

**CITI RESEARCH DOWNGRADES MAHANAGAR GAS**

# City Gas Co Stocks Tumble on Govt Pricing Concerns

**Our Bureau**

**Mumbai:** Mahanagar Gas (MGL) led the selloff in shares of city gas distribution companies Wednesday after Citi Research downgraded rating on the stock to 'sell' citing government pressure to reduce gas prices. Analysts are mixed on the prospects of these shares with some judging that the decline on Wednesday has resulted in valuations turning attractive.

Mahanagar Gas shares plunged 15.4% to close at ₹1,324.7 Wednesday. Indraprastha Gas fell 6.15% and Gujarat Gas declined 6.74%.

The trigger for Citi's rating downgrade of MGL was Oil Minister Hardeep Singh Puri's remarks that the full benefit of the reforms in the natural gas sector has not reached the end customer "We are concerned by the recent statements by the oil minister highlighting that end-consumers have failed to fully benefit from the govt's gas reforms, CGDs (City Gas Distributors) are continuing to enjoy high profits, and the government would be willing to consider drastic steps to ensure consumers' benefit, notwithstanding industry opposition," said Citi's analysts Saurabh Handa and Prerna Goenka in a note, while slashing the price target to ₹1,405 from ₹1,480.

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## City Gas Distributors' Stocks Tumble

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Mahanagar Gas, which largely operates in Mumbai, announced on Tuesday it has reduced CNG prices by ₹2.5/kg. the Petroleum and Natural Gas Regulatory Board also said MGL's exclusivity contract for the laying, building or expansion of the city gas distribution network ended in 2021 itself. Analysts said the fall was also on account of rich valuations. "A correction in these stocks was

overdue as the prices were away from fair value," said Sumit Pokharna, vice president at Kotak Securities.

"The companies have comfortable valuations and there will be a recovery in prices," said Avishek Dutta, research analyst at Anand Rathi Institutional Equities.

**PREFERRED STOCK PICKS**

Kotak's Pokharna said Gujarat Gas is the preferred pick which has more industrial exposure

compared to Indraprastha Gas and Mahanagar Gas which have high retail buyers.

HDFC Securities has an 'Add' rating on GAIL, Mahanagar Gas, and Indraprastha Gas.

Dutta has a target price of ₹1,550 on Mahanagar Gas. "Our picks are MGL and IGL which have comfortable valuations against Gujarat Gas which is trading on a high PE ratio and has stiff competition in the industrial gas supply market," said Dutta.

## GOVT DISCUSSES GASIFICATION OF COAL WITH PSUs, STAKEHOLDERS

**MADHUSUDAN SAHOO**  
NEW DELHI, MARCH 6

The government on Wednesday sought feedback from state-owned public sector units (PSUs) and private investors as well on a proposal for establishment of coal gasification plants in the country.

This move comes in the wake of Cabinet's approval of a financial assistance scheme, allocating ₹8,500 crore for incentives towards coal gasification projects, categorised into three categories.

Issuing a statement, the ministry of coal said that it has issued a three-draft request for proposals (RFPs) for consultation on the coal gasification scheme.

As the ministry has already taken collaborative efforts in advancing surface coal gasification projects in Coal India Ltd (CIL) coalfields, it aims to gasify 100 mn tonnes of coal by 2030 through surface coal gasification.

"The draft RFPs have been issued separately for each of three categories. The category I allocates ₹4,050 crore to PSUs. In category II, ₹3,850 cro is earmarked for both the private sector and PSUs. In category III, it includes ₹600 crore for demonstration projects and small-scale gasification plants," the statement said.

The government has also approved the equity investment proposal by CIL in JVs of CIL-GAIL and CIL-BHEL.



## Ministry seeks feedback on coal gasification scheme

PTI ■ NEW DELHI

Ministry of Coal on Wednesday said it has sought feedback from interested government as well as private entities for establishment of coal gasification plants in the country.

The ministry said it has issued three draft request for proposals (RFPs) for consultation on coal gasification scheme.

"Issued three draft RFPs to solicit feedback from interested government PSUs and private investors for the establishment of coal gasification plants in India," it said in a statement.

The stakeholders can provide their feedback and suggestions until March 20, it said.

The Union Cabinet had earlier approved allocation of Rs 8,500 crore for incentives towards coal gasification projects, having three categories.

Draft RFPs have been issued separately for each of the three categories.

Category I of the scheme allocates Rs 4,050 crore to the PSUs to support up to 3 projects, offering a lump-sum grant of Rs 1,350 crore or 15 per cent of the capital expenditure, whichever is lower.

In Category II, Rs 3,850 crore is earmarked for both the private sector and PSUs, providing each project with a lump-sum grant of Rs 1,000 crore or 15 per cent of the capital expenditure.

Additionally, at least one project in this category will undergo a tariff-based bidding process.

Category III includes Rs 600

crore for demonstration projects and small-scale gasification plants, offering a lump-sum grant of Rs 100 crore or 15 per cent of the capital expenditure to entities with a minimum capex of Rs 100 crore and minimum production of 1,500 normal meter cubed per hour of synthesis gas (syngas).

In a separate statement, the ministry said coal plays a pivotal role in India's energy system, accounting for nearly 70 per cent of the total electric generation.

It is also a critical input in various industries such as steel, sponge iron, cement, and paper, the ministry said adding various measures have been taken to promote usage of clean technology in the coal sector.

The National Coal Gasification Mission aims to gasify 100 million tonne of coal by 2030 through surface coal/lignite gasification projects.

The government has also approved the equity investment proposal by Coal India Ltd in JVs of CIL-GAIL and CIL-BHEL.

The joint venture (JV) agreement has been formally signed between CIL and Bharat Heavy Electricals Limited for setting up an ammonium nitrate plant through surface coal gasification (SCG).

The government is also actively engaged in clean coal initiatives such as extraction of coal bed methane (CBM) gases, exploring Coal to Hydrogen, Carbon Capture and Storage (CCS), coal beneficiation through washeries to mitigate emissions and enhance environmental sustainability.