Emerging Landscape and New Set of Opportunities, Challenges and Risks involved in CGD Business in India

Description: PNGRB seem to have finally made a comeback from the drawing board stage and come up with the revised set of regulations and bidding parameters which will be soon put to test in the upcoming round 4 CGD bidding, covering 14 districts from different states of the country: Uttar Pradesh, Maharashtra, Andhra Pradesh, Kerala, Karnataka, Haryana, Punjab and UTs.

Although the existing CGD entities are facing the pressure of input gas price, shortfalls in gas availability, non-uniform tax regime, etc. and had been battling with legal disputes, policy bottlenecks, gas supply constraints and regulatory inaccuracies, these CGD entities have managed to take on these challenges and register a steady growth in the business. In January 2013, the total natural gas consumption of the country was 127 MMSCMD. Of this, the natural gas consumption by CGD was 14 MMSCMD, nearly 11% of the overall gas consumption by various segments. All the same, the sector seems to have managed to carry the burden of high cost imported natural gas, since the CGD gas basket consisted of around 52% imported natural gas and remaining share consisted of domestic gas through tapered supply as per EGoM allocation.

Further, based on plans of PNGRB to roll-out around 300 cities and towns across various states for City Gas Distribution network development, the total natural gas demand from CNG and CGD sector, according to the report “Vision 2030” by industry group to PNGRB, is expected to reach 85.6 MMSCMD in 2029-30 at a CAGR of 11% from 2013. Also, assuming a typical CGD project investment of around INR 250 – 300 Crore (it may be higher for district level geographical areas, clubbed with inflation), the overall investment in CGD sector may be in a tune of around USD 12 – 15 Bn (at 60 INR/USD) on a conservative estimate basis.

While largely the key facilitating aspects for CGD business are Gas Availability and Economic incentive to the end-use, the key drivers for CGD business in India include: Domestic Gas at low cost and adequate supply, GDP, Gas supply infrastructure, rationalization of primary fuel prices & subsidy removal, environmental tightness and Enabling policy & regulatory framework. In terms of domestic gas, one thing has emerged quite clearly that the days of cheap domestic natural gas may soon be over (based on the recent Rangarajan Committee report)

The availability of domestic gas and its allocation to CGD is a matter of time when any ramp-up or new discovery is announced and commercially sold. The GDP growth estimates by RBI hover at around 5% in 2013-14, with inflation continuing to be a major challenge. The investments in natural gas pipelines are expected to be sluggish but steady owing to the coming up of new RLNG/FSRU terminals along the coast. There seems to be a positive tone set for market selling price of alternate fuels like LPG and HSD which are progressing towards a recovery from the subsidy regime; a move that will give a positive impetus to PNG and CNG margins of CGD projects.

After the debatable and much disputed results in the Round 1, Round 2 and Round 3 of PNGRB CGD Bidding, and question on PNGRB’s authority over setting network tariff, the regulator had cancelled the Round 4 bidding consisting of around 8 cities. With glaring uncertainties in the regulatory & policy framework, the ministry (through its nominated agencies) had gone to the drawing board stage and carried out solicitations from the stakeholders with an aim to come-out with a fool proof policy and regulatory framework that may benefit the end-user and also facilitate the development of gas infrastructure in the country.

Outcomes, such as: proposed de-linking of CNG business from CGD’s purview, removal of marketing exclusivity, commitment to a Minimum Work Programme as against weightage given to number of household connections and pipeline inch-kilometre, etc have been both, welcomed and opposed by the stakeholders. With the Round 4 CGD Bidding scheduled to happen in February 2014, the stakeholders are busy weighing the opportunities, risks and challenges and churning out strategies to milk the prospects in CGD business.

The authors closely monitor the Oil & Gas sector and has come up with reports and articles addressing the key issues, challenges and opportunities in the sector. The authors are yet again pleased to come up with a thorough analysis of the CGD Sector in India. The authors also included a preliminary analysis of the
identified geographical areas in the upcoming Round 4 CGD bidding based on changes in the policy &
regulatory framework, natural gas demand-supply scenario, evolving natural gas pricing scenario, reforms in
alternate fuel pricing, end-user demand profile, etc.

Contents:

1. Executive Summary

2. Fundamentals of developing a CGD Project
   a. CGD Infrastructure: Debriefing on the key elements and their application
      i. Sub-Transmission Pipeline;
      ii. City Gate Station;
      iii. Odorization System;
      iv. Carbon Steel Main Ring;
      v. Field Regulating Station;
      vi. CNG Station;
      vii. Piped Natural Gas;
      viii. Last Mile Connectivity; and
      ix. IT application;
   b. Natural Gas Sourcing
      i. Factors influencing the Natural Gas Sourcing mix;
      ii. Issues & Challenges in Natural Gas Sourcing
   c. CGD Market
      i. Profiling based on consumer segment;
      ii. Profiling based on quantum of gas required per consumer for the various consumer segment
      iii. Profiling based on affordability of consumer segment;
      iv. High-grading of consumer segments
   d. Capital Cost
      i. Listing of Capital Cost items;
      ii. Break-up of capital cost into material cost and implementation cost;
      iii. Capital outflow trend over the life of a CGD project;
   e. Natural Gas Marketing
      i. Approach for competitive pricing of CNG and PNG;
      ii. Measures for market penetration and conversion;
      iii. Measures for early realization of returns and demand ramp-up;

