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The Pioneer
Delink disinvestment & budgetary exercise
Jan 18, 2022 | Delhi | Pg No.: 7 | | Sq Cm:750 | AVE: 7120739 | PR Value:

Delink disinvestment & budgetary exercise

UTTAM **GUPTA**

The lengthy and cumbersome process of approval and bureaucratic red tape undermines the disinvestment process

With the financial year ending in two months, the Government is no close to meeting the target of ₹175,000 crore from disinvestment of Central Public Sector Undertakings set in the Union Budget for 2011-2022. It has so far realized less than ₹10,000 crore. Even after adding around ₹100,000 crore, being the expected proceeds from sale of its 10 percent shares in Life Insurance Corporation of India, (on the premise that it goes through before the year-end), there will be a whopping shortfall of ₹65,000 crore. This is not new.

It is a continuation of a trend seen during the previous six years under the Modi dispensation when in all years except during 2017-18 (in that year, the proceeds from disinvestment of a little over ₹100,000 crore were slightly higher than the target; courtesy, sale of its 51.11 percent shareholding in oil downstream CPSU Hindustan Petroleum Corporation Limited to another CPSU in the upstream segment, ONGC), the collection was far short of the target.

During this period, the Government laid greater emphasis on 'strategic' disinvestment (a sophisticated nomenclature for share sale that reduces its holding in the PSU to below 50 percent). On this front also, the outcome has been disappointing. For instance, during 2015-16, proceeds from sale through this route were 'nil' againstbudget provision of ₹28,500 crore. For 2016-17, the target itself was reduced from ₹20,500 crore to ₹5,500 crore.

In the following two years, the target for 'strategic' disinvestment could be met largely because of the sale of Government's majority holding in one PSU to another: 51.11 percent shareholding in HPCL to ONGC in 2017-18 and 52.63 percent stake in the Rural Electrification Corporation (REC) to Power Finance Corporation (PFC) in 2018-19. During 2019-20, 100 percent of its shareholding in NEEPCO and 75 percent in THDC India Limited were sold to National Thermal Power Corporation (NTPC) - another CPSU in the power sector.

These sales can't be termed as strategic as the purchaser being another PSU namely ONGC/PFC/NTPC, the Government continues to have effective ownership and control over the divested entity viz. HPCL/REC/NEEPCO/THDC.

A number of major strategic sales such as Bharat Petroleum Corporation Limited or BPCL (53.29 percent); Container Corporation or ConCor (30 per cent); Shipping Corporation of India or SCI (63.75 percent) planned during 2019-20besides Air India or AI (and its subsidiaries) - a carry forward from the previous year - didn't materialize. These sales didn't happen during 2020-21 also. While, AI et al were sold in September, 2021, sale of BPCL/SCI are unlikely to get consummated even during the current FY.

> IN THE BUDGET FOR 2021-22, THE FINANCE MINISTER ANNOUNCED THE GOVERNMENT'S DECISION TO PRIVATISE ALL CPSUs IN NON-STRATEGIC SECTORS AND UNDERTAKE PRIVATISATION EVEN IN THE STRATEGIC SECTOR WITH A RIDER OF RETAINING AT LEAST ONE UNDERTAKING IN THE PUBLIC SECTOR. THESE EFFORTS WILL BEAR FRUIT ONLY WHEN THE PROCESS IS UNSHACKLED FROM BUREAUCRATIC RED TAPE AND BUDGET-MAKING

An overarching reason as to why the actual proceeds from disinvestment have fallen short of the target has to do with the very premise of treating these as a source of revenue (albeit for plugging fiscal deficit) which is flawed. Unlike tax revenue, which can be projected with a degree of certainty, the same cannot be said about proceeds from disinvestment. In this case, a lot depends on the market scenario and, in particular, the perception of investors about the PSU in which share-sale is contemplated.

In cases, where strategic sale is mooted, the Government faces a bigger challenge as apart from a favorable market, it needs bidders with deep pockets. For instance, in case of BPCL (disinvestment in the oil behemoth was originally planned for 2019-20), it needed a strategic investor who could pay around ₹60,000 crore (prevailing share price multiplied by the number of shares corresponding to 53.29 percent holding).

The lengthy and cumbersome process of approval and bureaucratic red tape further undermines the chancesof the Government kicking the ball rolling just around the time when the strategic investors are ready to put in their bets.

The NITI Aayog identifies companies for divestment which are then considered by the Core Group of Secretaries on Divestment (CGD), a long-drawn process by itself, which takes it to the Alternative Mechanism (AM) - a group of ministers including finance, road transport & highways, administrative reforms etc - for approval. After AM's approval, the Department of Investment and Public Asset Management (DIPAM) moves proposal for in-principle approval of the Cabinet Committee on Economic Affairs (CCEA). All put together, strategic divestment involves around 12 steps.

Thisleads to delay and by the time, all approvals are in place, the market scenario becomes adverse. In case of BPCL, during 2019-20, the international price of crude oil (fortunes of oil companies move in tandem with it) was hovering around $70 per barrel. But the bureaucrats were not ready. During 2020-21, COVID - 19 spoilt the partyas the average crude price declined to just about $40 per barrel (in April 2020, it had plummeted to a low of $20 per barrel). During the current year,even as the price recovered ruling above $70 per barrel most of the time, the officials are not ready yet again leading to deferment of its divestment to 2022-23.

