



# “Adani Total Gas Limited Q3 FY-24 Earnings Conference Call”

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**MODERATOR:** **MR. VARATHARAJAN SIVASANKARAN – ANTIQUE STOCK BROKING.**

**Moderator:** Ladies and gentlemen, good day and welcome to Adani Total Gas Limited Q3 FY24 Results Conference Call hosted by Antique Stock Broking Limited.

As a reminder all participant lines will be in listen only mode and 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 phone. Please note that this conference is being recorded.

I now hand the conference over the Mr. Varatharajan Sivasankaran from Antique Stock Broking. Thank you and over to you, sir.

**Varatharajan S.:** Thank you Lizann. A very good evening to all the participants, and top Management of Adani Total Gas. We would like to welcome all the participants and the Management of Adani Total Gas on this call. A very warm welcome to all of you and I would like to handover the call to Adani Total Management for the initial remarks. Over to you sir.

**Suresh Manglani:** Thank you Varatharajan. I am Suresh Manglani from Adani Total Gas. Let me extend a hearty welcome to all our investors, analyst, thanks for taking out their time and participating in today’s call on Q3 and nine months FY24 Results of Adani Total Gas.

**First, let me give you the highlights for all our businesses:**

**In our core CGD business on CGD infrastructure as on 31st December 2023:**

During this quarter Adani Total Gas has crossed the 500 CNG stations milestone and today we have 505 CNG station as on 31st December 2023. Out of these 505 stations as we have been emphasizing that we are also focusing simultaneously to develop our own full formatted branded station we call it a Company owned dealer operator or dealer owned dealer operator. Now we again achieve one more milestone within CNG station is 100 stations we have achieved, on the format of CODO/DODO.

Our steel pipe infrastructure has now increased to 11,712-inch kilometer. This forms part of a backbone in infrastructure helping Company to expand its reach of a PNG and CNG to large consumer base.

In summary, on average three kilometers of steel and MDPE pipeline is being laid on a daily basis by ATGL.

We have added 22,700 in Q3 and 77,697 in nine months period PNG to the new homes in this Financial Year. And now our consumer base has grown closer to 7.8 lakhs homes.

Similarly, as you all are aware that we also equally focus on developing our anchor industrial and commercial customers. We have added 222 new industrial and commercial consumers and 636 in this nine-month period only. Total number again a milestone has been crossed now we

have; 8000 milestone has been crossed we have 8071 industrial commercial consumers who are availing the benefit of pipe natural gas.

With this and along with our JV which is Indian Oil Adani Gas Private Limited (IOAGPL) which has 19 geographical areas, 30 districts. Adani Total Gas has 33 geographical areas, 94 districts put together 124 districts is where we will be having, or we are having our footprints. We have reached 835 CNG stations together, 9.3 lakh homes and 8781 industrial and commercial consumers.

**E-mobility business:**

Let me now give you some glimpse on e-mobility business which you are aware that we had set up a special purpose vehicle Adani TotalEnergies E-Mobility Limited is SPV which is 100% subsidiary of Adani Total Gas. Within a short period of time now we expanded our charging stations in 10 states and 46 cities. As on date we have live with a good utilization ratio of 329 EV charging station and 1050 more EV charging stations are in a various stage of construction. We hope to expand our footprint from 10 states to 20 states and from 46 cities to 130 cities very soon in the future.

**On the biomass side:**

You are aware that we had set up similarly to the e-mobility we have set up one more special purpose vehicle, Adani Totalenergies Biomass Limited. Company is currently setting up agri waste based and cattle dung-based India's largest 600 tonne feedstock per day basis CBG plant in a location called Barsana, which is closer to Mathura and Agra. We are very happy that, in this Financial Year '23-24 by March end we are expecting that Phase-1 of this plant will be commissioned and we will start producing CBG from that plant as well as the organic manure and Phase-2 and Phase-3 will then follow in a subsequent financial year.

