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France's Total signs up for ONGC acreage

PRESS TRUST OF INDIA
New Delhi, March 6

AFTER SUPERMAJORS ExxonMobil and Chevron, French multinational TotalEnergies has signed a preliminary pact to look at opportunities to explore oil and gas in state-owned ONGC's Mahanadi and Andaman acreage.

Oil and Natural Gas Corporation (ONGC) signed a memorandum of understanding (MoU) with TotalEnergies "to establish a holistic framework between the two for exchange of each other's technical strengths in deepwater offshore, especially Mahanadi and Andaman," the state-owned firm said in a tweet.

With production declining from ageing and mature fields and no major oil and gas discovery being made in recent times, ONGC is tapping technologically superior overseas firms. It hopes to use its expertise to open difficult reservoirs and boost output.

In August last year, ONGC had inked an agreement with US giant ExxonMobil to jointly work on deepwater exploration plans off the country's east and west coasts.

A month later it signed an MoU with Chevron New Ventures PTE, a subsidiary of California-based energy major Chevron Corporation, to assess exploration potential in India.

The initial pacts have so far not translated into a commercial partnership for any block.

The collaboration with TotalEnergies "shall lead to deployment of best practices and technology in offshore, to reduce greenhouse emissions for sustainable development," ONGC said in another tweet.

This strategic technology-driven collaboration will develop future cooperation for potential business in Deepwaters of the Bay of Bengal on mutually aligned purposes, it said.

ओएनजीसी संग टोटाल एनर्जीज का करार

एक्सॉनमोबिल और शेवरॉन के बाद फ्रांस की बहुराष्ट्रीय कंपनी टोटाल एनर्जीज ने सार्वजनिक क्षेत्र की कंपनी ओएनजीसी से एक शुरुआती समझौता किया है। इसके तहत टोटल सार्वजनिक क्षेत्र की कंपनी ओएनजीसी के महानदी और अंडमान क्षेत्र में तेल और गैस के स्रोतों की तलाश करेगी। ऑयल एंड नैचुरल गैस कॉरपोरेशन (ओएनजीसी) ने टोटाल एनर्जीज के साथ एक समझौता ज्ञापन (एमओयू) किया है, जिसके तहत दोनों कंपनियां गहरे अपतटीय, खासकर महानदी और अंडमान में एक-दूसरे की तकनीकी विशेषज्ञताओं का अदान-प्रदान करेंगी। पुराने क्षेत्रों से उत्पादन में गिरावट और हाल में तेल और गैस से संबंधित कोई बड़ी खोज नहीं होने के बाद ओएनजीसी तकनीकी रूप से दक्ष विदेशी कंपनियों से करार कर रही है।

भाषा

ONGC ties up with TotalEnergies for deep-water offshore exploration

Our Bureau

New Delhi

State-run Oil and Natural Gas Corporation (ONGC) said on Monday that it has signed an MoU with French multinational TotalEnergies to establish a holistic framework for the exchange of technical strengths in deep-water offshore, especially in the Mahanadi and Andamans.

This collaboration will develop future cooperation for potential business in the deep waters of the Bay of Bengal for mutually aligned purposes, the oil and gas exploration and production (E&P) major tweeted.

“We will jointly evaluate exploration and development opportunities to create synergies with local economies,” Sushma Rawat, Director (Exploration), ONGC said.

ONGC, TotalEnergies sign MoU

PRESS TRUST OF INDIA

New Delhi, 6 March

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Millenniumpost

After Exxon & Chevron, Total signs up for ONGC acreage

Mar 7, 2023 | Delhi | Pg No.: 9 | | Sq Cm:141 | AVE: 1266704 | PR Value: 6333520

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This strategic technology-driven collaboration will develop future cooperation for potential business in Deepwaters of the Bay of Bengal on mutually aligned purposes, it said.

"We will jointly evaluate exploration and development opportunities to create synergies with local economies," said ONGC Director (Exploration) Sushma Rawat.

With ExxonMobil, ONGC in August 2022 signed a Heads

of Agreement (HoA) for deep-water exploration in the country.

