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Fuel under GST: Fears of a revenue hit are exaggerated

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GST revenue set another record this April, reaching ₹1.87 trillion, beating the mop-up of ₹1.67 trillion in April 2022. This increase in GST revenue reflects better compliance, besides higher economic activity. The best thing is that even in real terms, India's GST growth is 8%. With GST revenue reaching normalcy, isn't it an opportune time to bring oil under the GST regime?

It is commonly known that our oil import dependence is huge, which makes India vulnerable to crude price changes. In March 2022, the Indian basket's price hit $112.87 per barrel, and has come down since, reaching $79 at the end of April 2023. Currently, crude oil and petroleum products (including diesel, petrol, aviation turbine fuel and natural gas) are out of the GST purview; the Centre and states respectively levy excise duty and VAT on it. Oil is a major source of revenue for the government, with excise and custom duty on it forming 29% of the Centre's total indirect tax mop-up. Meanwhile, states earn an average 13% of their own tax revenues from sales tax/VAT on these hydrocarbon products.

States in India have their own tax structure with each levying a combination of ad valorem tax, cess, extra VAT/surcharge based on their needs. These taxes are imposed after considering the crude oil price, transportation charges, dealer commissions and the flat excise duty imposed by the Centre. Multiple taxes have made petroleum and oil product prices in India among the world's highest. Since the crude price is considered by states, it often means international spikes get passed on, which contributes to higher inflation.

We could adopt a simple structure for oil pricing under which our domestic petrol price is linked to crude oil (Indian basket) in a way that it retails at a rupee figure ₹5-6 per litre higher than the crude price (in dollars per barrel), while diesel could be kept at par with crude oil. For instance, if crude oil is for $80 per barrel, then our uniform petrol price be ₹85-86 per litre. Further, we could place a cap of ₹100 per litre on petrol prices. Meanwhile, diesel prices could be pegged ₹5-6 lower than petrol prices. This can be worked out by the government by adjusting the cess amount on diesel and petrol.

Accordingly, we propose simple model for bringing oil under GST. We consider the GST rate of 28% for the highest bracket (Centre: 14%, state: 14%). Additionally, we impose a flat cess of ₹24 for petrol and ₹16 for diesel, with an equal division between the Centre and states. Other assumptions are Indian-basket crude at an average of $85 per barrel, the US dollar at ₹84 and current transport and dealer commissions. We used 2023-24 consumption estimates by the oil ministry's Petroleum Planning and Analysis Cell and applied proportional shares for various states.

Our calculations show that if crude were to average $85, then moving oil to GST would cause a total revenue loss of ₹1.3 trillion (₹71,000 crore for the Centre and ₹61,000 crore for states). But if oil drops to $70, the loss would rise proportionally. Given our base case with crude at $85, the estimated petrol price is ₹91 a litre and diesel ₹86 per litre. This indicates that the price of petrol can fall by ₹15 per litre and diesel by ₹8 per litre, for instance, in Mumbai.

If we look at India's 10 major states, the gap between calculated GST revenue and VAT revenue from oil in 2023-24 (based on the share of total sales tax/VAT collected from these products in 2021-22) shows that the loss in revenue would vary between ₹300 crore and ₹11,000 crore for these states, with some like Haryana and Karnataka even benefitting from shifting oil to a GST regime.

However, revenue losses could also be grossly exaggerated. For example, in 2022-23, estimates of GST collection for the Centre were revised upwards by ₹74,000 crore from the Budget Estimate; accordingly, the states also revised their CGST estimates upwards by around ₹27,000 crore. Meanwhile, the monthly average GST mop-up has risen from ₹1.2 trillion in 2021-22 to ₹1.5 trillion in 2022-23. Thus the estimated loss in revenue of ₹1.3 trillion in the base case scenario could be significantly outstripped by revenue buoyancy under GST. In 2023-24, if the monthly GST collection increases further than around ₹1.75-1.8 trillion owing to better compliance, it is likely to compensate states for revenue losses caused by shifting to GST.