Besides this plant, we also got the award of a concession from Ahmedabad Municipal Corporation of 500 tonne municipal solid waste based CBG plant. We are doing a lot of preparatory work. We have already appointed our owner's engineer and we are now working with municipal corporation on allotment of a land parcel and then we will start working on the construction part. And plus, we are also working on several other opportunities to expand multi fold way our bio subsidiary like the way e-mobility subsidiaries are making the plan.

Another area which I would like to highlight to you is what we call (LTM) LNG for Transport and Mining. Now the LTM also ATGL is embarking on the opportunities in the LNG segment as a transport fuel with building its first LNG retail outlet has already started in Dahej, Gujarat and many more are expected in the very, very near future. We have developed a plan to set up LNG station network at almost all strategic location in the country so that we can develop a complete network from East to West and North to South serving the long-haul transport vehicle, trucks and buses across the country.

With our consumer centricity approach, our strategy will be to offer an explore a wider range of sustainable energy fuel to all our consumers which will help in reducing the carbon footprint and in achieving the Prime Minister's vision of "Net Zero" by 2070.

**Now, let me share with you the "Operational and Financial Numbers" during this Quarter and in the nine-months' period of this Financial Year:**

During the quarter we have seen a good growth in our volume with fast acceleration of a CNG network and high conversion from conventional fuel to CNG. Our CNG volumes have grown by 24% in this quarter to 144 MMSCM in Q3 as compared to the last year quarter, and on the nine-month basis CNG volume has grown by 21%.

On PNG volume for Q3 we have grown by 15% on year-on-year basis to 80 MMSCM, while for nine months' period it has grown by 1% because in the past we saw high prices trajectory where we saw kind of a negative growth, but today we have turned around the PNG growth to positive side to 225 MMSCM. This PNG growth is largely due to recovery in the PNG industry segment and our customer-centric offerings to the industry consumer, commercial consumer and homes.

While in overall basis the Company witnessed the increase in volume by 21% to 224 MMSCM in Q3 and 633 MMSCM in nine months, which is up by 13%. So, overall, the nine months the Company has registered double digit growth of 13%.

On the financial front for the Q3 as compared to the quarter of the last year:

Revenue from operations is Rs. 1243 crores which is up by 5% because during the period you all have seen that when APM ceiling came in, we have passed through the benefit which we got in gas cost to the end consumer due to which CNG prices has gone down and as a result you will see slightly lesser growth on the revenue side. While volumes have grown financially it is lesser growth because of the price rationalization for the benefit of consumers.

With the increase in volume, as well as the efficient gas sourcing portfolio, EBITDA has increased by 26% and the highest ever EBITDA is Rs. 301 crores in this quarter.

Profit before tax increased to Rs. 231 crores and profit after tax has grown to Rs. 172 crores. PBT is up by 15% and PAT is up by 16%.

**Let me give you a nine-month glimpse:**

Our EBITDA has increased by 20% to Rs. 846 crores on a nine-month period. PBT and PAT for the nine-month period have grown to Rs. 655 crores and 488 crores. PAT is 488 crores, the PBT has grown in nine months basis by 14% and the PAT has grown by 15% for the nine months period.

**On the HSE front:**

We have been adhering to the highest safety standard and we continue to maintain zero fatality rate across multiple locations that we operate pan India basis. You are all aware that ATGL has been simultaneously focusing on ESG frameworks along with the board back assurance policies, which enable us to have sustainable growth with collaborative development of the community.

In Q3 we have been awarded with a Climate Action Program (CAP) committed category by CII of CAP 2.0 Award Program for Commitment Towards Climate Change Initiative. And we also won Golden Peacock award for HR Excellence in 2023 for our HR Best Practices.

Lastly, I would like to acknowledge and be thankful the role played by our shareholders, analyst, fund houses, consumers, dealers, suppliers, business partners, media, friends, and all stakeholders who are associated with Adani Total Gas and above all, our employees. I am greatly thankful to the team ATGL for delivering quarter-after-quarter.

Overall basis fantastic result a good set of numbers. Happy to receive your question and responses. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

**Yogesh Patil:** Sir, my question is related to the shortfall in APM gas allocation to the priority segment. Why suddenly the APM gas allocation cut, despite CNG and PNG as a priority segment, can you throw some lights on that side?

