

Bid for fixed-discount oil deal with Russia prudent, says Puri

ARUNIMA BHARADWAJ
New Delhi, May 22

UNION OIL MINISTER Hardeep Singh Puri on Wednesday said that the government welcomes a possible joint long-term deal by a consortium of Indian state-owned refiners and Reliance Industries to secure oil supplies from Russia at a fixed discount as the country's oil demand continues to grow.

"Over 5 million barrels per day of crude oil is consumed in India. Why should Indian refiner not want to negotiate a good discount on a long term basis. I welcome it," Puri said.

According to a recent report by Bloomberg, the government wants its refiners to lock in at least a third of their contracted supply from Russia at a fixed discount to help shield the nation's economy from volatile prices.

Puri said, "I don't know whether this report (on joint OMC-Reliance move) is correct or not because many of these are private players. Now, if somebody in the OMCs says let's get together. I think it is a very good thing."

Russia has emerged as a major supplier of crude oil to the country since its invasion of Ukraine primarily on the back of heavy discounts that it offered in its supplies. However, the discounts have now narrowed down to the range of \$3-4 per barrel against \$8-10 per barrel earlier, owing to tighter enforcement of US sanctions on some vessels.

Indian Oil Corp is the only refiner to previously have a long-term supply with Russia but the contract has expired in March-end

HARDEEP SINGH PURI,
UNION OIL MINISTER

OVER 5 MN BARRELS PER DAY OF CRUDE OIL IS CONSUMED IN INDIA. WHY SHOULD INDIAN REFINER NOT WANT TO NEGOTIATE A GOOD DISCOUNT ON A LONG TERM BASIS. I WELCOME IT



and has not been renewed yet. The other two state-refiners — Bharat Petroleum Corp and Hindustan Petroleum Corp generally procure crude oil from Russia on spot basis.

"Discounts depend on consignment to consignment. Generally, we procure on spot basis, two months in advance. Last year, we used to get around \$8-10 per barrel. May be now it will be around \$3-4 or \$3-6 per barrel range," Bharat Petroleum Corporation's (BPCL) senior management had earlier said.

The company had noted that most Russian supplies are on spot basis and not term basis. "If there are no new geopolitical tensions, no new issues, we are estimating supplies to continue at similar levels," the management had said.



Car firms fume over new emission goals

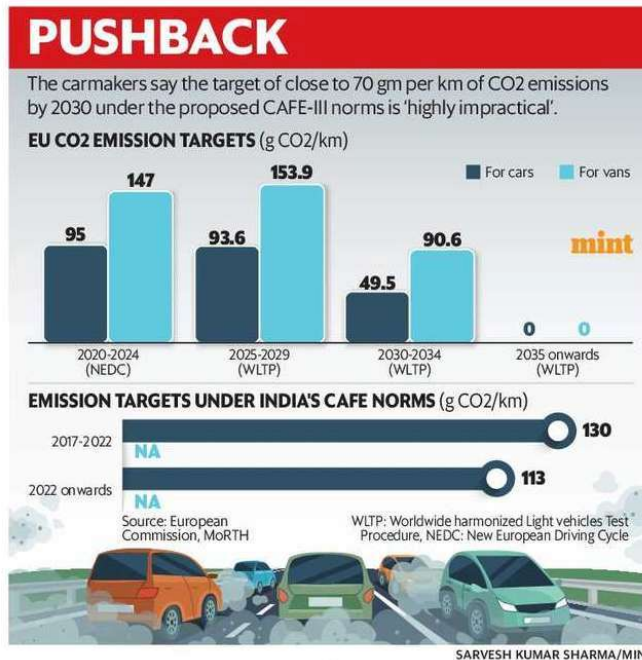
EU standards to hit sales, jobs since EV tech still nascent, say cos

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NEW DELHI

Indian automakers have strongly opposed a proposal from the country's energy efficiency and conservation agency to align their fuel efficiency standards with Europe's new vehicle carbon emission norms.

According to three people aware of the matter, the automakers have told the Bureau of Energy Efficiency (BEE) that the target of close to 70 gm per km of CO2 emissions by 2030 under the proposed corporate average fuel efficiency (CAFE-III) norms is "highly impractical". They claim that despite significant investments in electrification, internal combustion engine (ICE) vehicles will dominate the market for the next decade.

An expert committee steered by the BEE—and advised by US non-profit International Council on Clean Transportation—has impressed upon the automakers in confidential meetings that it wants to accelerate India's CO2 reduction efforts, and encourage faster adoption of electric vehicles (EV) by imposing stricter standards on original equipment manufacturers (OEMs), the people said. This



would include penalties for non-compliance with emissions reduction norms.

"(The proposal) will have devastating effects on sales, jobs and the financial health of OEMs if such stringent rules come into effect, given the nascency of the EV technology in India, and its underdevel-

oped charging infrastructure compared to Europe, against which the BEE is benchmarking India's carbon emissions," one of the three persons cited above said on the condition of anonymity. "So, there is certainly a rift between the two cur-

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Automakers fume over new Europe-like carbon emission goals

FROM PAGE 1

rently, and it is reasonable to believe such standards cannot come to pass as it is."

