"Adani Total Gas Limited
Q1 FY2022 Earning Conference Call"

August 05, 2021

ANALYST: **MR. VARATHARAJAN SIVASANKARAN - ANTIQUE STOCK BROKING**

MANAGEMENT: **MR. SURESH P. MANGLANI – CHIEF EXECUTIVE OFFICER - ADANI TOTAL GAS LIMITED**
MR. PARAG PARIKH – CHIEF FINANCIAL OFFICER - ADANI TOTAL GAS LIMITED
MR. PRIYANSH SHAH - HEAD OF INVESTOR RELATIONS - ADANI TOTAL GAS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Adani Total Gas Limited Q1 FY2022 earnings conference call hosted by Antique Stock Broking. As a reminder, all participants will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this call is recorded. I now hand the conference over to Mr. Varatharajan Sivasankaran from Antique Stock Broking. Thank you and over to you Sir!

Varatharajan S: Thank you Karuna. Good morning everyone. It is my pleasure today to welcome the senior management of Adani Total Gas Limited. Mr. Suresh P. Manglani, CEO, Mr. Parag Parikh, CFO and Mr. Priyansh Shah, Head of IR. I would request Mr. Manglani to give us a short brief and then we can open the floor for Q&A. Over to you, Sir!

Suresh P Manglani: Thank you Varatharajan, thank you very much. Good morning everyone. Let me at the outset extend a hearty welcome to all our investors, analyst, and fund houses friends for taking out your time in participating in today’s call which is relating to Q1 FY2022 results of Adani Total Gas. We had all passed through a very severe onslaught of COVID pandemic wave two in particular in the month of April and May 2021. ATGL wishes all our friends on this call and their families and friends a very healthy and safe life. The opening up has been happening across India and we are also witnessing robust recovery of economy, which will go forward certainly benefit ATGL. However we would once again appeal all to stay safe, follow yourself and bring wide awareness in the public on following COVID appropriate behaviors and get vaccinated if already not done. We have ensured that all our employees and their families get fully vaccinated besides providing every other possible support. This will help us to decisively fight back the pandemic collectively as we did last time.

At ATGL like every quarter we have ensured supply of piped natural gas and CNG and safe handling of operations and emergencies on 24x7 basis in all our geographical areas. Team ATGL has been extending all the support needed to our consumers’ community at large and nation to contain and fight back the adversity arising from this pandemic. Our overriding business principle that safety has to be the pre-condition to work has laid down strong foundation in building safe behavior culture within ATGL. All our employees and partners working for us are being trained to follow safe behavior in every action they take. We have continuous training on health and safety for our teams and partners so that our target of zero fatality is maintained.

Now let me brief you all on the operations of the company. The quarter gone by has been challenging on account of second wave of COVID across the country. As stated above the month of April and May 2021 in particular witnessed major adverse impact of COVID-19 pandemic across the India and it was no different for ATGL except that team ATGL ensured maximization of volumes and development of infrastructure in every possible available window of opportunity during this quarter FY2021-2022. I am delighted to inform you all that it has immensely helped ATGL to yet again deliver an excellent physical, operational and financial performance for Q1

FY2022. The Board of Directors of Adani Total Gas Limited met yesterday and were pleased to approve the first quarter results with robust performance with a steady physical infrastructure growth and an excellent financial performance. On the infrastructure front, our CNG stations have now increased to 224 in Q1 FY2022 and PNG home connections increased to 4.88 lakhs. 9223 new connections have been added in Q1 FY2022. Industrial and commercial connections increased to 5065, 99 new consumers have been added during the quarter and we have completed 2873-inch kilometer of steel pipeline which will translate to around 312 kilometers in our new geographical area which we got authorization in 9th and 10th round. So this was our operational and physical performance.

Now let me brief you all about the financial performance of Adani Total Gas Limited for Q1 FY2021-2022. The EBITDA for Q1 was 215 Crores which is up by 151%on a year-on-year means compared to the previous quarter of the previous corresponding financial year. The profit before tax for this Q1 was 185 Crores which was up by 196% on a year-on-year basis. The profit after tax for Q1 was 138 Crores; this is all standalone results which is up by 199% on a year-on-year basis. Let me now declare the result in more detail.

In Q1 FY2022 our overall volume stood at 140 million metric standard cubic meter versus 64 million metric standard cubic meter in Q1 FY2021, which was more of a COVID quarter. Our CNG volumes were 68 million metric standard cubic meter and PNG volumes were 72 million metric standard cubic meter. The CNG volume has grown by 180% and PNG volume has been grown by 80% respectively as compared to Q1 FY2021. During Q1 FY2022 revenue from operations were 522 Crores versus 207 Crores in the corresponding quarter of the previous year, which means there is increase of 153%. EBITDA was also increased by 151%, volume also increased by 118% Our EBITDA was at 215 Crores which I already have announced as compared to 86 Crores of Q1 FY2021 the growth of 151%. Profit after tax for Q1 FY2022 was higher by 199% which I already stated at 138 Crores versus 46 Crores in Q1 FY2021.