"The collaboration areas focus on the Krishna Godavari and Cauvery basins in the eastern offshore and the Kutch-Mumbai region in the western offshore," the company had said then. ONGC has a licence to explore and produce oil and gas from multiple offshore areas and has significant plans for carrying out deep-water exploration, primarily focused on the gas-rich Krishna Godavari, Mahanadi and Andaman basins. AGENCIES

ONGC, TotalEnergies ink MoU to explore deep-water blocks

Mar 7, 2023 | Chennai | Pg No.: 16 | | Sq Cm:71 | AVE: 1928712 | PR Value: 9643559



ONGC, TotalEnergies ink MoU to explore deep-water blocks

ONGC has signed a memorandum of understanding with French major TotalEnergies for exploration of deep-water blocks, the company tweeted on Monday. The MoU seeks to provide technical help for ONGC's push to explore and reduce green house emissions in development of deep-water blocks especially in Mahanadi and Andamans, off east coast. REUTERS

ONGC, TotalEnergies sign MoU for exploration

Mar 7, 2023 | Delhi | Pg No.: 10 | | Sq Cm:56 | AVE: 135582 | PR Value: 677911

ONGC, TotalEnergies sign MoU for exploration

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ओएनजीसी ने टोटल एनर्जी का हाथ थामा

जागरण ब्यूरो, नई दिल्ली: देश की सबसे बड़ी तेल कंपनी ओएनजीसी ने फ्रांस की टोटल एनर्जी से हाथ मिलाया है। यह समझौता तकनीकी सहयोग और एक-दूसरे के अनुभवों को साझा करने के लिए है, जिसका इस्तेमाल महानदी और अंडमान के क्षेत्रों में पेट्रोलियम उत्पादों की खोज और खनन में किया जाएगा। हालांकि इस बात के भी संकेत हैं कि भविष्य में इस समझौते का विस्तार करके ऊर्जा के दूसरे क्षेत्रों में भी सहयोग किया जाएगा।

टोटल एनर्जी अभी तक अदाणी समूह के साथ ऊर्जा सेक्टर में काफी सहयोग बढ़ा रही थी। यह पहला मौका है कि उसने भारत की सबसे बड़ी सरकारी तेल कंपनी के साथ व्यापक समझौता किया है। ओएनजीसी की निदेशक (एक्सप्लोरेशन) सुषमा रावत ने कहा है कि हम संयुक्त तौर पर एक्सप्लोरेशन (हाइड्रोकार्बन खनन) में सहयोग करेंगे। खासतौर पर आफशोर इलाकों में तेल और गैस खोज में बेहतरीन प्रक्रिया अपनाने में मदद मिलेगी।

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Sensex back above 60,000-mark

Global cues, buying interest in auto & IT spaces propel gains

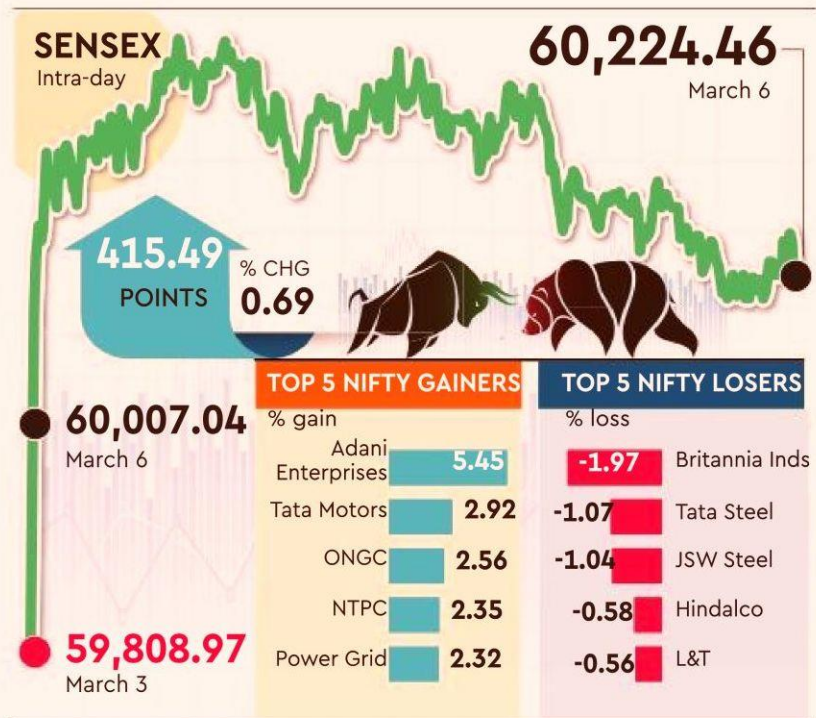
SIDDHANT MISHRA
Mumbai, March 6

POSITIVE GLOBAL CUES and strong buying in the tech, banking, and auto sectors lifted the benchmark indices for the second straight session on Monday. The Sensex closed above 60,000 for the first time since February 21, rising 415.49 points or 0.69% to 60,224.46. It has risen by 1,315.11 or 2.23% over the past two sessions.

