

OMCs may post strong Q4 show; concerns over Q1FY25

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New Delhi, April 7

STATE-OWNED OIL MARKETING companies (OMCs) are expected to show improvement in earnings before interest, taxes, depreciation, and amortization (Ebitda) and net profits in the last quarter of the financial year 2023-24 on a sequential basis, analysts say.

The improvement in earnings will be driven by healthy gross refining margins and better diesel marketing margins.

Even though the recent cut in retail fuel price of ₹2 per litre has compressed retail margins considerably in the last two weeks of March, analysts see Q4FY24 averages to remain mostly unaffected.

The retail margins of OMCs in the first quarter of the current financial year 2024-25, however, may see a sharp downturn.

"In the absence of any price correction in international prices and

with remote price hike probability before general elections (in Apr-May), retail margins in Q1FY25E may see a sharp downturn as against Q4FY24E," ICICI Securities said in its preview.

As per analysts at Emkay Global Financial Services, diesel marketing margins of the OMCs were back in the black at ₹3 per litre against negative ₹0.5 per litre on quarter.

Petrol margins have improved by 12% to ₹7.5 per litre in Q4FY24.

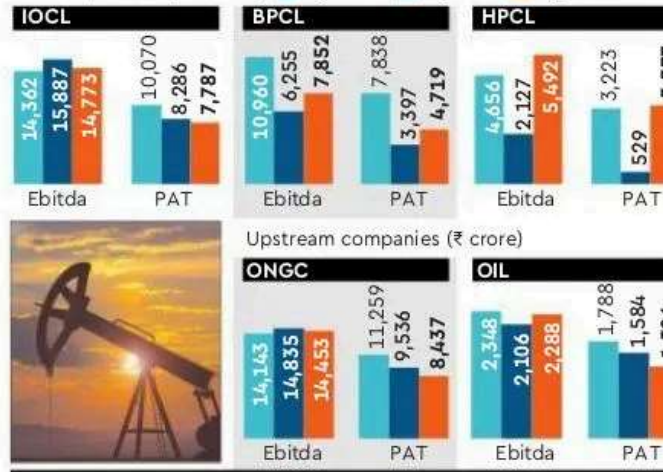
"OMCs' earnings will be driven by better diesel marketing margins and gross refining margins," said Emkay Global.

"HPCL is likely to benefit from a 20% on year jump in refining throughput, stronger diesel retail margins, steady petrol margins and lower interest costs," ICICI Securities said.

"This may be offset by a sharp \$4 per barrel drop year-on-year in gross refining margins, which is a function of both lower product

RESULTS AWAITED

OMCs preview (₹ crore) Q4FY23 Q3FY24 Q4FY24E



spreads as well as our assumption that Russian crude benefit could be much lower compared with Q4FY23."

The firm estimates \$1.5 per barrel benefit in crude cost for Q4FY24.

Emkay Global also estimates

refining inventory gains of \$2 per barrel on the back of Brent prices that averaged at \$83 per barrel in Q4FY24, down 2% from the previous quarter but closed at \$87 per barrel between the two quarter ends.

However, there should be sizeable marketing inventory losses across OMCs due to retail selling price cuts in sensitive fuels, the firm said.

Benchmark gross refining margins have also improved to \$7-8 per barrel from \$5-6 per barrel on quarter, mainly led by improvement in gasoline spreads.

"We expect Bharat Petroleum (BPCL) and Hindustan Petroleum (HPCL) to record better Ebitda sequentially, albeit on a low base, while Indian Oil (IOCL) could see a 7% dip due to inventory loss adjustments."

The brokerage expects Q4FY24 net profit for IOCL at ₹7,787 crore, while BPCL and HPCL could see profit after tax of ₹4,719 crore and

₹3,377 crore respectively.

The country's upstream companies, on the other hand, are expected to report mixed earnings.

While Oil and Natural Gas (ONGC) is expected to register a decline of 4% in its crude output in Q4FY24, output of Oil India (OIL) is likely to grow by 5% from last year. Gas production by ONGC is also forecast to fall 5% and that of OIL is estimated to grow 1%, according to Emkay Global.

