Industry Monitor

Oil & Gas

Vol.511 **November 2005**

In Focus – The Subsidy Burden- Is it justified?

Inside this Issue

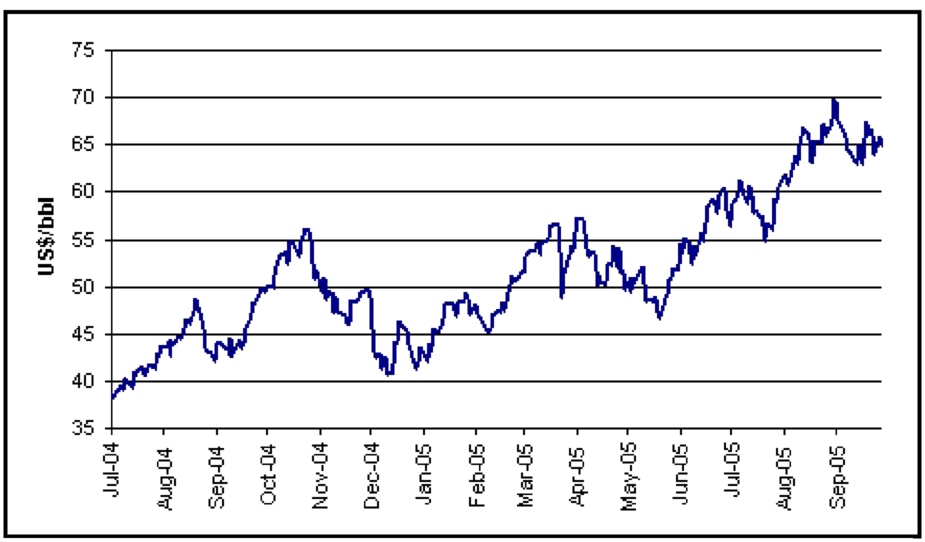
ONGC goes for insurance cover

The board of Oil and Natural Gas Commission (ONGC) has gone for a special insurance cover of Rs100 crore to keep the Foreign Institutional Investors (FII) at bay. The company apprehends litigations from FIIs who have raised questions about the company's profitability given the high subsidy payout. ONGC is expected to shell out a hefty Rs 12,000 crore as part of the subsidy sharing decision of the government. ONGC has taken a directors' and officials liability cover of about Rs100 crore this year. The company had taken a similar cover during the IPO when it had marketed the issue in the US.

Crude Realities

The Oil and Gas sector in the country has reached a stage where no two companies can grow together. Loss of one is gain for the other. For example rising oil prices is like boon for ONGC on one hand but on the other it is a bane for Oil Marketing Companies (OMC). In the first quarter of the Financial Year ending 31st March, 2006 most of the oil marketing companies have witnessed a fall in profits and are expected to stage a relatively worse performance in the second quarter as well. ONGC though will benefit from the jump in crude oil price but will be negatively impacted because of the increased subsidy burden and loss of production due to a major fire on Mumbai High.

Trend of Oil Prices



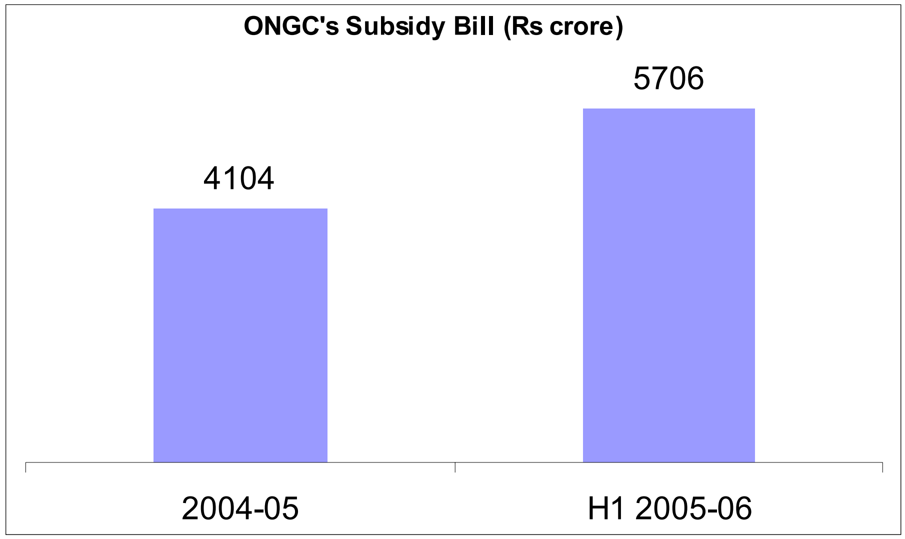
Source: Bloomberg

A look at the crude oil (WTI) price movement during the last one year clearly shows that the prices touched an all time high figure of US$70/barrel during the period between August 2005 to September 2005 and since then have been hovering around US$ 65/barrel. This is an increase of approximately 50% from the prices during the same period last year.

The Government of India (GoI) has increased the prices of petrol and diesel by only 18.1% and 26% respectively. This reluctance to increase the prices of auto fuels in line with the international prices has led to huge under recoveries on auto fuels. These products as per the earlier subsidy sharing mechanism were supposed to finance one-third losses on cooking fuels (SKO and LPG) under recoveries. Now with under recoveries on these products added with huge under recoveries on cooking fuels most of the oil companies are expected to generate losses in the second quarter.

