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In Brief

Producing CBM

Coal bed methane (CBM) production in India is expected to start in West Bengal by the end of the year. The Raniganj South block will start the production of 1.5 million standard cubic metres per day (mmscmd) of gas from the coal bed. Commercial production of the gas will, however, begin only in 2005. **Oil and Natural Gas Corporation (ONGC)** had spent about Rs 300 million on the Jharia block and about Rs 40 million on the Raniganj block. Test wells in the Jharia block, awarded to the **Great Eastern Coal Company**, showed a potential of 15,000-17,000 mmscmd of gas.

While the Jharia block is expected to produce about 1 mmscmd of gas within the next two years, the Raniganj block is expected to produce about 2 mmscmd. India will be the fourth country after the US, Australia and China to join the global league of CBM-producing nations. The country is expected to produce 10-12 mmscmd of gas by 2005-06. Nine CBM blocks, with a combined resource of about 500 bcm of gas, are on offer in the second round. The bids will close on October 15 and the blocks will be awarded by December-end. The government has already awarded contracts for the exploration of CBM in eight blocks.

ONGC and **Indian Oil Corporation (IOC)** have decided to go for a 80:20 unincorporated joint venture for the two CBM gas blocks bagged in the first round of bidding. The ONGC-IOC consortium bagged the Bokaro and north Karanpura CBM blocks in Jharkhand. For two other CBM blocks – Jharia and Ranigunj – in which ONGC has struck gas and has been flaring it for the last two years, it has decided to go for 74:26 and 90:10 joint ventures respectively with **Coal India (CIL)**.

These two blocks were awarded to ONGC and CIL in the early 90s on a 'nomination' basis. ONGC has drilled four wells in Jharia block and two wells

Contracts for Field Developments and Enhanced Production

Oil and Natural Gas Corporation (ONGC) has invited global tenders for development of its oil and gas fields in and around Mumbai High. These will be made available to bidders for exploration only; the fields and the production will continue to be owned by ONGC.

These contracts will be different from the production-sharing contracts for discovered fields under which bidders are given equity in the fields. The contract for these idle fields will allow bidders to inspect the fields. The corporation would then set a production will have to be met by the bidder. Any incremental production from these fields will be shared between ONGC and the exploring company, but if the company fails to meet the target set, it will be required to pay a penalty to ONGC, for failing to explore the required quantity of crude.

In the first phase, the mega-corporation has opened up 19 fields out of the identified marginal fields, which may be offered to bidders. Of the 96 marginal idle fields, 53 are offshore and 43 are on-shore. ONGC has estimated more than 200 million tonne of oil in these fields, while the gas reserves are expected to be more than 120 billion cubic metre (bcm).

at Ranigunj. The gas throughput is 6,000 cubic metres per day, per well in Jharia. For Bokaro and north Karanpura blocks, four exploratory wells will be drilled within a couple of months. The ONGC-IOC consortium has already received exploration licences for these two blocks. ONGC is expected to get licences from Jharkhand and West Bengal government for Jharia and Ranigunj blocks within a month. Earlier the mining leases under these two blocks were with CIL.

While ONGC and CIL have already signed production-sharing agreements, the joint operating agreement will be signed soon. In the next phase, ONGC plans to drill about nine more wells in Jharia block to start off its pilot project, after which work will begin for commercial production, which may result in about 100 wells drilled depending on the well spacing.

ONGC's investment for the Jharia and Ranigunj blocks is about Rs 700 million, including its pilot project. For Bokaro and north Karanpura, it has planned investments of Rs 500 million only for exploration, spread over two to three years. Besides the ONGC-CIL consortium, the **Great Eastern Energy Corporation (GEEC)** and **Ogden Energy**, US based consortium, is the only other group to drill wells in the hunt for CBM. GEEC too, was awarded a Ranigunj block in the 90s on a 'nomination' basis.

The first round of CBM bidding also saw **Reliance Industries Ltd (RIL)** bagging the Sohagpur (east and west) blocks in Madhya Pradesh and **Essar** cornering the Ranigunj (east) block. The government has now invited bids for a second round of CBM bidding in which nine blocks spread across Jharkhand, Chattisgarh, Rajasthan, Gujarat, Maharashtra and Andhra Pradesh have been opened.

The oil major RIL, has made its second large gas discovery after the Krishna Godavari basin in the CBM exploration block in Shahdol in Madhya Pradesh. This is RIL's first onshore gas discovery and according to preliminary estimates, this reserve is to the tune of 7-10 million cubic metres (mcm) per day. The Shahdol reserve has the potential to generate close to 2000-3000 mw of power.

The onshore blocks of CBM were allotted last year on a competitive basis by the government. These had gone to **Essar**, ONGC and RIL. Reliance was awarded two CBM blocks, viz Sohagpur West and Sohagpur East under the first round of CBM policy. Sohagpur West and Sohagpur East CBM blocks, comprising area of 500 sq km and 495 sq km respectively, are located in Shahdol district of Madhya Pradesh and form a part of Sohagpur Coalfield.

OVL Bids for Blocks in Africa

ONGC Videsh Limited (OVL) is pursuing another big investment opportunity in Africa. It has submitted two separate bids for purchasing 26 per cent stake each in two onshore exploration blocks in Africa, estimated to contain in-place oil reserves of over four billion barrels (548 million tonne).

OVL has recently taken the approval of the empowered committee of secretaries (ECS) to submit bids for these two exploration blocks. These blocks – Block X and Block Y – are currently held by a consortium of a leading global national oil company, the host country's national oil company and an European company. However, the name of the seller-company has been kept secret even from ECS. The seller has offered OVL its 26 per cent stake in Block X and 24.5 per cent in Block Y. As per the details furnished to ECS on the reserves held in these blocks, considerable exploration and drilling work has been carried out in Block X.

Three prospects have already been drilled and a discovery has been established in one of these. Based on 3D seismic and two wells drilled and tested to date, this discovery is estimated to contain a total of over one billion barrels (around 137 million tonne) in place but recoverable reserves of about 150 million barrels (around 20 million tonne) have been assessed.

In addition to the discovery a total of additional 18 prospects and 64 leads have already been identified. The consortium estimates that the discovery and these prospects and leads together could hold reserves to the tune of 2 billion barrels.

In Block Y, no wells have been drilled till now and the seismic survey is underway. There are 10 large prospective structures with an 'unrisked' reserve potential of around 600 million barrels and this block holds a potential of around 2 billion barrels. The two blocks together hold a potential of over 4 billion barrels.

Though adjoining these blocks are under different production sharing agreements. While the Indian corporation will not be the operator for this project, the joint operating agreement provides for adequate power to the operating committee, which will include OVL, along with other partners.

OVL has informed the government that it will submit a non-binding bid to the seller based on the benchmarking available. An approval from the Cabinet will be sought on the final negotiated price for this property. Before submitting its bid, OVL carried out a detailed due-diligence of these oil properties in association with **Gafney Cline Associates (GCA)** and **Denton Wilde Sapte (DWS)**.

Sri Lankan CBM Blocks

Sri Lanka has offered two oil and gas blocks in offshore Cauvery basin, bordering Tamil Nadu, to **Indian Oil Corporation (IOC)** for exploration and production, on nomination basis.

Coordinates and contractual terms along with conditions for the two blocks are yet to be finalised, though some work on the prospects of the blocks has been done. IOC might take a partner with deepwater exploration know-how on board for these blocks.

The Indian petroleum and natural gas minister Ram Naik had announced that India was keen on oil exploration in the island. He also stated that the **Oil and Natural Gas Corporation (ONGC)** had the technical expertise to carry out off shore exploration.

Race for Tata Petrodyne

Bharat Petroleum Corporation Ltd (BPCL) is planning to make a pitch for oil exploration and production company, **Tata Petrodyne**. The corporation is examining the acquisition as part of a possible strategy to enter the upstream side of the oil business.

It has established a special projects division to identify opportunities in the oil exploration and production segment.

Known for its strength in petroleum marketing, BPCL has plans to become an integrated oil major with interests in the gas business.

Tata Power is negotiating with potential buyers for the sale of its stake in its wholly-owned subsidiary. It had acquired Petrodyne operations for Rs 1.45 billion in December 2000. Since then, valuations of oil assets in India have appreciated nearly 100 per cent and the sale of Petrodyne stake should fetch the company a windfall gain in the current year.

Tata Petrodyne ended 2001-02 with profits of Rs 125 million on sales of over Rs 410 million and equity of Rs 980 million. The company is developing three offshore oil blocks.

DSP-Merrill Lynch are the advisors for the divestment. Binding price bids have not yet been called. Other players in the fray for Tata Petrodyne are **Oil and Natural Gas Corporation (ONGC)**, **Hardy Oil**, **Cairn Energy**, **Hindustan Oil Exploration Company (HOEC)**, **Indian Oil Corporation (IOC)**, **Reliance Industries Ltd (RIL)** and **Hindustan Petroleum Corporation Ltd (HPCL)**.

Sudan Oil Shipments

The second consignment of 600,000 barrels (80,000 tonne) of equity crude oil from Sudan, where state-run **ONGC Videsh Ltd (OVL)** has 25 per cent stake in a producing oil field, has reached Mangalore Port.

Like the first consignment of equal quantity, the second parcel too will be processed at **Mangalore Refineries and Petrochemicals Ltd (MRPL)**.

The third consignment of 1 million barrels is expected to reach Mangalore by early July. The total value of the three shipments is estimated at US$ 55-60 million, which is nearly 10 per cent of OVL's investment in Sudan. With Sudan crude MRPL, which was recently acquired by **Oil and Natural Gas Corporation (ONGC)**, has become the first refinery in the country to refine equity oil.