Giving a fillip to the market, FIIs pumped in ₹721.37 crore, while DIIs pooling in ₹757.23 crore on Monday. Investor wealth has increased by ₹5.44 trillion over the last two sessions, according to BSE data.

Among sectoral indices, the BSE Power index jumped 2.5%, while Teckrose 1.13%, Oil & Gas 1.9%, Utilities 2.75, Energy 1.74%, and Bankex 0.24%.

Continued on Page 2



Sensex back above 60,000-mark

The MidCap and SmallCap indices, too, rose 0.72% and 0.9%, respectively.

“The major concerns that prevailed during the previous weeks were the fear of an aggressive Fed policy action, which led to a rise in treasury yields and the US dollar, and uncertainties surrounding Adani. All of these have now shifted in favour of the bulls, with US officials reducing the likelihood of a sharp rate hike, forcing yields and the dollar index to moderate. Additionally, improved market sentiment due to the foreign bulk deal at Adani Group, the oversold stage of the domestic markets, and FII buying helped sharpen the recovery,” said Vinod Nair, head of research at Geojit Financial Services.

Among sectoral indices, the BSE Power index jumped 2.5%, while Teck rose 1.13%, Oil & Gas 1.9%, Utilities 2.75, Energy 1.74%, and Bankex 0.24%. The MidCap and SmallCap indices, too, rose 0.72% and 0.9%, respectively.

Tata Motors led the gains among the Sensex pack, rising 2.79%, with NTPC and PowerGrid both raking in more than 2% gains. Index heavy-weight Reliance Industries was up 0.95%, with all IT stocks closing in the green.

A total of 2,041 stocks advanced

on the BSE, while 1,543 declined.

Most Asia Pacific peers ended the day on a high, with Japan’s Nikkei rising 1.11%, Hong Kong’s Hang Seng 0.17%, South Korea’s KOSPI 1.26%, Singapore’s Straits Times Index up 0.2%, and Australia’s ASX200 up 0.62%. The Shanghai Composite and Jakarta Composite indices declined 0.19% and 0.10%.

On similar lines, the broader Nifty50 closed above the 17,700-mark for the first time since February 21, when it had closed at 17,826.70.

Adani Enterprises continued its upward trajectory, gaining 66% over the past five sessions. It has added close to ₹90,000 crore in market capitalisation, with the group having added ₹2.02 trillion.

Banking stocks were a mixed bag, with the Bank Nifty edging up 99.05 points or 0.24% to 41,350.40. IDFC First, Axis, and HDFC Bank, all ended with gains, while PNB, Kotak Bank, and IndusInd Bank all closed in the red.

“Global markets were steady on Monday as investors assessed the impact of China’s decision to set the lowest economic growth target in decades for 2023. Nifty faced resistance from its February 22 downgap and corrected intra-day, though ending in the positive. Nifty needs to break the 17,600-17,800 band for cues on future direction,” said Deepak Jasani, head of retail research, HDFC Securities.

Indices Build on Friday's Base, Record 0.7% Gain



Two of India's leading indices rose 0.7% on

Monday, consolidating over Friday's gains, as the continued rebound in Adani Group stocks strengthened investor sentiment. Indices gained for the second session to two-week highs. >> 5

Indices Build on Friday's Base, Make 0.7% Gain

BSE, NSE have gained over 2% in previous 2 sessions; add ₹5.5 L cr to investors' wealth

Our Bureau

Mumbai: Two of India's leading indices advanced nearly 0.7% on Monday, consolidating over Friday's gains, as the continued rebound in Adani Group stocks strengthened investor sentiment. Benchmark indices gained for the second consecutive session to their two-week highs – recovering from the sell-off in the nine of the 10 sessions prior – led by technology, automobile, and energy shares. The Sensex touched nearly 60,500 and the Nifty almost hit 17,800 early on before giving up some of its gains.

The Sensex advanced 415.49 points, or 0.69%, to 60,224.46. The Nifty advanced 117.10 points, or 0.67%, to close at 17,711.45. Both indices have gained over 2% in the previous two sessions, adding nearly ₹5.5 lakh crore in investor wealth.

Indian markets are shut Tuesday for Holi.