The project update. The CNG commercial operations now have started in 14 new geographical areas out of 15 geographical areas, the only geographical area which we need to start our operation very soon is the Anuppur and Bilaspur geographical area.

Despite on ground challenges for project execution in this quarter ATGL had a steady growth in infrastructure as on June 30, 2021, CNG stations have increased to 224 it means we had commissioned 7 CNG stations all in the month of June because April and May month there was a severe onslaught of COVID. Three stations are DODO and four were COLO.

On the PNG front our connections have increased to 488000 and we had connected around 9200 new domestic connections. We have also crossed 5000 industrial and commercial consumers now we have reached to 5065 industrial and commercial connections; we have added 99 new industrial and commercial connections.

Project laying work, laying of steel, construction of steel and laying of now medium MDPE pipe, LMC, all work is going on in a full swing in all geographical areas. Besides growing core business ATGL as you all are aware is now focusing on adopting and implementing strong ESG, Environment, Social and Governance Practices, our long-term strategy is fully aligned with global best practices in the realms of sustainability while providing unhindered service to our consumers and creating value for all our stakeholders. I am confident that with continued support from all stakeholders and motivated team Adani Total Gas the journey ahead is going to be much, much more exciting, and successful. We would like to acknowledge the role played by our shareholders, consumers, dealers, suppliers, business partners, investor community and all stakeholders who are associated with Adani Total Gas. We are thankful for their trust and continued support. Thank you everybody, thanks a lot. We will open for the questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.

Vidyadhar Ginde: My first question is could you just give us some data on what is the proportion of your industrial and commercial volumes in this quarter and what was it last year?

Parag Parikh: As far as our composition of volumes are concerned while in the last part of earning quarter with the lockdowns we saw a dip in the CNG volume therefore which has slightly started picking up over this quarter, the CNG to PNG composition is almost 50%:50% about 48% is CNG, PNG is 52% within that volume industrial and commercial constitute the bulk of slightly over 80%.

Vidyadhar Ginde: My next question is given the kind of surge we are seeing in the spot LNG prices do you see margins coming under pressure compared to these last year levels we are at very strong high level right now, so from these levels do you see margins coming under pressure starting Q2 or do you think you can pass on the rise in cost of the consumables especially the industrial?

Suresh P Manglani: Thank you VidyadharJi for asking a very, very pertinent question which is in everybody's mind and if you have been attending our investors call in the previous quarter this has been the question which we have been asked by almost every quarter. We definitely are witnessing the spot prices the JKM is going up but you are all aware that as we have been appraising you all that we have a very, very good mix portfolio of gas sourcing, we have a domestic gas sourcing, we have the JKM plus Brent linked contract and then we also see that we are still quite competitive vis-à-vis alternative fuel prices so overall we definitely see that on one hand we have a good mix of a portfolio of gas sourcing on the other hand there is some legroom for us to pass on the increase which is coming forward in the spot prices. So we are confident that we will be able to maintain the margin which currently has been delivered and we do not see a major challenge on gas price hike coming and creating any stress on our margins.

Vidyadhar Ginde: Thank you.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Congratulations for strong set of numbers. Just a couple of questions from my end Sir. First question is you have said 14 out of 19 AsGAs operating or 18 out of 19 AsGAs operating now that is my first question Sir?

Suresh P Manglani: I meant 18 out of 19 because when I said 14 it means 14 out of 15 new geographical areas so it is put together now 18 geographical areas are operational except one geographical area as I said Anuppur and Bilaspur which we will be soon commissioning the CNG station.

Manikantha Garre: Sir my second question is I think last quarter you have already mentioned this that out of the 7 CNG stations around 6 are in new geographical areas similarly would be possible for you to give a split of domestic pipe connections to the homes and industrial commercial customers between existing and new geographical areas?

Suresh P Manglani: No, you see for the new geographical area except the Palwal. The Palwal geographical area where we have started doing the piped natural gas and we have a good number of industrial commercial consumers all other new geographical area we are now starting because the city gate station which are needed are started getting commission, we have already commissioned three CGS's we call it as City Gate Station where we get a custody transfer of our gas from a transmission line so three Kheda, Surendranagar and Bhilwara we have commissioned so far and now remaining we will be commissioning in this financial year and once we commission City Gate Station thereafter we start providing piped natural gas and industrial commercial connection so what numbers you are seeing today is largely coming from existing geographical area except in the Palwal geographical area. Just to add to that Manikantha as we mentioned earlier strategically we want to start building an ecosystem in the newer geographies, we want to start commissioning our CNG stations into the newer geographies so that the awareness ecosystem is being built as we parallelly lay down our network.