The Cabinet had allowed OVL to pump in US$ 750 million in an oilfield in strife-torn Sudan on condition that the investment be insured against all risks. The need for such a cover was raised time and again by an inter-ministerial committee of secretaries (CoS) in view of the long history of civil unrest in Sudan and the ongoing strife between Sudan People's Liberation Army and the Khartoum government.

However, a year later, OVL has informed the Cabinet that the US$ 670 million it invested in Sudan does not have a political risk insurance to mitigate risks on account of war, terrorism and expropriation.

BPCL into E&P

Bharat Petroleum Corporation Ltd (BPCL) would like to become an integrated oil company with interests in exploration and production, refining as well as in marketing. It is in talks with **Oil and Natural Gas Corporation (ONGC)** regarding joint bidding for oil fields in the fourth round of the **New Exploration and Licensing Policy (NELP IV).**

The company had earlier considered approaching multi-national companies for forming a joint venture to bid for blocks under NELP IV but later decided against it. BPCL has also initiated talks with **Oil India Ltd (OIL)** for a possible partnership along similar lines.

It has formed a special projects division to look at opportunities in the exploration and production business. The company has already evinced interest in buying Tata Power's wholly owned subsidiary **Tata Petrodyne.**

ONGC Crude Production

Oil and Natural Gas Corporation's (ONGC) crude oil production will peak to 29.5 million tonne in 2006-07, after which it is likely to decline. Its crude oil production will increase to 27.5 million tonne this fiscal from just over 26 million tonne crude produced in 2002-03.

In the subsequent years, it will breach 28 million tonne and peak to 29.5 million tonne in 2006-07, according to the company's internal production profile paper.

Mumbai High, which contributes 40 per cent of country's total crude production, is likely to see a peak of over 13 million tonne during 2004-07, mainly due to the Rs 81.25 billion redevelopment programme. Crude production from the field will increase from 12.2 million tonne to 12.5 million tonne this fiscal. Production from aging Mumbai High will start to decline from 2007-08 and may fall to 5.8 million tonne in 2016-17.

Heera-Neelam, ONGC's second largest oil producing fields, is likely to produce 4.2 million tonne crude this year, and will hit decline stage from 2004-05. Crude production from Bassein Satellite field will start from 2005-06, pumping 0.36 million tonne in the first year.

The production from the recently discovered field will jack up to 2.1 million tonne in 2006-07. It is likely to produce around 2 million tonne crude annually till 2011-12 after which output will fall. Production from Mehsana would, however, continue over 2 million tonne for the next 10 years while neighbouring Ankleshwar will see a gradual decline from just over 2 million tonne in 2003-04 to 0.5 million tonne in 2016-17.

ONGC's Assam fields will peak at over 2 million tonne of crude production in 2004-07 and then decline.

Dispute on Profit Petroleum

Cairn Energy and **Ravva Oil** of Singapore have dragged the Indian Government to the permanent court of arbitration in London, following a dispute between them and the government over profit sharing in the oil and gas sourced and sold from the Ravva oil and gas field. The arbitration proceedings relate to issues that affect the calculation of the post-tax rate of return and consequently the profits. The government has suggested to the permanent court of arbitration that the arbitrators could be from countries such as Malaysia, Sri Lanka and Singapore.

The arbitration is in line with the production-sharing contract between the two sides. A consortium comprising the **Oil and Natural Gas Corporation (ONGC)**, **Videocon Petroleum**, Cairn Energy and Ravva Oil are developing the Ravva oil field. ONGC holds a 40 per cent stake in the oilfield, followed by Videocon, with 25 per cent. Cairn Energy and Ravva Oil hold 22.5 per cent and 12.5 per cent stake, respectively. Typically, in such contracts, the profit from the sale of oil and gas is shared with the government. The Ravva field produces 50,000 barrels of oil and gas a day.

Crude Supply Deal

Oil and Natural Gas Corporation (ONGC) has signed an agreement to supply crude oil to refiner **Bharat Petroleum Corporation Ltd (BPCL)** for two years ending March 2004. ONGC's crude oil from Bombay High, benchmarked against Nigerian Bonny Light crude, is supplied to BPCL's refinery in Mumbai and its subsidiary **Kochi Refineries Ltd (KRL)** at Kochi in south India. The average price of Bombay High crude in 2002-03 was US$ 29.5 per barrel.

The agreed formula for crude prices replaces the administered pricing system, which was abolished in April 2002. During 2002-03 ONGC and BPCL had agreed on an interim crude oil price almost the same as that in the agreement. During 2002-03, BPCL and its subsidiaries accounted for 42 per cent of ONGC's total crude supply of 518,000 bpd.

Hazira Production

Gas output from Hazira field operated by Canada's **Niko Resources** will go up by 40 per cent to 222 mcf per day by April 2004. Niko holds 37 per cent stake in the project that has an estimated 21 bcm (742 bcf) of gas reserves, while **Gujarat State Petroleum Corporation (GSPC)** holds 67 per cent. The output is expected to rise after drilling more wells in the project near Surat. The field will also produce 1,500 bpd of crude oil in 2004. This could rise to about 5,000 bpd after a year.

Trading Consultant

Oil and Natural Gas Corporation (ONGC) is scouting for a consultant to help the company set up an international desk for trading crude in Delhi. The trading desk will also help the company in risk management and hedging crude – public sector oil companies have been permitted to hedge crude. ONGC has invited interest from consultants who could help the company trade in crude from overseas oil and gas producing fields.

It has, in the meanwhile, decided to continue the services of London-based **Trafigura Beheer BV** for trading in crude received from Sudan, which will be processed at **Mangalore Refinery and Petrochemcials Ltd (MRPL)**. However, as ONGC will receive about 3 million tonne crude annually from the project, it will also sell in the market.

IOC in Mid-east, Africa

Indian Oil Corporation (IOC) is giving priority to upstream exploration and production projects and is looking to the Middle East and Africa to expand its oil and gas asset portfolio. The corporation is assessing five to six blocks offered in India's latest oil licensing round and is in talks with prospective partners while slowly gearing up to go upstream. IOC has minority stakes in 12 blocks in India and two CBM blocks. It will work closely with the country's biggest exploration company, **Oil and Natural Gas Corporation (ONGC)**, to find overseas assets.

Opportunities under NELP-IV

Efforts to attract investments for exploration of oil and gas in India continue with the government launching a promotional campaign at Calgary in Canada.

The Ministry of Petroleum and Natural Gas (MoPNG) has invited bids for **NELP-IV** for 24 exploration blocks, including a dozen in the deep waters. A consortium of **Indigo Pool** a subsidiary of **Schlumberger**, and **CWC Associates**, UK, is advising the government on the promotional and marketing aspects of NELP-IV.

The last date to bid for NELP-IV is September 30, 2003. The perception that oil and gas is to be found in India has been boosted with recent huge deepwater gas discoveries in the Krishna-Godavari basin on the East coast: some of these have been mentioned as being the largest in the world during last year.

Petroleum Minister Ram Naik has said that the road shows in London, Calgary and Houston to promote investment in India's oil and gas exploration efforts were successful. He expects major oil firms to bid for the 24 oil and gas blocks and nine CBM blocks on offer. Sixty seven companies, including **Cairn Energy**, **Premier Oil**, **Hardy**, **Niko Resources**, **Marubeni, Reliance Industries Ltd (RIL)**, **Hindustan Oil Exploration Company (HOEC)**, **Essar Oil**, **Oil and Natural Gas Corporation (ONGC)**, **Indian Oil Corporation (IOC)**, **Hindustan Petroleum Corporation Ltd (HPCL)**, **GAIL India Ltd (GAIL)** and **British Gas** evinced interest in the Delhi road show.

The London road show was attended by 83 companies, while 34 companies participated in the Calgary road show and 66 companies were present at Houston.

The firms that attended the road shows included **Exxon-Mobil, Shell**, the **BG group**, **Occidental Oil**, **Chevron-Texaco, Marathon, British Petroleum, BHP**, **Saudi Aramco**, **Amerada Hess**, **Cairn Energy**, **Encana** and **Talisman Energy**.

OVL's Net Up

ONGC Videsh Limited (OVL) has stated that its net profit has soared by 145.8 per cent to Rs 590 million during 2002-03 from Rs 240 million in the previous year.

Gross revenues surged by over six times to Rs 2,330 million during the year ended March 2003 from Rs 390 million a year ago.

The OVL board, which approved the annual accounts also decided to repay the first installment of Rs 1 billion to its parent company, **Oil and Natural Gas Corporation (ONGC)** for the loan its Sudan project.

The company's 2002-03 revenues included earnings from the Greater Nile Oil Project during March 12-31, 2003, as the company acquired the project on March 12, 2003.

OVL iterated that the appreciation of rupee against dollar resulted in a notional reduction of Rs 180 million in its net profit during the fiscal. Also, scheduling of recovery of past cost incurred in Vietnam project resulted in a notional reduction in profits of about Rs 110 million.

In addition to the three producing assets, OVL has acquired premium exploration assets in Iraq, Libya, Syria and Myanmar whose results would start flowing by the end of this fiscal.

The company has emerged as the country's second largest upstream oil company after its parent ONGC, taking into account its current hydrocarbon reserves and the acquisition of the Sudan project.

OVL's total approved investments in the overseas projects are currently close to US$ 3 billion.

Increased Investments: Panna-Mukta and Tapti

BG Group has proposed investment of over US$ 800 million over the next two years in development of Panna-Mukta and Tapti oil and gas fields to improve production from the offshore fields. About US$ 145 million is to be pumped into Panna-Mukta oil and gas field and around US$ 659.5 million into the development of Tapti gas field.

The investment in Panna-Mukta field will result in an incremental oil production of 18.5 million barrels (2.46 million tonne) and 2.15 bcm of gas. For the Tapti field, incremental gas production is estimated to be around 10-12 mmscmd per day. Natural gas production from Panna-Mukta will increase to 2.67 mmscmd in 2004-05 and to 2.88 mmscmd in 2005-06 from current year estimate of 2.61 mmscmd.

