



ONGC News, 04.07.2020 Print

Write-downs to surge for cos as Covid hits demand

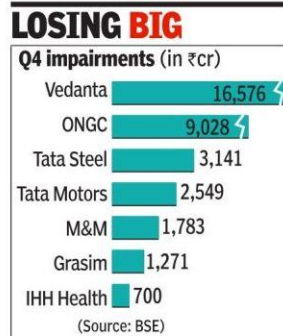
Will Squeeze Profits, Or Even Push Them Into The Red

Reeba.Zachariah
@timesgroup.com

Mumbai: An increasing number of Indian companies are staring at write-downs in their business this fiscal as they will be forced to record the demand-collapse for their products on profit and loss accounts due to the pandemic.

They will have to provide for impairments starting June quarter, which could either pull their profits lower or push them into losses. Early signs of Covid-19-related impairment charges were visible in some entities when they announced their fourth quarter numbers for fiscal 2020. Industry watchers expect impairments to accelerate going forward.

Vedanta, for instance, took an exceptional charge of Rs 17,132 crore in the three months through March of fiscal 2020, mainly due to the Rs 16,576-crore impairment of assets in its oil and gas business, triggered by the fall



in crude oil prices following the coronavirus outbreak.

“Impairments are triggered due to falling demand/revenue/profitability, rising losses, increased competition intensity, among other factors. The cumulative effect of which is to reduce the economic viability of the subject business,” said RBSA Advisors MD Rajeev Shah. “Where the subject business is into commodities, it suffers a double whammy, wherein falling demand immediately triggers fall in pri-

ces, putting the company in a miserable position.”

Since Covid-19 manifested in the fourth quarter, companies have been making judgments and estimates on the impact of the pandemic on their business and have been reflecting the same in their impairment assessments while finalising their annual accounts.

“We don’t expect this (write-downs) to be a one-time impact as most companies will need to continuously monitor the situation and reassess the economic scenarios that could play out in the future,” said KPMG partner Sai Venkateshwaran. “Where the assessment continues to show a decline or a prolonged impact on business, companies may need to record further losses in the coming quarters and we can expect to see more of these reflected on a quarter-by-quarter basis rather than only in the last quarter of fiscal 2021.”

Generally, firms carry

out asset impairment assessments as and when there is an indication of a possible impact from either external or internal indicators. However, for goodwill and intangible assets, companies typically carry out assessments in the fourth quarter as this coincides with the annual audit process. Companies in the non-essential businesses — such as automobiles, hospitality, aviation and shadow banking — are expected to take impairments on inventories and recoverability of loans/receivables this fiscal.

RBSA Advisors MD Ravishu Shah pointed out that certain businesses had been weak even before the onset of Covid-19 and the pandemic has only made matters worse for them. These companies have taken impairments in the fourth quarter.

Globally, capital-intensive sectors like energy, airlines and steel have been hit the hardest with impairments.

Govt on track for strategic sale of PSUs: Dipam Secretary

Divestment plan came to a grinding halt in first 3 months of this fiscal due to Covid

OUR BUREAU

New Delhi, July 3

The Finance Ministry plans to focus on strategic sales to meet the disinvestment target, said Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management (DIPAM).

The disinvestment target for the current fiscal is ₹2.10 lakh-crore, which includes ₹1.20 lakh-crore from stake sale/strategic sale of Central Public Sector Undertakings (CPSUs) and ₹90 lakh-crore through stake sale in Public Sector Banks and Financial Institutions.

Due to the pandemic, the disinvestment programme

has come to a grinding halt in the first three months of the current fiscal.

“Many of our strategic transactions are going on and moving forward. There was some disruption due to Covid-19 and extensions were given in terms of EoI (Expression of Interest), but the government has clarified that we are very much on the same track of aggressively pursuing strategic disinvestment,” Pandey said on Friday.

