



Adani Total Gas Ltd Result Call

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CORPORATE PARTICIPANTS:

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Moderator

Good morning, ladies and gentlemen. I'm Moumita, moderator for the conference call. Welcome to Adani Total Gas Limited results conference call. As a reminder, all participant lines will be in the 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 * and 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Tushar Pendharkar. Thank you and over to you, sir.

Tushar Pendharkar

Thank you. Good morning, ladies and gentlemen. My name is Tushar Pendharkar, I am from Ventura Securities. Welcome to Adani Total Gas results conference call. We have with us today, Mr. Suresh P. Manglani, CEO of the company; Mr. Parag Parikh, CFO of the company, and Mr. Priyansh Shah, who is the part of Investor Relations team. I would now like to hand over the call to the management for opening commentary. Over to you, sir.

Management Team

Thank you. Good morning. And thank you very much for participating in this call. Let me at the outset, extend a hearty welcome to all of you for taking out your time and participating in today's call on FY21-22 results as well as Q4 results of Adani Total Gas Limited. ATGL wishes all our friends on this call and their families healthy and safe lives. As we have been stating that at ATGL we are adhering to the highest safety standards as a precondition to work and this shall be our key imperative to build safe and reliable fidgety networks across India. We inculcate a strong safety culture in ATGL and keep on striving for higher standards on health and safety. All our employees and partners working for us are being continuously trained on the strong practices of HSE.

ATGL has continued its track record of a zero fatality for the year 21-22. First, let me apprise you all on the important developments that have happened. ATGL during the year 21-22 has won 14 new geographical areas. So, now, our total tally has increased to 33. We had 19 and 14 more accounts for 33. Our JV part, IOGPL has 19 geographical areas, so our footprints have spread now to 52 geographical area, which translates into 125 districts in pan India. Another important development which has happened is that the board has approved the formation of two wholly owned subsidiaries SPVs, one for E-mobility business and another for Bio Business. This will be immensely advantageous considering that ATGL and its promoters have a strong infrastructure and utility projects across India.

And we have already set up our first EV charging station in Ahmedabad as well as second one, we will set up now at Ahmedabad airport. We have launched a state of art completely revamped

new mobile app for our consumers, My Adani Gas app. I will request all of you to please download on your mobile, experience the new app and do send us your constructive feedback. The board of directors of the company met yesterday and have approved the reserves for financial year 21-22, and the Quarter four, January to March '22. Let me apprise you all on physical progress. On the infrastructure front, ATGL continued its strong development of infrastructures, we have added 117 more new CNG stations. The total tally has increased now to 334 as on March 22 if I add good performance given by our JV IOGPL. Our total number of stations in India now have increased to 550 number of stations.

We have added 85,000 new homes on pipe gas supply despite COVID, despite various other developments. Our growth on home numbers has continued and today our total tally has increased to 5,64,000. Yet another important development which has taken place that we have continued to add new businesses on pipe gas, the restaurants, the hotels, gurudwaras, crematoriums, industries, so this year we have added 710, two consumers every day in a year roughly, new consumers on pipe gas, the total tally has now increased to 5676 of the industrial commercial consumers.

Similarly, on the front of steel pipeline, MDPE pipeline, there had been a very strong growth, we have been virtually laying one kilometer of steel pipeline every day and two kilometers of MDPE pipelines on a daily basis in ATGL. Another important part on a CNG station is that as I have been stating in my previous calls, that we are developing a robust portfolio of a new station. Out of 334, 59 stations now, 18% are on a CODO, Company Own Dealer Operated or the DODO, Dealer Owned Dealer Operated. These stations give us the complete brand full-fledged outlet for our consumers to get a better access and ingress and outgress and a much better efficiency of services. We will continue to increase wide number of stations, but also, we will increase the percentage or the number of CODO and DODO stations in our portfolio.

As you are aware, I can see some of our good friends again on the call that who have been tracking oil and gas sector, there had been an unprecedented development on international front, which have brought volatility not only on the prices, but also on the gas supplies part. So, we have encountered, the CNG industry has encountered the challenges of high gas prices on front of RLNG. In 21-22, we also saw APM price going up from 1.79 to 2.90 dollar per MMBtu and effective April that price had gone up to 6.1-dollar MMBtu. So, these are very important development for a CGD industry.

Despite all these challenges, which took place on gas price rise, commodity supplies, APM price rise, there was also some shortfall in supply of APM gas, because there was a significant growth in APM volume. And we believe that there is a constructive work is going on to see how improvised the allocation methodology of APM as well as the supplies on APM sites. We believe that issue of 100% supplies will get restored very soon. So, despite all these challenges, let me summarize

the performance which have been delivered by team ATGL. For the financial year 21-22, our overall volume stood at 697 MMSC, which is up by 35% as compared to the previous year volume.