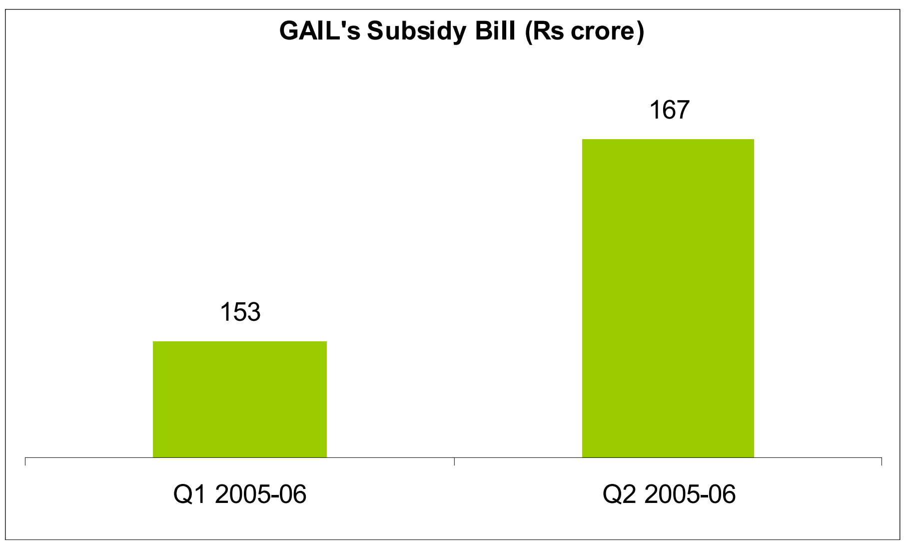
In order to reduce the loss of oil marketing companies due to rise in global oil price,s government of India changed the mechanism of sharing subsidy during Q1 FY06. But recently the Union Ministry of Petroleum and Natural Gas has asked ONGC to share Rs2,830-crore subsidy burden in the second quarter as well. With this, the company will share a subsidy bill of Rs 5,706 crore during the first half of 2005-06. This is against a total subsidy bill of Rs 4,104 crore paid for the full year of 2004-05. ONGC is set to give a discount of almost $17 a barrel to oil companies as part of the subsidy sharing. The company would be selling the crude at $42 a barrel, compared to the international average of $59 a barrel.

The subsidy burden, which has increased by 187% in one year alone, is expected to make a severe dent in ONGC's profits in the second quarter. ONGC registered a net profit of Rs 3,383 crore during the second quarter of the last fiscal. The company had registered a 43 per cent rise in net profit in the first quarter of this year to Rs2,308 crore even after paying a subsidy bill of Rs2,876 crore.



Source: Cygnus Research

Similar is the case with GAIL India Ltd. The company will bear a subsidy burden of Rs167 crore for the second quarter of 2005-06 on sale of cooking gas and kerosene by oil marketing companies. GAIL's share in the subsidy burden on sale of cooking fuel in the April-June quarter was Rs153 crore. It is not only ONGC or GAIL that are bearing the heat most other Oil Marketing Companies (OMC) are also expected to show a negative growth during the second quarter.



Source: Cygnus Research

Representatives of FIIs, whose holdings are now in the region of about 8%, in ONGC have raised several questions on the subsidy policy and its impact on the company's earnings. It is now feared that investors may challenge the company's stated policy of subsidy sharing being an adhoc measure which the company announced earlier. ONGC says that it has gone in for the insurance cover as investors are demanding clarity on the issue of subsidy and the company has no definite answer.

The government's initiatives

The government is exercising strict control over the Oil Marketing Companies, preventing them from setting market-related prices for their main products - petrol, diesel, cooking gas and kerosene - and asking them to share more than 90 per cent of the subsidy burden on the latter two products. In fiscal 2004-05, the total subsidy on the two products was Rs 21,400 crore. Of this, the government's budgetary contribution was just Rs 3,550 crore, or 17 per cent, with the remaining 83 per cent coming from the oil companies.

… Oil bonds are no solution

The government has issued oil bonds but the issue of oil bonds is unlikely to be of much help in boosting the cash flows of these companies, which have begun to sag in the last four months. The bonds may at best result in a reclassification of assets from receivables to investments. The increasing borrowings will push up financing costs for the companies, which are already talking of postponing their major investments for better times.

Outlook

The bullish trend for crude oil prices is intact. Tight supply and demand equations, a capacity squeeze, the hyper growth gas-guzzler economies of China and India and hurricanes in the Gulf of Mexico the list is long. The future is bleak. Though these threats are largely nothing more than that, the fact is that if the current liquidity crunch continues, these companies may indeed be forced to go slow on their investments, which is not good news for the country's energy security. The increase in oil prices should convert into a strong growth in topline for ONGC, only to be restricted by surging subsidy burden. GAIL earnings will also adversely get affected because of subsidy burden.

News Briefs

AMERICAS

USA- Mahalo Energy Enters Acquisition Agreement

Mahalo Energy Ltd. has announced that it has now entered into a definitive Purchase and Sale Agreement to purchase land and producing assets in the Arkoma Basin, Oklahoma, USA and is pursuing the final round of due diligence with a private US energy company as previously announced on September 23, 2005. The effective date of the transaction will be August 1, 2005. The total consideration of USD $24,500,000 (less the cashflow from August 1, 2005 to close) consists of 59 percent cash and 41 percent equity. The seller has agreed to an escrow period on the share component of 9 to 12 months. Mahalo has determined the amount of land is more than originally released, now upgraded to 185,000 gross acres (45,000 net acres). These lands have been tested and developed commercially for the Caney/Woodford shale and coalbed methane (CBM) horizons. The lands will create a new core area for Mahalo adjacent to the Corporation's existing fields in the area. The closing of this transaction is expected to occur on November 3, 2005. The cash portion of the acquisition and balance of the 2005 capital program will be funded through existing cash-on-hand and through Mahalo's credit facility.

USA- Transworld Announces Joint Venture Update

Transworld Oil and Gas Ltd. has announced that the company has negotiated a direct interest, rather than an indirect interest, via an equity interest as indicated in a previously signed LOI. The project is located in the Komi Region, which is located in Russia's European North bordering the Arkhangelsk, Kirovsk, Perm, Sverdlovsk and Tyuman Regions. The Komi Republic's economy is based on extraction of natural resources. The republic currently extracts oil, gas, and coal. Komi also has a major oil pipeline; Usa-Ukhta-Jaroslavl and "Lights of North" gas pipeline. Production is expected to be increased from present levels to a projected 1,000,000 barrels per month. Further exploration will take place to delineate total unproven reserves. All production is expected to be sold and shipped to China.

