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# In poll year, oil firms get marketing Budget boost

SUBHAYAN CHAKRABORTY & SHINE JACOB
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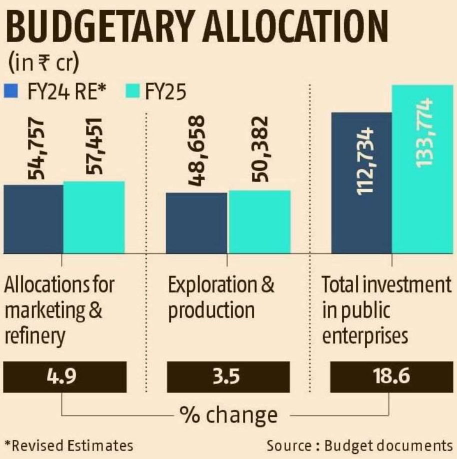
The Interim Budget looks to bolster the refinery and marketing activities of oil companies in 2024-25, following a year of declining expenditure. It is poised to provide additional financial muscle to the three public-sector oil marketing companies (OMCs) — IOC, BPCL, and HPCL — in the months leading up to the general election.

The allocations for this sector have seen a 4.91 per cent increase, amounting to ₹57,451 crore for FY25, up from ₹ 54,758 crore in the Revised Estimate for FY24. This increase is particularly noteworthy given that expenditure for refineries and marketing had fallen by 9.5 per cent in FY24, compared to FY23. These OMCs are also the dedicated agencies for the central government's flagship scheme on subsidised LPG connections — the Pradhan Mantri Ujjwala Yojana (PMUY). With the scope of the PMUY now broadened to include more beneficiaries, particularly women, it is anticipated that a significant portion of the marketing budget will be directed towards awareness campaigns for Ujjwala.

With 103 million connections, PMUY beneficiaries constitute nearly a third of the 314 million households in India with an LPG connection. In October, the Union Cabinet decided to expand the PMUY coverage by 7.5 million new LPG connections over three years to 2025-26, at a cost of ₹1,650 crore. The PMUY was introduced in May 2022 as a flagship scheme to make clean cooking fuel, such as LPG, accessible to rural households that were otherwise reliant on traditional cooking fuels like firewood, coal, and cow-dung cakes.

### Modest hike in the exploration segment

The capital-intensive exploration and production sector — which includes state-run entities, such as the Oil and Natural Gas Corporation (ONGC) and Oil India Limited (OIL) — saw a relatively modest increase in allocations. For FY25, the government allocated ₹ 50,382 crore for exploration and production, compared to ₹ 48,658 crore in the Revised Estimate of FY24 — a rise of 3.5 per cent. "The Interim Budget demonstrates the Union government's continued focus on achieving self-sufficiency in energy requirements," said Deepak Chowdhury, a partner at IndusLaw.




During this period, ONGC will see a marginal increase in capital expenditure to ₹30,125 crore. Experts believe this move aligns with the ambitious expansion plans of oil companies.

These plans include a ₹4 trillion roadmap by IOC, which aims to advance energy transition projects alongside the expansion of refining and petrochemical capacities, unveiled last year. Similarly, BPCL has projected its capital expenditure for the next five years at ₹1.5 trillion. BPCL's investment figures for 2024-25 have seen an 88 per cent increase to ₹9,000 crore, compared to ₹7,350 crore for 2023-24, based on the Revised Estimate. The latest Budget is expected to spur major investments in all public-sector OMCs in FY25. Total allocations for capital expenditure in the petroleum and natural gas sector have risen by 18.6 per cent to ₹1.33 trillion in the latest Budget from ₹1.12 trillion in the Revised Estimate for 2023-24. The Budget document indicates that companies like GAIL and Engineers India Ltd (EIL) will issue bonus shares worth ₹2,940 crore to the government in 2023-24, of which GAIL's share will be ₹2,840 crore.