Bids invited

The government has already invited bids for strategic sale of national carrier Air India and oil major Bharat Petro-



Tuhin Kanta Pandey, Secretary, Dipam

leum Corporation Ltd (BPCL). However, their bid deadlines have been extended amid the Covid-19 pandemic. The process for stake sale through IPO (Initial Public Offer) in Life Insurance Corporation of India (LIC) has also kicked off. Also, there are sale proposals in other listed PSUs.

“Of course, there will be OFS

The government has already invited bids for strategic sale of national carrier Air India and oil major Bharat Petroleum Corporation Ltd

(offer for sale), buybacks but it will be more focused on strategic disinvestment,” he reiterated.

The strategic sales being pursued right now include Air India, BPCL, BEML, Scooters India, Bharat Pumps Compressors, and some units of steel major SAIL, among others.

For BPCL, in which the government is selling 52.98 per cent stake, the deadline for EOI has been extended till July 31. For 100 per cent stake sale

in Air India, the deadline for bid submission is now August 31.

The government had in May announced that a maximum of four public sector companies will be present in strategic sectors, while state-owned firms in other segments will be privatised.

This is part of a new coherent Public Sector Enterprises Policy to be formulated to push reforms in Central Public Sector Enterprises (CPSEs). Under the policy, a list of strategic sectors will be notified where there will be at least one, and a maximum of four, public sector enterprises, apart from private sector companies.

In other sectors, CPSEs will be privatised depending upon the feasibility.

● DISINVESTMENT

'Govt to focus on strategic stake sales to meet target'

PRESS TRUST OF INDIA
New Delhi, July 3

THE GOVERNMENT WILL focus on strategic stake sales to meet the ₹1.20-lakh-crore CPSE disinvestment target in the current fiscal, Dipam secretary Tuhin Kanta Pandey said on Friday.

The government has already invited bids for strategic sale of national carrier Air India and oil major BPCL. However, their bid deadlines have been extended amid the Covid-19 pandemic.

For BPCL, in which the government is selling 52.98% stake, the deadline has been extended till July 31. For 100% stake sale in Air India, deadline for bid submission is now August 31.

Speaking at a webinar on Bharat Bond ETF, Pandey said the Department of Investment and Public Asset Management (Dipam) has minority stake sales of central public sector enterprises (CPSEs) on its table but the



Dipam secretary Tuhin Kanta Pandey

emphasis is on strategic disinvestment. "Many of our strategic transactions are going on and moving forward. There was little bit of disruption due to Covid-19 and extensions given in terms of EoI but the government has clarified that we are very much on the same track of aggressively pursuing strategic disinvestment. More focus on that. Of course, there will be OFS (offer for sale), buybacks...(but) it will be more focused on strategic disinvestment," he said.

IOC's super fuel powers armed forces in Ladakh

SHINE JACOB
New Delhi, 3 July

A special winter-grade diesel Indian Oil Corporation (IOC) has launched, just for the Ladakh region, will prove to be a lifeline for the Indian armed forces, keeping in view the prospect that the coming winter will be very tense for them because of the India-China conflict.

This fuel can withstand extremely low temperatures of around minus 33 degree Celsius.

"With army movements increasing, the demand for this fuel is expected to increase multifold over 350 tonnes last winter," said a company source.

Upping the ante against Chinese aggression, Prime Minister Narendra Modi made a surprise visit to the forward position of Nimu in Ladakh on Friday, with Chief of Defence Staff General Bipin Rawat and Army Chief M M Naravane.

In a violent clash between soldiers of the two countries at Galwan on June 15, at least 20 Army persons on the Indian side died.

The Indian Oil executive said looking at the current situation, the company had stoked up enough winter-grade fuel for the region.



PM Narendra Modi (centre) along with Chief of Defence Staff Gen Bipin Rawat (left) arrives in Leh, on Friday

PHOTO: PTI

"Last year, the demand from the armed forces was less than this," he added.

On November 19 last year, Union Home Minister Amit Shah had launched the special fuel for Ladakh soon after the region

separated from Jammu and Kashmir on October 31 and became a Union Territory.

