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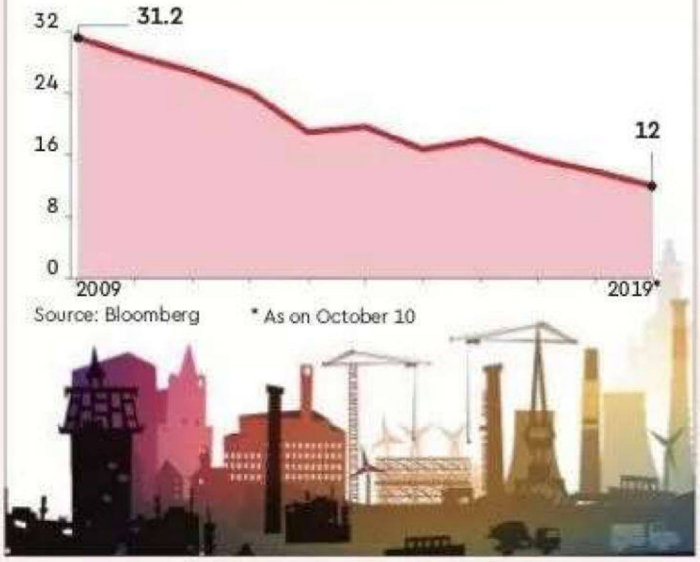
ONGC has signed a MoU with US petroleum giant EXXON-Mobil recently. This MoU will enable the two petroleum companies to undertake joint technical studies & cooperate in frontier areas like deep water and other Petroleum Exploration Licence blocks of ONGC in east and west coast and open acreages for joint bidding.

STOCK VALUE

PSUs missing from top performers' list

● Huge erosion in value in past decade; experts say privatisation can change things

SHASHANK NAYAR & YOOSEF KP
Mumbai, October 19



Source: Bloomberg *As on October 10

LISTED PUBLIC SECTOR undertakings (PSUs) have seen a significant erosion in value over the past decade. The market cap of BSE PSU index, which was 31% of the broader BSE500 index in 2009, is now down to just 12%. While some market experts believe that PSU stocks can create value going forward, as they are the biggest beneficiaries of the corporate tax cuts, others believe these are value traps.

The BSE PSU index — that comprises 61 PSU stocks ranging from banking to power sector stocks — has been underperforming the broader market for the last two and a half years. As a result, not even a single PSU features in the list of top 10 companies by value.

Over the past five years, when the benchmark Sensex clocked a return of 45%, the BSE PSU index and the Nifty PSU Bank index yielded negative returns of 17% and 36%, respectively. In fact, two leading PSUs — Coal India and ONGC — have lost nearly ₹3 lakh crore in market capitalisation during the same period. Furthermore, NTPC, which was among India's five most valuable components of the Sensex, when it hit 10,000 and 20,000 mark for the first time, is now languishing at the 25th position as per market valuation.

A CEO of a leading fund house said companies like NTPC, Coal India or even ONGC are not going away from the benchmark index, they are going to stay.

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PSUs missing from top performers' list

THE CEO added, "They might be suffering from government policy and lack of minority shareholders focus but will continue to generate cash. Maybe they will turn around if the government privatises these firms and runs them professionally." In many cases, the businesses that these public sector firms are present in are good and in most cases are even monopolies. However, these firms have not delivered returns to shareholders for a variety of reasons. Coal India enjoying a monopoly situation, historically has not been able to produce the desired growth even as it stands cash-rich. Coal India's profits have grown at a CAGR of 2.93% in FY15-19, while its revenue rose 6.2%.

"Over the past two years the investment sentiment has been somewhat negative with investors looking to buy only top quality stocks where majority PSUs are not able to compete as they have been unable to record substantial growth," said Siddhartha Khemka, vice-president and head of retail research, Motilal Oswal. Analysts also believe the stress in the banking system, especially in PSU banks, has led the BSE PSU index to record such negative returns. However, not all seems so bleak as analysts believe that select PSUs like Container Corporation of India and Bharat Petroleum Corporation, which the government plans to divest, would perform well on the bourses and as they also stand to benefit the most from the recent corporate tax cuts announced.

"Given the current scenario, a lot of PSUs are trading at attractive valuations and will also be market performers come November on the back of tax cut benefits," said Sanjiv Bhasin, EVP, markets and corporate affairs, IIFL. For instance, BEML, which had an effective tax rate of 51.6% as of FY19, saw its shares surging nearly 11% since September 20, after the corporate tax cuts. The stock has recorded a 54% return in the past one year. Also, prior to the tax cuts, ONGC was in the highest corporate tax bracket.

Johnson defiant after

ओएनजीसी
ONGC

SUNDAY STANDARD, Delhi, 20.10.2019
Page No. 12, Size:(17.36)cms X (11.75)cms.

Government to push infra investments, PSUs disinvestment

The central government is also planning to increase the ceiling for foreign portfolio investors in various sectors at par with the foreign direct investment (FDI) limits

JAYANTA ROY CHOWDHURY @ New Delhi

THE government plans to fast forward investments in infrastructure, announce large scale disinvestment of public sector undertakings (PSUs) besides raising the caps for foreign portfolio investors in various sectors at par with foreign direct investment (FDI) limits.

Top officials said several meetings have been held on infrastructure spending and ministries have been asked to give reports on all projects under their control "to ensure that spending is hastened in a host of infrastructure areas ranging from railways to ports to power projects and gas pipeline infrastructure."

