OILMAX ENERGY
PRIVATE LIMITED

Consolidated Coverage
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THE HINDU BUSINESS LINE

Oilmax to spend ₹600 cr to develop Assam fields

M Ramesh
Chennai

Oilmax Energy Pvt Ltd will spend ₹600 crore ($75 million) over the next two-and-a-half years in developing the three oil and gas fields it owns in Assam, the company's founder and Chairman and Managing Director, Kapil Garg, told *businessline* on Tuesday.

The company owns three blocks in Assam — Amguri, Duarmara, and Tiphuk. Currently, Amguri produces 2,50,000 cubic meters of gas and 500 barrels a day of condensates (a crude oil-like liquid that comes out of the ground along with the gas).

Once the Indradhansh project — the Northeastern gas pipeline that is currently under construction—is completed, production from Amguri would be raised four-fold, to a million cubic meters of gas a day, Garg said. Four new producing wells would be drilled for this purpose, he said. In Duarmara, Oilmax is waiting for approval from the State's forest department. The plan is to drill six wells to produce another million cubic meters of gas a day. The company's consultants, Gaffney, Cline & Associates, have established that Duarmara has reserves of 4.1 billion cubic meters of gas.

So, in Amguri and Duarmara, Oilmax will drill ten wells, each costing about $7 million. In Tiphuk, a field that Oilmax won in the DSF-3 round of bidding (in which the government auctions 'discovered small fields'), the company plans to drill two side wells, which will cost $5 million.

The entire project cost of $75 million is to be funded from internal accruals, Garg said, adding that Oilmax is a debt-free company.

Oilmax, set up by Garg in 2008, is the parent company of the listed entity, Asian Energy Services Ltd (NSE: ASIANENE), and has a 62.5 per cent stake in it — the rest is with the public.

PROJECTS TODAY

Oilmax Energy to fuel a Rs 600-cr expansion of Assam fields

Thursday, 08 Jun 2023

Oilmax Energy will invest Rs 600 crore (USD 75 million) over the next two-and-a-half years in developing the three oil and gas fields it owns in Assam, one each at Amguri, Duarmara, and Tiphuk.

Currently, Amguri produces 2,50,000 cubic mtrs. of gas and 500 barrels a day of condensates. However, the plant is expected to see a four-fold rise in production once the Indradhansh project, the gas pipeline which is currently under construction, is completed, production from Amguri would be raised, to a million cubic mtrs. of gas a day and four new producing wells would be drilled to serve the purpose.

In Duarmara, Oilmax is waiting for approval from the state's forest department plan to start work on drilling of six wells. As per consultants, Duarmara has reserves of 4.1 billion cubic mtrs. of gas. Altogether, drilling work of the ten wells will be undertaken, each costing about USD seven million.

In Tiphuk, the company plans to drill two side wells, which will cost USD five million. Oilmax had won the field in the DSF-III round of bidding.

The entire project cost of USD 75 million is to be funded from internal accruals. Oilmax, is the parent company of Asian Energy Services and has a 62.5 percent stake in it, while the balance part is with the public.

BQ PRIME

Oilmax Energy Founder Says Strong Potential Seen In Discovered Small Fields

The company plans to raise total production to 10,000 barrels of oil equivalent per day by 2026, Kapil Garg said.

Oilmax Energy Pvt. expects the discovered small fields tendered by the Directorate General of Hydrocarbons to be the potential medium of growth in the coming years.

The oil and gas producer claims to have turned around two DSF assets—one in Assam and another in Gujarat—after it got possession of them. "We are very optimistic about turning around the DSF fields with our technological expertise, and we plan to bid and win these projects in the next DSF rounds," Founder Chairman and Managing Director Kapil Garg told BQ Prime in an interview.

The holding company of listed Asian Energy Services Ltd. currently has four producing and discovered assets, with three blocks in Assam—Duarmara, Amguri and Tiphuk—and one block in Indrora, Gujarat, that it acquired and turned around.

The exploration company's focus has been to acquire and develop onshore oil and gas blocks in India that are economical or offer a low unit cost per barrel to produce, according to Garg. "With the help of advanced technologies, we have developed the expertise to acquire discovered and producing assets with proven existing reserves with no exploration risks and turn them into producing assets quickly with low upfront investment and a short gestation period."

