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ONGC Ties Up with Saudi Aramco to Supply Oil, Refined Products

New Delhi: ONGC has entered into a preliminary agreement with Saudi Aramco for the supply of crude oil, refined products, and petrochemicals. "The two energy companies will look into long-term supply contracts for the sale and purchase of crude, refined petroleum and petrochemical products to create secure and competitive energy sources for the Indian market," the Indian state-run firm said in a statement. ONGC and Aramco also plan to explore low-carbon energy as part of the strategic alliance. – **Our Bureau**

ONGC to invest up to ₹6,000 crore in its petrochemicals arm OPaL via CCDs

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MUMBAI

State-run Oil and Natural Gas Corp. Ltd (ONGC) will invest up to ₹6,000 crore in petrochemicals arm ONGC Petro additions Ltd (OPaL) to meet its equity requirements, a top executive said.

"We have already got compulsorily convertible debentures (CCDs) in OPaL. We would be converting them into equity worth ₹6,000 crore," said Vivek Tongaonkar, chief financial officer, ONGC.

OPaL's net profit during the second quarter stood at ₹1.19 billion. The company is a joint venture promoted by ONGC and GAIL (India) Ltd, and co-promoted by Gujarat State Petroleum Corp. Ltd (GSPC).

OPaL has set up a 1.1-MMTPA (million metric tonne per annum) greenfield petrochemicals complex at the Dahej SEZ in Gujarat.

ONGC had been planning to induct a strategic partner in OPaL for many years, but due to lack of interest from investors, the plans were shelved.

OPaL is a joint venture promoted by ONGC and GAIL (India) Ltd, and co-promoted by Gujarat State Petroleum Corp. Ltd. BLOOMBERG

Till 2019, ONGC was in talks with Saudi Arabia's Saudi Basic Industries Corp. (Sabic) and Saudi Aramco for selling a 26% stake in OPaL.

ONGC wanted to induct a strategic partner in OPaL, but due to lack of interest from investors, the plans were shelved

The stake sale process did not go ahead; so, ONGC decided to make OPaL a subsidiary. The company is now planning to merge OPaL with itself.

"Merging OPal with ONGC is an option and deliberations are under process," added Tongaonkar.

Till December 2020, ONGC had infused capital in the form of warrants (₹3,365 crore) and provided support for CCDs (₹7,778 crore), taking ONGC's stake to 92% in OPaL with the company planning to further increase its equity stake in OPaL.

OPaL, which has a $4.5 billion petrochemicals project, began operations in 2016-17 and has been ramping up production in phases. OPaL's complex houses India's largest greenfield single-location, dual-feed cracker unit. The company primarily manufactures polymer, a chemical compound used in various products ranging from textiles to plastics.

OPaL's petrochemicals complex is part of the forward integration plans of ONGC.

The majority feedstock for OPaL is currently being sourced from ONGC. The naphtha requirement is met by the processing plant of ONGC at Hazira and Uran.

"Given the increasing demand for petrochemicals, we see contribution from petrochemicals to increase (in ONGC's topline). We may integrate OPaL into ONGC eventually. This is under process though," an ONGC official said.

The Economic Times

ONGC, GAIL in Race to Buy JBF Petrochem

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ONGC, GAIL in Race to Buy JBF Petrochem

ONGC and natural gas transmission and marketing company GAIL India have separately initiated preliminary talks with lenders of KKR-backed JBF Petrochemicals to explore the possibility of acquiring the distressed company, which is on the block. **Sangita Mehta** reports. ▸▸ 4

ONGC, GAIL in Race to Acquire Distressed JBF Petrochemicals

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Mumbai: Oil and gas explorer ONGC and natural gas transmission and marketing company GAIL India have separately initiated preliminary talks with lenders of KKR-backed JBF Petrochemicals to explore the possibility of acquiring the distressed company, which is on the block, said two people with knowledge of the matter. The offers from the state-owned entities came within months of Assets Care & Reconstruction Enterprise (ACRE) and Dubai-based entity Citax Energy giving indicative offers to the lenders, the people said. ACRE, an asset reconstruction company in which Ares SSG Capital holds a majority stake, has given a cash offer of $160 million (about ₹1,188 crore) to lenders to acquire the company, while Citax has offered $190 million (₹1,411 crore), the people said.

The state-owned companies have met lenders of JBF Petro and sought time to make a firm offer, one of the people cited above said.

Mid-July this year, BoB Capital Markets, the process advisor for lenders, invited potential bidders for lenders' exposure of $463.38 million (₹3,444 crore) as of September 30, 2020. Although ACRE and Citax submitted expressions of interest, those were not followed by firm bids by either of them. ACRE had sought a 90-day exclusivity clause — implying lenders will not engage with any other bidder during that period. Lenders rejected this proposal. ACRE, Gail and ONGC did not respond to request for comment till press time Thursday. Citax could not be reached for comment.

