MINT, Delhi, 25.9.2024
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Petroleum exports plunge as demand dips and supply hit

Rhik Kundu & Rituraj Baruah
NEW DELHI

India's petroleum exports saw a steep decline during the first five months of fiscal year 2025 due to lower demand from key markets and disruptions along the supply route, especially in the Red Sea region.

In value terms, petroleum exports in April-August stood at $31.84 billion, down from $35.30 billion in the same period of the previous year, according to data from the ministry of commerce and industry. During August, India's petroleum exports registered their steepest monthly fall at $5.96 billion, down 37.56% from $9.54 billion in August 2023.

As a result of the sharp dip in petroleum exports and a rise in gold imports, India's goods trade deficit widened to a 10-month high in August at $29.65 billion. Though exports rose in April and May, they have fallen steeply every month since then.

India's petroleum exports reported an 18.3% and 22.5% annual drop in value terms, during June and July, respectively.

"The drop in India's petroleum exports in the last three months (June-August 2024) was mostly due to the Red Sea issue, which led to higher shipping costs and time taken for these exports to reach their required destinations," said Ajay Srivastava, head of the thinktank Global Trade Research Initiative (GTRI).

"This made the low-value and high-volume exports less competitive," he added.

The Red Sea crisis, which began in October 2023, with Iran-backed Houthi rebels disrupting trade in the area, has intensified in recent months.

As a result, container ships are rerouting around the Cape of Good Hope instead of using the Suez Canal, leading to an increase in the cost and time for Indian exporters.

Lower demand for petroleum products in India's key markets like Europe has also contributed to a fall in petroleum exports.

Experts expect the trend to continue.

For an extended version of this story, go to livemint.com

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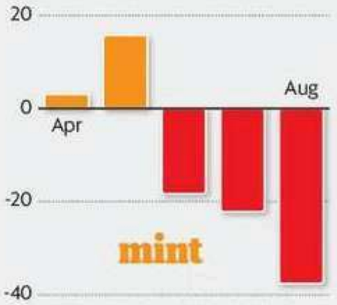
Sharp fall

Petroleum exports in August fell 37.56% to $5.96 billion from $9.54 billion in August 2023.

Y-o-y change in petroleum exports, 2024 (change in %)



Source: Ministry of Commerce and Industries

PRANAY BHARDWAJ/MINT

Oil dip may not buff paint firms

Harsha Jethmalani
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A catalyst

Gross margins of paints companies increased in years of sharp drop in crude oil price

Source: Companies, Kotak Institutional Equities

PRANAY BHARDWAJ/MINT

A softening of crude oil prices is usually good news for paint companies. The industry's margin prospects tend to get a leg-up as prices of key input chemicals titanium dioxide and crude-based monomers ease in tandem with oil prices, although the impact on earnings comes with a lag. The price of Brent crude hit a three-year low of $68 a barrel this month and is now about $74 a barrel. Still, this time the picture is unlikely to be as rosy as it was earlier.

That's because paint makers may be tempted to pass on the benefits of easing costs to beat competition and protect market share. Companies may choose to use crude-led additional cost savings for higher dealer discounts and/or reduce prices.

For instance, Asian Paints Ltd has hiked prices at a faster rate than crude oil and has retained the partial benefits of a correction in commodity prices, said ICICI Securities Ltd on 18 September. "In a normal scenario, we believe a similar trend would have followed in H2FY25-H1FY26, if crude oil prices remain lower." But, Asian Paints may pass on most of the benefits now as competition has risen, the report said.

Asian Paints is the market leader in decorative paints and the industry's trendsetter for pricing decisions. Interestingly, after lowering prices in recent quarters, paint companies raised prices 1-2% in July. But it should be noted here that new entrant Grasim Industries's Birla Opus has priced its decorative paint products lower than competitors. So incumbents may want to bridge this gap, capping sharp margin gains.

