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CITY GAS DISTRIBUTION MARKET IN INDIA 2019

Performance Analysis, New Bidding Rounds,
Business Opportunities and Future Outlook

- ❖ Report (PDF)
- ❖ Data-set (Excel)

CURRENT STATE OF CGD INFRASTRUCTURE

- ❖ The past year has been a watershed in India's CGD sector, with a large number of licences awarded in Rounds 9 and 10. The industry's response was overwhelming for both the rounds. Upon successful completion of the CGD projects in the areas awarded, 70 per cent of the country's population will have access to the CGD network, covering 53 per cent of the total geographical area (GA). This has been enabled by a slew of long-pending amendments to the bidding criteria. The amended regulations have addressed most of the sector's concerns.
- ❖ In terms of network, 1.5 million piped natural gas (PNG) connections and 497 compressed natural gas (CNG) stations have been added in the past 18-24 months. CGD operations have commenced in the cities of Patna, Daman & Diu, Bhubaneswar, Dadra & Nagar Haveli, Kutch (West), Amreli, Dahod, Dahej-Vagra and Jalandhar. Meanwhile, authorisations have been granted to 130 new GAs.

OUTLOOK, KEY ISSUES AND CHALLENGES AND INVESTMENT PROJECTIONS

- ❖ As per the planned works under the minimum work programmes (MWPs) of the GAs that have been awarded/issued letter of intent under Rounds 9 and 10, as well as the remaining areas that were issued during Rounds 2-8, but are yet to find takers, an investment of about Rs 2,868 billion is required. This is expected to be mobilised during the next eight to ten years.
- ❖ The investments will be diverted towards the development of the network comprising over 8,000 CNG stations, 42 million PNG connections, and 174,000 inch km over steel pipeline. This calls for capacity augmentation by auxiliary industries such as EPC contractors, pipe and meter manufacturers, and technology providers. Meanwhile, if the ambitious scale of works is not delivered by the winning entity, it may drive consolidation in the sector.
- ❖ There are several business risks in the development of CGD infrastructure. While some are owing to the nature of the CGD business (such as high capex, slow volume buildup, poor pipeline connectivity), others relate to the crucial aspects of gas allocation to CGD as a preferred sector. The Gas Allocation Policy, if changed, will impact the viability of entities that rely on domestic gas to meet most of their gas requirements. Going forward, gas demand from the CGD sector is expected to reach about 47 mmscmd by 2022-25. The share of R-LNG and domestic gas may be almost equal as per industry experts.
- ❖ That said, the legacy issues related to gas availability, slow volume buildup, land acquisition and clearances, and sluggish pipeline development have to be addressed. On the tax side, the inclusion of CNG in the goods and services tax (GST) regime may be expected.

1. Executive Summary and Key Insights

SECTION I: MARKET ANALYSIS, UPCOMING NETWORKS AND NEW OPPORTUNITIES

2. Overview

- ❖ Network Size and Growth
- ❖ Key Consumer Segments
- ❖ Gas Supply for CGD
- ❖ Notable Trends
- ❖ Recent Authorisations
- ❖ Major Players
- ❖ Investment Projections (2024-25)
- ❖ Issues and Challenges
- ❖ Sector Outlook

3. CNG Network - Size and Growth

- ❖ Current Network Size
- ❖ Growth in the Last Five Years
- ❖ Growth in Network - by State
- ❖ Growth in Network - by Operator
- ❖ Trends in CNG Sales

3. PNG Network - Size and Growth

- ❖ Current Network Size
- ❖ Growth in the Last Five Years
- ❖ Growth in Network - by State
- ❖ Growth in Network - by Operator
- ❖ Sales by CGD Operator

4. Recent Regulatory Developments

- ❖ Institutional Framework
- ❖ Licensing Regime
- ❖ New Bidding Criteria
- ❖ Key Remaining Concerns
- ❖ Domestic Gas Allocation Principles
- ❖ Regulatory Outlook

5. Overall Bidding Experience

- ❖ Experience So Far
- ❖ Update on Licensing Rounds (1 to 10)
- ❖ Amendments to Bidding Criteria
- ❖ Recent Aggressive Bids (Round 9 and 10)
- ❖ Trends in Network and Compression Charges
- ❖ Impact of New Penalty Clause
- ❖ Key Lessons Learnt

6. Performance of Key Operational Networks

- ❖ Profiles of 20-25 Key Operational CGD Networks

7. Progress of Key Under Construction Networks

- ❖ Profiles of 20-25 Key Under Construction CGD Networks

8. Round 9: Upcoming GAs and Demand Assessment

- ❖ Snapshot
- ❖ Geographical Spread/Distribution of GAs Offered
- ❖ GAs Granted Authorisations
- ❖ Successful Bidders
- ❖ Key Features - Area, Population, Households, etc.
- ❖ Infrastructure to be Laid in the Next Eight Years (as per MWPs)
- ❖ Investment Projections
- ❖ GA-wise Gas Demand Projections
- ❖ Top Investment Destinations

9. Round 10: Upcoming GAs and Demand Assessment

- ❖ Snapshot
- ❖ Geographical Spread/Distribution of GAs Offered
- ❖ GAs Granted Authorisations
- ❖ Successful Bidders
- ❖ Key Features - Area, Population, Households, etc.
- ❖ Infrastructure to be Laid in the Next Eight Years (as per MWPs)
- ❖ Investment Projections
- ❖ GA-wise Gas Demand Projections
- ❖ Top Investment Destinations