"If projects move at a fast pace and if they go beyond this year's budget because of the pace of work, we will provide the extra funds needed. The whole idea is to fast-forward projects so that there is spending and jobs," officials said.

The government has promised to spend ₹100 lakh crore on infrastructure projects over the next five years, at an average of ₹20 lakh crore a year. The projects are being funded through a combination of direct budgetary support, borrowings and PSU savings. According to officials, a proposal outlined in the budget — to raise the statutory limit for foreign portfolio funds from 24 per cent to the limits set sectorally for FDI — would also be brought forward. "This could help raise funds needed for projects as well as for sale of PSU shares which will be brought before the market," officials added.

The government is betting the move that could trigger a large inflow of funds into India as a result. A large number of PSUs have been identified, in which the government intends to reduce its stake to below 51 per cent, though it will still continue to control many of these PSUs by clubbing state held shareholding with equity controlled by state-run banks and financial institutions. "Some PSUs like Air India will be totally privatized but others will see stake sale below 51 per cent," said top finance ministry officials. The government has shown interest in selling strategic stake are Bharat Petroleum Corporation Ltd, Bharat Earthmovers Ltd and Nilachal Ispat Nigam Ltd.

However, it is also keen to sell stake in oil sector giants like GAIL and Oil India Ltd to below 51 per cent and yet to continue controlling them.

Govt to reduce stake in some PSUs

Some PSUs have been identified in which the government intends to reduce its stake to below 51 per cent, though it will still continue to control many of these PSUs by clubbing shareholdings

BUSINESS STANDARD, Delhi, 20.10.2019
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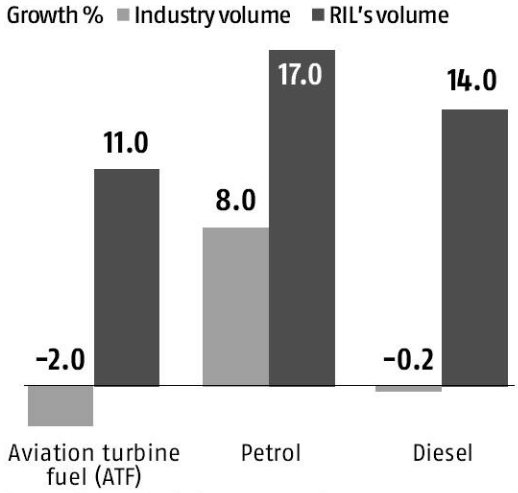
RIL RESULTS

Fuel marketing business bucks industry trend

Diesel, petrol volumes grow in double digits

AMRITHA PILLAY
Mumbai, 19 October

CONSUMPTION LEVEL



Source: Reliance Industries investor presentation

It is not just the organised retail segment in which oil-to-telecom conglomerate Reliance Industries (RIL) has managed to buck the slowdown trend in the economy.

The company has reported double-digit volume growth in both diesel and petrol, while growth at the industry level saw a decline in both petrol and diesel. In its investor presentation for the September 2019 quarter, said RIL, it has witnessed strong volume growth on a year-on-year basis, across petroleum products.

It pegged volume growth for high speed diesel (HSD) at 14-15 per cent and for petrol at 17 per cent YoY. This growth is in contradiction to industry volume growth numbers, which, the presentation added, stood at -0.2 per cent for HSD and 8 per cent for petrol during the same period.

According to data shared by the Petroleum Planning and Analysis Cell (PPAC), diesel consumption in September for the country was down 3 per cent and at its lowest level since January 2017. The PPAC data shows consumption for petrol growing 6 per cent YoY in September 2019.

"Given that RIL has a smaller and more efficiently managed network of retail outlets that utilise the latest logistics optimisation solutions, the throughput tends to be higher," said Nitin Tiwari, vice-president at Antique Stock Broking.

He added: "In addition, proactive marketing efforts and focus on big ticket fleet customers have helped deliver a stronger-than-industry growth rate." RIL has 516 owned retail outlets of its total 1,385 fuel retail outlets, as of September 2019.

The company looks to expand the existing network to 5,500 fuel retail outlets. In addition, the firm has completed the roll-out of BSVI grade fuel in 11 districts of Haryana.

In its presentation, RIL said that it has increased focus on big-ticket fleet customers, a strategy that has contributed to growth.

For its diesel sales, RIL said that though it had reinforced its priority partner position with the Indian Railways, it also witnessed a 20 per cent YoY growth for the non-railway segment, with continued focus on state transport utilities and the infrastructure segment.

RIL's contrarian growth trend also extends to its aviation turbine fuel (ATF) business. The company said that there was 11 per cent YoY growth in its direct sales to airline partners.

This compared with an industry volume decline of 2 per cent in the September quarter. "Driving ATF volumes via network growth, leveraging seasonal volumes, and logistics optimisation," the company's presentation said.

On its proposed joint venture with BP for its fuel retail business, RIL said that the transaction was expected to be completed in the first half of 2020, subject to regulatory as well as other customary approvals.

HINDU, Delhi, 20.10.2019
Page No. 9, Size:(7.87)cms X (10.57)cms.

Pinarayi writes to Modi against BPCL divestment

THIRUVANANTHAPURAM

Kerala Chief Minister Pinarayi Vijayan has sought Prime Minister Narendra Modi's intervention to stop the reported move to disinvest the State-owned Bharat Petroleum Corporation Ltd (BPCL). In a letter to Mr. Modi, Mr. Vijayan said the Centre's move had caused 'anxiety' among the public.