ONGC News, 22.11.2021 Print

The Financial Express

ONGC union upset over govt's Mumbai High decision

Nov 22, 2021 | Delhi | Pg No.: 1 | | Sq Cm:38 | AVE: 125430 | PR Value: 627151

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THE GOVERNMENT'S proposal to give away ONGC's biggest oil and gas fields to foreign companies has met with strong resistance from the officers union of the company, reports PTI. In a petition to oil minister HS Puri, the Association of Scientific & Technical Offices of ONGC has said that it should empower and give the company a level-playing field rather than giving away its prime assets to the private sector on a platter. The union represents 17,000 ONGC officers.

Rashtriya Sahara
Mumbai mai high ko niji hatho mai saupne ka virodh
Nov 22, 2021 | Delhi | Pg No.: 15 | | Sq Cm:69 | AVE: 448880 | PR Value: 2244399

'मुंबई हाई' को निजी हाथों में सौंपने का विरोध

नई दिल्ली (भाषा)।

आयल एंड नेचुरल गैस कारपोरेशन (ओएनजीसी) के अधिकारियों की एक यूनियन ने कंपनी के सबसे बड़े तेल एवं गैस क्षेत्र को 'थाली में सजाकर' विदेशी कंपनियों

को देने के पेट्रोलियम मंत्रालय के प्रस्ताव का कड़ा विरोध किया है। यूनियन का कहना है कि सरकार को ऐसा कदम उठाने के बजाए कंपनी को सशक्त करना चाहिए और उसे समान अवसर उपलब्ध कराना चाहिए।

ओएनजीसी की अधिकारियों की यूनियन 'वैज्ञानिक और तकनीकी कार्यालय संघ' ने पेट्रोलियम मंत्रालय में अतिरिक्त सचिव (खोज) अमर नाथ द्वारा मुंबई हाई की 60 प्रतिशत हिस्सेदारी और परिचालन अंतरराष्ट्रीय भागीदारों को देने के प्रस्ताव के खिलाफ पेट्रोलियम मंत्री हरदीप सिंह पुरी से गुहार लगाई है। अमर नाथ ने उत्पादन बढ़ाने के लिए बेसिन और सैटेलाइट (बी एंडएस) अपतटीय संपत्तियों में 60 प्रतिशत हिस्सेदारी अंतरराष्ट्रीय भागीदारों को देने का प्रस्ताव किया है।

Virat Vaibhav
ONGC ki union ne Mumbai High ko niji shetra ko dene ka virodh kiya
Nov 22, 2021 | Delhi | Pg No.: 15 | | Sq Cm:58 | AVE: 346102 | PR Value: 1730508

ओएनजीसी की यूनियन ने मुंबई हाई को निजी क्षेत्र को देने का विरोध किया

नई दिल्ली। ऑयल एंड नैचुरल गैस कॉरपोरेशन (ओएनजीसी) के अधिकारियों की एक यूनियन ने कंपनी के सबसे बड़े तेल एवं गैस क्षेत्र को थाली में सजाकर विदेशी कंपनियों को देने के पेट्रोलियम मंत्रालय के प्रस्ताव का कड़ा विरोध किया है। यूनियन का कहना है कि सरकार को ऐसा कदम उठाने के बजाय कंपनी को सशक्त करना चाहिए और उसे समान अवसर उपलब्ध कराना चाहिए।

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अमर नाथ ने उत्पादन बढ़ाने के लिए बेसिन और सैटेलाइट (बी एंडएस) अपतटीय संपत्तियों में 60 प्रतिशत हिस्सेदारी अंतरराष्ट्रीय भागीदारों को देने का प्रस्ताव किया है। यूनियन ने कहा कि कंपनी और उसके कर्मचारी आयात में कटौती के लिए घरेलू उत्पादन बढ़ाने के सरकारी उद्देश्य के साथ पूरी तरह से जुड़े हैं।

Proposal to give away Mumbai High to private sector upsets ONGC union

Govt is mulling to give away 60% stake and operatorship of Mumbai High and Bassein & Satellite offshore assets to international partners for raising output

MPOST BUREAU

NEW DELHI: The petroleum ministry's proposal to give away ONGC's biggest oil and gas fields to foreign companies has met with strong resistance from the officers union of the company, which has said that the government should empower and give the company a level-playing field rather than giving away its prime assets to the private sector on a platter.

