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India Inc Struggles to Account for Russia

Cos in a huddle with auditors, valuers over Russian investments as fiscal end draws near

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New Delhi: Indian companies with investments in Russia have gone into a huddle with auditors and valuation experts to determine the value of these investments — a prerequisite to close their books for the financial year.

Auditors and valuers typically use income projections to value investments in subsidiaries and joint ventures. However, uncertainty created by Russia's invasion of Ukraine has made it difficult to arrive at values for investments in that country, experts said.

Companies including Dr Reddy's Laboratories, Sun Pharmaceuticals, ONGC, BPCL and Indian Oil have investments in Russia. Their income projections have become next to impossible.

For instance, the Russian rouble has faced devaluation, affecting realisations from sales in that country. In some cases, sales have stopped altogether.

Russia's stock markets were closed for three weeks at a stretch before finally reopening recently, while several countries, led by the US, have imposed sanctions on Russia. Nobody knows how long the war will prolong, given the strong resistance from Ukraine and slow progress in talks to end the conflict.

"Given the current war situation, there may even be a need for managements to evaluate and change the technique used for valuation of investments in the affected areas," said Vishesh Chandiok, chief executive of accounting and advisory firm Grant Thornton.

'No Clear Solution' ►► 10

Readying The Books

As per accounting standards, cos must disclose carrying value of investments on March 31

This is the recoverable value of an investment at balance sheet closing date

Value of investments held in Russia could be impaired due to war situation

Such impairments need to be recorded in financial statements

Auditors may issue disclaimers, emphasise matters or issue adverse opinions based on action taken by cos

'No Clear Solution'

▸▸ From Page 1

"For example, it may not be appropriate to follow the market approach in case there is no active market… as at the reporting date," said Chandiok of Grant Thornton.

Dr Reddy's and Sun Pharma have subsidiaries in Russia while a joint venture of ONGC, BPCL and Indian Oil owns stakes in oilfields in Russia through a special purpose vehicle located in Singapore.

Dr Reddy's declined to comment when contacted. Russia accounted for nearly 10% of the Indian drug maker's total income in 2020-21, with sales of Rs 1,580 crore.

Sun Pharma did not respond to queries till press time on Wednesday.

ONGC said it would provide suitable disclosures in its year-end financial statements.

Accounting standards require companies and their auditors to record the carrying value of their investments in subsidiaries and joint ventures at the close of the financial year and to account for any impairments. The carrying value is effectively the recoverable value of an investment.

"All companies are working towards this, but I don't see a very clear solution in the current environment," said an auditor with a Big Four firm on condition of anonymity. "Ultimately, we may have to emphasise these issues in financial statements."

CHANGE IN PERSPECTIVE

Other than using income projections, valuers can use the cost or market approaches to determine the carrying value of an investment.

In the cost approach, replacement cost of an asset is arrived at to determine the carrying value. In the market approach, the value of listed securities could be used. However, if the business is not publicly traded, then this approach cannot be used. None of the Indian companies referenced earlier have listed entities in Russia.

If companies have to take write-downs on investments due to impairment of their value, that needs to be charged to their profit and loss account, resulting in a loss. Typically, this leads to hard bargaining between companies and their auditors and valuers, because companies would want to avoid taking such losses that could impact their overall financials.

"I have a client who has an investment in a listed Russian company," said Rishi Aswani, managing director of the valuation arm of Kroll. "We have had to use the traded value of that company's bonds to derive a valuation for the client's equity investment because Russia's stock markets remained closed for long."

It is likely that such unusual approaches may come in handy as the rush to close books gets hectic across India Inc in the approach to the end of this financial year.

The Economic Times
Oil Explorers Have Edge Over Marketers as Crude Boils
Mar 24, 2022 | Delhi | Pg No.: 8 | | Sq Cm:278 | AVE: 2847556 | PR Value: 14237781

Oil Explorers Have Edge Over Marketers as Crude Boils

OMCs' margins can come under pressure even after price hikes; stocks to be in favour only if crude falls, say analysts

Sanam.Mirchandani
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Mumbai: Investors prefer oil exploration and production companies over marketers even after the increase in retail prices of petrol and diesel for the first time since November, said analysts.

While the move removes an overhang of marketing losses of over ₹12 per litre being borne by oil marketing and upstream companies, analysts said upstream companies such as Oil India, GAIL India and Oil & Natural Gas Corp are on a stronger footing because of elevated crude oil and gas prices.

Money managers said shares of oil marketing companies (OMCs) HPCL, BPCL and Indian Oil Corp should be considered only if there is a fall in crude oil prices.

"OMCs are not the better bet at this point, they will benefit only if there is a fall in crude oil prices. Oil explorers will be in demand because every $10 increase in crude oil prices boosts their EPS by 20%," said Amit Gupta, vice-president and fund manager, ICICI Securities PMS.

