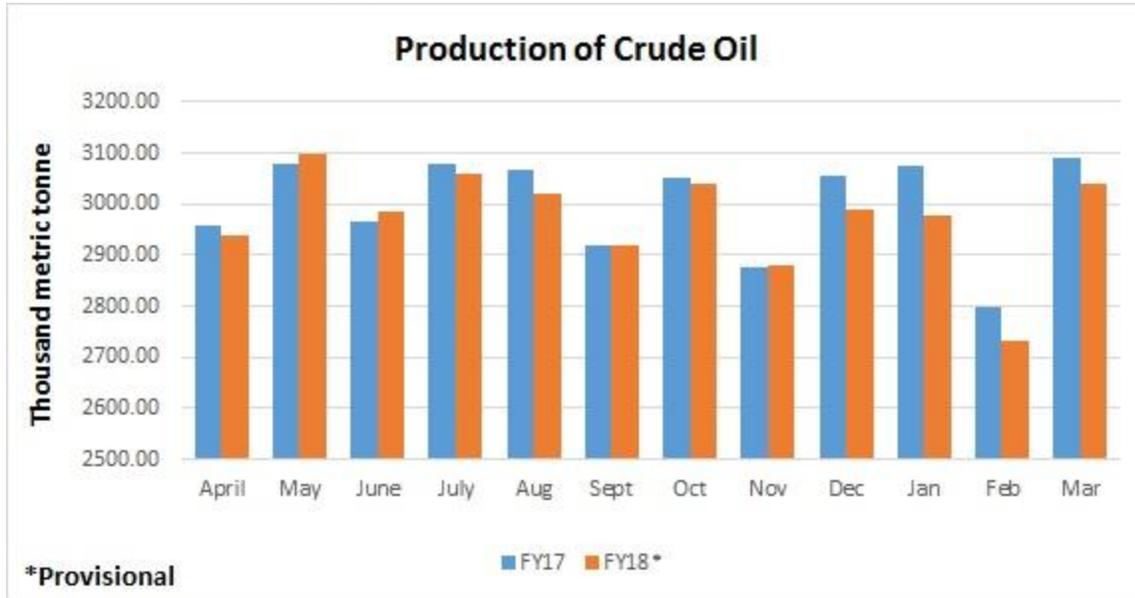


The oil and gas sector is one of the six core industries in India and plays a vital role in influencing decision making for all the other important sections of the economy. The Indian Oil and Gas sector is basically divided into three segments viz. Upstream segment, which covers exploration & production, Midstream segment, contains storage & transportation and Downstream segment, include refining, processing & marketing. India is the third largest consumer of crude oil and petroleum products in the world and is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. Also, the country is the world's fourth largest energy consumer; oil and gas account for 35.61 per cent of total energy consumption in India. The country import around 80 percent of its crude oil requirement which results in huge drainage of foreign currency from national exchequer. In order to bridge the increasing gap of crude oil in the country, Government of India has initiated various steps like New Exploration Licensing Policy, Introduction of CBM policy, exploration of Shale resources etc.

Production of Crude Oil

Crude oil production during March, 2018 was 3041.65 thousand metric tonne (TMT), 5.9% lower than target and 1.58% lower when compared with March 2017. Crude oil production by ONGC during March, 2018 was 1879.17 TMT, 6.6% lower than the monthly target and 2.71% lower when compared with March, 2017. Crude oil production by OIL during March, 2018 was 281.53 TMT, 11.32% lower than monthly target and 3.98% lower when compared with March, 2017. Moreover, crude oil production by Pvt/JVs during March, 2018 was 880.96 TMT, 2.43% lower than the monthly target but 1.74% higher than March, 2017.

