

REGULATOR'S HIKE in integrated tariff by 47% to raise operating profit by 15-18% for FY24; softening spot LNG to aid transmission volumes

GAIL Gets a Tariff Pipeline to Higher Profits and a Hot Stock

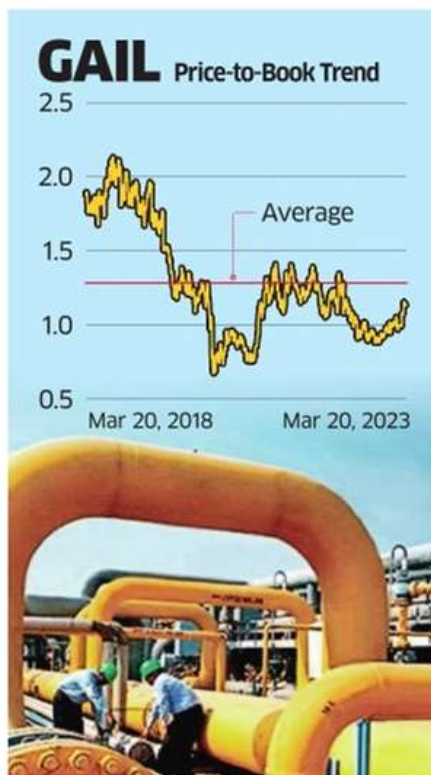
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ET Intelligence Group: The earnings prospects of GAIL (India) are expected to improve after the upward revision in integrated pipeline tariff by the country's gas regulator. The stock has gained more than 10% over the past month on expectations of higher tariffs.

An integrated tariff means customers will be charged the same rate for 10 pipelines. Earlier there was a separate tariff for each pipeline based on the capital expenditure (capex) and the utilisation rate.

The Petroleum and Natural Gas Regulatory Board (PNGRB) has increased the integrated tariff by 47% to ₹58.6 per million British thermal units (mmBtu) compared with the FY22 level. It covers 10 pipeline networks including Hazira-Vijaipur, DVPL-GREP, and Dahej-Uran. The new tariff would be effective from April 1.

GAIL reported a gas transmission volume of 107 million standard cubic meters per day (mmscmd) in the first nine months of FY23. Based on that, the new tariff would result in incremental revenue of more than ₹2,000 crore and operating profit (Ebitda) of over ₹1,300 crore. The projected Ebitda for FY24 may be upgra-



ded by 15-18% once the analysts take into account the new tariff.

The blended tariff for gas transmission has been in the range of ₹42-43/mmBtu in the past two years. GAIL's transmission volume is likely to recover amid softening spot LNG prices, with nearly 4 mmscmd incremental volume from fertiliser plants in Sindri and

Barauni and about 3 mmscmd volume from the city gas distribution segment.

In a recent analyst meeting, GAIL's management guided for a transmission volume of 120 mmscmd in the next fiscal year and an annual growth of 5% thereafter. If the company delivers more than 120 mmscmd of transmission volume, it would mark a record.

The company's revenue increases by around ₹90 crore for each incremental mmscmd of gas transmission. There may also be further tariff improvement if the gas regulator considers new gas prices based on the Kirit Parekh committee recommendations for domestic gas. The gas transmission segment accounts for about 30-60% of GAIL's operating profit (Ebit).

At Thursday's closing price of ₹105.1 on the BSE, the stock was traded at a one-year forward price-earnings (P/E) multiple of nine. The company's valuation has dropped significantly compared with the long-term average P/E of 11 after the extent of the tariff increase in 2019 disappointed investors. The stock may once again appeal to investors given the latest tariff revision, improving gas volumes and a rising share of the utility business where the company receives a fixed pre-tax return on equity.

Delays in land allocation by States hit strategic petroleum reserve projects

Rishi Ranjan Kala

New Delhi

Even as energy security has become more crucial, especially, with international oil markets witnessing extreme price volatility, India's strategic petroleum reserves (SPRs) for storing crude oil has been languishing for almost two years as States have failed to allot land.

The parliamentary standing committee on petroleum and natural gas expressed concern over the delay in the government's Phase II of the SPR programme for establishing 4-million-tonne reserves at Chandikhol in Odisha and 2.5 mt at Padur II in Karnataka.

The Union Cabinet approved the proposal on July 8, 2021.

The committee pointed out that there have been "inordinate delays" in land acquisitions in both States, and the progress seems to be "minimal".

INORDINATE DELAYS

"Taking note of the fact that the SPRs are projects of national importance to enhance energy security of the country, the committee, therefore, desires the Ministry of Petroleum and Natural Gas (MoPNG) to take up the issue of land acquisition at the highest level in co-ordination with the two State governments, keeping in view the interests of all stakeholders," the panel added.

