

ONGC may buy CCDs of its unit

Firm to buy convertible debentures worth ₹5,615 cr in its petchem arm

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Oil and Natural Gas Corp. Ltd (ONGC) may buy ₹5,615 crore worth of compulsorily convertible debentures (CCDs) of ONGC Petro additions Ltd (OPaL) after failing to find an equity investor for its petrochemicals arm, said two people directly aware of the matter.

The planned tranche of CCDs issued in 2016 is part of a ₹7,286-crore CCD programme of OPaL, a joint venture between ONGC (49.4%), GAIL (India) Ltd (49.2%), and Gujarat State Petroleum Corp. Ltd (1.4%). OPaL used the proceeds to partially finance project expenditures and repay loans.

CCDs are financial instruments that have the feature of compulsory conversion into equity as per terms and are treated as quasi-equity.

The CCDs have an unconditional and irrevocable mandatory put option on OPaL's sponsors, ONGC, for the buy-out of the CCDs at the end of the 35th month from the deemed date of allotment, as well as the undertaking to fund the coupon payment, according to the terms of issuance.

The sponsor would also have the right to buy out the CCDs at the end of the 24th, 30th, and 35th months from the deemed date of allotment, according to corporate filings. The CCDs have a tenor of 36 months from the deemed date of allotment and do not have any conversion option for the period it is held.

The ONGC board could, however, also consider extending the tenor of the CCDs, said the people cited above.

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The planned tranche of CCDs issued in 2016 is part of a ₹7,286-cr CCD programme of ONGC Petro additions



ONGC has been in talks with interested potential petrochem firms to sell a 25% stake in OPaL. **REUTERS**

CCDs is also being deliberated upon. In case it is not approved by the board, ONGC may have to exercise the put option. CCDs will allow OPaL to maintain status quo on its equity structure and equity investor process induction process bringing in an investor by selling stake in the company will smoothen," said one of the persons mentioned above on condition of anonymity.

For more than three years, ONGC has maintained that it is in talks with interested potential petrochemical companies to sell a 25% stake in OPaL. The process has, however, faced unexplained delays.

"The potential investors are carrying out due diligence, including site visits and management interactions with OPaL and ONGC. However, the equity induction transaction may take time because of which ONGC has to buy back the CCDs," said an official from a professional services firm, requesting anonymity.

ONGC did not reply to an email sent on 19 June. An ONGC official dealing with the matter did not comment.