The Association of Scientific & Technical Offices of ONGC petitioned Oil Minister Hardeep Singh Puri against a proposal put by Amar Nath, additional secretary (exploration) in the Ministry of Petroleum and Natural Gas, for giving away 60 per cent stake and operatorship of Mumbai High and Bassein & Satellite (B&S) offshore assets to international partners for raising output.

The union, which represents ONGC's 17,000 officers, said the company and its employees are completely aligned with the government objective of raising domestic production to cut imports, and for this to happen ONGC should be given the same fiscal and regulatory regime as the private sector enjoys for exploring and producing oil and gas.

The government-dictated below market price gas price fixation for ONGC fields should be reviewed to make production from smaller and remote fields viable, it wrote to Puri on November 11. Also, ONGC should be given freedom to market small pools of natural gas which in present price regime are unviable.

Statutory clearances and authorities for ONGC need to be optimised and procedural aspects rejigged to help the firm take faster decisions.

Farming out stake in "existing fields shall not yield the desired results of enhancing domestic production, instead it will provide a level playing field and empower ONGC to further enhance productivity," the union wrote.

"We would therefore request you that handing over producing fields on a platter to the private operator will not be successful and therefore, in our opinion, should not be pursued," it added. Turn to P4

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It said exploration of oil and gas is a highly risky endeavour where very few like to participate. "This is evident from the tepid response to the bids invited under OALP (bid rounds), where only ONGC and to some extent OIL are the only bidders."

Private and foreign operators are unwilling to take the risk of investing millions of dollars in surveying and drilling wells to establish reserves. They instead want to enter into established fields.

"The private operators most probably are giving priority to commercial aspects, the prevailing business climate and therefore may not be taking the risk that ONGC is willing to take," the union wrote.

The data of the last 3 years shows that ONGC has been consistently drilling more than 100 exploratory wells every year even when the international crude prices had hit an all-time low. During the low price regime most of the international and private E&P companies had stopped their exploratory plans and had drastically reduced their development investments.

"ONGC, however, bucked the trend and continued to aggressively invest in exploration and development activities," it said, adding private exploration and production (E&P) companies have been very quick to give up fields with falling commercial returns.

"The example of Panna, Mukta and tapti fields (in western offshore) where international E&P operators did not renew their leases even though the recovery factor from these fields had not even reached 20 per cent, in fact in one case it was even less than 10 per cent," it said pointing to ONGC's recovery factor - percentage of reserves being recovered - at 28 per cent in Mumbai High and Bassein fields.

ONGC took over the Panna, Mukta and Tapti fields after the exit of Shell and BG Group and is producing more than the approved profile of the field.

Similarly, the Ratna field, which was given to the private sector, was put to production by ONGC. PY-3 field too was lying idle for years before ONGC took over.

"Despite the impact of COVID-19, ONGC has been able to maintain the production levels as envisaged in the annual plans. Mumbai high has been producing since 1976 and has been the cornerstone of the country's oil production. Bassein and Satellite have been the frontrunner for gas since 1987," the union wrote.

"ONGC has been optimally producing from these fields keeping into consideration the health of the reservoir," it noted. With time, ONGC has also accreted reserves in these fields and has enhanced the recovery factor.

"ONGC has plans to further enhance the production from these fields and in coming years, we shall see substantial increase from these fields," the union wrote.

"All these efforts are in public domain and we are sure that the same must have been scrutinised by the Board of ONGC of which senior officials from the ministry are an integral part," it added. The Union sought an opportunity to meet Puri personally and present its suggestions for augmenting domestic crude oil and natural gas output.

"Farming out 60 per cent interest and operatorship in these fields shall have a major negative impact on ONGC's performance, whereas such efforts in the past have not yielded desired results, for example Panna, Mukta, Ratna, Tapti and PY-3," it added.

