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In Brief

Sale of Cross-holding

The Union Cabinet has allowed **GAIL (India) Ltd (GAIL)**, **Oil and Natural Gas Corporation (ONGC)** and **Indian Oil Corporation (IOC)** to sell their stakes in each other.

This is a technical requirement for public sector oil companies that purchased a part of each other's government-held equity in 1998, to help bridge the fiscal deficit. Since the cross-holding was undertaken through a Cabinet decision, on a procedural level, only a Cabinet can decision unlock it.

The Ministry of Petroleum and Natural Gas (MoPNG) will now decide the modalities, including the timing and quantum of the domestic or overseas floats by these companies.

According to documents presented to the Cabinet, the sale of the cross-holding is expected to fetch Rs 174.54 billion and the three oil companies together will rake in capital gains of Rs 128.11 billion at their current share prices. The companies had invested Rs 46.43 billion to pick up equity in one another. The government expects to mop up about Rs 13 billion as capital gains tax.

Within days of the Cabinet approving dissolution of cross-holding in oil companies, ONGC proposed that the state-run firms buy-back the shareholding they hold in each other instead of selling the entire equity in the market.

The proposal has not found favour with IOC and GAIL who feel the purpose of dissolving cross-holding is to increase liquidity of publicly traded shares.

ONGC has suggested that the companies buy-back shares to a revenue neutral extent – i.e. ONGC will buy-back its shares from IOC and GAIL to the extent of the value it gets in return for selling its holding in the two. At current price one share of ONGC will fetch Rs 748 while an IOC share is being traded at Rs 433. GAIL scrip is priced at Rs 210.15. While rejecting the ONGC proposal, IOC prefers going to domestic and overseas market in tranches.

Diesel Makes a Come Back

With demand growing by 10.1 per cent year-on-year, diesel sales, which have stagnated picked up in November last year.

Retail sales rose 11.8 per cent and direct sales (to bulk customers) climbed 3.9 per cent. Diesel is the largest selling petroleum product, contributing to about 40 per cent (Rs.850 billion) of the total petroleum product sales in the country.

An important contributor is the sharp increase in commercial vehicle sales. Automobile sales grew by over 12 per cent during April-November 2003. Commercial vehicle sales increased by 35 per cent, while sales of cars and utility vehicles have grown by 29 per cent.

NELP-V

The government has announced the fifth round of the **New Exploration Licensing Policy (NELP)** to grant new oil and gas blocks for exploration in April, 2004. The number of blocks on offer has not been specified.

Government to Offload Equity

The Cabinet Committee on Disinvestment (CCD) has decided to sell 10 per cent government equity each in **Oil and Natural Gas Corporation (ONGC)** and **GAIL (India) Ltd (GAIL)** through a book-built market offering. At current market prices, this is expected to fetch the government around Rs 124.4301 billion - Rs 106.665 billion from ONGC at Rs. 748 a share, and Rs. 17.766 billion from GAIL at Rs. 210 a share - and is expected to help the government exceed the current fiscal's disinvestment target of Rs 132 billion. The government is likely to mop up Rs 165.54 billion through disinvestment. This is 25.4 per cent more than the Budget target.

The stake will be offloaded in the domestic market. However, this decision could be revised if it is found that the domestic market does not have the capacity to absorb the issues.

The Cabinet has also decided that in view of the limited absorption capacity of the domestic market, the unlocking of cross-holdings of **Indian Oil Corporation (IOC)**, ONGC and GAIL in each other will be postponed till after the sale of 10 per cent government equity. The sale of the shares will be completed in this fiscal itself. For this, an informal committee comprising finance, petroleum, disinvestment and commerce ministers has been formed which will work out the modalities and try to speed up the process. According to the Cabinet note on the issue, the sale of equity in the companies will increase the liquidity of the two firms and provide a healthy trading platform. At present, only 0.72 per cent of ONGC shares and 1.95 per cent of GAIL's are with the public.

The government holds 84.11 per cent in ONGC and 67.35 per cent in GAIL. The paid-up capital of ONGC is Rs 14.2593 billion and that of GAIL Rs 8.456 billion.

According to the tentative schedule drawn by the merchant bankers, the issues are likely to open on March 10. Bids under the book building process will be invited from March 10 to March 16, with share allotment and price fixing slated for March 26. An inter-ministerial group (IMG) will meet to finalise the time-table for public issues. Book runners are currently carrying out due diligence. Road-shows are slated in the first week of March. ONGC is planning road-shows in Singapore, Hong Kong, London, New York, Houston, Los Angeles and Dubai, as well as several Indian cities. While a consortium of **Kotak Mahindra Capital**, **DSP Merrill Lynch** and **JM Morgan Stanley** are the book runners for the ONGC issue, **ICICI Securities** and **HSBC Securities** and **Capital Markets** are advising the government on the GAIL issue. Kotak Mahindra quoted the lowest fee of 0.075 per cent of the amount realised for the ONGC mandate, while the lead managers for the GAIL offer will get 0.147 per cent of the proceeds. DSP Merrill Lynch and JM Morgan Stanley quoted transaction fee a shade above Kotak for ONGC.

The two will be part of the consortium led by Kotak Mahindra to manage the book built issue. Both have agreed to match the Kotak offer. The government is believed to have selected **Crawford and Bailey** as legal advisers for offloading equity in ONGC and **Dua and Associates** for GAIL's public offer.

The public issues of energy majors ONGC and GAIL will open on February 23 and March 2, respectively. The ONGC issue is likely to be offered at a discount and in lots of 10 equity shares each, against the normal practice of offering equity in lots of 100s and in multiples thereof. The initial public offering (IPO) from ONGC is going to be a landmark for more reasons than one. It will be the largest ever pure equity mop-up by an Indian company, either in the domestic or the international market, and might well turn out to be one of the biggest in the world in 2004.

The size of the IPO, which will be a huge US$ 2 billion at current market rates, is big even on a global scale. The previous record for the largest issue by an Indian company is held by **Reliance Petroleum Ltd (RIL)**, which raised Rs 55 billion in 1992. But then, that was a convertible debenture as against ONGC's, which will be a pure equity offering.

ONGC, which was 10th in terms of market capitalisation on February 2000, when the Bombay Stock Exchange Sensex first crossed 6,000, is now number one.

