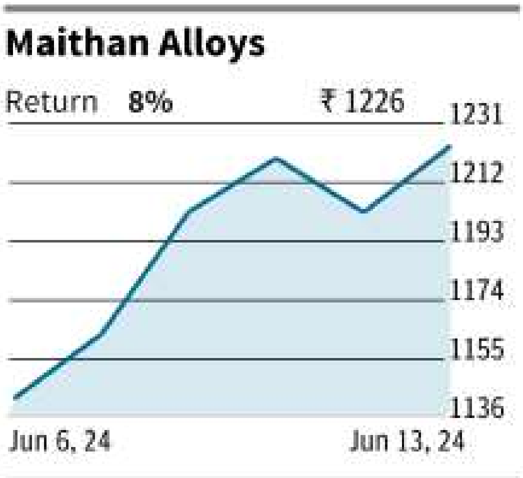
BUSINESS LINE, Delhi, 14.6.2024
Page No. 6, Size:(2.99)cms X (8.25)cms.

Maithan Alloys buys small stake in BEL, HAL, GAIL



Chennai: Maithan Alloys disclosed acquisition of 0.01 per cent shareholding (6.85 lakh shares) in Bharat Electronics worth ₹20.04 crore, Hindustan Aeronautics (41,000 shares for ₹20.14 crore) and 13.79 lakh shares of GAIL India for ₹30.05 crore. Last week, Maithan acquired shares of State Bank of India (5.96 lakh shares worth ₹50.18 crore) and Power Finance Corporation (20.86 lakh shares worth ₹101 crore). OUR BUREAU

FINANCIAL EXPRESS, Mumbai, 14.6.2024
Page No. 1, Size:(7.49)cms X (11.75)cms.

Natural gas, ATF may come under GST net

GST Council meet on June 22 may also review online gaming tax

PRIYANSH VERMA
& ARUNIMA BHARADWAJ
New Delhi, June 13

THE GOODS AND Services Tax (GST) Council will meet here on June 22, with a packed agenda, including proposals to bring natural gas and aviation turbine fuel (ATF) under the ambit of the GST, and a review of the way the tax on consumption is applied on online gaming, casinos and horse racing.

The meeting, the first after the new National Democratic Alliance (NDA) assumed office, is, however, unlikely to take up the long-pending agenda of an overhaul of the GST slabs. That would require more technical inputs, as an earlier ministers' committee that reviewed the matter was disbanded.

An ongoing process of correcting inverted duty structures may still be carried forward, with changes in tax rates for some products in the textile and fertiliser value chains.

The 53rd meeting of the council comes against the backdrop of an electoral verdict that marked a slight shift to federalism. While these proposals would be placed before the Council, the decisions will have to be taken by consensus. The states may raise revenue concerns.

Natural gas is currently outside the ambit of GST, and legacy taxes — central excise duty, state VAT, central sales tax — apply on the fuel. VAT on natural gas varies from state to state, and is in the range of 14% to 24%.

Currently on the state level, the VAT on ATF varies from 5-18%, and basic excise duty levied by the Centre stands at 11%, above which it also levies cesses.

Any move to bring natural gas under GST would have implications for the gas producers, marketers, and the entire petrochemical value chain, from polymers to plastics. Bringing ATF under GST would be a positive for airline companies, and air travellers, with the extent of benefits to each to be determined by whether and how the resultant cost savings are passed through.

ON AGENDA

- Govt likely to consider review of **28%** levy on full face value of bets of **online gaming firms**

- Price pressures to ease for consumers across petrochem value chain if **gas brought under GST**
- **ONGC, Oil India and Reliance to be among beneficiaries as also GAIL, Petronet LNG & CGD entities**
- Bringing ATF under GST a positive for airline companies and travellers

Continued on Page 11

FINANCIAL EXPRESS, Mumbai, 14.6.2024
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Natural gas, aviation fuel may come under GST net

ONGC, Oil India and Reliance would be among the beneficiaries of gas being included under the GST ambit along with city gas distribution companies. The proposed regime would provide them with greater availability of input tax credits to meet their tax liability of value-added outputs. The resultant operational efficiencies could boost their earnings, and/or make products across the value chain cheaper.

Gas is a feedstock for petrochem chain, like naphtha, a refinery output, which is already under GST.

Prashant Vasisht, senior vice-president, corporate ratings, Icra, said: "Bringing gas under GST should let companies like GAIL, Petronet LNG, and CGD entities reduce prices or result in savings for them."

