

Energy stocks rally still has fuel for gains

Bloomberg

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A bull run in India's oil and gas companies may still have legs, underpinned by surging domestic demand and expectations of higher dividend payouts.

The Nifty Energy Index, a local benchmark for the industry, has risen 31% this year, on course for a nine-year winning streak. In the period, a *Bloomberg* gauge of the world's 124 mid- to large-sized energy firms has gained 4.7%, with half of its top 10 performers being traditional energy firms from India.

The sector, dominated by India's state-owned companies, has been an investor darling due to the country's rapidly growing energy consumption, with the country projected to be the leading driver of global demand through 2030. The optimism also stems from policy incentives to boost domestic oil and gas production, as well as increased cash payouts to shareholders.

"In a market where earnings growth visibility is highly valued, and dividends are scarce, Indian energy companies stand out by offering attractive dividend yields," said Vikas Pershad, portfolio manager at M&G Investments. "We maintain broad exposure to this sector and remain open to increasing our allocation to these companies."

Major producer Oil India Ltd is the industry's top performing stock this year with a



The sector is dominated by India's state-run firms. REUTERS

gain of 184%. The company, along with Oil and Natural Gas Corp. Ltd, has more earnings upside after India announced earlier this month that natural gas produced from new wells will enjoy a 20% price premium, according to JM Financial.

Meanwhile, refiners are expected to benefit from improved margins in the next two quarters, while an ongoing building blitz to expand industry capacity will likely bring rewards in the long run.

"A combination of higher gross refining margins, range-bound crude, and stable fuel prices implies that the oil marketing companies' integrated margins should improve sharply over 2Q-3Q," Saurabh Handa, analyst at Citigroup Inc., wrote in a recent note.

The sector's higher dividends are another attraction. The Nifty Energy Index's projected 12-month dividend yield is 2.1%, compared with 1.2% for the benchmark Nifty 50, data compiled by *Bloomberg* shows.



Oil has fallen in recent months, temporarily losing all year-to-date gains. AP

Goldman cuts oil outlook below \$80

Wall Street is beginning to sour on the outlook for crude next year, with Goldman Sachs Group Inc. and Morgan Stanley lowering price forecasts as global supplies increase, including potentially from Opec+.

The two banks now foresee global benchmark Brent averaging less than \$80 a barrel in 2025, with Goldman's revised forecast cut to \$77, while Morgan Stanley sees futures ranging from \$75 to \$78. Both expect that the crude market will be in surplus, with prices trending lower over the 12 months. A decision by Opec+ to reverse voluntary supply cuts may mean that the cartel is aiming at "strategically disciplining non-Opec supply," Goldman analysts said, while warning that crude prices could undershoot its revised forecasts in a number of scenarios.

Oil has fallen in recent months—temporarily losing all year-to-date gains—as investors fretted about slowing demand growth in China, rising supplies from outside Opec+, as well as the group's plans to relax output curbs. While the cartel has been willing to sacrifice market share by withholding barrels to support prices, the tentative plan to restore output may alter that stance.

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TCG is in talks with ONGC and Hindustan Petroleum for oil-to-chemicals project. **REUTERS**

TCG seeks partner for \$10-bn project

US-based private equity firm The Chatterjee Group is seeking to partner with Indian state-run companies for its oil-to-chemicals project in the nation, according to people familiar with the matter.

TCG is in talks with Oil and National Gas Corp. Ltd (ONGC) and its unit Hindustan Petroleum Corp. Ltd for the planned project estimated at more than \$10 billion in Cuddalore in Tamil Nadu, the people said, asking not to be identified as the discussions are private.

The proposal is for the oil companies to collectively hold a 49% stake in the venture, whereas TCG will own 51%, they said.

Investment in the project underscores attempts at ramping up petrochemical capacities in India as it provides building blocks for everything from consumer goods to car parts.

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INDIA INC'S EARNINGS OUTLOOK IN FOCUS AFTER MUTED PROFIT GROWTH IN Q1

Demand Bounce or Cost Spin? Look Who's Talking

Our Bureau

Mumbai: The April-June quarter earnings of Indian companies fell short of expectations, with BSE 500 companies posting an 8% year-on-revenue growth and a 3% profit increase. Analysts say investors will watch the earnings outlook more closely than ever as share valuations hinge on continued growth in profitability. Motilal Oswal Financial has compiled what the management of companies said post-June quarter results about what's in store for the respective sectors in the foreseeable future.