Manikantha Garre: What kind of target that you have for CNG stations addition in FY2022 or 2023 I think Q1 anyways we have utilized opportunity across there in June but in general would we able to give the target that you have for FY2022 in terms of CNG stations addition and now what kind of capex is required there that could be helpful Sir?

Suresh P Manglani: I think you have been a very, very regular participant in our calls I will now keep remembering your name as well and looking forward that you will bring all these good questions. See last year if you see in FY2021 we added 102 CNG stations, we hope to see that a very healthy numbers are added in this financial year as well, in Q1 because of a very severe onslaught of COVID in April and May month in particular we could add only 7 CNG stations though we had a target of actually double-digit minimum so I think we would definitely we were attempting our full endeavors would be that we add similar healthy numbers in this current financial year as well both in existing as well as new geographical areas.

Parag Parikh: Manikantha our capex do sort of arise out of the fact that there is a certain minimum work program that we have also been interested with as a part of the newer geographies like I have always maintained that annualized capex is in the range of about 1000 Crores to 1200 Crores certainly there are some peaks and falls given the pandemic what we have been taken but on an annualized you should see this capex number in that range.

Manikantha Garre: Understand Sir thank you for those. I will come back in the queue if I have more questions.

Moderator: Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: Sir my question is more of a clarificatory measure in a followup to what Vidyadhar asked so basically 80% and maybe 20% mix you just pointed out in case of PNG so that has been the case in the past quarters as well so I was just wondering that given domestic PNG consumption is not impacted in a COVID lockdown so is there a possibility that the mix changed in this quarter because typically your industrial and commercial consumptions were impacted and not the domestic consumption so is that the right read?

Suresh P Manglani: That is absolutely correct PNG has and especially when we look at domestic segment that has certainly been very stable in the entire 12, 15 months of current and last financial year because that has been a more utility area where consumption is continuing to be growing. On the same side in the later quarters of last financial year that is more in Q3 and Q4 we actually did start seeing an upsurge as far as industrial volumes were concerned. CNG had always been a little bit of a challenge given the fact that we were facing lockdowns, semi-lockdowns which have slowly started recovering, we will start seeing volumes coming back on the PNG so if I were to look at when you even go to a last quarter of March we were more at about 45% of CNG while 55% was on PNG on the back of domestic remaining the same and industrial growing in the third and the fourth quarter but now what we are seeing in the first quarter is clearly slightly again coming back on traction we are now towards 50:50 precisely as I said CNG is more now towards 48 while PNG is towards 52.

Nitin Tiwari: Sir my question was more from the point of view of PNG mix, CNG is what we are clear about that it gets impacted in the long-term scenario but when we look at the PNG mix particularly from the first quarter perspective so what will be a mix in terms of domestic, industrial, and commercial?

Suresh P Manglani: As I said in terms of mix industrial out of our composition almost close to 80% is industrial and to add to that commercial which is a smaller segment of about 5% odd, balance everything is really coming from domestic about 18% to 20% of the PNG is coming from domestic.

Nitin Tiwari: So sir in this quarter like we are going by those numbers did we see a drop in PNG domestic consumption as well on a sequential basis?

Suresh P Manglani: No numbers on the volume on the domestic segment have never gone down but as a ratio you will start seeing the number diminishing because we have seen a surge of the industrial volume going up in the immediate last two quarters.

Nitin Tiwari: I will take this in the offline as well like I am slightly confused about it, but nonetheless and second clarification on the new areas that you basically added so I just wanted to summarize it so basically the 14% volume which we are getting from new GA that is mostly coming in from Palwal you said?

Suresh P Manglani: That is right.

Nitin Tiwari: Kheda, Bhilwara and Surendranagar are three more new areas that we have recently added right where you have said reconstructing the city gas station?

Suresh P Manglani: So Nitin if I may clarify to you overall volume what we achieved 140, but 85% volume in aggregate is from existing geographical area which comprise of CNG, CNG and PNG will again comprise of industrial, commercial, and domestic. So put further 85% comes from existing geographical area, 15% volume is currently coming from a new geographical area which includes PNG supply to some extent in Palwal and the rest entire volume of 15% is CNG from all 14 geographical areas so it is not only are now ready and many more is going you will be hearing the news when we come to meet you again in the next quarter many more will be city gate stations will be commissioned so now actually and also it is not the sequential that we will commission and then only we will start laying pipelines, pipelines are being laid, the entire GAs are getting wired in terms of the steel pipeline or MDPE pipeline so that we are ready to start connecting if you actually have any friends in the areas of Rajasthan, etc., you will come to know that are our marketing teams are already registering the customers and we have actually started laying the GI pipes which is the last mile connectivity in the homes so you will start hearing the news of connecting our PNGs to homes, commercials, industrial, this work will start now on a very full swing basis because our first supply is there available in the GCGS. Hope it is clarified please get everything clarification and do not keep anything which is not clear to you, you can ask question again because this call is to make sure that you go back with all clarification which you have come to on this call.