"Operating margins may only marginally benefit (from low crude oil prices), improving to 16-18% in FY25 (earlier estimates were 15-17%), as high rebates and discounts as well as higher marketing spend to enhance reach and build brands continues," said Poonam Upadhyay, director, Crisil Ratings.

Thus, the Street's excitement on potential benefits from a fall in crude prices may be premature. In the past month, shares of Asian Paints, Berger Paints India Ltd and Kansai Nerolac Paints Ltd gained 3-8%. The market structure is worse than previous cycles in the sector, and lower input prices could make it easier for new competitors such as Grasim to sustain competitive intensity, said Kotak Institutional Equities.

So, investors may be disappointed if companies choose market share over margins. Further, the value-volume gap that the incumbents face due to price cuts is expected to continue in the near term. The September quarter (Q2) is typically slow for the construction and real estate industries, which hurts demand for discretionary items like paints.

So, expectations from Q2FY25 earnings of paint firms are low. That said, management commentary on demand outlook will be important. Pricing actions to shore up sales in the festive season in Q3FY25 will test incumbents. It will also help investors gauge the sector's earnings trajectory and changing competition.

For now, a re-rating of paint stocks is unlikely. In 2024, Asian Paints and Kansai have fallen 4.5% and 8.2%, while Berger rose 1.2% and benchmark Nifty50 is up 19%. Sure, valuations of key paint stocks have come off recent peaks, but the overhang of elevated competition amid higher supply raises the risk of earnings downgrades and keeps paint stocks under pressure.

SLIPPERY SLOPE

COS may choose to use crude-led additional cost savings for higher dealer discounts

THE value-volume gap that incumbents face from price cuts is likely to continue in the near term

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BLOOMBERG

The strange stability of oil prices amid war risks

Crude oil prices have barely budged despite an escalation in West Asian hostilities. Thank a favourable balance of demand and supply. Yet, low volatility cannot be taken for granted

The war in West Asia has intensified. With its Gaza operations against Hamas not yet over, Israel has aimed its firepower at Hezbollah, an Iran-backed militia based in Lebanon to its north. A wave of pager and walkie-talkie explosions last week rattled the militia's ranks, took lives, injured many and heralded a cross-border exchange of lethal projectiles that has taken an even larger toll, with hundreds reported killed by Israeli action this week. It looks like an attempt by Tel Aviv to neutralize a threat before the US pushes for restraint. These hostilities raise the risk of a flare-up that may draw Tehran directly into battle, even as sea trade routes face Houthi attacks, the Russia-Ukraine war shows no sign of abating and China is seen to be upping the ante in global geopolitics. Despite all this, the global market for crude oil has retained its composure. Having stayed in a relatively soft zone of around $75 per barrel for months, oil has barely budged since the weekend, with a small gain reported on Tuesday in response to China's policy stimulus that may firm up demand, coupled with West Asia's woes and a US hurricane alert that could disrupt supply. That another theatre of war opened by Israel has had such a mild impact reveals the power held by the balance of demand and supply.

Consider the scenario. China's economic slowdown has kept demand weak, and even though it is trying hard to effect a revival, the pace of its move away from fossil fuels could mean it's unlikely to be the voracious oil guzzler that exporters would like it to be. Sure, the rising use of hydrocarbons in other big markets—including America and India—has held up global oil consumption, with 2024 set to record a larger appetite for it than last year, but that force is being outweighed by the other one at play: supply. Western sanctions on Russian oil have not acted as a squeeze; tankers full of it (with some in disguise) have found their way to users. But the market's big stabilizer has been the role of US shale output in loosening the grip of Opec+ on prices. At one time, this cartel of oil producers could cut production to charge more. But now, as shale broadly turns profitable at prices above an estimated $70-75, firmer prices simply attract more of it to fill that gap. Supply from non-Opec+ countries like Canada, Brazil and Guyana has also risen. In 1974, the Middle East used to drill 37% of the world's oil. This has slipped to 29%, leaving the Saudi Arabia-led cartel with less control and the region's volatility less of a worry. Indeed, Opec+ has had a hard time lately adjusting its oil spigots to achieve its stated price target ($100 per barrel was given up in June), with divisions among its members making it harder for them to act in tandem. As cutbacks run the risk of losing market share without revenue gains from stronger prices, the cartel faces a strategic dilemma that's reflected in its messy record of decisions this year.