The Securities and Exchange Board of India (SEBI) has made special concessions for the twin issues of ONGC and GAIL to enable them to hit the market before March 31, 2004. Among the concessions given are doing away with the mandatory 'beauty parade' of merchant bankers, a move, which will speed up the entire process. The proportion of shares to be offered to various categories of investors such as FIIs, FIs, high networth individuals and retail investors would be decided in accordance with SEBI guidelines.

Closer to the issue, the government will decide if a higher proportion of shares should be given to retail investors. The government may do what was done in the case of the **Maruti Udyog Ltd** public offering — give 40 per cent to institutional investors and 60 per cent to individual investors. SEBI has agreed to cooperate with the government to move fast on the mandatory clearances.

ONGC has approached SEBI seeking to reserve shares for share-holders of group companies, including **Mangalore Refinery and Petro-chemicals Ltd (MRPL)**, in the upcoming public offer for 10 per cent government equity. The move comes as the current guidelines for reserving shares during public offers do not envisage quotas for this particular category. ONGC has already sought several exemptions from SEBI guidelines including a wider price band for quotes ranging upto 30 per cent as against the prescribed norm of 20 per cent. Besides, it has also sought declaration of price band for bidding a day ahead of the issue date.

Foreign institutional investors (FIIs) hiked their holdings in the GAIL substantially during the quarter ended December 31, 2003, which roughly works out to around Rs 3-3.5 billion, even as the government gears up to file offer document for the public issue of the public sector major.

As against the previous quarter ended September 30, 2003, FIIs have almost doubled their stakes in the company to 4.68 per cent. Ever since FIIs have started investing, the stock has been on a dream run and touched its all-time high of Rs 312.80 on January 5.

OVL in Sudan

ONGC Videsh Ltd (OVL) is in talks with **Gulf Petroleum Corporation** and **Al-Thani Group** for acquiring their 11 per cent stake in Block 3 and 7 in Sudan. The company is also talking to **CNCP** of China for a stake in its Block 6, which is estimated to hold one billion barrels of oil reserves. Production from Block 3 and 7, estimated to hold oil reserves in excess of 3.5 billion barrels is expected to begin in 2005 and reach 10 million tonnes per year. The consortium of CNPC and **Petronas** of Malaysia will bring to production Blocks 3 and 7 in 2005 with an initial 170,000 barrels per day (8.5 million tonnes) on stream. Block 6 in Western Kordofan operated by CNPC comes on stream at 60,000 barrels a day (3 MMTPA), eventually rising to 180,000 barrels a day (9 MMTPA). OVL already has 25 per cent stake in Sudan's **Greater Nile Petroleum Operating Company (GNPOC)**, which operates the Heglig and Unity fields of Block 1, 2 and 4 and produces 13 million tonnes crude annually. It also has stakes in Block 5A and 5B.

The revenue accruals to OVL from its investment in the **Greater Nile Oil Project (GNOP)** of Sudan during the current financial year are expected to exceed the original estimates by 23 per cent. OVL has informed the Empowered Committee of Secretaries that during 2003-04, the project is expected to generate revenue accruals of about US$ 288 million as against the original estimates of US$ 234 million. This will be the first full year of the operation of the project after OVL had picked up a 25 per cent stake in it. OVL has also told the committee that the project is performing better than expected and till the end of October 2003, revenue accruals were around US$ 170 million. OVL holds a 25 per cent stake in GNOP via its wholly owned subsidiary **ONGC Nile Ganga BV** registered at Amsterdam. This stake was acquired by buying 100 per cent stake in **Talisman Greater Nile BV** and converting it into ONGC Nile Ganga BV. After accounting for all the revenues and the expenses incurred on the project, OVL paid US$ 669.1 million for taking the 25 per cent stake in the project. Encouraging results from GNOP have prompted OVL to consider taking the maximum possible stake in 'Project Alpha', an exploration block in Sudan. The project consists of three blocks where major oil discoveries have already been made. OVL is proposing an investment of around US$360 million in this project.

In addition, OVL also proposes to invest around US$ 850 million in pipeline and refinery projects of Sudan. Therefore, if all the projects in Sudan come through, OVL's total investment commitments in Sudan will be around US$ 2,041 million. OVL has informed the committee that these figures may go up substantially in case significant upsides arise in GNOP and discoveries are made in the exploration blocks in Sudan. In that eventuality, further investments will be required for development of the discoveries in order to bring them into production.

Third Eye Technology

One of the highlights of ONGC's ambitious plans of investing nearly Rs 3.6 billion in the coming five years in Gujarat for facilitating oil exploration is the 'Third Eye' technology centre in Vadodara.

The Rs 350 million facility will be the third in the country after Panvel and Vasudhara Bhavan in Mumbai to be able to create a three dimensional virtual image of sub surface oil-beds, after interpreting data from ONGC's survey vessels.

The centre at Vadodara will be the only facility in the world to have a 'Log-in While Drilling' (LWD) technology. This will enable engineers and drilling experts positioned at different locations in the country to monitor live bit-drilling of oil wells via satellite.

The centre will also have large graphic engines with high-end machines powered with computing capacity, large memory, disc capacity and large screen visualisation system. The 'Third Eye' centre is part of ONGC's plans of drilling 47 new oil wells, almost 1,800 metres deep in the coming five years. The much awaited oil exploration activity *Sagar Samridhi* in the Gulf of Khambhat, which started early this month, is also a part on this initiative.

ONGC which has plans to drill 177 exploratory and 347 new development wells in Gujarat will install another rig called *Seven Seas Discoverer* which will start its operation in January next year.

CBM Award

The Cabinet Committee on Economic Affairs (CCEA) has approved award of five coal bed methane (CBM) blocks for extracting gas from coal seams to state-run **Oil and Natural Gas Corporation (ONGC)**. **Reliance Industries Ltd (RIL)** bagged three while one CBM block in Andhra Pradesh did not attract any bid. The total investment in the first exploratory phase is Rs 2.1 billion.

The government received 14 bids for eight out of the nine blocks on offer for exploration and production of gas from coal seams, while the Godavari block GV(North)-CBM-2003/11 elicited no interest. RIL took two Rajasthan blocks as the lone bidder but outbid ONGC in the Chattisgarh block. ONGC walked away with two blocks as the lone bidder and its technical strength proved too big a barrier for its strongest competitors - RIL or the **Coal India-GAIL** combine - in the other three closely contested blocks.