In 2021, Oilmax acquired 50% of the non-producing Amguri field in Assam, which it claims to have restarted and commercialised within two months. It had seen no production in the 10 years before that.

The production went from zero barrels of oil equivalent per day to 2,150 boepd as of September 2022. Now, major upsides have been found, on account of which production is expected to increase to 2,850 boepd in the current financial year, the Oilmax founder said.

Upsides

The Indrora field in Gujarat was handed over to Oilmax by ONGC in April. The production has since been ramped up by 50% to 120 boepd through production optimisation techniques, Garg said.

The company expects further upsides based on promising untapped zones in the field that can help scale the production to over 300 boepd by the end of 2023. "The Indrora field has the potential to reach an average of more than 700 boepd in the near future with the use of advanced production and reservoir management methods as well as innovative drilling and intervention techniques," he said.

Reserves

Oilmax has over 60 million barrels of hydrocarbon reserves and aims to create a reserve base of over 100 million barrels in the next couple of years. It plans to take the total production to 10,000 boepd by 2026, Garg said.

Oilmax is present across the entire oil and gas value chain, from exploration to drilling to facility creation and operation to hydrocarbon evacuation and sale.

To date, the government has tendered around 100 contracts to successful bidders under three DSF rounds. Under the model revenue-sharing contract for DSF, the contractor has to complete the work programme and start commercial production from the existing discoveries within three, four, or six years, depending on the nature of the discovery, from the date of granting the Petroleum Mining Lease.

THE ECONOMIC TIMES CFO

CFOs seek review of cost inflation index methodology, say index falls short of real inflation

They say the index used for calculating capital gains tax liability should focus on fair market value; experts feel it should go beyond CPI and WPI.

Anjana Das • ETCFO
Updated On Jul 12, 2023 at 09:41 AM IST

CFOs seek review of cost inflation index methodology, say index falls short of real inflation

India Inc CFOs and experts believe that the Cost Inflation Index (CII) methodology and its number fail to capture the true inflation of various asset classes. The CII, a crucial measure used to calculate capital gains tax liability, has been recently set at 348 by the Income Tax Department but many say it should be higher.

The CII, which is generally known as a base for purchasing long-term assets or making investments, is based on the Consumer Price Index (CPI).

CFOs say the CII should focus on Fair Market Value (FMV) whereas experts think it should go beyond CPI and WPI.

Fair Market Value Method for Calculating CII

While there are different views on arriving at the CII figure of 348 since the methodology is not codified, questions have been raised about whether CII reflects the actual inflation of a variety of asset classes and if the time has come for following any other methodology to calculate the tax liability.

"The CII reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services. The question however is, does it truly reflect the actual inflation of a variety of asset classes? In my view it does not take into account the regional variations, economic conditions and the quality improvements or depreciation of the asset over time," Jogendra Singh, CFO, Group President, Hero Corp & Hero Enterprise said, adding the FMV methodology has flaws too.

He said a possible alternative method to measure the inflation-adjusted cost of acquisition is to use the FMV of the asset on the date of acquisition or on the first day of the base year, whichever is later. The FMV can be determined by various methods, such as comparable sales, income approach and replacement costs, he said.

Nilesh Kambli, CFO, Star Health and Allied Insurance, takes the CII at face value and assumes it to be correctly worked out and is a fair index.

"The cost inflation index can be assumed that CBDT will notify a correct/fair index considering consumer price index and other data," Kambli said.

There is also a flip side to using FMV as a method. "The advantage of using FMV is that it can capture the specific characteristics and market conditions of each asset rather than using a general index. However, the disadvantage is that it may be difficult to obtain reliable and accurate FMV data for assets not frequently traded or have unique features. It may involve complexities in valuation," Singh of Hero Group, said.

Keyur Doshi, Chief Financial Officer at Fincare Small Finance Bank, gives thumbs up to CII's methodology saying this approach ensures a fair and logical assessment of the tax liabilities associated with capital gains.

Sumit Maheshwari, Group Chief Financial Officer, Oilmax Energy Group, said, "The CII offers a more precise estimation of an asset's cost by considering inflation which affects the purchasing power of money. However, it still does not capture the real replacement cost of the asset.

