

Russia to cut oil output by 5%; Opec+ may not fill the gap

Moscow attacks Ukraine's power grid in 6 regions

AGENCIES
10 February

Russia will cut oil production by 500,000 barrels per day, or around 5 per cent of output, in March, Deputy Prime Minister Alexander Novak said on Friday, after the West imposed price caps on Russian oil and oil products.

The price of Brent crude rose on the news of the output cut from Russia, increasing by more than 2.5 per cent on the day to \$86.6 per barrel.

"As of today, we are fully selling the entire volume of oil produced, however, as stated earlier, we will not sell oil to those who directly or indirectly adhere to the principles of the 'price cap'," Novak said in a statement.

The Kremlin said on Friday that Russia had held talks with some members of the Opec+ producers group regarding its decision to cut output.

Novak said later that Russia had not held any formal consultations as the cuts were voluntary.

Two Opec+ delegates told *Reuters* that Opec+ plans no action after Russia announced oil output cuts.

Russia's partners in the Opec+ oil coalition signaled they won't boost output to fill in for cutbacks announced by Moscow. The group led by Saudi Arabia will maintain output despite plans by the Kremlin to cut output in retaliation for international sanctions, according to delegates.

Opec+ aims to stick with production targets fixed late last year for the rest of 2023, believing that these will keep global oil markets broadly in balance amid an uncertain outlook for demand and supply.

BRENT CRUDE SPOT



Source: BS Research Bureau

Escalating attacks

Russia unleashed a new wave of missile strikes on energy infrastructure across Ukraine on Friday, causing emergency power outages for millions of people and prompting new calls by Kyiv for Western arms.

Energy Minister Galushchenko said thermal and hydro power generation facilities and high-voltage infrastructure had been hit in six regions, forcing emergency electricity shutdowns across most of the country.

At least 17 missiles hit the south-eastern city of Zaporizhzhia in an hour in the heaviest attack since the invasion, local officials said.

Water supplies were also hit in some areas, local officials said.

Officials said 13 missiles had been shot down over the southern region of Odesa, 10 missiles had been knocked out over the capital Kyiv and four in the Kryviy Rih area of central Ukraine.

There was no immediate word of any deaths but Oleh Synehubov, governor of the Kharkiv region, said eight people had been wounded.

Russia to cut oil output by 500,000 bpd in March

VLADIMIR SOLDATKIN &
OLESYA ASTAKHOVA
Moscow, February 10

RUSSIA WILL CUT oil production by 500,000 barrels per day, or around 5% of output, in March, Deputy Prime Minister Alexander Novak said on Friday, after the West imposed price caps on Russian oil and oil products.

"As of today, we are fully selling the entire volume of oil produced, however, as stated earlier, we will not sell oil to those who directly or indirectly adhere to the principles of the 'price cap,'" Novak said in a statement.

"In this regard, Russia will voluntarily reduce production by 500,000 barrels per day in March. This will contribute to the restoration of market relations."

The Kremlin said that Russia had held talks with some members of the OPEC+ producers group regarding its decision to cut output. A Russian gov-



ernment source told Reuters earlier on Friday that it had not formally consulted with the OPEC+ group.

Oil prices jump 2%

The price of Brent crude rose on the news of the output cut from Russia increasing by more than 2.5% on the day to \$86.6 per barrel.

—REUTERS



● **DESPITE G7 PRICE CAP**

No dearth of tankers to supply Russia crude to India

SUKALP SHARMA
New Delhi, February 10

DESPITE THE IMPOSITION of a price cap by the Group of Seven (G7) countries on seaborne exports of Russian oil, there appears to be no dearth of shippers willing to supply Russian crude to Indian refiners.

According to industry watchers, though a few older Europe-based shippers have exited the Russian oil export market, there are enough tankers available to carry oil from Russia to Indian ports, thus allowing Moscow to ship record volumes to India in January.

Early December, the G7 nations, a grouping of Western powers including the European Union, the US and the UK, among others, had agreed to a \$60 per barrel price cap on Russian seaborne crude oil in a bid to squeeze Moscow's income from selling oil and ensure that it doesn't use its oil trade money to fund the war on Ukraine.