Our analysis clearly shows that potential losses from bringing oil under GST have been grossly overstated. Also, some of the loss in revenue would be offset by an increase in consumption due to lower prices. The only thing that states would miss is their power to fix VAT rates on fuel in isolation. Once we shift oil to GST, we will also face the issue of adjustment of input tax credits of ₹20,000 crore that the Centre may have to forgo.

However, it should be emphasized that GST on oil is a pending reform and it should now be implemented, as it offers the advantage of bringing uniformity in the country's tax structure. All considered, the benefits of bringing fuel under GST far outstrip those of keeping it outside its ambit. For the record, even if we assume a hypothetical ₹1.3 trillion exaggerated loss, it is barely 0.4% of GDP that the government would have to eschew.

Lastly, some food for thought. Perhaps the government should also contemplate the option of linking fuel refills to Aadhaar cards or car registration numbers, so that fuel subsidies if any can be targeted at beneficiaries on the basis of usage or income levels.

These are the authors' personal views.

QUICK READ

With GST revenue on a sustained uptrend in India, this would be an opportune time to bring fuel under its ambit and correct the various economic problems this anomaly has been causing.

A transition model exists that could smoothen GST adoption for oil products and a study has shown that our tax collection authorities needn't worry about state coffers being hit too hard.

BUSINESS STANDARD, Delhi, 5.5.2023
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Greenwashing, ESG backlash and transitions

The world's focus should be on phasing out emissions from fossil fuels rather than fossil fuels themselves. That is the message coming from the president of the next global climate conference.

"In a pragmatic, just and well-managed energy transition, we must be laser focused on phasing out fossil fuel emissions, while phasing up viable, affordable zero-carbon alternatives," COP28 President Sultan Al Jaber, who also heads Abu Dhabi National Oil Co, was quoted as saying at the Petersberg Climate Dialogue in Berlin earlier this week.

Yet, bans on certain fossil fuels are a way of life in many parts of the world. In New York, Governor Kathy Hochul announced the first statewide ban on the use of natural gas in new buildings for heating or cooking this week. For buildings with seven stories or fewer, the ban will kick in from 2026. The provision will take effect in 2029 for all other buildings.

VANDANA GOMBAR

"Buildings are the largest source of emissions in our state, accounting for a third of our greenhouse gas output," Ms Hochul had said in her State of the State address in January. She had also proposed ending the sale of any new fossil-fuel powered heating equipment by 2030.

The financial industry is also gradually veering away from fossil fuel financing. Analysis by BloombergNEF shows that the ratio of financing low-carbon energy to fossil fuels should be at least 4:1 by 2030 to meet the 1.5°C climate goal, and steadily increase in the subsequent years. Bank financing for energy supply totalled $1.9 trillion in 2021. Of that, $842 billion went to low-carbon energy projects and companies, and $1.038 trillion went to fossil fuels.

The ratio will likely improve with a host of banks publicly announcing their climate transition plans. Banks that have unveiled plans in 2023 include Citigroup, Spain's Banco Bilbao Vizcaya Argentaria and NatWest Group in the UK. HSBC intends to do so later this year.

US backlash

As many as 11 large financial institutions — the latest being HSBC — and 348 investment funds are now on Texas Comptroller Glenn Hegar's list of companies that boycott the oil and gas industry. Those on the list are subject to divestment provisions.

"HSBC's policies threaten Texas jobs, our state economy and our national security, and the tax dollars of hard-working Texans should not be leveraged to force policies that undermine Texas' fiscal health and stability," Mr Hegar said. "I will continue my work to protect the Texas economy, ensure the state has a diverse energy portfolio to meet the needs of our rapidly growing state and fight for Texas taxpayers and retirees who expect their hard-earned money to be invested in a manner that prioritises returns over progressive social and political agendas."

Florida's public or state-controlled funds can no longer invest their money based on environmental, social and governance factors under a bill signed by Governor Ron DeSantis earlier this week. The law broadly directs all Florida pension funds to prioritise returns without considering (ESG) factors in investment decisions. Over a dozen states in the US have enacted anti-ESG-related bills or policies, while many have similar proposals in discussion.