The launch of this fuel was part of the ₹50,000 crore investment initiated in the region by the home minister then.

FACTSHEET

350 metric tonne

Winter-grade fuel used in December, January, and February last year

-33 degrees Celsius

The temperature that this special fuel can withstand

120,000 kilolitres

Stockpile of fuel created for upcoming winter

3,300 tonnes

Stock of LPG created

Hindustan Petroleum Corporation also supplies a small quantity to the region

What is winter-grade diesel?

The fuel was specially designed for motorists in high-altitude sectors like Ladakh, Kargil, Kaza, and Keylong. In these regions, motorists face the problem of freezing diesel during the winter season.

Normally, a major component of diesel is paraffin wax, which improves viscosity and lubrication in the fuel. However, with temperature, it melts or thickens, affecting the normal performance of vehicles. IOC had launched this special fuel to address the problem, including additives to diesel, helping it to remain in a fluid situation.

This fuel has a low pour-point of minus 33 degree Celsius, which allows it to retain its fluidity even in extremely cold weather.

To ensure cooking gas supply to the region, IOC runs an LPG-bottling plant in Phey Village of Ladakh, which is 11,800 feet above the sea level.

The plant ensures cooking gas supply to far-flung areas of Ladakh and Kargil, besides serving the Indian security forces. With a capacity of 8,000 tonnes (tmt) per month, it came to limelight as women comprise more than half the staff strength of 20, braving the temperature of minus 30 degree Celsius.

IOL's Assam well fire: NGT modifies order of ₹25-cr fine

PRESS TRUST OF INDIA
New Delhi, July 3

THE NATIONAL GREEN Tribunal has modified its order imposing an interim penalty of ₹25 crore on PSU major Oil India over its failure to stop fire in Assam's Baghjan oil well resulting in damage to the environment.

A bench headed by NGT chairperson justice Adarsh Kumar Goel deferred its June 24 direction to deposit ₹25 crore till the actual amount and its disbursement plan are worked out by the committee formed by it.

"We do not find any ground for recall of the impugned order but are inclined to modify it with regard to immediate deposit of ₹25 crore... Even though the order was passed ex-parte, the basis of the order remains even after considering the present interim applications and after hearing senior counsel. Incident and damage remain largely undisputed," the bench said.

The tribunal said that other enquiries are not a substitute for the information sought to be gathered by it for exercise of its jurisdiction.

Power cos seek more time to implement Flue Gas Desulphurisation system in thermal plants

VENKATESH GANESH

Mumbai, July 3

The Association of Power Producers (APP) has sought a deferment in timelines of 2-3 years for Flue Gas Desulphurisation (FGD) systems implementation in Thermal Power Plants (TPPs), as a result of disruption in supply chains and to counter Chinese imports.

APP has raised concerns over FGD implementation on the back of Covid-19 impact on supply chain and increased geopolitical risks around China. "The pandemic has caused havoc in the supply chain and there is a growing clamour for the boycott of products from Chinese companies.

The Chinese suppliers have scale and supply FGD equipment in large numbers," noted APP, which represents power companies like Tata Power, GMR, JSW, Adani, among others. China contributes around 70-80 per cent of FGD systems. Implementation of FGD systems are mandatory as the Ministry of En-

The APP wants a committee consisting of officials from the Power Ministry, Environment Ministry and CEA to examine each TPP on a case-by-case basis, and recommend specific revised timelines for each project

vironment Forest and Climate Change (MoEFCC) notification to curb SOx emissions in both existing and upcoming thermal power plants. FGD systems help in reducing emissions from coal-based thermal power plants.

APP is of the view that the timelines for implementation should be looked into by a committee, consisting of officials from the Power Ministry, Environment Ministry (MoEFCC) and CEA to examine each TPP on a case-by-case basis, and recommend specific revised timelines for each TPP based on individual status of progress.

The committee may first start with a thorough assessment of domestic FGD manufacturing capacity and ramp up potential, in order to accurately assess the extension required in the timelines, APP noted.