Nitin Tiwari: Sure thank you so much Sir for that and if one question I may squeeze can you share updates on the areas which are having this JV with IOCL so we have discussed the areas 19 areas that we have so any update on progressing the JV areas?

Suresh P Manglani: Yes, so our joint venture IOAGPL which is again a 50:50 JV between ATGL and IOCL coincidentally there are 19 geographical areas in that JV as well so put together we have 38 geographical areas and Parag will update you on the volumes, actually we are seeing a very good growth in the volume now since the foundation of our infrastructure is started giving a very good result so there has been 2.5 times growth in the volume which Parag will give the numbers as well as it has been a very good growth in the financial numbers, so Parag if you could just share.

Parag Parikh: Just to add as I said therefore there are 19 geographies and these geographies of course started much later when ATGL started its own original 4 geographies so there has been a ramp up in terms of volume as far as IOAGPL is concerned. If one were to look at in terms of corresponding quarter from last June to this June the volumes have ramped up almost close to 2.5 times similarly there has been a reflection as far as our revenues are concerned since this is our 50:50 JV we are only consolidating on the equity method we are only picking up the profits of IOAGPL now if we were to look at the last June quarter that is June 2020 we actually had picked up a loss from consolidation last time of close to about 7 Crores this quarter we have actually picked up a profit of 4 Crores so this is of course for a 50% JV so 14 Crores was the top last year which will now turned into 8 Crores of profit for this quarter.

Nitin Tiwari: I was saying that Parag just mentioned that the volume has 2.5 times so what is the absolute number?

Parag Parikh: The volumes as far as IOAGPL is concerned on a cumulative basis we are reaching close to about 0.4 MMSCMD as far as IOAGPL for this quarter is concerned, now if one were to reflect this back for last June quarter it was at 0.15 so that is what I was referring to then we said that the volumes are ramping up as far as IOAGPL is concerned. Hope it clarifies you Nitin.

Nitin Tiwari: Yes it does Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Sir continuing on this JV part what is your capex for commitment in this JV?

Suresh P Manglani: So as far as IOAGPL is concerned and with a similar sort of outlay that IOAGPL is having they are also likely to incur a capex in the range of about 5500 Crores over the next five years effectively annualized capex even in IOAGPL will be to a similar number of 1000 to 1200 Crores per year.

Puneet: How would that be funded is they intent to raise that or would you be increasing more equity there?

Suresh P Manglani: It has of course tied up with own portion of debt which is close to about 55% of these requirement in the balance 35% and a 50% partner 17.5% has been brought in. Secondly the nature of this business being when we start commissioning we start generating cash flows while you are laying your capex partially it will also get funded through the internal accruals that it will generate over a period of time.

Puneet: So in terms of your proportion of capital commitment should we assume that the incremental 5500 Crores capex will also be done in 6% debt and balance what we shared equally in terms of your equity?

Suresh P Manglani: That is correct 6% of debt, 35% of equity of which half will be ATGL. This half basically net of the internal accruals.

Puneet: Is 5500 enough to meet your minimum program or do you made more beyond this?

Suresh P Manglani: So what I am referring to is actually the capex that is expected to be laid down of the initial five years MWP is usually for a period of eight years and that would do again similar sort of capex over the incremental three years.

Puneet: So same capex one should assume 1000 Crores, 100 Crores over next three years as well?

Suresh P Manglani: That is correct I think the way these assets are being seen that in the initial four to five years geographies do tend to mature they start generating and stabilize an incremental growth and these up to us which have been generated are also being reflowed back as far as future capex is concerned.

Puneet: Similarly at individual level you have indicated 1000 Crores capex annually what is the total money need for the minimum work program?

Suresh P Manglani: So as I said if I were to look at the immediate five years period the immediate five-year period at ATGL would again be in the range of about 5000 Crores that will be required to be incurred.

Puneet: Beyond that complete MWP?

Suresh P Manglani: Same, complete MWP would mean again incremental number at a similar portion but once again as I touched up on for IOAGPL as the geographies mature the approvals from the geographies become very strong say for example today when we are talking about geographies like Ahmedabad, Faridabad which have become very mature, any incremental capex actually which is required in those geographies not only are being funded through the accruals itself but it is actually generating additional surpluses which can be used for capex of the other geographies.

