



सार्वजनिक उद्यमों के स्थायी सम्मेलन (स्कोप) ने नई दिल्ली में अपनी तरह के पहले 'स्कोप सोशल इंटरैक्शन सेंटर' (एसएसआईसी) का उद्घाटन किया। इस मौके पर संदीप कुमार गुप्ता, अतुल सोबती, ब्रजेश कुमार उपाध्याय, डॉ. वसुन्धरा उपमन्यु, गुरदीप सिंह, के.एस. मूर्ति समेत अन्य वरिष्ठगण उपस्थित रहे।

Oil seen opening up after Iran's attack on Israel, further gains may depend on response

'Oil prices might spike at the opening as this is the first time Iran has struck Israel from its territory,' said UBS analyst Giovanni Staunovo

LONDON: Oil prices are expected to rise on Monday after Iran's attack on Israel over the weekend, analysts said on Sunday, but further gains may depend on how Israel and the West choose to retaliate, *Reuters* reported.

Iran launched explosive drones and missiles at Israel late on Saturday in retaliation for a suspected Israeli attack on its consulate in Syria on April 1, a first direct attack on Israeli territory that has stoked fears of a wider regional conflict.

Concern of a response from Iran to the strike on its embassy compound in Damascus sup-

ported oil last week and helped send global benchmark Brent crude on Friday to \$92.18 a barrel, the highest since October.

It settled that day up 71 cents at \$90.45, while US West Texas Intermediate crude futures rose 64 cents to \$85.66. Trading is closed on Sunday.

"It is only reasonable to expect stronger prices when trading resumes," said Tamas Varga of oil broker PVM. "Having said that, there has been no impact on production so far and Iran has said that 'the matter can be deemed concluded'.

"However fierce and pain-

ful the initial market reaction will be, the rally could prove to be short-lived unless supply from the region is materially disrupted."

US President Joe Biden said he would convene a meeting of leaders of the Group of Seven major economies on Sunday to coordinate a diplomatic response to the Iranian attack.

"Oil prices might spike at the opening as this is the first time Iran has struck Israel from its territory," said UBS analyst Giovanni Staunovo.

"How long any bounce will last will... depend on the Israeli response," Staunovo added.



"Also today's G7 virtual meeting needs to be monitored, with an eye on if they target or not Iranian crude exports."

Iran has steeply raised oil exports - its main sources of revenue - under the Joe Biden administration.

'However fierce and painful the initial market reaction will be, the rally could prove to be short-lived unless supply from the region is materially disrupted'

Exports were severely reduced under Biden's predecessor Donald Trump, who will face Biden in a presi-

dential election rematch in November.

The Biden administration has argued it is not encouraging Iran to raise exports and is enforcing sanctions.

Lower Iranian exports would lead to a further rise in oil prices and the cost of gasoline in the US, a politically sensitive subject ahead of the elections.

Another factor to watch will be any impact on shipping through the Strait of Hormuz, through which about a fifth of the volume of the world's total oil consumption passes daily.

The commander of Iran's Revolutionary Guard's navy said on Tuesday Tehran could close the strait if deemed necessary, and earlier on Saturday, Iran's state-run IRNA news agency reported a Guards helicopter had boarded and taken into Iranian waters a vessel, the Portuguese-flagged MSC Aries.

"Crude prices already included a risk premium, and the extent to which it will widen further almost exclusively depends on developments near Iran around the Strait of Hormuz," said Ole Hansen at Saxo Bank. AGENCIES

the hindu **businessline.**

MONDAY - APRIL 15, 2024

Storm warning

Rising oil, commodity prices can derail rate cut hopes

Iran's missile offensive on Israel over the weekend, in retaliation to attacks on its own embassy in Syria, has stoked the embers in the Middle East. While it is as yet unclear if this will escalate into a wider conflict, disruptions in shipments through the Strait of Hormuz look quite likely. This can add new legs to the recent rally in global crude oil prices, which after slumping on recession worries through 2023, have rallied over 25 per cent this year to over \$90 a barrel last week.



It was only last week that the OPEC decided to keep its output cuts in place until June, after projecting improved global demand growth of 2.25 million barrels per day through 2024. The industrial metals complex — mainly copper, nickel, zinc and silver — has been upbeat in the last few weeks too, after positive March PMI (Purchasing Managers Index) data from Eurozone and China. Gold is ruling at a lifetime high too, though for a different reason. Wary of a snowballing US debt crisis, central banks led by China have been shoring up their gold reserves to stealthily diversify from the dollar. All this has resulted in the Reuters-CRB Commodity Index rising 18 per cent this year, ruling at levels last seen when the Russia-Ukraine conflict erupted in 2022.