CEA data

Data from Central Electricity Authority (CEA), around 341 out of a total of 441 TPPs have not yet awarded tenders for implementation, underscoring the stress faced in FGD implementations. Further, the target for FGD commissioning was 37.61 GW by end of December 2020.

Of this, only 1.7 GW of TPPs have met their target and around 36 GW of TPPs will miss their deadline, thereby further loading the already strained FGD supply chain, pointed out APP.

Also, the Covid-19 pandemic has caused a dilemma for developers who are struggling to award FGD implementation contracts, which is delaying the implementation.

Disruptions present an opportunity: Tata Elxsi

Firm to focus on connected car tech

MINI TEJASWI
BENGALURU

Tata Elxsi, a provider of design and technology services across industries and part of the Tata Group, said technology and market disruptions were its 'favourites' and that it had been thriving on such disruptions, especially in automotives.

"Any technology disruption is an opportunity for us, and in automotive, we have a number of disruptions happening. The jury is still out on which way it will move. These are exciting times, and a company like ours thrives on disruptions," Manoj Raghavan, CEO & MD, Tata Elxsi, told *The Hindu*.

One disruption coming in a big way is in the form of electric vehicles (EVs) and the charging infrastructure

with a significant proportion of power coming from renewables. Mr. Raghavan said in 2-3 years, a number of companies would facilitate the transition to EVs.

Traditional fuel suppliers such as Indian Oil and Bharat Petroleum would start having charging stations at all their pumps and it was only a matter of time before the charging infrastructure happened, he said.

Tata Elxsi has been working on connected car infrastructure and autonomous driving solutions for many global customers. "Some of these technologies are already licensed to car OEMs.

"They are in trials. Beyond passenger cars, they are being used in commercial and off-road vehicles and agricultural equipment where you can use the same platform," he added.

Assam oil well fire: NGT turns down plea to recall order

NEW DELHI, 3 JULY

The National Green Tribunal has modified its order imposing an interim penalty of Rs 25 crore on PSU major Oil India over its failure to stop fire in Assam's Baghjan oil well resulting in damage to the environment.

A bench headed by NGT Chairperson Justice Adarsh Kumar Goel deferred its June 24 direction to deposit Rs. 25 crore till the actual amount and its disbursement plan are worked out by the committee formed by it.

“We do not find any ground for recall of the impugned order but are inclined to modify it with regard to immediate deposit of Rs 25 crore... Even though the order was passed ex-parte, the basis of the order remains even after considering the present interim applications,” the bench said. PTI

'Govt to focus on strategic stake sales to meet disinvestment target'

NEW DELHI: The government will focus on strategic stake sales to meet the Rs 1.20 lakh crore CPSE disinvestment target in the current fiscal, DIPAM Secretary Tuhin Kanta Pandey said on Friday.

The government has already invited bids for strategic sale of national carrier Air India and oil major BPCL. However, their bid deadlines have been extended amid the COVID-19 pandemic.

For BPCL, in which the government is selling 52.98 per cent stake, the deadline has been extended till July 31. For 100 per cent stake sale in Air India, the deadline for bid submission is now August 31.

Speaking at a webinar on Bharat Bond ETF, Pandey said the Department of Investment and Public Asset Management (DIPAM) has minority stake sales of CPSEs on its table but the emphasis is on strategic disinvestment.

"Many of our strategic transactions are going on and moving forward. There was little bit of disruption due to COVID and extensions given in terms

of EoI (Expression of Interest) but the government has clarified that we are very much on the same track of aggressively pursuing strategic disinvestment. More focus on that.

"Of course, there will be OFS (offer for sale), buybacks... (but) it will be more focused on strategic disinvestment," he said.

For the 2020-21 fiscal, the government has set a disinvestment target of Rs 2.10 lakh crore. Of this, Rs 1.20 lakh crore will come from disinvestment of public sector undertakings and another Rs 90,000 crore from stake sales in financial institutions, including life insurance behemoth LIC.

