

Indian Gas Utilities

Gas consumption faces headwinds
amid softening alternative fuel prices

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India's natural gas consumption is expected to moderate in FY2026 owing to subdued offtake from all sectors barring City Gas Distribution (CGD). Domestic gas production is estimated to remain stagnant while incremental production is likely to be offset by the natural decline from existing fields.



- **Natural gas consumption has declined -4.5% YoY** in 7M FY2026 driven by moderation in offtake by the fertiliser, power and the refinery segments. CGD continues to witness healthy growth and remains key driver of gas consumption in India. Overall gas consumption in the country is expected remain flat or moderate in low single digits in FY2026.



- **LNG prices have eased** with expectation of warmer winters in the EU, China and the US along with healthy natural gas inventory across major gas consuming nations. Upcoming sizeable LNG capacity additions globally are expected to result in moderation in LNG prices from CY2027.



- **Domestic gas prices to moderate as crude oil prices soften** amid rising global crude oil supplies and stable demand. ICRA expects APM gas price for January 2026 is expected to be around \$6.1/mmbtu. The same bodes well for CGD entities as it will offset the impact of currency depreciation.



- **Capex intensity for the sector to remain high** as investments continue in CGD infrastructure, gas pipelines and petrochemical capacities over the next three years.



- **The debt levels of the industry are expected to increase to Rs. 300 billion by March 31, 2026**, due to the capex under way in the CGD, pipeline and petrochemical diversification projects. The debt metrics of the industry are expected to remain healthy with interest coverage at 17x and Total Debt/OPBDITA at 1.1x for FY2026.



- **The credit profile of most incumbents is likely to remain stable** owing to the regulatory protection or dominant competitive position of most entities in their respective sub-sectors/regions, along with healthy margins, liquidity, and strong financial flexibility.



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