

Moody's: BPCL may pay ₹14 per share as interim dividend

AMRITHA PILLAY

Mumbai, 11 January

State-run oil refiner Bharat Petroleum Corporation (BPCL) is likely to pay an interim dividend of ₹14 per share next month, according to rating agency Moody's. The amount of dividend is expected to be higher in the absence of a share buyback.

"Although BPCL — unlike some of the other state-owned companies in India — has not yet announced a buyback, we expect it will need to pay an interim dividend in February of at least ₹14 per share, equal to the interim dividend paid in February 2018," the agency said in a note on BPCL, affirming its Baa2 rating.

"Given an increase in the reported net profit, the interim dividend payable could be even higher than our current estimates," the rating agency said. However, any such move would further weaken the company's credit metrics, it said. In August last year, BPCL already paid a final dividend of ₹7 per share for the financial year 2017-18 (FY18).

On December 13, Indian Oil Corporation's board approved a share buyback of about 3.06 per cent of the total paid-up equity share capital at a price of ₹149 per equity share payable in cash for an aggregate consideration not exceeding ₹4,435 crore. In the same month, Oil and Natural Gas Corporation announced a buyback for 1.97 per cent of its equity shares.

NATPOLREX-VII conducted at sea off Mumbai harbour

The seventh edition of the National Level Pollution Response Exercise (NATPOLREX-VII) was conducted at sea off Mumbai harbour. The highlight of the exercise was participation of ICG Pollution Control Vessel (PCV) ICGS Samudra Pavak and integration of other stakeholders i.e Mumbai Port Trust, JNPT, ONGC and SCI. A total of 11 ICG ships, five assets of MBPT and JNPT, two tugs of ONGC and one tanker from SCI along with ICG Dornier mari-



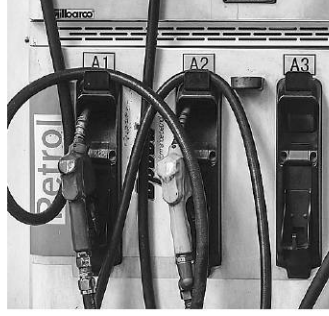
time reconnaissance aircraft and Chetak helicopter participated in this mega exercise. International observers were also present to witness the oil spill response drill.

इस साल मुमकिन नहीं एचपीसीएल और एमआरपीएल का विलय

शाइन जैकब

नई दिल्ली, 11 जनवरी

ओएनजीसी की दो सहायक कंपनियों मंगलूर रिफाइनरीज एंड पेट्रोकेमिकल्स (एमआरपीएल) और हिंदुस्तान पेट्रोलियम कॉरपोरेशन (एचपीसीएल) का विलय इस वित्त वर्ष में शायद नहीं हो पाएगा। सूत्रों के मुताबिक, एमआरपीएल के निदेशक मंडल ने अभी इस प्रस्ताव पर विचार नहीं किया है। इसके अलावा कंपनियों ने अभी तक इस संबंध में कंसल्टेंट की नियुक्ति नहीं की



हैं। इन वजहों से यह करीब-करीब निश्चित है कि मौजूदा सरकार के कार्यकाल के दौरान यह सौदा शायद ही हो पाएगा।

सूत्रों ने कहा, इस रफ्तार से 2018-19 में यह सौदा शायद ही हो पाएगा। एमआरपीएल के निदेशक मंडल ने न तो इस प्रस्ताव पर

विचार किया है और न ही इस बाबत कंसल्टेंट की नियुक्ति की गई है। अभी ओएनजीसी के पास एमआरपीएल की 71.63 फीसदी हिस्सेदारी है, वही एचपीसीएल के पास 16.96 फीसदी, ऐसे में कुल सरकारी हिस्सेदारी 88.58 फीसदी है। दिलचस्प रूप से एमआरपीएल 30 सार्वजनिक उपक्रमों की उस सूची में शामिल है, जिसे बाजार नियामक सेबी की न्यूनतम सार्वजनिक शेयरधारिता के नियमों का अनुपालन अभी करना बाकी है। सेबी के नियमों के मुताबिक, कंपनियों को 25 फीसदी सार्वजनिक शेयरधारिता बनाए रखनी होती है और इस नियम का अनुपालन न करने वाली निजी क्षेत्र की कंपनियों को नियामक दंडित भी कर चुका है। मंगलूर की रिफाइनर को इस नियम का अनुपालन अगस्त में करना था, लेकिन अभी तक ऐसा नहीं हो पाया है।

Petrol price hiked by 19 p, diesel by 28

PRESS TRUST OF INDIA
New Delhi, January 11

PETROL PRICE WAS hiked on Friday by 19 paise per litre and diesel by 28 paise, the second increase in rates in as many days on firming input cost.