In the past, successive governments used PSUs as milch cows to serve their budgetary needs. While, extracting high dividend, special dividend, bonus has been a standard practice, during 2004 - 2014, the then UPA - regime went a step aheadusing them to extend petroleum subsidies (for instance, ONGC was asked to give discount on crude supplies to Indian Oil Corporation or IOCL, BPCL and HPCL to enable the latter keep the price of diesel, petrol, LPG, and kerosene low; ONGC gave a total discount of over ₹200,000 crore during this period). The same mindset drives them to look for revenue even while divesting shares of these undertakings. The ball does not stop here.

The official think tank is ever keen that even after completing the strategic sale, the Government remains in the driver's seat. A clear indication of this was given by the FM in her Budget speech for 2019-20. Shehad stated the intent was to change the existing policy from "directly" holding 51 per cent or above in a CPSU, to one whereby its total holding, "direct" plus "indirect", is maintained at 51 per cent.Such a signal deters potential investors.

To conclude, the government should delink disinvestment from budgetary exercise. In other words, while projectingits revenue receipt, the Government should not include any contribution from disinvestment proceeds.

For the purpose of executing share sale,it should set up a holding company on the lines of a bank investment company recommended by the RBI committee under P Nayak for public sector banks - where all its sharesin the PSUs be vested.The HC to be manned byeminent professionals should be fully empowered and given freedom to take all decisions - in consultation with the management - in regard to valuation, quantum of shares, timing of sale, etc., keeping in mind the market conditions.

In the budget for 2021-22, the finance minister had announced the government's decision to privatize all CPSUs in non-strategic sectors and undertake privatization even in the strategic sector with a rider of retaining at least one undertaking in the public sector. These efforts will bear fruit only when the process is unshackled from bureaucratic red-tape and budget-making.

(The writer is a policy analyst. The views expressed are personal.)

HPCL to raise Iraqi oil imports by 45% in '22

NIDHI VERMA
New Delhi, January 17

INDIAN STATE REFINER Hindustan Petroleum Corp will lift 45% more oil from Iraq this year to meet its expanded refining capacity, sources familiar with the matter said.

The refiner will buy 3.2 million tonne or about 64,000 barrels per day (bpd) from Iraq this year, up from 44,000 bpd in 2021, they said.

Iraqi state-owned marketer SOMO and HPCL did not immediately respond to Reuters' request for comment.

Iraq is the top supplier of oil to India, and higher purchases by HPCL will further strengthen the West Asian nation's share in Indian markets.

As Opec's second-largest oil producer, Iraq will be able to boost exports by as much as 250,000 bpd from the second quarter after finishing the installation of pumping stations at its Gulf ports, an Iraqi oil source has said.

Last year HPCL's chairman M K Surana said the company's import of high sulphur crude oil would rise after the expansion of its 166,000-bpd plant at its Vizag plant to 300,000 bpd by March this year.

It aims to complete a bottom upgradation project at the Vizag refinery by the end of the year.

In the last quarter of 2021, HPCL expanded capacity at its Mumbai refinery to 190,000 bpd. **—REUTERS**

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The Hindu Business Line
Anil Agarwal's $11-12 b price tag for BPCL may put govt in a spot
Jan 18, 2022 | Delhi | Pg No.: 2 | | Sq Cm:357 | AVE: 660943 | PR Value: 3304717

Anil Agarwal's $11-12 b price tag for BPCL may put govt in a spot

Value disclosure ahead of financial bid could "influence" the reserve price

P MANOJ
Mumbai, January 17

Anil Agarwal, Chairman of Vedanta Group, may have put the government in a spot by disclosing that he is ready to spend $11-12 billion to buy State-owned refiner Bharat Petroleum Corporation Ltd (BPCL), stoking apprehensions that this could "influence" valuation ahead of financial bid.

"We are not going to bid aggressively, but we will put the right price," Agarwal told Bloomberg in an interview in Riyadh on January 12. "The market cap of the company is about $11 billion-12 billion, so this is the amount of investment we're looking at," he added.

Agarwal's disclosure comes at a time when the government is struggling to meet the disinvestment target for the current fiscal. Besides, the government's decision to put the letter of intent issued to Nandal Finance & Leasing, for acquiring Central Electronics Ltd, on hold, following allegations of under-valuation and bid rigging, has emboldened critics of its disinvestment policy.

Confidentiality clauses

The government's disinvestment managers have always stayed clear of revealing the names of the entities that have been qualified to bid for State-owned firms lined up for privatisation. Neither has the government revealed the names of the bidders or the status of disinvestment of individual companies to questions raised in Parliament by law makers, citing confidentiality clauses.

An executive with a transaction advisory firm said, "The disclosure on a potential price for BPCL is quite unusual."

"You don't see these kinds of details on bid price etc emerging from the bidders especially early on in the process," the executive said asking not to be named.

"If you look at the information memorandum issued to qualified interested bidders, the document mentions confidentiality restrictions that none of the parties are allowed to disclose details of the transaction without prior permission from the government. The price or valuation is a matter defined under the information memorandum which will be decided only by the government and kept confidential. It is not disclosed to anybody until the financial bids are opened," he said.

Non-disclosure agreement

Bidders must sign non-disclosure agreements/confidentiality undertaking with the government while participating in the disinvestment of State-run firms, similar to mergers and acquisitions deals in the private sector. Given the sensitivity over confidentiality, sources said Agarwal's disclosure to the media, ascribing a value has the potential to vitiate the sanctity associated with the auction process.


