

Indian Gas Utilities

Marginal uptick in natural gas prices amid tensions in West Asia

JUNE 2024



Highlights





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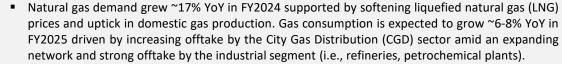
International gas prices rise marginally amid geopolitical tensions and strong demand from Asia. Long-term outlook on prices remains subdued owing to large LNG supplies expected from CY2026.

Domestic consumption expected to grow 6-8% YoY in FY2025, driven by refineries and CGD sector.

Capex intensity for the sector to remain high with capex related to CGD infrastructure, gas pipelines and setting up of petrochemical capacities.









 LNG prices have recently witnessed marginal uptick amid strong demand from Asia and geopolitical tensions in West Asia. Long-term outlook for LNG prices remains subdued given large LNG supply additions expected in the US and Qatar from CY2026.



• The Government of India (GoI) has announced mandatory blending of compressed biogas (CBG) in natural gas for the CGD sector. While CBG production has lagged owing to various issues, the GoI expects mandatory blending to support investments in the sector, going forward.



 Capex intensity for the sector to remain high with capex related to setting up of CGD infrastructure, gas pipelines and setting up of sizeable petrochemical capacities over the course of next three years



■ The debt levels of the industry are expected to increase to ~Rs. 225-235 bn by March 31, 2025 due to the capex under way in the CGD and pipeline segment. The debt coverage indicators of the industry are expected to remain healthy, while interest coverage is expected at ~19-20x for FY2025 and Total debt/OPBDITA at ~0.8-0.9x over the same period.



 The credit profile of most incumbents is likely to remain stable owing to the regulatory protection or dominant competitive position of most entities in their respective sub-sectors/regions, besides healthy margins, liquidity, and strong financial flexibility.

Industry Outlook – Stable





Natural gas supply to increase from domestic fields; spot LNG offtake sensitive to price levels; long-term contracts to provide stable LNG supplies



Gas consumption to grow 6-8% in FY2025 supported by benign prices and healthy offtake by the CGD and industrial sectors



Capex in the pipeline transmission, forward integration initiatives and CGD segment with outlay of ~Rs. 20,000 crore p.a. over next three years



Stable Outlook amid soft gas prices and low gearing levels

Industry Outlook – Stable



FY2025 Outlook – Stable **OPERATING TOTAL DEBT DEBT/EBIDTA DEMAND GROWTH REVENUES MARGIN** ~Rs. 22,500- 22,500 ~6-8% growth ~1% YoY growth ~0.8-0.9x ~12% crore Volume growth in FY2025 Revenue to largely remain Profit margins expected to Debt levels to increase Debt/OPBDITA to remain driven by growth in the stable amid lower gas remain in line with FY2024 given the sizeable capex stable as operating profits CGD sector and healthy prices despite volume level amid soft gas prices underway in the sector expected to rise, keeping offtake by refineries and stable demand growth the credit profile stable prospects

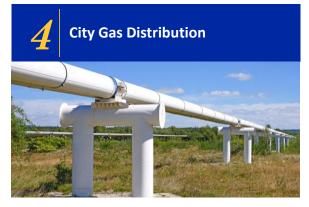
Agenda















Agenda











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