"We have to see if the Nifty is able to breach 18,000-18,100 levels," said Deepak Jasani, head, retail research, HDFC Securities.

"There are no fresh triggers and the markets are mimicking the movement of a pendulum. This is neither a relief rally nor a trend reversal as concerns over inflation and interest rates as well as geopolitical concerns prevail."

On Monday, foreign portfolio investors (FPIs) net bought shares in the cash segment worth ₹721.37 crore while domestic institutions bought shares worth ₹757.23 crore, according to provisional stock exchange data.

Oil and gas shares advanced for the fourth straight session, rising nearly 5%. Shares of upstream firms such as ONGC,

NIFTY GAINERS, LOSERS

| Company | Close price | % Chg |
|-------------------|-------------|-------|
| GAINERS | | |
| Adani Enterprises | 1,982.00 | 5.45 |
| Tata Motors | 440.50 | 2.92 |
| ONGC | 158.20 | 2.56 |
| NTPC | 176.65 | 2.35 |
| Power Grid | 227.25 | 2.32 |
| LOSERS | | |
| Britannia | 4,325.00 | -1.97 |
| Tata Steel | 105.85 | -1.07 |
| JSW Steel | 675.20 | -1.04 |
| Hindalco | 414.50 | -0.58 |
| Larsen & Toubro | 2,140.00 | -0.56 |

Source: NSE



Oil India, Mangalore Refinery & Petrochemicals, Chennai Petroleum and Reliance Industries surged as much as 4%, while gas distribution companies such as Mahanagar Gas surged as high as 9% after the government slashed windfall tax on export of diesel.

Gains in banking and financials have also lent support to Indian equities of late.

Concerns over the exposure of Adani Group companies to the banking sector slightly receded last week on the back of the Rs 15,446-crore, or \$1.87-billion, fundraising exercise to US-based investment firm GQG Partners.

10-15 फीसदी दर से बढ़ेगा वाहन कलपुर्जा उद्योग !

भारत का वाहन कलपुर्जा उद्योग वित्त वर्ष 2023-24 में करीब 10-15 फीसदी बढ़ सकता है। भारतीय वाहन कलपुर्जा विनिर्माता संघ (एक्मा) ने सोमवार को यह उम्मीद जताई। एक्मा ने कहा कि अमेरिका और यूरोप में मंदी की आशंका के बीच घरेलू और निर्यात बाजार दोनों की मांग के चलते आगामी वित्त वर्ष में वृद्धि की उम्मीद है। वाहन कलपुर्जा उद्योग का कारोबार वित्त वर्ष 2021-22 में 23 फीसदी की वृद्धि के साथ 56.5 अरब डॉलर रहा था। उद्योग के

चालू वित्त वर्ष यानी 2022-23 में इसमें 15 फीसदी वृद्धि की उम्मीद है। अमेरिका और यूरोप के प्रमुख पश्चिमी बाजार इलेक्ट्रिक वाहन अपना रहे हैं, जिसके चलते घरेलू कलपुर्जा उद्योग को भारत में पेट्रोल-डीजल इंजन (आईसीई) के लिए कलपुर्जा के विनिर्माण से लाभ होगा।

एक्मा के महानिदेशक विन्नी मेहता ने दिल्ली में एक कार्यक्रम से इतर संवाददाताओं से कहा, 'चालू वित्त वर्ष के पहले नौ महीनों (अप्रैल-दिसंबर) तक

हमारा निर्यात और आयात वास्तव में बेहतर तरीके से संतुलित रहा। दोनों 15.1 अरब डॉलर है।' उन्होंने कहा, 'हम यूरोप और अमेरिका में मंदी को देखते हुए विपरीत परिस्थितियों से सावधान हैं। इसके बावजूद घरेलू बाजारों में तेजी के चलते हमारा निर्यात और आयात तेज गति से बढ़ रहा है।' मेहता ने वित्त वर्ष 2023-24 के परिदृश्य के बारे में पूछे जाने पर कहा, 'हम निश्चित रूप से 10-15 फीसदी की सीमा में बढ़ेंगे।' भाषा

The Economic Times

CPPIB to Buy Goldman Stake in ReNew

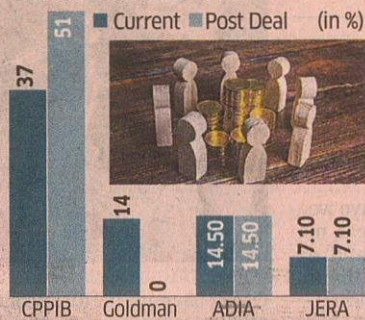
Mar 7, 2023 | Delhi | Pg No.: 1,11 | | Sq Cm:191 | AVE: 1947921 | PR Value: 9739606