**Suresh Manglani:** Absolutely. Yogesh, pleasure hearing you again. Thank you for making it a point that you come every quarter investor call. You make others also enriched with the knowledge. Coming back to a very pertinent question. I'm sure many of your friends would also like to listen our answer. Yes, shortfall grew this quarter overall we had 22% shortfall in the supply of APM gas, in fact the newer GA suffered little more shortfall. But if you see the intent of the government has been very consistent. Government maintained a strong set of a supply of APM despite there was some production losses were happening on APM side, but we saw good support from government coming of high priority to CGD sector because by nature CGD is a public utility and we are serving larger masses of a home consumer and CNG. During this period, what we understood was there were some technical issues on the offshore terminal side which we have been told that there is a lot of work going on in bringing back some sort of more supplies. We believe this is going to be temporary phenomena of such a high shortfall, we would have some deficit because numbers are growing, you are seeing the volumes are growing APM field is what it is actually we all know. But we still believe that given the government focus, government commitment, and the policy which has been laid down, we believe this is a temporary phenomenon and we will be back on getting much better APM supplies, maybe not 100%. But we'll get much better supplies on the APM side as well.

**Yogesh Patil:** So, sir as you said, this is a temporary phenomenon. So, is there any communication from GAIL side or ministry side that APM gas will get restored shortly, any timeline mentioned in that notice or communication?

**Suresh Manglani:** See as an industry, we are engaged with our stakeholders so, this is what we understand. Now communications are a formal one which will keep coming and going. But more important is that we are an engaged part of a stakeholder engagement. We've been seeking to whether it is GAIL, whether it is government authorities whether it is a PPAC, we are engaged with all CGD companies are doing the same thing. We also have a collective body. So, what we are understanding that, the government is working, ONGC is working to make sure that there is some more increase in the APM gas supply. We are hopeful, because more important for all of us is to see the positive part of the intent. Whenever we are engaging, we are seeing everybody is working hard to see more supplies come through these sectors for home, so that when we procure higher price gas that will may pass through to the end consumer and government is sensitive, that end consumers should not suffer higher prices. So, my request would be, let's have some patience for some more time as a CBG entity we believe, it will happen sooner than later.

**Yogesh Patil:** Okay, sir. Sir next question, you have ventured into the compress biogas side. So, we wanted to understand the cost of compressed biogas compared with the APM gas particularly which gas is cheaper now in the market and we wanted to understand that if the going forward, CBG blending to go up then the cost of gas for CBG companies will be lower or higher. So, any colors on that side?

**Suresh Manglani:** First we need to see India's cause. And as I said in my previous conversation with other friends, India's vision is very clearly self-reliance, sustainability, supporting climate change cause. Blending of 1% initially going to 5%, even if assuming that CBG will be slightly expensive, is not going to make a difference in the pool of gas sourcing which we'll all do. Important is that India must gear up to convert this waste which is otherwise getting burned or getting dumped somewhere to CBG or much better fuels. So, cost part will come around, this is a new segment we saw when we were manufacturing started CNG part, we saw when we started renewable power part, economy as a scale is building up, technological solutions are improving, costs are going to be reducing it, we should keep some longer-term horizon on the CBG part. We believe this is a big win situation for the country. And we are, that's the reason we ventured into the CBG side because we saw ahead of time that this is CBG is going to be the way we all need more renewables, more organic manual, more renewable gases coming. In my way we should rather little bit cost here and there we should not see that we should see how we make more and more CBG in this country and blend or sell CBG standalone.

**Yogesh Patil:** No, sir currently the blending of CBG is leading overall cost of gas higher or lower, just wanted to understand on that side?