Tapti gas production is expected to jump from 5.24 mmsmcd (2003-04) to 8.07 mmscmd in 2004-05 and 11.78 mmscmd in 2005-06. For 10 years, beginning 2007-08, Panna-Mukta will register additional gas production of 2 mmscmd and Tapti of 3 mmscmd.

The investment will result in 0.2 million tonne additional crude oil production from Panna-Mukta fields in 2004-05 and 2005-06 over current year estimate of 1.2 million tonne. The incremental production from Panna-Mukta will be 0.4 million tonne in the subsequent years. BG has 30 per cent interest in the fields while **Oil and Natural Gas Corporation (ONGC)** has 40 per cent. The remaining is with **Reliance Industries Ltd (RIL)**.

Of the total investment of US$ 804.5 million, BG's share will be around US$ 241.35 million and the remaining 70 per cent will be contributed by Indian partners - ONGC and RIL.

Oil & Gas in Dholka

A consortium of **Gujarat State Petroleum Corporation (GSPC)** and **GAIL India Ltd (GAIL)** has struck a major oil and gas reserve in Ahmedabad district's Dholka region.

The drill stem testing (DST) data concerning the flow of oil and gas is currently under evaluation and GSPC, a Gujarat state government undertaking, will soon announce details regarding the commercial viability of the find from the first exploratory well being drilled in Ahmedabad block.

The GSPC was awarded the contract in 2001, began exploration on May 7, and struck gas and oil within a month. Work on the Ahmedabad block began after a thorough Rs 500 million survey by the French company, **CGG**.

Modern drilling equipment capable of going deep down to 2,000 metre was employed, as against **Oil and Natural Gas Corporation's (ONGC)** machinery which could not go beyond 1,200 metre. Encouraged by the find, the GSPC will soon start drilling seven other wells in the region.

The cost of drilling at each field amounts to Rs 50 million. Gas and oil near Dholka in Ahmedabad district was struck after some dispute between the GSPC and GAIL over the viability of the venture. GAIL, the non-operating partner in the consortium carrying out drilling, has 40 per cent interest in the Ahmedabad block.

Heavy Oil in Jaisalmer

Exploring for hydrocarbons in Rajasthan, **Oil and Natural Gas Corporation (ONGC)**, has found 'good quality heavy oil' from a well in Jaisalmer district. The heavy oil was struck in a well bored at Cheenwala Tibba in Kharapar area near the border in March. The gas in the well contains 80 per cent hydrocarbons.

The oil, found at the depth of 1900 metre, is currently being analysed by scientists at the ONGC's laboratory in Dehra Dun. It is so thick that it does not vaporise even if kept in the open. ONGC is planning to bore another well in the area using special desert rig machines.

While the company has already spent Rs 3.4 billion on oil and gas exploration during the last four decades in the region without much success, experts are enthusiastic after the discovery in Cheenwala Tibba. Indications of oil and gas have also been found in Myajlar area where exploration will start after necessary environmental clearance.

GAIL's Float

The government has decided to shelve **GAIL India Ltd's (GAIL)** plans for a small float to mop up about Rs 3-3.5 billion from the capital markets. GAIL management had sought permission from the government to offload about 4-5 per cent of government holding.

It has been pressing for a small public float with the government putting on hold plans to clear cross-holdings of various oil public sector undertakings.

Reliance Doubles KG Estimates

Reliance Industries Ltd (RIL) has revised the in-place estimates for its gas find in the Krishna-Godavari (KG) basin off the Andhra coast. The total in-place gas volume in the KG Basin has doubled to 14 tcf, equivalent of 2.3 billion barrels or 300 million tonne of crude oil. Last year, RIL found 7 tcf of gas in the KG-D6.

The company subsequently revised the estimate to 10.5 tcf. RIL has till date explored less than 20 per cent of KG basin D6 and is still to explore the remaining 80 per cent area. The oil major will be investing about Rs 15 billion in the next two years for oil and gas exploration.

These discoveries are capable of producing in excess of 60 mmscm of gas a day and at current market prices to the consumer, this means incremental revenue of Rs 100 billion every year for RIL, equivalent to about 15 per cent of current revenues. The company is building gas transmission infrastructure to take gas to industrial, commercial and household consumers by 2006.

Tender Storm

Oil and Natural Gas Corporation's (ONGC) planned deepwater exploration, worth Rs 40 billion just for the initial contract, is getting entangled in controversy. While one question that has come up is whether separate bids by subsidiaries of the same company have legal validity, another is ONGC's right to change a tender norm after it has been notified, going against a prescription of the Central Vigilance Commission.

ONGC floated an international competitive bid, inviting firms to take up exploratory and development work for 37 deep-water wells (for which drill equipment between 900 to 1800 metre is required) and ultra deep water blocks (beyond 1800 metre). It received bids from different subsidiaries of the same company in both categories.

In the super deep-water category the company received bids from three subsidiaries of **Transocean Sedco Forex (TSF)**, which, incidentally, is also offering integrated services. In the ultra deepwater blocks, bids have been received from **Dolphin** and two TSF subsidiaries. In the shallow water bids too, ONGC has received bids from subsidiaries of TSF, US based **Pride** and an Indian firm. The issue is that if they are subsidiaries, there is insufficient competition and a decision has to be taken on the legal position of these firms. An independent legal opinion has been sought to sort out the issue regarding treatment of subsidiary companies as separate entities.

It seems that such entries have been accepted in the past and if the legal view restricts entries of subsidiaries as independent bidders, ONGC will have to enforce similar norms for shallow waters as well.

The tender procedure began in February and 29 firms procured the bid documents after which the company held the pre-bid meetings. It has been alleged that the company then changed the tender norms and offered bidders the option of either charter hire of rig along with integrated services or charter hire of rig only and bids for other services independently.

However, the company introduced a rider that if two techno-commercially acceptable bids in the first option are approved, then no other bidder will be considered for assessment. According to ONGC, the bidders were given a fair chance to raise queries in the pre-bid conference and so the company had the right to take the final decision. Also, the option of integrated services where the bidder has to take on the turnkey contract vis-à-vis the other option where the bidder opts for only a part of the job is a global practice. Moreover for a client engaging in such capital intensive project work, it makes commercial sense to give a turnkey contract and forgo the rider.

On the CVC note regarding norms about Indian agents, it has been alleged that the same agent with a common address appears to have bid in different names, which goes completely against the CVC order in January. Surprisingly, the CVC order was circulated in ONGC only in March, raising questions whether it could be put into force with retrospective effect.

GAIL – E&P

GAIL India Ltd (GAIL) has struck oil and associated gas at an onshore block near Ahmedabad in the Cambay basin, under the production sharing contract jointly with **Gujarat State Petroleum Corporation Ltd (GSPCL)**. This marks GAIL's entry into the upstream oil sector.

It has also identified reserves in a large offshore block at Myanmar where it holds oil equity in partnership with Korean companies **Daewoo** and **Kuo Gas** and **Oil and Natural Gas Corporation's (ONGC)** subsidiary **ONGC Videsh Ltd (OVL)**. The first well will be drilled in November this year. The exact reserves have not yet been quantified. GAIL holds 10 per cent equity in the Myanmar block. The company has the right to market 90 per cent of the oil/gas.

Encouraged by the oil-find, GAIL is in talks with 'half-a-dozen' multinational companies for blocks under NELP IV. These include **Premier Oil** and **British Gas**. GAIL currently holds equity in eight exploration blocks acquired in the three NELP rounds held so far.

It will increase its stake in Ahmedabad block, to 50 per cent by acquiring half of US-based **Joshi Technologies Inc (JTI)** 20 percent stake. JTI has exited the CB-ONN-2000/1 block in Cambay basin by divesting its entire shareholding in favour of GPSCL. The block being highly prospective, GAIL wanted a share in JTI's pie, a request that has been accepted by GSPC. As per the agreement, GSPC and GAIL will share JTI's 20 per cent stake equally.

GAIL has called off negotiations with **Cairn Energy** to acquire a stake in some of the latter's oil and gas fields on the east and west coasts. Its decision to pull out from the negotiations comes after the completion of due diligence of Cairn's properties.

SBI Capital had undertaken the due diligence and differences over valuation of the assets is the main reason for calling off the negotiations. GAIL entered the race for acquiring stakes in some of Cairn Energy's oil and gas fields following Cairn's rejection of a US$ 200m bid by **Oil and Natural Gas Corporation (ONGC)** for the properties earlier this year.

Feasibility Study of Assam Cracker Plant

The state-owned **GAIL India Ltd (GAIL)** has decided to carry out a detailed feasibility study on the Assam cracker plant as the preliminary report has found the plant to be non-viable. While the government has asked GAIL to take over the Rs.36 billion petrochemical plant, the detailed study to be completed in six months will enable the decision on the course of action. The fiscal incentive will be worked out following the report for the 20-year-old plant.

GAIL is also exploring the availability of gas to run the plant. If it succeeds in acquiring a stake in the beleaguered **Haldia Petrochemicals Ltd (HPL)**, then the Assam cracker plant will have access to its raw material. The foundation stone for the plant was laid by the then prime minister, Narasimha Rao in 1995 and a letter of intent (LoI) was issued to **Reliance Industries Ltd (RIL)**. Sources report that RIL and the main gas supplier **Oil India Ltd (OIL)** could not reach an agreement even after a series of discussions. The government then considered various public sector oil companies – OIL, **Oil and Natural Gas Corporation (ONGC)** and GAIL to implement the project since RIL was not keen to complete the project. Even as almost two decades have passed since the project was conceived, the demand for the plant remains. GAIL officials stated that there is need for a plant in the north-east region which is facing a deficit. The gas cracker is expected result in an industrial revolution in the region.