Petrol in Delhi now costs ₹69.07 per litre — the highest this month — up from ₹68.88 per litre rate of Thursday, according to price notification issued by state-owned oil firms.

A litre of diesel in Delhi is now priced at ₹62.81 as compared to ₹62.53 on Thursday.

In Mumbai, petrol now

costs ₹74.72 a litre and diesel is priced at ₹65.73.

Rates vary from state to state depending on the rate of local sales tax or VAT.

The increase — third this month — comes on the back of a 38 paise increase in petrol rates and 29 paise in case of diesel announced on Thursday.

On January 7, the petrol price was hiked by 21 paise and diesel by 8 paise. Rates were unchanged on January 8 and 9.

In three hikes, petrol price has gone up by a total of 78 paise a litre and diesel by 55 paise, according to the price notification.

BPCL outlook stable despite weak credit metrics: Moody's

PRESS TRUST OF INDIA
Mumbai, January 11

GLOBAL RATING AGENCY Moody's on Friday affirmed the Baa2 ratings on Bharat Petroleum and its subsidiary BPRL International Singapore (BPRL) on improving operating profile despite weak credit metrics, with a stable outlook.

The Singapore-based agency also expects a high likelihood of extraordinary support from the government in times of need and a very high level of dependence between the government and BPCL, a situation which results in a two-notch rating uplift.

"We expect BPCL's credit metrics will weaken and stay at the weaker end of the tolerance level of its Ba1 baseline credit assessment," Vikas Halan, a senior vice-president at the agency, said in a statement.

He further said, the ratings also remains constrained by the uncertainty around the government policy for the oil & gas sector, especially in terms of pricing and sector consolidation. Moody's expects the company to moderate its dividend payments or adjust its capital spending over the next 12-18 months such that its credit metrics will improve to levels more appropriate for its Ba1 baseline credit assessment. In the absence of such improvement, its baseline credit assessment may come under pressure, it said.

The agency also noted that the operat-



Bharat Petroleum has also upgraded its refinery to use a higher proportion of heavy crude oil

ing profile has improved since the completion of its Kochi refinery in 2018 and its total refining throughput increased to 37.7 million tonne in FY18 from 34.4 million tonne in FY17.

The company has also upgraded its refinery to use a higher proportion of heavy crude oil, positioning it well to benefit from the increasing differential between light and heavy crude oil, it said.

"Given its high dividend payouts and weak cash flow, Ba1 assessment is unlikely to be upgraded to Baa3 over the next 12-18 months. Also, upward pressure may emerge over time if there is clarity around the government policy for the oil & gas sector, and around BPCL's own financial policy for shareholder returns," it added.

India's Iranian oil imports dip in Dec under US pressure

REUTERS

New Delhi, January 11

INDIA'S OIL IMPORTS from Iran fell by 41% in December to 302,000 barrels per day oil (bpd), ship tracking data reviewed by *Reuters* showed, as pressure from US sanctions took effect.

The United States introduced tough sanctions aimed at crippling Iran's oil revenue-dependent economy in November but gave a six-month waiver to eight nations, including India, which allowed them to import some Iranian oil.

India is restricted to buying 1.25 million tonnes per month, some 300,000 bpd. December imports from Iran were 9.4% higher than November when some cargoes were delayed due to lack of ships, the tanker arrival data showed.

Iran was the sixth biggest oil supplier to India in December compared to third position it held a year ago and last month Tehran's share of India's overall imports declined to 6.2% from 11.7% a year ago, the data showed.

After abandoning the 2015 Iran nuclear deal, US President Donald Trump is trying to end Tehran's nuclear ambitions and ballistic missile programme and curb its support for militants in Syria, Yemen, Lebanon and other parts of the Middle East.

In 2018, India shipped about 13% more oil from Iran at 531,000 bpd as refiners boosted purchases ahead of the US sanc-

POLICY EFFECT

- India's Dec Iran oil import 302,000 bpd, up 9.4%
- Iran was hoping to sell more than 500,000 bpd of oil to India in 2018-19
- Iran had offered almost free shipping and an extended credit period to boost sales to India

tions drawn by discounts offered by Tehran, the data showed.