Canada- Newmex Minerals acquires a heavy oil development project

Newmex Minerals Inc. has announced that it has entered into an agreement with the unit holders of San Miguel Development Ltd. (SMDL), a limited partnership with assets based in South Texas, for the acquisition of SMDL's 50% interest in the San Miguel Heavy Oil Field Development. The acquisition positions the Company for the development of a large, shallow depth, heavy oil deposit located in the Maverick Basin in South Texas. With The Exploration Company of Delaware, Inc. (TXCO), a mid-sized San Antonio based oil operator, as a participant pursuant to the terms of a February 1, 2005 participation agreement, pilot testing operations are underway, and cyclic steaming operations are expected to begin by the end of 2005. The San Miguel sandstone, heavy oil deposit in South Texas is a large, well defined resource containing some 2 to 3 billion barrels in place as estimated by the Bureau of Economic Geology, The University of Texas at Austin.

LATIN AMERICA

Argentina- Strike to paralyze the oil and gas sector

Nearly 85 pct of Argentina's gas activity and 70 pct of the oil sector will be paralysed by the strike called by the unions representing workers in the private oil and gas sector. The strike has been called over a pay claim for all oil workers in line with one granted to workers in the Chubut province. Chubut workers were awarded pay rises of 260 pesos a week ago. According to a report, shortages in gas and oil supplies could appear if the dispute lasts over seven days.

EUROPE

Britain- Cambrian Oil & Gas Acquire Interest in Elko Energy

Cambrian Oil and Gas Plc has acquired an interest in Elko Energy Inc., a private Canadian oil and gas exploration company that is pursuing petroleum exploration opportunities in Europe and other locations. On 6 October 2005 Elko was granted a 5,000 sq km offshore exploration license in the Danish North Sea and it plans to bid for other acreage in the same region. The company believes that the investment provides an attractive entry price to an exciting exploration program with the potential quickly to gather significant value.

Austria- OMV sets new targets for 2010

Austria based OMV Aktiengesellschaft has set new targets for the company growth until 2010. After achieving its 2008 goals ahead of schedule, the company now aims for a production volume of 500,000 Barrel of Oil Equivalent (boe) per day by 2010 and for further expansion of its Refining and Marketing business in the EU accession area. In addition, OMV will run an international gas business marketing 20 Billion Cubic Meters (bcm) of gas by 2010. OMV is the largest oil and gas group in Central Europe, with oil and gas reserves of approx. 1.4bn boe. Daily production has risen to approximately 340,000 boe which was 78,000 boe in 2001. Annual refining capacity is at 26.4mn tonnes. OMV has 2,457 filling stations in 13 countries and a market share of 18% in the Danube region. The volume of marketed gas has risen to 8.4 bcm in 2004 from 6.6 bcm in 2001. The market capitalization has risen to EUR 15bn from EUR 2.6bn in 2001. The Group wants to build upon continued growth and boost its profitability potential.

Kazakhstan- KazMunaiGaz increased production by 5.5 percent

National Oil & Gas Company KazMunaiGaz increased production of oil and gas condensate from January to September 2005 by 5.5 percent to 6,987 million tones from 6,622 million tones for an accounting period last year. For the full year 2005 it is planned to produce 9,32 million tones of hydrocarbons. The volume of oil processing at Atyrausky Refinery over the nine months came to 2,765 million tones, up 25.7 percent from the same period last year. The volume of oil transportation via KazTransOil system for an accounting period reached 28,119 million tones, down 1.2 percent from the same period a year ago.

MIDDLE EAST

UAE- Dana Gas float triggers a massive cash stampede

Dana Gas, UAE's first private sector natural gas company has received a very positive response for its IPO. Nearly half a million private investors have snapped up shares in the company raising a staggering US$78 billion. The IPO was over subscribed by 140 times and raised a total of US$78 billion (AED288 billion). The float was only expected to raise US$3.6 billion (AED2 billion). Market observers say the implications of such a huge investment within the region are massive. HSBC bank, the lead arranger for the share issue is already reaping the rewards as it will earn nearly US$40 million in just three weeks for holding onto the subscriber's cash while the applications are processed. The huge outflow of cash from Saudi Arabian investors even affected the Riyal's value on the international money markets as analysts have expressed stability fears.

Qatar- Demand for GE gas trains on rise

Qatar has ordered for five more General Electric gas trains in order to achieve its plan to become the world's biggest producer of LNG by 2012. Qatar holds around 15 per cent of the world's proven natural gas reserves, and ranks third after Russia with 31 per cent and Iran at 16 per cent. The Qatar North Field is famous as the largest single reservoir of non-associated gas in the world. Because of its huge investment in the LNG infrastructure since the accession of Emirates in 1996 it will more than likely overtake Indonesia as the world's largest exporter of LNG by as soon as 2007. Energy investment in Qatar will total at least $50 billion up to 2010, with $15 billion alone being spent on 70 LNG tankers to export the gas.

AFRICA

Kenya- Kenya and Chinese firm to sign oil agreement
Kenya will sign an agreement with China's CNOOC Ltd next month to prospect for oil and gas in six blocks in the north and South of the country. The country hopes to sign a production sharing contract for six blocks with CNOOC of China by the middle of November, 2005. According to officials the talks with CNOOC Ltd was part of the government's strategy to turn to the Far East for investment. The entry of CNOOC, China's top offshore oil producer, will be the latest of a growing list of foreign firms tapping Kenya's market. Australia's Woodside Petroleum Ltd. is already active in the country.

ASIA-PACIFIC

Malaysia- Tractors Sees Growth in Solutions for Oil and Gas Sector
Tractors Malaysia Holdings Bhd expects its technical services operations division to achieve improved growth for its financial year ending June 2006. The company expects a double-digit growth because of its increased activities in the oil and gas sector. The company's participation in the industry has also increased. The company is also in talks with Terberg Benschop BV, one of world's leading manufacturers of terminal tractors for a joint venture. The proposed joint-venture company will manufacture terminal tractors at company's facility in Pasir Gudang. It would also be responsible for the distribution of Terberg-branded products in 42 countries in the Asia-Pacific region, including India and China.

