

PSU refiners plot joint energy hunt

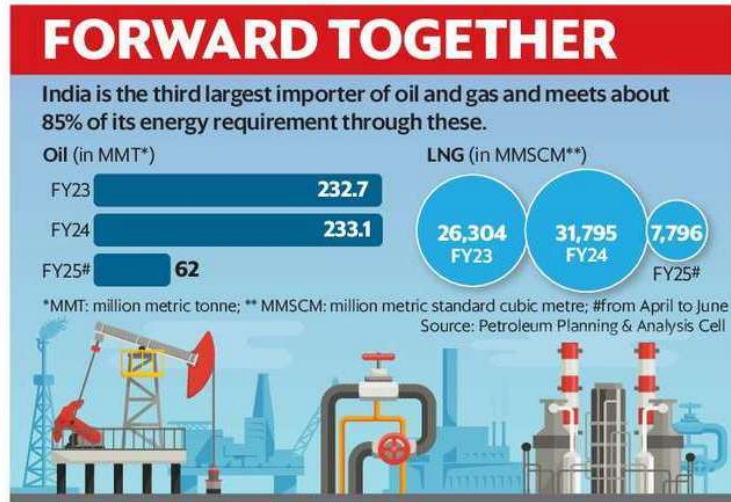
Move to increase bargaining power, avert competition

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI

India's state-run companies scouting the globe for long-term energy supplies are waking up to the power of joint negotiation.

Public sector units (PSUs) in oil refining will increasingly team up to negotiate oil and gas supplies from abroad, two people aware of the plans said, in a departure from the existing practice of negotiating separately. The joint negotiations are expected to improve their bargaining power, and ensure that they don't compete against each other for the same contracts and drive up prices.

"The requirement for supplies should be looked at as that for the



Indian market as a whole. Prices, discounts and other preferential terms are expected to be the same for all the public sector companies;

only the quantum would differ. The government is encouraging this

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trend of holding joint negotiations by the Indian companies," said one of the two people mentioned above, both of whom spoke on condition of anonymity.

The energy companies would sign separate contracts with the supplier, but the terms of the deals are expected to be same.

Queries mailed to Indian Oil Corp. Ltd, Bharat Petroleum Corp. Ltd, Hindustan Petroleum Corp. Ltd, GAIL and the petroleum ministry remained unanswered till press time.

There has already been a step in this direction: On 5 July, Mint reported that Indian Oil Corp. Ltd (IOCL), Hindustan Petroleum Corp. Ltd (HPCL) and Bharat Petroleum Corp. Ltd (BPCL) are jointly negotiating with Brazil's Petroleo Brasileiro SA (Petrobras) for long-term crude oil supplies. Going ahead, such negotiations will be the norm.

The energy companies would sign separate contracts with the supplier, but the terms of the deals may be the same

Prashant Vasisht, senior vice-president and co-group head of corporate ratings, ICRA Ltd said: "India is a large consumer of oil and gas and has a major say in the market. If Indian companies come together for long-term contracts, it would add more heft to the talks. So, far this has not been a common practice and everybody has been scouting for term contracts individually. Whenever these compa-

nies come together, they would have much more bargaining power in negotiating a deal."

He further said that in the case of oil, companies may be able to get better deals on

credit and discounts as in the case of Russian oil, and in the case of liquefied natural gas (LNG), they may be able to sweeten the pricing formula.

In May, Union petroleum minister Hardeep Singh Puri had told reporters that domestic oil marketing companies should come together to negotiate long-term contracts.



NEW DELHI

PNGRB raises petroleum product pipeline tariff

In a big boost to companies such as Indian Oil Corporation (IOC) and Reliance Industries Ltd, the oil regulator on Friday announced an upward revision in tariff for pipelines that transport petroleum products like petrol and diesel. The Petroleum and Natural Gas Regulatory Board (PNGRB) indexed tariffs for legacy pipelines at 75 per cent of the basic railway freight plus a one-time escalation of 17 per cent and a 3.4 per cent annual escalation from the 2025-26 fiscal, according to a statement issued by the regulator.