Many market participants had anticipated that the move could hit supplies to countries such as India and China, since insurers and shippers — mostly based in G7 countries — had been prohibited from handling cargoes of Russian crude unless it is sold for less than the price cap.

However, with Russia's Urals crude consistently trading under \$60 per barrel, the price cap has had no impact on supplies to India, industry insiders said. The Urals grade accounts for 80% of all Russian oil imported by Indian refiners. Vortexa data showed that India received 1.01 million barrels a day of Urals crude in January.

"While several major ship owners like Trafigura and Total that were previously very active in the Russian crude trade have exited, there appears to be no shortage of Aframax and Suezmax tonnage supply from the remaining and incumbent ship owners based in Dubai, India, and Greece so far," said Serena Huang, head of APAC analysis at oil analytics firm Vortexa.

Aframax and Suezmax are two among half-a-dozen size classifications for tankers.

According to data shared by Vortexa, Russia continued to be India's top oil supplier in January, delivering 1.27 million barrels per day, and accounting for close to 28% of India's total crude oil imports of 4.60 million barrels per day. The supply of Russian crude to India in Jan-



SEABORNE SHIPMENTS

■ Early Dec, the G7 nations, including the European Union, US and UK, had agreed to a \$60 per barrel price cap on Russian seaborne crude oil

■ Many market participants had anticipated the move could hit supplies to countries such as India and China

■ With Russia's Urals crude trading under \$60/barrel, the price cap has had no impact on supplies to India, say insiders

uary rose 6.2% month on month. This is the highest-ever supply of Russian oil to India in a single month.

Western buyers began shunning Russian oil following Moscow's invasion of Ukraine almost a year ago. However, with Russia offering its oil at a discount, Indian refiners have been lapping it up.

From being a marginal supplier of crude to India before the war in Ukraine, Russia displaced the likes of Iraq and Saudi Arabia to emerge as India's largest source of oil imports. India is the world's third-largest consumer of crude and depends on imports to meet over 85% of its needs. In January, Iraq was India's second-biggest source of crude with an average supply volume of 0.92 million barrels per day, followed by Saudi Arabia with 0.77 million barrels per day, the data showed.

Vortexa's Huang expects that Indian refiners, particularly private sector players Reliance Industries and Nayara Energy, will be incentivised further to refine discounted Russian crude and supply fuels, mainly diesel, to Europe, which has banned the import of fuels from Russia.

Russia says it will cut crude oil output over Western price caps

‘As of today, we fully sell all our crude output, but we will not sell oil to those who directly or indirectly adhere to price ceiling’

MOSCOW: Russia announced Friday that will cut oil production by 500,000 barrels per day next month after Western countries capped the price of its crude over its action in Ukraine.

“As of today, we fully sell all our crude output, but as we stated before, we will not sell oil to those who directly or indirectly adhere to the price ceiling,” Deputy Prime Minister Alexander Novak said in remarks carried by Russian news agencies.

“In connection with that, Russia will voluntarily cut production by 500,000 barrels a day. It will help restore market-style relations,” he said.

Analysts have said one possible Russian response to the cap would be to slash production to try to raise oil prices, which could eventually flow through to higher gasoline prices at the pump as less oil makes it to the global market.

International benchmark Brent crude rose 2.2 per cent Friday, to \$86.42 per barrel.

The Group of Seven major democracies have imposed a \$60-per-barrel price cap on Russian oil shipped to non-



‘In connection with that, Russia will voluntarily cut production by 500,000 barrels a day. It will help restore market-style relations,’ Deputy Prime Minister Alexander Novak said

Western countries. The goal is to keep oil flowing to the world to prevent price spikes that were seen last year, while limiting Russia’s financial gains that can be used to pay for its campaign against Ukraine.

The cap is enforced by barring Western companies that largely control shipping and insurance services from mov-

ing oil priced above the limit.

Russia has said it will not sell oil to countries observing the cap, a moot point because Russian oil has been trading below the price ceiling recently. However, the cap, an accompanying European Union embargo on most Russian oil and lower demand for crude have meant that customers in

India, Turkey and China have been able to push for substantial discounts on Russian oil.

The impact of a cut of 500,000 barrels per day is an open question as a slowing global economy reduces the thirst for oil.