The CNG volume grew to 360 MMSCM which is 58% higher than the previous year. Pipe natural gas supplies because of some curtailment from our gas suppliers as well as that the development on the price as a sector the PNG has grown 17%, still double digit we have been able to achieve 17% at 337 MMSCM. The revenue during the year 21-22 has grown to 3206 crores, up by 80% vis a vis the previous year. EBITDA for the year 21-22 has grown, and it is now once again a yet highest ever EBITDA of 815 crores, up by 9% vis a vis the previous year. Our PBT and PAT, both for the financial year 21-22, have grown by 8% and 7% to 679 crores and 505 crores respectively.

Let me brief you about the financial performance of the company for the quarter Q4 FY22. For the quarter, which has gone by, the overall volume stood at 189 MMSCM. This was a quarter which saw significant volatility in pricing as well as on the supply sides. But still we have been able to achieve 14% growth on a year-on-year basis. CNG volume were at 100 MMSCM, up by 33% in this quarter vis a vis the previous year and PNG volume were up by 2% at 89 MMSCM, sorry it was down by 2%, by mistake, down by 2% at 89 MMSCM for the reasons which I stated earlier.

The revenue from operations have grown to 1065 crore, increase of 73% on year-to-year basis. EBITDA was 141 crores, PBT was 104 crores, and PAT was 76 crores. So despite those challenges in this quarter, which CGD industry has gone through, the numbers have been very strong on 141, 104 and 76 crores on EBITDA, PBT and PAT respectively.

ATGL continues to have focus approach, besides developing business core CGD business, now EV business and bio business going forward. Our focus has been holistically on also seeing what all we could do on the climate change and community development. So, from that front, we have been continuously focused seeing on sustainability part. During the year FY22, ATGL has taken several initiatives on our ESG program. As I had been stating earlier, we are continuously ensuring that our every office owned by us, every station of CODO, DODO, every CGS, all stores owned by us, basically all assets of ATGL will have a solarization and that's what is continuing. Today, we have already completed 35 sites which have solarization, 550 Kilowatts is getting generated. And we hope that we soon will have 1 Megawatt solar power being generated at our sites.

ATGL has converted more than, around 53% our fleet, the LCVs and SCVs which we use to move CNG from mother station to daughter booster stations, typically those are diesel vehicles, but we have taken a policy to 100% convert them or hire new vehicles, 100% on the CNG. So, we have now achieved 53%, gradually our aim is to reach 100% target during 22-23, and we are hopeful to achieve that target.

Another very important initiative, which we have taken, we have given the name called Greenmosphere. This is a unique initiative which ATGL took and launched a very holistic program on climate change on December 24, 2021. This will create a culture or a kind of environment on a low carbon society. This has three parts, one is developing or planting more and more trees in the geographical area where we are working. So, in Ahmedabad, now we are, along with the Municipal Corporation, we are developing an oxygen park. We already planted almost 50,000 saplings, so it's a nature park which is being developed. And this is the way we will be doing in all other geographical areas also.

Second is, ensuring that we do energy audits very regularly of all our sites or all stations. We also facilitated energy audits for our industrial commercial consumers, and going forward in the future, we also facilitate very affordable energy audits at homes. So, that we actually see that low-carbon society is fast getting developed. People change their electricity from normalized to LEDs and so many other small, small steps. The third important part is to develop a long-term goal is that we create this culture through education.

So, our teams of experts, internals/externals are going to the various schools and colleges to create the awareness about low carbon society about Greenmosphere. So, that this gets habit at the young age of our students, this habits of developing low carbon society, conserving energy usage and optimizing energy usage is developed. So, this is a very unique initiative. We have provided all the details on our website. Those of you who are interested to please go through that website page, we would really welcome your suggestion on how do we further improve and make this program more vibrant.

As I stated and you saw that yesterday in the board meeting, two new SPVs have been approved. Very shortly, we'll announce the name and complete details about those two SPVs. The one of SPVs for E-mobility and other is for a Bio Business. ATGL has drawn the Bio Business Plan. And now through this SPV, we would be executing the Bio Business Plan, we will be implementing very soon. Developing compressed biogas plant from waste to wealth, conversion of waste to wealth in various parts of the country within our GA outside our GA.