IOC's Crude Imports

Indian Oil Corporation (IOC) will import 31.4 million tonnes of crude oil this fiscal, 53 per cent of which would be on term contracts. IOC and its subsidiary **Chennai** and **Bongaigoan Refineries** require 45.7 million tonne of crude in 2003-04, of which 31.4 million tonne will be imported. Besides, IOC will import 5 million tonne of Iranian crude for **Mangalore Refineries and Petrochemicals Ltd (MRPL)**. IOC, which imported 31.3 million tonne crude in 2002-03, will buy about 16.7 million tonne this fiscal on annual term contracts with national oil companies of producer countries, while the remaining will be procured from spot market on short monthly tender.

IOC has contracted for importing 7 million tonne crude oil from Kuwait during 2003-04. **Kuwait Petroleum Corporation (KPC)** has agreed not to adjust 500,000 tonne extra crude imported from that country by India during the Iraqi war, against this quantity. This would imply that IOC will import a total 7.5 million tonne from Kuwait during this financial year against 6 million tonne during 2002-03. For 2003-04, IOC has contracted 4.5 million tonne from **Saudi Aramco**, 1.7 million tonne from **Abu Dhabi National Oil Company (ADNOC)**, 2 million tonne from **Petronas** of Malaysia, 0.5 million tonne from Brunei and 1 million tonne from **British Petroleum**. In 2002-03, IOC had contracted 15.8 million tonne of crude on term contracts – 4.5 million tonne from Saudi Arabia, 6 million tonne from Kuwait, 2 million tonne each from Abu Dhabi and Malaysia, 1 million tonne from Nigeria and 0.3 million tonne from Libya. Nigeria's **NNPC** refused IOC a term agreement for supply of 2 million tonne crude this fiscal while Petronas declined additional 0.5 million tonne. IOC is exploring contracting 1.5 million tonne of Masila crude from Yemen, for which talks have been initiated.

HPCL Disinvestment

In a bid to speed up the disinvestment process in oil PSUs, the government is understood to have decided to circulate draft transaction documents for **Hindustan Petroleum Corporation Ltd (HPCL)** amongst prospective buyers in July. The government will give the initial draft for shareholders and share purchase agreements to the shortlisted bidders. A 'confidential information memorandum' would precede the draft shareholders agreement for the prospective buyers. The action on HPCL coincides with hectic preparation for **Bharat Petroleum Corporation Ltd (BPCL)** disinvestment, where core group of secretaries on disinvestment (CGSD) is expected to meet soon to recommend the global advisor for the disinvestment.

India CNG Consortium

Countries with domestic natural gas reserves like Bangladesh, Iran, Turkey and Philippines have shown keen interest in creating CNG infrastructure. In order to embark upon any successful venture in these countries, the whole business proposition would have to be packaged as a total solution.

GAIL India Limited (GAIL) has initiated talks with leading corporates including **Bajaj Auto**, **Larsen and Toubro (L&T)**, **Maruti Udyog** and **Tata** to jointly tap CNG business opportunities abroad under the umbrella of **India CNG Consortium (ICC)**. This consortium will offer 'total solution packages' to gas rich countries keen to create CNG infrastructure.

According to the proposal, GAIL will look after the feasibility study and overall project management for the construction and commissioning of the pipeline along with CNG systems, while L&T will extend its support in setting up of CNG infrastructure.

Auto majors such as Bajaj Auto, Tata and Maruti will cater to the requirements of different vehicles running on CNG. Tata is keen to export CNG-run commercial vehicles to these countries, provided there is availability of gas. Opening a national CNG institute in India is also part of this proposal.

This institute will take care of issues involving training, product/vendor development, testing requirements, technology upgradation, safety and related aspects. India provides a unique model in terms of combination of CNG for automobiles, small industries and city gas distribution. GAIL has already introduced CNG as transportation fuel in Delhi, besides selling it to industrial consumers.

Bull Run at Oil Counter

Is the bull-run in oil and gas stock real or artificial? According to a section of the market, the sudden 'bullishness' in oil and gas stocks is fuelled by price manipulation. **GAIL India Ltd (GAIL), Hindustan Petroleum Corporation Ltd (HPCL)** and **Indian Oil Corporation (IOC)** surged to their one-year highs while **Oil and Natural Gas Corporation (ONGC)** zoomed to an all-time high.

The rally has seen the oil and gas stocks soar 100 per cent since their close on April 30. This spurt in prices also helped the BSE PSU index touch a new 52-week high of 2,286.5 points. A rumour also indicates that foreign institutional investors have shown increased buying interest into these counters during the past couple of months.

GAIL touched a 52-week high of Rs 118.45 as 2.091 million shares were traded on the counter, worth Rs 244.20 million on the Bombay Stock Exchange (BSE). However, at the end of the day the stock closed lower at Rs 116.60, thus taking the gain to 47 per cent. IOC also soared to a new one-year high of Rs 429.30 before closing at Rs 416.20. Since end April, the stock has appreciated by an impressive 76 per cent.

HPCL also surged by 19 per cent to touch a new 52-week high of Rs 336.10 before closing the day at Rs 331.25. ONGC soared to its all-time high of Rs 515 before closing lower at Rs 501.40. The stock gained over 41 per cent since its close on April 30, 2003. However, the top gainer in the past one-and-a-half month period was **Hindustan Oil Exploration Co. (HOEC)** zooming over 98 per cent – the stock closed at Rs 32.20.

Gas Price Hike Likely

In an effort to bring in natural gas pricing deregulation, the government is likely to soon increase prices of gas produced by state-run firms by Rs 400 per thousand cubic metre to Rs 3250 per thousand cubic metre.

The government had set up a panel of ministers to study the proposal to decontrol gas prices in a move that will help gas producers and importers of LNG but hurt cash-starved power and fertiliser firms, which consume 80 per cent of the natural gas sold in India.

The oil ministry wants to liberalise the gas sector to make it more efficient and to make LNG imports competitive. The power ministry had objected to the higher gas price saying that bankrupt state utilities would not be able to pass on the additional cost of power to their consumers.

The committee of secretaries (CoS) on being asked by the panel of ministers, has recommended immediate increase in ceiling price of natural gas from Rs 2,850 per thousand cubic metres to Rs 3250 per thousand cubic metres.

While the petroleum ministry wanted the price to be raised to Rs 3850 per thousand cubic metres, ministries of power and fertiliser agreed to an increase of only Rs 400 at the CoS meeting. The CoS, which was asked by a group of ministers to look into deregulation of pricing of natural gas, also recommended allowing state-run **Oil and Natural Gas Corporation (ONGC)** to sell gas produced from joint venture fields at market rates.

The market based pricing would not apply on 1 mmscmd of gas produced from **Cairn Energy** of UK operated Ravva field 'as it will have a severe impact on power consumers in Andhra Pradesh'. However, the de-linking of the gas produced from JV fields like Panna-Mukta and Tapti on the west coast, which is fed to HBJ pipeline system, was possible.

For new fields and additional production of gas over and above the current level of production by ONGC and **Oil India Ltd (OIL)**, the price will be de-linked from the APM and would be market determined. The recommendations will now be send to the Cabinet for approval.

NG Market Study

With the government moving towards a phased deregulation in the gas market which follows the dismantling of the administered price regime (APM) in the liquid hydrocarbons, companies like **GAIL India Ltd (GAIL)** are busy drawing up business strategies and tying up resources and consumers.

At the upstream, GAIL, which has a huge network of pipelines in the country, is in discussions with gas suppliers and on the retail end it is in the process of building its consumer base for fuel of future in this country.

While the northern region is more or less covered by the HBJ pipeline, the company is planning to now expand its pipeline network into the southern region. It has also drawn up plans of including feedstock and fuel management in its portfolio and is in the process of tying up with oil companies.

In a bid to reposition itself as a savvy marketer, GAIL has asked **Marketing and Development Research Associates (MDRA)** – a division of **Centre of Media Studies** to carry out a study on the demand estimation of natural gas across 20 states. The states for which the demand potential is being studied include West Bengal, Andhra Pradesh, Tamil Nadu, Maharashtra, Madhya Pradesh, etc.

The study has sought to find out the price sensitivity of the product and the future gas market in these states. Information has particularly been sought from consumers in the coal belt region as well whether consumers would switch to gas even if conventional fuels like coal are available.

This will give GAIL an idea of how much demand could be generated and who the potential consumers are in each area. For instance, the study has shown that apart from demand from the power and fertiliser industries, gas is also being sought as a fuel by smaller industries ranging from automobiles to glass and paper.

According to a schedule worked out by the ministries concerned, the government is hoping that the proposed public offer by **BPCL** will hit the markets by February 2004. A deal with the strategic buyer for **HPCL** should be over by March 2004.

New Pipeline Projects

GAIL India Ltd (GAIL) plans to lay a Rs 6.16 billion pipeline to transport natural gas from **Petronet India Ltd's (PIL)** upcoming 5 million tonne Dahej terminal in Gujarat to industrial and domestic users up to Uran and then to Pune on the west coast.

The gas supplies will also include additional gas from the Panna-Mukta-Tapti oil and gas fields. GAIL will complete laying the pipeline up to Uran by September 2004, Phase II which will take the gas to Pune will be completed by early 2005. The 500-odd km pipeline will transport 12 mmscmd to industrial users, including **Tata Power**, **Maharashtra State Electricity Board**, etc. GAIL has the mandate to market LNG imported by PLL in which it holds a stake with **Oil and Natural Gas Corporation (ONGC)**, **Indian Oil Corporation (IOC)** and **Bharat Petroleum Corporation Ltd (BPCL)**.

Construction of the company's Dahej-Bijapur pipeline is in final stages and is expected to be completed by the end of 2003 to coincide with the first consignment of LNG from Qatar.