The committee met with of-

ficials from the MoPNG in the middle of February this year. It presented the report in Parliament on Wednesday.

SPR PHASE II

Indian Strategic Petroleum Reserve (ISPRL) had applied for land allocation of 400 acres for the Chandikhol project with the State government in September 2019, and 210 acres for the Padur project with the Karnataka government in November 2020.

When the panel inquired about the current status of the two projects from the MoPNG officials, they responded that the land allocation approval is under process with the respective State governments and the demand for anticip-

ated payment for the allocation of land from the State has not been raised.

"Government of Odisha is evaluating the application for land allotment for the Chandikhol project. The approval from Odisha for allotment is presently awaited," the ministry told the committee.

"For the Padur project, ISPRL submitted a requirement for acquiring 210 acres of land to the Karnataka Industrial Areas Development Board (KIADB). Preliminary gazette notification has been done by KIADB. A resettlement and rehabilitation (R&R) committee has been formed, and compensation rates are to be decided by District Collector Udupi," it added.

L&T signs pact with French firm for green hydrogen tech

FE BUREAU
Mumbai, March 23

ENGINEERING AND INFRA-STRUCTURE conglomerate Larsen & Toubro (L&T) has entered into an agreement with France-based McPhy Energy for manufacturing of electrolyzers and to explore opportunities in the green hydrogen sector.

Under the deal, McPhy will grant an exclusive licence of its pressurised alkaline electrolyser technology to L&T for manufacturing of electrolyzers, including future product upgrades. L&T plans to set up a gigawatt-scale manufacturing facility for electrolyzers, based on McPhy's technology, in India for domestic requirements and to cater to selected

Green hydrogen production capacity in India is estimated to grow to at least 5 MMTPA by 2030, requiring more than \$100 billion of investments

geographies, the company said in a statement.

"The energy industry is undergoing a tectonic shift with green hydrogen emerging as a key fuel in the future energy basket. This agreement with McPhy will be a win-win partnership, given L&T's strong presence across the entire value chain of manufacturing, EPC and services in the energy sector, and McPhy's

technology and research leadership in this sector," Subramanian Sarma, wholetime director (energy) at L&T, said.

The agreement is in line with L&T's strategic vision to be present across the green energy value chain and McPhy's aim to expand beyond the European market.

Green hydrogen production capacity in India is estimated to grow to at least 5 MMTPA by 2030 in line with the nation's Green Hydrogen Mission, requiring more than \$100 billion of investments.

Betting big on green energy, L&T had earlier announced plans to invest up to \$2.5 billion in the next 3-4 years to start with, across green hydrogen, solar and wind projects.



FALLING INTERNATIONAL PRICES BOOST IMPORTS

Natgas Consumption Up 6.7% in February

Sign of normalcy returning to gas market after prices skyrocketed last year

Our Bureau

New Delhi: Domestic natural gas consumption increased 6.7% year-on-year in February as falling international prices helped boost imports.

Both gas consumption and imports went up for the second straight month in February, a sign that normalcy was returning to the Indian gas market where industries had cut consumption and switched to more affordable alternative fuels after gas prices rose to record highs last year in the international market.

Import of liquefied natural gas (LNG) jumped 11% year-on-year in February, according to the petroleum and natural gas ministry data. But in the April 2022-February 2023 period, imports were down 12.8%, reflecting the reduction in the first nine months of the financial year. Imports comprised 45% of domestic consumption during the period. Domestic consumption was 5.4% lower than a year ago.

As gas prices skyrocketed last year, much of India's imports from the spot market disappeared. A significant share of the long-term supplies was also disrupted after Russia's Gazprom did not send cargoes following the Ukraine war. Most of India's long-term supplies come from Qatar at prices linked to crude oil. With crude now trading around \$75 a barrel, the cost of Qatar supplies has fallen to around \$10-11 per mmBtu.

Return to Normalcy

LNG imports up **11%** YoY in Feb

DOMESTIC NATURAL GAS CONSUMPTION BOOSTED BY 2% RISE IN LOCAL PRODUCTION

Imports had fallen **12.8%** in April-Feb

IMPORTS COMPRISED 45% OF DOMESTIC CONSUMPTION DURING THE PERIOD

Source: Petroleum and natural gas ministry data

Similarly, the Japan Korea Marker (JKM), the Asian spot LNG benchmark, has fallen below \$13 per mmBtu from a high of \$69 in August. This has brought back some Indian buyers into the spot market.

Domestic natural gas consumption in February was also boosted by a 2% increase in local production. Most of the local gas is priced according to a government-set formula and is generally cheaper than imports. Domestic formula price, published every April and October, is currently at \$8.57 per mmBtu. A government-set price ceiling for gas produced from difficult fields is at \$12.46. Given the turmoil in the international market, the domestic ceiling became the effective price in most auctions for gas from difficult fields in the country.