The Hero group CFO feels CII has no parallel match currently. "No definite answer to which method is better for measuring the inflation-adjusted cost of acquisition and improving the accuracy of calculating long-term capital gains tax in India and we may have to live with the CII," he said.

Kavita Shirvaikar, Whole Time Director & CFO, Patel Engineering, said the use of the CII index eliminates controversies between the company and the tax authorities over the calculation of inflation-adjusted cost.

Does CII @ 348 capture real inflation?

Sumit Maheshwari, Group Chief Financial Officer, Oilmax Energy Group said the index could have been pushed up due to higher inflation.

"The CII offers a more precise estimation of an asset's cost by considering inflation which affects the purchasing power of money. However, it still does not capture the real replacement cost of the asset. At 348 level, 2023-24, CII is in line with its trend of 4-5% annual increase but with high inflation, it could have been slightly higher to provide more relief to companies," Maheshwari told ETCFO.

Rajat Mohan, Senior Partner at CA firm AMRI, said CII for FY 2023-24 is 348, which depicts a 5.136% inflation over the previous financial year (In FY 2022-23 CII was 331). On the contrary, both the CPI and WPI experienced relatively high inflation rates in 2022, with the CPI peaking at 7.79% in April and the WPI reaching 15.88% in May. "Looking at these numbers, having a higher CII that represents real inflation in the country would be advisable," he said.

Taxpayers in general and investment companies, in particular, have been pushing the tax department to notify a higher rate of CII. The tax department should consider notifying CII in conformity with the actual inflation which has been high, enabling an investor to pay real tax on absolute capital gains, Mohan added.

He said that the precise calculation methodology for the CII is not codified in the income-tax laws.

Since April 1 this year, indexation benefits are not available for LTCG on gold mutual funds, hybrid mutual funds, international equity mutual funds, and funds of funds. Until the previous fiscal year, the CII played a significant role in helping debt-mutual fund investors save on taxes. However, the Finance Act removed one of the most highly valued benefits for debt fund investors – the indexation benefit. Previously, investors in debt funds could avail themselves of this benefit on their LTCG tax if they remained invested for a minimum of three years.

THE TIMES OF INDIA

The economics of energy transition: Balancing profitability and sustainability

In the past few years, there has been much deliberation on the transition towards a net-zero future, and as the world's most populous nation, India is expected to spearhead it. Thus far, the nation has done an admirable job of transitioning towards a zero-carbon future without sacrificing its status as the world's fastest growing major economy, being the only G20 nation to meet its Paris Climate goals. However, much of our energy still comes from polluting hydrocarbons, and will continue to do so until at least 2070, by which time Government of India pledged to make the country net-zero the COP26 Summit in 2021. Renewables alone aren't yet sufficient to meet India's growing economic needs sustainably, which is why a phased transition is needed.