The network is part of GAIL's strategy to build nearly 6,000 km (3,750 miles) of pipelines around energy-starved India over the next five years at a cost of US$ 4.2 billion.

India produced 65 mcm (2.3 bcf) of natural gas per day in 2001/02, less than half of the domestic demand for 151 mcm. This demand is expected to rise to 231 mcm a day in 2006/07.

GAIL also unveiled exploration plans for its A-1 gas field off Myanmar's north west coast which it jointly owns with South Korean trading house **Daewoo International**. New pipeline projects indicated that the business of gas transportation, which accounted for 71 per cent of GAIL's turnover of US$ 2.5 billion in 2002/03 (April-March), will continue to be the main driver of growth for the company.

Naphtha Prices Up

The four state-owned oil marketing companies, **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPCL)**, **Hindustan Petroleum Corporation Ltd (HPCL)** and **IBP Company Ltd**, have raised naphtha prices by 5 per cent. Naphtha prices for non-fertiliser use ex-Mumbai have been increased from Rs 13,020 a tonne to Rs 13,680 a tonne. Similar increases have been effected for other storage points as well. The new prices took effect from June 15-16 midnight. During the last revision on May 31, naphtha prices for non-fertiliser use had been increased 10.15 per cent from Rs 11,820 a tonne to Rs 13,020 a tonne.

This implies that naphtha prices for non-fertiliser use have gone up 15.73 per cent from Rs 11,820 a tonne to Rs 13,680 a tonne within a month. Naphtha prices for fertiliser use have also been raised correspondingly.

For instance, the basic price of naphtha for the Nangal unit of **National Fertiliser Ltd (NFL)** (ex-Panipat) has been increased from Rs 12,964.34 a tonne to Rs 13,573.34 a tonne. This is in line with the international prices of naphtha, which have of late been showing a hardening trend. Naphtha prices in Singapore, which were ruling around US$ 21.80 a barrel on May 6, moved up to US$ 27.10 on June 6, and further to US$ 27.78 a barrel on June 12.

Oil Reserves

India will send technical teams, comprising experts from **Oil and Natural Gas Corporation (ONGC)**, **Engineers India Ltd (EIL)** and **Indian Oil Corporation (IOC)**, to the US and Japan to prepare a blueprint for building strategic oil reserves for the 70 per cent import-dependant country as an insurance against contingencies like disruption of supplies.

The expert committee will prepare its report in six months, after which it would go to the Cabinet. The capital cost of building 45 days reserves (15 million tonne) would be Rs 43.5 billion. The annual maintenance cost would be Rs 18 billion and the cost of material (crude oil) is estimated at Rs 156 billion.

In the first phase, 15-day reserves are being planned. The location, sourcing of crude, type of storage, maintenance, funding the construction and cost of crude will be explored.

India stores reserves at four sites with current inventory of 604 million barrels (82 million tonne). The draw down capability of these four reserves is 4.4 million barrels per day. The prime minister has approved the project for building the 15 million tonne reserves.

Essar Sues United India

Essar Oil Ltd has slammed a Rs 14.5753-billion lawsuit against **United India Insurance Company** after the domestic insurance company reportedly denied an Essar claim. The Ruias, promoters of Essar Oil, have filed the case at the Baroda High Court.

The original reinsurance-driven policy with **Munich Re** was to the tune of Rs 8.863 billion. Following the company's claim, discussions for a negotiated compromise settlement took place in 2001 bringing down the claim to Rs 3 billion with the domestic insurer having an exposure of merely Rs 36 million and Munich Re's liability pegged at Rs 2.97 billion. Essar has sued the domestic insurance company for the full amount of the initial claim along with interest charges.

The oil company claimed insurance after its plant was affected by the 1998 cyclone that struck the Gujarat coast. It put in a claim of Rs 8.863 billion under advance loss of profit.

This insurance policy indemnifies against any loss of future income for a particular period of time during the execution of a project, which delays its commissioning. According to claims put forth by the corporate, the projected loss of income was owing to the delay in commissioning.

Essar sought compensation for various expenditure, including interest pay-out, salaries, overhead and possible revenues to the company. However, insurance officials at that time stated the basis of projections can only be verified after the project is commissioned. The plant was to be commissioned by the end of 2000.

It was also decided that the claim amount would be disbursed as and when Essar achieved the milestones laid out by the insurers. In late February this year, Essar received a letter stating that as the company had failed to meet the milestones, the insurance claim had been repudiated.

This is not the first time that international insurers have repudiated claims. Essar is the second corporate to file a lawsuit against the domestic insurer on its claim being denied. **Reliance Industries Ltd (RIL)** has also filed a similar suit against the domestic insurer for failing to pay up its claim pending for the last three years.

BPCL's Issue - ADR or GDR?

The **Bharat Petroleum Corporation Ltd's (BPCL)** public issue may be delayed because the company's accounts are not yet US GAAP (generally accepted accounting principles) compliant.

The company is yet to appoint auditors for the reconciliation of its accounts with US GAAP. The process of account reconciliation for BPCL and its subsidiary companies may take four to six months. BPCL says that the financial statements of the company are almost 90 per cent compliant with the requirements of US GAAP.

However, GAAP requirements mandate an auditor from a firm recognised by the US SEC, which would typically mean the big four audit firms, would have to be appointed. BPCL states their advisors will handle the auditors' appointment.

The ministry will appoint the financial advisors to the issue with **DSP Merrill Lynch** emerging as the lowest bidder, quoting less than 1 per cent of the divestment proceed as fees. The combine of **UBS-Warburg** and **ICICI Securities** may get the mandate to work as the joint global co-ordinator cum advisor, as it emerged the second lowest bidder with a quote of 1 per cent.

The advisors would also be responsible for the selection of legal advisors to assist the government. The government had proposed to divest 25.2 per cent of BPCL shares through an ADR issue and another 10 per cent in the domestic market to retail and institutional investors, bringing down its holding from 66.2 per cent to 26 per cent after offering 5 per cent of the shares to employees at one third of the issue price.

Now the petroleum and disinvestment ministries are considering the option of the global depository receipt (GDR) rather than the ADR route.

'Appropriate Price' for Ethanol

The petroleum ministry's move to appoint the Tariff Commission to determine an 'appropriate price' for ethanol being procured by domestic refineries for blending with petrol has irked sugar mills, who hold that it would tantamount to a return to the pre-1993 era of price controls on molasses and alcohol. The ministry is apparently concerned over the `high prices' being quoted by distilleries (attached to the mills) in the tenders floated by oil companies, which have 'threatened the viability of the programme for sale of five per cent ethanol blended petrol'.

The Tariff Commission has already circulated questionnaires to individual mills, seeking details regarding their cost of production of ethanol. The millers however, say that the whole approach of working out production cost of ethanol, with a view to control its prices, is flawed.

According to the mills, ethanol cannot be seen in isolation from its raw materials, starting not just from molasses, but even sugarcane, which means ascertaining production costs and structure of excise duty, sales tax and other local levies at different levels of production.

The present imbroglio comes even as nine states and four union territories (UTs) are scheduled to be covered under the government's 'gasohol programme', involving mandatory supply of 5 per cent ethanol-doped petrol, by June 30. The nine states include Maharashtra, Uttar Pradesh, Punjab and Andhra Pradesh (which were already covered in the first phase beginning January 1), Karnataka, Tamil Nadu, Gujarat and Goa, among with the four UTs are Pondicherry, Chandigarh, Daman & Diu and Dadra & Nagar Haveli.

The oil companies have already invited bids from distillers for supplying 145,700 kilo-litres (KL) of ethanol to Maharashtra, Gujarat and Goa (for meeting one year's requirement), 123,181 KL to Tamil Nadu, Karnataka and Andhra Pradesh (one year), 11,177 KL to Uttar Pradesh (for three months) and 6,438 KL to Punjab and Haryana (three months). Most mills, it is believed, have quoted in the range of Rs 17.50-18 a litre ex-distillery, which, for the present total tendered quantity of 286.5 million litre, translates into a gross revenue of over Rs 5 billion.

Disinvestment Norms

In order to bring down employee resistance to privatisation, the government intends to increase the no-retrenchment period after sale from one year to three years in the case of natural asset companies. Normally, when the government privatises a public sector undertaking (PSU), the acquirer is not allowed to downsize the company for one year. The Ministry of Disinvestment (MoD) is working on a proposal on the natural asset PSUs. The ministry is also working on the norms for allowing value-addition after privatisation.

However, the government is yet to define what exactly a natural asset company is. Would oil sector PSUs be included? The government is not considering this aspect because this may add another angle to the already intractable issue of oil sector privatisation. At present, the government is concentrating only on mines and mineral companies such as **Manganese Ore India Ltd, Sponge Iron India Ltd, National Aluminium Company (NALCO)** and **Hindustan Copper Ltd**. A set of norms MoD is working on pertains to local area development. Many natural assets PSUs, such as Nalco, are involved in local developmental activities in their respective regions. A great deal of resistance to the privatisation of such companies is because local people feel that they would be deprived of the benefits of such development.

Those in favour of privatisation in the government have been arguing that even private companies are involved in such activities, **Tata Iron & Steel Company TISCO** being a case in point. However, the opponents of privatisation have been persistent in demanding the continuation of local area development. Incorporation of norms on local area development into the guidelines on natural asset companies would bring down opposition to privatisation on this count, according to officials.

Reliance Retail Splash

Reliance Industries Ltd (RIL) is gearing up for a huge human resource (HR) initiative to mobilise a workforce of thousands, required for the company's entry into the oil retailing business. An October 2003 roll-out is being planned.

Reliance intends to have 2,323 outlets in place in the first year of operations. The company has started recruitment and the focus is on offering a uniform customer experience, with the person dispensing the fuel being viewed as the real brand ambassador for the company. However, the personnel deployed at petrol pumps will not be direct RIL employees. It is possible that they may be on the rolls of a subsidiary company.

