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High oil prices seen to halve refiners' marketing margins

MANISH GUPTA
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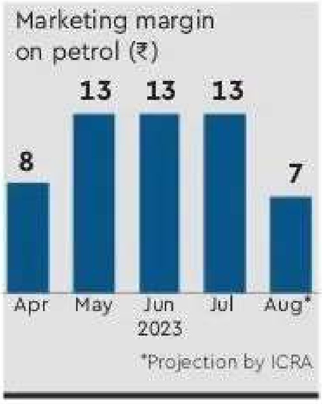
THE SUDDEN SPIKE in oil prices from below \$74 to above \$84 a barrel within a month is likely to impact the profitability of the oil refining and marketing companies, further reducing the chances of any moderation in retail prices of auto fuels.

Besides, the increase in oil prices are not likely to benefit even the upstream companies much, as the government raised the windfall tax on petroleum crude to ₹4,250 per litre from ₹1,600 per litre with effect from Tuesday (August 1, 2023).

Refiners like IndianOil Corp (IOCL), Bharat Petroleum Corp Ltd (BPCL) and Hindustan Petroleum Corp (HPCL) were making healthy marketing margins till recently, which had fueled speculations that the retail prices may be reduced.

"As retail prices are static, any upward movement of oil prices would impact the profitability of OMCs. The marketing margins were in the range of Rs 12-14 per litre, now it will roughly become half," said Prashant Vasisht, vice president and co-head, ICRA. The three state-run OMCs, which control 80% of the fuel supply in India, haven't changed retail petrol and diesel prices since April 6, 2022, even though oil prices had touched \$116 a barrel in June 2022 before falling to \$79 in early January 2023.

As for the upstream companies Oil and Natural Gas Corp (ONGC) and Oil India Ltd (OIL), the rise in oil prices would have given additional income but for the windfall tax that the government levies whenever the price goes above \$75 or so. "I don't think they will be able to get any additional benefit out of this simply because the government scoops away whatever is the upside," said Vasisht, adding that the tax remains nil when the price is in the range of \$70-75 a barrel. Analysts believe that even \$70-75 is a very good realisation for the upstream companies and, despite no upside from the increase in oil prices, the capital expenditure plans of the oil producing companies would not get impacted.



The fall in crude prices in the second half of last fiscal and Q1FY24 had enabled the OMCs to report profits after losses witnessed in earlier quarters. BPCL, for instance, reported a consolidated net profit of Rs 10,644 crore in the first quarter of FY24 as compared to a loss of ₹6,148 crore in the year ago quarter as the marketing margins widened considerably. The company suffered a major loss in the first two quarters of FY23 due to high crude oil price as the retail fuel price remained unchanged. The refiner finally turned around and reported net profits of ₹1,747 crore in Q3 and ₹6,478 crore in Q4.

On the gas side, as LNG prices are pegged to dated Brent prices, the prices of long term LNG would increase. Even the domestic gas prices are likely to increase if the oil prices remain high as they are also revised on a monthly basis. Generally city gas distributors (CGDs) like GAIL India and Indraprastha Gas Ltd (IGL) have passed on the increase in costs except last year. If there is any failure in passing on the increased costs, their profitability will be impacted, analysts said.

As for the oil prices, factors that would determine its trend are the oil production cuts announced by Saudi Arabia and Russia, which have brought down the inventories of oil consumers, and the ongoing recession which is seeing significant decline in China's consumption.

Besides, analysts said increase in oil prices would itself have a dampening impact on demand. Yet, on an average the expectation of oil prices is to remain in the range of \$75 to \$95 for the current financial year.

RBI fines 4 PSUs for late reporting

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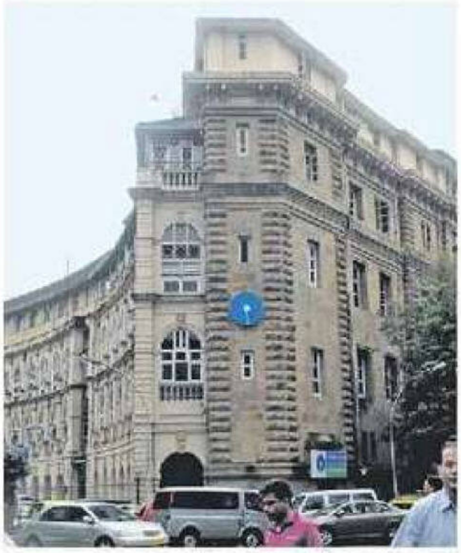
The Reserve Bank of India (RBI) has imposed late submission fees (LSF) of ₹2,000 crore on ONGC Videsh Ltd (OVL), Indian Oil Corp. Ltd, GAIL (India) Ltd, and Oil India Ltd for delayed reporting of their overseas investments, two people familiar with the development said.

The move may impact the overseas work commitments of these four state-run energy majors, prompting efforts by them to secure an extension from RBI, which has imposed a late submission fee of ₹500 crore each on the four firms.

State Bank of India (SBI) is the authorized dealer (AD) bank for these public sector undertakings' (PSUs') foreign transactions. It is the work of the AD bank to report and reconcile their overseas direct investments (ODIs) within the requisite timelines.


The oil ministry believes the responsibility lies with SBI.

The oil ministry, the nodal ministry for these PSUs, believes the responsibility for reporting these transactions lies with SBI, not the PSUs.

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RBI fines OVL, IOC, GAIL, Oil India ₹2,000 crore for late reporting

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"As per RBI notification dated 22 August 2022, restrictions have been placed on further remittance or transfer, wherein authorized dealer bank shall not facilitate any outward remittance/financial commitment by a person residing in India towards a foreign entity until the delay in reporting is regularized," said a senior Indian Oil Corp. executive, on condition of anonymity. "We have sought time from RBI to avoid any disruption in operations and for the smooth functioning of overseas subsidiaries. Further, we are in the process of reconciliation of the late submission fee along with SBI ODI (overseas direct investment) Cell."