Japan- Japan, in Contest with China
Japanese officials have decided to urge Russian President Vladimir Putin to accelerate plans to build an oil pipeline to Japan. They are mainly concerned that China will receive most of Siberia's $18 billion in annual oil and gas exports. President Putin has already stated that Russia will first build a pipeline from East Siberia to China and then a smaller line to the Pacific coast near Japan. Russia's gas- exporting monopoly, OAO Gazprom, wants to make China a priority in Asian sales. At stake is untapped oil that would supply Japan for nine years, and enough gas to meet the nation's needs for seven decades. Japan plans to use a visit by Putin to Tokyo next month to push for an $11.5 billion Siberian oil pipeline directed to the Pacific, and not China.

China- PetroChina's Oil,Gas Output on the rise
PetroChina Co., Asia's largest integrated oil firm, has declared that its oil and gas output in the third quarter has risen by 5% on year, with its refineries running at full capacity on China's continuing strong demand for energy and petroleum products. PetroChina stated that its oil and gas output has risen to 241.6 million barrels of oil equivalent, or BOE, in the three months ended Sept. 30, up from 229.6 million BOE reported for the same period last year. Oil output has risen to 1% to 198.8 million barrels, while output of natural gas rose 32% to 257 billion cubic feet. China is promoting natural gas as an alternative fuel. The company's average realized selling price for oil in the first nine months this year has risen by 50.1% to US$47.35 a barrel from US$31.55 a year earlier, due to high global oil prices. PetroChina, China's second-largest refiner by capacity after Sinopec.

India- GSPC signs up for Oman's oil & gas exhibition
Gujarat State Petroleum Corporation (GSPC)of India and the Sharjah-based Petrofac are among the growing number of companies that have recently confirmed their participation at Oil & Gas West Asia (OGWA) 2006, which will be held at the Oman International Exhibition Centre on April 10-12, 2006. Gujarat State Petroleum Corporation (GSPC) will showcase the impressive growth it has achieved over the last few years. From an operator of small fields in Gujarat, it has rapidly grown into a world-class oil and gas exploration and production company. GSPC constructed the first and only land-based drilling platform in India, and the company currently manages a total of 21 fields or blocks in the subcontinent. The company sees the exhibition as an opportunity to feature its multi-dimensional operational framework that focuses on exploring, developing and harnessing newer energy sources to meet India's growing energy requirements.

India- ONGC in talks with BP

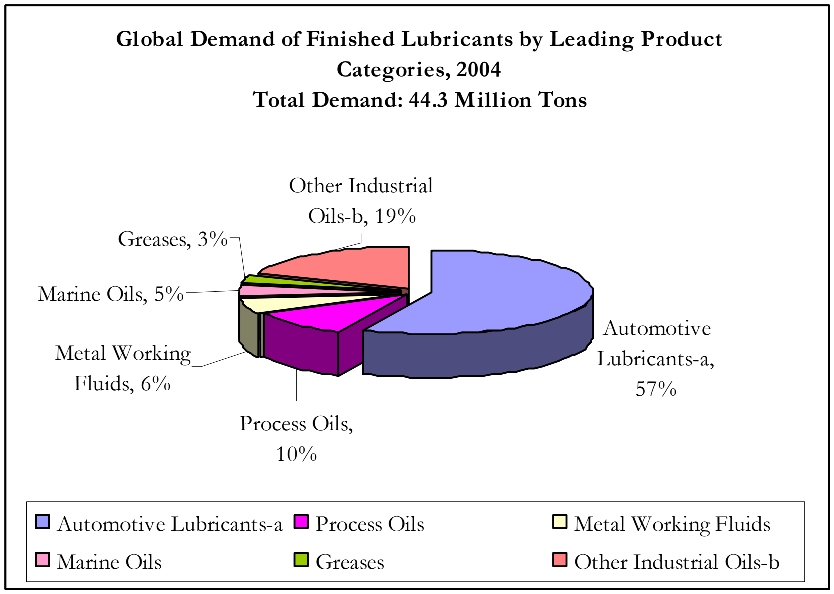
Oil and Natural Gas Commission Ltd (ONGC) chairman Subir Raha has said that the company was in touch with British petroleum (BP) for exploration collaboration in India and overseas. With regard to the capex on retail for the company, the sources said the company has earmarked Rs 25-50 crore as part of their retail expansion plan. Its annual capex for FY-06 is Rs 12,000 crore out of which the company has earmarked Rs 25-50 crore as part of our retail expansion plans. OVL is eyeing acquisition of several medium-sized oil and gas firms in central Asia, Africa and Eastern Europe and may need upwards of $2 billion for each acquisition. Such huge fund requirement has forced the parent firm ONGC to get shareholders' approval for raising borrowings limit to Rs 65,000 crore.

Product Scan – Lubricant

The Global Lubricant Industry

Worldwide, more than 50 million tons of lubricants are consumed annually. Automotive engine lubricants comprise approximately 50% and hydraulic fluids with transmission oils 30% of lubricants volume-wise.