14% STAKE TO CHANGE HANDS FOR ABOUT \$268 MILLION

CPPIB to Buy Goldman Stake in ReNew

To become majority stakeholder in Nasdaq-listed co

Key ReNew Energy Shareholders



Nishanth.Vasudevan
@timesgroup.com

Mumbai: Goldman Sachs is set to sell its remaining 14% stake in ReNew Energy Global — the Nasdaq-listed parent of ReNew Power — to Canada Pension Plan Investment Board (CPPIB) for about \$268 million, said two people familiar with the matter. After the deal, the pension fund, one of the largest in the world, will become a majority shareholder in ReNew with a stake of over 51%.

The deal will pave the way for Goldman's exit from ReNew, one of India's largest renewable energy companies.

The Wall Street firm, which was one of the early investors in Sumant Sinha-founded ReNew, has been trimming its stake in the company over the years. Canada Pension Plan, with assets under management of over \$536 billion, has been gradually raising its holding in the company.

In response to an emailed query, a CPPIB spokesperson said, "We don't have any further comment other than information contained in the SEC filings."

Goldman and ReNew spokespersons did not respond to queries.

Boosting Investments in Renewables Space >>> 11

Boosting Investments in Renewables Space

►► From Page 1

The other key shareholders in ReNew are Abu Dhabi Investment Authority with 14.5% and Japan's JERA with 7.1%. Public shareholders hold close to 22%.

Canada Pension Plan's move to increase its stake in ReNew is part of a plan to boost investments in the renewables space. ReNew has a capacity of over 13.4 GW. Pension funds and global investment firms with a focus on environmental, social and governance (ESG) investing have been scouting for opportunities in clean energy initiatives.

ReNew has been producing renewable energy through solar and wind-driven projects. The company is now looking to branch out to green hydrogen. It has formed a joint venture with Larsen & Toubro and Indian Oil Corp for the production of green hydrogen in the country.

● **RATING: HOLD**

GAIL's Ebitda may increase by 15%

Rise in tariffs to have a negative impact on the LPG & petchem sectors

THE PETROLEUM AND natural gas regulatory board (PNGRB) proposed unified tariff at ₹60.9/mmbtu is higher than estimated. While final notification is awaited, if this proposed tariff were to be implemented, it could result in a 15% increase in standalone Ebitda. This increase would be primarily driven by a 30% rise in the Ebitda of tx, which likely refers to transmission or transportation of petroleum and natural gas. Post-tax ROCE in tx will remain at 5% ruling out large multiple expansion. Lower gas cost for LPG after APM price cap and lower losses in petchem on falling feedstock cost are positive. Our fair value would rise to ₹110 if proposed tariff is finalised, maintain Hold.

The proposed unified tariff is 35% higher than the current weighted average tariff of ₹45/mmbtu. The regulator is seeking comments by March 15th and an Open House will be conducted on



March 23rd following which the final notification on the unified tariff will be issued sometime in April. A final tariff above ₹54/mmbtu should be better.

Based on our analysis, assuming that unified tariffs are finalised at the proposed level of ₹60.92/ mmbtu, it could lead to a sharp c.30% rise in the gas transmission Ebitda over FY24/25E. However, the segment could see elevated levels of opex as GAIL's dependence on Spot LNG rises with the govt prioritising allocation

Proposed unified tariffs could lead to ~35% rise in blended tariffs for GAIL in FY24/25E

GAIL blended transmission tariff (₹/mmbtu)



Source: Jefferies estimates, company data

of high-pressure high-temperature (HPHT) gas resources to city gas distribution (CGD) companies and the fertiliser sector. The sharp rise in gas transmission Ebitda could translate into a 15% rise in standalone Ebitda over FY24/25E.

Despite the proposed increase in tariffs, we expect GAIL's gas transmission ROCE to continue to lag regulated returns, remaining at sub-10% levels in FY24/25E even as asset base rose 3x over the last decade. The proposed increase in tar-

iffs would negatively impact both the LPG production and Petchem segments as higher unified tariffs would lead to increase in the cost base, impacting margins. Tying up of new term LNG contracts with immediate delivery to offset lost Gazprom vols presents an upside risk, although the likelihood of this remains low at this time. LPG segment will benefit from cap on APM gas price, which we have incorporated in our estimates.