CAFE norms relate to carbon emissions from the full fleet of a company, including vehicles with conventional and clean-fuel engines. So, a higher number of EVs, hybrids, small ICE vehicles (which emit less carbon), or those with more fuel-efficient fossil engines such as CNG, in a company's fleet of cars would reduce its carbon emissions under CAFE-III.

"The bigger play is to reduce oil imports, but such hastened electrification will come at a cost, which will affect demand

negatively," another person cited above said, declining to be identified as the talks are private. "It'll be challenging to meet such a target, so I don't believe the government will go for such strict standards."

Mint has learnt that some sections of the auto industry have also sought a carbon trading mechanism, which will enable OEMs to buy and sell carbon credits, but the proposal isn't actively being considered yet. In Europe, OEMs that exceed their CO2 emissions targets for vehicles can purchase carbon credits or allowances from other OEMs to offset their excess emissions.

Rajesh Jejurikar, executive director and chief executive,



CAFE norms relate to carbon emissions from a firm's full fleet, including conventional and clean-fuel vehicles.

automotive and farm business at Mahindra & Mahindra, told analysts post its March quarter earnings call that the company has met its CAFE-II targets in 2023-24. "We expect that to

happen with the portfolio of electric cars that we have in FY25 as well." On the upcoming CAFE-III norms, he said they are "still under discussion". On the thought process

behind CAFE norms for the future, he said the way M&M understands the norms, "the mindset right now is to create CAFE norms, which encourage companies to have a very high portfolio of electric cars. It is being designed in a way that literally discourages non-electric (cars). The direction of the conversation right now is to move OEMs, and push them to have EVs because that's the only way to meet the CAFE norms".

"At Hyundai Motor India, we fully support government initiatives that promote sustainable and environmentally friendly transportation," said Puneet Anand, the company's AVP and vertical head (corporate affairs). "Regarding the CAFE-III and

CAFE-IV proposed standards, we, along with the industry body SIAM, are actively participating in discussions with the relevant authorities. Hyundai Motor India is dedicated to providing customers with products that comply with all government regulations."

Queries sent to BEE, Maruti Suzuki and Tata Motors remained unanswered till press time. The European Union aims to completely phase out sales of fossil fuel-run passenger vehicles by 2035. India does not have such a deadline yet—the government has set a 30% electrification target by 2030, but various industry estimates are much lower. A BNP Paribas

report, published on 2 May, estimates India will see 15% electrification in EVs by 2030.

The BEE is holding consultations to formulate CAFE-III and -IV norms to set targets for fuel consumption and CO2 emissions. CAFE III and CAFE IV norms will kick in from 2027 and 2030, respectively. Currently, the threshold for CO2 emissions under the prevailing CAFE-II norms is 113 gm per km. By 2027, the BEE has proposed to shrink it close to 94 gm/km, the people cited above said. Significantly, eight out of 18 OEMs reportedly did not meet CAFE-II norms in 2023, which could cumulatively attract upwards of ₹1,000 crore in penalty.

DRIVEN BY EXPANSION IN SERVICES

Compensation Gap between Pvt & Public Sector Widens in FY23

Pvt sector wages rise to 13.5% of GDP in FY23, compensation of PSU staff falls to 11.2%

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New Delhi: Compensation in the private sector reached a new high of 22% of gross domestic product (GDP) in 2022-23, up from 21.2% in FY22, widening the gap with government sector compensation, an ET analysis of government data released earlier this month showed.

Total compensation of employees working with private corporations increased to 13.5% of the GDP in FY23 from 12.8% in the previous year while households, which largely represent the informal sector, saw their wages rise to the highest level in nine years to 8.5% of the GDP in FY23 from 8.4% in FY22.

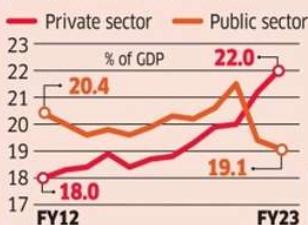
Experts noted that a rise in services could be a key factor for rising compensation in the private sector. "The higher compen-

sation ratio can be attributed to the fact that the scope of services in GDP has risen while industry is down," said Madan Sabnavis, chief economist at Bank of Baroda. "Typically, services have a higher component of labour, which increases share."

