NEW PRICING NORMS EFFECTIVE TODAY

Piped gas, CNG prices to fall by up to 11%

MANISH GUPTA
New Delhi, April 7

THE GOVERNMENT'S NEW gas pricing formula may result in city gas distributors (CGDs) lowering the prices of compressed natural gas (CNG), used by vehicles, and piped natural gas (PNG), used by homes, by up to 11% early next week.

"APM (Administered Price Mechanism) prices declining to \$6.5/mmBtu could mean a 9-11% cut in CNG and PNG prices, assuming companies pass on the benefit to end-consumers," said Naveen Vaidyanathan, Director, Crisil Ratings.

On Thursday, the Cabinet approved a new gas pricing regime that links it to crude but binds it within a range of \$4 to \$6.5 per mmBtu for the next two years, in effect preventing any volatile movement of gas prices during the general elections next year.

The revised price will be announced on Saturday.

As per the earlier pricing regime, gas prices would have risen further to \$10-11/mmBtu for the first half of fiscal 2024 from \$8.57/mmBtu for the six months ended March 2023, he said.

This would have forced the CGDs to increase prices to maintain profitability.

Prashant Vasisht, vice president and co-head, Corporate Ratings, ICRA, said that the decision to base the price at 10% of the monthly average of Indian crude basket is pragmatic and judicious as globally liquified natural gas sales are mostly priced basis crude.

Further, it removes the linkage to trading hubs in gas surplus regions where prices remained low even as crude prices were elevated leading to prolonged periods of low and unremunerative domestic gas pricing hurting the profitability of upstream producers, he said.

"The gas price decline should lead to a ₹9.5/kg decline in CNG rates and ₹6/scm decline in PNG rates if fully passed on to the consumers," said Vasisht. He, however, believes that the entire benefit may not be passed to the consumers.

"It is difficult to say if the CGDs will pass the full benefit to the consumers. Many had not passed on the full price rise, taking a hit on margins and so pass through may be lower," he said.

Sources inform that Indraprastha Gas (IGL), distributor of both CNG and PNG, is working out the new price they will charge to their customers and are likely to announce the new rates on Monday.

Joanne Gonsalves, associate director, Crisil Ratings, said, "With APM prices now benchmarked to crude oil, it would ensure sustained competitiveness of CNG and residential PNG with alternative fuels such as petrol, diesel, and liquefied natural gas (LNG).

"The CNG discount over petrol and diesel, and residential PNG over LNG will increase to 25-40% under the new regime from 20-35% currently.

This can accelerate and sustain adoption of city gas and support distributors that have planned capex of about ₹90,000 crore over the next 4-5 fiscals."

Automobile manufacturers believe that the decision to insulate the Indian consumers from the spikes in global prices will promote the use of CNG vehicles in India.

Global food prices fall for 12th consecutive month

AGNIESZKA DE SOUSA
April 7

ONE YEAR OF DECLINES

UN index of food commodity costs drops for a 12th month

Source: UN's FAO; Bloomberg

GLOBAL FOOD COSTS fell for a 12th straight month to reach the lowest level since July 2021, though there is still little sign the rout is actually feeding through to grocery shelves.

A United Nations' index of food-commodity prices eased 2.1% in March, capping the longest run of losses in data going back three decades. Last month's decline was driven by grains, vegetable oils and dairy, which offset a rise in sugar and meat prices.

The gauge has fallen 21% from a record set a year ago when Russia's invasion of Ukraine disrupted grain exports, although it's still up almost 40% from two years ago.

"While prices dropped at the global level, they are still very high and continue to increase in domestic markets, posing additional challenges to food security," Máximo Torero, chief economist at the UN's Food and Agriculture Organization said in a statement.

Food inflation has continued to climb in many countries, as cheaper commodities are offset by other costs like energy, labor, transport and processing.

In many developing countries that rely heavily on food imports, the situation has been worsened by local currency weakness, Torero said.

But prices continue to rise in wealthier countries as well, putting pressure on governments to respond.

"Food price inflation is still a serious concern in many countries," the Agricultural Market Information System, which tracks global food markets, said on Thursday.

A mix of ample supplies, subdued import demand and the extension of the Black Sea Grain Initiative contributed to the drop in food commodity costs, the FAO said on Friday.

—BLOOMBERG

April gas price at \$7.92 but capped at \$6.5 for consumers: Government order

PRESS TRUST OF INDIA
New Delhi, April 7

THE GOVERNMENT ON Friday announced a natural gas price of \$7.92 per unit for the remainder of April according to the just approved new pricing formula, but rates for consumers have been capped at \$6.5 per unit.

