ONGC shelves plan to sell stake in OPaL
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Unable to attract a strategic partner for ONGC Petro Additions Ltd (OPaL), Oil and Natural Gas Corp. has shelved its stake sale plans for the petrochemical unit, said two people aware of the development, requesting anonymity.

OPaL, a joint venture between ONGC (49.4%), GAIL (India) Ltd (49.2%) and Gujarat State Petroleum Corp. Ltd (1.4%), has set up a grass root mega petrochemical complex at Dahej, Gujarat.

For over four years, ONGC has maintained that it was in talks with Saudi Arabia's Saudi Basic Industries Corp. (Sabic) and Saudi Aramco for selling a 26% stake in OPaL.

"The stake sale process is not going ahead as it did not yield any result. So, for the time being, ONGC has decided to make OPaL a subsidiary," said a banker aware of the development, adding that ONGC will now have to convert its share warrants and debenture into equity.

If ONGC converts share warrants worth ₹2,600 crore into equity, its share in the project could rise to 70%. Besides, if it also decides to convert debentures worth ₹7,778 crore into equity, its share could rise to about 93%. After turning OPaL into subsidiary, ONGC could consider listing it in two years.

OPaL is a $4.5 billion petrochemical project.

It began operations in 2016-17 and has been ramping up production in phases. OPaL's complex houses India's largest greenfield single-location, dual-feed cracker unit. The company primarily manufactures polymer, a chemical compound used in various products ranging from textiles to plastics.

ONGC and OPaL did not respond to an email query sent on Monday.

However, a senior ONGC official said: "Offtake from OPaL is increasing and, even if OPaL is technically a separate entity, all feedstock is taken from ONGC. We see the contribution from petrochemicals to increase (in ONGC's topline) and, thus, we may convert OPaL into a subsidiary." Though OPaL was meant to export most of its products, it is currently exporting less than 15%. So, considering the increased domestic demand, ONGC had said in October that it was working towards getting the domestic tariff area (DTA) access against its present Special Economic Zone (SEZ) tag.

Petrochemicals make up nearly 30% of India's chemicals industry. An increase in plastic consumption has led to domestic demand rising at a compound annual growth rate (CAGR) of 8-9% over the past decade.