Global crude oil prices rose to as high as $139 per barrel recently amid the Russia-Ukraine war tensions. There are reports that the European Union nations may consider joining the United States in a Russian oil embargo.

Oil companies have not borne any losses since FY16 due to low crude oil prices and a regular increase in retail prices in the event of a rise in crude oil prices. Retail prices were left unchanged for over four months due to state elections in Uttar Pradesh, Goa, Manipur, Punjab and Uttarakhand. Moreover, OMCs will have to consistently raise prices in the near term to return to black, said analysts.

Producers Flare Bright

Company	CMP (₹)	1-year Chg (%)	YTD Chg (%)
Oil & Natural Gas	175.55	67.59	22.72
Indian Oil Corporation	121.45	28.38	7.48
Reliance Industries	2539.69	24.05	5.63
Hindustan Petroleum	284.55	22.15	-4.13
GAIL (India)	143.55	9.58	9.25
Bharat Petroleum	366.25	-14.83	-5.13

"We prefer upstream companies as they benefit from rising crude oil and gas prices. GAIL also benefits from high gas trading and LPG (liquefied petroleum gas) realisations," said Avishek Datta of Prabhudas Lilladher in a note to investors.

"The oil marketing companies will also benefit from strong gross refining margins, but marketing margins are likely to come under pressure in a high crude inflationary environment."

The BSE Oil and Gas index has gained 5.45% to 18,463.17 so far this year while the Sensex has declined 1% in the period.

Indian Oil reported a 19% rise in December quarter profit while HPCL and BPCL posted a 63% and 11%, respectively.

Kotak Institutional Equities said OMCs holding back on retail price hikes after state elections were disappointing given the impact on margins but these price hikes should give some respite if the trend sustains in the coming days.

2ND HIKE IN 2 DAYS: PETROL, DIESEL 85p DEARER

Oil marketing companies (OMCs) hiked prices of petrol and diesel by up to 85 paise a litre each for the second day on Wednesday. The increase varied in four metro cities, depending on the respective state's value added tax. Petrol and diesel are costliest in Mumbai at ₹111.67 and ₹95.85 a litre, respectively. It is only in Delhi that petrol still costs less than ₹100. The fuel price was over ₹100 in three other metros even before the latest price hike. Petrol price was hiked by up to ₹1.69 and diesel by ₹1.71 a litre in the past two days. However, petrol and diesel prices need to be raised by up to ₹25 a litre for fuel retailers to cover the losses they incurred by keeping the rates on hold due to assembly elections in five states, despite the rise in the cost of crude. This means more price hikes would be announced in the coming days.

COMPILED BY INDIVJAL DHASMANA

Congress MPs protest against the increase in prices of LPG cylinder and petrol and diesel at Parliament House on Wednesday

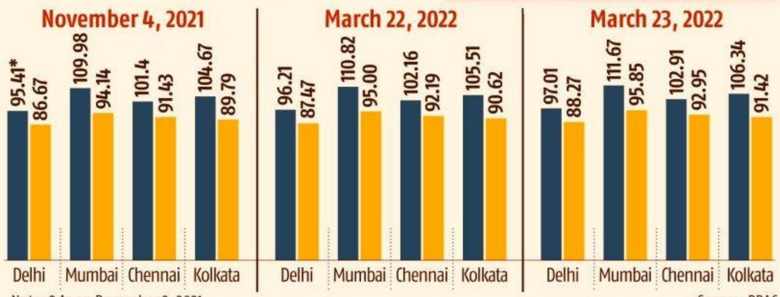
PHOTO: PTI

Price change in the past two days

	Delhi	Mumbai	Chennai	Kolkata
Petrol	1.6	1.69	1.51	1.67
Diesel	1.6	1.71	1.52	1.63

SIMMERING OIL

■ Petrol ■ Diesel (price a litre in ₹)



Note: * As on December 2, 2021

Source: PPAC

Analysts revise demand outlook for fuels

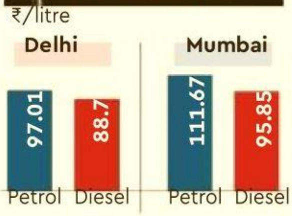
Fuel prices hiked 80 paise a litre for second day in a row

VIKAS SRIVASTAVA
Mumbai, March 23

AS THE OIL marketing companies (OMCs) hiked retail rates for petrol and diesel by 80 paise/litre for the second consecutive day on Wednesday, analysts have revised the demand outlook for fuels. JY Lim, an analyst with S&P Global Commodity Insights, said the country's oil demand outlook for 2022 has been revised down by 35,000 barrels per day and is now expected to grow by 225,000 barrels per day from the February outlook. However, Lim believes in H2 of 2022, the demand will be 275,000 barrels per day, higher than the level in H1 of 2022, driven by a more broad-based pick-up in the economic activity amid an improving Covid situation and widening vaccination rollouts. The auto fuel demand is largely price-inelastic.

