

Oil India looks to drill over 75 wells in FY25

ARUNIMA BHARADWAJ
New Delhi, September 14

AMID THE GOVERNMENT'S target to increase domestic production of crude oil and natural gas to meet the rising energy demands, state-owned Oil India is planning to drill over 75 wells in the current financial year 2024-25, the company's chairman and managing director Ranjit Rath said on Saturday.

Last year, the company drilled 61 wells.

"From 45 to 61 wells, it represents a 35% annual growth. Also, this represents not only the number of wells but deeper and more complex wells," Rath said.

In the last two years, we have been growing at 5-6% in terms of crude oil and natural gas production. This is on top of a natural decline (in existing production) of 12%. So, the net growth is 6%, gross growth is 18%," he said.

Additionally, the company expects to complete the expansion of its Numaligarh refinery to 9 million tonnes per annum from the current capacity of 3 million tonnes per annum by December 2025.

The expansion plan entails installation of a 6 million tonnes per annum capacity and associated crude oil terminals and pipeline considering processing of Arab Light (AL) and Arab Heavy (AH) crude oil.

It also includes a 1,635 km long crude oil trunk line from the Paradipport in Odisha to Numaligarh in Upper Assam, to transport 5.5 million tonnes of crude oil.

"Both the projects are integrated and will be completed as part of a staged mechanical completion and staged pre-commissioning process," Rath said. "Full scale production will take place in FY 27 (2026-27)."

The CMD also informed that



the ongoing unrest in Bangladesh has had no impact either on its supplies of diesel to the country through the 130 km long Indo-Bangla Friendship Pipeline or the expansion of the Numaligarh refinery.

The pipeline with a total capacity of 1 million tonne, is presently carrying 4,000 tonnes of high speed diesel from Numaligarh Refinery Limited (NRL) in Assam to Bangladesh.

"There is no disruption of the ODC (over dimensional cargo) movement in the protocol waters," Rath said.

Oil India is also studying the possibility of permanent carbon sequestration in its oil fields in Rajasthan.

The company presently has a target to produce 4 million metric tonnes of crude oil annually.

"The south bank of the Brahmaputra river provides us enough opportunity to explore, and produce," the CMD said. "We continue to maintain the reserve-replace ratio at more or less 1." He noted that the company is producing oil and gas from deeper wells, at an average depth of 3,000-4,500 metres, against the earlier depth of 2,000-3,500 metres.

"In a first, we evaluated a seven-rig bid in just 48 hours, to have a turnaround. If we don't have rig count, we can't have deep exploration and development," he said.



INVESTMENT.
FOCUS

**Gujarat Gas:
Book Profits**

Arun k Shanmugam
bl.research bureau

India's largest CGD player, Gujarat Gas (GGL), is all set to undergo a transformation into an integrated player in the gas sector with the recently approved scheme of arrangement. The proposal is to merge the unlisted Gujarat State Petroleum and the listed Gujarat State Petronet with GGL. The merger will unlock synergies and improve operating metrics.



However, at current levels, the positives appear priced in. The shares of Gujarat Gas have rallied by around 42 per cent in the last one year and as much as 13 per cent post the merger announcement. The company now trades at a PE of 38.1 times, a 38 per cent premium to its five-year average. On a relative basis also it is trading expensive versus peers. With volatility and cyclicality being an inherent part of the business, valuations could come under pressure in the future. Investors can consider booking profits and locking in on the gains. This is a valuation call.

Valuation at high pressure

ENERGY. Recent rally pushes the stock of Gujarat Gas to the expensive quartile and makes the risk-reward ratio unfavourable

Arun K Shanmugam
bl. research bureau

India is witnessing a structural increase in the consumption of natural gas on the back of the Union government's (GoI) planned and sustained push to increase the share of gas in energy mix to 15 per cent by 2030, from the current 6.7 per cent. Efforts are on to stimulate both supply and demand in this space. In this background, the Gujarat State Petroleum Corporation group — predominantly the listed duo of Gujarat Gas (GGL) and Gujarat State Petronet (GSPL) and the unlisted Gujarat State Petroleum Corporation (GSPC) — has chalked out an elaborate scheme of arrangement involving a merger and a demerger.