Anil Agarwal, Chairman, Vedanta Group

"It appears to be an attempt to influence the government or trying to indicate to the government what would be the price or what levels Vedanta would be bidding at," said an investment banker, who declined to be named.

"Effectively, Vedanta has put a marker on the price. It has implications for retail shareholders because BPCL is a listed company. Undoubtedly, this will draw the attention of retail shareholders as the successful bidder will have to make an open offer as per the take-over regulations of SEBI," said a second investment banker.

"It seems that the quote mentions an indicative price only rather than a definitive one and is based on BPCL's market capitalisation which is public information," said Akshay Sachthey, Associate Partner, Phoenix Legal. Trade unions, already up in arms against the privatisation drive, have stepped on gas against Agarwal's view on valuation.

"Agarwal has made the transaction process that has been carried out by the government with utmost confidentiality so far, a public affair," said an office bearer of the Cochin Refinery Workers' Association.

"This declaration has the potential to even influence the reserve price to be set by the government for the sale of the Maharatna company," he said.

'Halt privatisation plan'

With three refineries, 18,637 marketing outlets, 6,165 LPG distributors, 58 aviation turbine fuel stations, oil fields in seven nations, 2,241 km of multi-product pipelines, 18 joint ventures and three subsidiaries, BPCL has assets worth over ₹8 lakh crore, according to the firm's Officers Association.

"With one of the three bidders publicly revealing its price bid that has to be submitted with complete confidentiality and given the uncertainty surrounding the fossil fuel industry over climate change concerns, the government will find it difficult to find the right value for BPCL during privatisation," the union leader said, urging the government to halt the privatisation plan.

Vedanta did not respond to an e-mail seeking comment.

Business Standard
Divestment delayed, but petchem plans on track, says BPCL
Jan 18, 2022 | Delhi | Pg No.: 4 | | Sq Cm:114 | AVE: 281225 | PR Value: 1406125

Divestment delayed, but petchem plans on track, says BPCL

SHINE JACOB
Chennai, 17 January

Amid allegations that uncertainty in the divestment process for almost two years has affected Bharat Petroleum Corporation's (BPCL's) investment plans, an executive of the state-run major said the delay has not hit the petrochemical expansion plans. The investments for expansion are around ₹40,000 crore for Bina (Madhya Pradesh), Kochi and Mumbai refineries.

The government had cleared the strategic sale of BPCL way back in November 2019. Bids were invited in March 2020 and submitted in November 2020.

On Wednesday, the Vedanta Group had indicated that it is ready to spend around $12 billion to acquire the government's stake in the company. Other than Vedanta, private equity firms Apollo Global Management and I Squared Capital had also submitted bids for picking stake in BPCL. There were allegations that the delay has affected the company's expansion plans

"There is no delay and we did not put on hold any of the expansion projects. The divestment process has not affected any of our businesses. All those projects are on track, while some are in the exploration stage," said Vetsa Ramakrishna Gupta, director (finance), BPCL. Gupta added that the company is also exploring the possibility of setting up a 1-2 million tonne per annum petrochemical unit at Bina with an investment of over ₹25,000 crore. Sources said the company is also pushing for financial benefits from the Madhya Pradesh government for its expansion plans.

The company's ₹11,130-crore specialty petrochemicals investment for producing polyols at Kochi unit was reportedly put on hold because of delay in the divestment process. "A similar delay is there in the ethylene cracker unit planned at Rasayani and also the Bina expansion plans," said another source.

Diesel project: L&T dispatches critical reactors to US ahead of schedule

LARSEN & TOUBRO (L&T) on Monday said that its heavy engineering arm has flagged off five critical renewable diesel reactors to North America's largest renewable diesel producer, Diamond Green Diesel (DGD), two weeks ahead of the contractual delivery date. DGD is a joint venture of Darling Ingredients Inc and Valero Energy Corporation in Texas, USA.

The engineering and construction conglomerate is executing additional three such green diesel projects for the US and European clients at L&T's fully integrated, digitally-enabled heavy engineering complex located at Hazira in Gujarat, the company said in a statement.

The reactors manufactured by L&T will process biomass (recycled animal fats, used cooking oil and inedible corn oil) to make green diesel. **PTI**

Business Standard
Lanka to hold talks with IOC
Jan 18, 2022 | Delhi | Pg No.: 8 | | Sq Cm:22 | AVE: 53460 | PR Value: 267300

Lanka to hold talks with IOC

Sri Lanka will hold talks with the Indian Oil Corporation on Tuesday as part of a desperate measure to tide over the current fuel and energy crisis faced by the island nation, Power Minister Gamini Lokuge said on Monday. The Lanka IOC has been in operation in Sri Lanka since 2002. Sri Lanka is currently facing a severe foreign exchange crisis with falling reserves. PTI

Sri Lanka to hold discussion with Indian Oil Corp to tide over country's energy crisis

COLOMBO: Sri Lanka will hold talks with the Indian Oil Corporation on Tuesday as part of a desperate measure to tide over the current fuel and energy crisis faced by the island nation, Power Minister Gamini Lokuge said on Monday.

Lokuge said that the talks with the Indian Oil Corporation's local entity would be held for a solution to the fuel crisis.

