

INDIAN GAS UTILITIES INDUSTRY

City gas distribution companies face rising gas costs as APM gas allocation falls further

APRIL 2025



Highlights





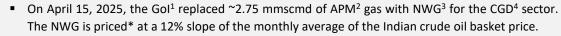
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Progressive reduction in APM gas allocation for the CGD sector is pushing CGD players to hike up prices while partly absorbing the increased costs.

Going forward, with APM gas production expected to fall, CGD entities would progressively rely on gas sources with costs higher than the APM gas and thus will continue to witness cost pressures in the near future.









■ The latest cut in APM gas follows a series of such cuts, beginning October 2024, which have cumulatively reduced APM gas allocation to the sector by 4.5 mmscmd to 5 mmscmd⁵.



The reallocation is expected to result in an increase in the gas costs for the CNG⁷ segment by ~Rs. 0.54 per scm⁵ or Rs. 0.41/kg for the CGD sector. ICRA expects this to have an EBITDA impact of ~Rs. 400 crore (Rs. 0.35/scm of EBITDA/scm) on the CGD sector in case the CGD entities choose not to pass on the price increase to consumers. However, ICRA believes this increase can be easily passed on by the CGD entities.



 While the current increase in gas costs is not material, a sustained reduction in the proportion of APM gas in the overall gas mix will put continued pressure on CGD entities to raise prices.



While the increase in CNG prices over the years has moderated the competitiveness of CNG passenger vehicles on a total cost of ownership basis, nevertheless, it remains the most competitive fuel.



■ The Gol's announcement of domestic gas allocation on a two-quarter advance basis and preferential allotment of NWG provides gas allocation visibility to CGD players. Nevertheless, shrinking gas production from nomination fields will lead to increasing reliance on more expensive gas.



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