3 state-run oil companies look to invest in Russia's Rosneft project

Utpal Bhaskar
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NEW DELHI: Three state-run oil companies from India are seeking to invest jointly in the massive Vostok project of Russia's Rosneft, two people aware of the development said, as the world's third-largest crude oil consumer continues efforts to attain energy security.

The consortium of state-run ONGC Videsh Ltd (OVL), Indian Oil Corp Ltd (IOCL) and Oil India Ltd (OIL) has completed the technical evaluation of 30 out of 52 licence areas of the project, the people said, requesting anonymity.

"The talks are at a preliminary stage. For Vostok, the technical evaluation for 30 licence areas have been done. How much participatory interest will be taken will be based on evaluation based on technical data. It depends on how much is recoverable. Once the reserves match with the operator's numbers, then the commercial evaluation will happen," one of the two people said.

The consortium of ONGC Videsh, Indian Oil and Oil India has completed evaluation of 30 out of 52 licence areas. BLOOMBERG

India is also looking to invest in Russia's liquefied natural gas project, Arctic LNG-2, by purchasing a stake from Novatek, which owns a 60% stake in the project, the person said.

"India has many assets in Russia and is now looking at two more projects—Rosneft's Vostok project and Arctic LNG-2. These are the two projects which are at high priority," the person said.

With an estimated reserve of about 6 billion tonnes of crude oil and expected production of 100 million tonnes (mt) in 2030, Vostok is part of the multi-pronged energy partnership between India and Russia that involves energy sourcing and supplies, upstream investments and collaboration in petrochemicals. India is also exploring more long-term crude oil deals with Russia.

"Rosneft is negotiating entry into the (Vostok) project with a number of potential partners, including a consortium of Indian companies. We will inform you about the results of this work in a timely manner," a spokesperson for Rosneft said in an emailed response. He did not name the Indian companies.

"The resource base is comparable to the largest oil provinces in the Middle East or the US shale formations. The high quality of the feedstock eliminates the need for separate units at refineries and significantly reduces the project's greenhouse gas emissions," the spokesperson said. India's state-owned firms have invested $16 billion in Russia, including in the Far East and East Siberia, in oil and gas assets such as Sakhalin-1, Vankor and Taas-Yuryakh.

ONGC union resists selling of Mumbai High field

PTI ■ NEW DELHI

The Petroleum Ministry's proposal to give away ONGC's biggest oil and gas fields to foreign companies has met with strong resistance from the officers union of the company, which has said that the Government should empower and give the company a level-playing field rather than giving away its prime assets to the private sector on a platter.

The Association of Scientific & Technical Offices of ONGC petitioned Oil Minister Hardeep Singh Puri against a proposal put by Amar Nath, additional secretary (exploration) in the Ministry of Petroleum and Natural Gas, for giving away 60 per cent stake and operatorship of Mumbai High and Bassein & Satellite (B&S) offshore assets to international partners for raising output.

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"ONGC, however, bucked the trend and continued to aggressively invest in exploration and development activities," it said, adding private exploration and production (E&P) companies have been very quick to give up fields with falling commercial returns.

"The example of Panna, Mukta and tapti fields (in western offshore) where international E&P operators did not renew their leases even though the recovery factor from these fields had not even reached 20 per cent, in fact in one case it was even less than 10 per cent," it said pointing to ONGC's recovery factor - percentage of reserves being recovered - at 28 per cent in Mumbai High and Bassein fields.

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ONGC RATING: **BUY**

Delay in O&G output ramp-up the only concern

Q2 consolidated EPS up 64%; FY22-23e EPS raised by 24-8% given positives; valuation's attractive; 'Buy' retained with TP of ₹230

ONGC'S Q2FY22 CONSOLIDATED and standalone EPS were up 64-134% y-o-y on oil and product realisation jump. Company has moved to a lower tax rate of 25%, cut its oil & gas output estimates, and its H1 interest and DD&A were lower and other income higher than estimated. Factoring in these changes, surprises in H1 and upgrade in EPS estimates of subsidiaries HPCL, MRPL and OVL leads to upgrade in FY22e-FY23e EPS by 24-8% and TP to ₹230 (49% upside). Higher oil, gas and LPG prices based on latest futures would mean 16-35% upside to FY22-FY23e EPS and 7% upside to FV to ₹247. Recent surge in GRM may mean upside to HPCL and MRPL's EPS if recovery sustains. Thus, there is all-round good news except delay in oil & gas output ramp-up. Reiterate **Buy**.