ONGC beat **Great Eastern Energy Corporation Ltd (GEECL)** and Coal India-Gail combine to wrest SK-CBM-2003/II Block in Jharkhand while RIL took the Barmer coal field based CBM blocks of BS(1)-CBM-2003/II and BS(2)-CBM-2003/II in Rajasthan, where it was the sole bidder. Being the sole bidder in the ST-CBM-2003/II Block in Madhya Pradesh, ONGC had no problems in getting the block awarded in its favor.

Coal India-GAIL combine lost NK(West)-CBM-2003/II Block to ONGC and **ONGC-Gujarat State Petroleum Corporation (GSPC)** piped RIL to the post in BS-(3)-CBM-2003/II block in Gujarat. The WD-CBM-2003/II Block in the Wardha coal fields of Maharashtra also went to ONGC on a single bid basis. Reliance outbid ONGC for Sonhat block, SH(North)-CBM-2003/II, in the Gondwana coal fields.

ONGC in Angola

ONGC Videsh Ltd (OVL) is in talks with **Royal Dutch/Shell** to acquire half of the Anglo-Dutch giant's 50 per cent stake in an 200,000 barrels per day oil field, Greater Plutonio project (also known as Block 18) off Angola. **BP** holds the remaining 50 per cent stake in the block which, has six fields - Plutonio, Cobalto, Paladio, Cromio, Galio and Platina. Block 18 is estimated to hold between 750 million and one billion barrels of oil. In addition, two recent exploration wells - Cesio and Chumbo - are estimated to hold 60 million barrels of oil.

Shell has opened data roons in Houston and Rijswijk in the Netherlands for companies interested in picking up its stake in Angola. Besides OVL, **Petronas** of Malaysia too is interested in the oil field. Shell, which holds 15 per cent stake in deep sea Block 34 and 10 per cent in Block 21, has called for price bids by January 16, 2004. First oil from Block 18 is targeted for 2007. The Cabinet Committee on Economic Affairs (CCEA) is likely to consider this proposal.

Petrol Station Designs

Reliance Industries Ltd (RIL) have chosen the European model of petrol retailing in convenience stores, with its **Webworld Express** offering a range of telecommunication services and the latest amenities at its retail petroleum product dispensation points. It has also roped in the US-based **Flying J** for designing and setting up retail outlets along national highways.

On the other hand, **Essar Oil Ltd (EOL)** has decided to go the US way, where private firms such as **SunCo** and **76** have no-frills gas stations. The **Oil and Natural Gas Corporation (ONGC)** has asked **National Institute of Design (NID)** to help them with the specific design for retail stations.

The bottom-line is that while one model offers an experience, the other offers fuel at a discounted price. Essar has already set up three retail outlets in the country and it has plans to take this number to 250 by mid-2004.

Reliance is working towards a phased roll out of 500 retail outlets beginning February next year. Even ONGC has plans to set up at least a couple of retail outlets by the end of 2004. By a rough estimate, around 1,000 new petrol pumps are likely to spring up in the next 8-12 months.

These will be operated by private companies like Essar, Reliance, multinationals such as **Shell** and public sector oil companies as **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPCL)**, **Hindustan Petroleum Corporation Ltd (HPCL)**, ONGC and **IBP**.

Feasibility Study for Strategic Reserves

The government has asked **Oil and Natural Gas Corporation (ONGC)** to do a feasibility study for creating strategic oil reserves as an insurance against supply disruptions. India, which imports 70 per cent of its crude oil demand, plans to build 45 days strategic oil reserves over the next 3-5 years to protect domestic energy security in the event of war, and to safeguard the economy from oil-price-shocks due to volatility in international oil prices. **Oil Industry Development Board (OIDB)** will provide ONGC Rs 61.4 million for the feasibility study.

ONGC pitched for building the strategic reserves after its geologists did a pre-feasibility study on petroleum storage in salt caverns in Rajasthan. World over, strategic storage of crude oil and petroleum products is undertaken on a large scale in caverns created by the process of controlled solution mining of underground salt deposits. Salt deposits of requisite depth and thickness, ideal for creation of caverns are present in the Bikaner-Nagaur area of Rajasthan.

In the meanwhile, petroleum ministry has moved the Cabinet for sanctioning the construction of strategic storage facilities for 2.5 million tonnes of crude oil at Visakhapatnam and Mangalore in the first phase. The facilities to be built in 18 months will cost Rs 12.25 billion. Strategic reserves in Rajasthan will be Phase-II of the government's programme. If the studies are found to be feasible, a pilot will be attempted for creating four caverns in the salt deposits 300-500 metres below the ground.

The caverns will be 60 metres in diameter and will have a depth of 180 metres, each having a capacity to hold around 0.45 million tonnes of crude. The filling and withdrawal of crude can be done through a "T" junction on the Kandla-Bhatinda crude pipeline.

Meanwhile, the petroleum ministry has also suggested to the Cabinet that a third location on the West Coast be identified to take the stockpile to five million tonnes (equivalent to 15 days cover) in the first phase. Rajkot, a previous choice, was dropped because of the defence ministry's objections.

Cabinet approval is being sought for state refiner **Indian Oil Corporation (IOC)** to float a new company, which will build, import and maintain the crude oil stocks. The company will issue bonds backed by Central government guarantee to raise Rs 12.25 billion required to build the tanks. It will also incur a one-time expense of Rs 45 billion on crude imports and an annual maintenance cost of Rs 290 million. Recovery will be through an increase in the price of each petroleum product by 20 paise per litre, to retire the bonds and meet the annual costs. Currently, the total crude oil storage capacity with domestic refineries is 19 days (5.7 million tonnes).

HPCL Union Plans PIL

The Hindustan Petroleum Management Staff Association (HPMSA), which spearheaded the agitation against privatisation of the oil PSU, is planning to file another public interest litigation in the Supreme Court. This time it is taking **Hindustan Petroleum Corporation Ltd (HPCL)** management to task for poor corporate governance. The association says the corporation had promised stakeholders that HPCL would be transformed into an efficient private sector-like organisation, even without disinvestment. According to the convenor of the oil sector officers association, which filed the original PIL that stayed HPCL's divestment, this has not happened and the association is now planning to seek judicial intervention to improve HPCL's performance.

IOC to Venture into Shipping

Indian Oil Corporation (IOC) is planning to venture into shipping. This follows the petroleum ministry's nod to the oil major for making shipping arrangements on its own including buying out a very large crude carrier (VLCC). IOC brings crude in 7-8 parcels of VLCC every month and the volatility in VLCC charter rates has been the highest, making it viable for IOC to opt for a VLCC.