As I stated last time, ATGL has approved constitution of new committees in its endeavor for enhancing its governance. A Dedicated Corporate Responsibility committee has been constituted to provide impetus on the goals of ATGL towards environment, social and governance. Also, I would like to bring to your notice that yesterday, while there is, you know, we already had four independent directors on the board, board was delighted to onboard Mr. Shashi Shankar, ex-CMD of ONGC who is very renowned and knowledgeable professional, we all know, having a very rich experience in oil and gas side is on board as an independent director. So our board will have now five independent directors and four promoter directors, two each from Total Energy and from Adani Group.

This again reinforces the Adani and Total Energies Group focus on enhancing the governance standards on a continuous basis. I am confident that with the continued support from all stakeholders and motivated team of Adani Total Gas, and I'm very proud of Team ATGL, the journey ahead is going to be much more exciting and successful. We would like to acknowledge the role played by our shareholders, consumers, dealers, suppliers, business partners, stakeholders like yourself who are constructively participating in this call and give us a lot of suggestion. So, we are thankful for their trust and continued support. Thank you very much. Let me now open the call for questions. Thank you.

Moderator

Thank you, sir. So, ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. So, our first question is from Yogesh Patil from Access Capital, please go ahead, sir.

Yogesh Patil

Thanks for taking my question. I have a couple of questions related to policy and the pricing part. The first one is related to could you please share the percentage breakup between the APM gas, and the market price gas used for the priority sector during the Quarter? And what was the average cost of gas use for the priority sector, if you could share the numbers?

Management Team

Thank you, Yogesh, again for joining on the call. As you are rightfully aware, I think there has been a slightly shorter supply, as far as APM gas is concerned. And we've been, you know, substituting this, you know, with RLNG. Currently, for the quarter, our shortfall was 24%. So, that's the short supply as far as APM is concerned. The first two quarters were reasonable, I think we started, you know, facing APM shortfall from the third quarter, and that it has hovered around the 23% to 24% over the last two quarters.

Yogesh Patil

And any ballpark number or idea about what was the average cost of gas used for the priority sector during the quarter.

Management Team

So, I think you know, any shortage as far as APM was concerned was being, you know, supplied through the portfolio of our contracted gas. And to add to that, you know, some of the additional

requirements as a growing entity on procuring in the spot market, so it has been a combination of both, and it is at that portfolio level that we have been supplying gas across each of the segments. So, if you look at it from a portfolio cost if you look at it from a portfolio cost or from our annualized EBITDA, you know, our annualized EBITDAs if you were to see for the fourth quarter, they will be close to about 31% as far as December was concerned. And if you look at it from an annualized perspective, it will be at 25%.

Yogesh Patil

Okay. Sure. Thanks. Sir, my second question is related to commissioning of a newer geographical area. Is the company receiving a full APM gas allocation for your new geographical area or for a priority sector?

Management Team

Yogesh, a very, very important question and I think you have been a regular participant. So, thank you very much. You see, while you are asking questions on EBITDA percentage, you will see the numbers are there with you, complete detailed numbers. It's been even our conscious call of the Quarter-4 that we want to calibrate our pricing to make sure the consumer affordably enjoys PNG and CNG. It allows us to build a strong foundation of a more infrastructure and broad base the consumers.

So, it's not a surprise to us that our EDITDA percentage has come down. We felt temporarily even if you need to, you know, accommodate on a bitter side, but we don't want to compromise on volume growth side, on infrastructure growth side. That's the reason, you see is 35% growth of volume and also, you'll see broad basing of a number which I already narrated in the call. Now, coming back, are we getting APM gas? We are certainly getting APM gas. And APM gas, you know, as I stated in my statement that we were getting virtually 100% gas, there is a procedural part six-month average etc., which sometimes 7% or 8% will get a shortfall, but during this period, because the demand has bounced back significantly, APM requirement as an industry as a whole, ATGL and all other industries are doing good work.

So, it has significantly gone up and due to which one is on a procedural part and others are on this own some sort of a supply. So, combined together there is currently some shortfall an APM supply. Entire CGD industry is constructively working and engaging with government, we see a very strong support from government. Every time, we see the full assurance that APM gas supply efforts are being made that we are getting full supply and we are expecting that there will be improvement in methodology on allocation as well as on the supplier of APM gas not only for existing geographical areas, the 9th and 10th round. So, now for an 11th round here, for which we got 14. We are not seeing any serious constraints on APM supplies.

Yogesh Patil

Okay. So, more or less you are sure that the APM gas will get restored to what was earlier 110% level of the priority sector. Is the understanding correct?

