

# HPL bid to stay strong

**SAMBIT SAHA**

**Calcutta:** Haldia Petrochemicals Ltd, Bengal's premier manufacturing giant, has reported a surprise loss in the last financial year after three years of consecutive profits.

The company, which produces polymer used in making plastic materials, recorded a Rs 309.5-crore loss in 2018-19 compared with Rs 102.4-crore profit a year ago.

HPL is an unlisted company, majority owned by The Chatterjee Group, headed by Purnendu Chatterjee. West Bengal Industrial Development Corporation, the Bengal government's premier industry promotion outfit, is a significant minority shareholder.

Rating agency Icr, a Moody's Investor Service Company, which periodically assesses the loan instruments of HPL, shifted the outlook to "negative" from "stable", while reaffirming AA rating on the long-term loans after the financial results.

However, it also noted the inherent strength of the company, thanks to the profitable period of the last three years and a healthy cash position.

The agency pointed out three key reasons for the change in outlook. The revision is on account of a weaker than expected performance in 2018-19, subdued industry outlook owing to which tolling margins are expected to remain weak over the near to medium term and significant investments in subsidiaries and loans and advances to group companies.

The manufacturing plant, where a

## LOSS HURTS OUTLOOK

Profit/loss in Rs crore

2015-16	119.8
2016-17	863.4
2017-18	102.4
2018-19	(309.5)



major fire claimed three lives in September and halted production, could not produce to its optimum level for two months in the last fiscal as well because of a maintenance shutdown spanning May-June 2018.

While the operational performance was shaky, the petrochemical cycle is not supporting the company either. Tolling margins for all types of crackers – HPL operates a naphtha cracker – are expected to remain subdued and below their last 10-year averages over the medium term, owing to a supply overhang, demand slowdown and more intense competition.

"The global operating rates of ethylene plants had peaked in 2017. However, the industry is now passing through a phase of capacity investment. Owing to supply overhang, ethylene overcapacity and downcycle in margins are projected through 2023," said an Icr report on the challenges ahead for Indian petrochemical producers that came out in September.

## Investments in subsidiaries

HPL has been investing in subsidiaries and extending short-term loans and advances to group companies, with the current total exposure at Rs 1,325 crore. Of this, the company has invested about \$175 million in HPL Global, a trading subsidiary at Singapore, to enable paper and physical trade with large counter-parties and better commodity risk management.

However about \$90 million has been extended to group companies as security deposit and loans and advances. Icr said a further material rise in loans and advances to group companies would remain a key rating sensitivity.

## Inherent strength

Unlike in the past, when the feud between the two principle promoters crippled the business for a decade and nearly pushed it to bankruptcy, HPL is now in a much better position to absorb internal and external shocks.

The liquidity position has improved and the company started paying off debts and meeting all interest payment obligations. Ever since it started operations in February 2015 after a gap of seven months, there has been a continuous upswing under Chatterjee's leadership.

However, because of the rise in net working capital requirement, the capex undertaken, prepayment of debt in 2018-19 and investments in group companies, the cash and cash equivalents declined to Rs 2,620.2 crore at end of 2019-20 from Rs 4,673.3 crore in end of 2018-19, the Icr report said.

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# Sena-hit refinery on Saudi table

**ANITA JOSHUA**

**New Delhi:** India and Saudi Arabia are expected to finalise during Prime Minister Narendra Modi's Riyadh trip next week the refinery project in Raigad, Maharashtra, which had to be relocated from Ratnagiri because of local protests and the Shiv Sena's opposition.

This will be the largest greenfield refinery in India and will involve investments from Saudi Arabia's Aramco, the United Arab Emirates' ADNOC and Indian public-sector oil companies.

India also hopes to sign a memorandum of understanding on a joint venture between Indian Oil's West Asian subsidiary — IOC Middle East FZE — and the Al-Jeri Company of Saudi Arabia for downstream cooperation to set up retail outlets in the kingdom, a bureaucrat said.

Briefing journalists, the secretary (economic relations) in the foreign ministry, T.S. Tirumurti, added that India was transforming the buyer-seller relationship in the energy sector into a much larger strategic partnership.

During Modi's visit, which starts on Monday, India hopes also to finalise Saudi Arabia's investment in India's National Infrastructure Investment Fund.

Modi will deliver the keynote address at the third session of the Future Investment Initiative (FII) forum in Riyadh on October 29.

During the Prime Minister's meeting with Saudi King Salman bin Abdul Aziz al

Saud, the two sides will sign an agreement on the Strategic Partnership Council. This apart, India also hopes to sign an agreement to increase the number of flights between the two countries in a phased manner.

## Pak airspace rebuff

Pakistan on Sunday said it had denied India's request to allow Modi's VVIP flight to use its airspace for the Saudi Arabia trip, citing the allegations of human rights violations in Jammu and Kashmir, a PTI report from Islamabad said.


Foreign minister Shah Mahmood Qureshi said the decision had been taken in the context of the "black day" and the alleged human rights violations, the state-run Radio Pakistan reported. Pakistan observed Sunday as a "black day" in support of Kashmiris in India.

Qureshi said the Indian high commissioner was being informed in writing about Islamabad's decision.

Pakistan had in September rejected India's request to allow Modi's flight to use its airspace for his visit to the US to attend the UN General Assembly.

Islamabad had also refused a request to allow President Ram Nath Kovind to use its airspace for his journey to Iceland the same month.

Pakistan had closed its airspace in February after an Indian Air Force strike on a terror camp in Balakot. On March 27, it opened its airspace to all flights except those for New Delhi, Bangkok and Kuala Lumpur.



## 'India's September oil imports at 3-yr low'

The country's oil imports fell to its lowest in more than three years in September to 3.82 million barrels per day (bpd), the data obtained from industry and shipping sources showed

**235,000 bpd** The amount by which India's oil consumption rose on average during 2014-18, nearly a fifth of the global total

**170,000 bpd** The amount by which the growth could moderate to in 2019, due to an economic slowdown

**13 MONTHS** The period of time after which Saudi Arabia replaced Iraq as India's top oil supplier

**OIL IMPORTS** drop below 4 million bpd for the first time since June 2016 in September 2019; about 18.7 per cent lower than in August and down 8.4 per cent from a year ago

**THE FALL** in oil imports limited India's fiscal deficit for September, but it also potentially points to a general economic and industrial slowdown

**REASON BEHIND LOWER OIL IMPORTS:**

- Refinery turnarounds as refiners have to supply Euro VI fuels in the country from an April 1 deadline
- Heavy rains
- Slower industrial and construction work

**7%** The amount by which Indian refiners' crude oil processing declined in September from a year ago

**830,500 bpd** Oil supplied by Saudi Arabia to India in September, compared with 821,000 bpd supplied by Iraq

**\$0.75/barrel:** The rate by which Saudi Arabia has cut its September official selling price (OSP) for its Arab Light grade for Asia, compared to a \$0.40/barrel reduction in Iraq's Basra Light

**UNITED ARAB EMIRATES** The country emerged as India's third biggest supplier in September after a gap of seven months, knocking Nigeria into fourth place, a position held by Venezuela in August; it was the fifth biggest oil supplier in August