"We estimate an Ebitda dip of 3% on quarter for ONGC on lower output and higher costs, while Oil India is likely to see 9% improvement, led by lower opex," the firm said.

Emkay Global projects ONGC's PAT at ₹8,437 crore and that of Oil India at ₹1,326 crore. OIL's consolidated earnings would remain range-bound on a sequential basis, amid a 10% decline on quarter in Numaligarh Refinery (a division of Oil India) earnings on lower utilisation and higher opex, it said.



Pilot training schools run out of (Av)gas

Aneesh Phadnis

Mumbai

Training of pilots at flying schools across the country has been hit over the last four weeks due to the non-availability of certified aviation gasoline or Avgas.

While commercial aircraft rely on aviation turbine fuel, around 80-90 per cent of the trainer aircraft in India use Avgas, which is produced by Indian Oil Corporation.

KEY REASON

IOC tests the product for its performance at an overseas laboratory. A delay in certification has held up the supplies. Flying schools, however, are not convinced by the refiner's claims and fear that supply disruption could slow down pilot production.

"For the past month, Avgas supply is around a tenth of our requirement. Consequently, our flying has declined to 10-20 per cent of the normal. In fact, on Saturday, we gave a day off to conserve the limited stock. April-May is a fair weather season across the country. If the disruption continues for longer, students would be badly hit as flying halves during the mon-



Around 80-90% of the trainer aircraft in India use Avgas, which is produced by IOC

soon months," said Jati Dhillon, Managing Director of Government Aviation Training Institute, Odisha.

"Any shortage of Avgas, regardless of the reason, will ultimately impact the airline industry and, therefore, the populace of our country and the policies of the Indian government," the president of Association of Flight Training Organisations HVP Singh said. The association has sought Civil Aviation Ministry's intervention and suspects that the supply shortage was caused by exports. An IOC executive denied this and said the company always meets domestic demand first before exporting products.

Before September 2022, all the Avgas consumed in the country was imported from Europe. IOC began producing it from its Vadodara refinery as a

part of an initiative to reduce dependence on imports. Local production is now taking care of domestic requirements.

"There are around 220 trainer aircraft with flying schools across the country and nearly 80-90 per cent of them run on Avgas. While some larger schools keep buffer stocks, even those would be close to exhaustion. Thus, the impact of supply disruption will be felt across the board," said Hemanth DP, CEO of Asia Pacific Flight Training Academy.

34 TRAINING SCHOOLS

There are 34 DGCA-approved flying training schools in the country operating at 55 bases. Last year, the DGCA issued a record 1,562 commercial pilot licences to domestically trained pilots and those trained overseas.

In a statement, IOC said there is no disruption in Avgas production. "Before supplying it to our customers, one final test is done in a foreign laboratory. We are awaiting the certification report. We expect to receive it in the coming week. We have sufficient stock in our refinery and normal supplies can resume immediately once we receive the certification," IOC said.

IN 2024

‘Several headwinds could limit India’s Russian oil imports’

SUKALP SHARMA
NEW DELHI, APRIL 7

EVEN AS India’s Russian oil imports continue to be robust two years since they started rising, there are “many headwinds” to maintaining such “fast-paced imports” in 2024, commodity market analytics firm Kpler said in a recently-released whitepaper on Russia’s oil trade in over two years since its February 2022 invasion of Ukraine.

These headwinds, according to Kpler, include lower discounts on Russian oil vis-à-vis global benchmarks, increasing competition from India’s traditional oil suppliers in the Middle East, payment issues between Indian refiners and Russian suppliers, and intensifying sanctions and price cap-related actions by the United States (US)-led G7 nations.

Indian refiners started ramping up Russian oil purchases in the aftermath of Moscow’s invasion of Ukraine. As the West started weaning itself off Russian energy supplies, Moscow began offering deep discounts on its crude oil, which Indian refiners began lapping up. Prior to the war in Ukraine, Russia was a marginal player in India’s oil trade, but is now New Delhi’s biggest source of crude ahead of traditional heavyweights Iraq and Saudi Arabia.

