

Oil and Gas

India's Jun'20 gas demand robust barring CGD and petchem



India's gas consumption continued to rise in Jun'20 and totalled 171mmscmd (up 9.0% MoM and 5.6% YoY), higher than pre-Covid levels. This was due to increased demand from all sectors, except CGD and petchem. Hence, there was a rise in both domestic gas demand (at 82mmscmd, up 3% MoM and 19%YoY) and LNG demand (at 90mmscmd, up 15% MoM). Thus, LNG imports jumped 16% MoM to 89mmscmd in Jun'20, in line with the demand increase. On demand recovery in the CGD sector, the industrial segment's gas demand is largely back to pre-Covid levels (as evident even from [Gujarat Gas' 1QFY21 results](#)) whereas CNG segment demand recovery is likely to be gradual and might take 5-6 months to return to 80-90% of normalised demand levels.

- India's June'20 gas demand recovery continues, except in CGD/petchem sectors:** India's gas consumption in Jun'20 continued its strong upward trajectory and totalled 171mmscmd (up 9.0% MoM and 5.6% YoY). The robust volume growth came on the back of rising consumption across all sectors barring CGD and petchem, for which consumption is down both YoY and MoM. During the month, overall gas demand for India's CGD sector stood at 16.9mmscmd (vs. 18.7mmscmd in May'20); this was lower than the pre-Covid run-rate of ~30mmscmd as the sector has been the worst hit by lower CNG demand owing to limited vehicular movement in metro cities. CGD companies' managements have been highlighting that demand recovery would be gradual, taking 5-6 months to recover to 80-90% of normalised levels. Further, gas demand in the petchem sector also moderated to 6.8mmcmd (vs. 12mmscmd in May'20 and pre-Covid run-rate of ~10mmscmd). However, gas demand continued to be higher in: **a)** the fertiliser sector (at 52.5mmscmd in Jun'20, vs. 50.7mmscmd in May'20 and the pre-Covid run-rate of ~45-47mmscmd) and **b)** the power sector (at 35.4mmscmd, vs. 30.1mmscmd in May'20 and the pre-Covid run-rate of ~30-31mmscmd).
- Jun'20 LNG demand recovers to beat pre-Covid levels:** India's LNG demand for Jun'20 registered robust MoM growth and totalled 90mmscmd (higher than 78mmscmd in May'20 and the pre-Covid run-rate of ~85mmscmd). Note that for the calculation of overall LNG demand, we have assumed CGD sector LNG demand at 10.8mmscmd (vs. 6.1mmscmd as per PPAC's Jun'20 gas report) as we believe it was mistakenly swapped with CGD sector domestic gas demand in PPAC's Jun'20 report; our assessment is based on Gujarat Gas and other companies' commentary of industrial segment demand recovering to pre-Covid levels while CNG demand continues to be sluggish. Fertiliser sector LNG demand rose to 29.2mmscmd (vs. 26.4mmscmd in May'19 and slightly higher than the pre-Covid run rate of ~24-28mmscmd), while petchem LNG demand came in surprisingly lower MoM at 5.1mmscmd (vs. 9.9mmscmd in May'20).
- Domestic gas demand continued rising; CNG demand yet to recover:** India's domestic gas demand continued to grow and totalled 82mmscmd (vs. 79mmscmd in May'20) and remained well above the pre-Covid run-rate of ~68-70mmscmd. However, we highlight that domestic gas consumption has come in at 130-140% of domestic gas availability for the 3rd month in a row (vs. ~100-104% in the past), suggesting some issue with the data, given limited scope for meeting demand from inventory. The rise in domestic gas demand came mainly from the refinery and other industrial segments; demand from the remaining sectors declined MoM. CGD sector domestic gas demand stood at 6.1mmscmd (vs. 6.3mmscmd in May'20, still well below the pre-Covid run rate of ~15-16mmscmd), as it is used for CNG (and by domestic PNG customers). Limited vehicular movement in metro cities severely impacted CNG demand and management commentary suggests it could take 5-6 months for demand to recover to ~80-90% of normalised levels.