The OPEC+ alliance of oil producers, which includes Russia, tried to boost oil prices with an October announcement that it would cut production by 2 million barrels per day, only to see prices fall below \$80 per barrel by December.

Asked if Russia consulted OPEC+ members about Moscow’s new production cut, Kremlin spokesman Dmitry Peskov said “there had been conversations with some members of the OPEC+” before the move was announced. He didn’t offer any details.

But Novak insisted in a statement later that Moscow made the move without consulting anyone.

“It’s a voluntary cut; there have been no consultations with anyone regarding it,” the deputy prime minister said, according to the Russian media.

The new reduction could be

“an early sign that Russia might try to weaponise oil supplies after last year’s failed attempt to weaponise natural gas,” said Simone Tagliapietra, an energy policy expert at the Bruegel think tank in Brussels.

But that could be difficult to accomplish because it’s easier to find alternative supplies of oil, traded through tankers that crisscross the globe, than to replace natural gas, which before the war mostly came by pipeline.

Russian exporter Gazprom has cut off most supplies of natural gas to Europe, citing technical issues and refusal by some customers to pay in Russian currency. European officials call it retaliation for supporting Ukraine.

Europe did suffer from resulting high natural gas prices but has managed to replace much of the lost Russian supply from other sources including shipborne liquefied gas from the U.S. and Qatar. Natural gas prices have since come down from all-time highs last summer but are still three times higher than before Russia massed troops on the Ukraine border.

AGENCIES

OIL records highest ever PAT of ₹1,746.10 cr in Q3 FY23

The turnover has increased by 27.13 per cent during Q3 FY-23 over the turnover of Q3 FY22

NEW DELHI: Oil India Limited reports highest ever profit after tax (PAT) in Q3 FY23 on strength of better pricing and higher output of Crude Oil and Natural Gas. The company recorded PAT of Rs 1,746.10 crore in Q3 FY23 against Rs 1,244.90 crore in same period of previous fiscal.

For the nine months ended December 31, 2022, profit after tax recorded growth of over 120 per cent to Rs 5,022.12 crore against Rs 2,257.30 crore for same period last year.

The turnover has increased by 27.13 per cent during Q3 FY23 over the turnover of Q3

FY22. For the nine months ended December 31, 2022 turnover has increased by 63.10 per cent over the turnover for the nine months ended December 31, 2021.

The Earnings Per Share (EPS) for Q3 FY23 also increased to Rs 16.10/share from Rs 11.48/share for Q3 FY22. For the nine months ended December 31, 2022, EPS increased to Rs 46.31/share from Rs 20.82/share in similar period last year.

Company's crude oil production rose by 7.03 per cent to 0.807 MMT in Q3 FY23 against 0.754 MMT for Q3



FY22. Crude Oil production for April-December, 2022 jumped by 5.04 per cent to 2.376 MMT as against 2.262 MMT for the same period in 2021.

Natural Gas production for third quarter of FY23 also grew by 1.64 per cent to 806 MMSCM against 793 MMSCM for Q3 of FY22. Natural Gas production

Natural Gas production for Q3 of FY23 also grew by 1.64% to 806 MMSCM

for the period of April-December 2022 increased by 3.85 per cent to 2400 MMSCM compared to 2311 MMSCM for the same period in 2021.

Board of OIL India Limited has declared a second interim dividend of Rs 10 per share (Face Value Rs 10). This is in addition to the 1st interim divi-

dend of Rs 4.50 per share (Face Value Rs 10) declared earlier. The total interim dividend paid during the year is Rs 14.50 per share (Face Value Rs 10).

OIL's group turnover for the nine months ended December 31, 2022 has recorded a rise of 50.14 per cent to Rs 32,821.47 crore against turnover of Rs 21,859.27 crore for the nine months ended December 31, 2021.

OIL's Group PAT for April-December, 2022 period is Rs 7,874.65 crore compared to Rs 4,191.89 crore for the same period in 2021, an increase of 87.85 per cent.

MPPOST

Despite price cap, enough tankers to supply Russian crude to India

SUKALP SHARMA

NEW DELHI, FEBRUARY 10

DESPITE THE imposition of a price cap by the Group of Seven (G7) countries on seaborne exports of Russian oil, there appears to be no dearth of shippers willing to supply Russian crude to Indian refiners.