The strategic sales being pursued right now include Air India, BEML, Scooters India, Bharat Pumps Compressors, and some units of steel major SAIL, among others.

The government had in May announced that a maximum of four public sector companies will be present in strategic sectors, while state-owned firms in other segments will be privatised. PTI

NTPC signs MoU with IOCL and SDMC

New Delhi: India's largest power generator NTPC Limited and Indian Oil Corporation Limited (IOCL) signed a bi-partite MoU and a tri-partite MoU amongst NTPC, IOCL and South Delhi Municipal Corporation (SDMC) on 30th June, 2020 at New Delhi for "Development of Waste to Energy (WtE) facility at Okhla Landfill site" in the august presence of Shri Dharmendra Pradhan, Hon'ble Minister of Petroleum & Natural Gas and Steel, Shri R.K. Singh, Hon'ble Minister of State (IC) for Power and New & Renewable Energy & Minister of State (Skill Development and Entrepreneurship) and Shri Anil Bajjal, Hon'ble Lieutenant Governor of Delhi.

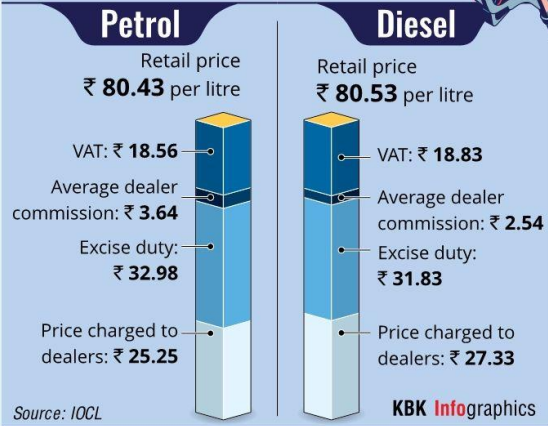
Petrol, diesel prices pause for 4th consecutive day

NEW DELHI: Fuel prices have gone for a longer pause after rising on 22 of the past 27 days as oil marketing companies (OMC) kept the pump prices of petrol and diesel unchanged again on Friday. In the national capital, petrol price on Friday stood at Rs 80.43 per litre and diesel at Rs 80.53 a litre, same level as last three days when OMCs went for pause and kept the prices unchanged. Sources in public sector oil companies said that consumers could get relief from the regular price rise of the two petroleum products in coming days as the pause for four days now could be replicated in several of the coming days if global oil prices remained soft. Also, the oil companies have covered most of the shortfall arising when for 82 continuous days (from March 14 to June 6) petrol and diesel prices remained unchanged while government substantially raised taxes on the products. Starting from June 7, petrol price has increased by Rs 9.17 and diesel by Rs 11.14 in the national capital. In the other cities the magnitude of increase was similar.

Taxes in your fuel bill

The price of petrol and diesel you pay has a hefty component of central and state taxes

Price Buildup of Petrol and Diesel in Delhi on July 1, 2020



PTI

Shri MV Ravi Someswarudu takes over as Chief Executive Officer of GAIL Gas Limited

Noida: Shri MV Ravi Someswarudu has taken over as Chief Executive Officer (CEO) of GAIL Gas Limited, a wholly-owned subsidiary of GAIL (India) Limited, engaged in the city gas distribution business. Prior to this assignment, he was serving as Executive Director & Officer- In- Charge of the Petrochemical Project at GAIL, Pata. He has taken over the charge from Shri AK Jana, who is now the Managing Director for Indraprastha Gas Limited (IGL).

Mr. Someswarudu has rich and diverse experience encompassing more than 34 years in the Oil & Gas and Petrochemical Sectors covering diverse functions like Project Development, Operations and Maintenance, Technical Services, Process Design and Engineering, Design of Pipelines & Gas processing plants, Technology Selection and R&D. He has also served in the Exploration & Production, Petrochemical Group at GAIL Corporate Office and also held additional charge of Project Development Department.

He played a significant role in formulating the Policies and Procedures in various divisions of the company.