Management Team

No, this is what we are expecting, and this is what we see, Government has been very strongly supporting. You can see that the kind of vision government has set, today, virtually in entire India, CGD licensing has been awarded. Now, momentum is building up. Government wants to make sure that every home has PNG supply, every nook and corner has a CNG station. So, this is a collaborative process. We are confident that government policymakers are working to make sure APM supplies are restored to maintain this momentum of growth.

Yogesh Patil

Okay. And any timelines about the same?

Management Team

Very soon.

Yogesh Patil

Very soon. And the last question from my side that do you see any possibility that the government will intervene and cap on the APM gas price hike in the second half of FY23, as most of us are calculating that APM gas price in the second half of FY23 would be in the range of \$10 to \$11 per MMBtu. So, do you see any cap or ceiling on that side or government will intervene? Any thought from your side on this?

Management Team

See, there are two parts to this pricing part. You know, one is government policies has been formulated in a manner that we as a CGD player can certainly foresee what is coming. As you also calculated \$11, we'll calculate \$10, somebody' is calculating \$9.50. With a large degree, we can see what is coming, it allows us to prepare. Now, we definitely expect some bit to come from the policymakers, but lot has to be done by ourselves as well.

We need to see how do we reconfigure, how do we solidify our diversified gas sourcing portfolio, so that we still on an average portfolio basis, our cost is reasonable, and we are able to provide the supplies to the end consumers on affordable basis. So, that's one target, which we need to

take on ourselves, and we have undertaken, you can see our portfolio continuously we are evolving, we are bringing different, you know, supply sources, so that we can build a good portfolio, this is one. Second, also we need to see how do we optimize our OPEX as well as CapEx. There is always a scope for an improvement. And you can see from our numbers, we have been while new GS provides initially as, you know, ramping up the volume is going on, OPEX will be relatively higher, but if you see it in comparison, our OPEX have been very efficient.

So, I think we will do our bit and we do expect because government wants to ensure that the momentum is continuing, there will be a discussion and solutions will be put on the table. How do we stabilize? How do we ensure that prices are stabilized for end consumers? It is not for CGDs, it is for end consumer whose prices have to be made affordable. We are certainly committed with the government that we would like to, as a CGD industry, I am saying we would like to maintain this momentum of growth. I am expecting that there will be some solution around it.

Yogesh Patil

Okay. Thanks a lot. It was really helpful.

Moderator

Thank you, sir. So the next question is from Nitin Tiwari from YSL. Please go-ahead sir.

Nitin Tiwari

Good morning. Thanks for taking my question. I hope I'm audible.

Management Team

Yes, you are. Go ahead.

Nitin Tiwari

So basically, the new attention back to the question of APM gas supply. So, while you mentioned that there are concerted efforts between the city gas companies and the government in order to ensure that the price restored, but my concern is that the APM gas is limited. So, how do you see in your discussions with government that we are thinking of circumventing this issue of supply shortfall, because whatever APM gas is there that's allocated to other sectors as well as like power and fertilizer and other sectors and the supply is limited, the growth is also limited. So, what is basically that thought going on in the government's circle if you can some insights on that?

Management Team

Thank you, Nithin. Difficult to give you what is going on in the mindset of our government, but I can give you what is going on in our minds actually. From a policy front, since you track this sector, and you have a good understanding, you know, that CNG and PNG home has a highest priority on a gas, APM allocation. And that is the policy of the Government of India, and we are seeing government giving highest priority, that's the reason you are seeing such a keen interest from not only ATGL but now 35 to 40 companies participating in this nation building of a CGD growth. So, in our view, it is not only that limited supplies APM which is the only has to be augmented. There are multiple ways to look at this whole holistic process that how do we ensure that APM gas along with, you know, some, what government is working on finding some more sources of gas and how do we bring in, like they have already added CBG in the APM pool. Similarly, there will be some more mechanism.

What we understand, you know, that MOPNG, GAIL, PPAC all of them they have been working, we have been participating in some of the discussions, that there is a commitment that APM gas supplies will be improvised as well as allocation methodology, which is today, you know, once in a six-month that also could be, you know, attempted to be improvised, so that, there is, growth is not, you know, because you get a good growth, supply doesn't come at a more short, shortfall is not coming. So, I think while it is difficult to say, you know, that what government is thinking, but our view is that government commitment and assurance is giving us a complete belief that there will be a good solution around it, and very soon it'll be there.

Nitin Tiwari

Understood. That's helpful. My second question is on your CGD business that you basically alluded to earlier in the call. So, what is the thought of investment, we are looking at either business and what kind of production we can expect, in terms of, you know, how much of our dependence on methane gas can actually reduce?.