Govt to reassess interest of bidders in SCI, BEML, others

Concor, BPCL On Backburner; IDBI Sale Likely In FY25: Dipam Secy

Surojit Gupta & Sidhartha | TNN

New Delhi: Govt will reassess interest from bidders in a clutch of public sector companies that were to be privatised, including Shipping Corporation and BEML, but Concor and BPCL are no longer on the table for now, a top official said on Friday.

Tuhin Kanta Pandey, secretary in the department of investment and public asset management (Dipam), also said data room access would be given to IDBI Bank bidders after RBI sent its "fit and proper" assessment, as reported first by **TOI** last week, and govt hopes to complete the sale by the year-end. "We will undertake a review of all the transactions, which are pending, whether bidder interest will continue," Pandey told **TOI** in an interview, adding that entities such as HLL and NMDC Steel are also in the list.

Transactions, such as

HLL & NMDC STEEL ALSO ON THE LIST

- No target has been fixed for raising revenues from disinvestment or privatisation
- The receipts budget for 2024-25 puts the figure under miscellaneous capital receipts
- Besides Shipping Corporation and BEML, entities such as HLL and NMDC Steel are also on selloff list

On IDBI Bank sale

“We will make substantial progress. We hope that financial bids would be available. It is in a fairly advanced stage. Early next month, we can start virtual data room access

—Tuhin Kanta Pandey | DIPAM SECY



Shipping Corporation and BEML, have been in the pipeline for almost four years and their fate remains uncertain.

Concor and BPCL sale had been put off due to opposition from railways and petroleum ministries.

"I won't really conjecture at this stage. Our effort will be to see that they are successfully done. The plan has not been shelved," the secretary said

when asked whether privatisation plan for these companies had been put off.

He said transactions, which are in an advanced stage and had moved ahead with bidders and due diligence underway, would be taken up. Finance minister Nirmala Sitharaman had told **TOI** in an interview that govt will honour the plans that have been approved.

Pandey is confident about the IDBI Bank transaction, which has been pending for a significant period, going through probably in the current year. "We will make substantial progress. We hope that financial bids would be available. It is in a fairly advanced stage. Early next month, we can start virtual data room access," said Pandey.

Govt has also moved away from fixing any target for raising revenues from privatisation and steered clear of mentioning disinvestment or privatisation in the Budget documents. The receipts budget for 2024-25 puts the figure under miscellaneous capital receipts. Pandey said that on asset monetisation, NHAI was quite active and had raised significant amounts but railways was not found to be that active. The ministry of tourism is working on a PPP model for Hotel Ashoka in the national capital, he said.

● MOVE TO SPUR INVESTMENTS

Regulator revises tariff policy for petro pipelines

To rely on independent criteria, instead of railway freight linkage

ARUNIMA BHARADWAJ
New Delhi, July 26

THE PETROLEUM AND Natural Gas Regulatory Board (PNGRB) on Friday announced an independent criteria for determining tariffs for the petroleum product pipeline owners in the country, replacing the current method based on railway freight.

The move is intended to encourage investments in infrastructure, according to the Board.

"This was really required by the industry because the railway freight itself was not increasing whereas the cost for pipelines, be it manpower, operational cost, or utility cost, was increasing," said Sanjay Sah, Partner, Deloitte India.

"Now, more capex can come in, more pipelines can be set up and the movement of petro products via road and in railways will also decline."

The new tariff should be determined based on the Discounted Cash Flow method through consideration of a reasonable rate of return.

Anil Kumar Jain, chairperson, PNGRB, said that this reform aims to provide the financial stability and attractiveness needed to boost pipeline infrastructure growth in India.

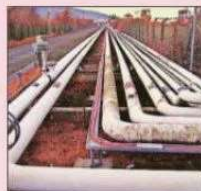
"By prioritising pipelines, the most efficient transportation mode, this initiative will help alleviate road congestion, minimise accident risks, and reduce pollution from road transport," he said.

He also highlighted that the new tariffs will benefit consumers by offering a more economical alternative to road transportation for moving goods, enabling a more efficient future for petroleum transportation in India.

