

## GAIL and Vitol sign LNG supply deal

GAIL (India) and Vitol Asia Pte recently signed a long-term liquified natural gas (LNG) deal. Under this deal, Vitol will supply one million metric tonnes of LNG per annum for a period of about 10 years, commencing 2026, from its global LNG portfolio to GAIL in India on a pan-India basis. GAIL Chairman and Managing



Director, Sandeep Kumar Gupta, said, “This long-term LNG deal with Vitol will augment its large LNG portfolio and will contribute to bridging India’s demand and supply gap of natural gas.” Vitol CEO Russell Hardy said, “India is a significant and growing LNG market and we are excited to bring LNG supply from our global LNG portfolio to meet this rising natural gas demand in India.”

# Lingering risks could play spoilsport for Petronet LNG

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**G**as importer Petronet LNG Ltd has grabbed investors' attention lately with the stock rallying 17% in the past two months.

In December, it inked a pact with Gopalpur Ports Ltd to set up an liquefied natural gas (LNG) terminal in Odisha. This move marks Petronet's foray into eastern India, complementing its existing terminals in Dahej and Kochi. Also, *Reuters* reported that Petronet is likely to sign a deal this month to extend its long-term LNG imports from Qatar to beyond 2028.

This, if it materializes, offers long-term earnings visibility and an annual escalation in re-gasification charges.

Investors are particularly hopeful about a dip in LNG spot prices and strong prospects of LNG demand in the country.

India is likely to experience a notable upswing in LNG imports this year. This surge is expected to be driven by a rise in demand across key sectors like power, industries and transport, along with infrastructure development before the national elections, as per S&P Global.

However, worries persist regarding the escalating competition amid the enhancement

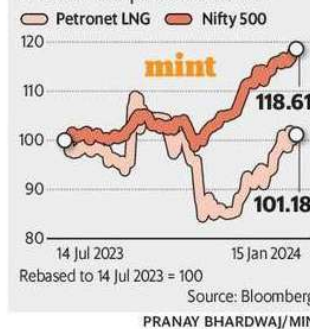


Petronet's terminal in Dahej.

in domestic gas production capacity. The underutilization of existing terminals with additional capacity in the pipeline

## Covering ground

Petronet LNG stock has run-up lately, but it has lagged Nifty500 index in the past six months



could be a drawback and might hit Petronet's pricing power.

Moreover, Petronet's largest terminal Dahej, which is strate-

gically located, faces a risk from unified pipeline tariffs implementation as tariffs would become uniform, improving the viability of competing terminals. Also, the company's ambitious diversification plans have been a concern. In Q2FY24, Petronet announced its entry into the petrochemicals business, diversifying from the core business with a planned capital expenditure of over ₹20,000 crore, up from its earlier guidance of around ₹14,000 crore.

This has raised concerns of allocation of funds into a non-core business. The worry is understandable because the petrochemicals business is vol-

atile and doesn't have meaningful synergies with Petronet's core LNG re-gasification business. Also, Petronet, a gas utility, has no competitive advantage as petrochemicals is a new and unrelated vertical for it.

Despite that, Petronet's management is confident about the prospects of the petrochemicals business, saying that the business environment is likely to be favourable for the sector by FY30. But considering that petrochemical businesses of GAIL, ONGC, IOC and BPCL are struggling to fetch favourable business returns, it remains to be seen how this pans out for Petronet.