BUSINESS STANDARD, Delhi, 4.3.2024
Page No. 3, Size:(39.04)cms X (13.33)cms.

India Inc pushes capex as capacity use nears 75%

DEV CHATTERJEE
Mumbai, 3 March

With India Inc's average capacity utilisation touching 74 per cent, according to the Reserve Bank of India (RBI), top Indian conglomerates are finally pressing the pedal on capital expenditure.

According to a report by Motilal Oswal Financial Securities (MOSL), private sector capital expenditure (capex) has started ramping up from select sectors, which will get another leg up from thermal power, production linked-led capex and semiconductor capex.

Last week, Tata Electronics and Powerchip Semiconductor Manufacturing Corp (PSMC), Taiwan, announced plans to invest ₹91,000 crore in Dholera, while Tata Semiconductor Assembly and Test Private Limited announced plans to invest ₹27,000 crore in Assam.

"The Tata Group has a tradition of pioneering many sectors in the country, and we are confident that our entry in semiconductor fabrication will add to this legacy," Tata Sons Chairman N Chandrasekaran said after announcing a slew of investments in the semiconductor business. Other conglomerates are also leading the investment plans. Aditya Birla announced plans to invest ₹10,000 crore in the paints business.

The Adani Group is leading the capex plans in the infrastructure sector as it expects to report record Ebitda (earnings before interest, tax and depreciation) of ₹80,000 crore for the financial year ended March 2024, with ₹1 trillion for 2025. It will invest in data centres, airports, roads, ports and power generating units in the coming quarters with equity investments expected from sovereign funds from West Asia.

More on business-standard.com

LEADERBOARD

Recent private capex announcements

- **BPCL**: Targets ₹1.5–1.7 trillion capex in 5 years
- **Maruti Suzuki**: ₹1.25 trillion spending in 8 years
- **ONGC/IOC**: ₹1.2 trillion for expansion
- **JSW Steel/EV**: Lines up ₹1 trillion to raise capacity
- **Tata Power**: ₹60,000 crore capex over 3 years
- **Tata Motors**: ₹38,000 crore
- **UltraTech**: Announces third capex round worth ₹13,000 crore
- **Amul**: Sets aside ₹11,500 crore to expand operations across six states
- **Adani Enterprises**: To spend $1.5 billion on data centres
- **Cairn India**: To double annual capex to $1 billion in 5 years

SOURCE: MOTILAL OSWAL

BUSINESS STANDARD, Delhi, 4.3.2024
Page No. 6, Size:(39.09)cms X (22.16)cms.

Firms charge up on power policy shift

Rush to tie up green energy through open access in C&I segment after two key policy amendments last year

SHREYA JAI & AMRITHA PILLAY
New Delhi/Mumbai, 3 March

For India's power producers, a mix of policy amendments and a stronger corporate interest in greening industrial operations is making the commercial and industrial (C&I) segment more lucrative than ever.

In the C&I segment, there is a rush to tie up green energy through open access and/or group captive power plants. Most big conglomerates in India have adopted their own strategies to source green power outside the grid. It helps that the new rules of the Centre have now eased the process of doing so.

Two key policy amendments in 2023 have led to a spurt in investment in setting up green-energy arms by commercial consumers and/or procuring renewable energy directly.

The Union Ministry of Power amended the regulations on group captive power, stating that a captive power user in a group captive structure must hold a minimum of 26 per cent stake in the plant. Another significant policy directive aims at increasing the absorption of renewable energy. The power ministry amended the rules for green open access, ie being able to procure green energy from anywhere in the country. In 2022, the ministry said consumers with a load of 100 Kw were eligible for open access. A year later it further said multiple connections at different locations, within the defined operating area, could pool in their demand for open access of green energy sources. This implied C&I consumers can pool in their demand from their different divisions and procure green energy from a source.