EXPLAINER

THE COST OF GAS PRICING REFORM

The recommendations of the Kirit Parikh panel on gas pricing, tipped to be approved soon, will bring relief to user industries in the short term. However, there is concern that when the price ceiling is removed and prices are linked to the 10% oil slope, gas could become unaffordable for users. **FE** decodes the impact of the new pricing regime



Impact on CGDs

ANALYSTS SAY the cost of gas for CGDs has risen fivefold since H1FY22. They believe even a price of \$6.5/mmBtu would imply the feedstock gas cost would be up a sharp 4.5-5.5 times compared with the cost in September 2021.

The recently approved marketing rules for new deep-water gas production and the priority allocation for CNG & residential gas requirements of the city gas sector will reduce their dependence on the volatile global spot LNG market.

When the APM gas price went from \$6.1 to \$6.8/mmBtu, most city gas distributors did not hike prices too much in anticipation of relief. Compared with the required price hikes of ₹12-14 per kg, IGL raised prices by ₹3/kg, MGL by ₹9.5/kg, while some like Gujarat Gas left them unchanged. CGD players are expected to pass on a part of this cut in domestic gas prices (pre-tax cut of ~₹7/kg for CNG).

The recommendations

THE PARIKH panel has suggested a floor price for domestic gas at \$4/mmBtu (million British thermal units) and a ceiling of \$6.5/mmBtu with an annual increase of \$0.5/mmBtu. It has also said prices should be deregulated within the next 4-5 years, by January 1, 2027, by removing the floor and the ceiling.

It wants the legacy domestic gas prices to be linked to a 10% slope of crude oil prices. For HPHT (high pressure, high temperature) gas, it suggests the ceiling be removed, but only from January 2026, so that most of the current HPHT contracts are not impacted. No change has been suggested in the pricing mechanism for gas produced from new and difficult fields; Reliance-BP and state-run ONGC will benefit from this, given their offshore assets in the KG basin.

\$4/mmBtu

FLOOR PRICE
RECOMMENDED BY
PARIKH PANEL

\$6.5/mmBtu

CEILING PRICE;
ANNUAL INCREASE OF
\$0.5/MMBTU

January 2027

THE DEADLINE FOR
DE-REGULATION OF
DOMESTIC GAS PRICES

Oil-price

LINK RECOMMENDED
REMAINS A CONCERN

How these will play out

THE CEILING of \$6.5/mmBtu will drive a cut of 24% in the price of domestic gas on April 1, 2023, given the prevailing price is around \$8.57/mmBtu. Had the existing global hub-based formula for APM (administered pricing mechanism) gas been continued, April 2023 would have seen prices move further up by a dollar, or 12%, to \$9.6/mmBtu. Hence, at \$6.5/mmBtu, the committee's price cap would provide a much-needed near-term relief to consumers such as city gas distributors (CGDs) for whom CNG (compressed natural gas) prices are currently around ₹80+/kg.

The floor price would help cover the cost of gas production by Oil India (OIL) and Oil and Natural Gas Corporation (ONGC). GAIL's LPG division would also benefit at a time when seasonality affects realisations.

What are the concerns? Is the recommendation on freeing up prices completely likely to be accepted?

ANALYSTS ESTIMATE that a \$2/mmBtu drop in costs can lead to a cut of about ₹10/kg from retail prices, with cooling spot LNG prices also lending support (10-15% of priority mix and down to \$13-14/mmBtu). At the same time, they are concerned about the removal of the ceiling and linking of the APM price to oil

prices from January 2027. If oil prices shoot up, this could, over the long term, make CNG and piped gas more expensive for the consumers. It could also make gas-based power costlier and increase the government's fertiliser subsidy burden. Free pricing could, however, encourage investments in

domestic gas exploration and production.

The panel has sought to strike a fine balance between "fair price to the end consumer" and the need to bring in "a market-oriented, transparent and reliable pricing regime". However, given that India's gas economy hasn't matured yet, and that domestic

supplies are limited, completely freeing up gas pricing could inflate costs across the value chain. While it is necessary to ensure attractive returns for gas producers, cost equations ought to be one of the determinants of gas pricing, till the domestic supplies and LNG import infrastructure are beefed up.

