

## Sector Update

## "Premium gas pricing for difficult blocks"

Gas price premium proposal: Proposal is to allow premium over market price for part of the natural gas produced by firms like ONGC, Reliance Industries, Oil India and Cairn India from difficult fields (deep-water, ultra-deep sea or high-temperature and high-pressure fields)

Mechanism for price: Price of domestically produced natural gas is to be revised every six months using weighted average or rates prevalent in gas-surplus economies of US/Mexico, Canada and Russia

Current price: \$4.24/mmBtu on net calorific value (NCV) basis, and on gross calorific value (GCV) basis would be \$3.82/mmBtu

New price for difficult fields: \$5.0/mmBtu on net calorific value (NCV) basis (As per market expectation)

Impact Analysis:

Reliance Industries		
Total Domestic Gas Production (Working Interest)	BCM	4.0
	mmscmd	10.8
KGD6 Gas production (Working Interest)	BCM	3.1
	mmscmd	8.5
Gas price (\$/mmbtu)		4.2
New gas price for deep blocks(\$/mmbtu)		5
Old revenue from deep blocks(INR Mn)		30185.8
New revenue (INR Mn)		35935.4
Difference (INR Mn)		5749.7
Old target price		1220
New target price*		1225

ONGC		
Total Domestic Gas Production (Working Interest)	BCM	23.0
	mmscmd	63.0
Production from deep blocks	BCM	9.2
	mmscmd	25.2
Gas price (\$/mmbtu)		4.2
New gas price for deep blocks(\$/mmbtu)		5
Old revenue from deep blocks(INR Mn)		89873.4
New revenue (INR Mn)		106992.2
Difference (INR Mn)		17118.7
Old target price		237
New target price*		251

Cairn India		
Total Domestic Gas Production (Working Interest)	BCM	0.146
	mmscmd	0.4
Ravva Gas Production	BCM	0.073
	mmscmd	0.2
Gas price (\$/mmbtu)		4.2
New gas price for deep blocks(\$/mmbtu)		5
Old revenue from deep blocks(INR Mn)		713.1
New revenue (INR Mn)		849.0
Difference (INR Mn)		135.8
Old target price		144
New target price*		146

Oil India		
Total Domestic Gas Production (Working Interest)	BCM	2.7
	mmscmd	0.2
Production from deep blocks	BCM	0.54
	mmscmd	1.5
Gas price (\$/mmbtu)		4.2
New gas price for deep blocks(\$/mmbtu)		5
Old revenue from deep blocks(INR Mn)		5275.2
New revenue (INR Mn)		6280.0
Difference (INR Mn)		1004.8
Old target price		402
New target price*		415

Source: KRChoksey Research

\* Based on the outcome of the proposal

## Market Data

Nifty	7,476
Sensex	24,599
CNX Oil & Gas	8,735
USD / INR	67

Source: Bloomberg

## Sector Performance



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