Also, doing shipping business through futures will mean entering into a contract of affreightment, a hybrid of time and voyage charter, without the ownership of the ship.

IOC, till date, has been using the services of **Transchart**, the chartering wing of the Government of India, with its affreightment bill being around Rs 15- 20 billion. The corporation will continue to follow the government's policy to import on FOB (free on board) on opposed C&F (cost and freight), in order to promote Indian shipping tonnage. IOC has a crude oil requirement of 36 MMTPA, 70 per cent of which is brought through VLCCs and the rest through Suezmax and Aframax.

GAIL - CNG for Delhi

GAIL (India) Ltd (GAIL) has said that it was in a position to lift gas from the green field facility at Dahej, so that northern Indian consumers could expect enhanced LNG supplies.

The company stated that it had completed a section of the Dahej-Vijaipur Pipe Line (DVPL) to carry gas from the **Petronet** Regassified-LNG facility ahead of schedule. With Dahej-Vemar link ready, gas can enter the Hazira-Bijapur-Jagdishpur pipeline at Vemar to reach consumers in Delhi.

The remaining section of pipeline up to Vijaipur will be completed soon, enabling the company to lift entire quantity of 10 mmscmd. DVPL is part of national grid network involving nationwide trunk pipeline network of 8,000km. GAIL hopes to supply around 60 per cent of the R-LNG to Indian customers with power, fertiliser and industrial users being the beneficiaries. GAIL is one of the joint venture partners in Petronet LNG.

Court Clarifies Selloff

Chief Justice of India, VN Khare has clarified that the government could go ahead with the disinvestment of public sector undertakings (PSUs) that were not created by Acts of Parliament. The Supreme Court was looking into the issue of whether PSUs set up through relevant legislation could be disinvested or not. The court found no impediment in the disinvestment of state-owned companies registered under the Companies Act.

ABB Stake in Essar Oil

Essar Oil Ltd's (EOL) proposed private placement of foreign currency convertible bonds worth US$ 271 million (around Rs 12.46 billion) with **ABB Lummus BV** could result in the MNC holding about 70 per cent in the Ruias-promoted refinery project, if ABB decides to convert these bonds into equity. ABB can decide on the conversion on or after 45 days from the closing of the issue and up to 30 days prior to the maturity date.

The finance ministry has sought, Securities and Exchange Board of India's (SEBI) view on the EOL proposal as the conversion will result in a stake higher than 15 per cent, the trigger limit for attracting the Takeover Code Provision. The ministry will decide on approving the proposal only after factoring in SEBI's view.

The conversion price for the FCCB is fixed at Rs 12.40 per share, as per the SEBI formula. According to EOL's proposal, these bonds will be convertible into equity shares or global depository receipts (GDRs) or American depository receipts (ADRs). The FCCB, if not converted, will be due for repayment at the end of 12 years from the allotment date. The proposed issue, with a denomination of US$ 10,000 per bond, will carry a maximum interest rate of 5 per cent. Also, according to the proposal, the repayment will not be earlier than December 2010. It is, however, not clear whether this will be applicable if EOL decides to enter into any sort of agreement with ABB on either a full or partial buyback of the bonds before this period. The oil major had government approval for a US$ 142 million FCCB/ GDR issue in 1998.

The company, however, could not go ahead with the issue in view of the depressed market conditions for Indian papers in the wake of the US sanctions on India following the Pokhran nuclear tests. This will be the first foreign fund raising issue by the Essar group after **Essar Steel** defaulted on its US$ 250 million FRN (floating rate notes) issue in 2000. Essar Steel settled the FRN issue last year through a mix of buyback and rollover. According to the company proposal, the FCCB is to be issued in phases. In the first phase, EOL plans to issue up to US$ 50 million under the Reserve Bank of India's automatic route. In the second phase, it will issue another US$ 50 million worth of bonds after seeking approval from RBI. The remaining US$ 171 million worth of bonds will be issued after obtaining the requisite approvals from the finance ministry. RBI, however, has asked the company to seek the finance ministry's approval for the entire US$ 271 million issue.

BG Stake Picked Up

Oil and Natural Gas Corporation (ONGC) and private sector **Hindustan Oil Exploration Company (HOEC)** will pick up British oil and gas firm **BG Group's** (62.64 per cent) stake in CB-OS/1, a Gujarat offshore exploration block, in proportion to their existing shareholding. HOEC holds 17.36 per cent stake. ONGC holds 10 per cent stake. BG wants to exit as only small quantities of hydrocarbons have been found in the three wells drilled so far. After BG's exit, HOEC will hold 57.11 per cent in the block while ONGC will have 32.89 per cent stake.

ONGC will be the operator of the block. **Tata Petrodyne Ltd (TPL)** – though not keen to pick up a portion of the BG stake - continues to retain its original 10 per cent participating interest. HOEC had staked claim to the operatorship of the block on the basis of its larger participating interest but ONGC was ultimately chosen as the operator. The consortium under ONGC plans to re-start exploration in the block.

Petronet to Float IPO

Petronet LNG, which completed construction of India's first LNG import terminal at Dahej in Gujarat, will float an initial public offering (IPO) of 261 million shares around February 15, 2004. The IPO is through book building.

The company, which has appointed **DSP Merril Lynch**, **SBI Caps**, **J M Morgan Stanley**, **ICICI Securities** and **Enam** as merchant bankers for the public issue, will list its shares on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) to raise about Rs 10 billion. This will partly fund expansion of the five-million-tonnes-a-year Dahej LNG import and regassification terminal. A third LNG storage tank will be constructed at Dahej from first quarter for 2004.

Subsidy on LPG

The government will provide private companies subsidy on LPG, equivalent to that given to state retailing firm. Currently, it gives state oil retailers - **Indian Oil Corporation (IOC)**, **IBP**, **Bharat Petroleum Corporation Ltd (BPCL)** and **Hindustan Petroleum Corporation Ltd (HPCL)**, a subsidy of Rs 45.17 per LPG cylinder and Rs 1.64 per litre of kerosene (amounting to Rs 47 billion annually). However, this amount is not enough to cover the cost of LPG. The difference between the cost and the retail price of LPG, after taking into account the subsidy is around Rs 106 a cylinder. For the public sector units, the government has now put together a system of cross-subsidisation by which the retailing firms and LPG producers share the under-recoveries. This mechanism will not be available to private companies.