The shares of GGL have rallied around 41 per cent in the last year. The company is richly valued at PE of 38.1 times TTM earnings and is now trading at a 38 per cent premium to its five-year historical average of 27.7. It is also expensive when compared with its peers — Mahanagar Gas (PE of 14.8) and Indraprastha Gas (21.6). Most positives — structural push from the GoI, synergies on merger and the falling crude prices, seem to be priced in, post this rally. Dividend yield, which is an added factor to invest in PSU stocks is also not attractive any more at 0.9 per cent. With volatility and cyclicity being an inherent part of the business and the same being enhanced with the planned merger of exploration and production (E&P) segment of GSPC into GGL, investors can consider booking profits and locking in on the gains. This is a valuation call.

THE SCHEME

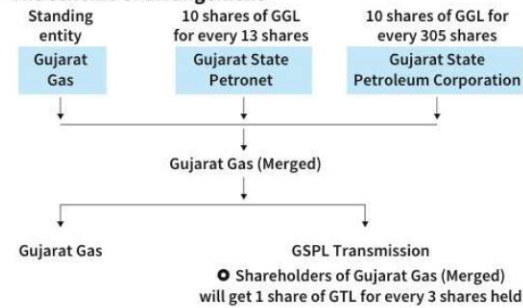
The proposal is to merge GSPL and Gujarat State Petroleum — with GGL. Share-swap ratio is as explained in the illustration. Post-merger, gas transmission and related investments will be carved out into a separate entity — GSPL Transmission Ltd



Revenue and EBITDA have been historically volatile



The scheme of arrangement



Source: Company Investor Presentation, Company Annual Reports

(GTL). While investments pertaining to transmission business will be carved out, all other investments will remain with the integrated GGL. This scheme of arrangement is proposed to be wrapped up by August 2025, subject to approval of shareholders and all relevant regulatory bodies.

As painted by the management, this arrangement, amongst other things, disentangles the ownership structure while enhancing the operating

efficiencies boosted by merger synergies. Currently, gas is traded from Gujarat State Petroleum to GGL, and gets distributed to the end-customer (B2B2C). Post merger, by becoming an integrated entity, this will be simplified by directly selling to the end-user (B2C).

There are more tangible benefits from this merger: One, the point of taxation for indirect tax will be one entity (integrated). Two, accumulated losses in the books of Gujarat State

BOOK PROFITS

Gujarat Gas
₹633

WHY

- Positives priced in
- GGL could underperform GSPL at current swap ratio
- Business could remain volatile

supply of PNG for industrial use cases. Morbi is supplied with imported PNG, which is relatively expensive, as the cheaper domestic natural gas under administered price mechanism route is prioritised to meet the demand from PNG-Domestic and CNG segments. Rate hikes in LNG negatively impact the industrial demand, with LPG being a cheaper alternate source. Thus, the impact of recent rate hike exercise by GGL in Morbi, is a key monitorable for Q2.

Demand for CNG, although a fraction of industrial PNG, has improved since FY20, while PNG for commercial and domestic use has relatively stayed flat.

OPERATING METRICS

Revenue and EBITDA grew at 11.5 per cent and 3.7 per cent CAGR respectively for GGL since FY20, while the numbers were volatile for Gujarat State Petroleum and GSPL.

Currently, the supply side contracts, managed by Gujarat State Petroleum, are in the ratio of 60:40, long-term and short-term respectively. Long-term contracts are linked to crude prices, while short-term contracts are mostly based on spot-LNG prices. GGL also has around 25 per cent spot-dependence. This volatility on account of spot-dependence will continue, even post the merger.

STOCK OUTLOOK

Though the current scenario of descending crude prices is the best the sector could ask for, the business is fundamentally cyclical in nature, and hence, the current valuation appears expensive.

Another factor to note is that per the scheme of arrangement, investors will get 10 shares of GGL for 13 shares of GSPL. Assuming the merger goes through, GGL is trading at 15 per cent premium to value of GSPL based on share-swap ratio. This too can result in some relative underperformance, as new investors may choose to buy GSPL over GGL.