Currently, the Board classifies petroleum product pipelines in three categories — non-bid pipelines commissioned before the notification of PPPL tariff regulations 2010, non-bid pipelines commissioned after the PPPL tariff regulations 2010, and bid-out pipelines authorised prior to PNGRB Amendment in PPPL authorisation Regulations, 2023.

"Currently the product pipeline tariff is linked to the railway freight charges. We want to offer them new formula, like for gas pipeline tariffs," a member of the Board had earlier told FE. "We realise that whoever is putting a pipeline should get some money and get some reasonable returns."

The Board member had noted that railway freight charges don't change much often and stagnant railway tariff has resulted in maintaining pipeline tariff constant although the operational



■ The new tariff should be determined based on the Discounted Cash Flow method through consideration of a reasonable rate of return

■ Railway freight charges don't change much often and stagnant railway tariff has resulted in maintaining pipeline tariff constant

expenses of running the pipelines have increased.

Under the new regulations, in the case of bid-out pipelines, the transportation tariff for the first ten years of operation is as quoted by the authorised entity.

"These companies were losing money. They were not getting adequate returns at all. Now, they will get an assured return and will help them positively. Consumers may bear the brunt of this increase a little bit in the shorter term but the supply will also become consistent," Sah said.

For petroleum product pipeline commissioned before the notification tariff regulations in 2010, transportation tariff for petroleum products (other than LPG) shall be 75% of basic railway freight and for LPG 100% of basic railway freight with a one-time escalation of 17% effective from the date these regulations come into force till March 31, 2025.

Thereafter, FY25 onwards, an annual escalation at 3.4% shall be considered based on compound annual growth rate of the WPI (wholesale price index) of ten years on rolling basis unless there is change in the said WPI by 0.5% on either side.

Additionally, these pipelines have been provided with a one-time option to get the tariff determined based on Discounted Cash Flow method through consideration of a reasonable rate of return, in case they incur capex on its replacement, expansion or augmentation.

For the pipelines commissioned after the tariff regulations of 2010, the transportation tariff shall be determined based on the DCF methodology with 12% post tax returns on capital employed over economic life of the pipeline similar to the methodology of natural gas pipelines.





Oil regulator raises petroleum product pipeline tariff

In a big boost to companies such as Indian Oil Corporation (IOC) and Reliance Industries Ltd, the oil regulator on Friday announced an upward revision in tariff for pipelines that transport petroleum products like petrol and diesel. The Petroleum and Natural Gas Regulatory Board (PNGRB) indexed tariffs for legacy pipelines at 75 per cent of the basic railway freight plus a one-time escalation of 17 per cent and a 3.4 per cent annual escalation from the 2025-26 fiscal, according to a statement issued by the regulator. **PTI**

'Financial bids for IDBI Bank by FY25-end'

The disinvestment of IDBI Bank is gaining pace, says **TUHIN KANTA PANDEY**, secretary, Department of Investment and Public Asset Management (DIPAM), and financial bids for the bank could be called before the end of this financial year. In a conversation with **Harsh Kumar** and **Shrimi Choudhary** in New Delhi, he says the government is more in favour of a calibrated strategy rather than setting a big-bang target. Edited excerpts:

What is the status of IDBI Bank disinvestment?

I think it (clearance from the Reserve Bank of India) will be there any moment. We are in a position to start due diligence and private data room access shortly (this will allow bidders to obtain detailed financial information about the company). Further, much will depend on how potential bidders would look at it. We should have the bids before the end of this financial year.

Could we see more of a minority stake sale instead of a big-ticket disinvestment?

Yes, that could be more in sync with a calibrated strategy. This is to ensure that state-run firms continue to create value and wealth. And it is difficult to envisage a good value-creation model unless and until we bring the stock markets in. External accountability in the form of market accountability comes in only when it becomes a market player. And it becomes a market player when it is listed, which means we must disinvest.