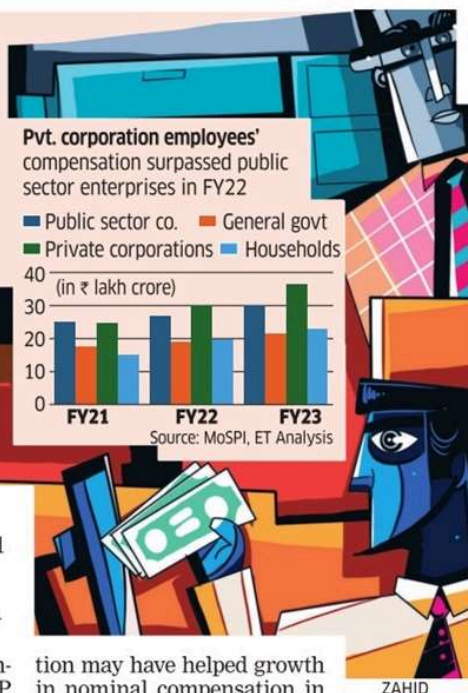
Meanwhile, compensation of employees of public sector enterprises declined to its lowest level of 11.2% of the nominal GDP in twelve years in FY23 compared to 12.4% in FY12. Incomes of state, central and local government employees as a share of total economic output also declined to its lowest level in six years to 7.9% in FY23. It had hit a peak of 8.8% in

Leaning Private

Significant increase in private corporation employees' income



The private sector includes private corporations and households. The public sector includes public sector enterprises and general government



Pvt. corporation employees' compensation surpassed public sector enterprises in FY22

(in ₹ lakh crore)
Source: MoSPI, ET Analysis

ET ANALYSIS

FY21. Overall public sector compensation,

including both PSUs and government employees, as a share of GDP fell to 19.1% in FY23 from 19.4% in FY22. "It is a case of retired staff not being replaced," Sabnavis said. "Hence, employment levels are coming down. Functions are also outsourced, like security and housekeeping, which go as admin expenses," he added. Private sector compensation surpassed that of the public sector in FY22. In FY12, the share of public sector compensation in GDP was 2.4 percentage points higher than that of private sector; but in FY23, the share of the private sector was 2.8 percentage points more than that public sector.

According to experts, higher infla-

tion may have helped growth in nominal compensation in the private sector in FY23 when the average consumer inflation was 6.7%. "Higher inflation amidst modest demand for unincorporated enterprises would have resulted in lower salary outgo," said Paras Jasrai, senior analyst at India Ratings.

The rise in compensation is accompanied by a higher contribution by industry to total value added, as the value-added contribution went up to 35.2% of GDP from 34.6% of the GDP in FY22.

The contribution of the public sector enterprises in value-added as a share of GDP has declined to 15.9% in FY23 from 16.2% in FY22.

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ZAHID

Do not withdraw capital support for oil PSUs



UTTAM GUPTA

The Government slashes equity infusions for three major oil sector CPSUs by 50 per cent, contradicting its 2023–24 budget commitments



In the Budget for the financial year 2023-24 (April 1, 2023, to March 31, 2024) presented on February 1 last year, the Union Finance Minister Nirmala Sitharaman announced an equity infusion of Rs 30,000 crore in three Central public sector undertakings (CPSUs) viz. Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL), are majority-owned by the Government of India (GOI). She had also proposed Rs 5,000 crore for buying crude oil to bolster its strategic reserves (SRs) in underground storages at Mangalore in Karnataka and Visakhapatnam in Andhra Pradesh. The equity infusions in IOCL/BPCL/HPCL were meant to support their capital investment plans for the transition to 'Green Energy' and achieve 'Net Zero' objectives. Net zero refers to a situation where the emissions of polluting gases such as carbon dioxide due to human activities and their removals are in balance over a given period. On the other hand, the allocation for SRs was meant to guard against the possibility of any disruption in its supply.

Under the above, IOCL and BPCL had done necessary spade work including approval by their respective boards for coming up with 'rights issues' of requisite amounts to enable the Union Government to give effect to its capital contribution (albeit by way of equity) promised in the budget. In the case of HPCL, the Oil and Natural Gas Corporation (ONGC) having acquired majority equity shares from the GOI in FY 2017-18 was to come up with the issue of the preferential issue to give effect to the latter's budgetary intention. However, in a big climb down, in November 2023, the Government reduced the amount of equity infusion to the trio by 50 per cent to Rs 15,000 crore even while deferring implementation of the budgetary announcement on the SRs. Meanwhile, the Interim Budget for FY 2024-25 presented by Sitharaman on February 1, 2024, didn't show any allocation for equity infusion for FY 2023-24. The said amount has been earmarked for the FY 2024-25. This was confirmed by Finance Secretary T V



JUST BECAUSE DURING FY 2023-24, THEY HAVE IMPROVED THEIR PROFITS DUE TO CONTINUING MODERATION IN THE PRICE OF CRUDE OIL, IT WON'T BE LOGICAL TO TRIM THE PROMISED BUDGETARY SUPPORT

Somanathan at a post-budget press conference. As for SRs, the budget documents do not provide any funds either in the revised estimate for FY 2023-24 or during FY 2024-25.

Why did the Government climb down?