The mega-company is working on a marketing model in which it will own the petrol pump land, assets and stocks. However, an operator will run the outlet. Training and certification of the staff will be done via special outlets, as well as by using simulators and hired facilities.

The staff will be trained to dispense fuel and other services such as running *dhabas* and convenience stores at the outlets. The capital expenditure on petroleum product marketing alone is estimated at Rs 10 billion in 2003-04.

The RIL retail model is based on two kinds of outlets. The large truck stops, with malls, truck bays, motels and other facilities needed by the trucking traffic, will employ 70-80 people.

The smaller 'fill & fly' outlets in cities, catering to the quick-fill customer, will require 15-20 people each. The outlets will all be IT-enabled and will ride on the Reliance Infocomm connectivity backbone.

The company's retail debut plans have been kept under wraps for the past several months, though the company is examining several models like the dealer, franchisee or ownership models for its retail outlets.

In response to an advertisement issued in August last year, RIL received about 50,000 applications from across the country. Negotiations are on with short-listed landowners, and the company is getting ready for a roll-out. It has the marketing rights to put up 5,849 outlets across the country.

Bio-fuel Project

The **National Oilseeds and Vegetable Oil Development (NOVOD)** Board has prepared a Rs 14.3 billion project for bio-diesel production from *Jatropha* seeds, plants of which will cover rain-fed and drier regions across eight states country-wide. The proposal has many objectives. For one, a national project will focus on making jatropha plantation popular in low rain regions, since it has a short gestation period and requires far less water for cultivation, compared to rice and other crops.

For another, the move is expected to wean farmers away from the MSP-fixated focus on food grains and into contributing towards bio-fuel production. Objectives also extend to additional labour provided in rural areas and, of course, the greening of the countryside.

Starting this year (2003-04), the project involves plantation of *jatropha* in 50,000 ha over eight states countrywide, including Andhra Pradesh, Karnataka, Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Chhattisgarh and Uttar Pradesh. The plantation project alone has an outlay of Rs 12 billion. The proposal has also outlined the establishment of 160-seed procurement centres including installation of oil expellers, oil extraction units, etc.

The agriculture ministry is already engaged in talks with the **Indian Institute of Sciences (IIS)** on the establishment of transesterification units. Transesterification units with a capacity of 5 tonne per day may cost around Rs 2 million and are technically feasible. According to studies, the investment of Rs 14.3 billion for *jatropha* plantation in 400,000 hectare would yield about 600,000 tonne bio-diesel valued at Rs 10.2 billion per annum for around 45 years after the stabilisation of the yield, which would take around four or five years. This is estimated at Rs 459 billion over the life of the plantation.

In addition, the project is expected to generate 124.4 million man-days equivalent of employment. For seed collection, the labour requirement is pegged at another 4 million man-days. The creation of these facilities and the marketing of diesel have been proposed as separate component costing a sum of Rs 1.6 billion. The proposal has also made a provision of Rs 700 million for farmer awareness project management particularly in rain-fed areas and in drier regions.

In India, bio-diesel has been prepared form a number of palm oils including *jatropha* and tested successfully in diesel engines by research institutes like **Punjab Agricultural University**, Ludhiana, the **Indian Institute of Petroleum Research**, Dehradun and the **Indian Institute of Technology**, New Delhi.

Panel for Retail Outlets

Private players in the petroleum sector are crying foul over the move to form a committee which includes their PSU competitors to frame a new set of guidelines for setting up retail petrol outlets across highways.

The existing committee set up to suggest guidelines comprises two members from the Ministry of Surface Transport (MoST), one member from Ministry of Petroleum and Natural Gas (MoPNG), and one member each from **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPCL)**, **Hindustan Petroleum Corporation Ltd (HPCL)** and **IBP**. None of the new players, **Reliance Industries Ltd (RIL)**, **Essar**, **Shell** or **Oil and Natural Gas Corporation (ONGC)** has been able to find a berth on the committee.

As per the **National Highway Authority of India (NHAI)** norms, the petrol retail outlets are required to facilitate entry into the fuel station through a 90-metre de-acceleration lane and exit through an 110-metre acceleration lane, with 35-metre frontage.

The location would also have to be 1 km from the intersection. The private sector players also complain that the government has been soft on the 447 petrol pumps on the national highways that were found wanting implementation of existing guidelines.

The new norms, that are expected to be announced soon could put an additional burden of Rs 1-1.5 million per fuel station for the new players. With almost 4,500 new petro bunks to be built by private players, the private players claim it could result in an additional burden of around Rs 4.5-5 billion.

Essar Petro Marketing

Essar Oil Ltd (EOL) has begun importing petro products for sale to bulk consumers: This is the first time that a private petroleum marketing company has imported for bulk consumers, setting the stage for price competition in the marketing of petro products forestalled till now by public sector monopoly of marketing even after dismantling of APM.

This also means Essar can service their consumers much before the completion of their refinery at Vadinar, Gujarat, thus creating a market share for itself. The company has already imported one parcel of high-speed diesel of 17,000 tonne purchased from the spot market. The imported diesel, which will be sold to the bulk consumer at 'competitive rates' has been stored at the Mundra and JNPT ports.

Essar has invited orders from bulk consumers giving details of their required volumes, including their preferred mode of transport either through rail, road or pipeline.

The company will hold discussions with PSU oil companies if they can use their pipeline infrastructure for transporting products on the payment of transportation fees. Essar plans to get into contract deals, which will ensure both supply stability and price competitiveness. Essar has offered to sell product that range from petrol, diesel, naphtha, fuel oil, light diesel oil to other products like fuel oil as well.

Although the oil companies have been making a case with the government to go in for differential pricing, the ministry has objected this to. Essar had earlier asked **Indian Oil Corporation (IOC)** to import products on its behalf to service its consumers but the government resisted this. The Exim policy now allows marketing licence holders to import volumes.

Natural Gas Glut

The petroleum ministry is revising its demand and supply projections for natural gas in the wake of indications that the country can reach self-sufficiency in the fuel over the next three to four years.

The ministry's move can have major implications for the country's LNG import programme. The natural gas working group for the Tenth Five Year Plan had indicated that the country's domestic production of the gas would be 85.76 mmscmd.

However, the recent gas discoveries in the Krishna-Godavari basin and other areas and the prospects of more such finds have changed the scenario considerably. The working group had apparently made its assessment before **Reliance Industries Ltd (RIL)** announced its gas find in the Krishna-Godavari basin.

The working group had estimated that in 2006-07 the domestic gas demand could be around 135-150 mmscmd. This would imply that the domestic production of natural gas would be able match the domestic demand. However, even these estimates do not take into consideration the huge potential of the Krishna-Godavari basin. Both RIL and the **Oil and Natural Gas Corporation (ONGC)** are upbeat about their prospects of striking more gas.

If the 5 million tonnes of LNG imports by **Petronet LNG Ltd (PLL)**, which were expected to start by the end of the year, were also taken into consideration, the country might have a surplus of gas. As no worthwhile investment is foreseen in the power and fertiliser sectors it will mean that the imported LNG will have to be sold to small users. This will require heavy expenses in laying pipelines for the transport of the gas.

LNG at Fixed Price

Rasgas of Qatar is likely to sell LNG to public sector **Petronet LNG Ltd (PLL)** at a fixed price instead of a price indexed to crude oil to cut delivered cost of imported LNG to just over US$ 3.5 per million BTU.

Promoters of PLL have cut regassification, marketing and transportation cost of imported fuel by 70 cents per million BTU, a pre-condition set by Rasgas for reopening pricing of LNG. Rasgas will now be prevailed upon sell LNG at a fixed price instead of US$ 16-24 per barrel crude oil price linked band previously agreed. Lowering prices at its end to make the imported fuel price comparable with domestic natural gas.

It is expected that Rasgas will agree to LNG at US$ 2.2-2.5 per million BTU. This would mean a delivered cost of between US$ 3.54 and US$ 3.84 per million BTU.

Aging Crude Carriers

A recent petroleum ministry directive to oil PSUs on the age of the tankers they charter to transport crude and petroleum products reflects extreme caution on the ministry's part.

The directive said: "... after considering the views of the oil industry, it has been decided that any tanker above 15 years of age, whether Indian or foreign origin, chartered by the oil PSUs for transportation of crude and petroleum products should have 'CAP' rating, effective April 1, 2004."

The 'CAP' (condition assessment programme) rating, assigned to a ship by an international classification society on the request of the owner, certifies the strength of its hull and machinery. The rating is a measure to ensure that the ship is strong enough to sail with its cargo, irrespective of its age.

LPG Prices

Four state-owned oil marketing companies have decided to make a representation to the government regarding the denial of their right to revise the retail selling prices of LPG used for domestic purposes and kerosene sold through the public distribution system. By a gazette notification issued early this year, the government had allowed **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPCL)**, **Hindustan Petroleum Corporation Ltd (HPCL)** and **IBP** to revise the retail selling prices of these two subsidised petroleum products as per a scheme worked out for the purpose. However, for more than a year now, these companies have been prevented from revising the prices of these two fuels, resulting in Rs 54.3 billion under-recoveries to the oil firms in 2002-03. According to the scheme notified in the gazette, the companies are allowed to make changes in the issue price of kerosene through the public distribution system and domestic LPG on their own if the cost price of the two commodities change.

Petroleum Usage

Consumption of petro products has shown a marginal growth of 1.4 per cent last fiscal after remaining stagnant for the previous two years. A break-up of the consumption patterns shows a sharp increase of 11 per cent in the case of LPG and about 8.6 per cent in the case of petrol.

The increase in petrol consumption follows the boom in the auto sector. Another significant growth area has been in the consumption of bitumen indicating an increase in the construction of roads. Bitumen consumption has grown by 30 per cent last fiscal.