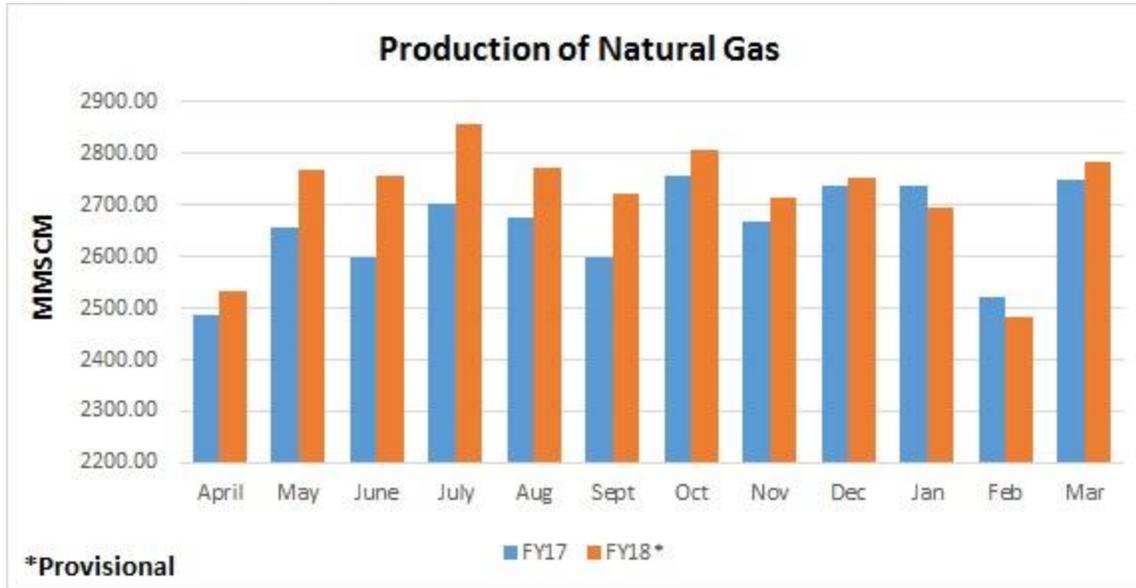
Meanwhile, cumulative crude oil production during April-March, 2017-18 was 35684.34 TMT, 4.68% lower than target for the period and 0.9% lower than production during corresponding period of last year. Cumulative crude oil production by ONGC during April-March, 2017-18 was 22249.12 TMT which was 3.56% lower than target for the period but marginally higher by 0.14% than production during corresponding period of last year, while Cumulative crude oil production by OIL during April-March, 2017-18 was 3376.28 TMT which was 9.58% lower than target for the period but 3.63% higher than production during the corresponding period of last year.



Production of Natural Gas

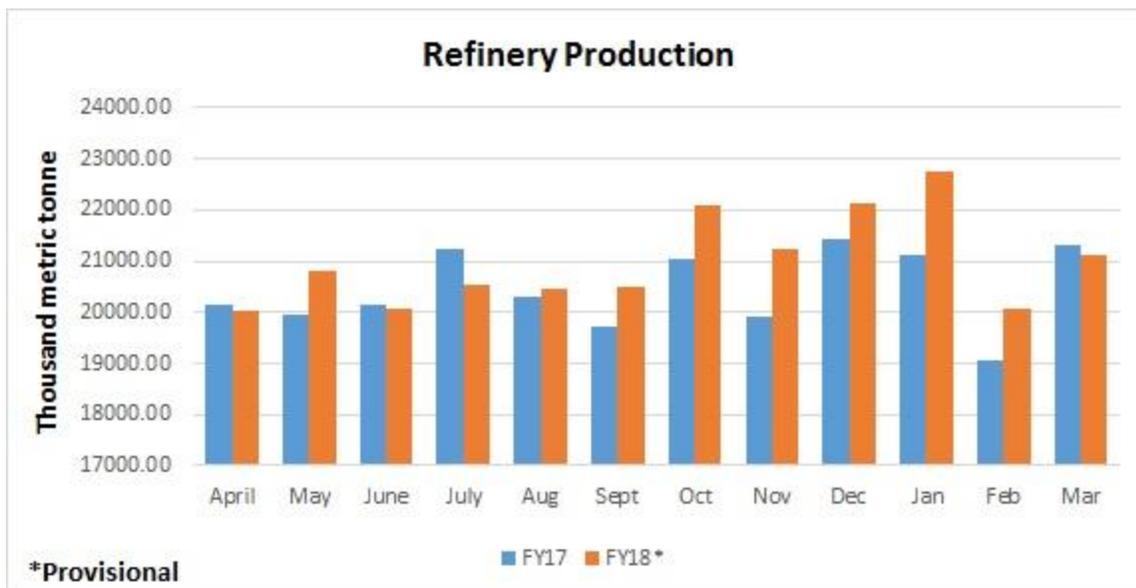
Natural gas production during March, 2018 was 2782.61 million metric standard cubic meter (MMSCM), 11.12% lower than the target for the month but 1.18% higher when compared with March, 2017. Natural gas production by ONGC during March, 2018 was 2013.61 MMSCM, 8.7% lower than the monthly target but 2.09% higher when compared with March, 2017. Natural gas production by OIL during March, 2018 was 236.73 MMSCM which was 4.55% lower than the monthly target and 5.69% lower than March, 2017. Moreover, Natural gas production by Pvt/JVs during March, 2018 was 532.28 MMSCM, 21.41% lower than the monthly target but 1.01% higher when compared with March, 2017.