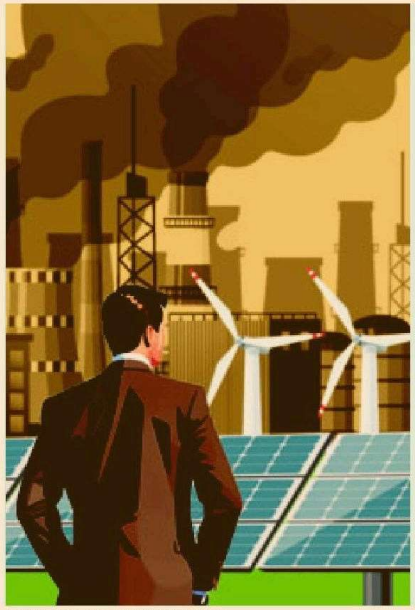


ILLUSTRATION: AJAY MOHANTY

GREEN PUSH

- Amendment said that a captive power user in a group captive structure must hold a minimum of 26% in the captive generating plant
- A captive power plant is set up mostly by C&I users for their own electricity usage
- Another amendment allows procurement of green energy from anywhere in the country, through pooling from their different divisions
- Firms like Tata Power are hoping their planned capacities in the pumped-hydro space will help further cater to this segment

"As far as commercial or industrial consumers are concerned, they are looking for an arrangement whereby they get power on a sustained basis to meet their obligations on renewables," said Praveer Sinha, chief executive officer and managing director, Tata Power, in a recent interview with *Business Standard*.

Companies like Tata Power are hoping their planned capacities in the pumped hydro space will help further cater to this segment. "We are very much geared up to provide that sort of solution. We will be able to give 24/7 renewable power to our customers," said Sinha, who expects the company to start work on its pumped hydro project this year.

A captive power plant is set up mostly by C&I users for their own electricity usage, given their high demand and specific supply requirements. The amended rules have paved the way for companies to set up group captive plants through their subsidiaries. This helped them avoid the charges that state-owned power distribution companies (discoms) levied on captive users. To compensate for their loss of large consumers while they use the power distribution infrastructure of the state, discoms levy cross-subsidy charges and additional surcharges in some cases on group captive users.

Other power producers such as JSW Energy are aiming for similar strategies, riding on their expansion plans.

In a recent investor presentation, JSW Energy noted: "JSW Group has aggressive growth plans in steel, cement and paints businesses providing opportunities for group captive projects."

Further, in a call with analysts, executives said the company had agreements with JSW Steel both for pumped hydro storage as well as for the group captive RE (renewable energy) this quarter.

The executives said group captive power would play an important role in the company's upcoming Strategy 2.0.

Others such as Aditya Birla Group companies — Hindalco Industries and UltraTech Cement — have been announcing small-ticket acquisitions in green energy. Executives from UltraTech have earlier noted the difference in cost between grid power and using their own green energy capacity works out to ₹2 per unit.

BUSINESS STANDARD, Delhi, 4.3.2024
Page No. 6, Size:(26.25)cms X (11.30)cms.

PM flags off first oil tanker from KG basin

SUBHAYAN CHAKRABORTY
New Delhi, 3 March

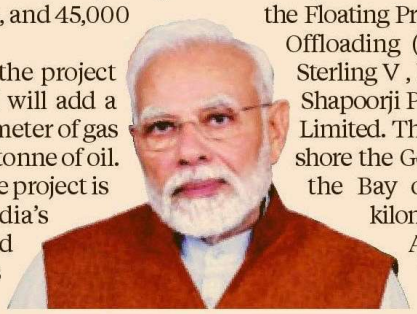
Prime Minister Narendra Modi on Saturday flagged off the first tanker — Swarna Sindhu — carrying crude oil produced in state owned-ONGC's Krishna Godavari deepwater block. At its peak production, this project will add 7 per cent each to India's oil and gas production, the national oil and gas company said in a statement.

Developed with an investment of over ₹41,000 crore, the KG-DWN 98/2 Deepwater Oil Field M in the Krishna Godavari (KG) Basin is considered to be one of the most technologically complex projects in India's oil and gas industry till date.

Total envisaged peak gas and oil production from the project is about 10 million metric standard cubic meters per day (mmscmd) of natural gas, and 45,000 barrels of oil per day.

During its life cycle, the project KG-DWN-98/2 Cluster-II will add a total of 30.5 bllion cubic meter of gas and 14.24 million metric tonne of oil.