Even as the Ministry of Finance (MoF) hasn't given any reason, it seems the decision was prompted by a significant boost to their profitability during 2023-24. The IOCL posted a standalone net profit of close to Rs 40,000 crore as against a profit of a little over Rs 8000 crore during 2022-23. The BPCL posted a net profit of around Rs 26,500 crore in 2023-24, compared to about Rs 1,850 crore profit during 2022-23. The HPCL posted a profit of around Rs 14,500 crore during 2023-24 against a loss of about Rs 9,000 crore in 2022-23.

When the companies can generate good profits hence, a good investible surplus for meeting their investment commitments, why do they need the Government's budgetary support? But, there is much more than what meets the eye on a plain reading of the profit numbers. First, out of the net profit, a substantial amount is paid as dividends to the shareholders. For instance, in case IOCL @Rs 7 on a share of Rs 10 each, the payout during 2023-24 on a total of 1,412 crore outstanding shares would be around Rs 10,000 crore.

Second, these undertakings are engaged in the business of refining crude oil to produce a range of finished products such as petrol, diesel, LPG etc besides importing them to meet their demand. That makes their operations highly capital-intensive. Consequently, their investment requirements for expansion and growth are heavy. This is exacerbated by their commitments regarding the transition to 'Green Energy'. While IOCL has decided to

achieve 'Net Zero' by 2040, BPCL and HPCL intend to reach this goal by 2045.

Third, the most potent reason as to why the Government shouldn't backtrack on the capital support once promised to oil PSUs has to do with the loss the latter had suffered during FY 2022-23, courtesy of directions given by the former regarding setting retail prices of petrol and diesel. To understand the full ramifications of such orders, let us look at some basics.

Petrol and diesel were deregulated long back in June 2010 and November 2014 respectively. As a result, oil PSUs got the freedom to fix their retail prices. The price is fixed as refinery-gate price or RGP (import parity price or IPP and export parity price or EPP of the fuel in the ratio of 80:20) plus freight, marketing costs, marketing margin, dealers' commission taxes and duties. Considering that over 85 per cent of India's crude oil needed for making refined products is imported (the balance 15 per cent is sourced from domestic companies such as ONGC, Oil India Limited or OIL) etc, an increase/decrease in its international price should lead to corresponding increase/decrease in the retail price of petrol and diesel but only if the marketing PSUs are allowed to fix the price strictly as per the formula. But, this is rarely done. The Government issues tacit instructions to IOCL/BPCL/HPCL (together, they account for around 90 per cent of the domestic fuel retail network in the country) to fix the retail price. This is driven by extraneous considerations. Ever since the start of the Ukraine war in February 2022, the international price of oil has been on the boil. The average of the basket of crude oil that India imports during April-September 2022 was \$ 103.7 per barrel against the \$90 per barrel that prevailed before the war started. But,

these PSUs were told to keep the price of petrol and diesel unchanged for six months. This led to substantial under-recovery from the sale of these products.

For instance, in June 2022, the price of petrol in Delhi remained at Rs 97 per litre corresponding to the pre-war crude price of US\$ 90 per barrel. This was despite the price of crude jumping to US\$ 116 per barrel which would have required the price to be set at Rs 112 per litre. Consequently, on the sale of petrol during June 2022, the PSUs suffered under-recovery of Rs 15 per litre (112-97).

Cumulatively, the three PSUs incurred a loss of around Rs 40,000 crore during the first half of FY 2022-23. As the crude price started to decrease from October 2022 onward, their finances became a shade better during the second half. For the whole year, they posted a meagre profit of Rs 850 crore. The capital infusion of Rs 30,000 crore proposed in the budget for 2023-24 was meant to help them offset the losses incurred in the previous year.

Just because during FY 2023-24, they have improved their profits due to continuing moderation in the price of crude oil, it won't be logical to trim the promised budgetary support. Moreover, they need some cushion to guard against crude prices moving north yet again; that possibility is not ruled out considering the continuing tense geo-political situation. For the same reason, the Government shouldn't defer bolstering the strategic buffer of crude oil.

In sync with its emphasis on 'predictability' and 'stability' of the policy, having deregulated petrol and diesel, the Government shouldn't interfere in the process of setting prices by the oil PSUs.

(The writer is a policy analyst; views are personal)



THE COMPASS

Higher output, reasonable valuations positive for ONGC

DEVANGSHU DATTA

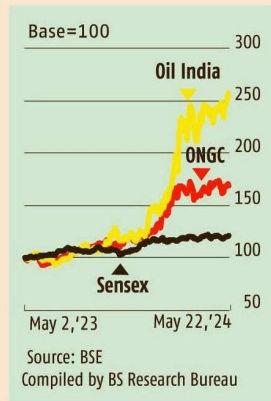
Upstream majors ONGC and Oil India (OIL) results for the January-March quarter (Q4) of FY24 suggest better production in future. But OIL missed its own production targets although it delivered higher volumes and it disappointed the market in terms of Ebitda.