Another route is the merger and acquisition process, which is time-con-

suming. Besides, it is susceptible to risk and it may not materialise. And at the end of the day your bids may fail and you may have to do the entire rebidding process, like in the case of Bharat Petroleum Corporation. If big-ticket disinvestment happens, it is fine, but if it does not happen, you get nothing. The finance minister has said Cabinet decisions will be honoured so we will do it. But there is a practical realisation that it is not a "tap approach" -- you just open the tap and it gets

done. It is about the acquisition of a company and even private firms' merger did not work out. But our effort will be that whatever we have on the table, we will try to conclude particularly where we have at least issued an expression of interest (EOI). In some cases, we have not been able to issue an EOI yet.

When can financial bids for Shipping Corporation of India be expected?

It seems Shipping Corporation of India Ltd (SCIL) has some documentation issues. One notable point is that listing has occurred, so Shipping Corporation

of India Land & Assets Ltd (SCILAL) has been listed. Consequently, there will be changes in government documents because now SCILAL is a separate company, and many of their leases are in the name of SCIL. Therefore, all those leases and other documentation need to be updated.

This is a critical aspect. In many public-sector cases, documentation hasn't been clear. When they acquired land, often the leases weren't in place — there might just be a letter. At that time, public-sector investment was common, so the state government would simply allocate land with few formalities. We're now asking them to obtain proper documentation to ensure private-sector involvement.

The private sector is particular about this; they scrutinise every document meticulously with their lawyers during due diligence. We've asked the administrative ministry along with their central public-sector enterprises (CPSEs) to address these issues. The

problems have been identified, and they will be sorted out.

There are a number of public-sector firms that are yet to be listed. Any plans?

We will see some listing of the subsidiaries of CPSEs. They are not necessarily government companies, but the companies of public-sector entities. For example, NTPC Green. The company has created a lot of green assets and a subsidiary and put those assets there. That is a possible candidate. I think it can come this year.

Will you go slow on a further stake sale in Life Insurance Corporation?

We keep doing transactions depending on our opportunities. Wherever the float is low, we have to increase it, according to a Securities and Exchange Board of India (Sebi) rule. But when and how much we don't want to disclose.

Do you think the qualified institutional placement (QIP) route is effective for diluting stakes to fulfil the minimum public shareholding norms of Sebi? Does QIP provide a soft cushion to state-run banks?

There are two key aspects. One is disinvestment up to 49 per cent, meaning the government retains 51 per cent of the stake. The other is the government getting out, which means reducing its stake to less than 51 per cent or getting out of the company. This is a watershed moment.

In the first category, listing and other requirements are necessary. For example, bank listing is compulsory. This means you cannot have a bank now that is 100 per cent owned by the government; 25 per cent must be publicly held. In fact, in some cases, we are reaching this threshold because we have to recapitalise the banks. A reprieve has been given under the government's powers, according to the Securities Contracts (Regulation) Rules, providing an extension up to 2026.

The issue was that many banks were actually in the "Minimum Public Shareholding" zone. Since the government had to inject money, no other entity would have invested in a problematic bank. Consequently, the government's equity has increased. Now, when they are raising capital through QIP, they can raise capital whenever needed. Since they are performing well, investors are prepared to subscribe to their capital. QIP is a very good route because banks are capital-intensive and always require capital.

One advantage of being listed on the stock markets is that the government no longer has to inject money. Instead, banks have started giving dividends. I think we are now in a more market-friendly framework regarding banks. They are able to raise capital through QIP, give dividends, and show good results. Their non-performing assets are under control. This is essential for a healthy financial sector.

Interim Budget onwards, there is no specific disinvestment target... and it is now part of miscellaneous capital receipts. But the ₹50,000 crore for FY25 as mentioned, how you planning to achieve?

It is miscellaneous capital receipts, it may include wherever we are divesting, or asset monetisation to that extent, that receipts are accruing to the consolidated fund. Because entire asset monetisation may not accrue to the CFL. If you look at the Revised Estimates (RE) figure, capital receipts of ₹30,000 crore in FY24 include disinvestment. We collected ₹16,500 through disinvestment.