10. Rounds 2 To 8: GAs Yet to Receive Authorisation

- ❖ Snapshot
- ❖ Unauthorised GAs under Rounds 2-8 Authorised in Rounds 9 and 10
- ❖ Key Features - Area, Population, Households, etc.
- ❖ Infrastructure to be Laid as per MWPs
- ❖ Investment Requirements

11. New CGD Networks along the Urja Ganga Pipeline

- ❖ Introduction of JHBDPL and the BG Pipeline Project
- ❖ Key Milestones
- ❖ CGD Infrastructure: Key Features
- ❖ Infrastructure To Be Laid in Six CGD Cities
- ❖ 5 Year Target of the CGD Project
- ❖ Progress on CGD Infrastructure
- ❖ Investment Projections
 - Industry Estimates
 - Capex Projections
- ❖ GA-wise Gas Demand Projections
- ❖ Technology Initiatives
- ❖ Issues and Challenges

12. Future Outlook and Demand Projections

- ❖ Growth Drivers
- ❖ Overall Gas Demand Projections - A Perspective from the Past
- ❖ Overall Gas Demand Projections
- ❖ Gas Demand Projections for the CGD sector
- ❖ Investment in the CGD Sector: Trend So Far
- ❖ Investment Projections for the CGD sector (till 2024-25)
- ❖ Region-wise CGD Outlook
- ❖ Projected CGD Sales
- ❖ Projected CGD Sales: Key Players

13. Market Opportunities for Service/Equipment Providers

- ❖ GAs Awarded
 - Pipe Manufacturers
 - Compression and Dispensing Equipment
 - Meter Manufacturers

14. Tariffs, Economics and Cost Competitiveness

- ❖ Commercial Viability of CGD
- ❖ Expected Impact of New Regulations on the Commercial Viability of the CGD Business
- ❖ New & Innovative Business Models (DODO Model, Green Energy corridors, etc.)
- ❖ Capex Requirements
- ❖ Opex Requirements
- ❖ Cost Competitiveness of CNG and PNG
- ❖ Profitability/Margins of CGD Players
- ❖ Historical Returns
- ❖ Expected Returns
- ❖ Leverage of CGD Players
- ❖ Key Risks and Challenges

15. Update on Pipeline Infrastructure

- ❖ Current Status of Pipeline Infrastructure
- ❖ Projects Underway
- ❖ Proposed Projects/Projects at Initial Stages of Development
 - Domestic
 - Transnational
- ❖ Investment Requirements
- ❖ Pipeline Development - Concerns Affecting the CGD Sector

SECTION II: GAS SUPPLY SCENARIO AND OUTLOOK**17. Domestic Gas Supply Availability and Outlook**

- ❖ Current Domestic Production
- ❖ Policy Enablers
- ❖ Sourcing Options of CGD Players
- ❖ Gas Supply Projections - Existing Domestic Fields
- ❖ Expected Production from New Fields

18. R-LNG Supply Scenario

- ❖ Trends in LNG Imports
- ❖ Global Price Trends
- ❖ Demand from the CGD Sector
- ❖ LNG Sourcing Options for CGD Players
- ❖ India's Existing LNG Re-gasification Capacity
- ❖ Upcoming LNG Re-gasification Capacity
- ❖ Future Outlook

SECTION III: TECHNOLOGY TRENDS AND NEW OPPORTUNITIES**19. Network and Asset Management**

- ❖ Current Practices
- ❖ Select Case Studies
- ❖ New Trends and Advancements
- ❖ Future Plans and Outlook

20. Metering and Billing

- ❖ Current Practices
- ❖ Select Case Studies
- ❖ Emerging Metering Technologies
- ❖ Select Case Studies
- ❖ Issues and Challenges

21. Other Focus Areas

- ❖ LNG Fuel Stations
- ❖ LNG-fuelled Vehicles
- ❖ Bio-CNG/Compressed Biogas Plants (CBP)

SECTION IV: PROFILE OF MAJOR PLAYERS**22. Profiles of Major Players**

- ❖ Aavantika Gas Limited
- ❖ Adani Gas Limited
- ❖ Assam Gas Company Limited
- ❖ Bhagyanagar Gas Limited
- ❖ Bharat Gas Resource Limited
- ❖ Central UP Gas Limited
- ❖ Consortium of AG&P LNG Marketing Pte. Limited and Atlantic Gulf & Pacific
- ❖ Consortium of Think Gas Investments Pte Limited
- ❖ Essel Gas Company Limited
- ❖ Gail India Limited
- ❖ Gail Gas Limited
- ❖ Green Gas Limited
- ❖ Gujarat Gas Limited
- ❖ Haryana City Gas Distribution Limited
- ❖ Indian Oil- Adani Gas Private Limited
- ❖ Indraprastha Gas Limited
- ❖ Mahanagar Gas Limited
- ❖ Maharashtra Natural Gas Limited
- ❖ Rajasthan State Gas Limited Sabarmati Gas Limited
- ❖ Hindustan Petroleum Corporation Limited
- ❖ Indian Oil Corporation Limited
- ❖ IRM Energy Private Limited
- ❖ Megha Engineering and Infrastructures Limited
- ❖ Torrent Gas Private Limited
- ❖ Unison Enviro Private Limited

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