A second person also said efforts are being made to resolve the issue. "It shall happen soon," the person said, on condition of anonymity.

According to RBI's Foreign Exchange Management (Overseas Investment) Regulations, 2022, those failing to submit investment evidence within the stipulated timeframe can do so with a late submission fee. "Late submission fee has been introduced by RBI with retrospective effect vide FEM (OI) Regulation, 2000. Regularization of submission of ODI-related data by the companies to RBI, under a specific Unique Identification Number (UIN)

The PSUs have sought an extension from RBI. MINT

assigned to each project through their AD banks, covers several thousands of ODI remittances processed since 2000. SBI has invariably reported all ODIs, based on documents provided by the remitting entities, to RBI as per applicable guidelines at the material time," said an SBI spokesperson. Queries emailed to the spokespeople for RBI, ministries of petroleum and natural gas and finance, OVL, Indian Oil , and GAIL remained unanswered.

According to the RBI notification on Foreign Exchange Management (Overseas Investment) Regulations, 2022, "A person resident in India who has made a financial commitment in a foreign entity in accordance with the Act or rules or regulations made there under, shall not make any further financial commitment, whether fund-based or non-fund-based, directly or indirectly, towards such foreign entity or transfer such investment till any delay in reporting is regularized," the notification added.

The overall investment by state-owned companies in oil and gas assets abroad stands at around $36.55 billion across 55 assets in 25 countries.

"As far as OVL is concerned, we are in compliance with all applicable RBI guidelines regarding remittances for our overseas projects. There are no RBI restrictions on overseas transactions," said an OVL executive who declined to be named.

"To our information, there is no basis for RBI imposing a total late submission fee of ₹500 crore on OVL due to delayed foreign investments' reporting. For overseas investments, RBI has gradually moved from manual reporting to online reporting on the RBI portal by the banks. Corporates do not have access to the RBI portal. A reconciliation of past data with the RBI portal was required, which has already been done. OVL has generally complied with the reporting requirements, and no significant fee is expected on this account as far as OVL is concerned," said a second OVL executive who also declined to be named.

"As far as Oil India is concerned, we are complying with all RBI guidelines remittances for our overseas projects," said an Oil India Ltd spokesperson.

HINDUSTAN TIMES, Delhi, 2.8.2023
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GAIL clocks revenue of Rs 32,227 crore in Q1 FY24

GAIL (India) Ltd reported revenue from operations of Rs 32,227 crore in Q1 FY24 as against Rs 37,572 crore in Q1 FY23. Profit before Tax in Q1 FY24 stood at Rs 1,889 crore as against Rs 3,894 crore in Q1 FY23. Profit after Tax in Q1 FY24 stood at Rs 1,412 crore as against Rs 2,915 crore in Q1 FY23.

Quarter on Quarter basis, revenue from operations was reported at Rs 32,227 crore in Q1 FY24 as against Rs 32,858 crore in Q4 FY23. PBT registered a robust growth of 220% to Rs 1,889 crore in Q1 FY24 as against Rs 591 crore during Q4 FY23. PAT increased by 134% to Rs 1,412 crore in Q1 FY24 as against Rs 604 crore in Q4 FY23 mainly on account of increased Gas Marketing and Transmission volumes & increased Transmission tariff realisation.

During the quarter, Natural gas transmission volume registered a growth of 7% to 116.33 MMSCMD in Q1 FY24 as against 108.23 MMSCMD in Q4 FY23. Gas marketing volume increased by 2% to 98.84 MMSCMD.

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Page No. 16, Size:(16.48)cms X (7.42)cms.

GAIL clocks Revenue of Rs. 32,227 crore, PAT of Rs. 1,412 in Q1 FY24

GAIL (India) Limited reported Revenue from Operations of Rs. 32,227 crore in Q1 FY24 as against Rs. 37,572 crore in Q1 FY23. Profit before Tax (PBT) in Q1 FY24 stood at Rs. 1,889 crore as against Rs. 3,894 crore in Q1 FY23. Profit after Tax (PAT) in Q1 FY24 stood at Rs. 1,412 crore as against Rs. 2,915 crore in Q1 FY23.Quarter on Quarter basis, Revenue from Operations was reported at Rs. 32,227 crore in Q1 FY24 as against Rs. 32,858 crore in Q4 FY23. PBT registered a robust growth of 220% to Rs. 1,889 crore in Q1 FY24 as against Rs. 591 crore during Q4 FY23. PAT increased by 134% to Rs. 1,412 crore in Q1 FY24 as against Rs. 604 crore in Q4 FY23 mainly on account of increased Gas Marketing and Transmission volumes & increased Transmission tariff realisation.During the quarter, Natural gas transmission volume registered a growth of 7% to 116.33 MMSCMD in Q1 FY24 as against 108.23 MMSCMD in Q4 FY23. Gas marketing volume increased by 2% to 98.84 MMSCMD as against 96.46 MMSCMD in previous quarter. LHC sales increased by 7% to 247 TMT as against 230 TMT & Polymer sales also increased by 37% to 162 TMT as against 118 TMT in comparison to previous quarter.Shri Sandeep Kumar Gupta, Chairman & Managing Director, GAIL said that the Company has incurred a Capex of about Rs.2,391 crore during the current quarter, mainly on Pipelines, Petrochemicals, Equity to JVs, etc. which is about 31% of annual target of Rs. 7,750 crore. He informed that GAIL has been authorized to build Gurdaspur- Jammu Natural Gas pipeline having length of 160 km with Capex of Rs. 522 crore.