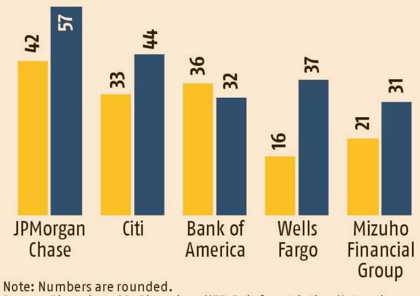
India's transition

India's green transition would require a multi-pronged action plan, the Reserve Bank of India said in its report on currency and finance released earlier this week.

"India's CO_2 emission level may rise from 2.7 gigatonnes (in 2021) to 3.9 gigatonnes by 2030. A policy mix comprising a carbon tax of rupee equivalent of $25 per tonne, current plans on progressively increasing the share of non-fossil (solar, wind) fuel in the energy mix, production and use of EVs [electric vehicles] and green hydrogen, and regulatory measures to incentivise resource allocation for green projects, could reduce CO_2 emissions to 0.9 gigatonne by 2030," RBI said. Higher rates of carbon tax could reduce the emissions even further.

The stock market regulator, Securities and Exchange Board of India, already mandates ESG disclosures for the top 1,000 companies. In early February, it joined many others around the world to flag the risk of greenwashing — making false, misleading, unsubstantiated, or otherwise incomplete claims about the sustainability of a product, service, or business operation. It asked issuers of green debt to ensure that funds mobilised are used for the stated purpose, and the negative externalities associated with usage of the funds are quantified. A consultation paper on ESG disclosures, ratings and investing has subsequently been issued.

TOP BANKS BY VOLUME OF ENERGY SUPPLY FINANCE IN 2021



Note: Numbers are rounded.
Source: Bloomberg LP, BloombergNEF, Rainforest Action Network, Urgewald, IJGlobal

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Long-term supply contracts with Guyana will give India a stable supply amid volatile energy markets.

India eyes Guyana's oil to meet demand

Utpal Bhaskar
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NEW DELHI

India, the world's third-largest oil importer, is looking to bolster its energy security with a plan in the works to source most of Guyana's oil share from its oilfields at preferential rates through long-term contracts, two people aware of the development said.

Long-term supply contracts offer stability amid volatile energy markets. Exxon Mobil, the leading oil producer in Guyana, plans to boost the nation's production capacity to 1.2 million barrels a day by 2027. As the Guyana government's share accounts for about 11% of production, India seeks to purchase most of this portion through long-term contracts at preferential rates to ensure a steady supply from one of the world's most significant recent oil discoveries.

India, which consumes 5 million barrels per day, has been eyeing the South American nation's share of oil from its fields to meet its energy needs. In July 2021, Indian Oil Corp. Ltd, the nation's largest refiner, bought its first crude oil cargo from Guyana to conduct a successful trial run and assess the feasibility of refining the oil.

"We can offtake their entire share. There is not much domestic demand in Guyana. So, we are asking for preferential rates, but it will all finally depend on commercial negotiations. In our talks, we have asked for long-term contracts,"

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India eyes crude from Guyana

FROM PAGE 1

said an Indian government official, one of the two people cited above requesting anonymity.

India is leveraging its historical ties with the Caribbean nation to meet its growing energy demand. Indians are the largest ethnic group in Guyana, comprising about 40% of the population based on the 2012 census. Recently, Guyanese President Mohamed Irfaan Ali and Vice President Bharrat Jagdeo visited India, with the two countries discussing areas of cooperation, including the oil and gas industry.

India is actively seeking to diversify its oil supplies and secure long-term crude oil contracts to mitigate risk. The country is also looking to secure a long-term crude oil supply deal from Namibia, and last year, Indian Oil Corp. signed long-term supply contracts with Petrobras in Brazil and Ecopetrol in Colombia. India has added to its current major oil suppliers, including Iraq, Russia, Saudi Arabia, the UAE, and the US, by sourcing oil from new suppliers such as Colombia, Brazil, Libya, Gabon, and Equatorial Guinea.