Analysts feel given the volatility in crude prices, there have been attempts by the government to align crude oil contracts with negotiated (discounted) pricing. OMCs, too, have been planning to fill their inventories, which is helping India to keep the average crude basket at manageable levels in the short term.

Gaurav Moda, partner, energy at E&Y, said since trucks carry majority of goods across the country, the rise in diesel price could drive up rates of most goods.



Petrol and diesel prices were raised again on Wednesday by 80 paise per litre after Tuesday's increase that lifted a freeze of 137 days. In Delhi, petrol got costlier by 80 paise to ₹97.01/litre, higher than Tuesday's ₹96.21/litre, while the rate of diesel rose to ₹88.7/litre, up from Tuesday's ₹87.47 per litre.

In Mumbai, petrol prices rose by 85 paise to ₹111.67 per litre, higher than the previous rate of ₹110.82 per litre. Diesel costs rose to ₹95.85, up from Tuesday's ₹95 per litre.

The price of crude oil touched a high of $140 per barrel. The gross marketing margins of OMCs have fallen with under recoveries as high as ₹17 per litre in the last fortnight based on weighted average Brent price of $118/barrel.

Last Thursday, the price of diesel sold to bulk users was hiked by about ₹25 per litre in line with a near 40% rise in international oil prices, but the following hike in retail price is expected to be staggered over coming weeks.

The Statesman

Petrol, diesel prices hiked for 2nd day in row

Mar 24, 2022 | Delhi | Pg No.: 1 | | Sq Cm:20 | AVE: 18084 | PR Value: 90418

Petrol, diesel prices hiked for 2nd day in row: Petrol and diesel prices were raised by 80 paise per litre for the second consecutive day on Wednesday. Petrol and diesel prices were hiked by 80 paise per litre in Delhi. In Mumbai, the petrol and diesel prices were raised by 85 paise a litre. In Kolkata, the price of petrol was increased by 83 paise per litre and that of diesel was increased by 80 paise per litre.

Millenniumpost

Petrol, diesel prices hiked for second day in a row

Mar 24, 2022 | Delhi | Pg No.: 1 | | Sq Cm:100 | AVE: 902118 | PR Value: 4510588

Petrol, diesel prices hiked for second day in a row

MPOST BUREAU

NEW DELHI: Petrol and diesel prices on Wednesday were hiked by 80 paise a litre each for the second day in a row since the ending of an over four-and-half month election-related hiatus.

Petrol in Delhi will now cost Rs 97.01 per litre as against Rs 96.21 previously while the diesel rate has gone up from Rs 87.47 per litre to Rs 88.27, according to a price notification of state fuel retailers.

In Mumbai, petrol price has been increased by 85 paise to Rs 111.67 while in Chennai prices went up by 75 paise to Rs 102.91. In Kolkata, rates increased to Rs 106.34 from Rs 105.51.

The diesel price hike in Mumbai was 85 paise per litre.

Rates differ from state to state depending on the incidence of local taxes.

A record 137-day hiatus in rate revision ended on March 22 with an 80 paise per litre increase in rates.

Prices had been on a freeze since November 4 ahead of the assembly elections in states like Uttar Pradesh and Punjab -- a period during which the cost of raw material (crude oil) soared by USD 30 per barrel.

The rate revision was expected soon after assembly elections ended on March 10 but it was put off.

Oil companies are now recouping the losses.

India is 85 per cent dependent on imports to meet its oil needs.

Petrol, diesel prices raised by 80 paise per litre for second day

Petrol and diesel prices jumped by 80 paise per litre for the second day in a row on Wednesday. Oil marketing companies resumed daily price revision of transport fuels on Tuesday after a gap of about 137 days..

>P2

Petrol, diesel prices up 80p for 2nd day

Rituraj Baruah
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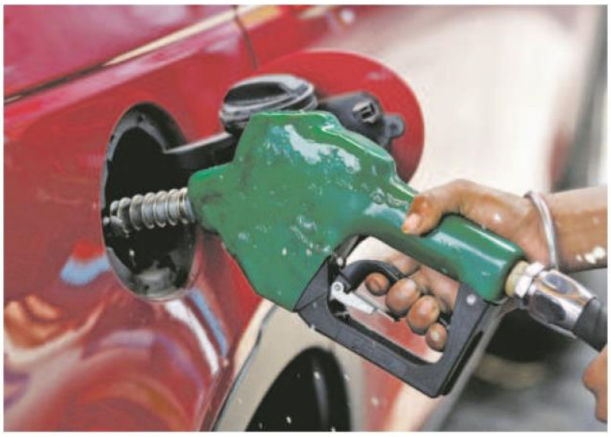
NEW DELHI



Petrol was priced at ₹97.01 per litre in New Delhi, up from ₹96.21, and diesel was at ₹88.27, up from ₹87.47 a litre earlier. REUTERS

Petrol and diesel prices jumped by 80 paise per litre for the second day in a row on Wednesday.