The cocktail of factors driving the commodity rally make it difficult to gauge if this is a structural reversal or a short-term move. But the spike, even if it lasts a few months, will have significant economic implications for India. For one, it can put paid to expectations of a reversal in policy rates from the second half of this year. In recent monetary policy meetings, the Reserve Bank of India (RBI) has said that it would like to bring the CPI (Consumer Price Index) inflation print down to 4 per cent on a durable basis. In its latest policy meeting, RBI made a benign inflation forecast of 4.5 per cent for FY25. But resurgent commodity prices could threaten this forecast. Should inflation remain elevated, RBI may also be reluctant to ease up on domestic liquidity and prefer to stay with its 'withdrawal of accommodation' stance. Two, a shift in the global inflation outlook can moderate capital flows into India's stock and bond markets. Emerging markets including India have been attracting copious portfolio flows since last November, when US treasury yields cooled off to 4 per cent levels on Fed rate cut hopes. US yields are now back to 4.5 per cent, with Fed rate cut expectations being hastily recalibrated. A persistent spike in energy prices can reverse hard-won gains in India's current account deficit and the rupee.

Finally, geopolitical tensions and commodity prices can interrupt India's stock market rally. Given that Indian companies are net importers of industrial metals and feedstock, the prospect of higher input costs will require the market to tone down its expectations for a 15 per cent earnings growth from Nifty companies in FY25. But this may not be such a bad thing, as current valuations and earnings estimates appear a tad too optimistic.

Oil's slippery grip: Iran-Israel flare-up tests India's dependency

S DINAKAR
Amritsar, 14 April

India's dependency on volatile foreign oil and natural gas markets will be further tested after Iran fired scores of missiles and drones on Israeli territory on Saturday and captured an Israel-owned tanker, helmed by Indian sailors, in the latest flare-up of tensions in West Asia.

At stake for India are both the supplies and prices of crude oil. India imports around 4.7 million barrels per day (bpd) of crude, equivalent to 88 per cent of its needs, and meets 45 per cent of its natural gas demand via imported liquefied natural gas. Most of those supplies are shipped to India via two chokepoints — the Strait of Hormuz and the Red Sea — because India, unlike China and the US, lacks transnational pipelines to import oil and gas.

Iran's first direct attack on Israel after an airstrike by Tel Aviv two weeks back on an Iranian embassy compound in Damascus killed an Iranian general and six officers. Also, the Lebanese group Hezbollah launched rockets on April 14 targeting the air defence headquarters of The Israel Defense Forces in Golan Heights, CNN reported.

The Red Sea shipping route via the Suez Canal has been under stress since January after attacks by Yemen-based Houthi rebels in retaliation for the Israeli invasion of Gaza. Now, the Strait of Hormuz — the world's most crucial oil chokepoint which connects the Persian Gulf with the Gulf of Oman and the Arabian Sea — is in the cross hairs of an expanding conflict in West Asia.

Iran produces 3.2 million bpd of crude oil and has significant control over the Strait of Hormuz, which accounts for 30

per cent of oil transit and 70 per cent of oil shipment to Asia, said Swarnendu Bhushan, co-head of research at Mumbai-based brokerage Prabhudas Lilladher. "Any escalation that may hit the oil production of Iran or affect the oil transit through the Strait can result in a spike in oil prices."

Crude oil surged to over \$90 per barrel in April and may cross \$100 per barrel, analysts say, amid a potential escalation of tensions in West Asia — April levels are at the highest since September.

Russia, India's biggest oil source, supplied 34 per cent of India's imported oil in 2024 until April 14, on tankers that cross the Suez, an existing flashpoint—the Red Sea is also a key transit point for India's product exports led by diesel, which crashed in January because of the Houthi attacks. Another 46 per cent of India's overseas crude supplies came from Gulf nations via the Strait of Hormuz, ship-tracking data from Paris-based Kpler shows.

There are concerns over the safety of tankers after Iran seized a container ship, MSC Aries, on April 13 near the Strait of Hormuz by carrying out a heliborne operation, the Iranian News Agency reported. Flows through the Strait of Hormuz make up more than one-quarter of total global seaborne traded oil and around one-fifth of global LNG trade, according to the US Energy Information Administration (EIA).

Of greater import is the excess dependence of Asia on supplies via the Strait.

"We estimate that 82 per cent of the crude oil and condensate that moved through the Strait of Hormuz went to Asian markets in 2022 — China, India, Japan, and South Korea were the top destinations, accounting for 67 per cent of all Hormuz crude oil and condensate flows in 2022 and

the first half of 2023," said Candace Dunn and Justine Barden in a US EIA report.