Bhagirath Arya and family-promoted JBF Petro partnered with private equity firm KKR to set up a 1.25 million tonne per annum PTA plant at Mangalore in Karnataka. A delay in the construction of the plant led to cost overrun, resulting in the delay in repayment of loans. The plant was not completed and has been shut since 2017.

For JBF Petro, IDBI Bank and Bank of Baroda provided foreign currency loans through external commercial borrowings of $251.53 million and $55.77 million, respectively. Indian Overseas Bank and Union Bank of India have rupee-denominated loan facilities equivalent to $55.77 million and $33.49 million, respectively. Both these banks have converted their foreign currency loans into rupee loans following approval from the Reserve Bank of India.

'Tight oil': What is shale and its potential in India

KARUNJIT SINGH
NEW DELHI, NOVEMBER 18

CAIRN OIL & Gas has announced that it is partnering US-based Halliburton to start shale exploration in the Lower Barmer Hill formation, Western Rajasthan.

What is shale oil? How does it differ from conventional crude oil?

The key difference between shale oil and conventional crude is that the former, also called 'tight oil', is found in smaller batches, and deeper than conventional crude deposits. Its extraction requires creation of fractures in oil and gas rich shale to release hydrocarbons via hydraulic fracking.

EXPLAINED E.

Russia and the US are among the largest shale oil producers, with a surge in shale oil output in the US having played a key role in turning the country from an importer of crude to a net exporter in 2019. A number of US shale exploration firms, including Halliburton, have faced litigation from citizens living in areas adjacent to shale production sites who have claimed that hydraulic fracking has contributed to groundwater contamination.

Russia and the US are among the largest shale oil producers

What are the prospects of shale oil exploration in India?

Currently, there is no large-scale commercial production of shale oil and gas in India. State-owned ONGC had, in 2013, started exploration and, by the end of FY21, assessed shale oil and gas potential in 25 nomination blocks, but has reduced investments over the past few years after only getting limited success in shale exploration efforts. While ONGC's assessment found prospects of shale oil at the Cambay basin in Gujarat and the Krishna Godavari basin in Andhra Pradesh, the company concluded that "the quantity of oil flow observed in these basins" did not indicate "commerciality" and that the general characteristics of Indian shales are quite different from North American ones.

According to experts, India currently does not have adequate seismic data and the ecosystem required for large scale production of commercial shale oil and gas.

Debasish Mishra, partner, Deloitte India, said shale exploration faces challenges besides environmental concerns of huge water requirements and potential for contamination. *Full report on www.indianexpress.com*

The Economic Times

Oil Near 6-week Low as China Readies Crude Reserve Release

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Oil Near 6-week Low as China Readies Crude Reserve Release

Reuters

London: Oil prices slid to six-week lows on Thursday before reversing course, as China said it was moving to tap reserves after a Reuters report that the United States was asking large consuming nations to consider a stockpile release to lower prices.

The bid by the U.S. to cool markets, asking China to join a coordinated action for the first time, comes as inflationary pressures - partly driven by surging energy prices - start to produce a political backlash.

Brent crude was 23 cents, or 0.3%, higher at $80.51 a barrel at 1320 GMT, after earlier dropping to its lowest since Oct. 7 at $79.28.

U.S. West Texas Intermediate crude futures were up 7 cents, or 0.1%, at $78.43 a barrel, having fallen earlier to $77.08, also the lowest since early last month.

"Judging by the mild negative reaction in prices today, the market seems to be expecting a limited (Chinese SPR release)," Rystad Energy head of oil markets Bjornar Tonhaugen said.

"What happens from here remains highly uncertain", Tonhaugen added, noting that a coordinated release among major consuming nations "would definitely add extra bearish weight on prices".

Prices hit seven-year highs in October as the market focused on the swift rebound in demand that has come with the lifting of lockdowns to halt the spread of the coronavirus.

The rally was fuelled in part by the strategy of the Organization of the Petroleum Exporting Countries (OPEC) and its allies, called OPEC+, to raise output only slowly.

The International Energy Agency and OPEC have said that more supply will be available in the coming months. But the proposed release of reserves represents an unprecedented challenge to OPEC, because it involves top importer China. China's state reserve bureau said it was working on a release of crude oil reserves although it declined to comment on the U.S. request. A Japanese industry ministry official said the United States had requested Tokyo's cooperation in dealing with higher oil prices. By law, Japan cannot use reserve releases to lower prices, the official said.

PAVES WAY FOR REFUNDS; COMPANY TO WITHDRAW CASES SOON

Retro tax: Cairn undertaking to indemnify govt accepted

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 18

IN A step further for resolution of retrospective tax disputes, the government has accepted Cairn Energy Plc's undertakings to indemnify the former against future claims and withdraw any pending litigation or proceeding before any forum so as to settle their retrospective tax cases, officials said.