Management Team

Sorry, you're talking about compressed by methane, am I correct?

Nitin Tiwari

Yes, that's correct.

Management Team

So, as I said, you know, we have recently got our business plan approved, we would be looking now, very potentially high sites, because you know, CBG requires that we need to have a size which are closer to the feedstock and also strategically located for evocation of the finished product like CBG or the organic fertilizers, which will be manufactured in that plant. So, right now, our teams are working, we have identified some of these sites, the viability is going on, so you will see that there is a significant investment initially around four to five big-sized plants are, what we are focusing.

Of course, we would like to make sure that these are commercially viable plants, which we will demonstrate, you know, so that not only us many more participants come and develop waste to wealth for this country, this is where our aim is, but I would like to give some highlights on investment part. So, like I said, we are, you know, initially screening a few of them, I think the first one, you know, largely is identified in the state of Uttar Pradesh. And that's where, you know, we are looking at building our first one and three to four more sites, we are in the process of shortlisting both in terms of bilateral basis as well as in potential, you know, the newer tenders that could come on the CBG front.

On both areas we are seeing, you know, as an entry, we may look at a variety of feedstock. So, you know, it could start from agro to cow dung to maybe even MSW. So, we are looking at all kinds of feedstocks, as far as our initial entry is concerned. As far as investment is concerned, you know, these are not very large CapEx-driven assets. So, you know, while you know, we have our business plans, and we are still identifying our site, you should not see this as a large investment relative to the core CBG business, but certainly allows us, you know, to move a dent in the CBG space, both in terms of geographies where we are there, as well as the good part of the CBG businesses is it that allows you to also go and step out of the geographies where you are not there. So, that's how we are seeing the space.

Nitin Tiwari

So, you didn't get that last part about the geography, stepping out of the geography.

Management Team

The interesting part of CBG is that unlike the CGD business, which is a license-driven business, you can actually set up CBG anywhere. So, to that extent, it allows us to do both, you know, expand already, where we are already there at present, as well as establish our presence where you know, we are not there from the CGD side.

Nitin Tiwari

Understood. what would be tentative investment on my full-time basis that we are looking at.

Management Team

So, typically, I think, you know, in the initial size over the first two years, we may look at maybe somewhere in the range of 300 to 400 Crore as CapEx. So, like I said, you know, they are not very large in the overall relative business of the CGD. But investments will be 300 to 400. The execution cycle, of course, of CBG business is much shorter, and you should, therefore, expect them getting operationalized, you know, much faster.

Nitin Tiwari

Understood. So, 300 to 400 crores in investment over a period of two years and setting up CBG plant and that's when it gets operationalized.

Management Team

That's correct.

Nitin Tiwari

And staying on the topic of CapEx, one last question, what was our CapEx in FY22, and what's the estimate for FY23, and also a breakup between existing and new GAs?

Management Team

In terms of CapEx, you know, for the year of FY22, we have done close to a CapEx of 1000 crores, and like we've always maintained, you know, as far as our existing geographies are concerned, we will be at the CapEx of 1000 to 1200 crores, certainly the newer geographies that we have recently been awarded will add to this CapEx cycle. All the new geographies put together would, you know, constitute close to about 8,000 to 10,000 Crore as far as the program for the initial eight years is concerned. So, you should add approximately another 1200 odd crore as far as the newer geographies are concerned. On top of all of this, the small sort of investments that we continue to do, like I said, CBG will see about 300 to 400 crores, and we are also, you know, again, you know, as a provider, fuel provider, we are also, you know, ventured into the EV space. So, on the charging side of infrastructure, and you will also see some incremental investments coming in the EV business.

Nitin Tiwari

Understood. So, a ballpark like, you know, anywhere between 2000 to 2500 crores, this is what these numbers look like.

Management Team

Absolutely, that's a reasonable number. Certainly, the newer geographies, you know, they have just recently been awarded, and there is an initial startup time for the first six to nine months before you actually get down into any heavy CapEx. So, you may not see 2400 or 2500 in the immediate year, but the following year, you should see CapEx of 2400 or 2500.

Nitin Tiwari

Understood. Thank you for taking my question. I'll get back to you. Thank you.

Moderator

Thank you. So the next question from Sabri Hazarika from MK Global.

Sabri Hazarika

Yeah, good afternoon. So, I have two questions. The first one is, you mentioned that there is a 24% shortfall in APM allocation in Q4. So, what is the number currently?

Management Team

So, the current number since, you know, as I stated, we are expecting improvisation of allocation methodology and also the volume going up. So, in the similar range, the APM shortfall is continuing, because our growth is continuing, because there has been some sort of improvement, but currently same shortfall is continuing.