- Suresh Manglani:** It will depend, Yogesh it will depend upon what is the size of a plant, what is the feedstock, you will find varying from different plant to different plant how close you are selling from the plant, if you go to Varanasi, which is our first CBG station, you will find our CBG price Rs.9 cheaper than the CNG, cheaper because it is a factory outlet. We have set up along with a factory so there are as you understand, every business will have several dynamics how big is a plant. In Barsana we are building up 600 tonne there will be economy of scale. How clear is the feed stock? Their feed stock is coming in the factory itself, so again the logistic cost is a reduction. How close you are selling the CBG, what is your, so how much is the yield is coming from feed stock. There are several factors, to my mind just to make sure that you go satisfied with the answer is that, you see overall blended cost of our whether we are now fulfilling the shortfall from HPHT or other R-LNG or other domestic gas, CBG will be a good bridge when we met because we have our own in-house CBG produce gas which would perhaps be coming in the range of this kind of ranges till we go to the much larger scale but larger goal is, we must ensure that there is a CBG and as the scale goes up it will come down, the cost will come down with the domestically produced gas.
- Moderator:** Thank you. The next question is from the line of Varatharajan Sivasankaran from Antique Stock Broking. Please go ahead.
- Varatharajan S.:** So, continuing on the CBG part, this 600-tonne plant, what would essentially be the yield of gas?
- Suresh Manglani:** So, Varatharajan it's a good question, now as we go along, we will keep configuring and reconfiguring the different types of feed stock, so current feed stock what we have decided to use will yield roughly 43 to 45 tonnes of CBG. And, so now if we get much better feedstock quality, we get some enzymes and bacteria's or some catalyst to do a pre-processing perhaps yield may go up significantly, if we can get in more detonated quantity yield may come down so, on an average we should get roughly 45 tonnes of a CBG from the 600 tonnes of a plant.
- Varatharajan S.:** How would that 500 tonnes of municipal plants, what is your expectation on that volume?
- Suresh Manglani:** One should sell it again, how much is going to be the, what is the quality of organic waste which we get it, so if we get a very high-quality organic waste yield will go up, but generally 4% to 5%, 3.5%, 4%. So, if it is a 500 tonne 16 to 20 tonnes you can expect this year, CBG could come if we get a reasonably good quality of organic waste, if we get much better quality the yield will still go to 4%, 4.5% or maybe 5%. As I said in the previous answer, it's a new sector, we are developing even the world is developing as a kind of a newer sector is for the world as a similar thing, whether we go to other developed nation, all of us we are evolving technology, evolving various bacteria's, enzymes, catalyst, it will be added. So, we are looking various technological solutions whether how do we enhance the yield from let's say a 4% to let's say 6% that will make a huge difference on financial outcome as well as the pricing but for the current purpose we should take roughly 4%, 4.5% that good quality organic waste should give from a municipal solid waste part.

**Varatharajan S.:** Fair enough sir. So, what we find is that, everyone is getting into CBG obviously it is something which is a welcome move. However, at analysts we are always fairly apprehensive about the economics part of it, because the yield is variable, but the CAPEX is upfront. So, to that extent, what would potentially be the IRR of this project is what normally we wonder. So, if you can give some kind of an idea what to look at as a number that will be useful.

**Suresh Manglani:** See, one thing we should certainly satisfy you is that if Adani Group or TotalEnergies are entering into CBG that means there are financial number outcomes are being seen. More importantly, since we are also Adani Group Company, the most critical part for us is what is the need for a nation. So, both the side we are marrying together but at the end of the day still we are seeing that there are financial good number set up will be able to come, if we really do the way Adani Group and the TotalEnergies are known for how do we see the project, how do we execute the project, how do we bring value engineering, what should we do on OPEX optimization. There are several drivers which you need to put in place to make the numbers look better, if we also follow the trade of all other plants which already are working largely you will find they are not giving good financial results. But despite that, we have got into this business it means we are seeing it from different lenses, our lenses are different. Some lenses could be more myopic, or let's say a little longer term and different. So, we see good financial numbers maybe Parag gives you a little better, number base response, but I would say from a macro perspective, if we do a good job, if you are able to plan well, economic size as well, feed stock purchase as well, these projects are worth investing.