C2-C3 Extraction Plant

The board of **Oil and Natural Gas Corporation (ONGC)** has approved a proposal to invest Rs 9 billion in a five million-tonne C2-C3 extraction plant. The plant, to be located in the special economic zone of Dahej, Gujarat, will extract methane (C2) and propane (C3) from the hydrocarbon-rich natural gas brought by **Petronet Ltd**. While methane is used in petrochemical plants, propane, which is alternatively known as LPG, is used as fuel. ONGC's extraction plant will be set up in about 24 months. As part of this investment strategy, ONGC is planning to take 26 per cent equity in the Dahej Special Economic Zone, which is being established by **Gujarat Industrial Development Corporation (GIDC)**.

OVL Studying Sakhalin Cost Rise

ONGC Videsh Ltd (OVL) is likely to appoint **JP Morgan Chase** to examine the reasons behind the cost escalation in the US$ 1.74-billion Sakhalin-1 Oil and Natural Gas Project, India's largest overseas investment.

An Empowered Committee of Secretaries (ECS) has asked OVL to examine the reasons behind the 45 per cent cost overrun in Sakhalin-1 oil and gas project before allowing more funds to be committed to the development off eastern Russia.

Interestingly, JP Morgan was the firm that advised OVL, in the year 2000, to invest US$ 1.74 billion in Sakhalin-1 project and had projected a 10 per cent decrease in capital expenditure. The committee, comprising secretaries from ministries of petroleum, law, external affairs and finance, and Planning Commission, has asked OVL, which has so far invested US$ 921.31 million in the Sakhalin-1 project, to explain why cost escalations of such magnitude have occured.

Reliance Lowers CEL

Reliance Industries Ltd (RIL) refinery at Jamnagar has been ranked as best in **Shell** Benchmarking for the third consecutive year under the category of 'Energy and Loss' performance from amongst 50 refineries worldwide. The refinery has been able to consistently lower the Energy and Loss Index (CEL) during the last three years, bringing it down from 95.6 CEL Index in 2000 to 88.7 CEL Index last year. Also, its refining capacity has been raised to 33 million tonnes from 30 million tonnes.

GAIL-GSPC Talks on for Gas Pipelines

Following the trend set by India-Pakistan talks, **GAIL (India) Ltd (GAIL)** and **Gujarat State Petroleum Corporation Ltd (GSPC)** too have come across the table to discuss business. Both the companies have been talking at cross-purposes on various issues in the past, with the most contentious being the right to lay down natural gas transmission pipelines. Both the companies recently initiated talks regarding sale of 1 MMTPA of LNG landing at **Petronet LNG Ltd's (PLL)** LNG terminal at Dahej. The move assumes significance as earlier GSPC had approached the gas company to directly pump LNG into its network.

GSPC wanted PLL to pump gas directly into the network of its subsidiary company **Gujarat State Petronet Ltd (GSPL)**, bypassing GAIL's infrastructure. GSPL has pipeline infrastructure in place to transport gas from the Hazira field and the pipeline ends near Dahej.

Pak Seeks Expertise

Pakistan has sought the expertise of **GAIL (India) Ltd (GAIL)** for setting up CNG infrastructure in six major cities — Karachi, Lahore, Pindi, Islamabad, Peshawar and Quetta. GAIL will need the government's permission to move forward. But given the overtimes being made by both New Delhi and Islamabad, such clearances may come sooner than later.

Initial discussions in this regard took place at a meeting of the energy secretaries of India and Pakistan. Pakistan has already taken a policy decision to introduce CNG-based commercial vehicles in major cities in Pakistan.

The country has a well developed gas pipeline infrastructure and is keen to replicate the CNG infrastructure developed by GAIL in various cities in India such as Delhi and Mumbai. The **India CNG Consortium (ICC)**, recently constituted by GAIL, can offer a total CNG solutions package to Pakistan. The ICC consists of industry leaders including **Tata**, **Ashok Leyland**, **Bajaj Auto**, **L&T**, **Maruti Udyog Ltd** and GAIL.

Oil Find in Rajasthan

Cairn Energy has made a big oil find in northern Rajasthan. Initial estimates for oil in place of this discovery range from 450 million to 1,100 million barrels. Preliminary reserve estimates are in the 50-to-200 million barrel range. The NB-1 exploration well, drilled to a depth of 1,250 metres in Block RJ-ON-90/1, has made a significant oil discovery in a large simple structure at shallow depths.

The well, located 60 kilometres north of the previous discovery named Saraswati in Block RJ-ON-90/1 in Barmer district, is currently at a depth of 1,250 metres and has not yet reached the planned total depth. An intermediate log has been run and evaluated and oil samples have been recovered from the Fatehgarh sands. The well has encountered two separate reservoir sections, with a log evaluated gross oil column of 136 metres in silty sands from the Barmer Hill formation. The net pay is estimated to be 22 metres with an average porosity of 21 per cent. The well further intersected a log evaluated gross column of 185 metres in excellent high quality Fatehgarh sands. The net pay is estimated to be 85 metres with an average porosity of 25 per cent.

IOC - Paper Trade in Crude

After years of buying crude the traditional way, through physical trades with suppliers all over the world, **Indian Oil Corporation (IOC)** will begin paper trading.

ISDA (International Swap Dealers Association) agreements with **BP**, **BNP-Paribas**, **Citibank**, **Vitol** have been signed and IOC is about to finalise details with **BankAm**. IOC plans to import about 34 million tonnes of crude oil worth US$ 6.8 billion in 2004-05, for itself and group companies. How much of this will be through paper trades depends on the opportunities available.

The difference between prices of crude oil and the one or more petroleum products such as petrol or diesel, are locked in by this process. There is no underlying physical delivery of product and the difference is settled through paper trade.

ONGC Pipeline

State-run **Oil and Natural Gas Corporation (ONGC)** has launched the biggest pipeline project in Asia Pacific, laying two sub sea pipelines in Mumbai High offshore field at an estimated cost of US$ 600 million. Dubbed the Mumbai High-Uran Trunk Pipeline Project, the mammoth pipe upgrade involves laying two 204-km pipelines - one a 30 inch diameter line for oil and the other a 28-inch gas line - to replace the ageing trunk lines at the Mumbai High offshore field in the Arabian Sea.