Puneet: Did you say additional 5000 over and above the 5000 that you are spending in next five years that total 10000 will be needed for MWP?

Suresh P Manglani: No it would be more towards 1000 to 1200 Crores as I said per year so additionally we are going to get about 3000, 3500.

Puneet: My next question is with respect to the gas is that you said the existing GAs contribute roughly 85% of gas consumed what kind of growth have you seen over last one year obviously it is a bit of COVID impacted year and over a two-year period what would be the CAGR then with the existing Gas?

Suresh P Manglani: CAGR in terms of volume I would firstly put it the last 12, 15 months given what the whole country is facing it may not ever give you a complete picture in terms of what sort of growth that we have seen over a period of time but on the same time if I were to look at it from existing geographies over a period of time it has consistently given us close to about a double digit growth so that is where we are in terms of volume even if I were to look at slightly historically to the last quarter of FY2021 when the volumes actually touched a peak of more than 2 million MMSCMD per day which April, May months did have a ntdent and therefore our volumes slightly came down but from the June month we are again seeing action picking up we are again seeing volumes back on the ground and we are hoping to go back to those peak volumes. On a standalone basis as I said growth has been closer towards the double digit and as they tend to mature then you start seeing the growth rates scaling up.

Puneet: For the new incremental gas have you already tied up or would you need to tie up the gas as well?

Suresh P Manglani: As we have been explaining in every quarter that gas tie-up would be continuous process we have a gas contract currently in place for a couple of quarters and we actually as I said we have been developing a gas sourcing portfolio of hedging and the risk management, so we do not see that as a major challenge for us because we have actually in fact established a center of excellence in gas sourcing and that is taking care of very well on timely sourcing the gas also ensuring that we source the gas to the right indexes and for a right tenure so we have a very good assessment and we also draw a huge strength from our growth partner TotalEnergies which is the world global energy major, so put together this strength itself gives us a kind of a benefit to ensure that our gas sourcing is optimized and should be contracted for a optimal period.

Puneet: So would you also be bidding for the Reliance new gas which was coming or are you largely likely to rely on LNG?

Suresh P Manglani: There have been so far Puneet three bidding rounds of Reliance BP Gas and in all three rounds we have participated. Now every round we see and evaluate what terms are coming in terms of commercials, in terms of contractual, so the next round either from Reliance BP or any other suppliers or explorer comes we certainly as an entity will explore and see and evaluate property that what are the terms and is that it suits our expectation and requirement and we will definitely participate on the bidding if it really matches our expectation.

Puneet: So did you bring anything in these three rounds?

Suresh P Manglani: Yes, we did get the gas rolling in the three rounds and we are beneficiary of, that is the reason I keep saying that we have a good mix of the gas sourcing portfolio and that would involve the domestic one is which we get anywhere for home and CNG we anyway get an APM gas, for industrial, commercial now we are able to get the benefit of domestic gas as well as the very good contract which we have done for RLNG supply and then we keep looking forward for spot opportunities and that actually if you are analyzing our number fully then I am sure you are doing along with your team you will be able to see that very clearly in our numbers quarter-on-quarter that the profitability which is being maintained it comes from a two major drivers one is this ground sourcing efficiency another is the opex leadership and I am sure you have all those numbers with you and we can certainly work with you in offline so that we can provide you all the further details.

Puneet: This will be helpful, thank you so much and all the best.

Suresh P Manglani: Thank you Puneet. All your questions have been answered Puneet?

Puneet: Yes, thank you Sir. Very helpful.

Moderator: Thank you. The next question is from the line of Amit Rustagi from UBS. Please go ahead. As there is no response from the line of current participant we move to the next question from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.

Vidyadhar Ginde: I just wanted some clarity on if you could share with us what is the breakup of your volumes in terms of your existing GAs so you mentioned earlier that roughly half is CNG balance is PNG of which 80% is industrial, commercial is 5%, so I presume that was the number for the old so if you could give us some clarity on what is that ratio for or breakup for your old existing GA and for the new GAs on your current volumes where you I think said the new GAs are contributing 15% so in this new GA what is the breakup and old GAs what is the breakup of industrial, commercial and CNG?

Suresh P Manglani: VidyadharJi if you have heard me earlier also I stated I can again clarify to you all that total volume which we achieved at a company level 85% is being contributed by existing geographical areas and which what Parag shared the breakup in terms of CNG and PNG which is 48%:52%. So of total 140 million cubic meter of gas which we have achieved 85% comes from existing geographical area and 15% is coming from the new geographical area, and in the new geographical area what I stated is largely it is contribution from a CNG and some portion of a PNG is coming from Palwal geographical area.