Meanwhile, cumulative natural gas production during April-March, 2017-18 was 32649.30 MMSCM, 7.07% lower than target for the period but 2.36% higher than the production during corresponding period of last year. Cumulative natural gas production by ONGC during April-March, 2017-18 was 23429.47 MMSCM which was 3.22% lower than the cumulative target but 6.07% higher than the production during the corresponding period of the last year, while cumulative natural gas production by OIL during April-March, 2017-18 was 2881.50 MMSCM which was 3.96% lower than the cumulative target and 1.87% lower than the production during the corresponding period of last year



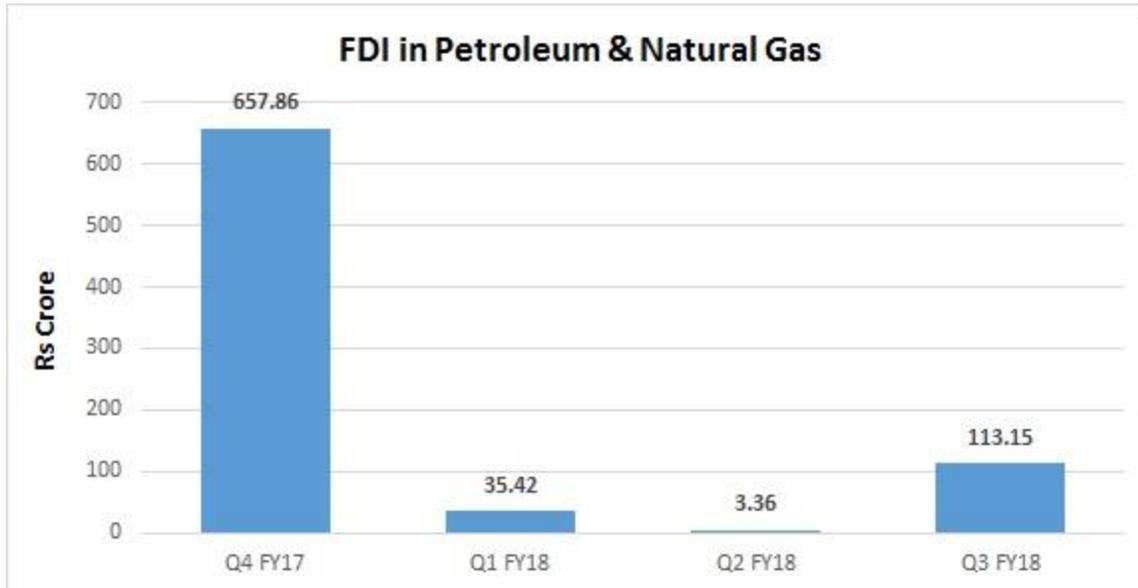
Refinery Production

Refinery production during March, 2018 was 21120.72 TMT, 4.21% lower than the target for the month and 0.9% lower when compared with March, 2017. CPSE Refineries' production during March, 2018 was 12526.86 TMT, 2.42% lower than the target for the month but 3.19% higher when compared with March, 2017. However, production in JV refineries during March, 2018 was 1534.05 TMT which was 4.5% higher than the target for the month and 13.82% higher when compared with March, 2017. Production in private refineries during March, 2018 was 7059.82 TMT which was lower by 8.82% than the target for the month and 9.78% lower when compared with March, 2017. Meanwhile, cumulative production during April-March, 2017-18 was 251934.82 TMT which was 2.41% higher than the target for the period and 2.68% higher than the production during corresponding period of last year



FDI in petroleum & natural gas

Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in many segments of the sector, including natural gas, petroleum products, and refineries, among others. The petroleum & natural gas attracted foreign direct investments (FDI) (Equity Inflows) to the tune of Rs 113.15 crore or \$17.51 million in Q3FY18, as compared to Rs 3.36 crore or \$0.52 million in Q2FY18. The sector attracted 1.87% of total FDI Equity Inflows in Q3FY18.