Earlier this month, the company gave the required undertakings indemnifying the Centre against future claims. The government has now accepted this and issued Cairn the procedural form which commits to refund the tax collected, an official said.

Following the retrospective amendment to the Income-tax Act moved by the then UPA government in 2012, tax demands were raised in 17 cases, out of which tax amount of Rs 8,100 crore has been collected for four cases. Out of this Rs 8,100 crore amount, Rs 7,800 crore is Cairn's amount. Vodafone is yet to submit its undertaking, the official said.

THE NEXT STEP

Cairn is now expected to start withdrawing all cases in international courts. After this, the company will be issued refunds and withdrawal of cases may take up to three-four weeks

The amendment was in response to a Supreme Court verdict which had held that Vodafone cannot be taxed for a 2007 transaction that involved its purchase of a 67 per cent stake in Hutchison Whampoa for $11 billion. Later, in 2014, the UPA government again used the same section to raise tax demand against Cairn Energy Plc for restructuring done in 2006.

This August, the NDA-led government brought in the Taxation Laws (Amendment) Act, 2021, stating that no tax demand shall be raised for any indirect transfer of Indian assets if the transaction took place before May 28, 2012.

Cairn is now expected to start withdrawing all cases in international courts. After this, the company will be issued refunds and the withdrawal of cases may take up to three-four weeks.

The government last month notified rules that when adhered to will lead to it withdrawing tax demands raised using the 2012 retrospective tax law and any tax collected in the enforcement of such demand being paid back. For this, companies were required to indemnify the Centre against future claims and withdraw any pending legal proceedings.

On November 3, Cairn said it has entered into undertakings with the Centre to participate in the scheme introduced by the Taxation Laws (Amendment) Bill 2021, allowing refund of taxes previously collected from Cairn in India.

The Indian Express
SC for CBI probe into HZL stake sale, Shourie points to closure report
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SC for CBI probe into HZL stake sale, Shourie points to closure report

ANANTHAKRISHNAN G & DEEPTIMAN TIWARY
NEW DELHI, NOVEMBER 18

THE SUPREME Court Thursday gave a go-ahead to the Centre to disinvest its 29.54 per cent residual shares in Hindustan Zinc Ltd (HZL). At the same time, it directed a CBI probe into alleged irregularities in the process of disinvestment of 26 per cent government shares in the company in 2002.

A bench of Justices D Y Chandrachud and B V Nagarathna said that after the 2002 disinvestment, HZL had ceased to be a government company within the meaning of the Companies Act, 1956, and was only a shareholder in the company and, therefore, entitled to sell its shareholding.

The decision came on a 2014 plea by the National Confederation of Officers Association of Central Public Sector Enterprises and certain others, challenging the government's proposed sale of its residual shareholding.

When *The Indian Express* sought his comments on the direction for a CBI probe, Arun Shourie, who was Union Disinvestment Minister in 2002, said: "If the SC has said register a case, let the case be registered. I am sure everyone concerned will cooperate fully. But here the point to see is this was challenged when it was disinvested. SC rejected the petition challenging the disinvestment. Now the SC has disregarded that order and asked the CBI to probe. CBI had filed a closure report in the matter. Now you say investigate again."

"The officers who were dealing with this particular case (disinvestment) were very meticulous and cautious. It is not possible that these officers would do something that was contrary to the laid down procedures. The production of the company increased manifold after disinvestment. It was regarded as a great success at that

CONTINUED ON PAGE 4

SC orders CBI probe into 2002 HZL stake sale, Shourie points to closure report, earlier ruling

time. If after 20 years, you are going to say that even though the CBI has found nothing, even though the SC has rejected a similar petition earlier, still a case should be registered, then the officers better watch out," he said.

The disinvestment of HZL started in 1991-92 when the Union government sold 24.08 per cent of its shareholding in the domestic market. In 2002, the government disinvested 26 per cent of its equity in HZL in favour of Sterlite Opportunities & Ventures Ltd (SOVL).

In April 2002, SOVL acquired 20 per cent of HZL equity from the open market by a mandatory open offer, in compliance with norms of the Securities and Exchange Board of India.

In August 2003, SOVL exercised its first call option for 18.92 per cent of the equity holding, which was transferred in its favour in November 2003. Following this acquisition, SOVL became a majority shareholder with a 64.92 per cent equity stake in HZL.

Writing for the bench, Justice Chandrachud said "the Union Government is a shareholder of HZL. The control and management of HZL does not vest with the Union Government which has a residual stake of 29.54 per cent. The shareholding of SOVL stood increased to 64.92 per cent after the exercise of the first call option in 2002. During the course of hearing, this Court has been apprised by SOVL that it does not seek to exercise the second call option, in terms of the Share Purchase Agreement. It is in this backdrop that a decision has been taken by the Union Government to sell its residuary shareholding in the open market. The Union Government, in its capacity as a shareholder of HZL, is entitled to take such a decision".