**Parag Parikh:** So, Varatharajan just to sort of add in a few perspectives and which will lead to our answers of what we should expect as return on the CBG sector. ATGL on its own manner has stood ROC at a portfolio level of close to 20%. So that in some form becomes a benchmark as any asset matures, does that lead to a similar number purely from a capital allocation perspective we will make sure that this capital is allocated into assets which give same or better returns. Having said that, CBG as you rightly said is a front ended CAPEX project so you will see this ROC building over a period of time, and therefore IRR of this while they are healthy initial years, will become lower, and they start growing over time. Third, the interesting part is, that this is a relatively newer sector and as a part of any new sector, whether it is in terms of economics, whether it is in terms of assumptions around those economics, you would always look at it a little more conservative, because you need to test these assumptions in the initial set of projects that we are outlay. For us the way if you see strategically we are already there in Barsana, which is our agro feedstock, we are also looking at MSW projects. And the intention is to therefore see both the sides of the biogas sector. So, all put together, this is how we would see and as yields improve, as technologies improve, you will actually see a better return than what you would have estimated on day one. So, that's how we would look at it. Coming back, to your sort of core question, what are those hurdle rates that we look at, we certainly look at it at least minimum 16% IRR when we look at these biogas projects.

**Varatharajan S.:** My other question was on the ramp up of the CNG part, the new geographical areas. Typically what we observed is that, at least lately the ramp up space seems to be a little more muted,



because we see across players in India put up new outlets, in new geographical areas. But, on the macro environment part of it, we are seeing more OEM models on CNG and so on and so forth, we would have expected the ramp up to be a lot more quicker but seems to be a bit of a lag. So, if there is any specific reason you have identified or based on your experience, you would like to highlight that would be useful.

**Suresh Manglani:**

Varatharajan you asked I would say important question. Maybe let me set the actual metrics correctly. One is that we have a couple of KPIs. One our own KPI to make sure that we served the customer de-lightness, there are not much queues, even during peak hours. That's one KPI which keep for ourselves. Another KPI is what we have committed to PNGRB as the minimum work of program, those are the minimum number we need to deliver and there is a yearly ramp up. So, if you see on both the parameters our actual numbers are far exceeding the MWP program in each of our geographical area by and large. I will give it to Mr. R.B. Singh who is our Joint President on project side he is going to respond to you on your observation that we are slow pacing the station in my view, we need to make sure that we optimize the yield from what the stations we have built, while ensuring there is a good customer service, customers are not suffering coming long distances, standing in the queue, filling time is more. Those are the parameter which we avoid. And if the RBS will give you the perspective that how 11th round which just came recently, how we have faced, 9th and 10th round, we have built large number of a CNG station. Today the capacity is multifold installed versus what actually it is being utilized. So, we are already building the infrastructure feature and our stations also have a capacity expansion ability to put more complex or more dispenser. So, my view is that, if you will see the number of stations have been fairly distributed one more factor which also has been perhaps maybe you are seeing number lesser, our focus has been in the current geographic areas largely to develop CODO and DODO station our full formatted because we have done extensive development of a COLO station where we co-locate with oil marketing companies. So, that's the reason we touch the milestone in 100 and those are difficult because we do greenfield development. Whereas you will see 11th round almost all stations are coming under COLO form and the pace will be very high. Let me ask RBS to just supplement.

**Varatharajan S.:**

Sir, before you more there my apprehension was that people are putting up outlets, but the volume ramped up is relatively slow, that is my

**Suresh Manglani:**

But that will happen, Varatharajan that will surely happen you see your case and my case. What do we see before we opt for such convertible vehicle, we will see continuity, reliability, strong partner who has put in place, are they getting CNG in right time, am I going to go dry out there is a dry run is happening. And what distance I'm covering, what fill I am getting, what time it is going to take in station filling, there are several factors which play parts in building ecosystem. So, we decided what should be the first chicken or egg, we have said we will take the lead in developing infrastructure like other CBG companies, and now you are seeing that result happening people are preferring to buy CNG vehicle there is a long queue on the OEM shop for getting the CNG fitted car. And I may not be correct to give you these numbers, you may please check yourself. But I've already understood in case of a largest OEM Maruti, their quarterly sale

was more than 25% CNG vehicle. Please correct the number I'm told 28% but maybe here and there some number notch here and up and down. But those are public domain numbers. So, I am not Maruti spokespersons, so they are the right people to give you the number. But if that is the case 25%, 28% quarterly CNG sale as a number for us, it's good news. It's a good news that our infrastructure which we built is now getting utilized and people are showing the confidence. RBS if you can?