The Lanka IOC, the Sri Lankan subsidiary of India's oil major Indian Oil Corporation (IOC), has been in operation in Sri Lanka since 2002.

I have asked my officials to start talks with the LIOC tomorrow (Tuesday), I will join if necessary, the power minister said.

He said that the continuous electricity supply could be assured until January 22. Previously, he said the supplies could be ensured until January 18.

Energy Minister Udaya Gammanpila had said that there was no point in discussing with the power ministry on continued supplies of diesel and furnace oil required to generate power.

They must find their own dollars to pay for the supplies and order their requirements well in advance, Gammanpila said.

He said that the country's national carrier, Srilankan Airlines, had found dollars on their own to pay for fuel supplies.

Sri Lanka is currently facing a severe foreign exchange crisis with falling reserves.

The country is grappling with a shortage of almost all essentials due to the lack of dollars to pay for the imports. PTI

Petrol, diesel sales fall so far in January

INDIA'S PETROL AND diesel sales fell in the first fortnight of January as the third wave of the pandemic starts to bite the economy as reflected in dip in workplace mobility and airline traffic.

Sale of diesel, which accounts for about 40% of India's overall fuel consumption and mirrors industrial activity, fell 14.1% to 2.47 million tonne during January 1-15 when compared with the same period in December and 4.99% from a year ago, preliminary data from state fuel retailers showed.

Diesel sales were down nearly 8% over the January 2020 period.

The rapid spread of the Omicron variant of coronavirus has led to the imposition of local restrictions in several parts of the country, hurting truck movements.

Petrol sales during January 1-15 at 9,64,380 tonne were 13.81% lower than the first fortnight of December and 2.82% lower than a year-ago period, the data showed.

It however was 5.66% higher than January 2020 sales and continued to stay above pre-Covid-19 levels as people continued to prefer using personal vehicles over public transport for safety reasons. **—PTI**

Plan to Shift Inland Waterways, Army Trucks to Methanol Fuel in the Works

Govt aims to cut oil imports; in talks with Deccan Water Treatment for conversion of diesel engines

Yogima.Sharma@timesgroup.com

New Delhi: The government is working on a plan to use methanol as fuel for inland waterway transportation and in army trucks as part of a strategy to cut dependence on imported fuel, a top official told ET.

It has initiated talks with Pune-based Deccan Water Treatment Pvt. Ltd. to undertake the conversion of diesel engines so that they can run on methanol, according to the official, as the government enhances focus on green fuels. Deccan Water Treatment will do this with the help of its Swedish joint venture partner.

Methanol is a low-carbon, hydrogen carrier fuel produced from high ash coal, agricultural residue, CO2 from thermal power plants and natural gas. It is cheaper than petrol and diesel and also ethanol.

Apart from cutting India's oil import bill, the use of methanol is also seen as a way of meeting India's commitment at the Paris Climate Conference.

"NITI Aayog is facilitating conversion of inland waterways at Haldia, Varanasi and Allahabad under this project," the official said.

The project will be implemented through Deccan ScandiNAOS India, a 70:30 joint venture between Deccan Water Treatment and ScandiNAOS, with the latter being the technology partner.

Niti Aayog has drawn a plan to replace 20% of crude imports with methanol, which will help bring down pollution in the country by more than 40%. Under the plan, 500 barges will be converted to run on 100% methanol, replacing heavy oil or bunker oil, resulting in reduction in pollutants being released into rivers and seas.

This could be followed by conversion of army trucks to run on methanol and even diesel railway engines, as India scales up domestic production of methanol.

"Deccan ScandiNAOS India aims to drive the 'methanol economy' programme in India, in line with the government's initiative to promote and adopt alternative fuels in the country, by providing design and supply methanol fuel solutions for internal combustion engines as well as conversion for existing conventional fuel engines to run on methanol," Animesh Sarkar, chairman of the JV company said.

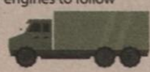
It is estimated that the cost of gasoline including taxes is ₹94.49 per litre. The cost of ethanol including taxes on an energy equivalent basis with gasoline is ₹69.9, while the cost of methanol on an energy equivalent basis with gasoline is ₹37.6, making methanol more economical compared with ethanol and petrol.

Production of methanol from coal is the most economically viable option for India, with the other sources being natural gas, naphtha, biomass, etc.

NITI Aayog facilitating conversion of inland waterways

Diesel engines will be converted to run on methanol

Conversion of army trucks, diesel railways engines to follow



Plan to convert 500 barges to run on methanol in phase 1

Why methanol

- **Cost** is low compared with gasoline
- **Production** is economically viable
- **Abundant** coal available in India
- **Biomass**, naphtha are other sources

Business Standard

RISING CRUDE PRICES DRIVE UP BOND YIELDS THREATEN TO DERAIL CENTRE'S FISCAL MATHS

Jan 18, 2022 | Delhi | Pg No.: 1,6 | | Sq Cm:480 | AVE: 1188037 | PR Value: 5940186

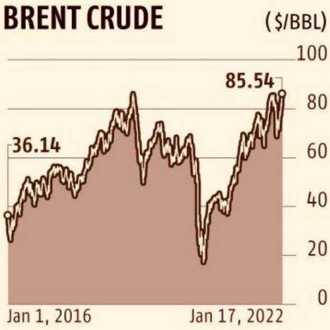
RISING CRUDE PRICES DRIVE UP BOND YIELDS, THREATEN TO DERAIL CENTRE'S FISCAL MATHS

