

Rosneft's stake sale in Nayara hits EU sanctions roadblock

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Mumbai, 22 July

The proposed sale of Russian energy major Rosneft's 49.13 per cent stake in Nayara Energy, which operates India's largest single-location refinery at Gujarat's Vadinar, has hit a major roadblock following the European Union's (EU's) latest sanctions targeting Russia's oil sector.

Rosneft is seeking to exit the Indian venture, with reports valuing Nayara at around \$17 billion. Reliance Industries Ltd (RIL) is seen as the frontrunner to acquire the stake. However, the EU's additional curbs, announced last week in response to Russia's invasion of Ukraine, includes Nayara Energy among the entities targeted due to its Russian ownership.

Bankers familiar with the matter said the sanctions would hamper Nayara's ability to export refined products to European markets. "The Russian stake makes it difficult for global shipping companies and oil traders to engage with Nayara, especially in Europe, and will impact valuation," one banker said.

Exit hurdle

- **Rosneft's 49.13%** in Nayara Energy is valued at \$17 billion

- **EU's latest curbs** include Nayara Energy due to Russian ownership

- **RIL emerges lead bidder**; may rope in other investors, including Saudi Aramco

- **Strategic fit for RIL** as Nayara runs India's largest refinery



According to a *Bloomberg* report, at least one oil tanker recently avoided docking at Nayara's Vadinar port because of the EU sanctions, reflecting a broader industry reluctance to deal with the refiner. Nayara Energy was formed in 2017 after the Essar group's Ruia family sold its stake in Essar Oil to a Rosneft-led consortium in a \$12.9 billion deal. Turn to Page 6 ►

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While Rosneft and Kesani Enterprises each hold a 49.13 per cent stake in Nayara, Kesani's shares are pledged to Bank VTB PJSC — another Russian entity under sanctions — complicating matters further.

Despite these challenges, Nayara remains a valuable asset for an acquirer. It accounts for 8 per cent of India's total refining capacity and operates 7 per cent of the country's fuel retail outlets, making it a strategic fit for RIL, which is expected to bring in other investors, potentially including Saudi Aramco, as part of its bid. Nayara also owns a captive oil terminal and a 1,010 megawatt power plant, giving it operational and cost advantages.

RIL already operates two refineries within its Jamnagar complex, which together make it the world's largest single-site refining complex.

Emails sent to Rosneft and RIL seeking

comments remained unanswered until press time. A Saudi Aramco spokesperson declined to comment.

According to a note from Goldman Sachs, the risk to diesel supply from the EU sanctions remains limited due to a six-month transition window and compliance challenges. However, near-term operational hurdles remain. In a statement, Nayara on Monday said its ₹70,000 crore expansion in India over the coming years was on track.

According to rating agency Icra, Nayara's Vadinar refinery operates at high utilisation levels, with crude throughput typically exceeding its nameplate capacity of 20 million tonnes per annum. The refinery also boasts a Nelson Complexity Index of 11.8, allowing it to process cheaper, heavier grades of crude and maintain gross refining margins consistently above the industry average.