There could be a similar positive impact on gas-based power capacities.

Sources in the know say the government is likely to consider a review of the 28% GST levy on full face value of bets of online gaming companies. In July and August last year, the Council had approved amendments to the GST laws to include online gaming, casinos, and horse racing as taxable actionable claims, clarifying that these activities would attract a 28% tax on the full face value of bets. During that time, it was mentioned that a review of this implementation would be conducted after six months (April 2024), but that didn't take place.

Currently, the online gaming industry faces around ₹2-trillion tax liability, which they have challenged in the courts. The Supreme Court is likely to hear their petitions in July, which challenge the retrospective GST notifications that demand payment calculated at a rate of 28% based on the face value of bets.

Experts say that the GST Council has two options: first, to refrain from taking corrective measures while the matter is sub-judice and awaits court directions; second, to immediately correct the disputed decision by removing the retrospective application of the 28% GST.

FE had reported earlier that the government is considering granting relief to the online gaming industry by exempting them from paying the GST at rate of 28% on the full face value of bets for the pre-October 1, 2023 period, citing official sources.

On the inverted duty structure, the government has identified a clutch of products where inverted duty structure is distorting trade and impacting manufacturing competitiveness and has initiated the process to address the issue, an official had told FE earlier.

Smita Singh, partner at S&A Law Offices, said this issue is a "major concern" for the industry, especially startups, as it increases costs and makes it tough to control the working capital. Currently, in the pharmaceuticals sector, various input medications attract 18% GST, while the final product is in 5% tax slab. Similarly in the EV sector also inputs are within the tax rate of 18-28% slab; whereas the EVs are taxed at 5% GST, which eventually leads to blocking up of capital for these manufacturers.

Saurabh Agarwal, tax partner, EY, said the larger issues with reference to relief on secondment, and rate rationalisation are likely to be taken up in the next GST Council meet which will happen after June.

Mahesh Jaising, partner, Deloitte India, said the expected clarifications on critical matters such as related party free of cost transactions and ESOP taxation from the 53rd Council meeting is also indicative of policymakers' efforts to engage with industry stakeholders and streamline procedures based on feedback.

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BUSINESS LINE, Delhi, 14.6.2024
Page No. 6, Size:(4.39)cms X (9.84)cms.

BROKER'S CALL.

Prabhudas Lilladher

GAIL INDIA (SELL)

Target: ₹170

CMP: ₹219.75

In next 3-4 years, we expect India's gas consumption to rise from 191mmscmd in FY24 to 218mmscmd. While GAIL's transmission would grow by 8 per cent c in FY24-26, trading is expected to grow a tad lower (6 per cent). Petrochemical and LPG are expected to remain muted.

India's trunk gas pipeline network is expected to rise from 23,391km in FY24-end to 27,516km in the next 3-4years. GAIL's own network is expected to rise from 16,240km to 19,970km (including spur lines) in the next 2-3years.

With already connected consumers (except power) consuming optimal amount of gas, and fewer new consumer additions, we expect GAIL's transmission volume to rise from 120mmscmd in FY24 to 130/140 mmscmd in FY25/26E. This includes seasonal boost from the power sector.

Bringing natural gas under the GST ambit would bring down gas cost and aid volume growth too. However, increasingly, consumers are securing their contracts directly, thereby dampening the expected growth rate in trading. Incremental petrochem projects are also margin dilutive.

Considering the slow growth in transmission and low return ratios for petrochem expansions, we remain negative on the stock with a Sell rating and target price of ₹170, valuing it at 12x FY26 standalone EPS and adding the value of investments.

BUSINESS STANDARD, Mumbai, 14.6.2024
Page No. 11, Size:(22.89)cms X (36.99)cms.

PSU stocks may see gains under Modi 3.0

'Limited upside in premium valuation if reforms slow down'

NIKITA VASHISHT
New Delhi, 13 June

Shares of public-sector undertakings (PSUs) should be accumulated at lower levels after they took a beating on June 4, when Lok Sabha results gave a reduced mandate to the government, say analysts.

They argue that the stocks will continue being the prime beneficiaries of the government's focus on capital expenditure. "Significant investments in infrastructure, energy, and defence projects have created a predictable order pipeline for PSUs, boosting revenue streams. Furthermore, PSUs have demonstrated steady earnings growth, consistent dividend payouts and hold strategic importance in critical sectors, which strengthens investor confidence," said Ajit Mishra, senior vice-president for research at Religare Broking.