Guyanese President Mohamed Irfaan Ali. RON PRZYSUCHA

Queries emailed to the spokespeople for India's petroleum and natural gas ministry, Guyana High Commission in New Delhi, Indian Oil Corp. and ExxonMobil late Tuesday night remained unanswered.

In an earlier interview to *Mint*, Jagdeo said Guyana discussed oil supplies with India. He added that the two countries may sign a memorandum of understanding to boost cooperation in the oil and gas sector.

This assumes significance amid dwindling discounts on Russian crude oil supplies to Indian refiners due to soaring demand. Also, the Opec+ group, including Russia, has announced an additional 1.16 million barrels per day of supply cuts beginning this month. Furthermore, a global initiative led by the US has enforced a $60 per barrel price cap.

"Next year, ExxonMobil will have to give up 20% of their holdings. So, all of those will be available for some form of bilateral engagement, where we can actually see joint production or exploration-related activities," Jagdeo said in his interview.

Currently, two floating production storage and offloading (FPSO) vessels—Liza Destiny and Liza Unity—are operational in Guyana, with ExxonMobil's plans to operationalize six FPSOs by end of 2027. The Stabroek block, covering 26,800 sq. km, is operated by Exxon Mobil affiliate Esso Exploration and Production Guyana Ltd, which holds a 45% interest.

BUSINESS STANDARD, Delhi, 5.5.2023
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NTPC, IOC try the 'ITC strategy'

Like the tobacco major, the state-owned power generator and fuel retailer are seeking to transition from their toxic fossil fuel businesses to green energy but using margins from the former to grow the new ventures

S DINAKAR
4 May

What do ITC, India's biggest tobacco company, NTPC, India's biggest power generator, and IOC, the country's biggest crude oil refiner, have in common? Besides the abbreviated names, all three companies sell products that are considered toxic for human health. All three are also trying to transition from these businesses. In fact, NTPC and IOC are plucking leaves out of ITC's diversification strategy to craft plans for clean fuels.

ITC realised the societal and regulatory implications of its core cigarette business decades ago, and entered hotels, retail, and the fast-moving consumer goods sector, all of which are relatively low-margin, high-investment business with lower entry barriers for competition, compared to selling a licensed product such as cigarette. So, ITC still makes most of its profits from brands like Classic, Wills and Gold Flake.

Two decades later, NTPC and IOC are trying something similar after their fossil fuel businesses came under pressure from governments and climate activists. And as with ITC, both are stepping into a less regulated, hyper-competitive business: green energy.

The return on new energy investments may fall short of what NTPC and IOC typically make from their depreciated fossil fuel businesses, but the pressure on both to retreat from core activities is intense. Both Maharatnas — government-owned companies with a relatively high degree of autonomy — are critical to India achieving net-zero emissions by 2070.

The power sector is India's biggest polluter, accounting for 34 per cent of the country's emissions, and transport contributes 9 per cent, according to McKinsey. NTPC supplies a quarter of the nation's electricity, and IOC is the market leader in fuel sales, accounting for 41 per cent of the country's retail outlets, reflecting the oversized role both companies play in India's emission graph.

Mohit Bhargava, chief executive officer, NTPC Green Energy, shared an ambitious plan with *Business Standard* illustrating NTPC's role in India's emission reduction programme. NTPC wants to grow its renewable capacity nearly 20-fold to get on a par with its thermal plants in a decade. What took NTPC five decades to reach a little over 70 gigawatts (Gw) of primarily coal-burning power, Bhargava wants to do in a decade: add 60 Gw of renewable capacity by 2032, which will account for 12 per cent of India's 500-Gw non-fossil fuel-fired electricity target. That should take NTPC's overall capacity to 130 Gw. An initial target of 25 Gw of renewable capacity will be achieved by 2025 on the back of a 20-Gw renewable energy (RE) project pipeline, Bhargava said. An electrical engineer with three decades of experience in the power sector, he tossed a ballpark figure of $40 billion in costs to achieve the company's renewable goals.