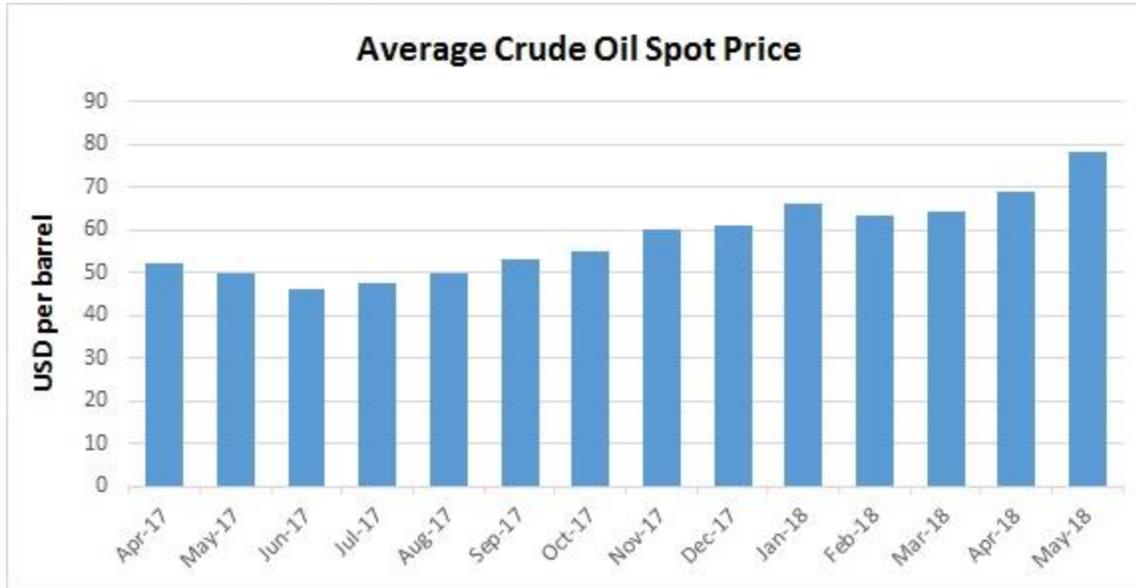


Impact of crude oil prices on the industry

Market participants are expecting the current crude oil price of \$78 per barrel (Brent) to reduce in the coming time. The average crude oil prices has been increased 57% to \$78.34 per barrel in May 2018 as compared to \$49.89 per barrel in same month previous year. Moreover, the prices have been increased by around 14% on month-on-month basis. The prices have been increased due to higher than expected global demand for oil driven by strong economic growth around the world; lower than expected oil production in the U.S. due to a slowdown in oil extraction investment; instability in some oil producing regions; and the OPEC agreement along with Russia to cut production.

Subsequently, the Indian upstream oil companies i.e. Oil and Natural Gas Corporation (ONGC), Oil India (OIL) and Cairn India will get some help with increasing crude oil and natural gas prices. Also, realizations of Gail (India) Ltd's liquefied petroleum gas (LPG) and petrochemicals business benefit from higher crude prices. However, for the state-run oil marketing companies like Bharat Petroleum Corporation (BPCL), Hindustan Petroleum Corporation (HPCL) and Indian Oil Corporation (IOC), higher crude prices lead to an increase in the 'fuel and loss' component.

Going ahead, markets anticipate a reversal in this trend in the coming months mostly because production in the U.S. and elsewhere is expected to increase as producers take advantage of the higher oil prices. In the longer term, the scope of significant higher prices is not there. There is a possibility of growing demand for petroleum products from emerging markets, but the demand in developed countries is declining as environmental standards get tougher and electric vehicles spread.



Government initiatives

Govt to boost ease of doing business in petroleum & natural gas sector

The Center has given its approval for delegating the powers to Minister of Petroleum and Natural Gas and Finance Minister to award the Blocks/Contract Areas to successful bidders under Hydrocarbon Exploration and Licensing Policy (HELP) after International Competitive Bidding (ICB) based on the recommendations of Empowered Committee of Secretaries (ECS), in line with its initiative of ease of doing business. Under HELP, Blocks are to be awarded twice in a year. Therefore, this delegation of powers will expedite the decision making process on awarding blocks and give a boost to the initiative of ease of doing business. Under the Licensing Policy, ECS considers the Bid Evaluation Criteria (BEC), conducts negotiations with the bidders wherever necessary and make recommendations to CCEA on award of blocks. The CCEA approves the award of blocks. The entire process, including Inter Ministerial Consultations (IMC) is quite lengthy and time consuming. In consonance with the Government initiative of 'Ease of Doing Business', it is desirable to shorten the duration of time taken forward of the Blocks / Contract Areas. Under the New Hydrocarbon Exploration and Licensing Policy the competitive bidding will be continuous and blocks will be awarded twice a year.