According to industry watchers, though a few older Europe-based shippers have exited the Russian oil export market, there are enough tankers available to carry oil from Russia to Indian ports, thus allowing Moscow to ship record volumes to India in January.

Early December, the G7 nations, a grouping of Western powers including the European Union, US and UK, among others, had agreed to a \$60 per barrel price cap on Russian seaborne crude oil in a bid to squeeze Moscow's income from selling oil and ensure that it doesn't use its oil trade money to fund the war on Ukraine.

Many market participants had anticipated that the move could hit supplies to countries such as India and China, since insurers and shippers — mostly based in G7 countries — had been prohibited from handling car-

EXPLAINED
E Smooth sailing

MANY HAD anticipated that the price cap could hit supplies to countries such as India and China, since shippers had been prohibited from handling Russian crude unless it is sold for less than \$60 per barrel. But with Russia's Urals crude trading under the \$60-cap, crude has flowed freely into India.

goes of Russian crude unless it is sold for less than the price cap.

However, with Russia's Urals crude consistently trading under \$60 per barrel, the price cap has had no impact on supplies to India, industry insiders said. The Urals grade accounts for 80 per cent of all Russian oil imported by Indian refiners. Vortexa data showed that India received 1.01 million barrels a day of Urals crude in January.

"While several major ship owners like Trafigura and Total that were previously very active in the Russian crude trade have exited, there appears to be no

RUSSIA WILL CUT OIL OUTPUT BY 5% IN MAR

Moscow: Russia will cut oil production by 500,000 barrels per day, or around 5 per cent of output, in March, Deputy Prime Minister Alexander Novak said on Friday, after the West imposed price caps on Russian oil and oil products. On the news of the output cut from the world's second-largest oil exporter Brent crude price rose by over 2.5% on the day to \$86.6 per barrel. **REUTERS**

shortage of Aframax and Suezmax tonnage supply from the remaining and incumbent ship owners based in Dubai, India, and Greece so far," said Serena Huang, head of APAC analysis at oil analytics firm Vortexa.

Aframax and Suezmax are two among half-a-dozen size classifications for tankers.

According to data shared by Vortexa, Russia continued to be India's top oil supplier in January, delivering 1.27 million barrels per day, and accounting for close to 28 per cent of India's total crude oil imports of 4.60 million barrels per day. The supply of Russian crude

to India in January rose 6.2 per cent month on month. This is the highest-ever supply of Russian oil to India in a single month.

Western buyers began shunning Russian oil following Moscow's invasion of Ukraine almost a year ago. However, with Russia offering its oil at a discount, Indian refiners have been lapping it up.

From being a marginal supplier of crude to India before the war in Ukraine, Russia displaced the likes of Iraq and Saudi Arabia to emerge as India's largest source of oil imports. India is the world's third-largest consumer of crude and depends on imports to meet over 85 per cent of its needs. In January, Iraq was India's second-biggest source of crude with an average supply volume of 0.92 million barrels per day, followed by Saudi Arabia with 0.77 million barrels per day, the data showed.

Vortexa's Huang expects that Indian refiners, particularly private sector players Reliance Industries and Nayara Energy, will be incentivised further to refine discounted Russian crude and supply fuels, mainly diesel, to Europe, which has banned the import of fuels from Russia.

FULL REPORT ON
www.indianexpress.com



Russia to cut oil output in March on West's price cap



Frankfurt: Russia will cut oil production by 500,000 barrels per day next month in response to the West capping the price of its crude over the war in Ukraine, Deputy Prime Minister Alexander Novak said on Friday, according to multiple Russian news media reports. "Russia will voluntarily cut production by 500,000 barrels a day. It will help restore market-style relations," he said. PTI

Russia to cut oil output from March over Western caps

FRANKFURT, FEBRUARY 10

Russia will cut oil production by 500,000 barrels per day next month in response to the West capping the price of its crude over the war in Ukraine, Deputy Prime Minister Alexander Novak said on Friday, according to multiple Russian news media reports.