ONGC reported standalone Ebitda of ₹17,400 crore (up 7 per cent year-on-year or Y-o-Y) in Q4FY24, slightly below estimates due to other higher expenses. This was due to one-off charges of ₹900 crore for tax-related matters. The Q4FY24 PAT was 13 per cent higher, due to lower depreciation and less

expense for dry well write-offs. The management expects total production (excluding joint ventures) to rise to 47 million metric tonnes of oil equivalent (mmtoe) in the next three years from 39 mmtoe now, driven by KG-98/2 and Daman developments.

ONGC's oil production is projected to rise from 19.2 mmtoe in FY24 to 22 mmtoe in FY27. Gas production is projected to rise from 19.3 billion cubic meters (bcm) in FY24 to 25.5 bcm in FY27.

Gas production from the KG-98/2 asset, which will begin in Q3FY25, is expected to hit 10 mmscmd (million metric standard cubic meters per day) by FY25 end, while



oil production could ramp up to 45,000 bpd (barrels per day) by Q4FY25.

The FY24 capex was ₹37,000 crore, attributed to

one-off projects and capitalisation of expenses. Capex may normalise at ₹33,000-35,000 crore in FY25 (excluding green opportunities).

Crude oil sales stood at 4.7 mmt in Q4FY24, while gas sales were at 3.8 bcm, more or less in line with expectations. Value-added product sales stood at 622,000 metric tonnes (MT).

Oil realisation was around \$80.8 per barrel (up 5 per cent YoY). The Ebitda was ₹17,400 crore (up 7 per cent Y-o-Y), while PAT was ₹9,900 crore.

The PAT was boosted by lower-than-expected depreciation and dry well write-offs. Performance was also

boosted by inventory gains of ₹900 crore. The company

declared a final dividend of ₹2.5 per share, in addition to earlier ₹9.75 per share declared in FY24.

Oil production of overseas subsidiary, OVL (ONGC Videsh) declined 2 per cent quarter-on-quarter (Q-o-Q) to 1.78 mmt, while gas production was 0.843 bcm in Q4FY24 (down 2 per cent Q-o-Q). Crude oil sales for OVL stood at 1.184 mmt (down 3 per cent YoY), while gas sales were 0.444 bcm (down 15 per cent YoY). OVL's revenue was ₹2,080 crore (down 15 per cent YoY) and profit before depreciation and tax (PBDT) stood at ₹1,880 crore (up 106 per cent YoY). ONGC guided for 6 per cent production volume CAGR over the next three

years, with rising production from KG 98/2, Daman upside development, and monetisation of stranded gas reserves. Executing this will be crucial.

The company announced 11 discoveries in FY24, and has monetised seven of these 11 discoveries, besides four discoveries from FY23. It plans to monetise 8-10 discoveries in FY25. ONGC achieved its highest-ever standalone PAT of ₹40,530 crore and highest-ever consolidated PAT of ₹57,100 crore in FY24. ONGC has 37 JU rigs, (six owned, rest hired) and does not think there will be shortage of rigs. ONGC announced ₹18,000 crore investment in Opal (ONGC Petro Addition) and expects pending approvals soon. In FY23, OPAL reported PAT loss of ₹4,000 crore, which narrowed to

₹3,300 crore in FY24. ONGC plans to convert debt to equity and expects OPAL to break even in a year or two.

While gas and crude prices stay high, ONGC would do well though profits are capped by windfall taxes. Net of windfall tax, realisation is between \$75-76 per barrel. Gas realisations of new wells would also be at 20 per cent premium to APM (administered pricing mechanism) gas. The upside in production volumes coupled to reasonable valuations are two reasons why most analysts are bullish on the stock.

According to Bloomberg, 17 out of 23 analysts polled post Q4 results are bullish on ONGC; their average one-year target price is ₹3074. For OIL, 6 of 7 analysts are bullish; target price is ₹729.7.

NGT orders CPCL to pay penalty of ₹5 crore



Chennai: The National Green Tribunal (NGT) penalised CPCL over an oil spill in Tamil Nadu's Nagapattinam last year and levied a penalty of ₹5 crore on the IOCL group company. The leak was from a 9 km-long 20-inch diameter pipeline from the Chennai Petroleum Corporation Ltd Cauvery Basin Refinery (CBR) crude storage tanks at Nagapattinam to Karaikal Port. PTI

'OMCs should bargain with oil producers for discount'

RAKESH KUMAR @ New Delhi

DOMESTIC oil marketing companies (OMCs) should come together and negotiate with oil producing companies for a good discount on long-term contracts, said petroleum minister Hardeep Singh Puri on Wednesday.

Puri, addressing the press, said India holds the most important card—the market card—and since it consumes over 5 million barrels a day. “As far as India is concerned, we are holding one of the most important cards in your hand, which is a market card, which means that 5 million plus barrels a day are consumed in India. Why should the Indian refiners not want to negotiate a good discount on a long-term basis,” said the minister.