“ WE WILL SEE SOME LISTINGS ON THE SUBSIDIARY SIDE OF CPSEs, WHICH ARE NOT NECESSARILY OUR COMPANIES, BUT COMPANIES OF OUR PUBLIC-SECTOR ENTITIES”

SC ruling deals a financial blow to mining firms

Krishna Yadav & Naman Suri

NEW DELHI

Thursday's Supreme Court judgement affirming states' power to tax mineral rights and clarifying that royalties paid by miners to the Centre do not qualify as taxes may strain work capital for miners and raise prices of end products, experts said.

In the 25 July ruling, an eight-to-one decision by CJI D.Y. Chandrachud-led nine-judge constitutional bench upheld that state legislatures have the power to tax mining lands and quarries, independent of the Mines and Minerals (Development and Regulation) Act of 1957. The judgement gives states the authority to impose additional taxes on top of existing royalties, thereby increasing the financial burden on companies operating in the mining sector, experts said.

"The judgment may lead to a heavy cash outflow for mine operators, creating a disturbance in working capital. In the future, there may be instances of overlapping financial obligations, leading to double taxation scenarios that can burden mining companies," said S.R. Patnaik, partner (head-taxation), law firm Cyril Amarchand Mangaldas. "The compliance burden may increase as this would require more detailed accounting and reporting practices to meet the distinct requirements for taxes and royalties." He said with potentially higher tax revenues from mining, states may also demand more from companies in terms of CSR (corporate social responsibility) activities,

The apex court ruling clarified that royalties paid by mining operators to the Centre do not qualify as taxes



The ruling may lead to a heavy cash outflow for mine operators. MINT

including investments in local communities and environmental sustainability initiatives.

Moreover, industries like gas, oil and construction, which use mineral resources, may pass on these costs to their products, thereby increasing the cost of such products and services, added Patnaik.

In 2023, Odisha's former chief secretary, P.K. Jena, said in a statement that the state earned ₹50,000 crore in revenue from the mining sector in 2021-22, compared to about ₹4,900 crore in 2016-17.

"This (citing Odisha's revenue from tax) could become a benchmark for states, making it financially challenging for mining-sector companies to operate," said a person from the industry on the condition of anonymity. "The order has empowered states to exert more control over corporations, potentially demanding investments like new plant set-ups in exchange for reduced tax obligations."

krishna.yadav@live-mint.com

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पीएनजीआरबी ने पेट्रोलियम पाइपलाइन के परिवहन शुल्क में की बढ़ोतरी

नई दिल्ली। पेट्रोलियम नियामक पीएनजीआरबी ने शुक्रवार को पेट्रोल एवं डीजल जैसे पेट्रोलियम उत्पादों का परिवहन करने वाली पाइपलाइन के लिए शुल्क दरों में बढ़ोतरी की घोषणा की। इससे इंडियन ऑयल और रिलायंस इंडस्ट्रीज जैसी कंपनियों को फायदा मिलने की उम्मीद है। पीएनजीआरबी ने पुरानी पाइपलाइन के लिए वहन शुल्क को मूल रेल माल टुलाई के 75 प्रतिशत के अलावा 17 प्रतिशत की एकमुश्त वृद्धि कर दी है। इसके साथ अगले वित्त वर्ष से 3.4 प्रतिशत की दर से इसमें सालाना वृद्धि की भी घोषणा की गई है।



सीएनजी स्टेशन लगाएगा निगम

नई दिल्ली, वरिष्ठ संवाददाता: दिल्ली नगर निगम, इंद्रप्रस्थ गैस लिमिटेड (आईजीएल) के साथ मिलकर सीएनजी स्टेशन और एक बायोगैस प्लांट स्थापित करने के लिए समझौता करेगा। इस संबंध में आगामी सोमवार, 29 जुलाई को निगम के सदन की बैठक में प्रस्ताव पेश होगा।

इस प्लांट के निर्माण कार्य को सदन में मंजूरी मिलने के बाद शुरू कर दिया जाएगा। अधिकारियों के अनुसार बायोगैस प्लांट के जरिए डेयरियों से निकलने वाले गोबर के अपशिष्ट को संसाधित व रिसाइकल करने में सहयोग मिलेगा। साथ ही आईजीएल के साथ मिलकर सीएनजी स्टेशन भी बनाया जाएगा।