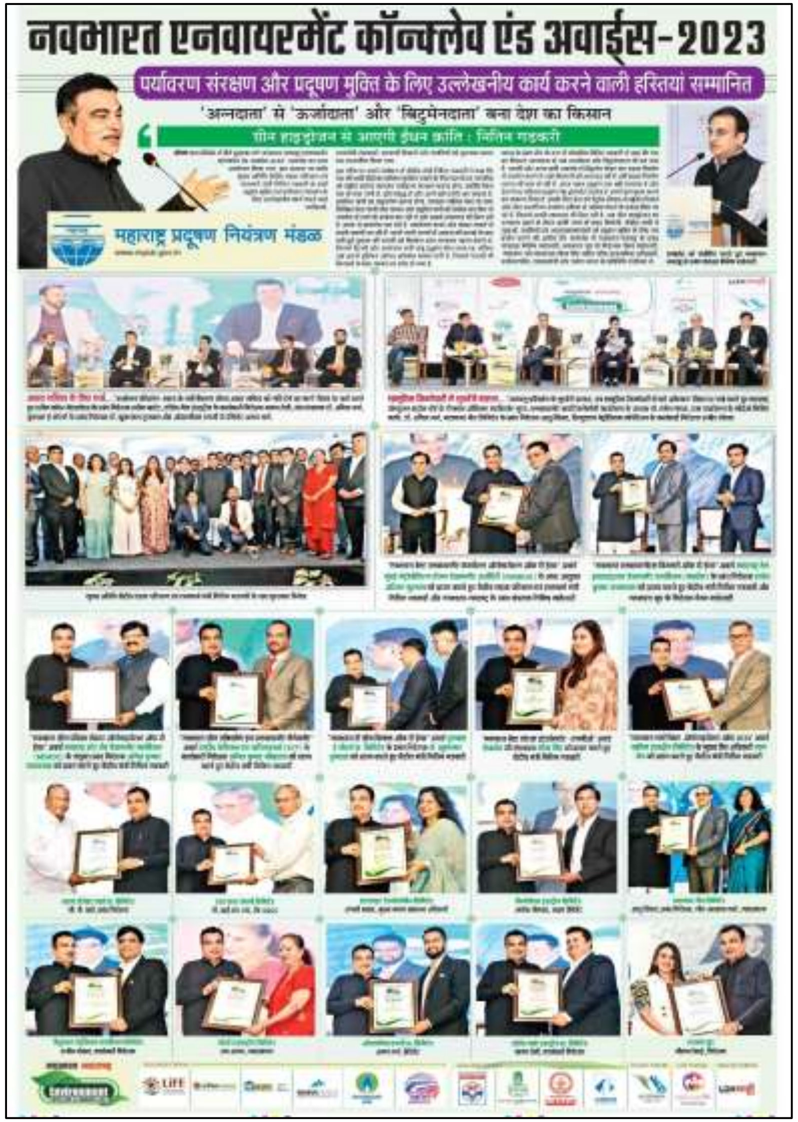
This phased transition must begin in our nation's energy sector first. While our nation now boasts of some of the world's largest solar parks that cheaply produce green energy, it doesn't produce enough to meet the nation's rapidly growing power demand. Solar panels only operate at an average efficiency of 20% of their capacity and only generate electricity during daytime when the sun is out, creating problems of reliable energy supply during night time. This is why solar, despite rapid capacity rollout to now compose of above 15% of national power capacity as of FY22, barely generated only 5% of our electricity for the same period. A similar story was seen in wind, which made up 10% of national power capacity, yet only generated 4.5% of our electricity in the same year. The balance is made up by coal plants, which form 50% of capacity yet generate 70-75% of electricity consumed, and coal consumption levels and import bills hitting new highs with every passing year. This phenomenon has taken place alongside the steady decline of gas-powered electricity over the past decade, suggesting that renewables aren't replacing coal plants, but gas plants instead. This is a troublesome trend, as the nation expected to transition away from dirty coal through a combination of clean renewable energy and relatively clean gas power, as happened in many advanced economies.

For a sustainable and economic transition, our energy industry and policymakers must remain committed to the path of transitioning from the dirtiest fuels to less dirty fuels alongside growing renewables. While the nation's domestic gas consumption has gone down, largely due to higher international gas prices in the aftermath of the Russia-Ukraine war, it hasn't slowed the growth of our LNG import capacity expansion, or the growth of the national gas pipeline network. Policymakers and industry must collaborate to ensure greater accessibility of gas for consumers, not only through pipelines, but also infrastructure to enable transport of LNG through trucking networks that might deliver gas more economically with last-mile connectivity. This could also potentially enable a transition of our trucking industry away from diesel, and towards cleaner LNG consumption as seen in many other nations. All this must take place alongside production of integrated renewable energy infrastructure, where solar panels are placed alongside wind turbines and even pumped hydro-storage plants for more reliable power generation, similar to projects built in Andhra Pradesh.

A similar transition must also take place in the way we consume energy on a household level. As of today, most of us cook with LPG cylinders and commute with gasoline-powered vehicles. While LPG might be less polluting than use of wood or coal, there are opportunities for using natural gas as a cooking fuel as well, something that can be enabled by the rapid expansion of city gas distribution networks. Currently, most CDG networks primarily aim to serve gas-powered vehicles and big industrial consumers, but with the rapid growth of networks it's only a matter of time before they further expand into servicing household gas demand too, further greening our cooking fuels. It is pragmatic to push for a similar phased transition in our automobile ecosystem as well. There has been plenty of hype around electric vehicles and their potential to green our economy, but their adoption has come with challenges surrounding range anxiety, pricing and supply chain challenges. There is scope for a phased transition, not only through the popular CNG vehicles, but also through adoption of hybrid vehicles, which produce much greater mileage for each liter of fuel consumed, are relatively affordable and easier to produce, and cause fewer carbon emissions than EVs powered by coal-based electricity.