In March, India’s Russian oil imports were around 1.7 million barrels per day (bpd), accounting for a third of New Delhi’s total oil imports of 4.9 million bpd for the month, as per preliminary ship tracking data from Kpler. The volumes, however, were notably lower than the highs of over 2 million



Crude oil tanker Nevskiy Prospect, owned by Russia’s leading tanker group Sovcomflot, transits the Bosphorus in Istanbul, Turkey.

Reuters File

bpd seen in the May-July period of last year. As per the agency’s forecast, it is “unlikely” that India’s Russian oil imports would slip below 1.5 million bpd in 2024 despite the stated headwinds.

According to Kpler’s analysis, the differential or discount for Indian refiners on Russia’s flagship crude grade Urals vis-à-vis global benchmark Brent crude was around \$15 per barrel at the beginning of 2023, but by the end of the year, it was just around \$4. The agency said that while the Russian differentials may be a lot more stable in 2024 as compared to the last year, national oil companies of West Asian countries are looking at cuts in their formula pricing this year, which could make their oil a lot more competitive vis-à-vis Russia’s.

“Logistically, a Saudi or Iraqi cargo delivered to the west coast of India takes only a fraction of a Primorsk-Jamnagar or Novorossiysk-Vadinar route (both from Russia to India), so the Middle East also enjoys a ge-

ographic edge over Russia... we believe Urals’ upper pricing limit will remain around a \$4/bbl discount to Brent, anything sustainably above that would prompt Indian refiners to consider Middle Eastern substitution,” Kpler said.

Although displaced by Russia as the top oil suppliers to India, Iraq and Saudi Arabia continue to be major sources of crude oil for New Delhi. Ship tracking data shows that oil imports from Iraq in March accounted for almost 24 per cent of India’s overall oil imports for the month. Saudi Arabia’s share in India’s oil imports in March stood at over 15 per cent.

“With an ascent into Russian purchases as steep as India’s, there remain many headwinds to maintain such fast-paced imports. First, Russian sellers and Indian buyers are still yet to iron out their differences on the future currency of such oil flows—the Russian rouble is largely unusable for India’s refiners and vice versa for the Indian rupee, whilst the Chinese yuan is a far

cry from being politically palatable in Delhi,” Kpler said.

“Second, sanctions from G7 have so far not been a game changer but they’ve recurrently put a spoke in Moscow’s wheel by needing to revamp shadow shipping companies’ insurance coverage or change the particulars of financing,” the agency added.

In December 2022, the G7 countries imposed a price cap of \$60 per barrel on Russian seaborne crude, which meant that Western maritime service providers—from shipping lines to insurance providers—were not allowed to participate in Russian oil trade if the price of oil in those deals was over \$60 per barrel. Western shipping and insurance players are dominant in the global shipping industry. According to the G7 countries led by the US, the objective of the price cap is to limit Kremlin’s revenue from oil exports in a bid to impair its ability to fund the war in Ukraine, while keeping the global oil markets well-supplied.

In view of the price cap, Russia started amassing a tanker fleet of its own—the so-called shadow fleet—to ship its oil. The US and its allies are now focussed on ensuring strict compliance with the price cap, and acting against price cap evasion. Over the past few months, the US has sanctioned a few shipping firms and some of their tankers for price cap evasion. While New Delhi is not a signatory to the price cap or the sanctions regime, it does not want Indian refiners to accept oil delivered on sanctioned tankers as doing so could make them potential targets of secondary sanctions.

The Odds of \$100 Oil Are Rising as Supply Shocks Convulse the Market

Bloomberg

When oil jumped above \$90 a barrel just days ago, military tensions between Israel and Iran were the immediate trigger. But the rally's foundations went deeper — to global supply shocks that are intensifying fears of a commodity-driven inflation resurgence.