Q2 EPS up 2.3x y-o-y on oil & product price jump: Q2FY22 standalone recurring EPS was up 2.3x y-o-y driven by rise in realisation on oil by 67% y-o-y, products by 29-77% y-o-y, other income by 41% y-o-y and fall in tax due to move to lower tax rate; reported profit (including deferred tax write-back of ₹85.4 bn and prior-period tax refund of ₹4.5 bn) is up 6.7x y-o-y at ₹183.5 bn. Q2 oil and gas sales volumes were down 1-7% y-o-y. Consolidated recurring EPS was up 64% y-o-y; consolidated reported as well as recurring profit was lower than standalone given loss of MRPL and dividend from HPCL and OVL exceeding ONGC's share in their profit in Q2.

FY22E-FY23E EPS up 24-8%: We have upgraded FY22e-FY23e EPS by 24-8%; this is a net impact of: (i) cut in tax rate to 25%; (ii) cut in FY23E oil & gas sales volumes by 4% as start of oil and ramp-up of gas output from KG-DWN-98/2 was delayed; (iii) upgrade in FY22e-FY23e consolidated other income by 19-11%; (iv) cut in FY22e-FY23e DD&A by 6-3%; (v) interest cost for FY22E being raised by 14% and for FY23e cut by 11%; (vi) upgrade in HPCL's FY22e-FY23e profit by 41-14%; (vii) upgrade in OVL's FY22E-FY23E profit by 42-38%; and (viii) cut in MRPL's FY22E loss by ₹3 bn, but rise in FY23e loss by ₹4 bn. The share price discounts LT Brent of $52/bbl and is attractive at FY22e-FY23e P/BV of 0.8-0.7x and dividend yield of 6.0-8.1%.

FINANCIALS

Year to March	FY20	FY21	FY22E	FY23E
Revenue (₹ bn)	4,249.6	3,605.7	5,743.9	6,285.4
Net Income (₹ bn)	198.3	158.4	355.1	458.7
EPS (₹)	15.8	12.6	28.2	36.5
% chg Y-o-Y	-38%	-20%	124%	29%
P/E (x)	9.8	12.3	5.5	4.2
CEPS (₹)	36.9	32.9	51.1	60.6
EV/E (x)	5.6	6.0	3.3	2.7
Dividend Yield (%)	4%	2%	6%	8%
RoCE (%)	6%	6%	11%	13%
RoE (%)	9%	7%	15%	17%

Source: ICICI Securities

16-35% upside to FY22e-FY23e EPS: Based on latest futures: (i) FY22e-FY23e Brent at $77-76.7/bbl is 10-18% above our estimate; (ii) FY23E APM gas price at $8.4/mmbtu is 29% above our estimate; (iii) FY23e deepwater gas price at $12.6/mmbtu based on spot LNG is 26% above our estimate; and (iv) FY22e-FY23e LPG at $716-636/t is 10-4% above our estimate. Upside to FY22e-FY23e EPS factoring these prices is 16-35%. Upside to HPCL and MRPL's FY22e-FY23e EPS is likely if the strength in Singapore GRM sustains. Severity of winter in Europe and Asia is likely to determine price of gas, oil, spot LNG and GRM in rest of FY22e and FY23e.