As we head into a new era, India has made the right moves thus far, and reasonably balanced the needs of its planet and its people too. Yet there is always room for improvement, and a phased transition from the most polluting fuels towards relatively cleaner fuels alongside green energy would be the most optimal path to do justice towards our economy, and that too sustainably.

NAVBHARAT ENVIRONMENT CONCLAVE AND AWARDS - HINDI



नवभारत एनवायरमेंट कॉन्क्लेव एंड अवार्ड्स-2023

पर्यावरण संरक्षण और प्रदूषण मुक्ति के लिए उल्लेखनीय कार्य करने वाली हस्तियां सम्मानित

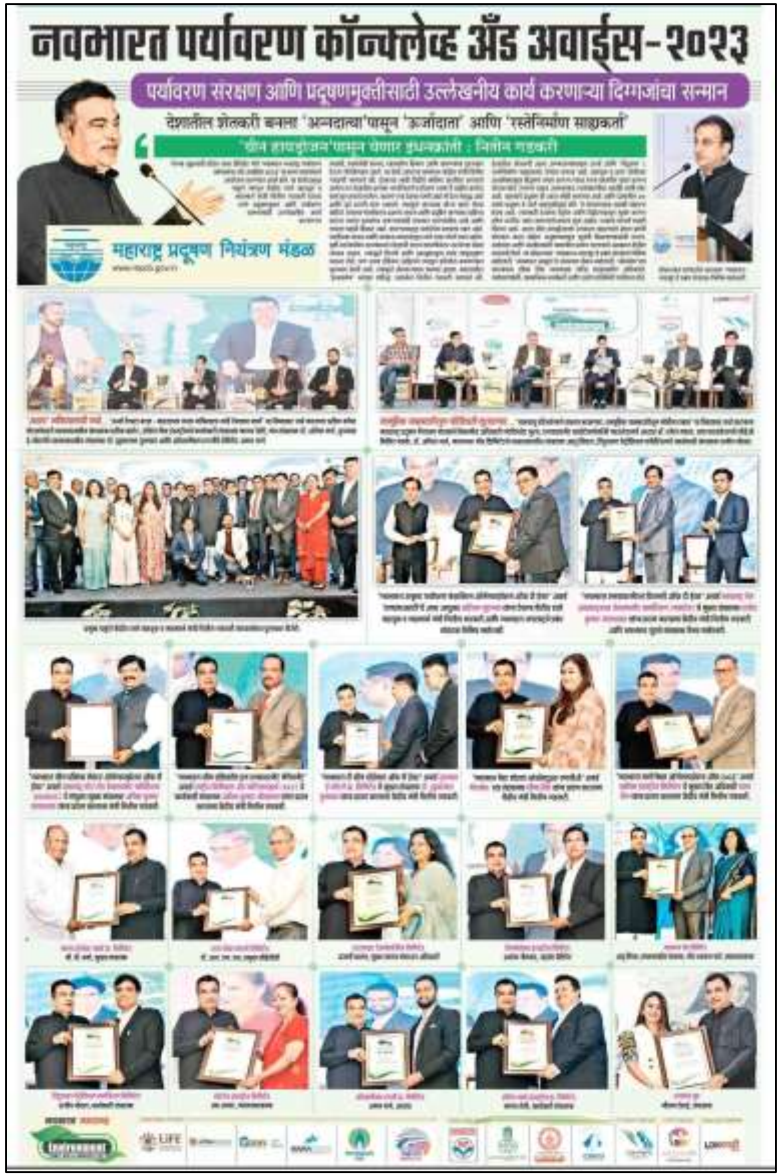
'अन्नदाता' से 'ऊर्जादाता' और 'बिटुमेनदाता' बना देश का किसान