आइओसी पारादीप में 61,077 करोड़ रुपए का निवेश कर बनाएगी पेट्रोसायन परिसर

नई दिल्ली, 22 मार्च (भाषा)।

सार्वजनिक क्षेत्र की पेट्रोलियम कंपनी इंडियन आयल कारपोरेशन (आइओसी) ओडीशा के पारादीप में एक पेट्रोसायन परिसर बनाने पर 61,077 करोड़ रुपए का निवेश करेगी। यह किसी एक स्थान पर कंपनी का सबसे बड़ा निवेश होगा।

आइओसी ने बुधवार को बयान में कहा कि उसके निदेशक मंडल ने पारादीप में 61,077 करोड़ रुपए की अनुमानित लागत से पेट्रोसायन परिसर बनाने के प्रस्ताव पर पहले चरण की मंजूरी दे दी है। इसके साथ ही कंपनी ने कहा कि पारादीप पेट्रोसायन परिसर की स्थापना की परियोजना किसी एक स्थान पर उसका सबसे बड़ा निवेश होगा। हालांकि, कंपनी ने इस परियोजना के पूरा होने की कोई समयसीमा नहीं बताई।

यह परियोजना आइओसी की कार्याकल्प योजना का हिस्सा है। इसके तहत कंपनी अपनी पेट्रोसायन गहनता बढ़ाकर कच्चे तेल की कीमतों में आने वाले उतार-चढ़ाव से खुद को सुरक्षित करना चाहती है। पेट्रोलियम गहनता का आशय कच्चे तेल के उस फीसद से है जिसे शोधित कर सीधे रसायन में बदल दिया जाता है। आमतौर पर कच्चे तेल का शोधन कर पेट्रोल, डीजल एवं अन्य ईंधन बनाए जाते हैं। लेकिन कच्चे तेल को सीधे पेट्रोसायन में भी तब्दील किया जा सकता है जिनका इस्तेमाल प्लास्टिक एवं अन्य सामग्रियां बनाने में होता है।

फिलहाल इंडियन आयल की पेट्रोसायन गहनता पांच-छह फीसद ही है लेकिन कंपनी इसे 10-12 फीसद तक पहुंचाने की मंशा रखती है।

वाराणसी को मिलेगा देश का पहला अर्बन ट्रांसपोर्ट रोप-वे, 644 करोड़ रुपए से बनेगा

भास्कर न्यूज़ | वाराणसी

देश का पहला अर्बन ट्रांसपोर्ट रोप-वे वाराणसी में बनेगा। शुक्रवार को वाराणसी आ रहे प्रधानमंत्री मोदी इसका शिलान्यास करेंगे। वाराणसी स्टेशन से गोदौलिया तक 3.8 किलोमीटर इसकी लंबाई होगी। यह सड़क से 50 मीटर ऊपर चलेगा। यह 2 साल में बनकर तैयार हो जाएगा और लागत 644 करोड़ रुपए आएगी। आमतौर पर आपने हिल स्टेशन में रोप-वे देखें होंगे, लेकिन यह पहला रोप-वे होगा जिसे अर्बन ट्रांसपोर्ट के लिए इस्तेमाल किया जाएगा। वाराणसी के 5 घंटे के दौरे पर पीएम मोदी 18 अरब के 28 प्रोजेक्ट का शिलान्यास और लोकार्पण करेंगे। इनमें सिगरा स्टेडियम, एलपीजी बॉटलिंग प्लांट, भगवानपुर में 55 एमएलडी का सीवरेज ट्रीटमेंट प्लांट शामिल है। पीएम मोदी सर्किट हाउस के नए भवन में लंच करेंगे।



हाईड्रोजन के
इस्तेमाल के विशेष
सिलेंडर निर्माण के
लिए आइजीएल व
बीएचइएल में करार
जासं, नई दिल्ली
: इंदुप्रस्थ
गैस लिमिटेड
(आइजीएल)
और भारत हेवी
इलेक्ट्रिकल्स
लिमिटेड
(बीएचइएल)
ने टाइप- चार
सिलेंडर (सीएनजी
या हाइड्रोजन) के
निर्माण के साथ
ही हाइड्रोजन के
विकास, निर्माण
और तैनाती में
सहयोग के लिए
समझौता ज्ञापन
पर हस्ताक्षर किए
हैं। यह एमओयू
केंद्र सरकार के
'राष्ट्रीय हाइड्रोजन
मिशन' हाइड्रोजन
मामले में देश को
'आत्मनिर्भर' बनाने
की दिशा में एक
महत्वपूर्ण कदम
है। इस समझौता
ज्ञापन पर हस्ताक्षर
आइजीएल के वाइस
प्रेसिडेंट(बीडी एंड
गैस सोर्सिंग) संजीव
कुमार भाटिया और
भेल के महाप्रबंधक
व प्रमुख (विपणन)
एस. प्रभाकर ने
भेल के सीएमडी
नलिन सिंघल
और आइजीएल
के निदेशक
(वाणिज्यिक) पवन
कुमार की मौजूदगी
में किया। हाइड्रोजन
सिलेंडर वजन में
हल्के और अधिक
ईंधन लेकर जाने में
सफल होते हैं।