Petroleum to the tune of ₹7,200 crore could be utilised to set off near-term future profits of the resultant entity.

GAS DISTRIBUTION

GGL is a city gas distribution (CGD) player with prominent presence in Gujarat alongside some presence in five other States. The company is the largest CGD player in India in terms of volume and also operates around 810-plus CNG (compressed natural gas) stations. Business involves maintaining and operating the gas distribution network and adding new connections (customers), while monetising the gas distribution — adding a mark-up on the cost of gas distributed. Based on the end-use, the company has four segments — CNG (27 per cent of revenue), PNG (Piped Natural Gas) - Industrial (66 per cent), PNG-Domestic (6 per cent) and PNG-Commercial (1 per cent).

Volumes surged for GGL in Q1 FY25, on the back of Morbi-led demand recovery from the industrial segment, improving from 9.4 mmscmd (million metric standard cubic metre per day) in FY24 to around 11 mmscmd in Q1 FY25. However, the guidance is for a softer Q2 owing to container shortages expected to negatively hit businesses in Morbi and subsequently, gas consumption.

Morbi, a city in Gujarat, the Ceramic Capital of India, accounts for two-thirds of GGL's

OIL, NRL set ambitious targets for energy independence, innovation

SIMONTINI BHATTACHARJEE

NEW DELHI: The energy landscape in India is undergoing a significant transformation, with a strong emphasis on boosting domestic production to reduce import dependency. Numaligarh Refinery Limited (NRL), a subsidiary of Oil India Limited, has announced an ambitious expansion plan to triple its refining capacity from 3 million tons per annum to 9 million tons. This expansion is part of a broader strategy to enhance India's energy security. It is spearheaded by Ranjit Rath, the Chairman and Managing Director of Oil India Ltd (OIL), and he confirmed on Saturday at the post-AGM press meet here in the national capital.

At the heart of this expansion is the construction of a 1,635-kilometer crude oil trunk pipeline to Numaligarh – this pipeline is designed to import 5.5 million tons of crude oil, supporting the increased refining capacity. Both projects are currently under execution and are expected to be completed in stages, with a target for full commissioning by December 2025. The phased approach to mechanical completion is crucial to meeting this ambitious timeline, allowing for staggered pre-commissioning activities to ensure timely completion.

In a bold and innovative move, NRL is exploring the potential of capturing carbon Dioxide (CO₂) from its refineries to repurpose it for enhanced oil recovery (EOR) in its oil fields. This forward-thinking



OIL Chairman & MD Ranjit Rath

approach is aimed at reducing carbon emissions while improving oil recovery rates in ageing fields. The CMD also added while quizzed that although the project is still in its conceptual phase, the company's determination to address environmental concerns while enhancing productivity demonstrates a commitment to sustainability.

Oil India has also set its sights on an ambitious target to increase its crude oil production from 6.5 million metric tons in the 2024 financial year to 9 million tons by 2026, he asserted. This 35 per cent jump in production represents a significant achievement for the company, which has historically operated within the Assam shelf, one of the most prolific sedimentary basins in India. The company's confidence in meeting these targets is bolstered by its history of consistent reserve replacement within its Petroleum Mining Leases (PML) areas. The Assam shelf, where Oil India primarily operates, has been producing oil and gas for over a century. Remarkably, wells drilled as far back as 1889 are still viable today, underscoring the longevity and potential of the region.

The state-owned PSU's strategic investment in advanced technology is another key factor in its growth plans. Oil India has invested in a 3,000-horsepower rig capable of horizontal drilling, a move seen as a long-term investment aimed at enhancing operational efficiency and reducing reliance on rented equipment. The company is also exploring acquisition opportunities abroad to bolster its expertise and capabilities, such as a potential acquisition of a Finnish consultancy specializing in ethanol plant management.

While Oil India's growth projections are ambitious, the company faces several challenges. Building a sustainable exploration and development pipeline is critical to achieving its production targets. The Maharatna PSU's management is aware that meeting these targets requires more than just optimistic projections; it necessitates meticulous planning, continuous exploration, and the implementation of cutting-edge technologies.