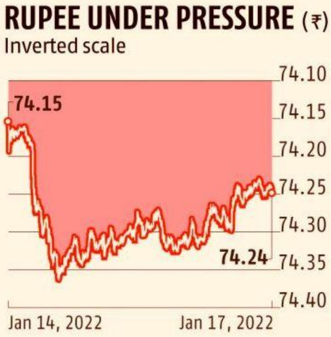
The 10-year bond yield rose sharply to close at 6.64 per cent on Monday, from its previous close of 6.58 per cent, as high oil prices threatened to derail the fiscal math, necessitating potentially higher or out-of-turn borrowings. This yield is the highest since January 22, 2020. Brent crude oil opened at \$86.15 a barrel on Monday and rose to a five-year high of \$86.71 during the session, according to *Bloomberg* data. This means more expensive crude oil for India, which meets around 85 per cent of its domestic requirement through imports. 6▶

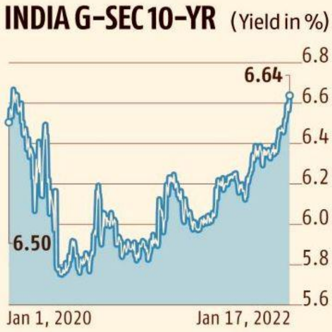
Business Standard
RISING CRUDE PRICES DRIVE UP BOND YIELDS THREATEN TO DERAIL CENTRE'S FISCAL MATHS
Jan 18, 2022 | Delhi | Pg No.: 1,6 | | Sq Cm:480 | AVE: 1188037 | PR Value: 5940186

Rising crude prices drive up bond yield, threaten to derail fiscal maths

ANUP ROY & TWESH MISHA
Mumbai/ New Delhi, 17 January







Compiled by BS Research Bureau

Source Bloomberg

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Brent crude oil opened at $86.15 a barrel on Monday and rose to a five-year high of $86.71 during the session, according to Bloomberg data.

This means more expensive crude oil for India, which meets around 85 per cent of its domestic requirement through imports. The Indian basket of crude oil traded at $84.54 a barrel on Friday, highest since the beginning of the current financial year.

High oil prices also feed into inflation, necessitating the central bank to be more hawkish in its monetary policy. If oil prices stay at higher levels, rate hikes can be expected quicker, and the bond market largely reflected that on Monday, say experts.

The rupee also came under pressure, closing at 74.25 a dollar, amid RBI intervention supporting the rupee sporadically, from its previous close of 74.15.

"We are seeing WPI trending higher than CPI, which, at a broad level, indicates higher input prices relative to output prices," said Badrish Kulhalli, Head of Fixed Income at HDFC Life Insurance.

"The weak demand, due to the successive Covid waves, is likely to have subdued the manufacturers' pricing power in the recent period. However, as manufacturers regain pricing power, the transmission of rise in input prices to output prices could be faster. Hence the rise in energy prices is likely to prove more inflationary in the coming months," Kulhalli said, adding that if this pushes up inflation beyond the RBI's tolerance limit of 6 per cent, the central bank will be forced to hasten steps in normalising monetary policy stance.

"Technically, oil is a self-correcting asset class. The more it goes up, supply increases and automatically the prices come down," said Rahul Singh, fund manager, fixed income for LIC Mutual Fund. According to Prashant Vasisht, vice-president and co-head of corporate ratings at ICRA, Brent crude crossing $85 a barrel — and even another $10 rise — will not impact auto fuel consumers much in India.

"It will largely result in a ₹6-8 per litre increase in petrol and diesel prices. These are levels at which consumers have already bought fuel before the government cut excise duty." But the impact on the Indian economy will be much wider.

B. Prasanna, executive director and head of global markets at ICICI Bank, said: "A spike in international crude prices has always been a red flag for India's macro, given its impact on CAD (current account deficit), inflation and fiscal deficit."

"We expect India's net crude import bill to be upwards of $110 billion next year on account of high usage volumes due to increased mobility and an already elevated crude price to begin with. Even a realistic rise of $10 in average crude prices next year would mean a $13 billion increase in CAD. Given that we are already pencilling in upwards of 2 per cent CAD/GDP next year, a spike in crude prices would therefore further muddle India's BOP situation, putting pressure on the rupee," Prasanna said, adding that overall, given fiscal deficit at upwards of 6 per cent, CAD over 2 per cent and CPI near the top of the MPC's target range, a spike in crude prices could put further pressure on both the rupee as well as bond yields going forward.

The impact on oil marketing companies will depend on the Centre's resolve to allow pass-through of higher costs on kerosene and cooking gas consumers. "If Brent crude oil prices average closer to $85 a barrel, it will mean no adverse impact on oil companies since they are already marketing their products at this price level," Vasisht added.

Devendra Kumar Pant, chief economist of India Ratings & Research, said: "It is going to deteriorate our CAD, which is expected to widen to between 2 and 2.5 per cent of GDP. If crude oil prices remain high for months, there will be an impact."

China has already eased short-term liquidity, but if the US Fed and other major central banks start tightening rates, then there will be an impact on the capital flows to India. "If those flows are affected, (and) on top of it you have high crude oil prices, both current account and the value of the currency are expected to deteriorate," he added.

