



IGL, Mahanagar Gas slump 10% on supply cut

Press Trust of India
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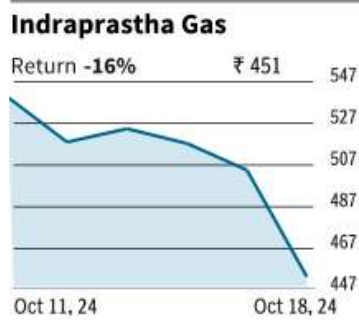
Shares of Indraprastha Gas and Mahanagar Gas on Friday tumbled more than 10 per cent each after both the firms stated that supplies of domestically produced gas, which was available at a cheaper rate, has been cut.

The stock of Indraprastha Gas slumped 10.25 per cent to settle at ₹452.70 on the BSE.

During the day, shares of the firm cracked 12.88 per cent to ₹439.40.

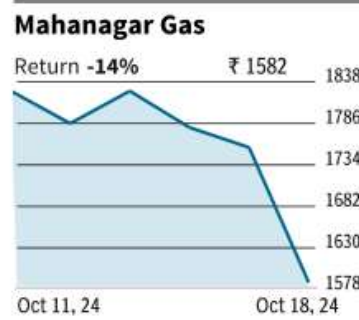
Shares of Mahanagar Gas plummeted 10.09 per cent to ₹1,582.95. Intra-day, the stock plunged 14.58 per cent to ₹1,503.80.

The government has slashed by up to a fifth the supplies of cheaper gas to city gas entities that retail CNG to automobiles, in-



creasing their dependence on costly imported fuel.

“The company gets domestic gas allocation for meeting the requirement of CNG sales volumes at the pricing fixed by the government (presently at \$6.5 per million British thermal unit). Based on communication received by the company from GAIL (India) Ltd (the nodal agency for domestic gas allocation), this is to inform that there has been a major reduction in domestic gas allocation to the company effective from October 16,



2024,” IGL said in a filing on Thursday.

ADVERSE IMPACT

The revised domestic gas allocation to IGL is about 21 per cent less than the previous allocation, “which will have an adverse impact on the profitability of the company”, it said, adding that it is in discussions with key stakeholders to minimise the impact.

Separately, MGL said as per Policy Guideline dated August 10, 2022, issued by the Ministry of Petroleum

and Natural Gas, domestically produced Administrative Price Mechanisms (APM) natural gas is to be allocated to city gas distribution (CGD) companies for priority segments, specifically domestic piped natural gas and CNG (transport).

The policy states that the supply of domestic gas to CGD entities will be made only up to the quantity available and allocated to GAIL (India) limited for these segments.

“In line with this policy, the company was allocated APM natural gas for Domestic PNG and CNG (Transport) based on APM gas availability.

“Allocation to the company for CNG (Transport) has been reduced by 20 per cent, effective October 16, 2024, compared to the previous average quarterly APM allocation,” MGL said.

MP CM Yadav's passion for industrial growth: Attends two events in a single day in Mumbai and Bhopal

Madhya Pradesh has an ecosystem for the chemical and allied sectors, says Yadav

SATYAPRAKASH SHARMA

BHOPAL: Madhya Pradesh Chief Minister Mohan Yadav demonstrated his unwavering commitment to industrial development by attending two key events, India Chem 2024 and the MP Mining Conclave, in a single day in Mumbai and Bhopal, respectively, on Friday.

In a packed schedule, CM Yadav's first engagement was in Mumbai, where he addressed the 13th biennial international conference, India Chem 2024, aimed at attracting investors to Madhya Pradesh in the chemical and allied sectors.

He also took part in the valedictory session of the two-day Mining Conclave in Bhopal.

Addressing the first event, CM Yadav said that Madhya Pradesh has developed an excellent ecosystem for industries such as chemical, pharmaceutical, petrochemical, and plastics. He highlighted the ongoing Rs 50,000 crore Bina petrochemical project, whose foundation stone was laid by Prime Minister Narendra Modi.



Madhya Pradesh CM Mohan Yadav addressing the gathering at the India Chem 2024 in Mumbai on Friday PIC, MPOST

"Additionally, GAIL, India's Rs 35,000 crore mega petrochemical project is progressing rapidly and is expected to generate direct and indirect employment for 25,000 people," CM Yadav said. Madhya Pradesh ranks fourth in the nation in pharmaceutical exports and is home to leading private and public sector companies in the chemical and petrochemical industries. The state has 275 pharmaceutical units, which export medicines to more than

160 countries, the CM noted. The state government is preparing an attractive pharma policy, positioning Madhya Pradesh as a future-ready state.

The government's efforts in the chemical and fertiliser sectors will pave the way for a new era of development, the CM emphasised.

His speech highlighted the state's growing infrastructure, ease of doing business, and government policies designed to fos-

Takeaways

- » CM Yadav's back-to-back engagements reflect his determination to position Madhya Pradesh as a key destination for investors
- » His government's initiatives aim to create a business-friendly environment that not only supports large-scale industries but also encourages the growth of small and medium enterprises.

provide all necessary facilities to entrepreneurs in this sector.