Automotive lubricants accounts for and estimated 57% (automotive engine oils are estimated to be 85% of the automotive lubricants) of this global demand followed by process oils, metalworking fluids and other (others include hydraulic oil, gear oil, turbine oil and others)

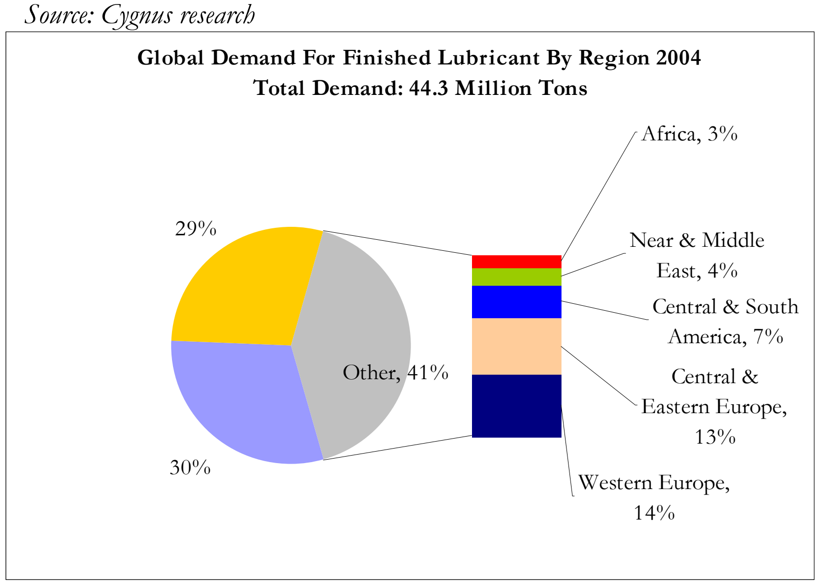


Source: Cygnus research

Increasing Demand a Bone or Bane

US, China, Russia Japan, and Germany are the five largest lubricants consuming countries in the world from a volume stand point. However from the performance standpoint, the Western Europe market is the most advance market consuming the most significant volumes of higher performance lubricants in the world followed by North America and than Japan.

Developed nations, lubricants consumption contribute to nearly 1/4 of total pollution released to environment.



Source: Cygnus research

Lubricant Characteristics

A lubricant (colloquially, lube) is a substance (usually a liquid) introduced between two moving surfaces to reduce the friction and wear between them.

Lubricant Types

- Oil is the basic lubricant. Different types of petroleum-based and synthetic oils are the following: diesters, silicone polymers and fluorinated compounds. In general, diesters have better low temperature properties, lower volatility and better temperature/viscosity characteristics than petroleum-based oils. Silicones and fluorinated compounds possess even lower volatility and wider temperature/viscosity properties.

- Grease is an oil to which a thickener has been added to prevent migration from the lubrication site, resulting in longer life. It is used in situations where frequent replenishment of the lubricant is undesirable or impossible. The operative properties of grease depend almost wholly on the choice of base oil.
- Solid film lubricants are any non-fluids used to prevent wear and reduce friction. They can range from simple sacrificial cages to graphite powder and ion sputtering. Each type must be engineered for the specific application. Solid film lubricants have definite advantages. They are very useful in areas of temperature extremes, vacuum, radiation, pressure or harsh environments where conventional lubricants would fail. In addition, these lubricants do not deteriorate in storage.

Oils and Base Fluids

Petroleum Lubricants	Synthetic Lubricants	Silicone Lubricants	Per fluorinated Polyether
Excellent load carrying abilities	Resist oxidation	Less film strength than diesters	Stable at high temperatures
Moderate temperature range (-25° to 250°F)	Wide temperature range (-65° to 350°F)	Wide temperature range (-100° to 400°F)	Wide temperature range(- 112° to 400°)
Greases with petroleum oil bases have high dN capability (recommended for light to heavy loads and moderate to high speeds)	Less film strength than petroleum oils	Tend to migrate	Chemically inert and Low vapor pressure(10^{-9} torr)

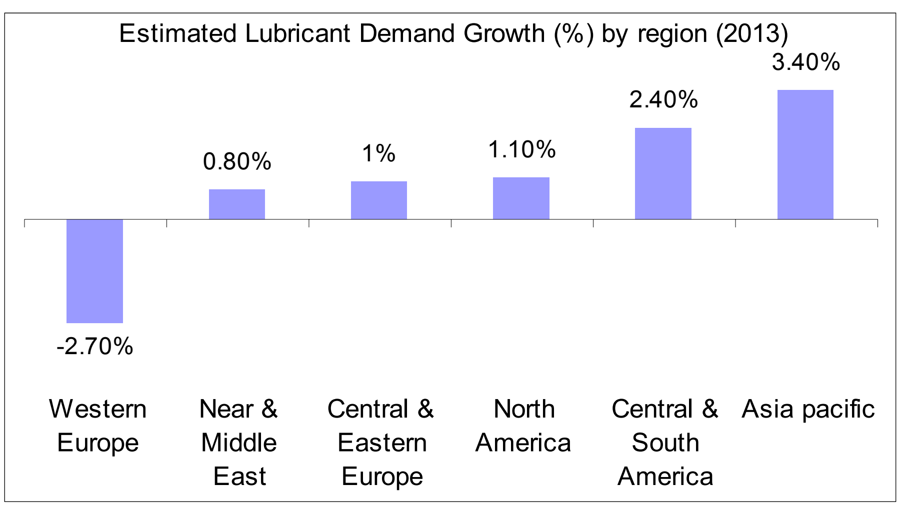
Speed Factor

The maximum usable operating speed of a lubricant is dependent on the type of base oil. The speed factor is a function of the bore of the bearing (d) in millimeters (mm) and the speed of the bearing (N) in revolutions per minute (RPM) where: dN = d (bearing bore, mm) x N (RPM)

Type	dN	Temperature Range °F (°C)
Petroleum	600000	-25 to +250 (-32 to +121)
Diester	400,000	-65 to +350 (-54 to +177)
Silicone	200,000	-100 to +400(-73 to +204)

Future Outlook

Looking ahead to the 2013 horizon, the global lubricants market is forecast to grow by 1.4%. The Asia pacific region is predicted to show the most volumetric growth followed by south and Central American region. China and India are expected to lead the phenomenal growth and are expected to become the lead lubricant consuming countries from a volumetric standpoint in the next twenty years. On the other hand, the developed regions western and north Europe, north America, and Japan are predicted to stagnate or even decline significantly due to some trends that have and are negatively impacting



Source: Cygnus research

lubricant consumption in the region.