At the same time, the NRL expansion and Oil India's ambitious production targets are key components of India's strategy to enhance energy security. While challenges remain, the company's focus on innovation, technology, and sustainable practices provides a strong foundation for future growth. As the projects progress, the energy sector will be closely watching to see if Oil India can meet its lofty goals and set new benchmarks for the industry.

Bangladesh unrest not to affect NRL expansion plan

RAKESH KUMAR @ New Delhi

THE ongoing unrest in Bangladesh has not slowed down the expansion process of Numaligarh Refinery Limited, said Ranjit Rath, Chairman and managing director of Oil India Limited (OIL).

Speaking to the press after the Annual General Meeting (AGM), Rath also said that there are no payment issues with Bangladesh regarding the refined oil the company exports to the country.

"I am very happy to report that there is no disruption at all," Rath said.

"There is no disruption of movement in the protocol water. The India-Bangladesh Friendship Pipeline, laid from Siliguri to Parbatipur in Bangladesh, is functioning smoothly. We are pushing diesel utilising that particular pipeline." Numaligarh Refinery Limited, a subsidiary of Oil India Limited, has been supplying petroleum products to Bangladesh since 2015, initially through rail and later through the pipeline.

The pipeline is crucial for Numaligarh Refinery's expansion, with Bangladesh being the most suitable



Plans processing Arab Light, Arab Heavy crude

The 3 million tonne per annum (MTPA) refinery of Numaligarh, in Upper Assam is undergoing a major capacity augmentation to 9 MTPA by installing a 6 MTPA capacity refinery and associated crude oil terminals and pipelines, considering processing of Arab Light (AL) and Arab Heavy (AH) crude oil

market for offtake.

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The project includes a 1,635

km crude oil trunk line from the Paradip port in Odisha to Numaligarh in Upper Assam, to transport 5.5 million tonne of crude, Rath said. Full-scale production is expected in financial year 2026-27.

Meanwhile, the 130-km-long Indo-Bangla Friendship Pipeline (IBFPL) continues to carry high-speed diesel from Numaligarh Refinery Limited in Golaghat district of Assam to Bangladesh.

Currently, only 4,000-odd tonne of crude are moving through the 1 million tonne capacity pipeline, the chairman & MD said.

Oil India Limited targets drilling over 75 wells in financial year 2024-25 as part of its new drilling programme. The company drilled 38, 45, and 61 wells in the last three years, respectively.

"From 45 to 61 wells, it represents a 35% annual growth," Rath said. "This represents not only the number of wells but also deeper and more complex wells." OIL currently aims to produce 4 million tonne of crude oil per year. OIL is the only player in the region, which has been doing a near-surface exploration programme within the petroleum mining lease.

स्वच्छ ऊर्जा पर 25 हजार करोड़ का निवेश करेगी आयल इंडिया

नई दिल्ली, प्रेस: सार्वजनिक क्षेत्र की कंपनी आयल इंडिया लिमिटेड 2040 तक शून्य कार्बन उत्सर्जन का लक्ष्य हासिल करने के लिए स्वच्छ ऊर्जा परियोजनाओं पर 25 हजार करोड़ रुपये का निवेश करेगी।

कंपनी के चेयरमैन रणजीत रथ ने शनिवार को कहा कि शून्य कार्बन उत्सर्जन लक्ष्य हासिल करने के लिए नवीकरणीय बिजली उत्पादन क्षमता की स्थापना के साथ हरित हाइड्रोजन संयंत्रों का निर्माण और बायोगैस व इथेनाल संयंत्रों का निर्माण किया जाएगा। उन्होंने कहा कि कार्बन उत्सर्जन में कमी लाने और कच्चे तेल व प्राकृतिक गैस के उत्पादन को बढ़ाने की योजनाएं साथ-साथ चलेंगी। कंपनी वित्त वर्ष 2025-26 तक अपने उत्पादन को 90 लाख टन तक पहुंचाने की योजना बना रही है। बीते वित्त वर्ष में कंपनी ने 65 लाख टन कच्चे तेल और प्राकृतिक गैस का उत्पादन किया था।

'Duty hike on crude, refined oils to hugely benefit ryots'

Press Trust of India

NEW DELHI

The government's decision to hike customs duty on crude palm and refined sunflower oil to 20% and 32.5%, respectively will 'hugely' benefit farmers as it will increase their income, a senior official said.