Investment proposals worth Rs 19,650 crore were received from 11 industrial institutions at the Mining Conclave.

Along with entrepreneurs, geologists, scientists, senior officials of the Mineral Department, senior officials of the Ministry of Minerals of the Government of India, and officials of the Geological Survey of India participated in the conclave.

CM Yadav's back-to-back engagements reflect his determination to position Madhya Pradesh as a key destination for investors. His government's initiatives aim to create a business-friendly environment that not only supports large-scale industries but also encourages the growth of small and medium enterprises.

With a focus on creating jobs and improving the state's industrial output, CM Yadav has become a prominent advocate for economic transformation in Madhya Pradesh, making industrial development a cornerstone of his administration's vision.

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Immediately after the Mumbai summit, CM Yadav travelled to Bhopal and participated in the Mining Conclave.

Speaking at the event, the CM said that Madhya Pradesh is a state rich in mineral wealth. "Efforts will be made to increase and exploit this wealth, and new investments in the mineral sector will be given full encouragement," he said. He also assured that the state government would

CNG prices to rise as APM gas supplies cut, yet CGD companies may take a hit

ARUNIMA BHARADWAJ
New Delhi, October 18

THE RECENT REDUCTION of over 20% in the allocation of Administrative Price Mechanisms (APM) gas to city gas distribution companies by GAIL India is expected to result in an increase in the prices of CNG (Compressed Natural Gas), as per analysts.

As communicated by Indraprastha Gas and Mahanagar Gas, the government has decided to cut APM gas allocation sharply from October 16, by around 21% for IGL and 20% for MGL from the current levels of 72%. While there has already been a sustained reduction in the extent of APM allocation (from over 85% at the beginning of FY24 to over 72% now), this reduction is the biggest one, ICICI Securities said.

The reduction is likely to impact the profitability of the CGD companies. The upcoming elections in Maharashtra are seen further limiting their ability to pass on cost increases to consumers at once.

"This is being done to account for gas requirements of newer CGDs, lower gas production from older fields and to divert gas to the OPal Petchem plant of ONGC. While volumes under the priority segment have been reducing steadily over the last 12-18 months, the extent of reduction at one go is a negative surprise," ICICI Securities said.

The brokerage highlighted that

COST COMPARISON

Material price advantage between CNG and Petrol/Diesel

- Retail price (₹ per kg)
- CNG price benefit over others (%)



	Mumbai		Delhi		Gujarat	
Petrol	146	-52	133.6	-48	133.3	-47
Diesel	108.9	-37	106	-35	109.3	-36
CNG	75		75.1		76.3	

Source: ICICI Securities

the extent of the hit is material, and suggests a ₹3.2-4.4 per standard cubic meter (scm) or ₹4.4-6.2 per kg price hike needed in CNG segments to sustain CGD companies' margins.

In terms of volumes, ICICI Securities expects that priority sector allocation for Indraprastha Gas may potentially reduce to 4.5 mmscmd, and that for Mahanagar Gas to 2.0 mmscmd for FY26. For Gujarat Gas, it may reduce to 2.3 mmscmd.

"Our assessment of margins implies that in order to sustain margins at our current base case estimates, prices for domestic and CNG will need to increase by ₹1.6-4.4 per scm, which seems challenging in the near term given the upcoming elections in Maharashtra/Delhi and the absolute quantum of the price hike," it said.

As per ICRA, the reduction in APM allocation will have to be

replaced by more expensive High Pressure High Temperature (HPHT) gas or LNG which will push the overall gas costs for the sector.

"In order to maintain contribution margins at existing levels, CNG prices would have to be increased by about ₹5-5.5 per kg. The expected price rise may result in slower growth in the CNG vehicle registrations, which have been the key driver of CNG sales volume for the sector," said Girish Kadam, senior vice president, Corporate Ratings, ICRA.

IGL and MGL on Thursday said that GAIL (India), the nodal agency for domestic gas allocation, has reduced domestic gas allocation to the companies effective from October 16, 2024. The revised domestic gas allocation to the companies is approximately 21% lesser than previous allocation which will have an adverse impact on profitability

of the two companies. IGL and MGL are in discussion with key stakeholders to minimise the impact, the companies said in their respective exchange filings.

MGL also said that it is exploring options of sourcing gas through domestically produced High Pressure High Temperature (HPHT) gas, new well/well intervention gas (NWG) from ONGC and benchmark-linked long-term gas contracts, so as to continue to provide gas to its customers with price stability and bridge this shortfall.

As per guidelines by the oil ministry, domestically produced APM natural gas is to be allocated to city gas distribution companies for priority segments, specifically domestic PNG and CNG (transport). The policy states that the supply of domestic gas to CGD entities will be made only up to the quantity available and allocated to GAIL (India) limited for these segments.

"We assume blended non-APM gas prices at \$13-16 per MMBtu for the year and given the trends right now, there could be a downside to these prices. "As such, this can help offset the hit from the domestic gas deallocation." ICICI Securities said. "One more aspect is the differential with petrol/diesel prices, which are prevailing at 35-48% currently. This is also a comfort factor for the CGDs to increase prices to the extent required to offset the hit to gas costs."



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