Iran was hoping to sell more than 500,000 bpd of oil to India in 2018/19, its oil minister Bijan Zanganeh said in February last year, and had offered almost free shipping and an extended credit period to boost sales to India. In the previous fiscal year that ended on March 31, 2018 India refiners had cut purchases from Iran due to a dispute on the award of development rights of a giant gas field.

Government sources say *Reuters*' calculation showing India's oil imports from Iran in this fiscal year would be higher than the 452,000 bpd, or 22.6 million tonnes, it imported in the previous year, are correct.

In April-December 2018, the first 9 months of this fiscal year, India's oil imports from Iran averaged about 533,800 bpd, up about 22% from a year ago, the data showed.

Rupee slips 8 paise on surging crude price

PRESS TRUST OF INDIA
Mumbai, January 11

THE RUPEE FRIDAY weakened by 8 paise to close at 70.49 against the US dollar on rise in demand for the American currency from exporters coupled with unabated rise in global crude oil prices.

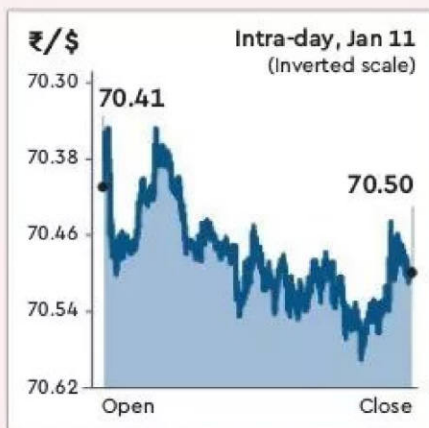
Besides, foreign fund outflows and stronger dollar against its key rival currencies impacted the rupee trading pattern.

At the Interbank Foreign Exchange, the rupee opened strong at 70.38 a dollar against the previous close of 70.41.

The local unit moved in a range of 70.34 to 70.59, before finally ending at 70.49, showing a loss of 8 paise.

On Thursday, the rupee ticked higher by 5 paise to close at 70.41 per US dollar.

"Rupee becomes the worst performing currency among Asian basket as foreign-



ers continued selling domestic equity and debt. Oil importers rush for dollar after crude oil back in to bull market (gained 24 per cent since mid-December)," said VK Sharma, head PCG & capital markets strategy, HDFC Securities.

The dollar index, which gauges the greenback's strength against a basket of six currencies, dipped 0.23% to 95.31 in late afternoon trade.

Brent crude, the global benchmark, was trading at \$61.83 per barrel, higher by 0.24%. Brent crude was trading near \$62 barrel and as a result, the Indian rupee depreciated further, said Sunil Sharma, chief investment officer, Sanctum Wealth Management.

Meanwhile, foreign funds sold shares worth ₹687.20 crore on a net basis Friday, while domestic institutional investors bought equities to the tune of ₹123.17 crore, provisional data showed.

The Financial Benchmark India (FBIL) set the reference rate for the rupee/dollar at 70.4737 and for rupee/euro at 81.2083. The reference rate for rupee/British pound was fixed at 89.9155 and for rupee/100 Japanese yen at 65.03.

● DOMESTIC CONSUMPTION

Oil demand rises from 4-yr low as note ban impact ebbs

BLOOMBERG
Mumbai, January 11

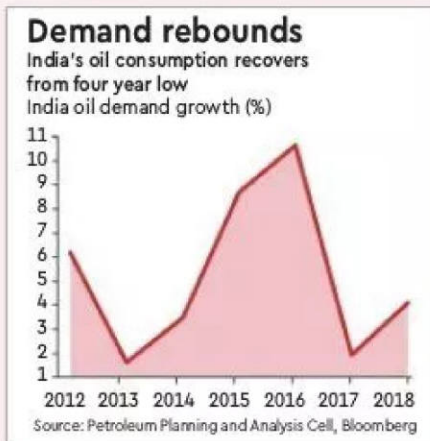
INDIA'S OIL DEMAND growth in 2018 rebounded from the slowest pace in four years as the country recovered from the shock of a note ban and the roll out of a national sales tax.

