

MIDNIGHT NEWS UPDATES

- ONGC is expected to buy out the 26% stake held by IL&FS in the ONGC Tripura Power Company (OPTC). The ONGC Tripura Power Company owns and operates a 726.6 MW gas based power plant in Tripura, which supplies power to the entire North Eastern region. ONGC already has the right of first refusal and now ONGC is likely to exercise its right and take the stake. Nearly 87% of the power capacity of the plant is under long term power purchase agreements. OPTC also has a long term agreement for procurement of gas from ONGC. The plant has the potential to expand its generation capacity to 1453 MW.
- With the GDP growth figure expected to be announced towards the end of the month, the estimates are flying in thick and fast. Rating agency, ICRA, has pegged Q4 GDP growth at 1.9% and full year growth at 4.3% for FY20. GDP had grown at 6.1% for the fiscal year 2018-19. However, the economy went into lockdown only from 24 March so the impact would be limited in this quarter. However, the estimates are more pessimistic for the next fiscal year. Indian economy is expected to show deep negative growth in Q1 and Q2 of FY21 and it is also expected that the full FY21 will also close with negative GDP growth.
- India may look to store some low priced US oil in the US itself as India is running out of storage space. Low prices of crude have spurred many countries to accumulate strategic petroleum reserves at lower levels. However, storage space is a big constraint. While oil prices have doubled from the recent lows, it is still nearly 60% down since the beginning of the year. India currently has storage capacity of 5.33 MT and an additional 9 MT is parked in ships in the high seas. Stored oil is already 20% of India's annual oil needs so the situation is comfortable. India plans to expand the storage capacity to 6.5 MT soon.
- Veteran industrialist, Anand Mahindra, has noted that another extension of the lockdown by the Indian government could be disastrous for the Indian economy. Mahindra had favoured lifting the lockdown after 49 days but at that point it was not feasible. Mahindra also pointed out that another lockdown will not help and will only exacerbate an economic, medical and humanitarian crisis in India. He also pointed out that extending the lockdown any further would be akin to economic hara-kiri. The Coronavirus have been burgeoning in India at a rapid pace in the last few weeks with Delhi and Mumbai worst impacted.
- Direct tax collections up to 23 May were down by 13% compared to the similar period last year due to the impact of the pandemic and the lockdown. However, the net tax collections were up by 39% due to a virtual halt in disbursement of refunds. Due to lower issue of refunds, the net tax collection situation actually looked relatively better. However, these numbers can be misleading since the last date for payment of taxes in this fiscal year had been extended from March 31 till July 31. The RBI has already warned that India was likely to report negative growth in GDP in FY21 and that was likely to negatively impact the direct tax and indirect tax collections in a big way. Refunds worth Rs.53,000 crore were picked for scrutiny by the Income Tax Department and that explains the delay in refunds.
- NCDEX, India's leading commodity exchange dealing in agri futures, will launch the agricultural index, AGRIDEX, on Tuesday 26 May. The AGRIDEX represents the index of agri products grown in Indian and hence is not representative of any external global benchmark. The AGRIDEX will have a base value of 1000 and will comprises of 10 commodities including soybean, chana, coriander, cottonseed oil cake, guar gum, guar seed, mustard seed, refined soy oil, castor seed and jeera. This will cover key crops across Rabi and Kharif seasons and will be a safer asset class to deal in for retail investors.

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