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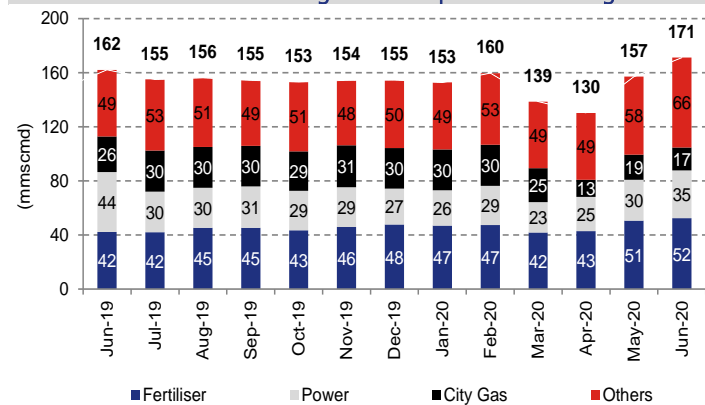
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Exhibit 1. India's Jun'20 sector-wise natural gas consumption break-up (mmscmd)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Domestic gas													
Fertiliser	16.6	16.7	19.0	19.1	19.3	19.2	19.4	16.9	16.5	15.9	19.4	24.3	23.3
Power	21.4	20.0	20.8	19.9	21.2	20.4	18.6	19.1	19.6	17.8	24.4	24.9	23.6
City Gas*	15.4	15.9	15.7	15.9	15.8	16.3	16.6	16.7	16.9	12.1	4.2	6.3	6.1
Others	14.9	16.2	15.2	15.0	15.5	14.2	14.0	11.8	11.5	11.0	20.9	23.8	28.4
-Refinery	3.1	3.1	3.0	2.9	3.0	2.7	2.4	2.9	3.0	3.1	8.5	10.7	13.0
-Petrochemical	1.8	1.9	2.5	1.7	2.1	1.7	2.1	0.8	0.7	0.8	1.8	2.1	1.7
-Other	10.1	11.2	9.7	10.3	10.5	9.8	9.5	8.0	7.8	7.1	10.7	11.0	13.7
Total domestic gas consumption	68.4	68.8	70.7	70.0	71.8	70.1	68.6	64.5	64.5	56.8	68.8	79.3	81.5
Total domestic gas net production for sale to consuming sectors	68.3	68.3	67.9	67.5	66.5	66.7	65.4	64.9	61.9	58.7	53.3	56.5	59.3
Domestic gas consumption as % of net production for sale	100%	101%	104%	104%	108%	105%	105%	99%	104%	97%	129%	140%	137%
LNG													
Fertiliser	25.6	25.3	26.3	26.1	24.2	26.8	28.3	30.1	30.8	25.9	23.6	26.4	29.2
Power	22.9	10.1	8.8	10.7	8.0	8.9	8.0	7.0	9.4	4.8	0.9	5.2	11.7
City Gas*	10.9	14.4	14.5	14.1	13.4	14.7	13.4	13.5	13.6	12.9	8.5	12.4	10.8
Others	34.3	36.5	36.0	33.6	35.8	34.0	36.3	37.7	41.4	38.2	28.5	33.8	38.0
-Refinery	18.8	17.5	18.4	15.9	18.7	18.1	19.6	18.0	21.2	20.4	15.9	17.0	19.4
-Petrochemical	7.4	8.3	7.9	8.4	7.7	7.3	7.1	8.7	9.4	8.8	5.2	9.9	5.1
-Other	8.1	10.7	9.7	9.3	9.4	8.6	9.5	11.0	10.9	9.1	7.3	7.0	13.5
Total	93.8	86.3	85.5	84.5	81.4	84.4	85.9	88.4	95.2	81.9	61.5	77.8	89.7
Total													
Fertiliser	42.3	42.0	45.3	45.3	43.5	46.0	47.7	47.0	47.3	41.8	43.0	50.7	52.5
Power	44.3	30.1	29.6	30.6	29.2	29.3	26.6	26.1	29.0	22.6	25.3	30.1	35.4
City Gas*	26.4	30.3	30.2	30.0	29.2	31.0	30.0	30.2	30.4	25.1	12.7	18.7	16.9
Others	49.3	52.7	51.2	48.6	51.3	48.2	50.3	49.5	52.9	49.2	49.4	57.6	66.5
-Refinery	21.9	20.6	21.3	18.8	21.7	20.8	22.0	20.9	24.2	23.5	24.4	27.7	32.4
-Petrochemical	9.2	10.2	10.4	10.1	9.7	9.0	9.2	9.5	10.0	9.6	7.0	12.0	6.8
-Other	18.2	21.9	19.5	19.6	19.8	18.4	19.1	19.0	18.7	16.2	18.0	18.0	27.3
Total	162.2	155.1	156.2	154.5	153.2	154.4	154.6	152.8	159.7	138.6	130.3	157.1	171.2

