

# City gas firms may witness strong Q2

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**INDRAPRASTHA GAS AND Mahanagar Gas** are likely to register year-on-year rises in net profits of 19% and 131% respectively in the second quarter of the financial year 2023-2024, as per analysts. "We anticipate strong volume growth of 5-6% YoY for MGL/IGL as they fully realise the benefit of the implementation of KPC recommendation," said Nuvama Institutional Securities in a report.

However, analysts also believe that margins are likely to moderate on a QoQ basis due to lower alternate fuel prices and the lack of APM gas availability with pick-up in the volumes.

"City gas distribution companies are expected to post higher QoQ earnings growth on falling LNG cost and higher industrial PNG realisation," said analysts at Elara Securities.

The International Energy Agency in its recent report had said that India's demand for natural gas is expected to surge by 4% in the final four months of 2023. The report also projected an average annual growth rate of over 8% in the demand for natural gas in the country between 2022 and 2026.

Analysts say that the impact of crude oil output cuts by the Organization of the Petroleum Exporting Countries till the year end would lead to LNG (Liquefied natural gas) prices to underperform.

Nuvama Institutional Equities expects Gujarat Gas Ltd EBITDA to decline by 25% on year but see a 6% rise from the previous quarter due to a recovery in its industrial volumes. The firm also expects CNG volume growth to remain strong at 2.6mmcmd, up 2% from the last quarter.

Elara Securities expects MGL's net profit to increase to ₹379.3



crore from ₹368.4 crore in Q1 FY24. IGL's net profit is ₹497.1 crore, up from ₹438.4 crore in the last quarter.

Further, analysts at Nuvama Institutional Equities expects state-run gas marketer GAIL's EBITDA to increase 27% on year because of a

24% increase in the transmission segment owing to higher volumes and tariffs.

"Marketing and gas transmission can bolster GAIL PAT (Profit After Tax) by 11% YoY," said Elara Securities. "GAIL EBITDA should improve 38% YoY in Q2FY24E due to growth in gas marketing EBITDA by 104%," the firm said.

The government had increased the prices of domestic natural gas from \$8.60 per metric million British thermal unit (mmBtu) to \$9.20 per mmBtu for the month of October. However, it left prices of gas produced by ONGC and OIL from their respective nomination fields unchanged at \$6.5 mmBtu.

The government had earlier in April revised the method for determining natural gas prices and had started taking into account the prices of Indian crude basket for the same. Gas prices are now 10% of the average price of Indian crude basket in the preceding month.

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