He said investors should take advantage of market dips in sectors with robust growth prospects, such as renewable energy, infrastructure and defence.

PSUs AT SKY-HIGH VALUATION

Nifty PSE index firms	Average TTM P/E(x) Current	5-year
Bharat Heavy Electricals	364	78
Hindustan Aeronautics	43	16
Oil India	11	4
NMDC	14	6
GAIL India	14	9
NSE Nifty PSE Index	13	9
NSE Nifty 50 Index	23	25

Note: TTM is trailing 12 months. Source: Bloomberg

PSU stocks, down and up

When the Bharatiya Janata Party (BJP) fell short of a clear majority in Parliament on June 4, PSU stocks tumbled up to 30 per cent in intraday trade. Sensex and Nifty indices closed nearly 6 per cent lower each.

Since then the Nifty PSE index has gained 12 per cent with individual stocks such as Container Corporation of India, BHEL, ONGC, GAIL, Coal India, and NHPC surging up to 20 per cent in six sessions (till June 12).

The frontline 50-stock index, on the other hand, has recouped around 6.6 per cent.

Analysts say the view that a coalition government may put the brakes on PSUs' growth is misplaced as the BJP remains the largest party in the National Democratic Alliance (NDA).

"I do not think that a coalition government will affect the premium much in the PSU space as PSU stocks are in a bull run. While one should be cautious of the premium valuations that certain sectors may operate on, overall those betting against PSUs will likely be punished in this upswing," said Anirudh Garg, partner and fund manager at Invasset.

Market experts believe the BJP's NDA partners will likely support budgetary allocations to the PSU-related sectors and their indigenisation.

Historical data shows that the Nifty PSE index has outperformed the benchmark Nifty50 in the tenures of four out of eight coalition government.

This was during Atal Bihari Vajpayee's governments in 1996 and 1998; H D Deve Gowda's tenure as the Prime Minister in 1996; and Narendra Modi's second government in 2019.

Analysts believe that the premium valuation of such stocks may see limited upside if PSU reforms slowdown. Sluggish decision-making may affect operations and delay privatisation and disinvestment, which may lead to a reassessment of PSU valuations, they said.

Investment strategy

The Nifty PSE index is trading at a price-to-earnings (P/E) multiple of 13x as against its 5-year trailing twelve month (TTM) P/E of 9x.

Most PSU stocks, including Gail India, BHEL, SAIL, Hindustan Aeronautics and BEL, are trading above their five-year P/E average.

Analysts said investors should select stocks based on their earnings visibility, valuation, and order execution efficiency.

Sanjeev Hota, head of research at Sharekhan by BNP Paribas, recommended defence specialists like BEL, HAL, Mazagon Dock; commodity firms like SAIL, NMDC, MOIL; housing plays like LIC Housing, Canfin Homes, Hudco; financials like SBI, BOI, PFC, REC; power stocks like NTPC, Powergrid, Coal India; and BPCL, HPCL, Oil India.

Anirudh Garg, an analyst with Invasset, prefers sectors such as railways, defence, infrastructure, and power.

"We see defence and railway PSUs closer to fair value, while power and banking are at significant discounts. Within the pack, PSU banks are at the highest discount to intrinsic value," said Vikas Gupta, smallcase manager and chief executive officer of Omniscience Capital.

BUSINESS STANDARD, Delhi, 14.6.2024
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ECONOMIC TIMES, Delhi, 14.6.2024
Page No. 7, Size:(12.40)cms X (10.74)cms.

RIL Against Annual Hike in Petro Goods Pipeline Tariff

Co for linking it to rail freight rates to incentivise shift to pipelines

Sanjeev.Choudhary
@timesgroup.com

New Delhi: Reliance Industries has told the downstream regulator that it didn't favour an annual escalation in petroleum products pipeline tariff and would like it to be linked to railway freight rates instead.

Reliance shared its views during a stakeholder meeting on draft regulations on the determination of petroleum and petroleum products pipeline transportation tariff. The meeting, organised by the Petroleum and Natural Gas Regulatory Board (PNGRB), was attended by executives of Indian Oil, Hindustan Petroleum, GAIL and Reliance BP Mobility Ltd.

At the meeting, PNGRB "expressed displeasure" that oil marketing companies, which mostly controlled petroleum product pipelines, "were not supportive" in sharing data, according to the minutes of the meeting. "In spite of that, draft regulations aim to provide reasonable transportation tariff to the pipeline entities and also to protect consumers' interest."