Vidyadhar Ginde: So CNG is what proportion?

Suresh P Manglani: It is close to 80% and PNG is close to 20%.

Vidyadhar Ginde: Even that PNG is largely domestic is it?

Suresh P Manglani: PNG largely industrial.

Vidyadhar Ginde: So it can be roughly you say that in the new volumes as things stand it is 80:20 CNG and around most of this 20 is industrial and how do you see that pan out going forward as you ramp up?

Suresh P Manglani: Definitely see now while we will also be continuously expanding CNG because there is a huge potential untapped we have just begin in the last two years actually so there are another couple of years available for us to completely fully expand our CNG network so we definitely see a significant growth coming on the CNG market segment. Similarly actually we have just begin our PNG supply only in Palwal and now this year and the next financial year we witness PNG supply in almost all geographical areas and we definitely see a robust volume coming from the new geographical area on the PNG front for all segment on industrial definitely and the commercial segment because these are all virgin areas we are going to be capturing the new volumes from each of a segment and we hope that we will be able to report to you all a very good PNG proportion in the new geographical areas.

Vidyadhar Ginde: Now in terms of your commercial and industrial volumes if you could give us some indication the clearer the better on what is your sourcing so let us assume that your volumes go back to your pre-COVID levels or whatever you achieved in Q4 which I presume was your peak volume after COVID on the industrial and commercial front so once we go back to that kind of a volume what do you foresee as the gas sourcing breakup in terms of how much of it is likely to be KG-D6, how much of it is likely to be LNG oil price linked contraction, how much would be spot LNG because I presume right now when your volumes were lower in the first quarter the proportion of spot LNG was lower but as we go forward and as your volumes ramp up and you fully finish your oil linked volumes and KG-D6 then the balance as you grow your spot LNG proportion will rise so if you could give us some clarity and if you were to get back to the kind of industrial commercial volumes in Q4 when you get back there what could be this breakup in terms of gas sourcing?

Suresh P Manglani: Last time also I do not know whether you asked this from good friend asked a similar question. Our contract as I explained last time also besides domestic bidding the numbers which you had bidded for all the three bidding rounds of Reliance BP the remaining volume the way we have contractually secured has a huge flexibility in terms of the volume, in terms of actually the indexation and in terms of in fact our contract provides a very good flexibility for us to movement from one index to another index so we are quite hopeful that the gas sourcing per se will never be a challenge for us, we would be able to resort to a optimal gas sourcing besides the domestic supply which is coming for industrial, commercial rest of the supplies largely will come from this contract which we have signed and spot LNG definitely we have been able to participate wherever we are getting a good spot LNG prices but largely if you see we have been able to resort to this contract which we have signed and it has a good flexibility for us to in fact go near to the spot itself or getting beneficial price and we have a JKM based and we have a Brent linked indexation.

Vidyadhar Ginde: So in terms of your spot because if you have participated in the second and third auctions for KG-D6 I think both of them were linked to JKM so there you do not have any regas charge out there so to that extent it is cheaper than spot LNG but it still is linked to that so it will move up in line with that yes there is a ceiling there actually I think what is going to protective on that is the ceiling for the gas so can you give us some idea because from what you said it is still not very clear to me what kind of spot LNG exposure you will have so if you could give us some idea on what kind of would be your spot LNG purchases in the next three quarters in the remaining part of FY2022 it will be 10%, 5%, 20% some rough number or some range?

Suresh P Manglani: I think the way you have described it is very clearly I can make out you are having extremely good knowledge on this gas pricing mechanism or gas scenario availability, etc., so you definitely will be agreeing with me that the JKM itself is nothing but spot actually and we have a very good proportion of JKM and we have a flexibility to move from JKM to Brent or Brent to JKM so as I said for us spot is now going to be a major challenge because if there is a JKM price is giving us much of a trade we have actually Brent available volume happen in a domestic supply but also in the international contract which we have done for the remaining RLNG volumes. So if you ask us that how much we will secure the spot volume it would be minimal because our own contract provides a kind of spot availability at the moment.

Vidyadhar Ginde: Have you been able to have this kind of a flexible contract mainly because of Total your other players in India not be as well placed to get that kind of a flexible contract?

Suresh P Manglani: As I said in the beginning that we do have this expertise within our company with a center of excellence of a gas sourcing hedging and price management is working so we are able to at least get a good contractand we did achieve a good contract and we saw in fact that domestic suppliers also were providing a very good flexibility in the contract and on our complete process followup and finally we could sign the contract with the Total with the good flexibility which I would say definitely to some extent flexibility was coming from you and domestic suppliers as well it was our negotiation because our expertise which we have in-house so we could achieve this kind of a flexibility.