Sabri Hazarika

So, it's 24% to 25% itself. Okay. And is this the case with every player or is it different among different players?

Management Team

No, actually, it could be different for different players. That's the reason I have been emphasizing that depends upon, you know, the methodology, which you are aware that the way it has been laid down that every six months part becomes allocation for the next six months. So, since our

growth has been 35%, that's the reason we are facing the shortfall a bit higher, there could be other players whose shortfall could be lesser, some other players about shortfall to be higher as well. And GA to GA, it will vary in our case and GA to GA it will vary in other places. But I think this as I said, there is a very good understanding of the government side, GAIL and PPAC side and we definitely are seeing constructive engagement of improvising the allocation methodology as well as the volume part. So, we would see this getting significantly improved, this is what is as per our expectation.

Sabri Hazarika

Okay. So earlier in the call, you mentioned that 7% to 8% shortfall is because of the procedural or formulaic reason, and the remaining is because of like a lot of demand coming up from new GAs and rapid growth, is that correct?

Management Team

See, it cannot be attributed that this are our experience in the previous quarters, if you see. As our growth is augmenting, the shortfall overall is 24%. Now, there will be some shortfall because of the procedural aspects and will be some because of the significant growth. It's a combination of both, but as I said, both are getting addressed. So, it's not a serious concern for us.

Sabri Hazarika

And this formula is like endorsed by the Supreme Court, is that right?

Management Team

I wouldn't say that formula is endorsed by Supreme Court. Supreme Court doesn't endorse the formula actually. The policy which has been laid down is what we could see actually. The formula is offshoot of the policy. Because you know, there are inherent operational issues of maintaining gas pipe and pressures gas pipe and integrity. So, definitely the GAIL has developed along with the government PPAC, a formula which allows system integrity to be maintained. So, I think formula is an offshoot to make sure that system integrity and operational efficiency is maintained. Now, since it's been a couple of years, we have seen it, the growth is happening. The six-month period average because of the growth significant is happening, the government and everyone has understood this.

So, there are various options that are being considered and we expect some improvisations will come on that side. And you know, as all of you have seen, despite the shortfall, despite the significant increase of RLNG prices, we have been able to still deliver 815 crores EBITDA for the year. That is what you should see as the resilience of ATGL that we are able to revert back with

a growth with EBITDA as well while calibrating the pricing, if you see our prices also have been calibrated for end consumers. I think that is what is the perspective and a positive part, I would impress upon all of you. Of course, you are wise enough to see the numbers the way you would like to see.

Sabri Hazarika

Right, right. Absolutely. And is there any meeting relating to APM Gas allocation revisit, is it expected in the month of May?

Management Team

This is as an industry, there is a continuous work, which we do actually. I don't have any current call or invitation for any further meeting. But what we see is that there is a complete access to us to go to the government authorities, meet anyone because there has been a complete access to us, because government also knows and we also know this is a collaborative project, CGD development for a pan India basis of this magnitude requires all stakeholders to collaborate each other and that is what is going on. It is not a one meeting or two meeting. It's a continuous engagement.

Sabri Hazarika

Right. The second question is, was there any shortfall in terms of contractual LNG during the quarter?

Management Team

Rahul, do you want to address it?

Rahul Bhatia

Rahul Bhatia, this side, Head of Marketing and Business Development at Adani Total Gas. So, good morning to all of you. Yes, there was, you know, certain supply constraint from certain suppliers. And that came up because of the Ukraine-Russia military conflict from end of February. So, based on those, we also calibrated certain supplies to our customers. And we allowed them, we put forward a program where they could, you know, get supply based on the take out pay levels at the contract price. And if any customer had certain suppliers, you know, supply and demand requirements over and above that, then they have the option to offtake at that price, which were actually less than the prevailing RLNG price. So, as Mr. Manglani mentioned, we were very calibrated in our approach, and we were able to strike a very good balance between the constraint of gas supplies from certain customers and the supplies to our markets.

Sabri Hazarika

Right, sir. Got it. Thank you so much, and all the best.

Management Team

Thank you.

Moderator

Thank you, sir. So, the next question from Varatharajan Sivasankaran from Antique Limited, please go ahead

Varatharajan Sivasankaran

Thank you for the opportunity. A lot of questions on these, had a couple of questions. One, when was the additional allocation stopped? So, was it first of October or is it was it even before that

Management Team

Could you please. Good afternoon. Can you be slightly louder for us, please. Your audio is not very clear, please.

Varatharajan Sivasankaran

Is this better?