Petrol is now priced at ₹97.01 in the national capital, up from ₹96.21, and diesel is at ₹88.27, against the previous level of ₹87.47 a litre.

Oil marketing companies (OMCs) resumed daily price revision of transport fuels on Tuesday after a gap of about 137 days.

Tuesday's 80 paise rise marked the first increase since revisions were paused on 4 November, ahead of Assembly elections. This was the longest duration of static prices since daily price revisions began in June 2017. More hikes are likely as Brent crude prices have surged more than 40% since November.

The resumption in fuel price revision has stoked further fears of inflation. India's retail inflation hit an eight-month high of 6.07% in February, breaching the central bank's tolerance level.

According to experts, the hike in petrol, diesel, and cooking gas prices would reflect in the April inflation numbers. The price of non-subsidized LPG cylinders was hiked by ₹50 on Wednesday after a gap of over five months.

The rise in prices may also impact demand for petroleum products in the country, analysts said.

OMCs resumed daily price revision of transport fuels on Tuesday after a gap of about 137 days

J.Y. Lim, Analyst at S&P Global Commodity Insights, said: "In the near term, we expect India's oil demand to remain robust in the first half of March, but it is likely to ease in the second half as retail prices are hiked, with March demand to decline by 50,000 b/d (barrels per day) on the month but still rise by 180,000 b/d on the year."

Demand for oil products in February was up 98,000 barrels per day, or 2%, on a year-on-year basis, driven higher by LPG, petrol and other minor products.

With the resumption in daily revision of prices, oil marketing companies, which have so far suffered impact on margins due to steady retail prices, would get some respite if the price hike continues over the coming days, said a report by Kotak Institutional Equities.

It added that OMCs will have to raise diesel prices by ₹13.1-24.9 per litre and ₹10.6-22.3 a litre on petrol at an underlying crude price of $100-120 per bbl.

"We note if crude sustains around levels of $120/bbl, OMCs will find it difficult to be able to return to a normative marketing margin without any support from the central government in the form of excise duty cuts," said the Kotak report.

On Wednesday, crude oil prices continued to soar on persistent supply concerns.

Rahul Kalantri, vice president commodities, Mehta Equities, noted that American Petroleum Institute's latest inventory data, which showed oil stocks in the US decline by 4.28-million-barrel last week, supported the prices during the day.

"Crude oil prices also gets support amid threats to supply as Yemen's Iran-aligned Houthi group attacked Saudi energy and water desalination facilities," he said.

The Hindu Business Line

Petrol, diesel prices raised for 2nd day in row

Mar 24, 2022 | Delhi | Pg No.: 1 | | Sq Cm:27 | AVE: 50408 | PR Value: 252040

Petrol, diesel prices raised for 2nd day in row

New Delhi, March 23

Oil marketing companies have increased retail prices of petrol and diesel by 80 paise for the second consecutive day. Following the price revision, the rate of petrol in the national capital is now ₹97.01 per litre, while the revised rates in Mumbai, Chennai and Kolkata stood at ₹111.67, ₹102.91 and ₹106.34, respectively. Similarly, diesel now costs ₹88.27 a litre in the national capital, while the revised prices in Mumbai, Chennai and Kolkata stood at ₹95.85, ₹92.95 and ₹91.42, respectively. OUR BUREAU

Mint

'Govt should take concrete steps to raise domestic oil production'

Mar 24, 2022 | Delhi | Pg No.: 2 | | Sq Cm:33 | AVE: 131482 | PR Value: 657410

'Govt should take concrete steps to raise domestic oil production'

New Delhi: The standing committee on petroleum and natural gas has recommended the government to review its strategy to increase the domestic oil production and take concrete, tangible steps for the same. In its latest report submitted to the parliament, the committee raised concern over the "very minimal" contribution of oilfields under the 'new exploration licensing policy' in the overall production of crude oil in the country. RITURAJ BARUAH

Business Standard

INDIA REACHES $400-BN EXPORT TARGET AHEAD OF SCHEDULE

Mar 24, 2022 | Delhi | Pg No.: 1,4 | | Sq Cm:351 | AVE: 868088 | PR Value: 4340439

ECONOMY & PUBLIC AFFAIRS P4

INDIA REACHES $400-BN EXPORT TARGET AHEAD OF SCHEDULE

A first: India achieves $400-bn export target

Centre confident of clocking $410-billion exports by March 31

SHREYA NANDI
New Delhi, 23 March

India exported goods worth $400 billion ahead of schedule, even as it stares at disruption in the global economy emanating from the conflict between Russia and Ukraine that began last month.

