 crore in Q1

ADANI GAS on Wednesday reported a 41.6% year-on-year (y-o-y) drop in net profit to ₹46.3 crore for the April-June quarter of FY21, as natural gas demand dropped significantly in the period of Covid-19-induced lockdown. The sales volume for the June quarter fell 53% y-o-y to 64 mmscmd as PNG demand fell 40% and CNG supply dropped 66%.

Business Standard

### Adani Gas PBT clips 49%

Aug 6, 2020 | Delhi | Pg No.: 4 | | Sq Cm:51 | AVE: 126305 | PR Value: 631523

## Adani Gas PBT dips 49%

Adani Gas reported a 49 per cent dip in profit before tax for the June quarter, at ₹62.58 crore, against ₹122.7 crore in the corresponding period last year.

Profit after tax for the company also fell 42 per cent to ₹46.33 crore. Earnings before interest, tax, depreciation, and amortisation was at ₹86 crore — a hit of 41 per cent.

Sales for Adani Gas also took a hit, with volumes down 53 per cent. Revenue from operations for the company also fell in tandem to ₹207 crore in the quarter under review — a dip of 57 per cent. Executives from the company in an earning call said the trend for sales volumes had seen constant improvement since the relaxation of the nationwide lockdown starting April 22.

AMRITHA PILLAY

# Adani-Total JV to seek govt nod for fuel retailing In India



TOTAL-ADANI FUELS Marketing, a new company, will apply for licences to offer the full bouquet of motor fuels at retail outlets, Adani Gas, reports **Bloomberg**, CEO Suresh Manglani said at a media conference call. Total-Adani will set up fuel stations that will offer natural gas, gasoline, diesel and electric vehicle charging facilities. India has allowed sale of all motor fuels under one roof to attract competition.

The Hindu Business Line

## Analysts give thumbs up to Gujarat has post Q1 results

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# Analysts give thumbs up to Gujarat Gas post Q1 results

Increase target price on recovery in volume growth

### OUR BUREAU

Chennai, August 5

Citygas distribution major Gujarat Gas has posted a standalone net profit of ₹59 crore for the first quarter ended June 2020, as against ₹234 crore reported in the same quarter last year.

The standalone revenues from operations witnessed a drastic fall to ₹1,107 crore for the quarter, which was recorded at ₹2,671 crore in the corresponding quarter a year ago, due to the Covid-19 impact.

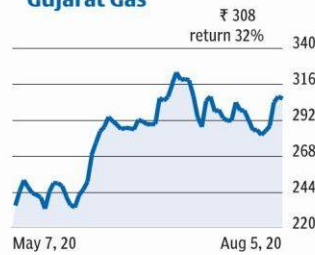
However, analysts have turned bullish and upgraded the stock with a higher target price, as they believe in faster recovery in volumes, lower risk from open ac-

cess and upside optionality from policy support. Motilal Oswal Financial, which reiterated its Buy rating on Gujarat Gas with a price target of ₹360, said: "The company mentioned that current sales volume stands at 9.5 mmcmd (v/s 9.4 mmcmd of average sales in FY20), aided by strong recovery post lockdown. As per our interaction with the company, Morbi volumes are back at approximately 5.5 mmcmd (v/s exit rate of nearly 6.5-6.8 mmcmd in FY20)."

According to global investment advisor Jefferies, while volumes were in line, expansion in gross margin was even ahead of estimates. It retained the 'buy' stance and raised the target price to ₹415 driven by EPS upgrade on higher margin.

Despite the lockdown, Gujarat Gas was able to add 13 new CNG stations during the quarter and plans to add around 60 new stations this

### Gujarat Gas



year (of the total 100 planned outlets — which should further grow the reach of CNG in Gujarat and encourage conversions), said Motilal Oswal. The newly awarded 16-17 cities could see volumes of 2.5-3 mmcmd over the next four to five years. Thus, the company could see a major boost in volumes at a CAGR of about 10 per cent over the medium term on the highest volume base among peers, Motilal Oswal added.