All taken into account, the current balance of demand and supply favours soft oil prices, as has been the case for about a year now. Earlier, the Reserve Bank of India had projected crude oil at $85 per barrel this year, but the actual prices and our import bills so far have been even more benign. Yet, low volatility cannot be taken for granted. While Tehran mulls over US conditions for a revival of Iran's 'nuclear deal' that Washington scrapped in 2018, it also appears to have an ear turned to Beijing. Flare-up risks could easily spike.

BUSINESS LINE, Delhi, 25.9.2024
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India's greenhouse gas emissions are on the rise steadily since 2021

Jayant Pankaj
Chennai

India's overall greenhouse gas (GHG) emissions have steadily increased over the years, measured in megatonnes of CO_2 equivalent per year (Mt CO_2eq/yr).

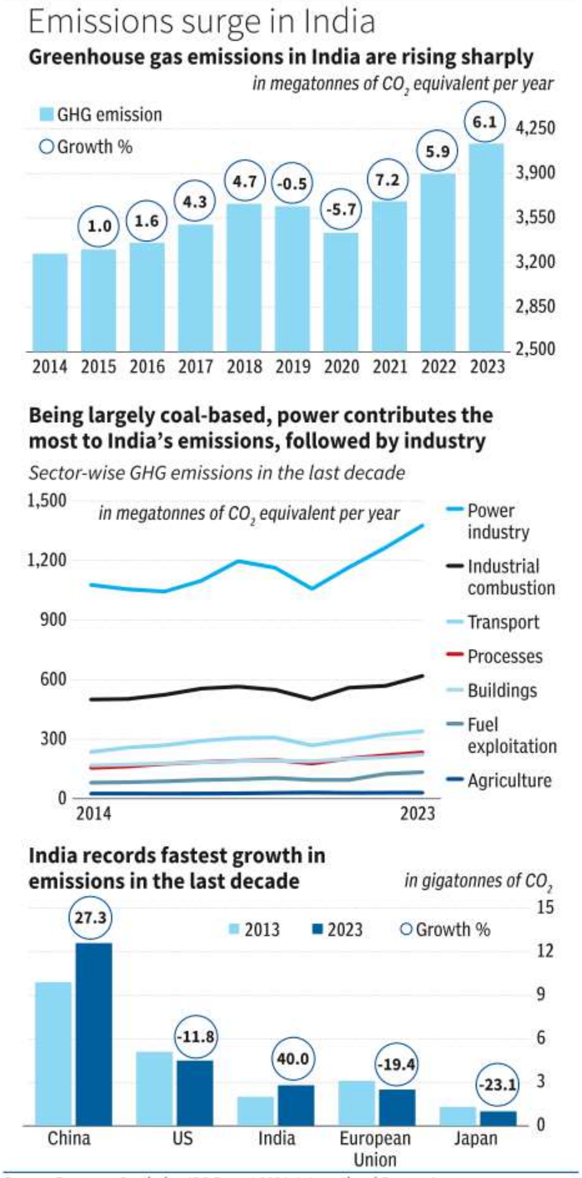
DATA FOCUS.

According to the newly-released European Commission's Joint Research Centre (JRC) 2024 report, GHG emissions increased from 3,270.4 Mt CO_2 eq/yr in 2014 to 4,133.6 Mt CO_2eq/yr in 2023. The growth has been quite sharp at 6 per cent in 2023, 5.9 per cent in 2022 and 7.2 per cent in 2021.