In India, state-owned companies such as Indian Oil Corporation (IOCL), Bharat Petroleum Corporation (BPCL), and



Hindustan Petroleum Corporation (HPCL) import the majority of crude oil. Private refiners, Reliance Industries and Nayara Energy, also import a significant amount of crude. As per the government data, India imported \$132.4 billion of crude oil in FY24 as against \$157.50 billion spent in FY23. India is believed to have saved \$25 billion in foreign exchange in the year ending March 31 as against FY23. This saving is attributed to the discount received on Russian crude oil imports. India has increased its imports from Russia due to the attractive discount offered to

refiners. However, BPCL, during an investor call, indicated that the discount has narrowed recently. They previously received a discount of about \$8–\$10 per barrel on Russian crude oil last year, but this year's discount is expected to be lower, potentially in the range of \$3–\$4 or \$3–\$6 per barrel.

Therefore, the minister suggested that the Indian refineries come together to negotiate with the oil producing companies for a better discount. He highlighted the example of a coordinated move by OPEC+ (the Organization of Petroleum Exporting Countries), a cartel of oil-producing countries, to cut down 2.2 billion barrels of crude per day to check the global crude price. The cut was what the minister called substantial. He also said that despite ongoing conflicts in the world and the continued production cuts by OPEC, the price of oil is held.

Petronet LNG posts highest-ever net profit in FY24; 20% rise in Q4

PTI / New Delhi

Petronet LNG Ltd - India's largest liquefied natural gas importer - on Wednesday reported a 20 per cent rise in the March quarter net profit on the back of importing higher LNG volumes.

For the entire 2023-24 fiscal (April 2023 to March 2024), Petronet reported highest-ever net profit of Rs 3,536 crore on the back of a 22 per cent growth in volume throughput.

The net profit reported in the March quarter was Rs 738 crore as compared with Rs 614 crore in the same period of the previous year, said Petronet MD & CEO Akshay Kumar Singh. The profit was, however, lower than Rs 1,191 crore earned in the preceding quarter.



During the current quarter ended March 31, Petronet's mainstay Dahej terminal in Gujarat processed 219 trillion British thermal units (TBTU) of LNG as against 218 TBTU during the previous quarter ended December 31, 2023 and 172 TBTU during the corresponding quarter of the previous fiscal. The overall LNG volume processed by the company during the January-March period was the highest ever at 234 TBTU, as against the LNG vol-

ume processed in the previous and corresponding quarters, which stood at 232 TBTU and 185 TBTU, respectively.

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The overall LNG volume processed by the company during the January-March period was the highest ever at 234 TBTU, as against the LNG volume processed in the previous and corresponding quarters, which stood at 232 TBTU and 185 TBTU, respectively.

Refining margins of OMCs likely to moderate for 2nd year in a row

Rishi Ranjan Kala
New Delhi

Domestic oil marketing companies (OMCs) are likely to face margin pressures in FY25 on account of a moderation in gross refining margins (GRMs) due to reduction in product cracks, particularly diesel, and shrinking discounts on Russian crude oil.

According to CareEdge Ratings, after enjoying exceptionally high GRMs in FY23 at an average of \$16-18 per barrel, the GRMs of Indian refiners moderated to an average of \$10-12 in FY24.

The agency expects the GRMs of Indian refiners to moderate further in FY25 and remain \$6-8 a barrel. Marketing margin is also expected to moderate due to reduction in retail price of petrol and diesel by ₹2 a litre, effective March 15, 2024.

MARGIN PRESSURES

In FY23, Indian refiners experienced an extraordinary period with all-time high GRMs, influenced by disruptions in the demand-supply dynamics triggered by the Russia-Ukraine war.

Geopolitical factors led to an increased supply of cost-effective Russian crude oil to India. Simultaneously, the cessation of natural gas supply from Russia to Europe resulted in a substantial rise in diesel cracks, further enhancing the GRMs for Indian refiners, CareEdge said.

The subsequent normal-



CareEdge Ratings expects GRM of refiners to moderate further in FY25 and remain in the range of \$6-8 a barrel

isation of diesel cracks and contraction in discount available on Russian crude led to a moderation in GRMs during FY24 to an average of \$10-12 a barrel. However, the GRMs of Indian refiners consistently outperformed the benchmark Singapore GRMs, reflecting the evolving dynamics..., it added.

“While FY23 and FY24 were exceptional years for Indian refiners, FY25 is expected to witness some normalcy with moderation in refining and marketing margins. Expected refining margin of \$6-8 a barrel in FY25 with full utilisation of refining capacities are still expected to be decent when compared with pre-Covid years and it provides headroom to absorb potential shocks in marketing margin,” CareEdge Ratings Director Hardik Shah explained.

The Russia-Ukraine conflict pulled up crude oil prices to record levels in H1 FY23. This could not be

passed on to Indian customers due to stagnant retail prices resulting in loss from marketing operations of OMCs.