Another domestic brokerage Emkay Global said: "We upgrade Gujarat Gas to Buy from Hold and

raise the TP by 40 per cent to ₹365 on robust volume and stable margin outlook. Gas sales volumes have recovered fully to 9.5 mmcmd currently with multiple growth triggers going ahead."

Said foreign broking firm CLSA: "Q1 Profit is 66 per cent ahead of its estimates, driven by beat in unit margin. Volumes saw sharp recovery boosted by normalisation in industrial volume. We raise FY21 volume forecast & FY21 EPS estimates by 18 per cent." It recommended a 'buy' with a target price of ₹370.

According to ICICI Securities, current volumes are higher than FY20 average volumes but below the Q4FY20 peak. "To factor the stupendous recovery, we have raised our volume and margin estimates leading to 41-21 per cent upgrade in FY21-FY22 EPS and 17 per cent upgrade in our DCF-based target price to ₹313 (2 per cent upside)," the brokerage said. It, however, retained its 'hold' rating.

Scan & Share



# Employees matter

Govt's divestment policy must address HR issues

RICHA MISHRA

**T**he biggest challenge for the government in successfully implementing its strategic divestment programme would be dealing with the employees of the entity going under the hammer.

Should there not be a clear guidance on how to deal with this critical human resource asset of the organisation being sold? Should not the government as the promoter talk to the employees first and prepare them before taking this decision?

There is a clear-cut difference between 'disinvestment' and 'privatisation', and therefore if the employees of the profit-making Bharat Petroleum Corporation Ltd (BPCL) raise their voice against the government decision or oppose the voluntary retirement scheme (VRS) floated by the company, then one shouldn't be surprised.

BPCL divestment is to happen in two parts: Strategic divestment of the government's shareholding of 53.29 per cent — except BPCL's equity shareholding of 61.65 per cent in Numaligarh Refinery Ltd (NRL) and management control thereof; and BPCL's shareholding of 61.65 per cent in NRL along with transfer of management control to a central public sector enterprise operating in the oil and gas sector.

BPCL has 6,500 management staff and a similar number of non-management staff. The change of guard at NRL may not be that much of challenge as in all likelihood it will go to a domestic oil company, and if reports are to be believed Oil India Ltd and Engineers India Ltd-led consortium will buy the stake.

But the strategic sale of BPCL will be a challenge as it has to be done in a transparent manner, so that later it does not come back to haunt those involved with the process. Depending on the competitive intensity during bidding, the

proceeds the government is likely to garner from a full-stake sale could be in the range of ₹55,000 crore, going by the current market price.

Once there is a complete change of management, it is up to the new owner to decide whether there is room for existing employees or not. "The government's strategic divestment policy currently enables a maximum of one year's protection to existing employees. In one case it was extended to two years, that too at the request of the new owner who wanted the employees to stay," recounted a senior officer who had been associated with the process earlier.

Human resource is a critical part of any organisational restructuring and, therefore, a policy is needed.

So, can the government or for that matter any owner assure job guarantee to the existing employees. In January, BPCL employees, through their union,

had written to the management that they should be given job protection (depending on the existing service conditions) till they retire and a minimum five-year embargo on hive-offs by the new owner.

According to those in the know, the management had communicated the same to Department of Investment and Public Asset Management, Ministry of Finance. No official word on it has come as yet. An argument can be that BPCL is a Maharatna and high-profit making PSU, hence the yardstick used for others cannot be applied to it.

The risks to morale, leadership, and the larger implications to culture and performance are significant, says an HR expert. Since the government needs to ensure that BPCL is not a distress sale, it is all the more important to ensure that the process is concluded without any political undercurrent.

The government needs to work on a mechanism wherein before it takes decisions like strategic sale, employees are made partners in the whole process.



# Indian Energy Exchange in talks for gas venture stake sale, says CEO

**BLOOMBERG**

August 5

Indian Energy Exchange Ltd. is in talks with strategic investors to sell a minority stake in its fledgling gas unit.