### Reduced support for OMCs

The capital support to OMCs, a ₹30,000 crore fund for energy transition and net-zero objectives announced in the Budget last year, has been halved to ₹ 15,000 crore. This substantial outlay was intended to focus on new-age fuels — green hydrogen, ethanol, and other biofuels. However, the funds were never disbursed.

As part of inter-ministerial consultations, the Petroleum and Natural Gas Ministry requested the Finance Ministry to allocate the same corpus in the latest Budget as well, *Business Standard* reported last month. But Finance Ministry officials pointed to record profits made by OMCs in the first three quarters of FY24 to deny that request, officials said on Friday.

# PSU, OMC stocks on a roll

DEEPAK KORGAONKAR
Mumbai, 2 February

The shares of Central Public Sector Enterprises (CPSEs) were on a roll on Friday as they rallied up to 20 per cent on the BSE in the intraday trade, a day after the government increased capex outlay by 11.1 per cent to ₹11.1 trillion for FY25 (3.4 per cent of GDP) as compared to ₹10 trillion in FY24.

**BSE CPSE INDEX GAINERS**

| (On Feb 2, 2024) | CMP (₹) | 1-day chg % |
|---|---|---|
| BEML Land Assets | 312.5 | 20.0 |
| NBCC India | 169.2 | 19.1 |
| Shipping Corp of India | 265.4 | 14.8 |
| Andrew Yule & Co | 63.5 | 12.1 |
| SJVN | 142.3 | 11.6 |

**BSE OIL & GAS INDEX GAINERS**

| (On Feb 2, 2024) | CMP (₹) | 1-day chg % |
|---|---|---|
| Bharat Petroleum Corp | 558.1 | 9.8 |
| Indian Oil Corp | 163.0 | 8.9 |
| Hindustan Petroleum Corp | 489.2 | 5.0 |
| Oil & Natural Gas Corp | 257.3 | 3.9 |
| GAIL India | 178.1 | 2.6 |

Compiled by BS Research Bureau
Sources: Bloomberg, BSE

According to SBI Capital Markets (SBICAPS), the enhanced profitability of public sector banks (PSBs) and CPSE is anticipated to contribute to improved dividend payouts, potentially surpassing FY25 Budget Estimates (BE) projections. The brokerage firm said its calculations suggest that the government could exceed FY25BE revenue receipts by around ₹70,000 crore.

The Nifty CPSE index surged 4 per cent and the Nifty PSE index gained 3.4 per cent; while the S&P BSE CPSE and the S&P BSE PSU Index rallied 3 per cent. These indices hit their respective record highs on Friday. In the past month, they surged 16 per cent. By comparison, the S&P BSE Sensex and Nifty 50 advanced less than 1 per cent on Friday.

As many as 12 stocks from the index hit their respective all-time highs in the intraday trade on Friday. These included NTPC, Power Finance Corporation (PFC), Power Grid Corporation of India, BEML, BEML Land Assets, Hemisphere Properties India, Housing & Urban Development Corporation (Hudco), NHPC, NLC India, and SJVN. Oil marketing stocks, Bharat Petroleum Corporation (BPCL), Hindustan Petroleum Corporation (HPCL) and Indian Oil Corporation (IOC), too, hit record highs and rallied between 5 and 10 per cent on account of Brent crude falling to a nearly 1-month low at $78/bbl amid a ceasefire in the West Asia.

According to analysts at Enkay Global, unchanged retail fuel prices in the face of falling crude oil prices meant that margins of OMCs widened, which resulted in higher dividends for the government from PSUs.

"The non-tax revenue is budgeted to rise a tad slower in FY25, albeit is still healthy, possibly led by RBI dividend amid consistent FX sales and healthy PSU dividends, largely similar to last year's bumper surplus," analysts at the brokerage said in their Union Budget Review report.

Meanwhile, among other individual stocks, BEML Land Assets (up 20 per cent at ₹312.45), NBCC (India) (up 20 per cent at ₹170.45), and Engineers India (up 16 per cent at ₹273.85) soared more than 15 per cent intraday.