The $400-billion figure was achieved as on March 21, which is 37 per cent higher than the previous fiscal year, when India exported goods worth $291 billion. The government is confident of clocking exports worth $410 billion by March 31 as India has been exporting goods worth roughly $1.3 billion per day.

During the same period, imports grew 51 per cent on-year to $589 billion, resulting in a trade deficit of $189 billion. The trade deficit was $114 billion in 2020-21.

"India set an ambitious target of $400 billion of goods exports and achieved this target for the first time ever. I congratulate our farmers, weavers, micro, small, and medium enterprises, manufacturers, and exporters for this success. This is a key milestone in our Aatmanirbhar Bharat journey," Prime Minister Narendra Modi tweeted on Wednesday.

Commerce and Industry Minister Piyush Goyal said that to achieve the target, a detailed strategy was in place, including specific country-wise, product-wise, and export promotion council-wise target, monitoring, and course correction.

"Our exports to Ukraine and Russia aren't much. However, the ongoing conflict is affecting the global economy with higher inflation and disruption due to container shortage. Those challenges are there before us and may lead to some disruption in trade. But we are on top of the issues," Goyal told reporters.

As far as firming up a payment mechanism to facilitate trade with Russia, amid sanctions imposed by the US and its allies, Goyal said that the departments would respond. It is learnt that the Department of Financial Services and the Reserve Bank of India are working towards facilitating a rupee-ruble payment mechanism to ensure trade between both nations is not disrupted.

EXPORT PICTURE

Commodities where India's export achievement was more than 100% of the target as on March 21,2022

(Value in $ billion)

	2020-21 (Till March 21, 2021)	2021-22 (Till March 21, 2022)	Growth (%)	% share	Target for 2021-22	% of target achieved
Engineering goods	73.6	107.8	46.5	26.9	107.3	100
Petroleum products	24.7	59.6	141.4	14.9	54.3	110
Organic & inorganic chemical	21.3	28.2	32.3	7	24.4	115
Cotton yarn/fabs./ madeups, handloom products, etc	9.5	14.8	56.5	3.7	13.6	109
Plastic and linoleum	7.2	9.5	31.4	2.4	9.5	100
Mica, coal and other ores, minerals including process	4.2	5	18.1	1.2	4.8	104
Other cereals	0.7	1	50.4	0.3	0.9	111
Total of above commodities	141.2	225.9	60	56.4	214.9	105.1
Total export by India	280.8	400.9	42.7	100	414	96.8

Source: Dept of Commerce

Sector-wise growth

Engineering goods, petroleum products, and organic and inorganic chemicals were the top three goods exported from India.

A senior government official said that according to a preliminary analysis done by the commerce department, growth of several commodities, including rice, cashewnuts, automotive components, buffalo meat, cereals, among others, grew significantly in terms of volume and the value of such exports were not only driven by higher commodity prices globally.

Countries such as Australia, Taiwan, South Korea, Bangladesh, Poland, Brazil, Indonesia, Belgium, Saudi Arabia, Turkey, Italy, Japan, Canada, US, South Africa, the Netherlands, Nigeria, Egypt, and Mexico achieved more than the export target (as of March 21).

Goyal also said a new foreign trade policy will be delayed by a few months and will be firmed up in line with the changes in trade. Besides, the India-United Arab Emirates free trade agreement will come into force in six weeks.

Indices slip into red, oil back at $122

AGENCIES
Mumbai, 23 March

The benchmark BSE Sensex reversed its early gains to close lower by 304 points on Wednesday due to profit-taking in banking, financials and select IT stocks after a recent surge.

The Sensex closed lower by 304.48 points or 0.53 per cent to settle at 57,684.82. During the day, it tanked 420.71 points or 0.72 per cent to 57,568.59.

The broader NSE Nifty dipped 69.85 points or 0.4 per cent to finish at 17,245.65 with 29 of its stocks ending in red.

Oil prices, on the other hand, rose in volatile trading, supported by disruption to Russian and Kazakh crude exports via the CPC pipeline.

Brent crude futures were up $6.61, or 5.72 per cent, at $122.09 a barrel as of 9.07 pm IST. US West Texas Intermediate crude futures rose $5.90, or 5.40 per cent, to $115.17 a barrel.

The rupee decline 24 paise to 76.42 against the dollar amid rising crude prices.