Company Scan – BP

Hurricanes cut BP profit by estimated $700 million

BP announced that the impact from Hurricanes Katrina and Rita would produce a profit shortfall of $700 million in the third-quarter, and that they likely would not meet production targets for the year.

Shares of BP slipped by more than 1%.This isn't the first setback BP has faced this year; their Texas City refinery, which was shut before Hurricane Rita arrived, and may not reopen until November, was the site of a deadly explosion back in March.

Overview

BP one of largest company in Britain and also the world's largest oil and petrochemicals group.

BP owes its origin to one man, William Knox D'Arcy, who, shortly after the turn of the century, invested time, money and labour in the belief that worthwhile deposits of oil could be found in Persia (now known as Iran).

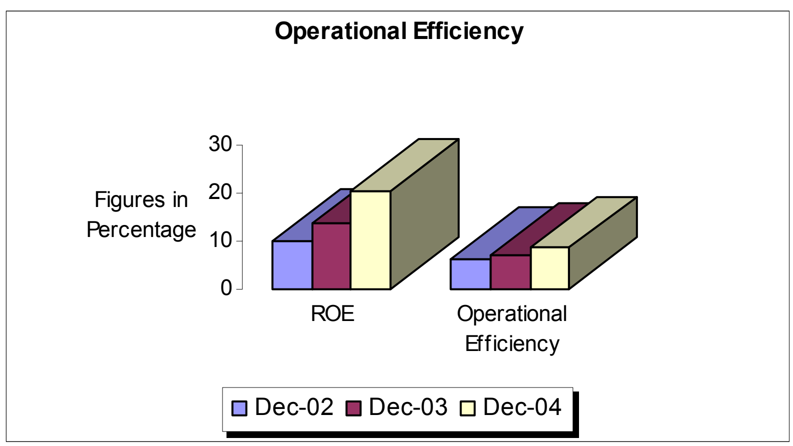
Company's first six decades, its prime focus lay in the Middle East. But from the late 1960s the centre of gravity shifted westwards, towards the USA and Britain itself. However, the BP of today is an international company, having operations in over 70 countries. Its key strengths are in oil and gas exploration and production; the refining, marketing and supply of petroleum products; and the manufacturing and marketing of chemicals. It supports all its businesses with high quality research and technology.

BP is divided into three main business segments:

- Exploration and Production
- Refining, Marketing and Gas
- Power and Renewables.

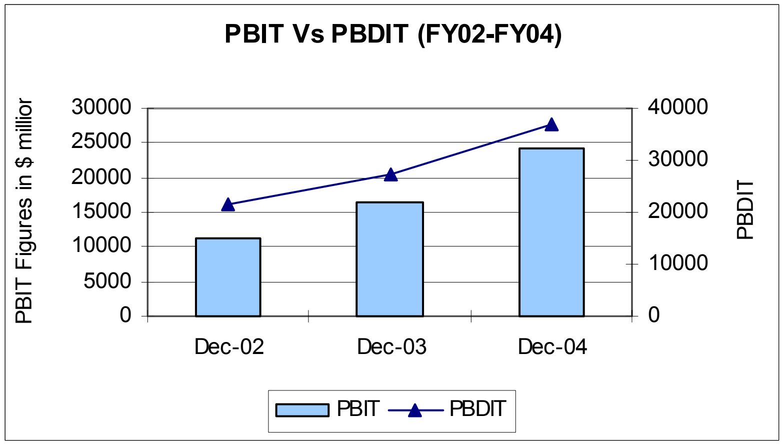
Operational performance

As we can see form the adjacent graph there is an increase in operational efficiency, which is affecting the net income of the company to show the positive trends in the growth, which in turn is adding more value in the shareholders' wealth. It can further be substantiated by looking the increasing trend of return on equity (ROE) which in the current financial year is 24.4%. This also means that the labour productivity and efficiency has increased in the company. And if it continues to be like this it will generate more and more profit for the company in the future.



Source: hoovers.com

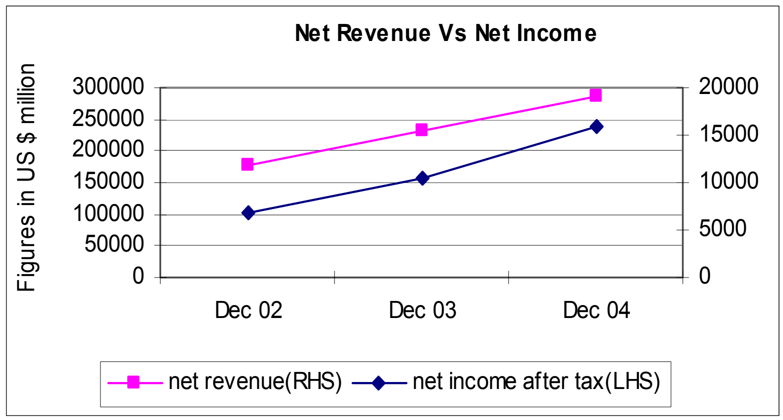
The British petroleum the company has shown the increase of 21.1% in the revenues of the company in last three years, not only the company revenue is growing the company profit is also on a continues growth from the last three years and this year also the company is expecting a constant in the profit volume. Company in its FY05 has shown a growth of 53.2% in the net income with only a .08% growth in the employee strength.