**R.B. Singh:** Actually CEO already explained you about the numbers. But even if you are going with a higher pace, you can do it. If you see on 11th round we have already completed around 87 number of CNG stations. But the biggest problem is, there is no gas available in the GA. So, even if we can increase the gas availability is a big issue in 11th round, and to some extent one or two GA of a 9th and 10th round also. Just I take example of Maharashtra, we have already 30 number of stations in Akola and Amravati GA together, but we have to take gas from unison, which is almost 400 kilometers away from our station. So, this is the reason why the pace what we want to go we may complete 200 number of stations. But the biggest issue is the availability of gas on that part. In spite of all we are able to complete CNG station is almost all geographical area of 11th round that has been awarded to us including Assam also.

**Moderator:** Thank you. The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

**Yogesh Patil:** Sir PNG industrial side, as the spot LNG prices and other LNG prices are on the softer side, question is had you cut down your PNG industrial prices or PNG commercial prices in recent days or recent months. And sir, we also wanted to know your gross margins movement on the PNG industrial side over a previous quarter. And if possible, can you throw some light on PNG industrial demand or volume growth in the last one to two quarters?

**Suresh Manglani:** Yes, I will pitch in, let Rahul Bhatia who is our National Business Development Head, give you the complete perspective on your questions what you asked.

**Rahul Bhatia:** Good afternoon. The answer is, yes we have made our PNG pricing very, very competitive, we are ensuring a very effective value proposition to our customers, we're giving them what is called CFI, a Carbon Footprint Initiative. So, we are looking at the alternate fuels and as you would know that, in the last 12 to 18 months the prices of LPG and various liquid fuels have been very competitive. So, we have been providing them customized solutions to ensure that natural gas PNG continues to be very, very effective. And therefore, we are seeing an increase in volumes. To give you a little perspective from the peak sales that industrial sales that we had, before the Russia Ukraine war, our industrial volumes have dropped to a low of about 59%. And we've already recovered a very significant amount we are at currently at about 81%, 82% of those volumes. And based on our carbon footprint initiative strategy we are very confident that we will soon be reaching 100% and exceeding those volumes in the coming quarters.

**Yogesh Patil:** Sir on the gross margin?

- Parag Parikh:** On the gross margin perspective, Parag Parikh here. As Rahul explained, at different points of time we land up calibrating on the demand supply on the industrial side. And to that extent, the drop in the overall gas cost prices have enabled us to pass on these prices to the end consumers. So, if I have to put it from a gross margin perspective, gross margin you were slightly short of about Rs.18 at a portfolio. And if I were to compare this a year back when the gas cost was significantly higher, we would have been about Rs.0.70 to Rs0.80 lower as far as our gross margin is concerned. So, that's really the fine balance that has been done at ATGL where we ensure that the pass on is happening. The pass on resultantly also helped us in again restoring and shoring up our volumes on both the CNI side and of course the growth that we saw on the priority segment.
- Moderator:** Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to Mr. Varatharajan for his closing comments.
- Varatharajan S.:** Thanks Lizann. Thank the management and all the participants for taking time out to join the call and for the management have given such detailed answer to all the questions, if you have any closing remarks, I would like to handover the floor to you sir.
- Priyansh Shah:** Hi, this is Priyansh Shah, thank you Antique and Varatharajan for organizing the call, and thank you the management team, Mr. Suresh Manglani – ED, CEO and the Parag Parikh – CFO of ATGL for doing this call, and if you have any further questions, please write to us. We'll be happy to answer all the questions. Thank you.
- Moderator:** Thank you members of the management team. Ladies and gentlemen, on behalf of Antique Stock Broking Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.