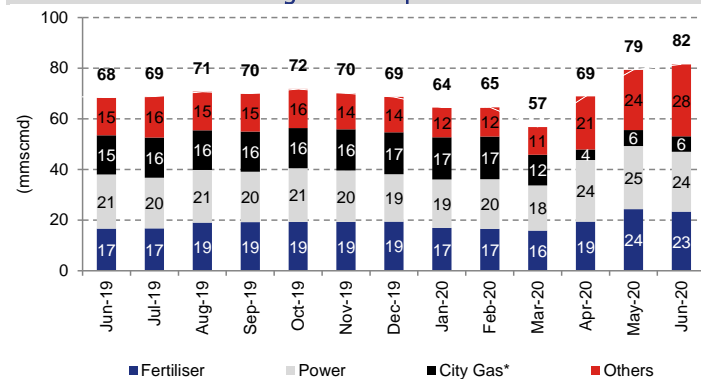
Source: PPAC, JM Financial, * we have assumed domestic gas and LNG demand for City Gas sector has been interchanged in PPAC June'20 report based on GGas' and other companies commentary of industrial segment demand recovering back to pre-Covid levels while CNG demand continues to be sluggish

Exhibit 2. India's total natural gas consumption trend rising



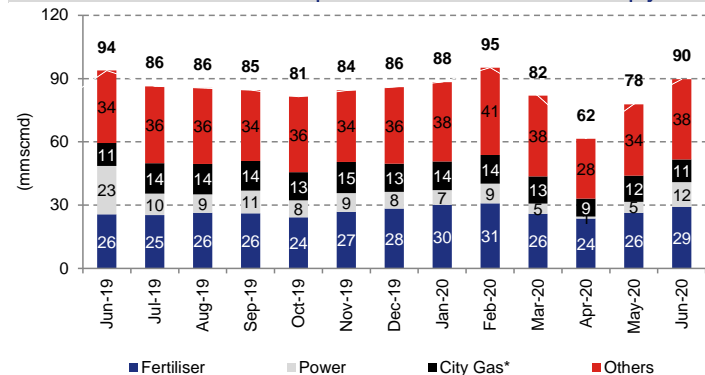
Source: PPAC, JM Financial

Exhibit 3. India's domestic gas consumption trend has recovered



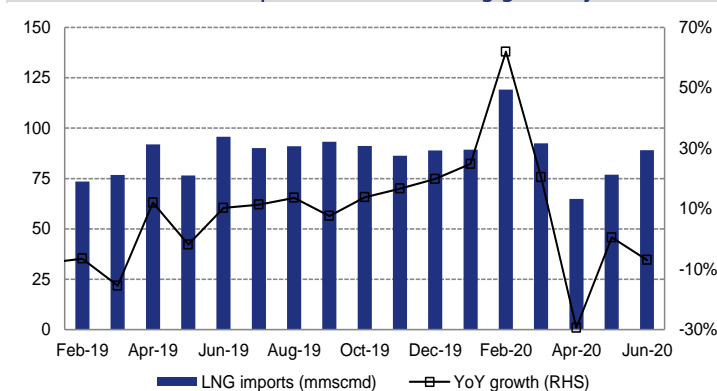
Source: PPAC, JM Financial

Exhibit 4: India's LNG consumption trend has recovered sharply



Source: PPAC, JM Financial

Exhibit 5: India's LNG import trend is also rising gradually



Source: PPAC, JM Financial

Exhibit 6. India's sector-wise quarterly natural gas consumption break-up (mmscmd)