Source: hoovers.com

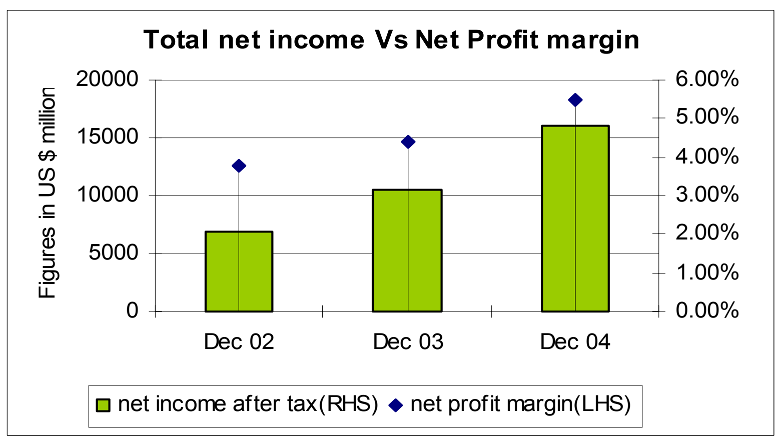
Financial performance

Company profitability, which has grown upwards reflect the strong chemical industry worldwide. For just the first six months of 2005, sales were $11.1 billion, and operating profits were $863 million (before a $21 million restructuring charge). That's more than twice the profit the company made last year; for all of 2004, it logged operating income of $405 million (before $345 million in asset impairment and restructuring charges).



Source: hoovers.com

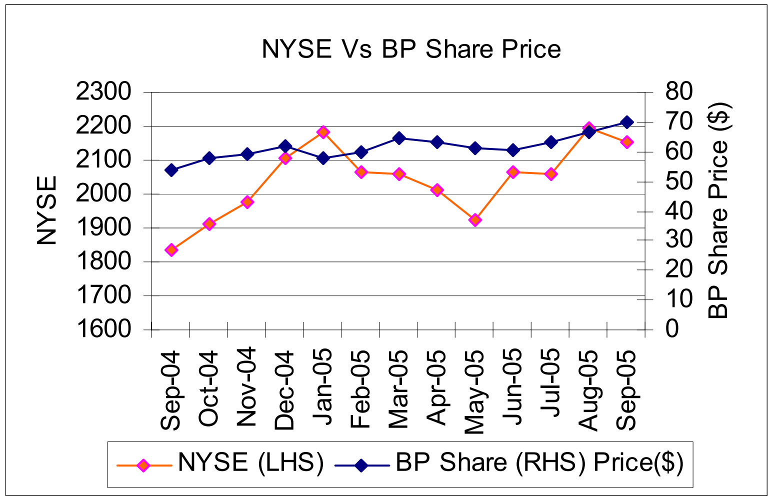
A close look on overall BP production in 3Q'05 is expected to be lower than 2Q'05 reflecting the impact of Hurricanes Katrina and Rita in the Gulf of Mexico and the planned maintenance season primarily in the North Sea, which was higher than the 3Q'04 level.



Source: hoovers.com

Stock performance

In the last one year the company stock has climb up 29% as compared to the last year Sep share price. But with the present scenario it looks like the expectation and the perception gap of the company and the investors is increasing.



Source: investorsguide.com

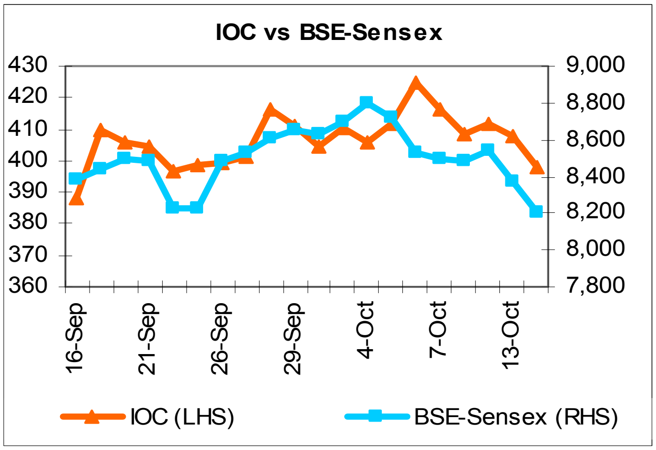
- Workers at a BP refinery in France have gone on strike, threatening to close the refinery altogether.
- As a result of the explosion in March, the Texas City refinery needs to be upgraded as a part of a $21 million settlement with the Occupational Safety and Health Administration.
- Hurricanes impact has caused the company to fall short of distribution goals by 300,000 barrels a day.
- Although the recent news is disappointing, the company is expecting investors to look beyond the immediate setbacks to see BP as a profitable investment in the long term. The company's pre-tax profits had been expected to be around $31 billion for 2005. In addition, the recent trend of higher oil prices will help buffer the impact of the hurricanes. BP Plc has a joint venture with Yukos Oil Company, which is based in Russia. The venture received positive news recently when a court slashed a $140 million back tax assessment.