"As of today, we fully sell all our crude output, but as



PRICE CEILING

- The G7 nations have imposed a \$60-per-barrel cap on Russian oil shipped to non-Western countries

we stated before, we will not sell oil to those who directly or indirectly adhere to the price ceiling," Novak said, in remarks carried on the Russian TASS news agency.

"In connection with that, Russia will voluntarily cut production by 500,000 barrels a day. It will help restore market-style relations," he said.

International benchmark Brent crude rose 2.5% Fri-

day, to \$86.67 per barrel.

The Group of Seven major democracies have imposed a \$60-per-barrel price cap on Russian oil shipped to non-Western countries. The goal is to keep oil flowing to global markets to prevent price spikes seen last year while limiting Russia's financial gains that can be used to pay for the war against Ukraine. — AP



Industrial gensets to run on dual fuel

HT Correspondent

letters@hindustantimes.com

NEW DELHI: The Commission for Air Quality Management (CAQM) in NCR and Adjoining Areas on Friday issued directions for the state governments of Delhi, Haryana, Uttar Pradesh and Rajasthan, that diesel generator (DG) sets with a capacity of up to 800KW need to be converted to dual fuel systems (which run on 70% gas and 30% diesel) to function in the industrial and commercial sectors from May 15, 2023 onwards.

CAQM said these directions will be valid for all areas with gas infrastructure if there is no ban or restriction imposed under the Graded Response Action Plan (Grap).

"We have observed that uncontrolled use of DG sets is a

matter of concern. A large number of DG sets operating in the region without adequate emission control measures, even during the periods other than the ban under Grap, cause heavy air pollution and are a major contributing factor to the deterioration of air quality in the region," CAQM said in a statement on Friday.

"Therefore, regulating the use of DG sets even for the periods when there is no ban or restriction imposed under the Grap is the need of the hour," it added.

CAQM clarified that these restrictions did not apply to generator sets running on LPG, gas, butane, propane, or biogas.

It added that the order does not apply to "emergent and essential projects". Projects of "national importance" will also be allowed to use DG sets.

Russia may cut oil output by 500k barrels in March

Moscow's decision may threaten renewed turmoil in the global oil market

Bloomberg
feedback@livemint.com

Russia plans to cut its March oil production by 500,000 barrels a day in response to the western price caps, said Deputy Prime Minister Alexander Novak.

The retaliatory output cut, which is the equivalent of about 5% of January output, has been hinted at repeatedly by the Kremlin since the European Union and G-7 began discussing capping the price of Russian exports. The move threatens renewed turmoil in an oil market that has otherwise taken in its stride the EU bans on most seaborne imports of Russian oil.

Crude prices jumped on the news, with Brent erasing earlier losses to rise as much as 2% to \$86.50 a barrel as of 8:50 am in London.

"Russia believes that the mechanism of price caps on Russian oil and petroleum products is an intervention in market relations and an extension of destructive energy policies of the collective West," Novak said in a statement on Friday.

The March production cuts will ensure a "recovery in market relations".

Moscow's move deepens the 2 million barrel-a-day production cut announced late last year by OPEC+, which Russia leads along with Saudi Arabia.

At a committee meeting earlier this month, ministers from the group saw no need to change its production limit, which lasts until the end of 2023. As of now, Russia is able to sell its oil volumes to foreign markets, but it does not want to adhere to the price restrictions imposed by Western nations, Novak said.

"When making further decisions, we will act based on how the market situa-



Russia's partners in the OPEC+ oil coalition signalled they won't boost production to fill in for cutbacks announced by Moscow. BLOOMBERG

tion is developing," he said.

Moscow's oil revenue has taken a hit in recent months. The decline of about \$40 a barrel in Brent crude since June has been the biggest factor. The discount at which Urals crude—Russia's main export grade—trades to the inter-

rels a day in April, Russian oil production rebounded to around 10.9 million barrels a day at the end of 2022.

It stayed close to that level in January, despite the European Union's ban on most seaborne imports of the country's crude on 5 December.

Meanwhile, Russia's partners in the OPEC+ oil coalition signalled they won't boost production to fill in for cutbacks announced by Moscow.

The OPEC+ group led by Saudi Arabia will maintain output despite plans by the Kremlin to cut 500,000 barrels a day in retaliation for international sanctions, according to delegates who declined to be identified.