Vidyadhar Ginde: Thank you.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.

Yogesh Patil: What was the total sales exit volume in the month of June and if you could give details of July month that would be great that is my first question?

Suresh P Manglani: Actually good question. The June exit volumes were around 1.8 million MMSCMD which was equivalent to if you see our pre-COVID volume of January month and July volume definitely as I was saying that we are also seeing that there is opening up happening and my opening statement itself said that we are also witnessing the volumes are coming back we did announce in the month of January 2021 we crossed 2 million and we feel that we are in a vicinity of crossing 2 million now again.

Yogesh Patil: My second question is related to a total sales volume growth guidance as you have mentioned a little bit about existing geographical areas will grow in a double-digit volume growth guidance but I just wanted on overall basis do you see it will be a higher double-digit or a lower double-digit so we are just predicting whether it will be a more than 15% or less than 15% kind of a volume growth guidance from your side?

Parag Parikh: Yogesh I think firstly before I answer the question we will need to be circumspect about the fact that the last two months of this quarter we did face a second wave and certainly such sort of things we are hopeful that does not sort of happen in the balance part of the year so I think that is where I would like to be circumspect. As far as volumes are concerned as you heard as existing geographies tend to mature the growth rate start becoming flatter but in our case because there are newer geographies that are getting added to it that will certainly add our growth which is much stronger so all this boil down to how you see the unlocking over the balance part of this year and therefore our ability therefore to start generating volumes on the ground onto the newer geographies. Last year despite all the challenges we did see a lot of good work happening on the ground we actually commissioned more than 100 CNG stations in one last year so to that extent we are setting ourselves to see but as unlocking happens volumes comes back on to the ground we similarly are beneficiaries of that. Second the surging prices of petrol, diesel again making it more and more attractive as far as the CNG volumes are concerned so I think with both of these combinations existing GAs where we see this unlocking volumes coming up and newer geographies which even directly add to the volume both of this we could see volumes coming up like we just mentioned the peak that we saw in the month of February we are hopeful to get back to the 2 million MMSCMD certainly during this financial year.

Yogesh Patil: Sure sir, but just my question was related to like that in last one-and-a-half years we are continuously building our infrastructure in existing geographies also and in newer geographies also so as you mentioned correctly that more than 100 CNG stations are already ready so do not you think once this clouds of pandemic will get over then a pushup kind of a volume growth do you expect in FY2023-2024?

Suresh P Manglani: Yogesh as Parag earlier answering to some question as stated that there are two challenges which we have one is sweating the existing geographical area and that is what you are witnessing we have seen since you are also following us quarter-on-quarter basis you have all the numbers in your dash board and the second part is that ensuring that we start developing a robust infrastructure in the new geographical area which starts developing ecosystem and a CGD typically takes sometime couple of quarters to see the numbers picking up significantly and once number picks up then it starts moving up. So what we are expecting the double-digit growth track record will continue, our immediate target is to cross our 2 million what we are actually pushing very hard our business development teams and marketing and from there onwards we see our infrastructure is capable of catering a very significant growth, market response we are seeing quite positive, new GA we see aspirations of all domestic customers commercial industrial customers to receive piped natural gas so our marketing teams now you will be very happy not only infrastructure has been developed the CGSs have been opened, we have opened our offices, entire teams are in the ground, the marketing teams are in the ground, conversion shops for CNG are opened, there are several things which has to take place so the retrofitters have to start setting up their shops, the whole OEMs is start promoting these investment so I think one or two years you have to be with us and you will see a significant volume coming up from a new GA the way we are sweating in existing GA and for now we would definitely say the management double-digit growth is what our efforts and endeavors to continue to maintain.

Yogesh Patil: Thanks a lot Sir for this clarification.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Sir what kind of payback period do you expect from your existing investments in your individual entity?

Suresh P Manglani: Sorry can you repeat again.

Puneet: Sir I am saying what kind of payback period do you expect for your investment side you began to spend another 5000 or to 8000 Crores over the next five to eight years what is the payback period you are looking at for your investments?

Suresh P Manglani: Puneet firstly ATGL has a portfolio of 19 geographies and every geography will have some nuance which may be different, some which are more industry heavy, some which will be more CNG level so to that extent I think slightly the flavor as far as capex payback may defer, but if I were to slightly go back to our own experiences of our original four existing GAs these four exiting GAs as you may have seen are today generating ROCE in the higher of 20s so it is actually 25% plus that is the kind of ROCE that we are generating so our initial capex of course is very large and then you start seeing volumes ramping up over a period of time; however, this incremental capex that is required to be done in the existing GAs keep shrinking over a period of time because your primary network is already in place and therefore it is the secondary of the tertiary network where you land up working and focus is more in terms of sweating the assets or already the network that has been built so as I said this is really the experience we have been about an ROCE of 25% plus as far as our existing GAs historically over the last four, to five years are concerned.