ONGC has stressed the project is a key step in cutting India's dependency on crude and liquified natural gas import. It stated that all subsea structures were fabricated by Indian manufacturers at Tamil Nadu's Kattupalli, in line with the the Aatmanirbhar Bharat initiative.



Saturday's event marked oil produced by the Floating Production Storage and Offloading (FPSO) unit Armada Sterling V , built and operated by Shapoorji Pallonji Energy Private Limited. The FPSO is located offshore the Godavari River delta in the Bay of Bengal, about 22 kilometres off the coast of Andhra Pradesh, in water depth of over 430 metres.

HINDU, Delhi, 4.3.2024
Page No. 14, Size:(2.99)cms X (11.44)cms.

Many OPEC+ nations extend oil cuts to boost prices

Agence France-Presse
VIENNA

Moscow, Riyadh and several other OPEC+ members on Sunday announced extensions to oil production cuts first announced in 2023 as part of an agreement among oil producers to boost prices following economic uncertainty.

The plan to extend cuts to mid-2024 comes on top of previous cuts to both oil output and exports as some of the world's largest energy producers drive to push up market rates.

Saudi Arabia's Energy Ministry said it would cut its production by one million barrels per day (bpd) from April to June (Q2), while Russia announced 471,000 bpd of cuts in Q2.

UAE, Kuwait, Iraq and Kazakhstan followed suit, saying they would extend existing voluntarily cuts till the end of June.

ECONOMIC TIMES, Delhi, 4.3.2024
Page No. 16, Size:(4.50)cms X (9.09)cms.

OPEC+ Extends Oil Supply Cuts Until Mid-Year

Riyadh: OPEC+ extended its oil supply cutbacks to the middle of the year in a bid to avert a global surplus and shore up prices. The curbs — which on paper total roughly 2 million barrels a day — will remain in place until the end of June, according to delegates who asked not to be identified because the information isn't public. Group leader Saudi Arabia accounts for half of the pledged reduction. Traders and analysts had widely expected the extension, seeing it as necessary to offset a seasonal lull in world fuel consumption and soaring production from several of OPEC+'s rivals, most notably US shale drillers. An uncertain economic outlook in China is adding to the need for caution. Ample supplies have anchored international oil prices near $80 a barrel this year, even as conflict in the Middle East disrupts regional shipping. –**Bloomberg**

TIMES OF INDIA, Delhi, 4.3.2024
Page No. 15, Size:(3.72)cms X (4.66)cms.

Opec+ extends oil output cuts

Dubai: Opec+ members led by Saudi Arabia and Russia agreed on Sunday to extend voluntary oil output cuts into the second quarter, sources said, giving extra support to the market amid concerns over global economic growth. Oil prices have found support from rising geopolitical tensions The oil demand outlook is uncertain for this year. REUTERS

STATESMAN, Delhi, 4.3.2024
Page No. 10, Size:(13.00)cms X (19.42)cms.

PM to dedicate ₹19,600 cr worth projects in Odisha on 5 March

STATESMAN NEWS SERVICE
BHUBANESWAR, 3 MARCH

Prime Minister Narendra Modi will inaugurate, dedicate to the nation and lay the foundation stones of multiple development projects worth over Rs 19,600 crore during his scheduled visit to Odisha on 5 March, said an official statement.

The projects relate to sectors including Oil and Gas, Railways, Road, Transport & Highways and Atomic Energy.

He will inaugurate the Indian Oil Corporation Limited Mono Ethylene Glycol project in Paradip Refinery which will further help in reducing India's import dependency. He will also inaugurate 344 km long product pipeline traversing from Paradip in Odisha to Haldia in West Bengal.

In order to augment the import infrastructure on the Eastern Coast of India, the PM will also inaugurate 0.6 MMTPA LPG Import facility at Paradip.

The PM will dedicate to the nation four laning of NH stretches and lay the foundation stone for eight laning of the Chandikhole - Paradip Section at Chandikhole.

The 162 km Banspani-Daitari-Tomka-Jakhapura rail line will also be dedicated to the nation. Several other railway projects will be launched.

FREE PRESS JOURNAL, Mumbai, 4.3.2024
Page No. 12, Size:(5.83)cms X (5.52)cms.

