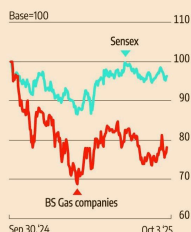


THE COMPASS

Valuation comfort for gas companies despite headwinds



DEVANGSHU DATTA

Demand for gas was down 1.2 per cent year-on-year (Y-o-Y) in August and down 1 per cent Y-o-Y in Q2FY26TD (Jul-Aug'25). Asian spot LNG prices remained elevated at \$11/mmbtu or 17 per cent of Brent (compared to historical average of 12 per cent of Brent), due to EU demand.

This is a concern for all gas companies, particularly city gas distributors (CGDs) like Gujarat Gas (with 20-30 per cent dependency on spot LNG) and it could impact volumes for Petronet LNG, GAIL and Gujarat State Petronet. There's likely to be moderation in spot LNG prices in the medium to long term, as 40-50 per cent addition in global LNG supply capacity will occur over the next 3-5 years starting

H2 of CY26. There are long-term structural reasons to expect steady gas volume growth. The policy targets the rising share of gas in India's energy mix (from 6 per cent in 2025 to 15 per cent by 2030). There's low CNG and PNG penetration and there will be a drop in imported LNG prices.

On a Y-o-Y basis, the decline of 2.3mmscmd or 1.2 per cent in Aug'25 demand was led by power (down 1.6mmscmd), refinery (down 1.5mmscmd) and other industrial segments (7.5mmscmd), and was offset by higher demand from CGDs (up 5.3mmscmd) and petchem (up 2.5mmscmd) segments. For the CGD sector, total demand was up 3.9 per cent quarter-on-quarter (Q-o-Q) at 44.9mmscmd in 2QFY26TD (July-Aug).

Analysis of CNG vehicle registrations in September indicate Mahanagar Gas (MGL) is the weakest performer versus Indraprastha Gas (IGL) and Gujarat Gas. IGL registrations fell 10.7 per cent month-on-month (M-o-M), but remained up 16.4 per cent Y-o-Y. Gujarat Gas gained 3.9 per cent M-o-M and 23.7 per cent Y-o-Y, while MGL saw the sharpest drop of 17.9 per cent M-o-M and 5.1 per cent Y-o-Y. For FY26YTD, registrations rose 18.4 per cent Y-o-Y for IGL, 0.8 per cent for MGL, and 5.1 per cent for Gujarat Gas, with penetration gains of 2.4 per cent, 0.9 per cent and 0.3 per cent. The medium-term risk is that as APM allocation is reduced and phased out by FY29, there will be increased reliance on costlier new well gas and LNG. This will cap

operating profit per standard cubic metre (scm) at well below current guidance levels.

Mumbai offers the highest arbitrage for gas vs. petrol, despite past CNG price hikes. For diesel, the highest advantage is in Delhi. Since the start of FY26, IGL has taken two CNG price hikes of ₹1/kg each, raising Delhi prices to ₹77.1/kg. MGL took three hikes taking Mumbai prices to ₹80.5/kg. Currently, CNG in Mumbai is 22.2 per cent cheaper than petrol and 10.6 per cent cheaper than diesel. In Delhi, the discounts are 18.7 per cent vs. petrol and 12.1 per cent vs diesel. For Gujarat Gas, they stand at 15.1 per cent and 11.1 per cent, respectively.

On a M-o-M basis (September versus August), margins were steady for IGL, but rose for MGL by ₹0.15/scm and for Gujarat Gas by ₹0.42/scm. On costs, rupee weakness was partly cushioned by softer spot LNG and

crude. For Q2, IGL and MGL should post flat Q-o-Q margins as higher APM gas prices are offset by lower spot LNG and Q1 CNG price hikes. CGD volumes should increase Q-o-Q for Mahanagar Gas and decline marginally for IGL due to monsoon and Gujarat Gas due to Morbi offtake decline. All three are expected to report sequential improvement in operating profit spreads despite declining APM allocation, due to price hikes.

The staggered reduction of APM availability, tighter arbitrage versus other fuels, and softer crude outlook points to margin pressure through the next several quarters. Vehicle registration growth continues steadily. The correction in share prices of gas stocks such as Petronet LNG, Indraprastha Gas, Mahanagar Gas, Gujarat Gas and GAIL has made the valuations a little more attractive despite headwinds.

गेल को पृथ्वी पुरस्कार से सम्मानित किया

नई दिल्ली (वि)। गेल (इंडिया) लिमिटेड को ईएसजी और सस्टेनेबिलिटी के क्षेत्र में उत्कृष्ट योगदान और नेट जीरो की दिशा में भारत के मिशन में योगदान के लिए पृथ्वी पुरस्कार 2025 से

सम्मानित किया

गया। यह

पुरस्कार यहां 27

सितंबर को

आयोजित

समारोह में केंद्रीय

विधि एवं न्याय



सायिक विधि

राज्यमंत्री (स्वतंत्र प्रभार) अर्जुन राम मेघवाल ने गेल के अध्यक्ष एवं प्रबंध निदेशक संदीप कुमार गुप्ता को प्रदान किया। यह सम्मान गेल के अपने परिचालनों में सतत और उत्तरदायी व्यावसायिक प्रथाओं को एकीकृत करने में अग्रणी भूमिका और समाज के लिए हरित एवं स्वच्छ भविष्य में योगदान देने की उसकी प्रतिबद्धता को पुष्टि करता है।