3. Present Status of CGD Projects in India
   a. Evolution of CGD projects in India, based on:
      i. CGD projects awarded on nomination basis: Basis of formation, Entity Structure, etc.
      ii. CGD projects awarded on competitive bidding basis: Basis of selection, Performance till date, etc.
   b. Overview of entities & stakeholders engaged in CGD business in India and their positioning on the CGD
      business life cycle;
   c. Gas consumption trend of existing CGD projects
      i. Entity wise; and
      ii. Region wise
   d. Gas sourcing trend of existing CGD projects
      i. Entity wise; and
      ii. Region wise
   e. Case Study covering: Business Environment, Business Models, Growth Drivers and Strategies adopted by
      key CGD entities in:
      i. India: GSPC, IGL and MGL
      ii. Pakistan: Sui Gas Company
      iii. Bangladesh: Group Companies under Petrobangla (say: Titas gas Transmission and Distribution Company
         Ltd, Rupantarita Prakritik Gas Company, etc)

4. CGD Regulations
   a. Evolution of CGD bidding guidelines & regulations notified by PNGRB;
   b. Apparent short-falls in the earlier PNGRB regulations and their impact on previous rounds of CGD
      bidding;
   c. Review of the solicitation and comments from stakeholders on the likely reforms in PNGRB regulations: A
      PNGRB initiative aimed at addressing the issues of “irrational bidding” in previous rounds of CGD Bidding;
d. Current version of PNGRB regulations on CGD bidding: Minimum Work Programme, Unbundling of activities of transportation and marketing of natural gas;
e. Consolidated view of stakeholders on the changes in the regulations;
f. Our view on the current PNGRB regulations on CGD bidding;

5. Analysis of 4th Round CGD Projects (currently under bidding)
   a. Gas Consumer market profile of the various Geographical Areas (GAs) under 4th round bidding;
   b. Indicative Natural Gas requirement of the various GAs based on industry benchmarks;
   c. Indicative capital requirement for the various Geographical Areas based on industry benchmarks;
   d. SWOT analysis of the various GAs under 4th round bidding;
   e. High grading of the various Geographical Areas (GAs) under 4th round bidding based on their demand potential, conversion attractiveness, capital requirement, etc;
   f. Summary of 4th Round of CGD projects, based on the overall market potential and investment size;

6. List of cities/districts likely to be covered in future rounds of CGD Bidding based on select critical parameters

7. Emerging CGD Business Models and Economics
   a. Business models in CGD: Pure play infrastructure player, Pure play Gas Supplier/Trader and Integrated (infrastructure and gas supply) player
   b. Impact of input gas price (based on domestic & RLNG mix, increase in domestic gas price and RLNG price) on the CGD business margins
   c. Options for securing business margins on sale of PNG and CNG

8. Bidding for CGD
   a. Who should Bid for the upcoming round of CGD
   b. Options to bridge the gap and make a win-win proposition
   c. Risks associated with bidding for CGD project in upcoming rounds

9. CGD Business Opportunities and Market Size in the next 10 years timeframe
   a. Opportunities for investment in CGD projects and typical project size in the next 10 years timeframe
   b. Opportunities for Gas Pipeline Manufacturers in terms of pipeline requirement and total addressable market
   c. Opportunities for Equipment Manufacturers: Critical equipment such as CNG Compressor, Pressure Reducing Skid, etc. Total addressable market size in the next 10 years timeframe
   d. Opportunities for Project Management Companies in terms of addressable market size
   e. Opportunities for IT Companies

10. Risks and Uncertainties associated with CGD

11. InfraInsights View Point
Fax Order Form
To place an order via fax simply print this form, fill in the information below and fax the completed form to 646-607-1907 (from USA) or +353-1-481-1716 (from Rest of World). If you have any questions please visit http://www.researchandmarkets.com/contact/

Order Information
Please verify that the product information is correct.

| Product Name:          | Emerging Landscape and New Set of Opportunities, Challenges and Risks involved in CGD Business in India |
| Web Address:           | http://www.researchandmarkets.com/reports/2723081/ |
| Office Code:           | SCH31ZH9 |

Product Format
Please select the product format and quantity you require:

<table>
<thead>
<tr>
<th>Quantity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic (PDF) - Single User:</td>
<td>USD 1500</td>
</tr>
</tbody>
</table>

Contact Information
Please enter all the information below in BLOCK CAPITALS

<table>
<thead>
<tr>
<th>Title:</th>
<th>Mr</th>
<th>Mrs</th>
<th>Dr</th>
<th>Miss</th>
<th>Ms</th>
<th>Prof</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Name:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last Name:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Email Address: * | | | | |
| Job Title: | | | | |
| Organisation: | | | | |
| Address: | | | | |
| City: | | | | |
| Postal / Zip Code: | | | | |
| Country: | | | | |
| Phone Number: | | | | |
| Fax Number: | | | | |

* Please refrain from using free email accounts when ordering (e.g. Yahoo, Hotmail, AOL)
Payment Information

Please indicate the payment method you would like to use by selecting the appropriate box.

☐ Pay by credit card: You will receive an email with a link to a secure webpage to enter your credit card details.

☐ Pay by check: Please post the check, accompanied by this form, to:

Research and Markets,
Guinness Center,
Taylors Lane,
Dublin 8,
Ireland.

☐ Pay by wire transfer: Please transfer funds to:

Account number 833 130 83
Sort code 98-53-30
Swift code ULSBIE2D
IBAN number IE78ULSB98533083313083
Bank Address Ulster Bank,
27-35 Main Street,
Blackrock,
Co. Dublin,
Ireland.

If you have a Marketing Code please enter it below:

Marketing Code: _______________________

Please note that by ordering from Research and Markets you are agreeing to our Terms and Conditions at http://www.researchandmarkets.com/info/terms.asp

Please fax this form to:

(646) 607-1907 or (646) 964-6609 - From USA
+353-1-481-1716 or +353-1-653-1571 - From Rest of World