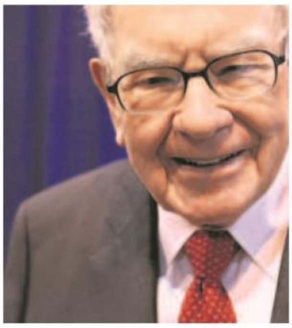
Mint
Occidental warrants could give Buffett a 23.6% stake in oil firm
Mar 24, 2022 | Delhi | Pg No.: 4 | | Sq Cm:135 | AVE: 541739 | PR Value: 2708697

Occidental warrants could give Buffett a 23.6% stake in oil firm

Bloomberg
feedback@livemint.com

Warren Buffett's Occidental Petroleum Corp. warrants are looking increasingly attractive. As part of Berkshire Hathaway Inc.'s $10 billion investment in the oil company in 2019, Buffett has the option to acquire 83.86 million shares at $59.62 each. Exercising those warrants could give Berkshire nearly 23.6% stake in the oil company, in addition to its preferred stock. Buffett's firm is already Occidental's biggest shareholder.

"He does have a very good track record of lending out money in times of duress for the recipient, for the borrower, and procuring these warrants," said Darren Pollock, whose Cheviot Value Management LLC oversees investments, including Berkshire shares.



Warren Buffett has the option to buy 83.86 mn shares. REUTERS

"Over time when those businesses do well, he does have this added kicker of so many additional warrants that are worth," Pollock said.

Buffett declined to comment when asked if Berkshire would exercise the warrants.

Occidental is the top performer in the S&P 500 Index this year, gaining nearly 106% at the close of trading on 22 March. Rising oil prices helped the Houston-based company pay down debt more rapidly than expected, raise its dividend and restart a share-buyback programme. Sanctions against Russia following its invasion of Ukraine also boosted investor appetite for US shale-focused oil stocks.

THE COMPASS

Street realigning with OMCs' new reality

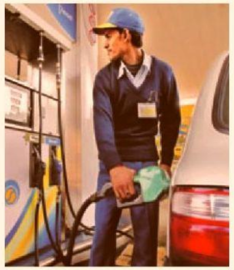
Many more retail price hikes required to return to positive margins; moderate valuations offer some comfort

DEVANGSHU DATTA

It may be time to review and re-rate the impact of the Russian invasion of Ukraine upon the Indian oil refining and marketing companies (OMCs). Fossil fuel prices have shot up and India imports over 50 per cent of its gas and 85 per cent of its crude oil.

Two public sector undertaking (PSU) OMCs – Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation (HPCL) – have recently bought around 5 million barrels of crude from Russia at discounted rates. Since India consumes around 4.5 million barrels a day, this is a token quantity but it could be an indicator of future deals with geopolitical implications.

India actually has very low dependence on Russian crude – importing less than 2 per cent of its annual needs from Russia. But India and the former USSR had a long-standing trade relationship where they spent accumulated rubles / rupees to buy goods or services bilaterally.



(India had a similar deal with Iran for a while). It may revert to a similar arrangement with Russia, in the face of sanctions.

To some extent, this would reduce fears of supply disruptions and perhaps, help to lock-in better prices for fuel imports. Also, after a long hiatus due to elections, the prices of petroleum products and of gas have been hiked.

Though the profit and loss accounts of OMCs have been kept afloat by inventory gains as oil prices have escalated through the past four months, the OMCs have suffered from under-recoveries through December and all of the March quarter (Q4).

Even the increases that have now been mandated will not be enough. However, Q1 financial year 2022-23 (FY23) could be better if OMCs now possess the headroom to gradually hike their retail prices until marketing margins recover. In one estimate, marketing margins (blended/ averaged across fuels) were estimated to be at ₹5.3 a litre for Q3 and deep into the red for Q4.

Budgetary estimates assumed that crude prices would stay below $80 per barrel. At the prevailing prices of between $100-120 per barrel, OMCs will need to raise petrol rates by ₹11-22 per litre and diesel prices by ₹13-25 per litre. So the two price hikes of ₹0.8 per litre each (and ₹25 per litre for bulk diesel consumers) have just initiated a process of raising retail prices. It could take another 20-30 hikes of the same quantum to pull back to positive margins.

Refining margins are also likely to be volatile. There's some demand reduction due to the fourth wave and the downgrading of growth prospects. There's also a big supply shock of course. But around 2.7 million barrels per day of global refining capacity is being shut down, which could mean that supply realigns and helps maintain refining margins. If refining margins are maintained at current levels for FY24, then PSU OMCs are moderately priced at enterprise value (EV)/ Ebitda ratios of 5-6 on estimated FY22 earnings.

IOC and HPCL stocks have responded positively to the hikes and news of the Russia deals, although these are tiny. Both have risen in the last seven sessions and IOC is up for the last month. BPCL is also up over the last month. This could indicate that the market is adjusting to the new situation after the initial panic.

The Pioneer

Europe limited in curbing high energy prices amid protest

Mar 24, 2022 | Delhi | Pg No.: 10 | | Sq Cm:198 | AVE: 2824904 | PR Value: 14124518

Europe limited in curbing high energy prices amid protest

AP ■ MADRID

Governments across Europe have been slashing fuel taxes and doling out tens of billions to help consumers, truckers, farmers and others cope with spiking energy prices made worse by Russia's invasion of Ukraine.