Marketing margin started improving from Q3 FY23 with a reduction in crude prices and stable retail prices of petrol and diesel. However, with the surge in crude prices in the latter part of Q2 FY24 which closed at \$96 a barrel and retail prices being unaltered, the marketing margin witnessed a moderation.

Despite this, the overall marketing margin for FY24 witnessed a substantial jump over FY23 aided by relatively lower crude prices and stable retail prices.

Significantly higher marketing profit offset the reduction in GRM in FY24.

Marketing margin is expected to moderate substantially in Q1 FY25 with the recent price cut for petrol and diesel, the agency said.

Crude prices are on an increasing trend since the start of calendar year 2024 barring some reduction in between. An upward bias is expected in the near term on the back of the strained situation between Israel and Iran and the marketing margin of OMCs is expected to remain under pressure in FY25.

RUSSIAN SUPPLY

CareEdge pointed out that the share of Russian crude in India's total crude oil imports reached a nine-month high level of 40 per cent in April 2024.

‘Seeking a good discount on Russian oil is right thing to do’

STATE OF FLUX. Effectiveness of the recovery, not equilibrium, is the issue: Puri

Rishi Ranjan Kala
New Delhi

Oil Minister HS Puri on Wednesday said there is no reason why domestic refiners should not want to negotiate a “good discount” on a long-term basis with Russia, emphasising that India holds the key card in high crude oil consumption.

The world’s third-largest crude oil importer processed 5.24 million barrels per day (mb/d) on a provisional basis in FY24 compared with 5.13 mb/d in FY23 and 4.85 mb/d in FY22. The country consumes roughly 5 mb/d.

The Minister pointed out that international oil and gas markets are facing uncertainty due to geopolitical conflicts coupled with the tragic helicopter crash that killed Iran’s President Ebrahim Raisi on Sunday.

When asked about Indian refiners forming a cartel to negotiate discounts on crude oil from Russia, Puri said, “I don’t know whether this report is correct or not because many of these are private players.”

On discounts, Puri added: “Why is that any surprise? You are holding one of the most important cards in your hand, which is the market card. This means more than 5 mb/d are consumed



All those who have invested in this ecosystem think all the major stakeholders do not want large-scale hostilities.

HARDEEP SINGH PURI
Minister for Petroleum and Natural Gas



in India. Why should Indian refiners not want to negotiate a good discount on a long term basis? So, that’s my point. I am upfront. I welcome it. Now, if somebody in the OMCs says, let’s get together. I think it is a very good thing.”

RUSSIAN DISCOUNTS

Russia has slashed discounts on crude oil, particularly on Urals, in the past year. Earlier this month, Bharat Petroleum Corporation (BPCL) said Russian crude oil discounts have almost halved to \$3-6 per barrel at present from an average of \$8-10 during FY24.

According to ICRA, India saved around \$5.1 billion in FY23 and \$7.9 billion in 11M FY24 on its oil import bill due to discounts on Russian cargo.

However, it estimates that the extent of monthly

discounts relative to price has narrowed sharply over the fiscal (FY24), to around 8 per cent on an average in September-February FY24 from around 23 per cent in April-August FY24. Consequently, savings related to purchase of Russian crude are likely to have dipped to \$2 billion in September-February FY24 from \$5.8 billion in April-August FY24.

“With India’s oil import dependency expected to remain high, if the discounts on purchases of Russian crude persist at the prevailing low levels, ICRA expects India’s net oil import bill to widen to \$101-104 billion in FY25 from \$96.1 billion in FY24, assuming an average crude oil price of \$85 per barrel in the fiscal. Additionally, any escalation in the Iran-Israel conflict and an associated rise in crude oil

prices could impart an upward pressure on the value of net oil imports in the current fiscal year,” it added.

OIL MARKETS

Prices are not volatile, Puri said, adding, “My understanding is that there is a certain amount of uncertainty. What is the uncertainty? There are two-and-a-half-theatres of conflict. There is also talk of some other uncertainty. There has been a tragic incident in one of the oil producing countries. The helicopter crash. Taking all that into account, the oil prices are still holding.”

The Minister explained that despite the fairly substantive production cuts announced by OPEC+ crude oil prices have held.

Analysts said that crude prices have ruled in a very narrow — between \$82 and \$84 per barrel — so far in May. Brent was trading at \$81.74 a barrel on Wednesday afternoon.

Puri said, “In spite of all that, prices have held... all those who have invested in this ecosystem think all the major stakeholders do not want large-scale hostilities. The equilibrium between supply and demand is by and large being met. The issue today is different. The issue is how effective is the recovery.”