PM flags-off First Crude Oil tanker from ONGC Krishna Godavari deepwater block

Marking a historic achievement in India's energy sector, Prime Minister Narendra Modi flagged off the 'First Crude Oil' tanker 'Swarna Sindhu' from ONGC's Krishna Godavari deepwater block today. At its peak production, this project will add 7 percent each to India's oil and gas production. The flag-off ceremony, organized in Begusarai in Bihar, was graced by Bihar Governor Rajendra Vishwanath Arlekar, Bihar Chief Minister Nitish Kumar and Giriraj Singh, Minister of Rural Development and Panchayati Raj Department and MP, Begusarai Loksabha constituency along with Hardeep Singh Puri, Minister for Petroleum & Natural Gas and Housing & Urban Affairs, Government of India along with senior dignitaries from Petroleum Ministry, Arun Kumar Singh, Chairman and CEO, ONGC and Directors of ONGC.

INDIAN EXPRESS, Delhi, 4.3.2024
Page No. 1, Size:(29.50)cms X (6.91)cms.

Where clean air funds allotted to states went: Drains, fountains, roads

PAGE 1
ANCHOR

ABHINAYA HARIGOVIND
NEW DELHI, MARCH 3

A FOOTBALL ground; fountains; roads; underground drains. These are among the items listed by states when questioned by the National Green Tribunal (NGT) about how they utilised funds meant for tackling air pollution.

These funds were allocated under the National Clean Air Programme (NCAP) and the 15th Finance Commission (FC) between the financial years (FY) 2019-20 and 2023-2024. According to an Environment Ministry submission in the NGT last month, 19 cities flagged by the tribunal for their deteriorating air quality received ₹1,644.40 crore in this period.

But records show that a number of states underutilised the funds and some of them spent a notable chunk on projects whose connection to air pollution may not seem readily apparent — a point brought up by the tribunal itself.

The NGT, in November 2023, had flagged the deteriorating air quality of 53 towns and cities, including the 19 mentioned above. It told the respective states to take "remedial measures" and submit details of how they utilised the funds they received under the NCAP and 15th FC.

A month later, the tribunal noted that the states which had filed the reports until then had not fully utilised the funds and that "only few states have used it for setting up AQI monitoring stations". It said: "In some states, we have found that the funds have been utilised under the heads which may not have direct connection with improving air quality. In fact, funds are required to be utilised as per the approved action plan...."

So far, Uttar Pradesh, Bihar, Rajasthan, Haryana, Madhya Pradesh, Jharkhand, Gujarat, Maharashtra, Punjab, Meghalaya and Delhi have submitted their reports to the green tribunal.

Here is an overview of how the funds were utilised in various cities:

■ Jharkhand's report on activities in Dhanbad, submitted last month, included the construction of four playgrounds (allotment of ₹9.37 crore, ₹5.1 crore spent so far) including a football ground. It also included the purchase of a "desludging machine" for ₹3.03 crore. The largest chunk of expenditure, ₹17.27 crore, was for "end-to-end pavement", followed by ₹9.12 crore for bituminous roads and ₹7.37 crore to set up 10 air quality monitoring systems.

■ The Bihar government, too, submitted its report on Patna to the NGT last month. It said funds from the 15th FC (₹184.58 crore spent) were used for activities including "construction of roads and underground drain work", "desilting of drains", renovation of old parks, procurement of CNG buses, purchase of water sprinklers and sweeping machines, and establishment of an electric crematorium. Of NCAP funds, ₹9.68 crore was spent on activities including the establishment of a vermicompost unit, awareness through radio jingles and "development of parks".

■ Delhi is in the process of spending its NCAP funds on 14 mechanical road sweepers, 28 anti-smogguns, two pothole repair machines, "creation of green buffers along traffic corridors", "end-to-end paving", and construction and demolition waste management.