A recent move by Mexico to slash its crude exports is compounding a global squeeze, prompting refiners in the US — the world's biggest oil producer — to consume more domestic barrels. American sanctions have stranded Russian cargoes at sea, with Venezuelan supply a potential next target. Houthi rebel attacks on tankers in the Red Sea have delayed crude shipments. And de-

spite the turmoil, OPEC and its allies are sticking with their production cuts.

It all adds up to a magnitude of supply disruption that has taken traders by surprise. The crunch is turbocharging an oil rally ahead of the US summer driving season,



ISTOCK

threatening to push Brent crude, the global benchmark, to \$100 for the first time in almost two years. For oil, “the bigger driver right now is on the supply side,” Amrita Sen, founder and director of research at Energy Aspects Ltd., said in a Bloomberg Television interview. Oil shipments from Mexico slid 35% last month to their lowest since 2019 as President Andres Manuel Lopez Obrador tries to make good on promises to wean the country off costly fuel imports. The country's exports so-called sour crude — the heavy, dense kind that many refineries are designed to process — now stand to shrink even further as state-controlled oil company Pemex has canceled some supply contracts to foreign refiners, Bloomberg News reported last week.

एम्स में एलपीजी सिलेंडर के इस्तेमाल पर रोक

राज्य ब्यूरो, नई दिल्ली: एम्स में आग लगने की घटनाओं को रोकने के लिए एलपीजी गैस सिलेंडर के इस्तेमाल पर रोक लगा दी गई है। इस बाबत अस्पताल के मुख्य सुरक्षा अधिकारी ने हाल ही में एक आदेश जारी किया है, जिसके तहत इस आदेश का पालन नहीं करने और आग लगने की घटना होने पर संबंधित विभाग को जिम्मेदार ठहराने और कार्रवाई करने की चेतावनी दी गई है।

आदेश में कहा गया है कि संस्थान के हर ब्लॉक में एलपीजी गैस सिलेंडर का इस्तेमाल किया जा रहा है। इससे आग लगने का जोखिम है। इसलिए एलपीजी सिलेंडर की जगह पीएनजी व सैलर इंडक्शन प्लेट का इस्तेमाल करने का निर्देश दिया गया है। एम्स प्रशासन का कहना है कि संस्थान में कई कैटिन व मेस हैं, जिनमें खाना बनाने के लिए एलपीजी



गैस सिलेंडर इस्तेमाल किए जाते हैं। प्राइवेट वार्ड में भी एलपीजी गैस सिलेंडर इस्तेमाल किए जाते हैं। इसके अलावा अस्पताल के विभिन्न लैब में कल्चर जांच में इस्तेमाल होने वाले मीडियम बहुत स्ट्रॉंग होते हैं। उसे आग पर हल्का गर्म करना पड़ता है।

इस कार्य में एलपीजी गैस इस्तेमाल होती है। इससे आग लगने का जोखिम रहता है। एलपीजी सिलेंडर की जगह पीएनजी अधिक सुरक्षित है। एम्स में पहले कई बार आग लगने की घटनाएं हुई

एम्स में आग लगने की कुछ बड़ी घटनाएं

- 17 अगस्त 2019 - एम्स के एकेडमिक ब्लॉक में भयंकर आग लगी थी, माइक्रोबायोलॉजी लैब सहित कई लैब जल गई थीं।
- 24 मार्च 2019 - एम्स ट्रामा सेंटर के आपरेशन थियेटर ब्लॉक में लगी आग। कई महीने तक ट्रामा सेंटर में आपरेशन थियेटर बंद रहे।
- 16 जून 2021 - एम्स के कन्वर्जन ब्लॉक में माइक्रोबायोलॉजी विभाग की लैब में आग लगी थी।
- 07 अगस्त 2023 - एम्स के पुराने ओपीडी ब्लॉक के दूसरी मंजिल पर एंडोस्कोपी लैब के पास स्टोर में आग लगी थी।

हैं, लेकिन हर बार शाट सकिंग के कारण ही आग लगने की घटनाएं हुई हैं। फिर भी सतर्कता के लिए एलपीजी सिलेंडर का इस्तेमाल नहीं करने का आदेश जारी किया गया है।