The government official also said the decision to remove minimum export price and export duty cut on onion too would help.

As per a notification, basic customs duty on crude palm, soybean and sunflower seed oil was raised from nil to 20%.

ऑयल इंडिया 2040 तक शुद्ध शून्य उत्सर्जन के लिए 25,000 करोड़ का निवेश करेगी

नई दिल्ली, (भाषा)। सार्वजनिक क्षेत्र की ऑयल इंडिया लिमिटेड के चेयरमैन रंजीत रथ ने शनिवार को कहा कि कंपनी 2040 तक शुद्ध शून्य कार्बन उत्सर्जन का लक्ष्य हासिल करने में मदद के लिए स्वच्छ ऊर्जा परियोजनाओं में 25,000 करोड़ रुपये निवेश करने की योजना बना रही है।

ओआईएल की शुद्ध शून्य योजना में गैस के जलने में कटौती और फंसे हुए गैस के व्यावसायीकरण के साथ-साथ नवीकरणीय बिजली उत्पादन क्षमता की स्थापना तथा हरित हाइड्रोजन, बायोगैस और इथेनॉल संयंत्रों का निर्माण शामिल है। रथ ने कहा कि बांग्लादेश में राजनीतिक अशांति के बावजूद, भारत ने बांग्लादेश को डीजल निर्यात करना जारी रखा है और कारोबार पर इसका कोई असर नहीं पड़ा है। उन्होंने कहा कि असम में नुमालीगढ़ रिफाइनरी पाइपलाइन के जरिए बांग्लादेश को डीजल निर्यात करती है। रथ ने कहा, 'इसमें कोई व्यवधान नहीं है।

नुमालीगढ़ रिफाइनरी ओआईएल की अनुषंगी कंपनी है और रथ रिफाइनरी के भी चेयरमैन हैं। उन्होंने कहा कि सिलीगुड़ी (असम) से पार्वतीपुर (बांग्लादेश) पाइपलाइन के जरिए डीजल का निर्यात जारी है। यह पाइपलाइन भारत में 5.156 किलोमीटर से

होकर गुजरती है, जबकि बांग्लादेश में यह 124.346 किलोमीटर से होकर गुजरती है। उन्होंने यहां संवाददाताओं को बताया कि शुद्ध शून्य योजनाएं कच्चे तेल और प्राकृतिक गैस के उत्पादन को 2025-26 तक 90 लाख टन तेल और तेल समकक्ष गैस तक बढ़ाने के लक्ष्य के साथ-साथ चलेंगी, जो पिछले वित्त वर्ष (2023-24) में उत्पादित 65 लाख टन है। कंपनी अरुणाचल प्रदेश के खेतों से असम तक प्राकृतिक गैस लाने के लिए 80 किलोमीटर लंबी पाइपलाइन बिछाने की भी योजना बना रही है, ताकि परिवहन और उद्योगों में प्रदूषणकारी तरल ईंधन की जगह ली जा सके। उन्होंने कहा, शुद्ध शून्य लक्ष्य हासिल करने के लिए कई तरह की गतिविधियों की जरूरत होती है। उन्होंने कहा कि कंपनी ने असम में 640 मेगावाट और हिमाचल प्रदेश में 150 मेगावाट की सौर परियोजनाओं के लिए पहले ही योजना बना ली है। ओआईएल उन सरकारी स्वामित्व वाली कंपनियों में शामिल हो गई है जो 2070 तक भारत को शुद्ध शून्य उत्सर्जन हासिल करने में मदद करने के लिए अरबों डॉलर का निवेश कर रही है। देश की सबसे बड़ी तेल कंपनी इंडियन ऑयल कॉर्पोरेशन (आईओसी) 2046 तक शुद्ध शून्य का लक्ष्य बना रही है।