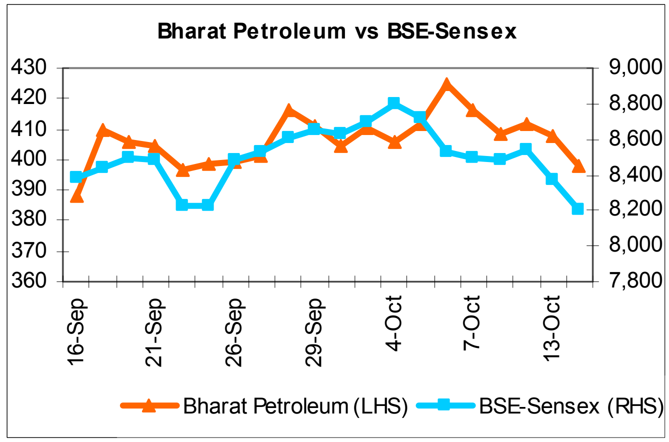
Future outlook

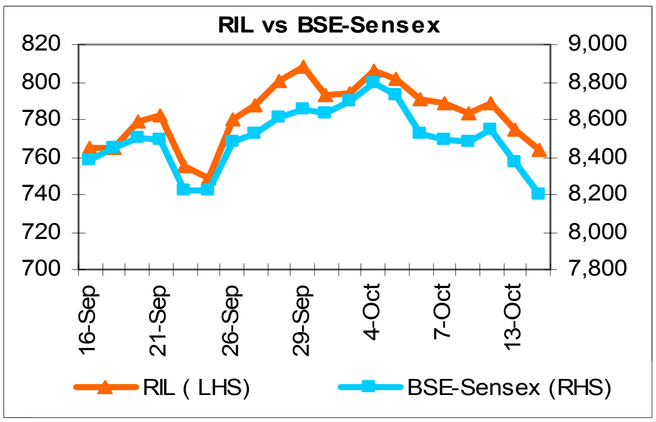
Strategic plans

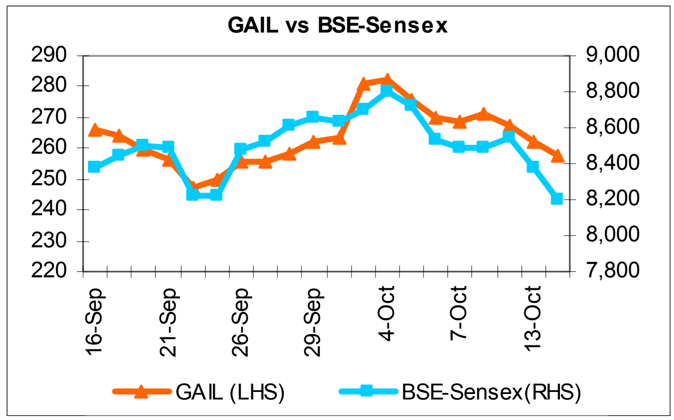
- For the **resources business:** BP is looking to build production with steadily by improving cash returns, at $20/bbl, by investing in the largest, lowest cost, new hydrocarbon deposits and managing the decline of the existing production assets.
- For the **customer facing businesses:** they are looking to expand gross margin s capture from customers, improve quality to offset competitive forces in order to grow cash flow, while keeping underlying cash returns at least constant.

Stock Scan









Source: BSE India; Cygnus Research

Volatility on the Sensex

This was a month of Bull Run on the Sensex for the initial half though. For the month starting on 16th September, 2005 to 14th September, 2005 the Sensex started at 8381 points and touched an all time high of 8799.96 by 4th October, 2005. This was mainly on the basis of large investments by the FII's. But after that it started falling and ended at 8201.7 points on 14th October, 2005. October was the month of second quarter results of most of the companies. This resulted in slow FII investment. In the month of October 2005, FIIs have sold shares worth a net Rs 707.60 crore.

Global emerging markets have witnessed outflow of funds in the past few days on expectation of increase in US interest rates. A lot of money had flowed to global emerging markets over the past two years or so due to low yields in US and Europe. Higher US rates means less foreign capital enters higher-yielding but riskier emerging markets in search of better returns.

Company Performance

The biggest gainer among all the four major oil and gas companies was with IOC. The overall change in IOC share price was close to 4% rising from Rs434.65. This comes on IOC's decision to buy 11,500 tonnes of fuel. IOC issued tenders to buy 11,500 tonnes of fuel for delivery to its three ports.

Share price of Bharat Petroleum rose by 2.5% from Rs388.25. The company has stated that it would be pumping in Rs 450 crore for retail expansion during fiscal year 2005-06. BPCL is the second largest oil marketing company in the country.

The losers were in the form of GAIL and RIL with GAIL losing 3.04% and RIL a small 0.1%. GAIL is basically suffering from increased subsidy burden of kerosene and LPG. Even though the government has increased petrol and diesel prices but it is still to increase kerosene and LPG prices due to pressure by the left parties

Outlook

The future performance of the major oil and gas companies depends on their second quarter results. As per the expectations the future is also not too great. With most of the oil marketing companies expected to go in red or else will have huge drop in profits. One has to wait and watch.

Upcoming Events

1.	**Event**	**9th Annual Africa Downstream 2005**
	Date	November 07, 2005
	Venue	Arabella Sheraton Hotel Cape Town,
	Highlights	Key priorities include Africa's downstream future, and leading issues and projects in refining, supply-demand and distribution, petrochemical developments
	Contact Details	Website: www.petro21.com Email: duncan@glopac.com
2.	**Event**	**Strategy Briefing 2005**
	Date	November 08, 2005
	Venue	Victoria & Alfred Hotel Cape Town,
	Highlights	Africa's gas-LNG interests and future upstream outlook.
	Contact Details	Website: www.petro21.com Email: duncan@glopac.com
3.	**Event**	**Sand Control And Management Asia 2005**
	Date	December 6-8, 2005
	Venue	Mandarin Oriental Hotel Kuala Lumpur Malaysia
	Highlights	This 3-day forum will bring together global experts - to discuss how they have increased their profits and mitigated the risk of sand failure
	Contact Details	Phone: 65 6722 9388 Fax: 65 6720 3804 Website: www.oilandgasiq.com/AS-3190/web Email: enquiry@iqpc.com.sg
4.	**Event**	**Global Floating Production Systems**
	Date	December 8-9, 2005
	Venue	Cafe Royal London, Britain
	Highlights	This year's event will provide a truly global view of today's floating production markets. As well as reviewing the traditional FPS regions of the North Sea, Brazil, Gulf of Mexico and West Africa, the 2005 event will provide an insight into the emerging regions of China, India and Australia
	Contact Details	Phone: +44 (0) 20 7017 4319 Fax: +44 (0) 20 7017 4981 Website: www.ibcenergy.com/fps Email: suzanne.kaye@informa.com

5.	**Event**	**Pipelines Middle East**
	Date	January 16-17, 2006
	Venue	Crowne Plaza Abu Dhabi
	Highlights	The event provides the only forum where one can hear proven case studies to help extend the life of aging pipelines.
	Contact Details	Phone: +65 6722 9388 Fax: +65 67220 3804 Website: www.oilandgasiq.com/AS-3185 Email: enquiry@iqpc.com.sg

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QPAC: **Quarterly Performance Analysis of Companies** is a 360 degree analysis i.e. Economy, Business and Financial Analysis of a sector following the E-I-C framework every quarter. It facilitates in- depth analysis of industry and the major companies in the sector to enable investors, bankers, consulates and corporate to understand the dynamics of the sector. Currently we have QPACs for 15 sectors.

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