The move was, however, not enough for some whose livelihoods hinged on fuel.

Miguel Ángel Rodriguez, one of the 200 concrete truck drivers who held a slow-driving protest around Madrid this week, said filling up used to cost 1,600 euros (USD1,760) a month, but he had been forking out an extra 500 euros since the start of the year because of the rising price of diesel.

"We will continue striking because, at the end of the day, it's pretty much the same for us to go out to work or to stay at home," Rodríguez said.

He warned that his rising costs were part of "a domino effect that is only going to drive us all to our ruin unless the government takes some definitive action".

He's among those in industries like trucking or fishing who are staging protests to push politicians to ease their financial pain.

The war has exacerbated a month-long energy crunch in Europe, which is dependent on Russian oil and natural gas.

Governments have limited options to provide lasting relief as households and businesses face crippling energy bills, high prices at the pump and other effects.

Volatile energy markets control natural gas and oil prices that have soared and fuelled record inflation.

Countries like Italy, the Netherlands, Belgium, Greece, Sweden and Cyprus are passing temporary efforts to provide immediate help: slashing fuel taxes, rolling out heating and power subsidies or rebates, and capping energy bills for households and small businesses.

Such measures "are sensible, and some of them, such as energy tax cuts, could be sustained indefinitely - even if prices continue to increase," said Elisabetta Cornago, a senior research fellow at the Centre for European Reform think tank who specialises in EU energy policy.

But she called them partial solutions that "only make a small difference".

"The main problem is that these measures to keep energy prices low will also suppress incentives for energy efficiency, for investment in green energy generation, and for electrifying sectors that currently rely on fossil fuels - so they could make the long-term pain of adjustment harder," Cornago said.

Raising interest rates, the tool wielded by central banks to tame inflation, also would do little to rein in energy prices - which European Central Bank President Christine Lagarde noted last month.

That's because "rising energy prices are due to fundamental shifts in energy markets", Cornago said.

The energy crisis will be a hot topic at a European Council summit starting Thursday in Brussels, where leaders from Spain, Portugal, Italy and Greece will call for an urgent, coordinated bloc-wide response.

EU officials on Tuesday said they were moving towards the joint purchase of natural gas and ensuring the bloc's storage facilities were topped up.

In the meantime, workers are taking to the streets.

Truckers around France, dissatisfied with aid they consider "insufficient", held a day of action on Monday, with a group of independent drivers in Normandy and the English Channel region staging a blockade that prevented hundreds of trucks from moving.

The Tribune

INDIA CROSSES $400-BN MILESTONE IN EXPORT

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India crosses $400-bn mark in exports

Petroleum products, engineering, gems and jewellery sectors show stellar performance

TRIBUNE NEWS SERVICE

NEW DELHI, MARCH 23

India's exports for the first time crossed the $400-billion mark due to stellar performances by sectors such as petroleum products, engineering, gems and jewellery, and chemicals, said the Commerce Ministry on Wednesday.

The merchandise exports rose by 37% to $400.8 billion in 2021-22 until March 21 against $292 billion in 2020-21. Previously, the outbound shipments had touched a record of $330.07 billion in 2018-19. With nine days left for the current fiscal to end, India might add another $10-12 billion, taking the overall exports to over $410 billion in 2021-22.

However, imports were higher at $589 billion, leaving a trade deficit of around $189 billion.

Commerce and Industry Minister Piyush Goyal said India has achieved this milestone despite unanticipated adversities such as the Covid pandemic and the Russia-Ukraine war. "First time in history, India has crossed $400 billion in merchandise exports...if this was a movie like The Kashmir Files, it would be called a Make in India blockbuster," he observed.

The close interaction with states and districts; engagement with exporters; faster resolution of their issues; actively engaging with different export promotion councils, industry associations and other stakeholders have helped in reaching this milestone, the Minister explained. The top five export destinations are the US, the UAE, China, Bangladesh, and the Netherlands.

Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai also described the landmark as a "remarkable achievement" as exporters added over $110 billion in one year despite huge logistics challenges such as container shortage and high freight.