Oil jumped after Russia's announcement, with Brent rising 2.8% to \$86.90 a barrel. It later pared gains to 1.4%, or around \$85.65.

STRATEGIC MOVE

THE production cut, which is equivalent of about 5% of Jan output, has been hinted by Kremlin

THE decline of about \$40 a barrel in Brent crude since June has been the biggest factor

CRUDE prices jumped with Brent erasing earlier losses to rise as much as 2% to \$86.50 a barrel

national benchmark has also widened as the EU import ban and G-7 price cap forced the country to seek out new markets and alternative methods of shipment.

Even so, Russian production has been surprisingly resilient. Since hitting a post-invasion low of 10.05 million bar-

\$1 bn-a-month spread to deliver Russian oil to India

Bloomberg
feedback@livemint.com

There are fortunes to be made delivering Russian crude oil to India.

Price assessments by Platts, a unit of S&P Global, show a margin of more than \$20 between a barrel of Russia's Urals crude lifted in the Baltic region and the same oil delivered to the west coast of India.

On a flow that's now running at about 1.5 million barrels a day, that works out at \$1 billion a month.

The European Union banned imports of Russian crude in December, putting the country at the mercy of two big buyers: China and India. Numerous new trading firms with ties to Moscow emerged—especially in Dubai—before the measure, along with a price cap on Russian oil, was imposed.

Urals cargoes in the Baltic are trading about \$40 a barrel below Dated Brent, an important benchmark for physical oil trades, while cargoes delivered on the west coast of India have been discounted by a much smaller \$20 a barrel on average since mid-January.

Some of the difference will go to pay for the tankers that make the two-month round trip.

Delink disinvestment from Budget exercise



UTTAM GUPTA

The Union Government must set up a holding company where all of its shares in the Central Public Sector Undertakings (CPSUs) are placed

In Budget for 2022-23, Finance Minister Nirmala Sitharaman had set a target of Rs 65,000 crore for proceeds of sale of Union government shareholding in central public sector undertakings (CPSUs). Against this, the revised estimate (RE) is placed at just about Rs 31,000 crore which works out to 47 per cent of the target. For 2023-24, Sitharaman has set a target of Rs 51,000 crore.

During the last eight years since 2015-16 when this government started disinvestment with particular focus on 'strategic' sale (a sophisticated nomenclature for share sale that reduces its holding in the CPSU to below 50 per cent), barring two years viz. 2017-18 and 2018-19 when the actual proceeds exceeded the target, in the remaining six years, the achievement was far short.

Even during those two exceptional years, the good performance was made possible primarily due to two big ticket sales of Union Government shares in one CPSU to another viz. (i) sale of its 51.11 per cent shareholding in Hindustan Petroleum Corporation Limited (HPCL) to the Oil and Natural Gas Corporation (ONGC) during 2017-18 yielding Rs 37,000 crore; (ii) sale of 52.63 per cent stake in Rural Electrification Corporation (REC) to the Power Finance Corporation (PFC) during 2018-19 yielding Rs 13,000 crore.

These sales can't be termed as strategic as the purchaser being another CPSU namely ONGC/PFC, the Government continues to have effective ownership and control over the divested entity viz. HPCL/REC. An overarching reason as to why the actual proceeds from disinvestment have fallen short of the target has to do with the very premise of treating these as a source of revenue (albeit for plugging fiscal deficit) which is flawed.

In cases where strategic sale is mooted, the government faces a bigger challenge as it needs bidders with deep pockets. For instance, in case of Bharat Petroleum Corporation Limited or BPCL (sale of the entire 53.29 per cent of government's share in this oil refining and marketing CPSU was originally planned for 2019-20), it needed a strategic investor who could pay around Rs 60,000 crore.

The lengthy and cumbersome process of approval and bureaucratic red-tape further undermines the chances of the Government kicking the ball rolling just around the time when the strategic investors are ready to put in their bets.

The Niti Aayog identifies companies for divestment which are then considered by the Core Group of Secretaries on Divestment (CGD), a long-drawn process by itself, which takes it to the Alternative Mechanism (AM) – a group of ministers, including finance, road transport & highways, administrative reforms, etc., – for approval. After AM's approval, the Department of Investment and Public Asset Management (DIPAM) moved a pro-



posal for in-principle approval of the Cabinet Committee on Economic Affairs (CCEA).