Puneet: Your budget there would be some time period can you share that time period for payback?

Suresh P Manglani: I think that is more we do not actually put out any specific payback period as such but I think we should look at it as a portfolio experience that there are four GAs, four GAs have delivered, newer GAs obviously will need to build the ecosystem, will need to start building the network and then certainly our push both in terms of marketing and in terms of building the ecosystem for enhancement of volume and one should look at that portfolio of assets and how ROCE is building over that portfolio.

Puneet: Sir second is slightly on longer-term is your discussions with some of the OEMs who are looking to manufacture CNG vehicles are you seeing a higher intent towards going to EV versus CNG or are they still keen on focusing more on CNG vehicles?

Suresh P Manglani: As we are tracking CGD sector you must be seeing that there is a very, very good traction from OEMs regularly Maruti is launching new models, other OEMs are launching new models and we also see them in all the new geographical areas setting up their new schemes, they are promoting their CNG vehicles so for now certainly we are seeing there is a good boost towards CNG vehicles and at least we understand from market as well as from OEM there is a good waiting period for a CNG vehicles, there is a very good push not only in our existing geographical area as well as all the new geographical areas. So definitely we will come in, we will start coexisting but for the now for a couple of years we definitely see a very, very good robust growth in the CNG vehicles.

Puneet: Understood that is very helpful thank you so much.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to Mr. Sivasankaran for his closing comments. Over to you Sir!

Varatharajan S: Thank you Karuna. Before we close I had one question Sir if I may. Based on your committed number of outlets during bidding where do we stand on a standalone basis Adani Gas Limited as well as your joint venture are we having a gap and how quickly do you see that gap being closed?

Suresh P Manglani: Mr. Varatharajan if you see in our previous calls also we have been stating that our strategy on developing geographical area has been twofold one is ensuring that on a steel pipeline there are there inin MWPs which were committed one is on a how much inch kilometer of the steel pipeline we will lay, how many CNG stations will putput up and how many home connections will provide so on a two front one on a steel pipeline with CNG you will see a reasonably either matching up ahead of a curve on the MWP because that is part of our laid down strategy and results that we would like to prepone laying of a steel pipeline so that we are available at every nook and corners of geographical areas and take a full benefit of a last mile connectivity as the market starts developing, and our numbers currently which comes around 119 CNG stations from the new geographical area and that will be aligned ahead of the many, many geographical areas they are much ahead of what MWP we have committed actually. So we see ourselves fully aligned or ahead of MWP on a steel and CNG. Home numbers as we start developing yCity Gate Stations we hope to start kicking up those numbers as well and we will do lot of marketing intervention to see that home numbers also goes up so that we start sweating in geographical areas. Hope it satisfies you or if you have any supplementary of that?

Varatharajan S: One more small question sir like in the current network of your CNG stations what is the proportion of oil marketing companies' outlets?

Suresh P Manglani: Out of 224 stations we have 180 stations which are oil marketing company setup and remaining 44 stations are either DODO or a CODO stations it is 75%.

Varatharajan S: Thanks a lot.

Suresh P Manglani: That should keep you very happy that is the way our strategy is unfolding where we are actually creating a very healthy mix of DODO, CODO and COLO stations.

Varatharajan S: Would it be similar in the joint venture or would it be any different?

Suresh P Manglani: Joint venture currently largely is on a COLO model actually because the primary reason they are adopting is on a COLO basis because we all had a benefit of an existing geographical area where we could bring in the DODO, CODO actually as the volumes have started picking up so I think they are rightly adopting the strategy of developing a current base sort of foundation which they have 127 CNG stations now and largely barring few they are COLO based but definitely that you will see similar approach coming up even on the JV company because once we achieve a good base of a numbers and the volume coming up they will add on stations will definitely they will adopt both CODO and DODO model so we will see a similar kind of a strategy being adopted by JV company in the near future but currently it is a right strategy to do a COLO station so that ecosystem is our DODO thing because DODO and CODO takes lot of time land procurement, change of land usage and various approvals and permissions which are there which are much more onerous than actually setting up a COLO station.

Varatharajan S: Fair enough Sir. Thanks a lot. I used to thank all the participants for taking time out to join this call. I used to thank the management for a very, very interesting discussion and a very fruitful time. Thanks everyone and have a nice day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Antique Stock Broking that concludes this conference call. Thank you for joining us and you may now disconnect your lines.