CGD Market in India 2017 Market Overview, Opportunities and Outlook

CGD -Market Demand, Growth, Opportunities and Analysis Of Top Key Player Forecast To 2022

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Description

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Market Size and Growth

• The current CGD network in India is spread across 45 GAs in 15 states/UTs.
• The existing CGD network comprises of more than 47,000 km of distribution pipelines. During 2011-12 and 2016-17, the distribution pipeline network increased substantially from 26,725 km in 2011-12 to over 47,000 km in 2016-17, witnessing a compound average growth rate (CAGR) of about 12%.
• As on March 31, 2017, about 1,233 compressed natural gas (CNG) stations are operating in India serving over 3.05 million vehicles. Meanwhile, for pipes natural gas (PNG), the customer base stands at over 3.61 million. During 2011-12 and 2016-17, the number of CNG stations increased by 9.62% and PNG consumers by 17.06%.
• The western region has maximum number of operators including Gujarat Gas Limited, MGL and SGL, due to its proximity to gas fields. The northern region, on the other hand, is dominated by JVs of GAIL such as IGL, CUGL, etc.

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Key Operators

• The CGD sector is still dominated by some major companies that hold a majority of the share in the network. The top 5 players – GGL, IGL, AGL, MGL and CUGL – account for more than 82% of the gas distribution pipeline network.
• With a pipeline network of 17,000 km plus (March 2016), and about 258 CNG stations, GGL is the largest CGD player in India catering to approximately 1,204,085 consumers (as of February 2017).
• The second largest CGD player, IGL, currently has a network of 778 km of steel pipelines and 9,940 km of medium density polyethylene (MDPE) pipelines catering to a customer base of 742,205 domestic and 2,870 commercial and industrial customers. It also has over 421 compressed natural gas (CNG) stations.
• MGL, the third largest player in the CGD sector, has a network of over 4,838 km of pipeline and about 203 CNG stations as of 2016-17. With over 952,200 PNG customers, it is one of the largest CGD company in terms of consumers.
• Other major players include AGL, CUGL, GAIL Gas, Maharashtra Natural Gas Limited, Haryana City Gas Distribution Limited, Green Gas, Assam Gas Company Limited, Bhagyanagar Gas Limited and Tripura Natural Gas Company Limited.

Update on Licensing Rounds
• In 2016, new bidding rounds were rolled out by the PNGRB. Bids were invited for the development of CGD networks for five GAs under the seventh round and another seven GAs under the eighth round.
• Under the seventh round, only one GA (Solapur GA allocated to IMC Limited) has been sanctioned so far and no price bids have been received for the remaining GAs. With regard to the eighth bidding round, there has been no update on the bid status as of June 2017.
• In the past one year, the PNGRB granted authorisation to lay, build, operate and expand the CGD network in 16 cities covered under the sixth bidding round and one city under the seventh bidding round.

Financing CGD business
• The cost of a CGD network varies depending on its size (coverage area), and the population size and density. Majority of the capital expenditure is staggered in the first five years as new infrastructure needs to be developed.
• Profitability of CNG business depends on gas volume sold, prices of alternative fuels, consumer mix and access to cheaper gas.
• The past returns from capital employed by key players such as IGL, GGL and MGL have varied significantly- from as low as 8.1% to as high as over 35% (during the period 2013-14 to 2016-17). With regard to expected returns, the range is 17-30% (for 2017-18 and 2018-19).

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Gas Supply to CGD Operators
• CGD sector gets top priority in domestic gas allocation. To promote usage of CNG across the country, the government has mandated that the entire CGD requirement for domestic segment be met through domestic gas.
• Gas supply for the sector comes from multiple sources – administered price mechanism (APM) gas, Panna-Mukta and Tapti (PMT) fields, Cairn fields, etc. Imported LNG is also increasingly procured.
• Currently, the CGD sector meets about 55% of its total gas demand from domestic sources and the remaining 45% from LNG imports.

Opportunities galore
• Going forward, the business potential for CGD networks in India is significant. Based on the bidding rounds held thus far, over 895,000 PNG connections will be required in the GAs (under the minimum works programme; maximum is under round 5 and 6). Over 56,000 inch km of pipeline is to be laid for the upcoming GAs (under the minimum works programme).
• Overall, the short-term investment requirement for the CGD sector is estimated at about Rs 104 billion. Bulk of the investment (~70%) will be directed towards laying common pipelines and providing last-mile connectivity. The remaining 30% will be shared between CNG dispensation units (20%) and CNG compression units (10%)
• In the long term, CGD network expansion will require an investment of at least Rs 144 billion (considering about 42 cities that will invite fresh bids)
• The sector offers significant business opportunities exist for project developers, pipeline manufacturers, technology providers (control systems, etc.), consultants, regulators and meter manufacturers, etc

Issues and the Way Forward
• With only 15 states/union territories covered under the CGD network at present, the magnitude of untapped potential can be clearly gauged. Growing urbanisation is creating new potential markets that can be explored by CGD players.

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