The largest electricity trading platform in India may sell as much as 49 per cent in the venture in a series of deals, Rajiv Srivastava, CEO of IEX said in an interview. The first accord may be signed in three months, he said. State-run gas supplier GAIL India Ltd. in June said it was considering buying a stake.

The zero-debt company is pinning its hopes on India's plans to expand the use of natural gas to quell chronic air pollution choking its cities. The government aims to raise the share of gas in its energy mix to 15 per cent over the next decade from about 6 per cent and is seeking \$60 billion of invest-

ment in pipelines, city distribution and import terminals.

Natural gas trading opportunities exceed those in power transactions, Srivastava said. "We don't need money to run the gas exchange, clearly, we need partnerships" to expand the market, he said, explaining the reasons for seeking a stake sale.

Still, India needs "a few policy enablers" for the gas market to take off, Srivastava said, and IEX is working with the government on areas including pricing, taxation and transmission to boost the fuel's appeal, he added.

IEX's shares have outperformed India's equity benchmark this year and analysts expect they will continue to do so for the next 12 months, according to data compiled by Bloomberg.

Meanwhile, the electricity sec-

tor is throwing up new growth opportunities, as buyers increasingly avoid being locked into years-long contracts and turn to spot or shorter-term purchases.

Along with an increase in shorter-term contracts, the burgeoning market for exchange-traded power will help the company deliver "double-digit growth" in revenue and profit in each of the next three years, Srivastava said.

Nearly 87 per cent of India's electricity is sold through long-term contracts spanning as many as 25 years. Exchanges get barely 5 per cent of the total share.

Srivastava said that share could rise five-fold in as many years as old contracts expire, regulations change and the exchange rolls out new products such as longer-duration contracts.

Mint

## Oil jumps as Lebanon blast sparks fears of instability

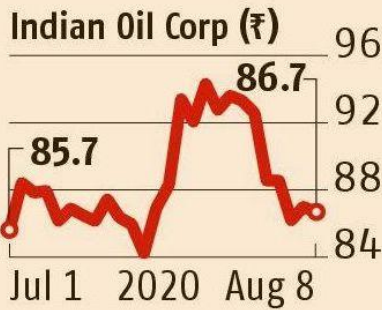
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# Oil jumps as Lebanon blast sparks fears of instability

Oil climbed to the highest level in nearly two weeks after an explosion at Lebanon's main port rocked the capital Beirut, stoking fears over instability in the region. Footage showed what appeared to be a fire, followed by crackling lights and then a larger explosion as an enormous cloud of smoke engulfed the area around the Port of Beirut. Crude futures in New York clung to gains in after-market trading with the industry-funded American Petroleum Institute reporting a 8.59 million-barrel decline in US crude inventories last week, according to officials.

**BLOOMBERG**

## QUICK TAKE: DISMAL MARGIN OUTLOOK FOR INDIAN OIL



Despite higher margins reported in the Q1 and attractive valuation, the stock of Indian Oil Corporation has shed 2% since the beginning of the month. Besides the stake sale overhang, expectations of declining global oil demand and surplus refining capacity have raised concerns over near-term gross refining margins

# Total-Adani JV to seek permit for setting up fuel stations

Reuters & Kalpana Pathak

NEW DELHI

**A** joint-venture by Adani Gas and France's Total will soon seek government permission to open retail fuel stations in India, Adani's chief executive said on Wednesday.

"Definitely we will take full benefit of the expertise and strength of Total," Suresh Manglani told reporters on an earnings call on Wednesday, adding that the intent was to become a full-service operator, providing a multi-fuel offering.

The joint venture, Total Adani Fuels Marketing Pvt. Ltd, will soon apply for a licence under the new liberal fuel retailing rules, Manglani said.

Adani Gas on Wednesday reported a 42% fall in net profit in the June quarter to ₹46 crore, against ₹79 crore in the year-ago period.

Revenue from operations also dropped 57% to ₹207 crore against ₹479 crore in QIFY20.

*feedback@livemint.com*