AUTOMOBILES
Managements of companies in the sector expect auto volume growth to pick up in the second-half, driven by a normal monsoon and the upcoming festival season. The two-wheeler segment is likely to outperform others.

CAPITAL GOODS
Company officials are seeing strong demand from segments like power T&D (transmission and distribution), renewable energy, data centres, real estate, and defence. Margin performance for EPC (Engineering Procurement and Construction) players are expected to improve in the second-half of FY25.

SPECIALITY CHEMICALS
Despite the end of destocking, pricing pressure persists, with rising raw material costs and freight rates expected to impact margins.

CONSUMER
Companies plan to implement price hikes in the second-half of FY25 to offset rising raw material costs. The outlook for rural markets is positive, and operating profit margins are expected to improve gradually.

BANKS & NBFCs
Higher funding costs are



likely to cause a mild moderation in net interest margins (NIMs). PSU banks may continue to post steady earnings growth with improving asset quality, while NBFCs and HFCs face challenges in the mortgage segment due to the tighter regulations and seasonal weaknesses.

HEALTHCARE
Chronic therapies in the domestic formulation (DF) segment continue to show growth, while acute therapies

face seasonal challenges. The pharma sector benefits from niche pipelines in the US and EU, and hospitals are expanding to meet demand.

LOGISTICS
Company managements expect operational performance to improve with the festive season, supported by reduced fuel costs and stable operating expenses. The long-term optimism in this sector is driven by sector growth factors such as e-way

bills, GST implementation, expanded dedicated freight corridor routes, and better port connectivity, encouraging a shift towards the organised sector.

METALS
Stable to declining coking coal costs and domestic demand will likely support volumes and margins in ferrous metals. However, global uncertainties could put a lid on international prices.

OIL & GAS
Major oil marketing companies are nearing completion of their expansion projects over the next two years, positioning themselves for substantial growth. City gas distributors are optimistic about strong volume growth and stable margins, with spot LNG prices expected to remain steady. Gas utilities are also forecasting robust transmission volumes.

Continued on >> Smart Investing

Demand Bounce?

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REAL ESTATE
Companies are confident in sustaining demand and aim for 20-30% growth in FY25, focusing on timely launches due to low inventory levels.

TECHNOLOGY
IT companies remain cautious about near-term demand, with a

slight recovery expected in discretionary spending by the US banking and financial services.

Strong deal wins and early recovery signs in BFSI suggest FY25 could outperform FY24.

TELECOM:
Tariff hikes are expected to drive revenue growth starting from October, with companies focusing on deleveraging. Capex is likely to moderate for Bharti and Jio, while Vodafone maintains its investment for network upgrades.

Study: LPG for rural kitchens will save over 150k lives/year

Vaishnavi Chandrashekhar | TNN

Mumbai: In much of rural India, families continue to light their kitchen fires with wood, dung and coal — a practice that exposes them to harmful smoke.

Switching these families to exclusive use of LPG, a relatively clean energy, would save more than 1,50,000 lives a year due to reductions in both indoor and outdoor pollution, according to a new study by Vital Strategies, a global public health organisation. Such a transition would also add around 37 lakh “healthy years” to the population, the study found.

More than half these benefits would be in four states — Uttar Pradesh, Bihar, West Bengal, and Madhya Pradesh. These states have a combination of the highest populations, lowest LPG use, and highest ambient air pollution, said Sumi Mehta, the epidemiologist who led the study at Vital Strategies.

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“They have everything going on at the same time.”

Most of the health gains come from reductions in infant mortality due to low birth weight among children under five as well as improvements in chronic obstructive pulmonary disease among people over 60, the study said.