JEFFERIES

Mahanagar Gas looks to spread wings with Unison Enviro deal

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Mahanagar Gas Ltd's (MGL) shares closed nearly 9% up on Monday on the NSE, also hitting a new 52-week high during trading hours. Investors are visibly excited about the city gas distribution (CGD) company acquiring 100% stake in Unison Enviro Pvt. Ltd (UEPL). The deal will help MGL expand to territories outside Mumbai, a dominant area of operations. This aids MGL's long-term volume growth outlook.

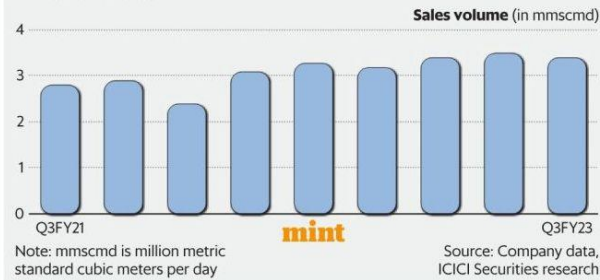
"MGL's volume growth has been weaker (versus Indra-

prastha Gas/Gujarat Gas) and UEPL acquisition provides MGL an opportunity to expand its operations beyond Mumbai and should help address growth concerns," said analysts at Kotak Institutional Equities. According to them, the acquisition price of ₹531 crore may appear steep at 5.9x FY22 EV/sales. "But we note CGDs are typically long-gestation projects, and sales/profitability typically improves with scale," they said.

UEPL is engaged in the supply of natural gas to domestic, commercial, and industrial sectors. The deal is MGL's first inorganic acquisition in the CGD sector. The company said the

Modest performance

In the past few quarters, sales volume growth at Mahanagar Gas has remained muted.



purchase will enable it to expand to newer markets in Maharashtra (Ratnagiri, Latur and Osmanabad) and Karnataka (Chitra-

durga and Davanagere). "While these areas do seem primarily rural, we believe the large populations and some

industrial/commercial potential in each of these districts can support reasonable volumes of 0.2-0.25mmscmd in 3-4 years. This implies aggregate about 1mmscmd additional volumes by FY28E for MGL," said ICICI Securities analysts.

In the December quarter, MGL's sales volume stood at 3.4mmscmd. The company's volume growth has been muted in the past few quarters due to high gas prices. To be sure, it could be a long wait before the gains of the acquisition reflect in volumes. This is because MGL would have to invest in infrastructure and ramp up execution. Note that while UEPL has

clocked strong revenue growth over FY20-FY22, it reported a loss of ₹24.9 crore in FY22.

Hence, until volume growth uptick is visible, scope for meaningful upsides in MGL stock appear capped. Nitin Tiwari, executive vice president, Yes Securities, said, "As of now, MGL is trading at discount to peers Indraprastha Gas and Gujarat Gas. A visibility on sustained volume growth is essential for erasing and this acquisition can perhaps help narrow the discount." MGL's share trade at 9.5 times estimated earnings for FY24, as per Bloomberg data. Indraprastha and Gujarat Gas shares trade at 17.4 times and 25.7 times, respectively.

SATISH KUMAR/MINT



WTI traded below \$79 a barrel after gaining more than 4% last week. Oil has held a \$10 range since the start of the year. BLOOMBERG

Oil slips on China growth lag, Fed rate hike worries

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Oil declined as China's modest new growth ambitions and the prospect of tighter US monetary policy posed headwinds for global fuel consumption.

West Texas Intermediate (WTI) traded below \$79 a barrel after gaining more than 4% last week. China's premier Li Keqiang announced a goal for gross domestic product of around 5% at the annual National People's Congress on Sunday, lower than economists had expected. The nation, the world's largest oil importer, ended its restrictive Covid Zero policy late last year.

"The GDP forecasts from China were a rather low target

and may be a potential reason for oil's weakness today," said Giovanni Staunovo, an analyst at UBS Group AG in Zurich. "But we expect China will come in a bit above target. If Chinese imports rise and Russian production falls, prices should move higher from here."

Oil has held within a tight \$10 range since the start of the year, whipsawed by optimism over China's recovery and expectations of further interest rate hikes from the US Federal Reserve. Saudi Arabia has signalled confidence in the near-term outlook, raising most of its prices for crude shipments to Asia and Europe for April.

