

Gurugram industrialists seek time and subsidy for shifting to PNG

OUR CORRESPONDENT

GURUGRAM: A month after the Central Pollution Control Board (CPCB) ordered the closure of industries that are not using PNG, members of Gurugram's industrial association on Friday met Union environment minister Prakash Javadekar raising their concerns over making the use of PNG mandatory for industries. They have also asked the minister to give them time and subsidy for shifting to PNG.

The members also informed the minister that the cost of conversion of boilers from other fuel to PNG would cost them a huge.

Explaining the cost of conversion, an industrialist said it was not the same for all units as it depended on the size of the boiler.

"For example, if a boiler's size is 70 tonnes, its conversion cost to PNG (depending on availability) will be approximately Rs 4 crore, whereas for

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the same boiler the coal cost will be around Rs 1 crore," he explained.

The industrialists said that after the Supreme Court's 2017 ban on the use of pet coke, they switched to coal by modifying their boilers which involved substantial capital cost running into lakhs and now switching to PNG would again cost them a huge amount.

"Till October 2017, the majority of the units in NCR were running their boilers either on pet coke or furnace oil or other permissible fuels. After the SC ban, the industries switched to coal by modifying their boilers. Then, they instructed us to put up real-time online air and water monitoring system. We complied with the directions. Now they want industries to switch

to PNG. The industry is also going through a bad phase. We too are concerned about the environment, but why is industry expected to bear such huge cost every time," said an industrialist

Over 800 such units have been issued notices. Moreover, based on the evaluation, the HSPCB has also categorised industries into various zones based on the pollutions of these units.

Around 230 units have been placed under the red category the highest level for those causing maximum pollution.

Next, in line are 360 units that have been placed under the orange category. Less than 100 industries have been placed under the green category which is these industries are not contributing to polluting city's air.



● **INDRAPRASTHA GAS**
RATING: **ADD**

A strong performance in first quarter

Standalone estimates raised by 1-2%; TP revised to ₹340 from ₹330; 'Add' retained

Q1 EBITDA AT ₹3.6 BN is 7% above our estimate (2% below street) and PAT at ₹2.2 bn is in line (3% above street). Beat is due to higher Ebitda margin from CNG price hike, low opex and favourable FX. Management is confident of >10% volume growth from policy support, rising CNG penetration/conversions and accelerated PNG connections in existing GAs. New GAs expected to contribute 0.5 mcmd each in 4-5 years' time on average. Guided for FY20/21 capex of ₹9-10 bn.

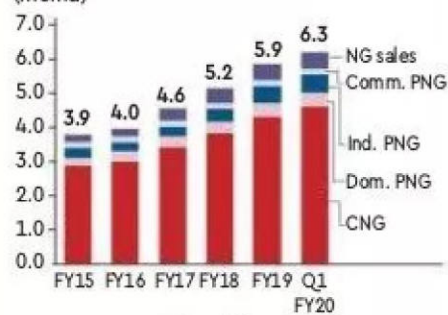
We tweak our volume growth, depreciation and interest cost estimates to reflect Q1 performance. Lower FY20/21e FX to ₹69.7/71.1 (₹72/74 earlier) and raise standalone estimates by 1-2%. Factor in higher contribution from CUGL/MNGL on continuing strong performance. Raise target price to ₹340 (₹330 earlier). We see ~15% earnings CAGR over FY19-22e supported by volume growth, operating leverage, strong execution and supportive gas prices. **ADD**.

Operational highlights from the quarter

- Gross margin increased 6% y-o-y/2% q-o-q to ₹11.5/scm; opex increased 5% y-o-y/-4% q-o-q to ₹5.2/scm leading to Ebitda margin rise of 8% y-o-y/7% q-o-q to ₹6.3/scm, the highest in 11 quarters.
- CNG volumes up 13% y-o-y/2% q-o-q to 424 mcm. PNG volumes rose 12% y-o-y/-3% q-o-q to 145 mcm.
- IGL earlier guided for 60-70 CNG station additions in FY20 (vs. 54 in FY19). It added 7 stations in Q1 with the pace expected to accelerate in coming quarters.

AXIS CAPITAL

Volumes grew at 11% CAGR over last 4 years



Source: Company, Axis Capital