■ Faridabad's funds have been spent on end-to-end paving of roads, "regular collection, segregation and scientific disposal of waste", water-sprinkling machines and urban

CONTINUED ON PAGE 2

CITIES THAT GOT MOST FUNDS (in ₹ cr)

Released between 2019-20 and February 2024 under NCAP/15th Finance Commission

City	Funds utilised	Funds released
Lucknow*	238.74	385.83
Patna	194.26	298.6
Bhopal	178.40	183.85
Ghaziabad	114.71	136.25
Gwalior		102.64 (utilisation amount unavailable)
Kota	64.57	101.25
Ludhiana	71.39	97.75

*Allotment amount till FY24. Utilisation amount till FY23
Source: Environment Ministry, reports submitted by states to NGT

INDIAN EXPRESS, Delhi, 4.3.2024
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• Where clean air funds allotted to states went

greening with vertical gardens. Of the ₹19.28 crore received in 2023-24, the biggest share, ₹8.4 crore, went towards paving and black-topping roads.

■ In Bhopal, funds have been used for road-sweeping machines, CNG vehicles for waste collection, "construction of 110 water fountains for controlling road dust", a plant to dispose of dead animals, an "ultramodern garbage transfer station" and paving of roads. Of the ₹36 crore approved for 2023-24 under the 15th FC, the largest allocation of ₹20 crore is for collection, segregation and disposal of waste.

■ In Punjab, funds for Ludhiana were spent on road-sweeping machines, anti-smog guns, new roads and widening of roads. Here, roads received the largest chunk (₹46.20 crore) out of the 15th FC funds of ₹67.71 crore spent till January this year. In Amritsar, too, the largest share of the 15th Finance Commission funds (₹21.93 crore out of a total expenditure of ₹63.87 crore) went towards paving roads.

■ Maharashtra spent ₹5.85 crore of NCAP funds on tree plantation, "beautification of open space", public awareness and "work on an internal road" in Navi Mumbai. It has utilised 28 per cent of the ₹58.75 crore 15th FC funds for the city on electric buses, dust suppression vehicles with sprayers and one PNG furnace.

■ Rajasthan, meanwhile, told the NGT last month that it utilised NCAP funds to set up six air quality monitoring stations in Jaipur, Jodhpur and Kota, and two mobile monitoring stations.

NCAP was launched in January 2019 with an initial target of reducing PM10 and PM2.5 levels by 20 to 30 per cent by 2024 compared to 2017 levels. Later, the target was revised to reducing particulate matter by 40 per cent or achieving national ambient air quality standards by 2025-26.

A total of 131 cities receive funds under NCAP or grants sanctioned by the 15th FC for air quality improvement. Of these, 42 are "million-plus cities" that receive 15th FC grants for "augmenting infrastructure and other essential measures at city level to improve air quality". The funding is performance-based and meant for activities included in action plans prepared for the cities.

An NCAP strategy document prepared by the Environment Ministry in 2019 recommends a number of actions to mitigate air pollution — plantation, mechanical sweepers, water sprinkling along roads, greening, landscaping and wall-to-wall paving of roads, phasing out older coal-based power plants, introducing fountains at major traffic intersections where feasible, ensuring power supply to eliminate use of diesel generators, enforcement of pollution norms in industries, measures connected to electric vehicles, and measures for dealing with waste including construction and demolition waste. It also includes extending source apportionment studies to all cities, augmenting the air quality monitoring network, and air quality forecasting systems.

Operational guidelines issued by the Department of Expenditure on the implementation of the air quality component of the 15th FC say that the city's performance will be assessed on strengthening pollution monitoring mechanisms, source-wise cause analysis for air pollution, progress on action plans and quantification of air quality improvement. Environment Ministry guidelines on NCAP funds also mention the same four parameters and recommend sector-wise activities like promoting use of cleaner fuels, augmenting public transport, and dust and waste management.

In its most recent order, on February 19, the NGT that the states' reports indicate that action plans are implemented without studying pollution sources and told them to disclose these. It said the Environment Ministry "needs to ensure that assets created by expending such amounts are properly utilised".

INDIAN EXPRESS, Delhi, 4.3.2024
Page No. 11, Size:(13.45)cms X (19.57)cms.