IOC, which accounts for a third of the country's refining capacity, unveiled plans last month to spend ₹2 trillion ($24 billion) in energy transition ventures. IOC plans to build 35 Gw of renewables, 4 million tonnes a year of biofuels, and 1 million tonnes a year of biogas by 2030. The company also plans to set up 4,700 electric vehicle charging stations and build a 7,000-tonne-a-year green hydrogen plant in north India.

Raising funds for renewable projects may prove to be the biggest challenge for NTPC and IOC in the current global environment, characterised by rising interest rates, recession, and skittish investors. This wasn't the case in early 2021, a period of low interest rates and easy money, when French oil major TotalEnergies agreed to acquire a 50 per cent stake in Adani's 2.35-Gw portfolio of operating solar assets, and a 20 per cent stake in Adani Green for $2.5 billion.

Investors ploughed in just $2 billion into Indian start-ups in January-March 2023, a 75 per cent fall from a year earlier period, according to data firm CB Insights. This compared to record investments of $30 billion in the whole of 2021 and $20 billion in 2022.

Being a government company comes with some baggage. Investors are apprehensive about paying a high premium for government-owned companies. Whereas Essar's Vadinar refinery found a ready buyer in a Russian consortium, there was little interest in buying Bharat Petroleum.

NTPC's plans to sell a 20 per cent stake in NTPC Green came unstuck for lack of interest from bidders. "Right now, we have a commitment from NTPC to provide equity up to a certain level," Bhargava said. "But if we do go to the market, we'll have to ensure that it's the right timing." NTPC Green plans to launch an IPO later this year.

NTPC and IOC must ensure favourable returns from renewable projects to catch investor interest. Otherwise, they may have to rely on cash generated by their fossil fuel businesses to fund renewable projects, just as ITC's cigarette business enabled the diversification into non-tobacco ventures.

As Hetal Gandhi, director in Crisil Research pointed out, most coal plants in India have their tariff determined by central and state-level regulatory bodies under their respective tariff regulation. This tariff regulation provides a 15 per cent return on equity to coal plants though the actual return is 12-12.5 per cent.

But RE projects in India are competitively bid projects. In fiscal 2023, average bid tariff for a ground-mounted solar plant stood at ₹2.67 per unit, which resulted in an equity internal rate of return (IRR) of 8-10 per cent (at a capex of ₹5-6 million per Mw), Crisil data show. Similarly, for wind projects equity IRR is usually 7-9 per cent because high competition results in lower tariff of ₹3 per unit and high capex of ₹8-9 million per Mw. Going forward, equity IRR for renewable projects is expected to remain in a similar range because of the large number of players present in the market, Gandhi said.

Renewable project costs have also increased after the pandemic because of supply chain disruptions in China, and New Delhi's sourcing policies. Rising module prices led to a rise in capital cost by up to 25 per cent in FY23 over FY22, according to Crisil Research.

Higher project costs have led to higher tariffs, posing a burden to discoms and risks for developers. Under Bhargava's tenure, NTPC set a benchmark of a low tariff in India by winning a plain vanilla solar bid for ₹1.99 per kWh. But at a recent solar auction in Gujarat, the tariff was almost ₹2.75 per unit (Kwh). Another recent round of bids by NTPC for round-the-clock power came in at ₹4 per unit.

THE GREENING OF BUSINESS

- The plans of both Maharatnas are critical to India achieving net zero emissions by 2070
- The power sector is India's biggest polluter, accounting for 34 per cent of emissions, and transport contributes 9 per cent
- NTPC is targeting 60 Gw of RE by 2032, and IOC another 35 Gw by 2030
- Raising funds for renewable projects may prove to be the biggest challenge for NTPC and IOC in the current global environment
- Estimates peg the cost at approximately $40 billion to reach NTPC's renewable goals
- NTPC and IOC must ensure favourable returns from renewable projects to catch investor interest
- Renewable project costs have also increased after the pandemic because of supply chain disruptions in China, and New Delhi's sourcing policies

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OIL and NRL jointly organise Media-Connect event in Guwahati

A media outreach program was organised by Oil India Limited (OIL) & Numaligarh Refinery Limited (NRL), in Guwahati, with the objective of sensitising media to the nuances of the oil and gas sector in general and OIL/NRL in particular. The event highlighted the important role played by the oil industry in realising Prime Minister Modi's dream of a peaceful, prosperous, and developed North East, that would serve as a development gateway for the country.