Diesel consumption, which had shown a negative growth in 2001-02, has managed to grow by 2.2 per cent, although at the retail end it has registered a growth of 0.6 per cent only. Diesel comprises 45 per cent of the total petro product consumption. Naphtha consumption saw a serious dip and fell by 9 per cent to 10 per cent. Kerosene consumption fell by 4 per cent while there was a growth of 2.5 per cent in the demand for aviation turbine fuel.

Proactive Marketing

Cheers to the customers of Bharat Gas, the brand marketed by **Bharat Petroleum Corporation Ltd (BPCL)**. BPCL has developed software that will alert your dealer a few days before your cylinder runs out and a delivery boy will knock on your doors with a refill without any prior booking.

And if you aren't home, or have eaten out most of the month and still have gas, he will return the next day or keep in touch over the phone to find out when you need the refill. The software was developed in-house. It calculates the consumption pattern of each of its 17 million cooking gas customers by recording the time lag between two bookings.

The software picks this information from a central data bouquet and flashes the names of the customers three-four days before a refill is expected. This is easy as all the 1,828 company dealers are networked, with special software to keep track of delivery, billing and inventory.

Once a name is flashed, a delivery boy takes a refill. Booking, delivery and inventory status of each dealer is monitored on-screen constantly by BPCL's regional offices. Any slackness invites strong corrective steps from BPCL officers.

Bharat Gas has seen a 13.8 per cent sales growth in 2002-03. LPG sales stood at 2,031 thousand million tonne, or 24.95 per cent market share, in the last fiscal.

GE Caps, IDFC and IDF - Stakes in Petronet LNG

GE Caps and **IDFC** are in an advanced stage of negotiations with **Petronet LNG** for acquiring equity stakes in the company. Both GE Caps and IDFC are expected to acquire 10 per cent stake each in Petronet LNG, the first public-private sector partnered LNG venture in the country.

In accordance with the in-principle understanding reached with Petronet, the stakes will be offered at par.

Besides IDFC, **India Development Fund (IDF)**, the IDFC-promoted asset management company, is also in talks with Petronet LNG to acquire another 10 per cent stake in the company.

At present, public sector oil and gas majors which include **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPCL)**, **GAIL Indian Ltd (GAIL)** and **Oil and Natural Gas Corporation (ONGC)** together hold a 50 per cent stake, while **Gas de France** and **Exxon Mobil/Rasgas** hold 10 per cent stake each in Petronet LNG.

Though 30 per cent equity was open, this was made good with a Rs 1.6 billion subordinate debt (Tier-II capital).

Tier-II capital was created out of the Rs 5 billion loan from **Hudco**. The company's paid-up capital will be Rs 8 billion and will have a debt of Rs 19 billion.

MGL Seeks Delay

Mahanagar Gas Ltd (MGL), which is a joint venture (JV) of **GAIL India Ltd (GAIL)**, **British Gas (BG)** and the Maharashtra Government, has sought the approval from Foreign Investment Promotion Board (FIPB) for extending the time limit for public flotation to December 2005 from December 2003.

MGL has called upon FIPB to amend the current JV agreement so that it will be allowed to continue with the arrangement of foreign equity participation up to 50 per cent in the paid-up capital for a further period of two years. MGL's present shareholding comprises GAIL 49.75 per cent, BG 49.75 per cent and Maharashtra Government 0.50 per cent.

FIPB had amended its original approval on October 3, 2001 to continue with the arrangement of 50 per cent foreign equity participation in capital of company until December 2003. Further, FIPB, through the same letter, also permitted MGL to make private placements as and when required to the extent deemed necessary prior to public flotation.

As per the present FIPB approval, BG's contribution was to go up to US$ 15 millions. Though, BG has given full equity contribution in terms of Rs 444.5 million, in the dollar terms the equity contribution received from BG amounts to US$ 12.19 millions.

MGL has sought clarification from the FIPB whether the obligation under FIPB approval gets discharged as BG has already brought in full equity contribution in terms of Indian rupees and the variation in dollar terms was due to fluctuations in the foreign exchange rate.

MGL's board, at its recent meeting, has taken a conscious decision not to float public issue at this juncture, as present market condition was not conducive.

MGL had sought FIPB's consent as it has embarked upon a comprehensive plan to expand its activities including laying of optic fibre cables, providing value added services and extending its area of operations beyond Greater Mumbai.

Currently, MGL provides the Natural Gas connection to around 170,000 households and has constructed 46 CNG stations.

LPG as Auto Fuel

Five months after it was introduced in Chennai, LPG as a fuel for automobiles is yet to take off. The reasons are that the regional transport offices (RTOs) have not yet started endorsing the RC books of the vehicles retro-fitted with the gas conversion kits. Such an endorsement is a must for the vehicles to be able to fill gas at dispensing stations.

The RTOs, on their part, plead ignorance about the gas conversion system and are not equipped to determine whether the part fitted is really the one that ought to be there. This problem continues despite high-level meetings between the government officials and those from the oil industry.

While the oil industry has been asking for the government to popularise LPG as an automobile fuel, the government feels that there are not enough dispensing stations to cater to the increased number of vehicles.

There is an estimated 30,000 vehicles running in Chennai fitted with LPG conversion kits and most of them use the domestic LPG cylinder.

Besides, there are about 100 cars with factory-fitted LPG kits that can get the gas refilled. Hardly a dozen vehicles have been retrofitted with the conversion kits. There are three LPG dispensing stations in the city - two belonging to the **Indian Oil Corporation (IOC)** and one to **Bharat Petroleum Corporation Ltd (BPCL)** – with a few more slated to come up in the next couple of months. Each of these has been set up at an investment of about Rs 6 million.

Although the oil companies are not looking for immediate returns on their investment, they would like to see an increase in the offtake of auto LPG. Each bunk has to sell at least 40-50 tonne a month for them to see a return on their investment. A litre of auto LPG costs Rs 19.13 compared with Rs 33.22 per litre for petrol.

The state government has authorised six agencies - **Eco-Sonic Enterprise, Techlab Auto Gas Pvt Ltd, Sri Sakthi Gas Ltd, Bajaj Auto Ltd, Maruti Udyog Ltd** and **Rohan Automotive Equipments Pvt Ltd** - to provide the gas conversion kits. One of the authorised agencies providing the kits of **Lovato Autogas** of Italy, says that a number of procedural guidelines specified by the state transport department need to be sorted out. A homologated kit for a vehicle with a carburetor costs about Rs 20,000 and that for an MPFI vehicle Rs 25,000.

The gas conversion kits attract an import duty of 28 per cent and a sales tax of 21 per cent in Tamil Nadu, against 4 per cent in Karnataka. Taxi operators, who have fitted LPG conversion kits in their vehicles, say that it is not economical for them to change the entire system. Instead of the fuel tanks that come with the kit, the taxis have cylinders.

The taxi operators only want to change the cylinder and replace it with a gas tank. This is not possible right now as the entire kit has to be homologated and the gas tank alone is not available for sale. Both the taxi operators and the agencies authorised to fit the conversion kits hope that this issue will be sorted out at the earliest.

Public sector oil companies are reviewing business plans for auto LPG. The companies claim sales of the environment-friendly fuel are suffering due to lack of help from state governments. Although oil companies have announced plans to set up 228 auto LPG dispensing stations, officials fear that the cost of setting up the infrastructure – especially in smaller cities such as Pune, Bangalore, Kanpur and Ahmedabad – will be hard to recover unless governments step in.

According to information compiled by **Hindustan Petroleum Corporation Ltd (HPCL)**, auto LPG has been slapped with three-tier taxes, which include excise duty, local sales tax and reseller tax. This makes auto LPG less attractive. In spite of the taxes, the fuel is priced at Rs 15.57 per kg and conversion kits cost Rs 23,000 compared to CNG, which is priced at Rs 19.70 per kg and cost Rs 35,000 per kit, in Mumbai.

Also, CNG prices are artificially lowered through subsidies while LPG prices are based on import parity. Even the investment required for setting up dispensing stations stands at Rs 4 million for LPG and Rs 13 million for CNG.

The Supreme Court had ordered vehicles in Delhi to be converted to CNG and LPG, following reports of unprecedented air pollution levels in the Capital. The Mumbai High Court passed similar orders for phasing out Premier 137D model taxis and three-wheelers, which are older than 10 years. Although CNG, which received a special mention by the court, saw higher sales, auto LPG has been largely ignored.

There is a lot of work that has to be done by the state machinery. This includes introducing legislation asking public transport to convert to auto LPG (in the case of CNG), ensuring that conversion kits are approved by testing agencies and are available in the market, retro-fitment centres need to be approved by the RTO and lowering of duties and taxes.

But the most important step would be to ensure that illegal use of auto LPG is reined in. Although official figures are unavailable, oil companies allege that a large number of vehicles in urban and semi-urban India are using domestic LPG in vehicles. But the problem needs to be acknowledged for it to be addressed.

Underground LPG Storage

The underground storage cavern of the **Hindustan Petroleum Corporation Ltd (HPCL)** has run into rough weather with the **Visakhapatnam Port Trust (VPT)** asking the oil company to sort out issues relating to its refinery land lease. The site identified for the cavern project falls on land leased by VPT.

The cavern was to be commissioned this year but is now expected to start only in 2006.

The cost of the cavern project has, in the meanwhile, been revised to Rs 3.33 billion. The project is a joint venture with **Total Gas and Power Ltd**, a wholly-owned subsidiary of **TotalFina**. It is the first project of its kind in India and the project cost will be shared equally by both partners.

Three parallel caverns will be dug 150 metres below ground level. The cavern walls will not be plastered and will not require any maintenance. The bidding process for awarding above-ground and underground construction work has been completed and the contractor for carrying out the civil work has also been finalised.