The report states that India's share of global GHG emissions was 7.8 per cent in 2023, ranking third after China (30.1 per cent) and the US (11.3 per cent).

The data show that the power industry, industrial combustion and the transport sector are the main contributors to rising GHG emissions in India. In 2023, these sectors accounted for 46.6 per cent, 20.9 per cent, and 11.5 per cent share of total emissions respectively.

The report adds, "The increase in GHG emissions from 1990 in India is mainly due to the increase in CO_2 emissions from power industry, processes and transport, which were six and five times higher respectively in 2023 compared with 1990."



Source: European Comission JRC Report 2024, International Energy Agency

INDIA'S SHARE

The data also show that India's historical contribution to cumulative global GHG emissions is only 4 per cent, despite accounting for around 17 per cent of the world's population between 1850 and 2019. India's GHG emissions per capita reached 2.9 CO_2eq/cap/yr in 2023, up from 2.5 CO_2eq/cap/yr, according to the JRC report.

Ulka Kelkar, Executive Director, Climate, WRI India, explained, "The energy sector is a major factor as India is primarily dependent on fossil fuels. Large industries and factories burn coal or gas, and vehicles run on petrol and diesel. Consequently, most of our energy production and consumption comes from fossil fuels. However, we are also utilising renewable energy sources such as solar and wind." Fossil fuels accounted for 88 per cent of primary energy consumption in India and 77 per cent of total electricity generation in 2022.

According to the Paris-based International Energy Agency's 'CO_2 Emissions in 2023 Report,' India's carbon emissions significantly increased over this decade, rising from 2 Gigatonnes (Gt) in 2013 to 2.8 Gt in 2023, a 40 per cent growth.

ECONOMIC TIMES, Delhi, 25.9.2024
Page No. 11, Size:(9.13)cms X (10.78)cms.

PETITION RELATED TO FOREIGN OIL & GAS ASSETS

SC Rejects Dhoot's Plea on Restraining Lenders

Refuses to direct NCLAT to rule swiftly on issue

Indu Bhan

New Delhi: The Supreme Court Tuesday rejected the appeal of Venugopal Dhoot, former chairman of Videocon Industries, that had sought to restrain lenders from dealing with foreign oil and gas assets in the insolvency proceedings of the debt-laden Videocon Oil Ventures Ltd (VoVL) and its group companies.

A bench led by Justice PS Narasimha refused to direct the National Company Law Appellate Tribunal (NCLAT) to rule on the issue swiftly, but said the appellate tribunal can take up the matter on the joint request of the parties.

Challenging the NCLAT's interim order of September 4 that refused to grant stay despite repeated requests, Dhoot told the SC that there was a grave urgency in the matter and the appellate tribunal instead of deciding the issue has "resorted to a mini trial whereby even after several hearings no interim order has been passed."

Senior counsel Akhil Sibal, appearing for Dhoot, argued that the refusal to pass interim order may render his entire appeal as infructuous as by the time the matter is heard, there will be nothing left to grant even if the ex-promoter succeeded.

He requested the judges to at least maintain status quo so that Dhoot's appeal before the NCLAT does not become infructuous.

The appeal filed through counsel Apoorv Shukla stated that the NCLT in its February 2020 order had directed the Resolution Professional of Videocon Industries Ltd (VIL) to consider and treat all assets, properties (tangible and intangible), rights, claims, benefits of VoVL, Videocon Hydrocarbon Holdings, Videocon Energy Brasil and Videocon Indonesia Nunukan Inc as assets and properties of VIL for the purpose of CIRP. The tribunal had also declared moratorium as per the provisions of the IBC.

ECONOMIC TIMES, Delhi, 25.9.2024
Page No. 7, Size:(8.43)cms X (13.35)cms.

Oil Demand Growth Falls 45% Till Aug

Diesel sales log tepid growth so far this fiscal year compared to petrol and LPG

Sanjeev Choudhary

New Delhi: India's oil demand growth has nearly halved this financial year as diesel sales have stagnated.