ग्रीन हाइड्रोजन से आएगी ईंधन क्रांति : नितिन गडकरी

महाराष्ट्र प्रदूषण नियंत्रण मंडळ

नवभारत एनवायरमेंट कॉन्क्लेव एंड अवार्ड्स-2023

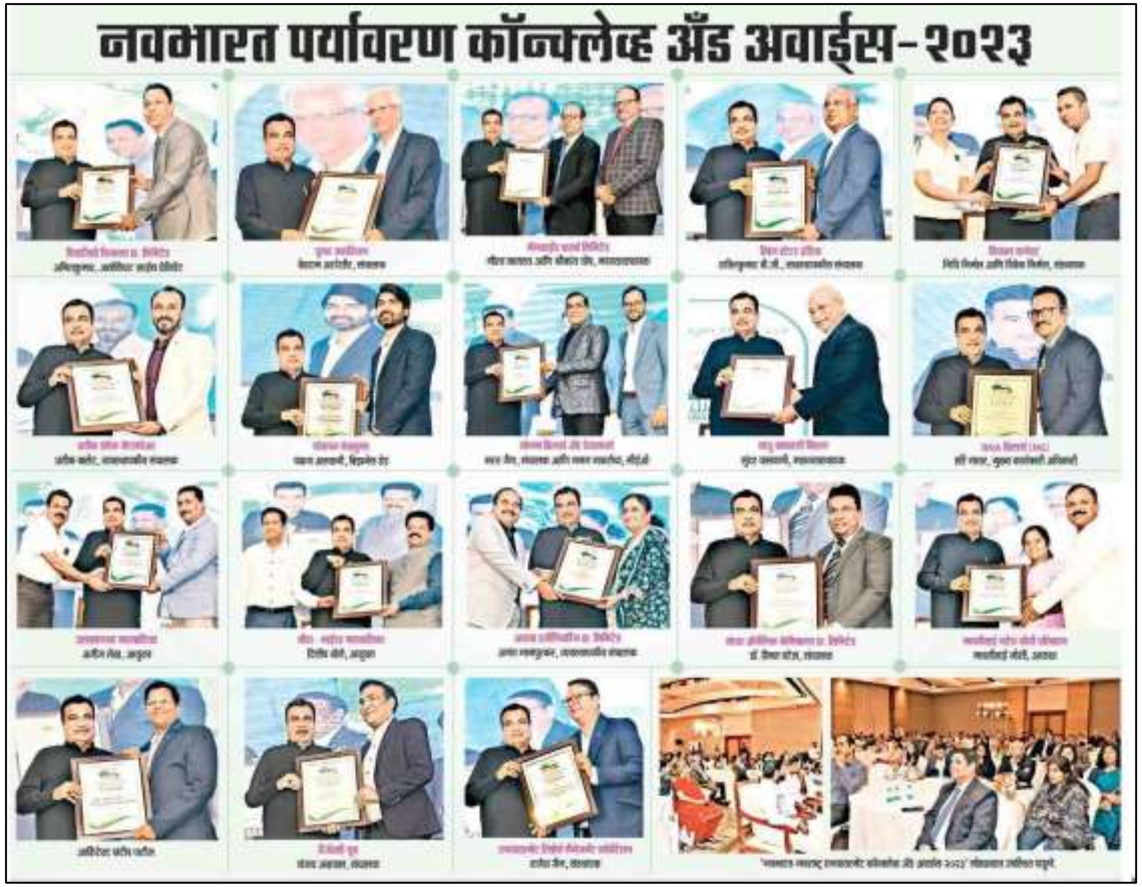
NAVBHARAT - ENVIRONMENT CONCLAVE AND AWARDS - MARATHI


नवभारत पर्यावरण कॉन्क्लेव्ह अँड अवार्ड्स-२०२३

पर्यावरण संरक्षण आणि प्रदूषणमुक्तीसाठी उल्लेखनीय कार्य करणाऱ्या दिग्गजांचा सन्मान

देशातील शेतकरी बनला 'अन्नदात्या'पासून 'ऊर्जादाता' आणि 'रस्तेनिर्माण साह्यकर्ता'

महाराष्ट्र प्रदूषण नियंत्रण मंडळ


नवभारत पर्यावरण कॉन्क्लेव्ह अँड अवार्ड्स-२०२३

BUSINESS JOURNAL

CHEMICAL DIGEST

Oilmax Energy to spend ₹600 crore in developing its Assam fields-Business Journal

Oilmax Energy Pvt Ltd will spend ₹600 crore ($75 million) over the subsequent two-and-a-half years in developing the three oil and gas fields it owns in Assam, the corporate's founder and Chairman and Managing Director, Kapil Garg, advised *businessline* on Tuesday.