Haldia Petrochemicals

The financial restructuring issue of **Haldia Petrochemicals Ltd (HPL)** has figured separately in the finance and petroleum ministries. While **IDBI**-led lenders built a strong case before the finance ministry for induction of **Indian Oil Corporation (IOC)** as strategic investor in HPL, HPL's promoters have indicated their preference for **GAIL India Ltd (GAIL)** as the new equity partner.

The lenders have communicated that Gail's terms of investment are inadequate for bailout of HPL. Petroleum minister Ram Naik has said that GAIL and/or IOC will not take equity stake in loss-making HPL unless given management control.

He categorically stated that the two oil firms were not portfolio investors and "will not perform the role of a financial institution (infusing money without management control). The finance ministry has stepped in to resolve the dispute between the lenders and management over the financial restructuring of HPL. Finance secretary had convened a meeting to iron out the differences between the two sides.

Induction of a strategic partner in HPL is the key to survival of this loss-making entity. The process of HPL's financial restructuring was initiated more than one and a half year back, when promoters of the company approached IOC for strategic investment.

However, at that time HPL sponsors were unable to resolve issues relating to post-induction equity structure amongst promoters, besides grant of management control of HPL to IOC.

At a recent meeting held in the petroleum ministry, GAIL contended that it entered into negotiations with HPL's management only after IOC failed to strike a deal with the promoters. Also, GAIL is already well entrenched in petrochemicals, and has forged a marketing alliance with HPL.

Lastly, GAIL said it is open to the idea of investing much more than Rs 2 billion, agreed to in principle. HPL, as per a new road map drawn up for value-added exports, has set a production target of 2,500 metric tonne per month for HD carry bags and 1500 tonne per month for PP woven bags.

Policies on Infrastructure Projects

Crisil Infrastructure Advisory, has stated India's hopes of attracting substantial private investments in infrastructure have not materialised and that successful public-private-partnership (PPP) formats have not emerged. This means that a large number of projects have been unable to attract private sector interest or financial closure.

However, the agency believes that large investments into infrastructure development through PPPs are possible if workable solutions are developed in the policy and legal environment, the governance structure, and project development. According to Crisil, the organisation has been advising Union and state government agencies to create an environment that encourages private participation in infrastructure.

According to Crisil, a stable legal and policy environment is essential since many Indian statutes were formulated before PPPs emerged and hence, provisions for PPP are inferred from the absence of any restrictive clauses to the contrary rather than from any specific enabling provisions. The gaps in the India's complex governance structure often result in a lack of coherence in approaching PPPs and consequently, inordinate delays.

This has been a cause of concern for both domestic private sector and foreign investors, who feel that the top leadership's efforts to invite private sector participation in their states are often diluted by the lack of responsiveness in the middle and lower rungs of the government. It is therefore necessary to evolve a process that minimises delays.

The third issue is the improper project development exercises undertaken by various government agencies. In the rush to divest full responsibility of BOT projects to the private sector, these agencies often overlook the lesser options of partial privatisation and management contracts, which are more workable for nascent sectors in the Indian context.

The issue is further compounded by the lack of reliable baseline data, resulting in over-optimistic projections that have low probability of fructification. The agency says that in its eagerness to privatise, government agencies overlook larger unresolved legal and policy issues that hang over PPP projects, which in the long run, delay and adversely affect their successful implementation and operation. It believes that gaps at all three levels need to be addressed in an integrated manner to ensure the long-term success of PPPs.

School of Petroleum

Indian Oil Corporation (IOC), **Bharat Petroleum Corporation Ltd (BPCL)** and **Hindustan Petroleum Corporation Ltd (HPCL)** are in talks with the **Indian School of Petroleum (ISP)** to incorporate some of its courses as part of their human resource development initiatives.

ISP is at present conducting pilot courses of its Certified Petroleum Manager (CPM) programme for 25 senior managers of ONGC.

To tap into the promising petroleum retail market, ISP is also going to launch a diploma in petro-retail business in July.

For its diploma in petro-retail business ISP is also approaching the **Federation of All India Petroleum Traders** to train personnel at petrol stations run by dealers.

Delayed Gas Refills

Severe competition in the growing Rs 160 billion LPG market is forcing state-owned oil companies to serenade customers with better service. To grab the growing LPG demand, which is likely to grow at a compounded annual growth rate of 7.9 per cent in five years, oil PSUs have embarked on several initiatives.

Hindustan Petroleum Corporation Ltd (HPCL) has offered a discount of Rs 15 on a cylinder in case refills are not delivered within 24 hours. The discount, besides other value-added services such as free burner servicing, providing electrical as well as plumbing services, will be offered by HPCL's distributors and dealers. Customers in Hyderabad, Delhi, Mumbai, Pune and Kolkata will be able to avail of this discount.

Energising Sri Lanka

India's petroleum minister opened **Indian Oil Corporation (IOC)** first petrol station in Sri Lanka and also offered to help the island explore oil off its shores. The spacious station includes a convenience store and an automatic teller machine — services not found at other fuel stations in the island. Indian Oil bought 100 petrol stations from state-run Ceylon Petroleum Corporation and plans to acquire 150 more.

Petrol stations in the island usually offer just basic services, with prices set by the Ceylon Petroleum, and IOC is expected to follow its lead on prices for the time being. The petroleum corporation plans to spend US$ 100 million over the next few years on petrol stations and is also looking at supplying LPG and aviation fuel. Sri Lanka imports about 15 million barrels of crude oil a year and has a refining capacity of 2.2 million tonne.

Modernisation work at the Trincomalee oil tanks farm has also begun. **Lanka IOC** (IOC's wholly owned subsidiary for Sri Lanka operations) has taken over the 1 million tonne capacity China Bay Tankfarm at Trincomalee on a 35-year lease.

The China Bay Tankfarm, of World War II vintage, is of historic and strategic significance, being the largest tankfarm located between West Asia and Singapore. The 99 giant tanks can hold a total of 1 million tonne, with each having a capacity of 12,250 kilolitres. Presently only 15 of the 99 tanks are operational.

India has proposed using Sri Lanka's Trincomalee storage depots, which were recently acquired by state-run IOC, for stockpiling strategic oil reserves to meet contingency requirements.

India supplies the bulk of Sri Lanka's requirement of oil. Out of the 1.4 million metric tonne of oil, which Sri Lanka imports per annum, IOC supplies 1 million tonne.

The corporation currently supplies 30,000 tonne of diesel and 10,000 tonne of jet fuel a month under a one-year US$ 100 million term contract that ends in September. It has said it was expecting to renew the contract that covers about 40 percent of Sri Lanka's import needs.

In Brief

- **Reliance Industries Ltd (RIL)** has offered to sell gas to its arch rival **Tata Power Company (TPC)** from the gas fields situated on east coast of India. The price and other things were yet to be discussed. TPC is looking at a price of US$ 3 per mmptu, which would translate to a power cost of 2.50 per unit and talking to **Oil and Natural Gas Corporation (ONGC)**, **GAIL Indian Ltd (GAIL)**, **Shell** and **Petronet**.
- **Tata** has appointed **DSP Meryll Lynch** to evaluate its oil exploration firm, **Tata Petrodyne**.
- Volatility in oil prices in the wake of Iraq war had severely dented the bottom-line of **Tamilnadu Petro-Products Ltd (TPL)** during 2002-03 despite a positive growth in consumption of LAB, lower tax liability and an all-time high capacity utilisation of 82 per cent at the ECH plant.
- Eight renowned Indian and global merchant bankers are competing to become the global advisors for privatisation of **Bharat Petroleum Corporation Ltd (BPCL)** - **HSBC, DSP Merrill Lynch, Kotak Mahindra Capital Company, UBS Warburg, ICICI Securities, Salomon Smith Barney** and **ABN Amro** are in the fray.
- **Bharat Petroleum Corporation Ltd (BPCL)** has posted a 80.7 per cent rise in net profit at Rs 18.211 billion for the financial year ended March 31, 2003, compared to Rs 10.077 billion posted in previous fiscal. The board has recommended a 130 per cent (Rs 13 per share) as final dividend taking the total dividend to 150 per cent.
- The oil ministry has questioned the decision of **Oil and Natural Gas Corporation (ONGC)** to extend credit to **Haldia Petrochemicals Ltd (HPL)** for supplying naphtha. ONGC has offered to supply HPL 60,000 tonnes of naphtha worth about Rs 600 million on a three-month credit. HPL was yet to clear Rs 3 billion due for naphtha bought from IOC over a year ago. IOC started supplying naphtha to HPL only for cash after two cheques for Rs 373.1 million bounced in October-November 2001.
- **Oil and Natural Gas Corporation (ONGC)** has asked **GAIL India Ltd (GAIL)** to recover its dues from leading fertiliser co-operative **IFFCO**. The corporation has asked GAIL not to supply natural gas to IFFCO, as the latter has not paid its dues, to the tune of Rs 2.3 billion. Since ONGC supplies natural gas to GAIL, which in turn supplies it to IFFCO, ONGC has decided to put pressure on IFFCO to cough up the dues by involving GAIL.
- **Indian Oil Corporation (IOC)** is planning to invest Rs 6 billion to set up a petroleum product upgradation facility at its Gujarat refinery near Vadodara, subject to board approval. IOC has plans to put up MS quality upgradation project for providing stringent Euro-III quality at Gujarat refinery.
- Earnings of state-owned oil marketing companies are likely to improve from the second quarter of the current fiscal as hardening rupee eases their heavy import bill. However, earnings of refineries such as **Oil and Natural Gas Corporation (ONGC)** are seen 'marginally hurt' tracking a strong rupee.
- **Gujarat Gas Company Ltd (GGCL)** has finally decided to jump into the fray for gas distribution in Gujarat. The decision comes soon after Torrent group announced that it was dropping its plans for venturing into this business.

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