

GAIL, HPCL seek AP govt funds for ₹32,901-cr petrochem complex

NEW DELHI: Oil PSUs want Andhra Pradesh government to provide viability gap funding for them to set up a Rs 32,901-crore petrochemical complex in the state, Oil Minister Dharmendra Pradhan said on Monday.

Hindustan Petroleum Corp Ltd (HPCL) and gas utility GAIL India had in January last year signed an MoU with Andhra Pradesh for setting up a petrochemical complex at Kakinada, he said in a written reply in Lok Sabha.

"Feasibility study has been carried out for the petrochemical complex. Oil PSUs have indicated to the Government of Andhra Pradesh that viability gap funding is necessary to make the project viable," he said.

He however did not give details of how much support have HPCL-GAIL combine asked for.

The petrochemical complex at Kakinada was among the projects envisaged in the special package announced in 2014 to boost economy of Andhra



Pradesh after Telangana was carved out of it.

The state government had previously asked the Centre to meet the viability gap of Rs 5,000 crore for the project.

Last week, TDP chief and Andhra Pradesh Chief Minister Chandrababu Naidu withdrew his ministers from the Narendra Modi government, saying the Centre has failed to respect the sentiments of the people of Andhra Pradesh by not granting the Special Category Status.

Pradhan said Indian Oil Corp (IOC), Bharat Petroleum Corp Ltd (BPCL) and

HPCL have formed a joint venture, Ratnagiri Refinery Petrochemicals, for setting up a 60 million tonne per annum grass-root refinery cum petrochemical complex in Maharashtra at an estimated cost of Rs 3.5 lakh crore.

"Refinery sector has been delicensed in 1998. Post delicensing, any public sector or private sector entity can set up a refinery depending upon techno-commercial viability of the project," he added.

India has 23 refineries with a total capacity of 247.566 million tonne per annum. PTI

KEEPING IT SIMPLE Unbundling of marketing and transmission units is aimed at reducing conflict of interest between them

Business Separation may Unlock Value for GAIL

Ashutosh.Shyam@timesgroup.com

ET Intelligence Group: The stock of GAIL, India's largest gas transmission company, has fallen by 12% in the past two months on the possibility of business unbundling — separation of its marketing and transmission segments. However, its impact on the company's profitability will be marginal. On the contrary, it may lead to value unlocking. Given that the stock currently trades at 12.3 times of FY19 projected earnings, investors may also find it attractively priced.

The transmission division generates revenue from gas transportation based on a certain tariff, while the marketing segment sells gas to customers at a certain margin. Having these two functions bundled in the same company is similar to a road construction company building roads and also determining who will travel on the road. Such a bundled business model has a potential to hamper the optimum utilisation of the pipeline infrastructure. The government's unbundling proposal aims at reduc-

Financial Snapshot

	FY17	FY18E	FY19E
Sales	48,474.9	55,413.4	64,641.2
EBIDTA	6,508.0	8,177.0	9,069.0
Net Profit	3,224.9	4,829.7	5,393.1

(Figures in ₹crore)

SOURCE: Bloomberg



ing the conflict of interest.

The gas transmission and marketing divisions contribute 37% and 16% to GAIL's operating profit respectively. However, the latter accounts for 70% of the turnover.

Historically, demerger of a segment translate into value unlocking for the company. GAIL's businesses other than transmission such as LPG, petrochemicals, and gas marketing may be grouped in another company as part of the unbundling exercise. Some reports suggest that these segments may be sold to state oil-marketing companies such as BPCL and IOC.

The transmission business accounts for nearly 45-50% of the fair value. Kotak Institutional Equities

has valued transmission business at ₹232 per share, while its target price of the company's stock is ₹535.

In the third quarter of FY18, GAIL's gas transmission volume was 109 million standard cubic meters per day (mmscmd) compared with the nine-month average of 104.9 mmscmd. During the earnings conference call, the company said that it expects to achieve more than 105 mmscmd of natural gas transmission volume.

The unbundling will have limited impact on the GAIL's financials since 80% of the marketed gas has regulated marketing margin. For instance, margin on the domestic gas is fixed at ₹0.2 per standard cubic metre (scm) and ₹0.3 on regassified liquid natural gas with long term gas contracts.



■ Oil PSUs Ask Andhra for Funds for Petrochem Project



NEW DELHI: Oil PSUs want Andhra Pradesh government to provide viability gap funding for them to set up a ₹32,901-crore petrochemical complex in the state, Oil Minister Dharmendra Pradhan said on Monday. HPCL and GAIL India had in January last year signed an MoU with Andhra Pradesh for setting up a petrochemical complex at Kakinada, he said in a written reply in Lok Sabha. "Feasibility study has been carried out for the petrochemical complex. Oil PSUs have indicated to the Government of Andhra Pradesh that viability gap funding is necessary to make the project viable," he said.