The draft has proposed a tariff escalation of 3.4% every year for pipelines commissioned before the notification of the PNGRB's tariff regulations of 2010.

"Reliance pointed out that with the proposed escalation of 3.4% in pipeline tariff, the pipeline tariff will surpass rail tariff by 2029, leaving little incentive for other users to shift to pipelines from rail and suggested to determine the tariff at 75-80% of the rail tariff rather than an annual tariff escalation," according to the minutes of the meeting.

EXPRESSING DISPLEASURE

Regulator says oil marketing cos, which mostly control the pipelines, 'were not supportive' in sharing data

Hindustan Petroleum (HPCL), however, said the rate of 3.4% may lead to "under recovery of investments/operational costs" and suggested a 5% escalation.

GAIL, the nation's largest gas pipeline operator, suggested setting the escalation rate at 4.5% for the petroleum product pipelines in line with the natural gas transmission tariff or linking it to the wholesale price index of the previous five years.

Indian Oil Corp suggested that the proposed transportation loss of 0.05% was less than normal transportation loss and urged a review of the same. PNGRB sought data to back the company's claim.

BUSINESS STANDARD, Delhi, 14.6.2024
Page No. 4, Size:(24.59)cms X (24.26)cms.

Loss-making ONGC JV may get package to turn profitable in 2 yrs

Equity infusion, capital revamp of petrochemicals producer on cards

SUBHAYAN CHAKRABORTY
New Delhi, 13 June

The Centre is working on a dedicated financial package to turn the financially beleaguered ONGC Petro Additions Ltd (OPaL) profitable in the next two years, officials said.

Aimed at reducing the debt equity ratio of the petrochemicals producer, the package may be announced in the next few months, they said.

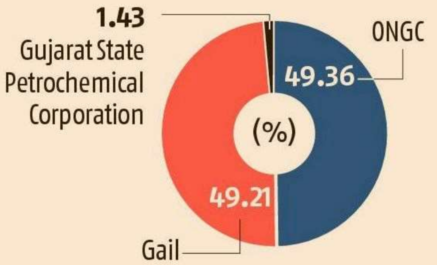
ONGC had set FY25 as the deadline for turning around the mega petrochemicals complex in Dahej, Gujarat, which has suffered major losses owing to a lopsided capital structure. The issue is under discussions with the finance ministry, which has to green light a proposed investment by ONGC into OPaL, officials at the Petroleum and Natural Gas Ministry said.

ONGC had earlier announced plans to do a sustainable capital restructuring of the company to reach an optimal debt-equity ratio for OPaL. Key to the capital restructuring plan is ONGC's decision to infuse ₹18,365 crore into OPaL, approved by the ONGC board in September 2023.

Currently, ONGC holds a 49.36 per cent stake in OPaL, with state-owned gas major Gail holding 49.21 per cent, and Gujarat State Petrochemical Corporation (GSPC) holding the remaining 1.43 per cent. A major equity investment by ONGC will see it edging out Gail.

Incorporated back in 2006, the company was envisaged to use the naphtha produced by ONGC at nearby Hazira as well as rich-gas being imported at Dahej. But the OPaL's first plant was commissioned in 2017. The mega petrochemical complex is spread over 5 sq km with a capacity to produce 1.4 million tonnes of polymers and 0.5 million tonnes of chemicals, including 1,100 kilo tonnes per annum (KTPA) ethylene, and 400 KTPA propylene, among others.

OPaL shareholding



OPaL's FY24 net loss: ₹3,455 cr

Accumulated loss: ₹13,000 cr

Losses continue

The company's net loss stood at ₹701.2 crore at the end of the fourth quarter (January-March) of FY24, down from ₹1863 crore in Q4 FY23. On an annual basis, the company faced a loss of ₹3,455.6 crore in FY24, down from ₹4,154.4 crore in FY23.

OPaL's accumulated losses touched ₹13,000.3 crore as on March 31, 2023, *PTI* had reported.

In FY24, the company's revenue has continued to be hit owing to weak prices because of lower global demand, continuing geopolitical issues and heavy dumping of polymers products in India from the Middle East at very low prices, a recent report by Crisil Ratings said. Case in point, FY24 revenue stood at ₹14,307.3 crore, slightly lower than the ₹14,593 crore notched up by the company in the previous year.