At present crude oil and natural gas produced from various offshore platforms at Mumbai High is transported to Uran Plant through Mumbai High to Uran Trunk (BUT) pipeline system. This pipeline system, laid in 1978, is over 25 years old and has completed its designed operating and service life. Recently, there were leaks in the oil trunk pipeline.

ONGC has selected **Hyundai** as the engineering procurement and construction (EPC) contractor for this project. The project will be completed over the next fourteen months and become operational by May 2005.

ONGC JVs for Expansion

Oil and Natural Gas Corporation (ONGC) is planning a major expansion by setting up two joint ventures to assist in its downstream operations and in the acquisition of modern vessels, tankers and aircraft. While **ONGC Values Ltd (OVaL)** will take care of the entry barriers in the marketing operations of ONGC, the proposed **ONGC Peripherals Ltd (OPaL)** will ensure sustained availability of cost-effective, operationally efficient and technologically advanced vessels, tankers and aircraft maintained by professionals.

In a presentation to Petroleum Minister Ram Naik, the chairman and managing director of ONGC, Subir Raha, pointed out that the corporation was facing a large number of problems in marketing of petroleum products.

The main one is lack of manpower to handle the marketing operations and the scarcity of land in urban areas to set up retail outlets. He said since the corporation could not afford to recruit fresh graduate trainees and train them for 15 to 25 years to take up the marketing operations, OVaL would enable the company to recruit skilled and experienced executives (employed, as well as retired) at market-oriented compensation benchmarked to the practices prevailing in its subsidiary, **Mangalore Refinery and Petrochemicals Ltd (MRPL)**.

OVaL will also help ONGC purchase or lease sites for outlets and depots at market-related prices. This implies that for these sites, the corporation may even pay premiums over government valuations.

Regarding OPaL, Raha said ONGC owned 38 vessels and chartered more than 90 vessels, excluding rigs. ONGC vessels are operated under operation and maintenance (O&M) contracts. It owns three and charters more than 15 helicopters. Operating expenses on the use of barges and ships for the operations relating to survey, supply, support, services, security, production, construction and transportation exceed Rs 10 billion every year. He said ONGC's operations were expanding fast because of largest-ever offshore service, deep-water exploration and development of three new fields. However, the corporation has been facing problems because right of first refusal is available to the owners of vessels and aircraft of Indian registry, assuring them of contracts by matching L-1 prices.

Since ONGC's performance is dependent on assured and sustained availability of cost-effective, operationally efficient, technologically modern vessels, tankers and aircraft maintained by professionals, OPaL is envisaged to take care of these constraints.

It is expected to assist the corporation in the induction of professionally skilled and experienced persons and in the acquisition of a modern fleet, improve fund management and profitability, and provide safety, reliability and adequacy. Raha made it clear that though OPaL will not have exclusive right on ONGC's business, it will provide ONGC the choice of on-and-off balance sheet financing, as required.

Entry Tax Nullified

In a judgement that will have a bearing on the levy of entry tax in Maharashtra state on imported goods, the Mumbai High Court has held that furnace oil brought by **Tata Power Company (TPC)** from outside Mahrashtra is not subject to entry tax. The company uses furnace oil and low sulphur waxy residue oil, imported from abroad. Maharashtra has been levying entry tax on these materials under the provisions of The Maharashra Tax on Entry of Goods to Local Areas Act 2002.

In keeping with this Act, the state government can levy entry tax on certain goods that enter local area for consumption, use or sale. Also, under the provisions of this Act, the rate of entry tax, however, should not exceed the rate of state sales tax. Furnace oil and low sulphur waxy residue oil, raw materials used for generating electricity, faced an entry tax at the rate of 15 per cent ad valorem.

On the other hand, if any company buys the material locally, sales tax is not levied. Wherever sales tax is levied, the amount is refunded as under the Sales Tax Act, if a company uses goods which have already borne the sales tax, then the company gets a set-off or refund. Since this is the case, the companies that use locally available materials virtually go untaxed.

Tata Power told the court that levying entry tax on furnace oil violates the provisions of Entry Tax Act which stipulates that levy of entry tax should not exceed the rate at which sales tax is levied on the same commodity within the state. Since the same materials go untaxed if purchased locally, the state cannot levy entry tax on the same goods imported to the state. The company cited provisions in the Constitution, that bar states from imposing a tax on the sale or purchase of goods where such sale or purchase takes place outside the state.

First LNG shipment from Qatar

India has received its first consignment of 138,000 cu m of LNG from Qatar under an agreement between the two countries for a 25-year supply when the material was loaded on India's only LNG tanker Disha at Qatar's Ras Laffan port. Dahej terminal's supply of MMPTA will be predominantly supplied by Qatar's Ras Laffan LNG Company, Rasgas.

The tanker will be owned and operated by India LNG 1, a special purpose vehicle (SPV) formed by **Shipping Corporation of India (**SCI) and four other foreign lines to move the product for Petronet's Dahej project.

While SCI has a stake of about 29 per cent in the SPV, **Mitsui OSK Line** of Japan has 29 per cent, **NYK Line** about 18 per cent, **K-Line** about 9 per cent and **Qatar Ship (Q-Ship)** about 15 per cent. As per the joint venture agreement, SCI will increase its stake in the joint venture to a majority holding of 42.5 per cent within five years from delivery of the tanker, with the other partners, except Qatar Ship, paring down their holdings in a phased manner. As part of the agreement, the SPV is expected to take delivery of a second LNG tanker for the same purpose of serving **Petronet** in December next year. The Dahej project will be initially importing 2.5 MMTPA and it will gradually be increased to 5 million tonnes within a year.

IPCL, **Essar Steel**, **Tata Chemicals** and **Oswal Agro** are among the private firms, which have bought the entire quantity of LNG being imported at Dahej from January 30. Promoters of **Petronet LNG Ltd (PLL)** have tied up with non-power and non-fertilizer companies for long-term sales of entire 2.5 million tonnes of LNG that PLL will import initially from Qatar at India's maiden LNG import and re-gassification terminal at Dahej in Gujarat.

GAIL (India) Ltd (GAIL) has sold its share of 5.84 mmscmd of gas (60 per cent of imported LNG) to a host of companies, including **IPCL Dahej** (0.35 mmscmd) and **Essar Steel** Hazira (0.6 mmscmd) while stateowned refiner **Bharat Petroleum Corporation Ltd (BPCL)** has tied-up with Oswal Agro, Shahjahanpur (0.45 mmscmd) and Essar Steel (0.4 mmscmd) for its quota of re-gassified LNG.