PSUs Make a Beeline for Top Talent at B-Schools

IndianOil, Gail, ONGC, NHB and PSBs like SBI, BoB look to hire for marketing, finance, ops & sales; salaries match pay cheques offered by private cos

New Delhi: After picking up the best from top engineering colleges, public sector companies are now descending on B-school campuses where the placement season is in progress.

PSUs from Indian Oil, Gail and Oil & Natural Gas Corp to financial institutions such as State Bank of India, Bank of Baroda and National Housing Bank (NHB) are lining up at Indian Institutes of Management and other leading business schools to tap into the top talent for roles in marketing, finance, operations and sales. On offer are paycheques as competitive as those from any financial services company in the private sector, said placement officials.

"This year, we have noticed that the average salary offered by PSUs is better than the overall average salaries at IIMs," said a student at IIM-Kozhikode.

A few public sector units have made offers upwards of ₹21 lakh a year, IIM sources said. With the lure of more secured jobs than in the private sector, student response is strong, too.

PSUs made at least 15 offers to final year students at IIMs Kozhikode and Bangalore, two B-schools they had given a miss last year.

At Delhi's Faculty of Management Studies (FMS), the average salary offered by PSUs swelled by about 50%. At XLRI-Jamshedpur, the number of offers jumped by 50% from last year and average pay by 30%. PSUs were in attendance on the first few days of placement at IIM-Indore, giving tough competition to the private sector. At IIM-Calcutta, IOC made a couple of offers this year.

PSUs started visiting IIT and IIM campuses in 2011, but then stayed away for a few years after a petition filed in the Madras High Court challenged such preferential hiring by government-owned companies. While they returned to campuses in 2016 after the petition was dismissed, this is the first year when state-run companies made their presence felt in a big way across B-schools.

PSU executives said they were keeping a low profile on campus recruitment as public sentiment remained conservative when it came to them hiring from top institutes by paying high salaries. But with some of the companies planning big investments and the government's push to improve efficiency and speed up decision-making, they are quietly, but steadily, increasing hiring from such institutes.

"Since the ban was lifted, PSUs have only this year warmed up to campus hiring. As compared to last year, where we had no PSU visiting us, this year has been quite productive," said a person at career development services at IIM-Bangalore, who did not wish to be quoted. Besides fat paycheques, PSUs also offer job security, same person said, adding: "A few students prefer a mix of both and are keen to take up offers from PSUs."

According to FMS placement convener A Venkatraman, "the primary reason for the rise in student interest to join PSUs is that the salaries at PSUs along with benefits have become quite attractive."

Last year, the average salary offered by three government-run companies — IOC, SBI and SBI Capital Market — at FMS was ₹11 lakh per annum. This time, the average from GAIL, IOCL, Bank of Baroda and SBI Life increased to ₹16 lakh.

This year, GAIL, HPCL and IOC participated in the placement process at XLRI, along with first time recruiters like NHB.

PSUs have been competing with marquee recruiters in the first week of placements at IIM-Indore, unlike previous years when they used to come at the fag end of the season. "The number of offers rolled out by PSUs has also increased by 60% as compared to last year, showing a positive sign for further placement seasons," said Bhavya Kapoor, officer-placements at IIM-Indore.

Indore is expecting two more PSUs to visit the campus in the coming days. Major PSU recruiters from the oil and gas, finance and other sectors have visited IIM-Indore so far. "These PSUs have offered permanent positions and comparable roles spanning across all key domains of management," Ka-

poor said. At IIM-Kozhikode, BPCL and IOC together made 11 offers. IOC, which visited the campus for the first time, made six offers.

Back with a Bang

PROMINENT PSU RECRUITERS AT B-SCHOOLS

ONGC, IOC, SBI, BOB, NHB, HPCL & GAIL

Top salaries offered are upwards of ₹21 lakh pa

Student response strong also due to lure of more secured jobs

PSUs MADE AT LEAST 15 offers at IIMs Kozhikode and Bangalore

AT DELHI'S FMS, average salary offered by PSUs up by 50%

AT XLRI- JAMSHEDPUR, no of offers jumped 50% from last year & average pay by 30%

No of offers by PSUs increased by 60% at IIM-Indore

At IIM-Kozhikode, BPCL & IOC together made 11 offers





Oil prices fall on US output outlook

OIL PRICES FELL on Monday on expectations that US output will rise this year, erasing earlier gains buoyed by lower weekly US rig counts and falling US unemployment. Helping the dip, hedge funds and money managers cut their bullish wagers on US crude oil for the first time in three weeks, data showed on Friday. The reduction came as gross short positions on the New York Mercantile Exchange climbed to their highest level in nearly a month. "Rising production and inventory in the United States has been reducing fund sentiment since it peaked at the end of January," ING said in a note. Crude prices had risen on Friday and earlier on Monday after the US economy added the biggest number of jobs in more than 1-1/2 years in February.