This leads to delay and by the time all approvals are in place, the market scenario becomes adverse. For instance, in case of BPCL, during 2019-20, the international price of crude oil (fortunes of oil companies move in tandem with it) was hovering around \$70 per barrel. But the bureaucrats were not ready.

In 2020-21, Covid-19 spoiled the party as the average crude price plunged to a low of \$20 per barrel in April 2020. During 2021-22, even as the price ruled above \$70 per barrel most of the time, the officials were not ready yet again. During 2022-23, the market turned even more favorable with crude price zooming past \$80 per barrel (courtesy, Ukraine War and resulting disruption in supplies) yet, the government has not pursued; in fact, it seems to have deferred it indefinitely.

Meanwhile, a number of other strategic sales such as Container Corporation or ConCor (30 per cent), Shipping Corporation of India or SCI (63.75 per cent), and IDBI Bank have been under consideration since FY 2019-20. They have been hamstrung due to bureaucratic red-tape and uncertainties of the investment environment. The government now intends to complete all these transactions during FY 2023-24.

In a post-Budget interaction, Sitharaman reiterated that all CPSUs in non-strategic sectors will be privatized (all loss-making enterprises will be closed), whereas in the strategic sector also, the

undertakings will be privatized with the caveat that at least one (and a maximum of four) will be retained in the public sector. To buttress this strategy (as laid down in the Budget for 2021-22), she cited the example of Air India incurring a loss of Rs 20 crore per day when it was under the government's ownership and control.

While this should clear the policy uncertainty, thereby imparting momentum to the process, contrary signals emerge from a statement in FM's Budget speech for FY 2019-20. She had stated the intent was to change the existing policy from "directly" holding 51 per cent or above in a CPSU, to one whereby its total holding, "direct" plus "indirect", is maintained at 51 per cent.

To illustrate this, let us take the case of Indian Oil Corporation Limited (IOCL). In addition to its direct stake of 51.5 per cent, the Union Government holds more than 51 per cent in other CPSUs, which in turn, hold shares in IOCL. Life Insurance Corporation (LIC), which is 95 per cent owned by the GOI, holds 6.5 per cent in IOCL. ONGC which is 63 per cent Government-owned, holds 14 per cent in IOCL. Oil India Limited (OIL), which is 60 per cent owned by the Union Government, holds five per cent shares in IOCL.

The "indirect" stake of the Union Government in IOCL via LIC/ONGC/OIL being 25.5 per cent, it can reduce its direct stake in IOCL to 25.5 per cent (thereby sending a message that it has been privatized) and yet, including the "indirect" control, it will still have majority stake of 51 per cent.

Privatization could also be stymied in case the government asks another PSU to buy the shares of the CPSU up for strategic disinvestment as happened with HPCL/REC. Although there is an order of the Ministry of Finance (MoF) that prohibits such purchase, a caveat in the order "...unless otherwise specifically approved by the Central Government in public interest" can always be relied upon to make it happen if the powers that be so wish.

To conclude, the very act of linking disinvestment with budgetary exercise is a flawed idea. Even while not guaranteeing the intended receipt from the share sale (as we have seen during the last eight years), it undermines the chances of conducting the exercise in an efficient manner and getting handsome proceeds. The process inefficiencies are aggravated by bureaucratic red-tape and a desire of the top brass to remain in the driver's seat.

The government should delink disinvestment from the budget and pursue it as an objective by itself. It must de-bureaucratise the process by setting up a holding company (HC) where all government shares in CPSUs are placed. The HC to be manned by eminent professionals should be fully empowered and given freedom to take all decisions in regard to valuation, quantum of shares, timing of sale, etc., keeping in mind the market conditions.

Under this arrangement, the share sale process will be faster, more efficient and yield much more revenue.



LIFE INSURANCE CORPORATION (LIC), WHICH IS 95 PER CENT OWNED BY THE GOVERNMENT, HOLDS 6.5 PER CENT IN IOCL. ONGC, WHICH IS 63 PER CENT GOVERNMENT-OWNED, HOLDS 14 PER CENT IN IOCL

(The author is a policy analyst)