क्रूड ऑयल इंपोर्ट पर खर्च 19% बढ़ा

Crude oil Import

AI Image

■ विशेष संवाददाता, नई दिल्ली

वित्त वर्ष 2024 में आयात में मामूली कमी के बाद मौजूदा फाइनेंशियल ईयर के पहले महीने में क्रूड ऑयल इंपोर्ट में 7% की बढ़त दर्ज की गई। सालभर पहले अप्रैल में 2 करोड़ टन के मुकाबले इस बार 2.14 करोड़ टन क्रूड इंपोर्ट किया गया। इसके लिए खर्च सालभर पहले के मुकाबले 19% बढ़ गया।

रूसी तेल पर डिस्काउंट घटने के बीच अप्रैल में 13 बिलियन डॉलर खर्च हुए

पेट्रोलीयम एंड नैचुरल गैस मिनिस्ट्री के तहत आने वाले पेट्रोलीयम प्लैनिंग एंड एनालिसिस सेल के आंकड़ों के मुताबिक, इंपोर्ट पर

13 बिलियन डॉलर यानी एक लाख 8 हजार 580

करोड़ रुपये खर्च करने पड़े। अप्रैल 2023 में ऑयल बिल 10.9 बिलियन डॉलर था।

क्यों बढ़ रहा ऑयल बिल ?

ऑयल बिल बढ़ने में रूसी तेल पर डिस्काउंट घटने का बड़ा हाथ रहा। अप्रैल में ब्रेट क्रूड का एक्वेज ग्लोबल प्राइस 90.2 डॉलर प्रति बैरल रहा, जो सालभर पहले 85.5 डॉलर प्रति बैरल था। भारतीय आयात के लिए क्रूड का औसत भाव भी बढ़कर 89.5 डॉलर प्रति बैरल हो गया, जो मार्च में 84.5 डॉलर और सालभर पहले के अप्रैल में 83.8 डॉलर प्रति बैरल था।

यूक्रेन युद्ध शुरू होने के बाद क्रूड प्राइस उछलने का भारत पर भी असर पड़ा था, लेकिन रूस के सस्ते भाव पर भारत को तेल देने से राहत मिली थी। हालांकि इंडस्ट्री सोर्सिंग के मुताबिक, ग्लोबल प्राइस के मुकाबले रूसी तेल पर डिस्काउंट अब 4 डॉलर के करीब आ गया है, जो पहले 10 डॉलर प्रति बैरल तक था।



बढ़ रही है आयात पर निर्भरता

अप्रैल में पेट्रोलीयम प्रोडक्ट्स की खपत 1.99 करोड़ टन रही, जो सालभर पहले के इसी महीने के मुकाबले 6.1% अधिक है। अप्रैल 2023 में 1.87 करोड़ टन की खपत हुई थी। वहीं, देश में क्रूड ऑयल और कंसेंसेट का उत्पादन जस का तस रहा। अप्रैल में 24 लाख टन का प्रोडक्शन हुआ। सालभर पहले भी इतना ही प्रोडक्शन था।



अप्रैल में क्रूड ऑयल के इंपोर्ट पर निर्भरता 88.4% रही। यह सालभर पहले के 88.6% से कम रही, लेकिन जिस तरह पेट्रोलीयम प्रोडक्ट्स की खपत बढ़ रही है और देश में क्रूड ऑयल प्रोडक्शन का जो हाल है, उसे देखते हुए मौजूदा वित्त वर्ष में इंपोर्ट डिपेंडेंसी बढ़ सकती है। वित्त वर्ष 2024 में आयात पर निर्भरता बढ़कर 87.7% हो गई थी, जो इससे पिछले फाइनेंशियल ईयर में 87.4% थी। वित्त वर्ष 2022 में भारत को अपनी कुल जरूरत का 85.5% क्रूड ऑयल इंपोर्ट करना पड़ा था।



पेट्रोनेट ने सर्वाधिक शुद्ध लाभ अर्जित किया

देश की सबसे बड़ी एलएनजी आयातक कंपनी पेट्रोनेट एलएनजी लिमिटेड ने बुधवार को कहा कि वित्त वर्ष 2023-24 में उसने अबतक का सर्वाधिक 3,536 करोड़ रुपये का शुद्ध लाभ अर्जित किया है। कंपनी ने वित्तीय नतीजों की सूचना देते हुए कहा कि पिछले वित्त वर्ष में बिक्री मात्रा 22 प्रतिशत बढ़ने से वह अपना उच्चतम लाभ कमाने में सफल रही। पेट्रोनेट के प्रबंध निदेशक एवं मुख्य कार्यपालक अधिकारी (सीईओ) अक्षय कुमार सिंह ने संवाददाताओं से कहा कि जनवरी-मार्च तिमाही में शुद्ध लाभ 20 प्रतिशत बढ़कर 738 करोड़ रुपये हो गया।

भाषा



सीपीसीएल पर पांच करोड़ का जुर्माना

चेन्नई। राष्ट्रीय हरित अधिकरण (एनजीटी) ने पिछले साल तमिलनाडु के नागापट्टिनम में तेल रिसाव को लेकर बुधवार को सीपीसीएल को दंडित किया। अधिकरण ने आईओसीएल समूह की कंपनी पर पांच करोड़ रुपये का जुर्माना लगाया।