The firm owns three blocks in Assam — Amguri, Duarmara, and Tiphuk. Currently, Amguri produces 2,50,000 cubic meters of fuel and 500 barrels a day of condensates (a crude oil-like liquid that comes out of the bottom together with the fuel).

- Also learn: **India's import of Russian oil scales new high in May**

Once the Indradhansh undertaking — the Northeastern fuel pipeline that's presently beneath development—is accomplished, manufacturing from Amguri could be raised four-fold, to 1,000,000 cubic meters of fuel a day, Garg stated. Four new producing wells could be drilled for this function, he stated.

In Duarmara, Oilmax is ready for approval from the State's forest division. The plan is to drill six wells to produce one other million cubic meters of fuel a day. The firm's consultants, Gaffney, Cline & Associates, have established that Duarmara has reserves of 4.1 billion cubic meters of fuel.

So, in Amguri and Duarmara, Oilmax will drill ten wells, every costing about $7 million. In Tiphuk, a discipline that Oilmax received in the DSF-3 spherical of bidding (in which the federal government auctions 'discovered small fields'), the corporate plans to drill two aspect wells, which can price $5 million.

The complete undertaking price of $75 million is to be funded from inner accruals, Garg stated, including that Oilmax is a debt-free firm.

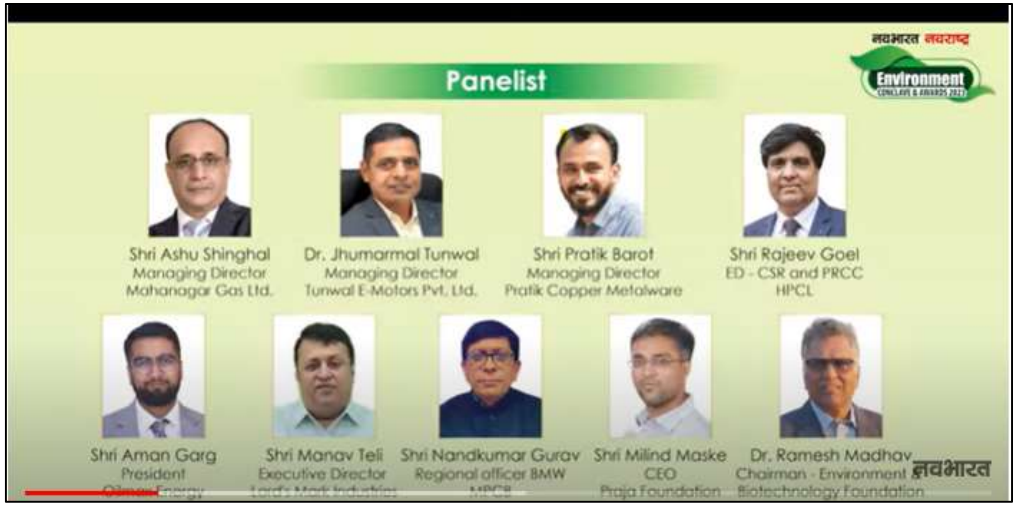
Oilmax Energy to Develop Oil and Gas Fields in Assam

Oilmax Energy owns three oil and gas fields in Assam: one each in Amguri, Duarmara, and Tiphuk. Over the next two and a half years, Oilmax Energy will invest ₹600 crore in developing these fields. At the moment, Amguri generates 500 barrels per day of condensates in addition to 2,50,000 cubic metres of gas. Once the Indradhansh project, a gas pipeline that is currently under construction, is finished, production from Amguri would increase to a million cubic metres of gas per day, and four new producing wells would be drilled to serve the purpose. However, the plant is anticipated to experience a four-fold increase in production.

As reported by Projects Today, Oilmax is awaiting approval from the state's forest department in Duarmara before commencing work on the drilling of six wells. Duarmara has gas reserves estimated to be 4.1 billion cubic metres. Ten wells will be drilled in total, with each costing roughly $7 million to drill.

The company intends to spend $5 million drilling two side wells in Tiphuk. Internal accruals will cover the entire $75 million project cost. Asian Energy Services' parent company, Oilmax, owns a 62.5 percent ownership, with the remaining 37.5 percent held by the general public.

SOCIAL MEDIA POST & DIGITAL INTERVIEW – NAVBHARAT



THANK YOU