The Third Energy Transition

It will not be achieved if, on the back of numbers produced by economists, corporates look to sustain the dominance of oil and gas

OVER THE BARREL

BY VIKRAM S MEHTA

C R Sasikumar

I RECENTLY PERUSED the projections made by the energy economists of ExxonMobil, Chevron Corp, Shell plc, BP and TotalEnergies — the five largest private international petroleum companies — on the prospects for oil and gas in 2050. What struck me was not so much the differences between these projections but their possible adverse consequences on the attainment of the net-zero carbon emission targets.

The US companies ExxonMobil (XOM) and Chevron do not see a material decline in the consumption of oil and gas between now and 2050. XOM is the most "pessimistic". It expects consumption in 2050 to be the same as it is today, that is, 100 million barrels of oil per day (mbd). Chevron's projections are more nuanced — a consumption range of 75-112 mbd.

The European companies build their projections around possible scenarios. In Shell's "archipelago" scenario, the transition towards the electrification of transport, industry and residential areas is slow and episodic. As a result, oil demand hardly drops. This scenario projects a demand of around 90 mbd. In the "Sky 50" scenario, however, the electrification process is faster and more complete and oil demand falls to around 40 mbd. BP and Total also have scenarios which foresee a demand ranging between 50 to 70 mbd.

Now, in and of itself, I am not concerned about the differences in projections. For, as is often said, "Put three economists in a room and you can be assured of receiving four different opinions". Or, to quote the late Harvard Professor of Economics, John Kenneth Galbraith (and former US Ambassador to India), "the only function of economic forecasting is to make astrology look respectable". But I am concerned. And that is because of the impact, possibly unintended, of these projections on the pace of the clean energy transition and the attainment of the net-zero carbon emission targets.

Were these companies to base their investment decisions and strategies around the message that oil and gas will remain the dominant fuels in the energy basket in 2050, they would embed more deeply the structural dependence of the global economic system on fossil fuels. And that, in turn, would make the energy transition that much more difficult and expensive.

This is not an abstract concern.

Already, in October last year, the US companies spent over $100 billion in two mega acquisitions of oil and gas assets. XOM acquired Pioneer Natural Resources, one of the largest producers of shale oil and gas in an all-stock transaction valued at almost $60 billion. Chevron purchased Hess Corporation for $53 billion primarily to secure Hess's equity interest in the Stabroek Block in Guyana which is slated to produce up to 1.2 mbd of oil from 2027.

The European companies have made no such dramatic moves, at least not yet. But their CEOs are also showing signs of restiveness with the clean energy play. The relatively new CEOs of Shell and BP have already indicated that they will leverage their existing petroleum portfolio to improve the return on shareholder equity capital. Clearly, they are concerned that their share price has lagged behind their US peers. The veteran CEO of Total has also said he will be looking to consolidate and perhaps even double down on the company's assets in Africa and elsewhere.

I do not want to suggest that these companies are insensitive to the challenge of global warming. All of their public pronouncements acknowledge it is a major issue and that investment dollars must flow to develop low-carbon technologies and accelerate electrification. But, they also doff their hats to economic and social realities. And therein lies the rub. They make clear, for instance, that the world economic system is embedded in fossil fuels and it will take decades and trillions of dollars to wean it off them; they also offer a reminder that economic development and energy consumption are inseparable and that as population and prosperity increase (reflected in higher per capita GDP), the absolute demand for energy will rise. This rise will be particularly sharp in the so-called Global South. Finally, they point out that because the infrastructure in most countries in the Global South to produce, transmit, distribute and store, at scale, clean energy, is inadequate, the bulk of this demand will have to be met by traditional fossil fuels. More so because despite the dramatic fall in costs, clean energy is still not competitive against fossil fuels and to render it so, governments would have to impose a carbon tax equivalent to the value of the pollution caused by fossil fuels. Unfortunately, the consumers in these countries would not be prepared to pay such a premium, even if they could afford to do so. Such a tax would be politically and socially infeasible.

I do not want to suggest that these companies are insensitive to the challenge of global warming. All of their public pronouncements acknowledge it is a major issue and that investment dollars must flow to develop low-carbon technologies and accelerate electrification. But, they also doff their hats to economic and social realities. They make clear that economic development and energy consumption are inseparable and that as population and prosperity increase, the absolute demand for energy will rise. I understand the logic but I ask whether one should let it drive actions that might trigger an existential crisis.

