

## Trading - Gas

Industry Code (as per CMIE Prowess): 0101040407000000'

June 2022

Overall Industry Risk Score: **17/20 | Highly Favourable**

Sample Size: 13 Companies

Median Rating Value of sample size: A+

### Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **16/20**

Moderate Demand

Gradual increase in demand from transportation segment/household segment & continued industrial demand from sectors like power, petrochemical & fertilisers is expected to keep demand prospects robust. Imports of natural gas in the form of LNG have been on the increase to support the higher demand requirements. Lower economic activity during FY21 impacted the industry volumes. As per PPAC (Petroleum Planning & Analysis Cell) during FY22 consumption of natural gas was at 65,037 mmscm vis a vis 60,815 mmscm during FY21. Around 48% of the consumption was met through imports. Besides demand from industrial segment which is the major consuming segment, increasing proportion of CNG vehicles, steady expansion of the CNG network & CGD network expansion will support the long term demand.

**Extent of Competition**  **20/20**

Monopoly/ Duopoly/ Oligopoly - High Entry Barriers

The industry is fairly capital intensive and is characterised by the presence of a few public sector and private players. The gas distribution companies maintain near monopoly over their respective geographies.

## Regulatory Risk



16/20

Stable Regulatory environment

The regulatory framework for natural gas distribution and the tariffs thereof are gradually evolving, ensuring a steady return on investments for the operators. The policies of the government are expected to ensure a large capital investment in the sector over medium to long term.

## Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Supply of natural gas in India will be increasingly dependent on imports, given the limited production capacity in India. Currently, close to 50% of consumption is met by imports. Factors like price risk, exchange rate risk etc., make this industry vulnerable to external political factors. India has been attempting to derisk by importing from other countries besides Qatar. The pipeline network projects are subject to regular project risks. The Ukraine-Russia war has impacted the prices of the natural gas as Russia is one of the major suppliers of gas.