On the impact of oil prices on subsidy allocation in the Union Budget, Pant said petroleum subsidy spent so far this fiscal year is close to 15 per cent of the Budget Estimate.

"As of now there are only two products on which oil subsidy is given, kerosene and Liquefied Petroleum Gas (LPG). The domestic LPG cylinder prices have also been raised. If crude oil prices go up and domestic LPG prices rise further, then the oil subsidy may come back again explicitly. But that amount is unlikely to be very significant as it is limited only to two products," he said, adding, "if prices go up by ₹5 or ₹10 per cylinder then it is unlikely that there will be a major change, but if they go up drastically, then there is no other option but for the government to come and bear a part of it."

He said the allocation for cooking gas subsidy is likely to remain the same as the last Budget "because the government has to budget for a surge in crude oil prices of, suppose, 20 per cent from here."

Why Budget 2022 must fix path for fuel tax cuts

Jan 18, 2022 | Delhi | Pg No.: 2 | | Sq Cm:751 | AVE: 3002200 | PR Value: 15010998

PLAIN FACTS

Why Budget 2022 must fix path for fuel tax cuts

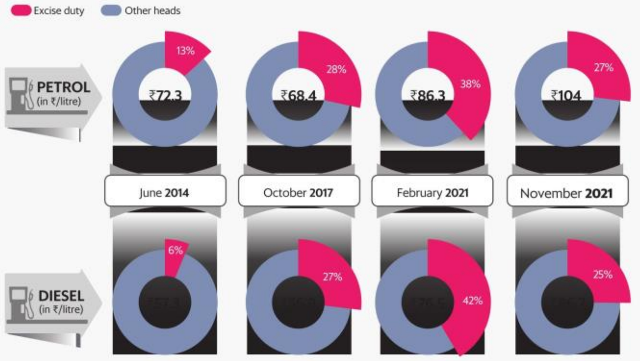
BY PRAGYA SRIVASTAVA

The Centre in November agreed to reduce excise duties on petrol and diesel to ease inflationary pressures, following massive criticism for sky-high fuel prices. However, it was only a partial rollback to pre-pandemic excise rates. As the government prepares to present the Union budget, its revenue calculations must not miss the host of factors that make 2022-23 the ideal year to start restoring the old rates, several economists said.

In 2020, the Centre used excise duties to prop up its coffers amid the pandemic. The revenue kitty swelled, but fuel got dearer, crossing the ₹100 per litre mark in many cities. The steep cuts in early November were only about 30-60% of the cumulative hikes undertaken in the months after the pandemic began. Duties still make up a quarter of the total pump cost, which is almost double the share eight years ago. The other revenue shortfalls that fuel helped compensate for in 2020-21 are no longer a stress point in 2022 as the economy is growing. This gives space for further cuts in excise rates, said Madan Sabnavis, chief economist at Bank of Baroda. "There is room for the governments, both central and state, to reduce taxes as crude oil prices rise," Sabnavis said. All eyes are on the Union budget's plans to revive the economy. Restoring pre-pandemic rates at some time in 2022 is necessary to give a fillip to consumption, which is currently the weakest pillar of the economy. Budget day is unlikely to see fresh excise cuts but it may still be the best platform to lay out the intent for the upcoming fiscal year.

Even after recent cuts, excise duty still makes up one-fourth of fuel prices

Break-up of fuel prices in Delhi after excise duty revisions in last eight years



Source: PPAC, Parliament documents, Mint research

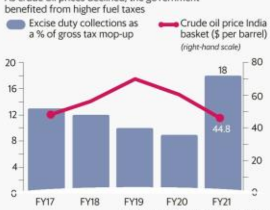
Crude Pressures

IN 2014, a retreat of crude oil prices to below $100 per barrel gave space to the government led by Prime Minister Narendra Modi to start hiking fuel taxes. However, the hikes in 2020-21 were the steepest and helped government revenues stay above a certain level, with excise collections from petroleum products more than doubling to ₹3.72 trillion. However, as revenues stabilized and inflation began to pinch, clamour grew for tax cuts, including from the Reserve Bank of India itself. Even after the partial reversals, the excise mop-up was already 72% of the full-year target by November and the Centre is still on track to meet Budget estimates.

Next year, however, collections can get impacted for the full year, possibly discouraging the Centre from further cuts unless crude prices break out of the current $80 per barrel range and head towards $100, said Abhisek Upadhyay, senior economist at ICICI Securities Primary Dealership. Goldman Sachs predicts crude oil prices at $100 a barrel over the course of two years.

Excise duty on fuel helped bolster Centre's tax mop-up in a pandemic year

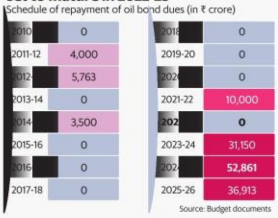
As crude oil prices declined, the government benefited from higher fuel taxes



Source: Parliament documents, CGA, PPAC

No UPA-era oil bond is set to mature in 2022-23

Schedule of repayment of oil bond dues (in ₹ crore)



Source: Budget documents

Misplaced Defence

WITH FUEL prices being a consumer-centric topic, the government has often come under criticism for the high tax rates. Finance minister Nirmala Sitharaman had last August defended her stance, citing liabilities from oil bonds issued by the preceding Congress-led government to cover for fuel subsidies. However, budget documents show the liability of oil bonds was only a fraction of total excise duty collections in 2020-21.

