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INDIAN GAS UTILITIES

Marketing margin to witness some pressure in near term due to high spot LNG prices and expected sharp revision in domestic gas prices

SEPTEMBER 2021

Highlights

Gas consumption to increase significantly over the medium to long term owing to commissioning of new fertiliser plants and offtake by CGD companies

LNG prices are elevated owing to supply disruptions, low inventory levels, growing demand and increase in crude oil prices

- Gas demand is expected to grow in by 9-11% in FY2022 vis-à-vis FY2021 owing to commissioning of new fertilizer plants and increasing offtake by CGD entities enabled by expansion in pipeline network and new LNG terminals. However, any further waves and lockdown measures will remain a key concern.
- The Spot LNG prices are elevated due to supply side disruptions, low inventory levels, growing demand and increase in crude oil prices. However, over the medium to long term spot LNG prices are expected to have a downward bias owing to new liquefaction supply coming online in excess of incremental demand
- Capex in FY2022 is expected to remain lower than earlier anticipated owing to restrictions and lockdowns due to the Covid second wave. There are considerable execution risks for CGD entities with pan India projects and limitations in the availability of skilled resources
- CGD demand is driven by favourable economics of conversion given domestic gas allocation for the PNG(D) and the CNG segments. The PNG (industrial and commercial) segment, though supported by the ban on pet coke and furnace oil continues to face competition from alternate fuels
- The debt levels of the industry are expected to increase to Rs. 14000 crore by March 2022 from Rs. 12500 crore in March 2021 owing to large capex being undertaken
- The debt coverage indicators of the industry are expected to remain healthy – interest coverage expected at 23.0x for FY2023 from 22.4x for FY2021 and Total debt/OPBDITA expected at 0.62x from 0.72x over the same period
- Despite the decline in revenues in FY2021 the credit profile of most incumbents is not expected to weaken substantially owing to the regulatory protection or dominant competitive position of most of the entities in this sector besides healthy margins and liquidity and strong financial flexibility.

Agenda

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1 Perspective on Gas Prices

2 Regulatory and Policy Developments

3 Transmission, Marketing and Re-gasification

4 City Gas Distribution

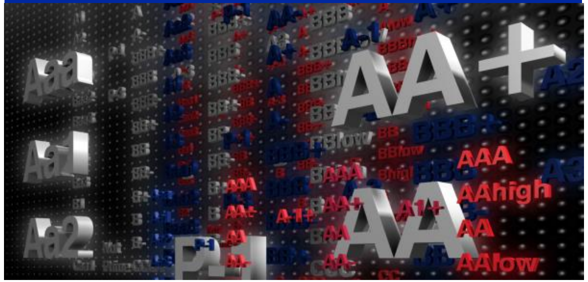
5 Financial Forecasts

6 Industry Performance

Agenda

7 **Industry Peer Comparison**

8 **ICRA Ratings on Gas Utility Companies**



9 **Company Section**

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Thank You!