ICICI SECURITIES

EXPERT VIEW

Higher oil, gas and LPG prices based on latest futures would mean 16-35% upside to ONGC's FY22-FY23E EPS and 7% upside to FV to ₹247

—ICICI Securities

Oilmin proposal on Mumbai High field upsets ONGC union

PRESS TRUST OF INDIA
New Delhi, November 21

THE PETROLEUM MINISTRY'S proposal to give away ONGC's biggest oil and gas fields to foreign companies has met with strong resistance from the officers union of the company, which has said that the government should empower and give the company a level playing field, rather than giving away its prime assets to the private sector on a platter.

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The association has petitioned against a proposal for giving away 60% stake and operatorship of Mumbai High and Bassein & Satellite offshore assets to international partners

"We would therefore request you that handing over producing fields on a platter to the private operator will not be successful and therefore, in our opinion, should not be pursued," it added.

It said exploration of oil and gas is a highly risky endeavour where very few like to participate. "This is evident from the tepid response to the bids invited under OALP (bid rounds), where only ONGC and to some extent OIL are the only bidders." Private and foreign operators are unwilling to take the risk of investing millions of dollars in surveying and drilling wells to establish reserves. They instead want to enter into established fields.

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The Centre does its bit, over to the states now

Higher than budgeted devolution of taxes to the states more than makes up for fuel-levy cuts

FINANCE MINISTER NIRMALA Sitharaman has exhorted India Inc to take on more risk, and has promised to go the extra mile if companies commit to more investments. Indeed, the Centre seems determined to get growth going; besides calling on banks to disburse more loans, the FM also incentivised the states to spend more. Tax devolution has been front-loaded to help them step up their pace of investments; ₹95,000 crore is to be released this week rather than half that amount as per the Union budget. This is more than a welcome move; there is little point in holding back funds. Typically, the tax devolution to states is done in 14 installments in a year, and adjustments, as per revised estimates, are usually done in March. If the monthly amount of devolution of ₹47,500 core is retained for December-February in FY22, this would imply a lower back-ended devolution for March 2022, allowing states to spend more.

Tax transfers have been advanced thanks to robust growth in collections, expected to top budget estimates by ₹2 lakh crore. In the first seven months of FY22, gross indirect tax collections—net of refunds but before devolution to states—rose by 51% year-on-year, to ₹7.4 lakh crore, against a required rate of 3% to hit the full-year target of ₹11.09 lakh crore. Direct tax collections, too, increased by 70%, to ₹6.45 lakh crore. The GST collections, too, have been good. To improve the liquidity of states, the entire back-to-back loan component of ₹1.59 lakh crore has been released in lieu of shortfall in release of GST compensation during the current fiscal. This is in addition to the compensation released to the states from the designated cess kitty of ₹60,000 crore. These good tidings on tax buoyancy have also prompted the government to cut fuel taxes on petrol and diesel after stonewalling for a long time (and even raising them further). The official stance ranged from the cost of servicing legacy oil bonds and to asking the states to do so. As *FE* has shown, the first factor was not a serious consideration as the cost was estimated at barely 10% of the Centre's extra revenue from fuel taxes. The states, especially those that have administrations opposed to the ruling BJP-led government, are naturally upset at being asked to lower taxes. The Centre reduced the road and infrastructure cess component of central excise duty by ₹5 per litre motor spirit and ₹10 per litre on diesel.

The revenue loss to the Centre, for the remaining part of the fiscal, is pegged at ₹44,000 crore. Since most states levy an *ad valorem* VAT, this will reduce their inflows by ₹9,000 crore. The revenue loss from VAT cuts announced by 25 states has been pegged at ₹35,000 crore. Their revenue foregone thus is similar to the Centre's, according to ICRA chief economist Aditi Nayar.

States may allege a dilution of the spirit of federalism, but their loss from the fuel tax cut may be more than outweighed by bullish tax collections and higher devolution than budgeted. They must not complain. They have been bailed out, on more than one occasion, for their large discom losses; the latest package ran in some ₹90,000-crore-plus, but despite this, the financial health of most discoms remains poor. Moreover, the Centre has enabled higher market borrowings for states. With the 14% guarantee for GST revenue shortfalls unlikely to be extended post June 2022, states must up their game. The compensation clause was intended as a hand-holding measure, but, now that the economy is reviving, states must manage their finances.