India is the world's third-largest oil consumer and importer and is key to global oil demand growth. A weak demand from China and fears of oversupply in the market have been weighing on global oil prices.

The domestic consumption of petroleum products in the April-August period has risen 3.3% year-on-year, compared to 6% in the same period last year, according to the oil ministry data. The consumption growth was 5% for the full year 2023-24 and 10.6% for 2022-23.

Sales of diesel, which accounts for 38% of the volume of all refined products consumed in the country, have risen barely 1% this fiscal year, compared to petrol's 8% and LPG's 7%.

In August, diesel sales fell 2.5% year-on-year, driven by a combination of high rainfall, vehicle sales decline and lower power consumption.

"High rainfall activity coupled with disruptions due to flooding contributed to reduced movement and degrowth in diesel," the oil ministry's petroleum planning and analysis cell said in its monthly report.

The sales of commercial vehicles declined 6% and tractors fell 11.4% in August. Peak demand for power dropped to 216.9 gigawatt (GW) in August from 240.5 GW in the same month last year.

Global oil prices are impacted by fears of oversupply and weak demand from China

Diesel consumption by the railways and road transport fell during the April-August period. Its sales to manufacturers, however, rose.

After diesel, petrol is the most consumed refined product in the country, making up 17% of the volume of all refined products. LPG comes third, with a 12.5% share and petcoke fourth with an 8.4% share.

Slowing domestic consumption growth and a difficult export market have also impacted the refiners' output. Domestic production of refined products has grown by 1.8% in the April-August period against 3.7% in the same period last year.

Exports of petroleum products have fallen 2.7% year-on-year in volume terms in April-August. In value terms, the decline is steeper at 6.7%.

TIMES OF INDIA, Delhi, 25.9.2024
Page No. 24, Size:(14.34)cms X (6.31)cms.

Crude's fall raises prospects of fuel price cut

Sanjay Dutta | TNN

New Delhi: The meltdown in oil prices allows govt to shore up its finances by raising excise duty to partly absorb the windfall gains being made by fuel retailers and give relief to consumers by announcing a moderate reduction in petrol and diesel prices to tame inflation, BofA Securities, the investment banking division of the US banking giant earlier known as Bank of America, said in its latest report.

"A fall in oil prices, and the subsequent reduction in import costs can be construed as India's savings going up, as it pays less for its energy requirements. However, the savings may not necessarily be accrued by households or corporates (by way of lower energy bills), and it is govt which can decide whether to pass on the gains, and how much to pass on, through lower prices, creating a trade-off between fiscal revenues and inflation," the report by Rahul Bajoria said.

In rupee terms, the report estimated crude prices declining just under Rs 9/litre between Sept (2023) and March 2024. It said oil prices have fallen 20% since the last fuel price revision in April, leading to widening (marketing) margins for fuel retailers the govt can tap into.

"Govt can look at a gain of almost Rs 110 billion in revenue/profits annually for the additional rupee oil companies make on petroleum products, thus making the gains potentially be close to Rs 1 trillion on an annualised basis, or 0.3% of GDP, if these numbers hold for another year or so," the report said. This gives govt room to recoup revenue it had foregone by reducing excise duty on petrol and diesel in last two years to cushion consumers from flaring energy prices.

If govt chooses not to absorb the savings, and pass it on to consumers, it will have an immediate impact on inflation and consumption over a longer period. On inflation, petrol has a weight of 2.1% in the CPI, while diesel, which is mostly used for industrial purposes, has a weight of only 0.1%.

TIMES OF INDIA, Delhi, 25.9.2024
Page No. 2, Size:(6.81)cms X (16.59)cms.