Investors will be watching speeches from Fed chair Jerome Powell and jobs data this week for clues on the path for monetary tightening.

"Crude remains in a tug-of-war between optimism over Chinese reopening and nervousness over a hawkish Fed hurting the US economy," said Vandana Hari, founder of oil market analysis provider Vanda Insights.

Traders have started factoring in rate hikes, but are hoping for smaller increases than last year.

Reuters contributed to this story.

QUICK EDIT

Russian oil gush

India's crude oil imports from Russia reportedly hit a fresh high of 1.6 million barrels per day in February, higher than our combined oil imports from Iraq and Saudi Arabia, two of the country's other top suppliers. This has taken Russia's market share in India's total oil imports to 35%. This figure was a paltry under-2% before the shake-up caused by Russia's invasion of Ukraine early last year. A price cap imposed recently by the West on Russian oil was needless interference, but it hasn't gotten in the way of shipments sought by Indian oil refiners and supplied by Moscow. Like other US-led economic sanctions intended to punish Russia, that restriction has had less impact than Washington might have expected. The Russian economy shrank only a bit more than 2% in 2022, so Vladimir Putin being pushed out of power for putting his country's people in misery is more of a Western fantasy than strategy. The US-led West must also realize that New Delhi has its own interests to guard, and acquiring discount oil is a sign of this and not any geopolitical comfort with an anti-West bloc. As with arms procurement, it's pragmatism that motivates such Indian deal-making.

SECOND CONSECUTIVE HIKE FOR ASIA

Saudi Arabia Jacks Up April Oil Prices for Asia & Europe

Aramco shows it's bullish about oil; prices unchanged for US customers

Bloomberg

Saudi Arabia signalled it sees oil demand picking up in Asia and Europe by raising most prices for crude shipments to the regions.

While oil futures have weakened slightly this year, many energy traders and executives see them climbing — perhaps to \$100 a barrel — as China's economy recovers after the lifting of coronavirus lockdowns and inflation in other major economies decelerates.

State-controlled Saudi Aramco increased most official selling prices for Asia in April. The company's main Arab Light grade was lifted to \$2.50 a barrel above the regional benchmark, 50 cents more than the level for March.

That was in line with a Bloomberg survey of refiners and traders, which forecast a



rise of 55 cents. It's the second month running for which Aramco has increased prices for Asia, its biggest market.

Prices for US customers were left unchanged. Those for North-West Europe and the Mediterranean jumped by as much as \$1.30 a barrel.

Brent crude has dipped 1% this year to just above \$85 a barrel. It's fallen from around \$115 since mid-2022, with a slowing global economy and higher interest rates countering supply disruptions triggered by Russia's war on Ukraine.

THE COMPASS

Unison Enviro acquisition, decline in prices light up Mahanagar Gas' growth prospects

Most analysts have 'buy' and 'add' ratings for the stock, see 5% to 10% uptick

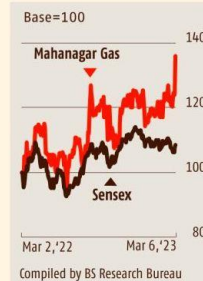
DEVANGSHU DATTA

Mahanagar Gas (MGL) has acquired Unison Enviro (UEPL), an entity previously owned by Ashoka Buildcon and North Haven, which is an affiliate of Morgan Stanley India Infra Fund. MGL will take 100 per cent stake in UEPL for a consideration of ₹531 crore.

MGL is a leading natural gas distribution company, supplying compressed natural gas (CNG) to vehicles and piped natural gas (PNG) to domestic, commercial, and industrial consumers in Mumbai, Navi Mumbai, Thane and adjoining areas, and Raigad district – all in Maharashtra.

UEPL has the licence to develop and operate city gas distribution business in Ratnagiri and Latur and Osmanabad geographical areas in Maharashtra and also Chitradurga and Davanagere in Karnataka. Investors have seen this as a positive development with the stock price of MGL immediately being pushed up by almost 9 per cent.