The nation's consumption of petroleum products rose 4.1% to about 210 million tonne, the oil ministry's Petroleum Planning and Analysis Cell said Friday. Growth improved from the preceding year's 2.7% expansion, the slowest pace since 2013, as consumption was severely affected by a cash ban that crippled economic activity.

A spike in domestic oil prices, a credit crunch unleashed by the collapse of a shadow bank, slower vehicle sales and weak industrial activity affected oil consumption in the second-half last year, when demand declined in three of the six months.

"Diesel and LPG are two main culprits for pull-down in total demand last year," Senthil Kumaran, senior oil analyst at energy consultancy FGE, said before the data were released. Market prices for the cooking gas "went up to ₹950 a cylinder, way too high for the middle- and lower-income population."

LPG demand last year rose 5.5%, the



slowest pace since 2013, as high prices dented growth. Diesel consumption, which accounts for 40% of fuel demand in India, increased by 4.3% to 82.7 million tonne.

India's total oil product consumption grew 3.2% in December to about 18.5 million tonne. Diesel usage rose 3.5% to 7.4 million tonne and petrol consumption rose 10% to 2.4 million tonne.

The International Energy Agency, which expects the country to be the fastest-growing oil consumer through 2040, cut its 2018 demand forecast for India at least two times.

The agency estimated India's oil demand growth at 245,000 barrels a day in 2018 and 235,000 barrels a day in 2019.

Lower crude prices will support demand for transportation fuels, with gasoline and diesel consumption expected to increase by 8.8% and 4.3% in 2019, respectively, Kumaran said.

Petrol consumption increased 9% to around 27.7 million tons. Naphtha consumption increased 12% to 14 million tonne. Petcoke usage declined 14% to 22 million tonne.

Oil declines but set for weekly gain amid caution over global economy

REUTERS

London, January 11

OIL PRICES FELL nearly 2% on Friday but were on track for weekly gains after financial markets strengthened on hopes the United States and China may soon resolve their trade dispute.

Tightened supply following OPEC-led crude production cuts aided earlier 1% increases for both oil benchmarks, but concerns about the global economy kept markets in check.

International Brent crude futures were at \$60.55 per barrel at 1440 GMT, down \$1.13, or 1.83%. U.S. West Texas Intermediate (WTI) crude futures fell 87 cents to \$51.72 per barrel. WTI and Brent are set for their second week of gains, rising nearly 8% and 6% respectively.

"Profit-taking has weighed on oil prices in today's trading session following gains made earlier in the week," said Abhishek Kumar, senior energy analyst at Interfax Energy in London.

"A lack of tangible progress in the US-China trade talks, ongoing political uncertainty in the US, and fears that China's weakening economy could adversely hit global oil demand have also contributed towards the weakness in oil prices."

Markets had been supported by hopes that an all-out trade war between Washington and Beijing might be averted. Three days of talks concluded this week with no concrete announcements, but higher-level talks may convene later this month. How-



ever, markets remain concerned by mounting signs that China's growth in 2018 and 2019 will be the lowest since 1990. Most analysts have downgraded their global economic growth forecasts below 3% for 2019, with some fearing a recession amid trade disputes and spiralling debt. "If we experience an economic slowdown, crude will underperform due to its correlation to growth," said Hue Frame, portfolio manager at Frame Funds in Sydney.

On the supply side, oil markets are receiving support from supply cuts led by the Opec and aimed at reining in a glut that emerged in the second half of 2018.

Lower oil exports from Iran since November, when US sanctions against it resumed, have also supported crude.

Playing a key part in the emerging glut was the United States, where crude oil production; soared by more than 2 million barrels per day (bpd) in 2018 to a record 11.7 million bpd.

Brent crude set for longest rally ever on OPEC cutbacks

BLOOMBERG

January 11

Oil rose for a 10th consecutive day in London, heading for its longest run of gains on record, as OPEC cutbacks reined in supply while reassurance from the Federal Reserve buoyed the outlook for demand.

Futures returned to a bull market this week after recovering more than 20 per cent from the lows reached in December. Saudi Arabia gave assurances on Wednesday that the production cuts by OPEC and its partners that came into effect this month will be deep enough to prevent any surplus.

Sentiment in the oil market has turned around this week, said Jens Naervig Ped-



ersen, senior analyst at Danske Bank A/S in Copenhagen. The reversal is on the back of a combination of OPEC+ production cuts taking effect, a stabilization in risk sentiment in equity markets and a weaker dollar. In addition, the oil market will be monitoring trade talks, which seem to progress slowly.