Indeed, this liability is set to go up sharply from ₹10,000 crore in 2020-21 to ₹31,150 crore in 2023-24 and ₹52,860 crore in 2024-25. However, even this principal amount due annually will be little compared with the excise duty likely to be collected every year and the interest to be serviced annually will be less.

Moreover, the government does not have any redemption pressure from oil bonds in the upcoming financial year, leaving room for further excise reduction before crude oil prices begin to head south.

Consumption Boost

LOWER FUEL prices have the potential to boost private consumption, which is struggling to reach pre-pandemic levels and is down to its lowest share in the economy in at least 11 years. Besides moderating inflation, excise duty cuts also exert a favourable impact on consumer sentiment, inflation expectations and consumption in general, said Yuvika Singhal, an economist at QuantEco Research. "The government can reduce duties further during the course of the year depending on how growth and other tax revenue collections pan out," she added. According to Nomura, the recent fuel tax cuts would lower headline inflation by 14 basis points (bps) due to direct effects and up to 30 bps overall. The budget comes amid the third covid wave but its tax projections must consider developments expected at least over the next one year. If fuel prices keep rising and stoke inflation, the government faces another year of demands to further cut excise rates.

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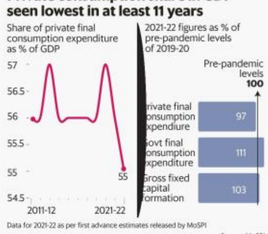
Private consumption share in GDP seen lowest in at least 11 years



Data for 2021-22 as per first advance estimates released by MoSPI

Source: MoSPI

AHMED RAZA KHAN/MINT

From oil-rich UAE, South Korea president vows climate action

AP ■ DUBAI

The president of South Korea on Monday vowed to world leaders that his fossil fuel-dependent country and the oil-rich United Arab Emirates would jointly expand their investments in renewable energy to tackle climate change. During his visit to the UAE, President Moon Jae-in reiterated Seoul's commitment to reach carbon neutrality by 2050, slash methane emissions and boost renewables as the nation known as one of Asia's biggest greenhouse gas emitters comes under growing pressure to combat climate change. "Climate change is becoming a stern reality before our eyes," he told officials and business leaders gathered at a sustainable conference in Dubai.

Govt reaps over ₹6,600 cr as dividend from CPSEs

NEW DELHI: The government has received over Rs 6,600 crore as dividend tranches from a dozen Central Public Sector Enterprises (CPSEs), including GAIL, NMDC and Power Grid.

"Government has received about Rs 972 crore and Rs 2506 crore from Nuclear Power Corporation of India Limited (NPCIL) and PGCIL as Dividend tranches," DIPAM Secretary Tuhin Kanta Pandey said in a tweet on Monday.

Besides, Hindustan Aeronautics, Bharat Electronics, HLL Lifecare Ltd, FAGMIL and NSIC have given Rs 351 crore, Rs 149 crore, Rs 19 crore, Rs 12 crore and Rs 31 crore as dividend tranches, respectively. "Government has received about Rs 1605 crore and Rs 913 crore from NMDC and GAIL respectively as Dividend tranches," he said in another tweet. About Rs 42 crore, Rs 26 crore and Rs 25 crore were received from Central Warehousing Corporation, National Highways Infrastructure Development Corporation and WAPCOS, he said. In aggregate, the government received Rs 6,651 crore as dividend on Monday from these 12 companies. With this, total proceeds from dividend from CPSEs reached close to Rs 40,000 crore for FY22 so far. PTI

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Govt reaps over ₹6,600 crore as dividend from 12 CPSEs

THE GOVERNMENT HAS received about ₹6,600 crore as dividend tranches from a dozen CPSEs, including GAIL, NMDC and Power Grid. "Government has received about Rs 972 crore and Rs 2506 crore from Nuclear Power Corporation of India Limited (NPCIL) and Power Grid Corporation of India Limited as Dividend tranches," Dipam secretary Tuhin Kanta Pandey tweeted on Monday.

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About ₹42 crore, ₹26 crore and ₹25 crore were received from Central Warehousing Corporation, National Highways Infrastructure Development Corporation and WAPCOS, he said. — PTI

The Morning Standard

Govt reaps Rs.6,600 cr as dividend from CPSEs

Jan 18, 2022 | Delhi | Pg No.: 10 | | Sq Cm:86 | AVE: 207428 | PR Value: 1037138

Govt reaps ₹6,600 cr as dividend from CPSEs

New Delhi: The government has received about ₹6,600 crore as dividend tranches from a dozen Central Public Sector Enterprises (CPSEs), including GAIL, NMDC and Power Grid. "Government has received about ₹972 crore and ₹2506 crore from Nuclear Power Corporation of India Limited (NPCIL) and Power Grid Corporation of India Limited as Dividend tranches," Department of Investment and Public Asset Management (DIPAM) Secretary Tuhin Kanta Pandey said in a tweet on Monday.

Millenniumpost

India's Petrol, diesel sales fall in January as Omicron spreads

Jan 18, 2022 | Delhi | Pg No.: 9 | | Sq Cm:119 | AVE: 1066786 | PR Value: 5333931

India's Petrol, diesel sales fall in January as Omicron spreads

NEW DELHI: India's petrol and diesel sales fell in the first fortnight of January as the third wave of the pandemic starts to bite the economy as reflected in dip in workplace mobility and airline traffic.