The transaction is likely to be completed after September 2023 (approximately 5 years after the award of license). Given UEPL's gross debt of ₹11,300 crore, this implies an Enterprise Value (EV) of ₹640 crore and therefore, a high price/sales multiple of 8.3x and an



astronomical EV/Ebitda (earnings before interest, tax, depreciation and amortisation) ratio of 3,120x. UEPL's coverage includes 37,362 sq km, with a population of roughly 10 million and about 2 million

households in aggregate. Analysts believe that UEPL currently has volumes of 0.1 mmscmd or even less. Analysts covering the deal say that volumes can ramp up to around 1 mmscmd by the 2027-28 financial

year (FY28), given investments in the range between ₹700 and ₹800 crore. At that consumption level, Ebitda (assumed industry mid-range of ₹6/scm) for UEPL would be over ₹200 crore, which would more than justify the cost. Under those assumptions, MGL is adding an NPV (net present value) of ₹50 per share through the buyout. MGL's own quarter three (Q3FY23) run-rate was 3.4 mmscmd.

Ratnagiri is also contiguous to Raigad which MGL has rights to, and this could lead to potential synergy benefits. The acquisition could also address concerns about lower volume growth for MGL and it gives the company an opportunity to expand beyond the Mumbai Metropolitan area.

MGL's Q3FY23 Ebitda of ₹260 crore and Adjusted PAT (profit after

tax) of ₹170 crore, was slightly above the Street estimates, due to higher realisations, lower employee costs, and higher Other Income. MGL was affected by lower CNG volume growth due to higher gas prices. But the gross margin improved despite an increase in APM gas prices, which the company successfully passed on.

There were hopes that the Kirit Parikh Committee would reduce APM gas prices but this did not happen. MGL hiked prices in October and November, from ₹80 per kg to ₹89.5 in two stages.

Given falling crude and spot LNG prices, this should have led to improved spreads in Q4FY23. Hopes remain that APM price revisions in March would be downwards, given global trends. Cabinet approval for a price cut,

as recommended by the Committee, would be expected.

The Ebitda spread in Q3, at ₹8.16/scm was up 140 per cent year-on-year and up 2.7 per cent quarter-on-quarter, which was more than the increase in gas input costs. Ebitda spreads could improve further to ₹9.5/scm in FY24. There are risks, of course, such as slower volume growth, margin compression, adverse regulatory changes, higher LNG prices, slower infrastructure roll-out and competition from electric vehicles. Also, this acquisition has a long gestation period.

Most analysts are calculating target prices between ₹1,050 and ₹1,100, which offers an upside from the current levels of ₹987. There's consensus on "buy" or "add" ratings.

Energy crisis

Russia's invasion of Ukraine in February 2022 turned global energy markets upside down. Although oil and gas prices have come down from their highest points, experts believe the effects of the war in Ukraine on energy are likely to continue and evolve in 2023. Western countries have over the past year weaponised their collective energy demand by sanctioning Russian oil and oil products. As expert Samantha Gross iterates, not only have Western buyers pledged not to buy Russian oil, but their insurance and shipping companies are forbidden to insure or carry Russian oil unless it is sold below a specified price cap.

This is a "unique response to a specific problem" ~ the West wants Russian oil supply to keep prices reasonable, but also wants to cut an important source of financing for Russia's war machine. But effectiveness of the measures is not clear given India, China, and other major consumers have continued to purchase Russian oil and gas. The cap on oil products is likely to have greater effect through 2023, as global diesel supplies tighten further and Russia reduces refinery runs in response to falling demand for its products, she adds. The global energy situation may, therefore, worsen in 2023. Pre-February 2022, Russia supplied nearly 40 per cent of Europe's natural gas.

Moscow has now nearly cut off all supply as it attempts to weaken Europe's support for Ukraine. Liquefied natural gas (LNG) has been a lifeline for Europe, and LNG markets have also spread the crisis globally as Europe has pulled supply away from other consumers. Relatively warm weather and conservation efforts helped Europe get through the past winter without a debilitating crisis but the coming winter is likely to be more difficult. Demand for LNG will rise as China's economy recovers and no significant new LNG supply will come online in 2023, resulting in high prices. The only positive, if it can be so termed, of the current energy market challenge, is that it has clarified the need to feed the energy system as the world works towards transforming it to eliminate greenhouse gas emissions, writes Gross. It is obvious that the energy system cannot change overnight, so countries across the world will have to look at future-friendly ways to meet demand.

As global efforts to combat climate change continue in 2023 culminating in the annual Conference of the Parties (COP) meeting, there has been incremental progress with countries such as South Africa and Indonesia being helped in terms of climate finance to incentivise the phasing out of coal and reduce methane emissions. But there is still no visible plan of action to promote the use of green energy to help the world's poorest countries achieve their development goals through a consequential shift to renewable energy. The climate crisis is here to stay. So, in the near future, is the energy crisis.