Govt launches Pradhan Mantri LPG Panchayat

The Government has launched Pradhan Mantri LPG Panchayat which is an interactive communication platform for rural LPG users on various subjects like safe usage of LPG, its benefit to environment, women empowerment and women health, and also use the forum to motivate the consumers to use LPG regularly as a clean cooking fuel. Government had launched 'Pradhan Mantri Ujjwala Yojana' on May 1, 2016 to provide deposit-free LPG connections to 5 crore women belonging to the Below Poverty Line (BPL) with a budgetary provision of Rs 8000 crore and the target has now been enhanced to 8 crore with additional budgetary provision of Rs 4,800 crore. The beneficiaries under the Scheme are identified through Socio Economic Caste Census (SECC) 2011.

Recent developments

Cabinet approves MoU between India and Israel on Cooperation in the Oil and Gas Sector

Indian government has approved the signing of the Memorandum of Understanding (MoU) between India and Israel on cooperation in the Oil and Gas Sector. The MoU is expected to provide impetus to India - Israel ties in the energy sector. The cooperation envisaged under the agreement will facilitate promotion of investments in each other's countries, technology transfer, R&D, conducting joint studies, capacity building of human resources and collaboration in the area of Start-ups.

Cabinet approves exploration from areas under Coal Mining Lease allotted to Coal India

The government of India has given its approval for Exploration and Exploitation of Coal Bed Methane (CBM) from areas under Coal Mining Lease allotted to Coal India (CIL) and its Subsidiaries. The decision is in line with the Government's initiatives of 'Ease of Doing Business'. It will expedite the exploration and exploitation of CBM, enhance the availability of natural gas and reduce the gap in demand and supply of natural gas. The increased development activities for exploration and exploitation of CBM gas reserves in-and-around the block will generate economic activities which in turn has potential to create employment opportunities in CBM operations and in the industries.

Government working on long-term solution to deal with rising fuel prices

In the wake of relentless rise in petrol and diesel prices, the government has said that it is working on a long-term solution to deal with the volatility and frequent revisions in rates. The issue of frequent hike in fuel price is a matter of debate and concern and the government is involved in this whole process, including the concern about rise in prices, and also the uncertainty. With geopolitical situation leading to an uncertainty over the direction of international oil prices a new sense of urgency has developed. The government is keen that instead of having an ad hoc measure, it may be desirable to have a long-term view which addresses not only the volatility but also takes care of the unnecessary ambiguity arising out of frequent ups and downs. That process is underway.

Outlook

The oil and gas sector is highly liberalized to attract private investment and to increase domestic production. Outlook of oil and gas sector looks promising, as India's oil demand is expected to grow significantly in coming time, while demand for energy will more than double by 2040 as economy will grow to more than five times its current size. The sector will also get some advantage with a number of policy reforms taken by the Government to remove obstacles to investment and incentivize oil and gas sector on the lines of ease of doing business, minimum government maximum governance and promote Make in India initiative. Also, to encourage private players and global oil companies, Income generated from storage and selling of Crude Oil in Strategic crude oil reserves has been exempted from Income Tax. Moreover, the government's approval for exploration from areas under Coal Mining Lease allotted to Coal India and launch of Pradhan Mantri LPG Panchayat will help the oil and gas sector to perform well in coming time.

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Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Deep Industries Ltd.	102.05	326.56	118.21	1.76	24.22	4.21
Oil India Ltd.	224.05	25427.52	259.13	4.24	24.10	9.30
Oil & Natural Gas Corporation Ltd.	171.35	219897.48	158.98	3.02	17.23	9.95
Selan Exploration Technology Ltd.	201.85	331.03	179.51	2.48	13.45	15.01
Hindustan Oil Exploration Company Ltd.	120.50	1572.44	29.36	0.00	2.88	41.91
Asian Oilfield Services Ltd.	116.70	444.33	36.91	0.00	2.71	43.13
Aakash Exploration Services Ltd.	47.90	32.33	40.08	0.00	1.63	29.39
Duke Offshore Ltd.	49.75	24.52	29.27	2.01	1.32	37.55

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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