According to an order of the oil ministry's Petroleum Planning and Analysis Cell, the price of natural gas for April 8 to April 30 period comes to \$7.92 per million British thermal unit going by the new indexation of pricing it at 10% of imported cost of crude oil.

However, the Union Cabinet had while changing the pricing formula capped the rates at \$6.5 per mmBtu for two years ending March 31, 2025.

"For the gas produced by ONGC/OIL from their nomination fields, the price shall be subject to ceiling of \$6.5 per mmBtu," the order said.

The capped rates which are about a quarter less than the current prices, will lead to CNG and piped cooking gas prices being cut by up to 10%. Following the decision, the CNG price in Delhi is likely to be cut from ₹79.56 per kg to ₹73.59 and that of PNG from ₹53.59 per thousand cubic meters to ₹47.59. In Mumbai, CNG may cost ₹79 per kg instead of ₹87 and PNG may cost ₹49 per scm instead of ₹54.

RBI growth estimate 'too optimistic', will pivot to rate cuts in October: Nomura

PRESS TRUST OF INDIA
Mumbai, April 7

JAPANESE BROKERAGE NOMURA on Friday said Reserve Bank's 6.5% real GDP growth estimate for FY24 is "too optimistic", and the central bank will pivot to rate cuts from October.

The brokerage said it agrees with the Reserve Bank's projections on price rise, and said that the worst of headline inflation is behind us.

"However, the revised GDP growth forecast of 6.5% in FY24 appears too optimistic," the brokerage said, adding that it estimates growth to slow down to 5.3%.

A slew of agencies and analysts has cut the FY24 growth forecasts in the recent past, with many of them pegging it under 6% as well.

Nomura said it expects a downside of over 1 percentage point to the RBI's growth estimate on weaker global growth, high uncertainty and the lagged effects of domestic policy tightening.

RBI had attributed the upward revision in growth to a dip in crude oil prices to \$85 per barrel as against \$90 per barrel.

After announcing the policy, Governor Shaktikanta Das on Thursday said that the policy call is a pause on rates, and not a pivot, and made it clear that the RBI will not hesitate to act if it sees any risks.

In the note, the brokerage said the RBI is likely to pause in June as well, saying the central bank will take time to assess the impact of its past rates hikes, where it has raised rates by 2.50% in the last 11 months.

"Beyond June, we expect inflation to marginally undershoot and a more significant disappointment on growth," the brokerage said.

The risks to its estimate of a rate cut in October appear skewed towards an action earlier than expected, it said.

The brokerage said the six-member Monetary Policy Committee surprised markets by unanimously voting to pause in the April meeting, while retaining its stance at a "withdrawal of accommodation" on Thursday.

Jaishankar holds talks with South Korean counterpart

PRESS TRUST OF INDIA
New Delhi, April 7

The two foreign ministers also deliberated on the overall situation in the Indo-Pacific, a region that has witnessed growing Chinese military assertiveness

EXTERNAL AFFAIRS MINISTER S Jaishankar on Friday held wide-ranging talks with his South Korean counterpart Park Jin with an aim to take forward the special strategic partnership between the two countries.

The two foreign ministers also deliberated on the overall situation in the Indo-Pacific, a region that has witnessed growing Chinese military assertiveness.

Park is on a two-day visit to India.

"I'm really very glad to have the opportunity to take forward our special strategic partnership. This is also the 50th anniversary of the establishment of our diplomatic relations," Jaishankar said in his opening remarks at the meeting.

"And you come at a very good time, because our trade is very good, our political relations are very cooperative," he said.

In his remarks, Park referred to the commonalities between the two sides and their commitment to the Indo-Pacific.

"We are both exemplary democracies, vibrant economies and cultural powers and we are both committed to contributing to a free, open, peaceful and prosperous Indo-Pacific region," he said.

"In this way, South Korea and India are natural partners and I have a strong belief that the special strategic partnership between our two countries is the strongest partnership in the Indo-Pacific region," the South Korean foreign minister said.

Park also spoke about India's "increasingly pivotal role" in the international stage and that the country is is set to further impact the world as the president of the G20.

"India has also demonstrated to the world its cultural prowess with the recent Oscar win, and I must say the 'Naatu Naatu' song and dance has captivated the world," he added.

Before meeting Jaishankar, Park called on Vice President Jagdeep Dhankhar.

On Saturday morning, Park will leave for Chennai.

"I know tomorrow you're visiting the Hyundai plant in Chennai. So that itself, Hyundai in many ways is a symbol of the relationship that we have," Jaishankar said in his opening remarks.

"We have also expanded our relationship today to cover the economic development cooperation fund; we are doing projects under that," he said.