The government had opposed the petition, saying it was barred by principles of res judicata since the Supreme Court had dismissed a petition on the same issue by Maton Mines Mazdoor Sangh's writ petition on December 10, 2012.

But the bench rejected this, saying the 2012 dismissal was "in limine, without a substantive adjudication on the merits of their claim" and hence "the present writ petition is not barred by res judicata".

The bench also rejected the argument that its 2003 decision in Centre for Public Interest Litigation vs Union of India -- wherein it said divestment of government stake in HPCL and BPCL, as a result of which the companies would cease to be government companies, could not be undertaken without amending the statutes under which they were nationalised -- will apply in the case of HZL.

It said HPCL and BPCL were government companies when the disinvestment action was challenged, but HZL had ceased to be a government company in March 2002.

The CBI had registered a Preliminary Enquiry in the matter on November 6, 2013, but decided to file a closure report in 2017. While the Special Prosecutor, CBI Head Office, New Delhi, Director of Prosecution and Special Director recommended closure, the Additional Director, CBI, and some others recommended converting the preliminary enquiry into a regular case.

In view of the difference of opinion between the CBI Director and Director of Prosecution, the matter was to be referred to the Attorney General on October 17, 2014, the judgment said, adding "however, the status of this referral has not been alluded to before us, for determination of the closure of the preliminary enquiry".

Directing a CBI probe, the bench referred to some of the points flagged by the investigators who had recommended registration of a regular case.

It pointed out that the Disinvestment Commission had recommended HZL disinvestment, though not beyond 25 per cent of the equity in order to retain control, but "the Core Group of Secretaries on Disinvestment, on 17 February 2000, had allegedly disregarded this recommendation and proposed a sale of 26 per cent, without any justification". Ultimately, 26 per cent was sold, the ruling noted, adding "this was allegedly done on the basis of a senior government official's note dated 27 August 2000, without further details or reasoning".

The bench said "some… observations of the officials of the CBI, who recommended the conversion of the preliminary enquiry into a regular case, satisfy this Court's conscience for exercising its exceptional powers to direct the CBI to conduct an investigation into the matter".

Stating that "a prima facie case for a cognizable offence, as mandated in... the CBI Manual, has been made out in this case", the bench directed registration of a regular case "by a full-fledged investigation" with status reports to the court.

Petrol, diesel prices unchanged for fortnight

New Delhi,

Consumers continue to get relief from rising fuel prices as oil marketing companies (OMCs) have kept pump prices of petrol and diesel unchanged post revision of duties by the state governments on Diwali eve.

Accordingly, petrol and diesel prices remained static for the 14th consecutive day on Thursday under the daily price revision mechanism followed by oil marketing companies.

So, the pump price of petrol in Delhi, which fell to Rs 103.97 a litre at 6 a.m. on the Diwali day on November 4 from the previous days' level of Rs 110.04 a litre, remained at the same level on Thursday. The diesel prices also remained unchanged in the capital at Rs 86.67 a litre.

In the financial capital Mumbai, petrol continued to be priced at Rs 109.98 a litre and diesel Rs 94.14 a litre.

Prices also remained static on Wednesday in Kolkata where the price of petrol reduced by Rs 5.82 to Rs 104.67 per litre and that of diesel by Rs 11.77 to Rs 89.79 per litre in the first week of November.

Petrol price in Chennai also remained at Rs 101.40 per litre and diesel Rs 91.43 per litre.

Across the country as well, the price of the fuel largely remained unchanged on Thursday but the retail rates varied depending on the level of local taxes.

The global crude prices, which has touched a three-year high level of over $85 a barrel on several occasions in the past one month, has softened now to below $ 80 barrel. Rise in the US inventory has pushed down crude prices, but OPEC+ decision on only gradual increase in production in December could raise crude prices further.This could put pressure on oil companies to revise fuel prices upwards again.

Before price cuts and pause, diesel prices have increased 30 out of the last 55 days taking up its retail price by Rs 9.90 per litre in Delhi.

Petrol prices have also risen on 28 of the previous 51 days taking up its pump price by Rs 8.85 per litre.

Since January 1, 2021, petrol and diesel prices have risen by more than Rs 26 a litre before the duty cuts.

The excise duty cut by the Centre on November 3 was the first such exercise since the onset of Covid pandemic. In fact, the government had revised excise duty on petrol and diesel sharply in March and again in May last year to mobilise additional resources for Covid relief measures.

The excise duty was raised by Rs 13 and Rs 16 per litre on petrol and diesel between March 2020 and May 2020 and was standing high at Rs 31.8 on diesel and Rs 32.9 per litre on petrol before finally the Centre decided on duty cut.