This event was planned as a follow-up to the suggestion made by Union Minister Hardeep S Puri, during his visit to Assam, wherein he had proposed an interactive session with regional media persons.

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Oil up slightly as ECB slows rate hike pace

REUTERS
May 4

OIL PRICES ROSE on Thursday after the European Central Bank (ECB) decided to slow the pace of its interest rate hikes, but prices were unable to claw back much of this week's more than 9% decline as demand concerns in major consuming countries weighed.

Brent futures were up 32 cents, or 0.44%, to $72.65 a barrel by 11:53 a.m. EDT (1553 GMT). U.S. West Texas Intermediate (WTI) crude rose 12 cents, or 0.17%, to $68.72. WTI in early trading fell to a session low of $63.64 a barrel, the lowest price since December 2021.

Oil prices have plunged this week on concerns about the US economy and signs of weak manufacturing growth in the world's largest oil importer China, sliding further after the US Federal Reserve raised interest rates on Wednesday. That capped near-term economic growth prospects.

The market, however, has seen some support from the Fed's signal that it may pause further interest rate increases to give officials time to assess the fallout from recent bank failures and to gain clarity over raising the US debt ceiling. The ECB increased its three policy rates by 25 bps, the smallest hike since the central bank starting lifting them last summer.

FINANCIAL EXPRE

Shell posts $10-bn profit in Q1

SHELL ON THURSDAY posted first-quarter net profit of $9.65 billion as strong earnings from trading and LNG sales offset cooling energy prices. The stronger-than-expected profits followed a string of forecast-beating results from rivals including BP and Exxon Mobil as the sector continues to benefit from strong demand and price volatility. REUTERS

FINANCIAL EXPRESS
READ TO LEAD

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The green challenge

Normally, one wouldn't expect to see climate change in a central bank report. But considering the far-reaching effects it has on the environment, as also on business and the economy, it finds fully deserved space in a Reserve Bank of India report on currency and finance. The report estimates India will need investments worth 2.5% of the gross domestic product in green initiatives to achieve its net-zero goal of 2070. Citing a government estimate, the report also notes that a total of ₹85.6 trillion (at 2011-12 prices) is expected to be spent on climate change adaptation by 2030. India has set ambitious goals, but there are several challenges, funding being a big one. Considering the fiscal scenario, government spending is likely to be constrained, and private funding will have to take the lead. To encourage this, a supportive policy framework is needed. In addition, non-fossil fuel technologies, including hydrogen-based energy, will have to be promoted, while our capacity for storage of green energy also requires a bump-up. Though India is faring better in this transition than many other countries, the gravity of the crisis means nobody can afford to fail. Our policy mix must get it right.

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The long route for oil

Surge in India's petrochemicals export may not be sustainable

Over the course of 2022-23, India's exports appeared to show a reasonable increase of around 6 per cent even at a time of concern about growth momentum globally. The real driver of the growth numbers was, in fact, petroleum exports. When oil was taken out of the equation, non-oil exports in fact went down slightly as compared to the previous year. According to the Union government, petroleum exports were closing in on $100 billion in value, with almost $95 billion exported during 2022-23, a 40 per cent growth rate over the previous year. As a comparison, finished steel exports saw a decline of over 50 per cent in 2022-23.

The drivers of this outstanding performance cannot, however, be assumed to be structural shifts. If anything, this might be an artefact of the special circumstances caused by the Russian invasion of Ukraine in early 2022. Over the course of the months that followed, the price of fossil fuels increased, and some Russian exports had to be diverted from refineries in Western or allied countries. This allowed Indian refiners to pick up the slack. In April 2023, Indian refiners were importing 59 million barrels of crude oil as distinct from just 12 million barrels a year earlier. Russia is now India's largest supplier of crude oil, with over 40 per cent being sourced from that country.