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Domestic gas											
Fertiliser	18.5	18.0	17.5	17.4	16.3	17.5	17.2	18.3	19.3	16.4	22.3
Power	26.8	25.2	25.1	24.8	26.6	24.2	22.5	20.3	20.1	18.8	24.3
City Gas*	12.9	13.4	13.5	14.1	14.5	15.4	15.5	15.8	16.2	15.2	5.5
Others	11.0	13.9	13.2	13.4	14.7	14.7	14.5	15.5	14.6	11.4	24.4
-Refinery	3.0	3.7	2.9	2.9	3.0	3.3	3.2	3.0	2.7	3.0	10.7
-Petrochemical	2.0	2.0	2.3	2.1	1.9	1.9	1.3	2.0	2.0	0.8	1.9
-Other	6.0	8.3	8.1	8.4	9.8	9.5	10.1	10.4	9.9	7.7	11.8
Total domestic gas consumption	69.3	70.5	69.3	69.7	72.2	71.8	69.7	69.8	70.2	61.9	63.4
Total domestic gas net production for sale to consuming sectors	71.7	68.6	70.2	70.5	72.5	72.2	68.6	67.9	66.2	61.8	56.4
Domestic gas consumption as % of net production for sale	97%	103%	99%	99%	100%	99%	102%	103%	106%	100%	112%
LNG											
Fertiliser	22.8	23.7	23.1	23.2	23.0	26.2	23.0	25.9	26.4	28.9	26.4
Power	8.3	5.8	9.2	7.3	8.2	6.1	14.2	9.9	8.3	7.1	5.9
City Gas*	10.7	11.1	11.1	11.0	10.9	10.6	10.3	14.3	13.8	13.3	10.6
Others	35.2	35.7	36.0	37.6	33.0	32.0	34.1	35.4	35.3	39.1	33.4
-Refinery	16.3	15.7	17.2	16.5	16.1	15.2	17.6	17.2	18.8	19.8	17.4
-Petrochemical	8.5	8.5	6.7	7.8	6.9	7.5	8.5	8.2	7.4	9.0	6.7
-Other	10.4	11.4	12.1	13.4	10.0	9.3	8.0	9.9	9.2	10.3	9.3
Total	76.9	76.3	79.4	79.1	75.1	74.9	81.7	85.5	83.9	88.5	79.5
Total											
Fertiliser	41.3	41.7	40.6	40.6	39.2	43.7	40.2	44.2	45.7	45.4	44.0
Power	35.1	31.0	34.3	32.1	34.9	30.3	36.7	30.1	28.4	25.9	25.6
City Gas	23.6	24.5	24.5	25.1	25.5	26.0	25.8	30.2	30.1	28.6	22.7
Others	46.2	49.6	49.3	51.1	47.7	46.7	48.6	50.8	49.9	50.5	50.5
-Refinery	19.4	19.4	20.1	19.4	19.1	18.5	20.8	20.2	21.5	22.9	24.0
-Petrochemical	10.5	10.5	8.9	9.9	8.8	9.4	9.7	10.2	9.3	9.7	8.9
-Other	16.3	19.6	20.2	21.8	19.7	18.8	18.1	20.3	19.1	18.0	17.6
Total	146.2	146.8	148.7	148.8	147.3	146.7	151.4	155.3	154.1	150.4	142.9

Source: PPAC, JM Financial, * we have assumed domestic gas and LNG demand for City Gas sector has been interchanged in PPAC June'20 report based on GGas' and other companies commentary of industrial segment demand recovering back to pre-Covid levels while CNG demand continues to be sluggish

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