Indian Oil Corporation (IOC), which will offtake remaining 30 per cent, has sold 1.8 mmscmd to **Chambar Fertilizers**, Gadepan. It will use 0.15 mmscmd of gas as feedstock at its Gujarat refinery and 0.26 mmscmd at its Mathura refinery, sell 0.6 mmsmcd to **National Fertilizers Ltd (NFL)**, Guna, and 0.4 mmsmcd to **Tata Chemicals**, Babrala. **GAIL India Ltd (GAIL)** will sell 0.5 million tonnes of LNG to **Gujarat State Petroleum (GSPL)** in 2004 and 1 million tonnes from 2005.

The three off-takers, who hold 12.5 per cent stake each in PLL, had signed agreements to sell re-gassified LNG for a ten-year period. However, they have indicated a firm price only for the first five years. Exploration firm **Oil and Natural Gas Corporation (ONGC)** is the fourth promoter with 12.5 per cent stake. GAIL, IOC and BPCL were talking to a host of other companies for the remaining 2.5 million tonnes of LNG that will start flowing into Dahej from early 2005.

RasGas of Qatar is selling LNG to PLL at a fixed price of US$ 2.53 per million btu (British Thermal Units), equivalent to US$ 20 a barrel price of crude oil, for the first five years of the 20-year supply contract. After adding shipping cost of 26 cents per mmbtu, customs duty (5 per cent) of 14 cents, regassification cost of 44 cents, and deducting 15 cents, ONGC will pay for extracting C2/C3 from LNG, PLL will sell regassified LNG to offtakers at US$ 3.25 per mmbtu.

The offtakers then add pipeline transportation cost, which is proportionate to distance from terminal, and marketing margin of up to 10 cents. The delivered cost of LNG may be upto US$ 3.9 per mmbtu, which compares with natural gas sold by private domestic producers. After five years, RasGas will sell LNG to PLL on a price linked to a basket of crude oil with US$ 16 per barrel as floor and US$ 24 dollars per barrel ceiling. At the floor price, FOB price of LNG would be US$ 2.02 per mmbtu while at ceiling it would cost US$ 3.03 per mmbtu. RasGas had also agreed to match its price with any long- term supplier of LNG like **Royal Dutch/Shell**.

FDI in Oil Market

The government has lifted almost all curbs on foreign direct investment (FDI) in the petroleum sector. Foreign investors will now be able to bring in 100 per cent FDI in refineries, marketing, explorations and pipelines - both natural gas and LNG. While removing existing FDI caps in these sectors, the government has also allowed investments via the automatic route instead of the existing FIPB route.

This investor-friendly move will encourage investments and do away with procedural delays. Ralph Klien, the premier of the oil-rich Canadian province of Alberta has stated that the Indian government's decision to remove the cap on FDI in upstream oil exploration and production will spur interest from Canadian companies who want to invest in India.

However this decision is unlikely to lead to a rush of foreign investment in the sector immediately, as the existing policies already allow adequate passage and the market is yet to mature outside the orbit of state control. Essentially, the lifting of FDI caps removes anachronisms in the Indian oil policy, bringing it in tune with the rest of the world. This is expected to increase foreign investors' confidence in the country, which needs huge investments to meet its future energy demand.

Microbial Enhancing Oil Recovery Technology

Oil and Natural Gas Corporation (ONGC) has formally launched the new **Microbial Enhancing Oil Recovery (MEOR)** technology, designed to explore 'maximum oil by minimising cost', at its Sobhasan 36 oil well in Mehsana asset in Gujarat. For the first time that the 'cutting edge' technology, which involves 'high temperature sustaining microbes' that survive up to 90 degrees Celsius developed by scientists at Institute for Reservoir Studies (IRS), is being operationalised anywhere in the world.

The technique jointly developed by scientists at IRS and **Tata Energy Research Institute (TERI)** is also called `huff and puff'. ONGC and TERI obtained a patent for using this technology in India about four months back.

In Brief

- The Tamil Nadu Petroleum Dealers Association has requested oil companies to withdraw a proposal urging oil tanker owners to cut transport charges for ferrying petroleum products by about 25 per cent. While the existing rate is 92 paise per litre per km, it has been reduced to 70 paise per litre per km recently by **Indian Oil Corporation (IOC)**, **Bharat Petroleum Corporation Ltd (BPLC)**, **Hindustan Petroleum Corporation Ltd (HPCL)** and **IBP**.
- The government is considering a proposal to raise the equity of **Oil India Ltd (OIL)** in **Numaligarh Refinery Ltd (NRL)** from 12.35 per cent to 26 per cent. The proposal involved transferring 12.34 per cent shares held by the **Oil Industry Development Board (OIDB)** and 1.31 per cent held by **Bharat Petroleum Corporation Ltd (BPCL)** in Numaligarh to OIL.
- Public sector oil companies have turned down the Naresh Chandra Committee's recommendation for sale of fuel hydrants and other infrastructure associated with supply of aviation turbine fuel (ATF) to the **Airports Authority of India (AAI)**. The minister for civil aviation said that he would like to dismantle the PSU monopoly by selling hydrants and other fuel infrastructure to AAI. In a letter to the Parliament's standing committee IATA has expressed doubts about jet fuel supply and prices in India.
- The government has asked public sector companies, particularly those in oil and power sectors, to pay out high dividends. In the current year, it is expected that the oil companies will collectively pay around Rs 30 billion as interim dividend.
- **Indian Oil Corporation (IOC)** has finalised a US$ 75 million deal with Sri Lanka 's **Ceylon Petroleum Corporation (Ceypetco)** to sell fuel on the island. IOC had advanced US$ 30 million for the deal, which includes a license to retail fuel at 100 petrol stations, as well as a share of Ceypetco's storage and pipeline facilities. With the IOC deal, the government will have made about US$ 157 million from privatisation since the start of 2003.
- The R&D team of **Indian Oil Corporation (IOC)** will find out how to use *jetropha* oil in automobiles, within one year. IOC has tied up with the **Indian Railways** to use the latter's lands to grow the *jetropha* plant.
- The Union Government has agreed to give **Indian Oil Corporation (IOC)** Rs 250 million out of the funds available with the **Oil Industry Development Board (OIDB)** carry out research on how to use hydrogen as an automobile fuel.
- **Hindustan Petroleum Corporation Ltd (HPCL)** is set to acquire 100 retail outlets of Sri Lanka's **Ceylon Petroleum Corporation** for US$ 100 million.
- The **Cabinet Committee on Economic Affairs (CCEA)** approved the petroleum ministry's proposal to write off Rs 21.5475 billion, which CAG said was overpaid to public sector oil companies from the oil pool account.
- The Supreme Court has permitted **Essar Oil Ltd (EOL)** to go ahead with its Rs 52 billion Jamnagar oil refinery project which had been held up for a long time due to the controversy over its oil pipeline passing through a marine sanctuary at Vadinar in Gujarat.
- Taking industrial liberalisation a step further, the government has approved a long-term urea policy, which says all new urea capacity in the country will use only natural gas/LNG as feedstock as against naphtha, furnace oil and LSHS in the past.
- **Indian Oil Corporation (IOC)** has paid the final US$ 45 million of a US$ 75 million deal with the Sri Lankan government to retail fuel on the island. The deal, finalised in December, will allow IOC to import fuel, own 100 petrol stations and share **Ceylon Petroleum Corporation**'s **(Ceypetco)** storage and pipeline facilities.
- **Indian Oil Corporation (IOC)** has cancelled a tender to export gasoline from late February to late March due to low bids.
- Strong buying in the shares of state-owned oil and energy companies has lifted the BSE PSU index to an all-time high. The index closed at 3,493.13, up 136.81 points (4.08 per cent). In comparison, BSE index gained 36.7 points (0.68 per cent) to close at 5,455. Among the stocks that pushed BSE PSU index includ **Bharat Petroleum Corporation Ltd (BPCL), Hindustan**