Brent for March settle-

ment rose 45 cents to \$62.13 a barrel on the ICE Futures Europe Exchange in London. Its climbed 8.9 per cent this week after gaining 9.3 per cent, the most in two years, the previous week. Ten consecutive daily gains would mark the longest rally since the contract started trading in 1988. The global benchmark crude traded at a premium of \$8.74 a barrel to West Texas Intermediate for the same month.

WTI for February delivery advanced 52 cents to \$53.11 a barrel on the New York Mercantile Exchange. The US crude has also advanced for a 10th day, its longest run of daily gains since 2010, and has added 11 percent this week, the most since December 2016.

Quota in petrol pump allotments in pipeline

Rajeev Jayaswal

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NEW DELHI: The government may extend the newly announced 10% reservation for economically weaker sections (EWS) in government jobs and education institutes—essentially a quota for the poor upper castes—to the allocation of petrol pumps and cooking gas agencies by state-run oil marketing companies.

These companies follow the

reservation policy of the central government, two government officials said on condition of anonymity.

“A formal proposal to give 10% reservation (in allocation of retail outlets) to EWS category will be initiated in due course, but only after the newly passed legislation is notified,” one of the two added.

Senior officials in the petroleum ministry did not respond to an e-mail seeking comment. The bill is expected to be notified soon

after it gets assent of the President of India, the officials said.

State-owned fuel retailers—Indian Oil Corp (IOC), Hindustan Petroleum Corp Ltd (HPCL) and Bharat Petroleum Corp Ltd (BPCL)—already have a reservation policy for scheduled castes (SCs), scheduled tribes (STs) and other backward classes (OBCs). The quota for OBC in the allocation of petrol pumps and LPG agencies was introduced by the Manmohan Singh-led UPA gov-

ernment on July 20, 2012.

Currently, 22.5% of such allotments are reserved for SCs and STs, 27% for OBCs and 50.5% for persons belonging to the open category across the country barring Arunachal Pradesh, Meghalaya, Nagaland and Mizoram.

Reservations for retail outlets in northeastern states vary according to socio-economic composition. In Arunachal Pradesh 70% are reserved for STs.

CONTINUED ON P 6

Petrol pumps

There are quotas within the quota for various categories, including defence personnel and women.

Former HPCL chairman and managing director S Roy Choudhury said that the move to give some reservation in allocation of petrol pumps to EWS category is a good one and also makes commercial sense but that the government should ensure that the consumer and the company do not suffer. “If there is a balance between social and commercial interests, it is a win-win situation,” he added.

Petroleum sector experts say that sometimes such allotments are misused by the beneficiaries who sublet it to local businessman for a consideration.

“Often war widows and old defence personnel are unable to run the petrol pump business and they sublet their pumps. That ensures a regular income to them. But, often these pumps are ill managed and that make the company suffer,” an oil sector expert Y Sahai said.

State-owned oil companies recently invited bids from different category of aspirants for setting up petrol pumps in 78,688 locations across the country.

STATE-OWNED OIL FIRMS RECENTLY INVITED BIDS FROM ASPIRANTS FOR SETTING UP PETROL PUMPS IN 78,688 LOCATIONS

बीपीसीएल से 14 रुपये अंतरिम लाभांश संभव

अमृता पिल्लई
मुंबई, 11 जनवरी

रेटिंग एजेंसी मूडीज ने कहा है कि सरकारी तेल विपणन कंपनी भारत पेट्रोलियम कॉरपोरेशन अगले महीने 14 रुपये के अंतरिम लाभांश का भुगतान कर सकती है। शेयर पुनर्खरीद के अभाव में कंपनी की तरफ से दिया जाने वाला लाभांश ज्यादा रहने की संभावना है।

बीपीसीएल पर एक नोट में एजेंसी ने कहा, अन्य सरकारी तेल व गैस कंपनियों के उलट बीपीसीएल ने हालांकि अभी तक शेयर पुनर्खरीद का ऐलान नहीं किया है, ऐसे में मूडीज को लगता है कि कंपनी को फरवरी 2019 में कम से कम 14 रुपये प्रति शेयर का अंतरिम लाभांश देने की दरकार होगी।