It is this deference to economic and political reality that is the source of my concern. I understand the logic but I ask whether one should let it drive actions that might trigger an existential crisis.

There have been two energy transitions in the past. The first was in the early 18th century. It resulted in the shift from wood and biomass to coal. The second was in the early 20th century. This heralded the move to oil and gas. Both of these transitions were, to use Daniel Yergin's word, "additive". They led to the addition of a fuel to the energy basket. The clean energy transition has to be different. It must be "substitutive". It should result in the near or complete displacement of fossil fuels by clean energy. The International Energy Agency (IEA) has calculated that the oil demand must fall by at least 75 per cent from its current level for the world to meet its net zero target. This will not be achieved if, on the back of the numbers produced by economists, corporates look to sustain the dominance of oil and gas.

The writer is chairman and distinguished fellow, Centre for Social and Economic Progress (CSEP)

MINT, Delhi, 4.3.2024
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Can Gujarat Gas's massive price cut lead to volume growth?

Dipti Sharma
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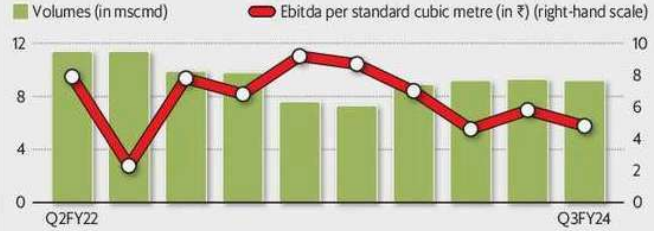
Gujarat Gas Ltd has undertaken a significant 8% price cut to ₹41.70 per standard cubic metre for its industrial piped natural gas (PNG) supplies to the Morbi cluster, from 1 March. This move is expected to push up near-term volumes, especially considering that the Morbi region contributed to approximately 40% of Gujarat Gas' total sales volumes, which stood at 9.16 million standard cubic metres per day (mscmd) during the December quarter (Q3FY24). Notably, the majority of volumes in the Morbi region comprise industrial PNG.

The company has also benefited from the recent dip in spot LNG prices. So far in Q4, prices have declined to around $8 per mBtu from the November peak of $12 mBtu, and could help the company boost its industrial volumes, according to Swarnendu Bhushan, an analyst at Prabhudas Lilladher.

However, this positive outlook may be tempered by the potential decrease in propane prices. In Morbi, customers often opt for propane as an alternative fuel when natural gas prices surge. "As underlying propane prices begin to decline from May, we see risks to the volume recovery and expect limited benefits from Gujarat Gas' move," said Hemang Khanna, analyst at Nomura Financial Advisory and Securities (India). Moreover, overall weakness in the ceramic industry could mean that Morbi volumes may grow just marginally in FY25.

Setting off

Gujarat Gas volumes rose year-on-year in Q3FY24 but Ebitda per scm fell sharply



Note: Mscmd is million standard cubic metres per day; Ebitda is earnings before interest, tax, depreciation, and amortization

mint

Source: Company, Prabhudas Lilladher

PRANAY BHARDWAJ/MINT

As such, the competition from alternative fuels in Morbi might keep margins in check. In Q3, Ebitda per standard cubic metre (scm) was at ₹4.87 versus ₹5.92 in Q2. Gujarat Gas plans to maintain this within the range of ₹4.5 and ₹5.5 per scm in the long term. It also aims to strike a balance between volumes and margins, the company had said in its latest earnings call.

Meanwhile, the shares of Gujarat Gas have seen a 26% increase over the past six months, indicating that the market has already priced in many of the company's growth prospects and risks.

Nevertheless, valuations are pricey with the stock trading at nearly 27 times estimated FY25 earnings. According to Nomura, it is one of the most expensive gas utilities globally despite prevalent concerns on volume growth. Plus, rising electric vehicle adoption poses a risk for the company's high margin compressed natural gas (CNG) business.

Hereon, investors should track propane prices given the competitive intensity in Morbi. Additionally, a delay in developing new geographical areas, and a sharp rise in spot LNG prices could hurt the utility's volume growth prospects.