This Russian oil is being refined and turned around efficiently. Indian refineries have in fact managed to enter multiple new markets, including Brazil and South Africa, because of their input cost advantage. In fact, petrochemicals are now the largest component of Indian exports even to countries such as the United Kingdom and China. The largest destination for imports, however, was the ports of Rotterdam, Amsterdam, and others in the Netherlands — all of which, of course, are the primary entrepots for the economies of the western European Union. Prior to the Russian invasion, India would send approximately 150,000 barrels of aviation turbine fuel (ATF) and diesel to Europe; after the invasion, these shipments rose to 200,000 barrels a day. Half of India's ATF exports go to Europe, and also 30 per cent of its diesel and petrol exports. ATF exports to the EU alone saw about a 75 per cent surge.

This can hardly be considered sustainable, for various reasons. First, the shipments of Russian oil and the current discount at which they are available may not last, especially if China can reduce the cost of imports through the construction of infrastructure, including along the Northern Sea Route through the Arctic Ocean. Second, the political class in Europe is currently looking away from this circuitous route for Russian oil, given that it eases inflationary tensions in the EU, and this may not last forever. Certainly, policymakers in the United States, which does not benefit as much as the EU from the role played by Indian exports, may prioritise mechanisms to shut down this trade. It has been reported that the government has been pushing new export arenas for Indian petrochemicals, especially from the public sector. It may not be wise to build long-term strategies around the performance of this sector under the exceptional circumstances of the past year.

Unknown Indian company shipping millions of barrels of Russian oil

AGENCIES
LONDON, 4 MAY

From the rundown Neptune Magnet Mall in Mumbai, a giant of international oil shipping has emerged over the past 18 months, seemingly from nowhere. Since Russia invaded Ukraine, the company has bought more oil tankers than anyone else, elevating itself from an unknown Indian shipping business into one of the worlds largest vessel owners, a media report said.

Gatik Ship Management owned just two chemical tankers in 2021. By April, it had acquired a fleet of 58 vessels with an estimated combined value of $1.6 billion, The Financial Times report said citing shipping experts VesselsValue.

Yet the origins and ownership of the business are a mystery, while its corporate records are scant.

The group was registered as an exporter in India on March 31 this year but does not appear in India's official corporate registry, The Financial Times reported.

One important clue is that Gatik shares an address in the dreary shopping mall with Mumbai-registered company Buena Vista Shipping, another little-known operation that two years ago reported a little over $100,000 worth of assets. Who really owns Buena Vista Shipping and who funded the rapid expansion of Gatik's fleet has perplexed the oil market. But shipbrokers, analysts and commodity traders suspect a link with its biggest client: the Russian oil giant Rosneft, Financial

Times reported.

Gatik's newly acquired fleet has been used largely to transport oil from Russia, mainly to ports in India, tanker tracking data shows.

A Financial Times analysis of data from Kpler, an analytics company, shows the Indian group has shipped at least 83 million barrels of Russian crude and oil products -- enough to meet total UK oil demand for more than two months.

More than half of that has come from Rosneft. Total figures are believed to be even larger than those in Kpler's data set.

"It was inevitable after the west's sanctions that the Russian oil companies would want to get into shipping and I think Gatik is the ultimate example of this happening," said Viktor Katona, head of crude analysis at Kpler, the report said.

The EU has imposed a series of restrictions on Russian crude, most recently a price cap on oil handled by European companies; Rosneft's largest customers, Trafigura and Vitol, ditched their agreements with it last year.

Following the sanctions, New Delhi has opted to increase its imports of Russian oil, rather than itself imposing sanctions or observing a price cap imposed by the G7.

That is the context in which Gatik emerged.

VesselsValue, which tracks tanker sales, calculates that Gatik has acquired at least 56 vessels since March 2022, including 13 vessels in December alone when the EU's embargo on Russian oil began.

The purchases put Gatik among the largest tanker owners in the world, according to VesselsValue's Rebecca Galanopoulos.

"To put this into perspective, out of almost 14,000 live tankers, the majority of these companies -- 1,361 -- own fewer than 10 live tankers; only 20 companies, including Gatik, own 50 or more."