KEY MILESTONE

"India set an ambitious export target of $400 billion and achieved it for the first time ever. I congratulate our farmers, weavers, MSMEs, manufacturers, exporters for this success. This is a key milestone in our Aatmanirbhar Bharat journey. **Narendra Modi**, PM

IMPORTS UP AT $589 BN, TRADE DEFICIT STANDS AT $189 BN

- The merchandise exports rose by 37% to $400.8 billion in 2021-22 until March 21 against $292 billion in 2020-21
- Previously, the outbound shipments had touched a record $330 bn in FY19
- Imports during the period stood at $589 billion, leaving a trade deficit of about $189 billion

FIRST COLUMN

IRAN, NUKES, ISRAEL, OIL, RUSSIA

It's a complex deal involving a very large, very old UK debt

GWYNNE **DYER**

The news that the obscurely named Joint Comprehensive Plan of Action (JCPOA) is back in force may reach you even before this article does, but the release of Nazanin Zaghari-Ratcliffe on Wednesday was a clear signal that the Iran nuclear accord is back in effect. Zaghari-Ratcliffe, an Iranian-born British citizen, was arrested in Tehran in 2016 while visiting her mother and jailed as a spy. She was actually being taken hostage in an attempt to make the United Kingdom to pay the Islamic Republic a very large, very old debt.Then suddenly, on Wednesday, she was on her way home, and another British hostage of Iranian descent was on the same plane. The news leaked out that Britain had finally paid its $540 million debt after 45 years of stalling. (The Shah had ordered British tanks before he was overthrown. Britain cancelled the order, but kept the money.) So, the

JCPOA is back on. In the 2015 deal, Iran agreed to do no work that would get it closer to building nuclear weapons for fifteen years in return for the lifting of international trade sanctions. It was Barack Obama's great foreign policy success - which may be why Donald Trump, seeking to erase every achievement of America's first black president, cancelled the deal in 2018.

The other signatories of the JCPOA - China, France, Germany, Russia and the UK - promised to try to bring the Americans back, but effectively most obeyed the trade sanctions that Trump had unilaterally slapped on Iran. Iran waited for a year, and then started ratcheting up its nuclear research every three months, getting closer and closer to a weapons capability. The JCPOA treaty said that Iran would not enrich uranium higher than 3.67%. By last month it was up to 60%. Trump and Netanyahu were both gone, and both Israeli and US senior military officers had concluded the old deal was better than nothing. President Joe Biden was of the same mind, and he was also worried about a looming confrontation with Russia over Ukraine, so last autumn he instructed his diplomatic people to stop trying to screw extra concessions out of the Iranians. Just get on with it! Things moved quickly after that, and by late last month Josep Borrell, the European Union's foreign affairs chief, was saying that "a final text is essentially ready and on the table." However, he added, "a pause in the Vienna talks is needed due to external factors." The external factors were the Russian invasion of Ukraine and the Western sanctions on Russia that followed. Russian foreign minister Sergei Lavrov demanded that Washington pledge not to impose sanctions on any bilateral trade deal between Russia and Iran after the JCPOA comes back into effect. At the moment Iran exports less than a million barrels per day of crude oil, almost all of it to China. It could sell at least another million and a half bpd internationally if sanctions are finally lifted, and that extra supply would certainly drop the oil price sharply. Oil and gas sales are about the last remaining major source of foreign currency for Russia. The benchmark Brent oil price today is $95 a barrel, already down by more than $40 from last month's panic-stricken peak. The extra Iranian oil could knock it down another $20 or $30 bpd, cutting Russia's income further and letting Europe buy more of its oil from Iran, not Russia. There are so many moving parts to this deal that it could still fall apart at the last second, of course. But for now it looks good, and Nazanin Zaghari-Ratcliffe is already home with her family.

(Gwynne Dyer's new book is 'The Shortest History of War'. The views expressed are personal.)

Putin wants 'unfriendly nations' to pay rubles for gas

MOSCOW: President Vladimir Putin announced Wednesday that Russia will demand that "unfriendly" countries pay for Russian natural gas exports only in rubles from now on.

Putin told a meeting with government officials that a number of Western countries made illegitimate decisions on the so-called freezing of the Russian assets, effectively drawing a line over reliability of their currencies, undermining the trust for those currencies.

It makes no sense whatsoever," Putin added, "to supply our goods to the European Union, the United States and receive payment in dollars, euros and a number of other currencies. As a result, he said he was announcing measures to switch to payments for our natural gas, supplied to so-called unfriendly countries in Russian rubles.

The Russian president didn't say when exactly the new policy will take effect. He instructed the country's central bank to work out a procedure for natural gas buyers to acquire rubles in Russia.

Economists said the move appeared designed to try to support the ruble, which has collapsed against other currencies since Putin invaded Ukraine on February 24 and Western countries responded with far-reaching sanctions against Moscow. But some analysts expressed doubt that it would work.

Demanding payment in rubles is a curious and probably ultimately ineffective approach to attempting an end run around Western financial sanctions," said Eswar Prasad, a professor of trade policy at Cornell University.

Rubles are certainly easier to come by now that the currency is collapsing. But exchanging other currencies for rubles will be quite difficult given the widespread financial sanctions imposed on Russia.

The hope that demanding payment in rubles will increase demand for the currency and thereby prop up its value," Prasad added, "is also a false hope given all the downward pressures on the currency." AGENCIES