India's strategic reserves will last only a few days, with oil inventories at refiners keeping Indian retail outlets supplied somewhat longer. "The Iran-Israel tensions are keeping crude higher so that impacts Indian refiners in the form of higher input costs," said Vandana Hari, Singapore-based energy expert and founder of Vanda Insights. "This would affect oil-marketing companies negatively as they may not be able to take commensurate price hikes," Bhushan said.

At \$90 per barrel, Indian refiners will face huge losses in fuel sales because current pump prices of petrol and diesel are closer to crude trading at \$80 per barrel, another Mumbai-based senior analyst said.

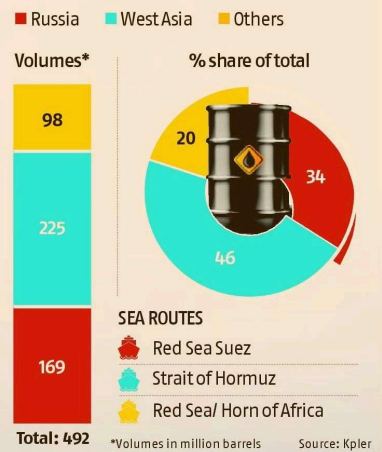
Losses on diesel will further expand, and they will start losing money on gasoline and liquefied petroleum gas, he said. State refiners are in no position to increase rates until a new government is in place in June, so they are staring at a quarter of losses if crude stays strong, he said.

Queering the pitch was India's decision in late 2023 to scrap filling India's strategic crude reserves to save a budgeted ₹5,000 crore in FY24, a move that will haunt the government as officials expected oil to oscillate at \$70 per barrel levels. At \$70 per barrel, India could have bought 8.6 million barrels of crude last year for \$600 million, which will fetch 6.6 million barrels. India consumes over 5 million bpd of fuel.

"Markets are very anxious, but it is a bit early to say anything for sure," said Narendra Taneja, a Delhi-based energy expert. "Any escalation in West Asia is bad for prices from an importer's point of view." And that's bad news for India's economy.

IN TURMOIL

India's crude oil imports and routes in 2024



Iran-Israel possible war may push crude to above \$100 per barrel

FPJ BUREAU / Mumbai

Indian markets may see heightened volatility in the upcoming week on account of geopolitical conflict heating up in the Middle East. Iran, on April 13, launched attacks against Israel, escalating the long-standing tensions between the two nations and increasing the risks of a regional war, Moneycontrol.com reported.

India—a net importer of crude oil—is highly sensitive to international oil prices as it re-



ceives over 85 percent of its requirements from other nations. This directly links the retail prices of petrol and diesel sold in the country to prices in the international market.

Brent crude futures on April

12 settled at \$90.45 per barrel, around 1 percent higher on account of tensions building up between Iran and Israel.

India's oil secretary Pankaj Sharma on April 2 had pointed out that rising crude oil prices are a cause of concern. The remarks by the oil ministry official had come after Indian oil marketing companies (OMCs) had slashed prices of petrol and diesel by Rs 2 per litre on March 14 after crude oil prices were trading around \$80 per barrel for quite some time.

RIL and Nayara Now Sell a 4th of India's Bulk Diesel



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New Delhi: Private sector refiners Reliance Industries Limited (RIL) and Rosneft-backed Nayara Energy have captured a quarter of the country's bulk diesel sales business.

RIL had 14.8% share in direct or bulk sales of diesel in March, up from 13.3% a year ago and 9.3% in the corresponding month of 2021, according to industry data.

Nayara Energy's share increased to 10.9% in March from 8.7% a year ago and 2.6% in 2021. Together, the two refiners had a share of 25.7% in March, up from 22% in the previous year and 11.9% in 2021.

Private players have been wooing large customers with aggressive price offers. Railways, state road transport departments, mining and other industries consume big volumes of diesel and buy directly from refiners.

The private sector's growing business resulted in a decline in state re-

finers' market share to 74.3% in March. Among state refiners, Indian Oil Corporation remained the leader in bulk diesel sales, followed by Bharat Petroleum Corporation and Hindustan Petroleum Corporation.

The overall bulk diesel sales volumes in the country expanded 27% in March year-on-year. However, the sales were 7% lower than in the corresponding month of 2021.

Bulk sales are just about 12% of the total diesel sales in the country, with the balance sold through pumps. In March, diesel sales at pumps grew less than 1% year-on-year. Pump sales of diesel were, however, up 14.5% from the March 2021 level.

Private sector pumps had a share of just 10% in retail sales of diesel in March, with the balance 90% accounted for by the state-run refiners. RIL had a 4.6% share and Nayara Energy 5.4% in diesel retail sales.

Nayara Energy operates 6,600 pumps and RIL 1,700 pumps, together making up about a tenth of the total pumps in the country.