The findings support a health-based targeting of the Pradhan Mantri Ujjwala Yojana (PMUY), govt scheme providing subsidised gas to families below the poverty line. For this study, researchers looked at how partial and full LPG subsidies would impact the health of some 90 million poor households that currently have either no access to cooking gas or partial access under PMUY. If such families were to switch to LPG exclusively, average household exposure

THE PROBLEM OF CHULHA SMOKE

➤ Household air pollution (HAP) refers to burning of wood, coal, dung and other biomass for cooking or heating in homes. Exposure is associated with heart disease, stroke, and increased risk of under-five mortality

➤ More than 40% of Indians still depend on such fuels, mostly in rural areas

➤ HAP contributes around 20-50% of annual average PM2.5 emissions in India, with higher contributions in north India



➤ Globally, HAP contributed to 3.2 million deaths, with 237,000 under the age of 5

➤ In India, 10 lakh deaths were attributed to household air pollution in 2021

THE ROLE OF LPG

➤ Liquefied petroleum gas (LPG) is the main clean fuel available for Indians

➤ LPG was the primary cooking fuel for 62% of households in India in 2020-21, according to NSS data. That proportion was 89% in urban areas and just under 50% in rural areas

➤ The PMUY scheme subsidises cooking gas to almost 100 million families living below the poverty line

➤ But many homes can't afford even subsidised gas. Refill rates range from as low as 1.8 times a year in Chhattisgarh to 5.3 times a year in Haryana—

compared to 8 times a year in cities where most homes use only LPG

➤ Gas prices have doubled since 2004, from around ₹410 per 14.2-kg cylinder to around ₹800 a cylinder

➤ Under PMUY, beneficiaries currently get ₹300 subsidy per cylinder for up to 12 cylinders a year, paid directly into their bank accounts after purchase

➤ Calculations by the Vital Strategies study suggest that a subsidy of ₹560 (on a ₹800 cylinder) would be needed to achieve 100% LPG use

to the pollutant PM2.5 would fall dramatically, the study estimated — from 180 ug/m³ to 48 ug/m³.

Reductions in PM2.5 exposure would not be restricted to those homes, however. Because “chulha” smoke contributes to ambient air pollution, the LPG intervention would also reduce ambient annual average PM2.5 levels, ranging from a 4% decline in Telangana to a 28% drop in Bihar, the study found.

States such as Maharashtra, Odisha, and Uttarakhand would reach national clean air guidelines of 40 ug/m³, the analysis found.

The study assessed the annual cost of full subsidy for a household to be Rs 8,800 a year, for eight cylinders assuming a price of Rs 1,100 a cylinder. A partial subsidy would mean spending Rs 4,800 per household in a year at the rate of Rs 600 a cylinder.

For homes not under PMUY, subsidies would have to include an additional Rs 2,000 per household for connection cost.

The study estimated the cost per death averted would range from around Rs 15 lakh for fully subsidising pregnant women households to Rs 62 lakh for general households. The cost-benefit analysis for all the scenarios met the WHO threshold for a health intervention, the study said.

Health researchers increasingly see reducing “chulha” smoke as critical to solving India’s air pollution problem. “You’re not going to reach national air quality standards without eliminating emissions from the household sector,” Kalpana Balakrishnan of Shri Ramachandra Institute of Higher Education and Research in Chennai said.

MSRTC to convert 5,000 of its diesel buses to LNG

Mumbai: The state has issued a fresh GR approving the Maharashtra State Road Transport Corporation's (MSRTC) plan to convert and maintain 5,000 diesel buses to run on liquefied natural gas (LNG) as part of the Green Transportation initiative. The project has been allocated a total of Rs 970 crore over a four-year period, with funds distributed as follows: Rs 40 crore for the current financial year, Rs 200 crore for the next financial year, Rs 370 crore for 2026-2027, and Rs 360 crore for 2027-2028.

An MSRTC official stated that the conversion cost for each bus will be Rs 19.4 lakh. The transition to LNG fuel is anticipated to reduce pollution caused by diesel vehicles by approximately 10%, as LNG vehicles emit 30% less CO₂ and 90% less particulate matter (PM) compared to diesel vehicles. The official also noted that existing diesel vehicles can be gradually retrofitted to use LNG, which provides a driving range of 600-1000 kilometres on a single fill, surpassing the range of Compressed Natural Gas (CNG). — **Somit Sen**