At review meet, principal secy to PM calls for strict implementation of GRAP

TIMES NEWS NETWORK

New Delhi: Emphasising the critical importance of "strict and timely implementation" of the 'graded response action plan (GRAP)' by all relevant agencies, P K Mishra, principal secretary to the Prime Minister, on Monday reviewed the readiness of stakeholders and instructed Punjab, Haryana and Uttar Pradesh to rigorously monitor and implement action plans aimed at eliminating stubble burning.

In the first high-level meeting in the PMO on air pollution issues in Delhi-NCR ahead of the upcoming winter season, Mishra stressed the need for full utilisation of crop residue management (CRM) machines, strengthening the supply chain for ex-situ management of stubble, and supporting small industries in briquetting and pelletising operations to enhance the economic use of paddy straw.

Punjab and Haryana estimate generation of 19.5 million tonne and 8 million tonne of paddy straw respectively.

"Strict enforcement actions against violators, with appropriate penalties and record entries, were also highlighted... In terms of firecracker pollution, state govts and law enforcement agencies were asked to strictly enforce bans and restrictions, while the ministry of petroleum and natural gas was urged to expedite the collection of biomasses and accelerate the construction of compressed biogas (CBG) plants," said an official statement.

In the first high-level meeting in the PMO on air pollution issues in Delhi-NCR, Mishra stressed the need for full utilisation of crop residue management machines, strengthening the supply chain for ex-situ management of stubble

Rajesh Verma, chairman of the Commission for Air Quality Management (CAQM), shared during the meeting that both Punjab and Haryana have committed to eliminating stubble burning this year, noting that Punjab plans to manage 11.5 million tonne of its paddy straw through in-situ crop residue management and the rest via ex-situ methods.

"Haryana will similarly manage 3.3 million tonne in-situ and use ex-situ methods for the remainder," Verma informed the task force. Chief Secretaries and their representatives from Punjab, Haryana, Uttar Pradesh, Rajasthan, and Delhi attended the meeting.

The principal secretary also emphasised on the need to shift to e-vehicles and instructed chief secretaries to augment their e-Bus services in the region.

SENTINEL, Guwahati, 25.9.2024
Page No. 8, Size:(19.92)cms X (24.17)cms.

New trend of petrol pumps selling premium fuel

STAFF REPORTER

GUWAHATI, Sept 24: Locals are growing increasingly irritated with the increasing trend of regular petrol running out, forcing them to purchase expensive, high-octane fuel. The premium fuel is different than the regular fuel. While the premium fuel is more expensive than the regular fuel, it also contains a higher amount of octane than the regular fuel. Petrol pumps like the Indian Oil Petrol Pump at Beltola, NRL at Jayanagar, GS Road Petrol Pump, etc. have made it a habit of stating that regular fuel is "out of stock," which conveniently means that only the extra premium fuel is available. Hence, the customers are left with no choice but to buy the premium fuel.

An employee working at the petrol pump said, "We provide the customers with whatever fuel we have. We, employees, are given a target each day by our superiors. We are asked to fulfill those targets. Just like the regular fuel, the premium fuel also has a target to be sold. So, we sell the premium fuel in order to fulfill that target. Moreover, because of the high demand, regular fuel runs out rapidly. Thus, we offer whatever is on hand." A resident riding a two-wheeler said, "I am a sales guy, and I regularly ride a scooter as my job demands it. I usually buy the regular fuel because the extra premium is expensive. In the Jayanagar petrol pump, the regular fuel remains out of stock most of the time, and as a result, I am forced to buy the premium fuel. Moreover, the petrol price hikes occasionally. So, we have to run according to our budget."

A resident riding a four-wheeler said, "If we refill our vehicles simultaneously with regular and premium fuels, then it may affect the vehicle's engines. Ultimately, we are the ones who suffer the loss." An official of the Indian Oil Corporation Limited (IOCL) said, "We supply both fuel categories, and customers are free to select which one they want to refuel. The extra premium is good as the engine remains healthy. However, if we receive a complaint that the customers are forced to buy the premium fuel because of the interests of profit margins by the petrol stations, then we will surely look into the matter."