Sale of diesel, which accounts for about 40 per cent of India's overall fuel consumption and mirrors industrial activity, fell 14.1 per cent to 2.47 million tonne during January 1-15 when compared with the same period in December and 4.99 per cent from a year ago, preliminary data from state fuel retailers showed.

Diesel sales were down nearly 8 per cent over the January 2020 period.

The rapid spread of the Omicron variant of coronavirus has led to the imposition of local restrictions in several parts of the country, hurting truck movements.

Petrol sales during January 1-15 at 9,64,380 tonne were 13.81 per cent lower than the first fortnight of December and 2.82 per cent lower than a year-ago period, the data showed.

It however was 5.66 per cent higher than January 2020 sales and continued to stay above pre-COVID-19 levels as people continued to prefer using personal vehicles over public transport for safety reasons.

Jet fuel sales fell 13 per cent to 2,08,980 tonne during the first half of January when compared with the month-ago figure but were 7.34 per cent higher year-on-year. It was 38.2 per cent lower than January 2020 numbers.

Cooking gas LPG sales rose 4.85 per cent month-on-month and 9.47 per cent year-on-year to 1.28 million tonne. This was 15.25 per cent higher than January 2020, the data showed.

LPG sales have been higher on the back of free cylinders that the government distributed to mitigate the fallout of COVID on the poor. PTI

The Indian Express
Jan: Omicron slows petrol, diesel sales
Jan 18, 2022 | Delhi | Pg No.: 15 | | Sq Cm:35 | AVE: 271040 | PR Value: 1355201

Jan: Omicron slows petrol, diesel sales

New Delhi: With the impact of the third Covid wave spreading, petrol and diesel sales fell in the first fortnight of January.

Diesel sales fell 14.1 per cent to 2.47 million tonne during January 1-15, over the same period last month, and 4.99 per cent over the year-ago period, as per preliminary data from state fuel retailers. Petrol sales was at 9,64,380 tonne, 13.81 per cent lower than the first fortnight of December and 2.82 per cent lower than a year ago.

Brent was up 28 cents, or 0.3 per cent, to $86.34 by 1646 GMT. WTI was up 36 cents, or 0.4 per cent, at $84.18. **WITH PTI, REUTERS**

Millenniumpost
'3rd wave has Airlines fly into red with Rs 20K cr net losses this year'
Jan 18, 2022 | Delhi | Pg No.: 9 | | Sq Cm:242 | AVE: 2174530 | PR Value: 10872649

3rd wave has Airlines fly into red with ₹20K cr net losses this year'

OUR CORRESPONDENT

MUMBAI: Hit by the third wave of the COVID-19 pandemic and soaring fuel prices, airlines are flying towards record losses with a likely loss of a whopping Rs 20,000 crore for the full fiscal year, warns a report.

The airlines are flying towards their steepest-ever net loss of over Rs 20,000 crore this fiscal, which will be 44 per cent more than Rs 13,853 crore they bled last fiscal, Crisil said in a report.

This will push back the industry's recovery beyond fiscal 2023, the report based on three large listed airlines--Indigo, Spicejet, and Air India--which together command 75 per cent of the domestic traffic, warned.

Air traffic had seen a swift recovery after the second wave and reached 86 per cent of the pre-pandemic level in December 2021 compared over December 2019, while regular international flights were expected to start after January 2022.

However, the third wave has already caused domestic air traffic to plummet 25 per cent in the first week of January. A similar trend was observed during the second wave in April-May 2021 when air traffic declined 25 per cent and 66 per cent, respectively, on a sequential basis, the report noted.

According to Nitesh Jain, a director at the agency, the three large listed airlines have already reported a net loss of Rs 11,323 crore in the first half of the current fiscal. The sharp jump in domestic air traffic would have cushioned the losses in the third quarter, but net loss will increase significantly in the fourth quarter as the third wave has brought back travel restrictions and flight cancellations. As a result, we expect airlines to report the steepest net loss this fiscal.

Passenger load factor, a key operating metric, has improved to 80 per cent in December 2021 from 50 per cent in May 2021.

Although seat utilization level has improved, it was still significantly lower than 88-90 per cent pre-pandemic times leading to recurring losses and the continued suspension of scheduled international flights is only further hurting the sector as international routes are generally more profitable.

Besides the decline in traffic, high fuel prices--which account for a third of the operating cost, is accentuating pressure on profitability.

Aviation turbine fuel prices had hit an all-time high of Rs 83 a litre in November 2021, rising from an average price of Rs 44 in fiscal 2021 and Rs 63 in April-June 2021.

While prices declined 6-8 per cent in December 2021 because of reduction in value-added tax by various states, they remain still high after oil companies on Sunday increased ATF prices by 4.2 per cent to Rs 79.3 a litre in the national capital.

Rakshit Kachhal, an associate director at the agency, said persistent operating losses has led to a 35 per cent increase in debt, excluding lease liabilities, to above Rs 54,000 crore for the industry from March 2020 to September 2021 and the continuing net losses will keep balance sheets stretched leading to a negative outlook on the industry.

While the raging third wave will badly hit air traffic over the next few weeks, the report expects a swift recovery from March.

During this time airlines are likely to continue to conserve cash, including deferring maintenance as well as major capital expenditure, while renegotiating aircraft leases and keeping a leash on other fixed cost.