Management Team

Yeah. Please, go ahead.

Varatharajan Sivasankaran

So, this stoppage of additional allocation, since when we've had this issue, was it first of October or was it even before that.

Management Team

You're talking about APM or non-APM, RLNG?

Varatharajan Sivasankaran

APM.

Management Team

No, there is no stoppage of allocation.

Varatharajan Sivasankaran

Additional allocation, I mean to say.

Management Team

Not even additional, I'm saying basis, you know, every GA gets an allocation at the inception itself, there is no stoppage by the government on any allocation. Now, we have about 14 geographic areas, and if you go to the government that we want to start tomorrow, the allocation will be given to us.

Varatharajan Sivasankaran

No, I understand, let me rephrase it, when was the time when it was like no frozen at those levels?

Management Team

Sorry, your audio is not clear.

Varatharajan Sivasankaran

When was the APM allocation frozen at the levels taken, was it effective, first of October or was it even before that economical level?

Management Team

Varatharajan, that's what I'm saying there is no freezing of allocation. Actually, as I was explaining to you, there is no freezing of allocation, there is no stoppage of a new GA development, there is a full support from every possible quarter that we should continue to maintain this momentum. What has happened is as I explained, there has been a huge growth in the industry infrastructure of the CDG, but as a whole. Volumes have come back not only past one plus the new

infrastructure also started delivering the volume. So that there has been a very significant growth in the volume and the APM gas started slowly giving shortfalls to there.

So, it was not, but there is a continuous supply of gas to us as I was explaining the previous call, on an average around 24% shortfall has resulted now, earlier we used to have 7% to 8% or 9% shortfall, but growth is giving us 24% shortfall, some of our friends may not have grown 35%, they will have lesser shortfall perhaps, some may have grown better than us and there will be a higher shortfall could have been there. So, I think there is no freezing of allocation. There is a complete support, and as I said now, since there are learnings coming from here, and also government wants to maintain the momentum, there are constructive discussions and engagements, we see there is going on be, we are expecting the way the discussions are going on, there will be improvisation of the allocation methodology as well as there could be improvement in the volumes, APM and some other sources, but ultimately CGD support will come from, is going to be coming from government side. This is what we are understanding from our engagement.

Varatharajan Sivasankaran

The other question was on, if the situation persists for some more time, we will be considering going slow on the rollout of new GAs new outlets?

Management Team

Not at all. Actually, not at all. Our commitment continues to remain there. Parag has just now explained our CapEx rollout plan that will remain because we, as a large player and also with a strong support of a Total Energies and LNG supplies or our understanding of a gas sourcing, I think what if we suggest even if that hypothetical scenario comes in the way our diversified portfolio is there, we would be coping with the supplies to our consumers, but there will be no slowing down of the CapEx plan.

Varatharajan Sivasankaran

Having one last question, in case like you know we assume that on time pay the government were to come and say we can't give you additional volumes, how would the.

Management Team

Varatharajan, your audio is difficult to understand actually, maybe there are some different locations maybe.

Varatharajan Sivasankaran

Is it better now? So, in case the government needs to come back and say, look, you know, we are unable to give you additional volumes, how will it affect our business plans going forward? I mean, you get any serious issue in terms of a rethink or a rollout plan or you do things like insufficient economics in terms of arbitrage between liquid fuels and this, even if we have to increase the LNG composition from 24% currently to maybe 30 - 35 or 40, that is sustainable at those levels.

Management Team

As I was just telling you that we are not seeing that hypothetical scenario. As you know that to begin with, to respond to you because, as I've been explaining from my CEO statement continuously on several questions that what we are going to see and what we are expecting with, there is this not that we are, government is not working on it, government is supporting it, government has been listening to all CGD players and we are seeing on the ground that there is going to be some improvisation of the allocation methodology. There will be improvement in the supplies. So, we are not seeing that hypothetical scenario of the way you are looking at that there could be freezing of allocation there could be.

Varatharajan Sivasankaran

I understand and I appreciate those point, just in case something like that happens which will affect the business model, or we are good even then?

Management Team

No, no as you say, as a progressive management, you will appreciate that those all the simulations we will be definitely doing it in our systems. And we will be preparing ourselves to how do we cope up, but since we are not seeing that scenario of hypotheticals, the way you have put across, I think we are looking at a very positively that CGD momentum is going to grow much better than what is today actually.

Varatharajan Sivasankaran

Thanks a lot.

Moderator

Thank you. Next question from Mr. Raj Gandhi from SBI Mutual Fund. Please go ahead, sir.