Petroleum Corporation Ltd (HPCL), GAIL (India) Ltd (GAIL), Indian Oil Corporation (IOC) and **Oil and Natural Gas Corporation (ONGC)**.

- Investors in **Indraprastha Gas Ltd (IGL)** hit the jackpot as the scrip vaulted to Rs 119 on its first day on the BSE, gaining 148 per cent from its book built price of Rs 48 per share. The IPO registered the second most successful first day performance.
- **Bharat Sanchar Nigam Ltd (BSNL)** has signed a memorandum of understanding (MoU) with **Oil and Natural Gas Corporation (ONGC)** to provide the full gamut of telecom services, including basic telephony, mobile services, wide area network (WAN) and Internet to the oil company. BSNL will meet all the telecom requirement of ONGC from their network on mutually agreed terms. ONGC is currently using mobile services from different service providers.
- **Bharat Petroleum Corporation Ltd (BPCL)** has appointed advisors for formulating its risk management policy on forward trading in oil imports. The company hopes to begin hedging transactions before the second quarter of the coming financial year.
- Finance ministry has consented to the state exploration firm **Oil and Natural Gas Corporation (ONGC)** buying out **Hindustan Petroleum Corporation Ltd (HPCL)** in the loss-making **Mangalore Refinery and Petrochemicals Ltd (MRPL)**.
- **Oil and Natural Gas Corporation (ONGC)** has decided to offer 32 of the 93 idle blocks to sub-contractors for exploration as they are economically unviable for the company. The 32 blocks include 16 onshore and 16 off-shore blocks.
- **Oil and Natural Gas Corporation (ONGC)** has found positive indications of oil reserves in the Sunderbans offshore and reserves of methane gas at Ranigunge coal belt in West Bengal during sustained survey operations, as drilling work is on by the agency at Gobindapur in East Midnapore district.
- With the possibility of the general elections in April-May this year, the government is learnt to have "sounded" public sector oil marketing companies not to raise the prices of diesel and petrol till the polls. This is notwithstanding the increase in the international prices of crude which have gone up from an average of US$ 29.87 a barrel last month to US$ 31.42 a barrel this month.
- **Hindustan Petroleum Corporation Ltd (HPCL)** will import one-third of its crude oil requirement in 2004-05 on government-to-government term contracts. Of the 9 million tonne crude to be imported in 2004-05, just over 6 million tonnes will be on term contract.
- Post buyout of **Hindustan Petroleum Corporation Ltd's (HPCL)** stake in **Mangalore Refinery and Petrochemicals Ltd (MRPL)**, **Oil and Natural Gas Corporation (ONGC)** will be required to make a public offering of around 13 per cent of its stake in MRPL, according to the finance ministry. ONGC is set to conclude its purchase of 16.95 per cent stake of HPCL in MRPL. Currently, ONGC holds 71.63 per cent equity in MRPL and after the buyout, its stake will rise to 88 per cent.
- The Centre's urgency to complete the disinvestment process in oil sector PSUs in the current fiscal prompted the finance ministry to convene an emergency meeting of the Foreign Investment Promotion Board (FIPB) to clear proposals for foreign participation in the public issues of **IBP Ltd**, **GAIL (India) Ltd (GAIL)**, **Oil and Natural Gas Corporation (ONGC)** and **Indian Petrochemicals Corporation Ltd (IPCL).**
- The Pakistan government is expected to move diesel out of the negative list to facilitate imports of the product from India while this country has offered to export some parcels of diesel to meet part the shortfall in Pakistan.
- **IBP Co Ltd** will invest Rs 5 billion in setting up 500 fuel retail outlets during the next financial year. The company set up 400 retail outlets during last year at an expenditure of Rs 3.5 billion.
- With the government planning to impose additional cess on petroleum products to fund further expansion of rural roads and national highways, diesel and petrol are set to be more expensive soon. A cess of 50 paise per litre of diesel is proposed to raise about Rs 22.5 billion to fund the roads project. Another cess - of 15 paise - may be clamped on both petrol and diesel to raise resources for building strategic oil reserves.
- **Indian Oil Corporation (IOC)** has signed a memorandum of understanding with **Coffee Day Xpress** for setting up coffee bars and take away kiosks at its retail outlets and is to shortly sign a pact with **Foodworld** for convenience stores in select markets. As part of the MoU, 10 kiosks of Xpress, part of the **Amalgamated Bean Coffee Trading Company (ABCTC)**, will come up at select IOC outlets at the four metros besides Hyderabad, Bangalore, Pune, Chandigarh and Ahmedabad.
- With industry criticising plans to make **GAIL (India) Ltd (GAIL)** the sole transporter of natural gas through pipelines, the state-run firm is trying to vest with itself the mandate for building the 7,900-km National Gas Pipeline Grid by citing example of developed gas markets which built transmission network through a single government-owned agency.

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