Raj Gandhi

Hi, thanks a lot for the opportunity. Sir, here as you mentioned, you know, they might tweak the policy and accommodate this growth, because six-month lag does not help when the entities are growing and all, but let's say in terms of resolving the issue of the physical availability of the quantum of availability of APM gas per se, you know, there you mentioned biogas, they will add, but you know, that should be a very less quantum in terms of how do you kind of resolve the issue of getting more absolute volume of gas for the sector, given that CGD as an entity, as overall let's say even if the sector grows by 20% odd, given the plan, then you know, the kind of additional gas required immediately and going forward, how do we resolve as you can't further take away from power and fertilizer given our situation is there.

Management Team

In my mind, as I've been stating, you know, the vision of CGD growth is from Government of India. The Honourable Prime Minister has laid on a very strong vision. PNGRB has continuously been coming out with the newer rounds and now, 100% of India has been covered. Large investment of almost two lakh crores has been committed by the CGD entities of ourselves and many of the CGD players. India wants to see that investment, India wants to have pipe natural gas, India wants to see CNG growth happening. At least the last 30 years, I've been seeing policymakers have been looking at several critical issues or complicated issues and that very good policies have been developed. So, I don't see that hypothesis of there will be freezing or lesser allocation of APM gas, I think government has seized of this method.

There has been a constructive engagement. We are seeing a full support. We are seeing complete handholding of CGD industry. So, I think we should leave it there that there is going to be an improvisation of methodology as well as the volume to make sure the CGD entities are enabled to continuously grow this momentum of growth. This is in the interest of a nation actually, not only ATGL or other CGD players, this is for the India, actually we need piped gas across the country, everyone should get a piped natural gas at reliable supply in the kitchen. So, I think with these kinds of a larger goals, we would see solutions around it we would see supplies coming. Policies have stated CNG and PNG home as a first priority in the APM gas allocation. All ingredients are very positive. So, I think we should see positively in my view.

Raj Gandhi

You mentioned biogas, any other avenues in your opinion like you know, one specific input you gave maybe biogas has now pledged, any other such ideas which can kind of resolve the gas availability issue per se.

Management Team

I said biogas because the policy has been laid on, I can only say what policy has been announced. First, round up of policies, and second, it's difficult for me to predict actually, what we see, what we could see, you know, perceptibility, we could see, when we meet when we agenda see discuss, we see a complete support and alignment of a government actually that they would like to support, and they will continue to support. And you see we all had grown up because of a support of government actually, if you see. I don't think so there will be any lagging behind from any quarter, any authority or any government that CGD industry suddenly will be facing such challenges, I think those challenges will be overcome, because everybody wants momentum of growth to happen.

Raj Gandhi

Sure, sure. And sir, just you know, as a group, you know, because your group, you're very active on this New Energy, hydrogen, solar, batteries and all. So, in that sense, how do you see your investments into in to the CGDs and all maybe, you know, you mentioned that, you know, you think there is space for everyone, all type of fuel and gas as a mix is very low and all, but if you could just help us understand more granularly in terms of how do you think about investments into CGDs, when you have alternative merging faster? And, you know, tenders for E-buses, talks of Ola and Uber, all the cab aggregators being asked to move on EVs and all such kind of policies. So, how do you see investment into CGD in context of this multiple fuel, you know, if you could just throw some more granular light on your thought process here?

Management Team

Not sure. Actually in fact, these are the questions were raised to us even in the last calls. And you know, we have been stating that as we see it, we will see mixed paradigm of a fuels in India persisting. We have a very vast country with a diversified vehicle segments. So, we will definitely see EV getting its foot stronger, because of the, particularly in the two-wheeler segment significantly because that's the immediate target if you see all the policy which you read even the draft batteries have been policy, which has come you will see from there, the focus is significantly on the two-wheeler side. So, I think EV will be there and we already announced that we have been venturing into EV side and in fact to give complete impetus, focus, attention, we have in fact formed and our board has approved formation of a special-purpose vehicle for EV business. So, both Total, Energy and Adani Group have been working heavily investing on renewable energy.

So, I think we will see CNG continuously as our fuel of choice for many more years. We would also see EV taking participation in fuel market, fuel sites, on two wheelers, three wheelers, maybe four wheelers also in some way the new four wheelers which are coming, but it's going to take time in India, you know, you see international experience on EV side, it has taken a long time for EV ecosystem to be developed. So, until then we'll see CNG definitely, you know, becoming a fuel of choice and we are seeing despite the price increases, which have been done whatever

affordability we have ensured, we still see a significant growth coming in CNG vehicle conversion, we see OEMs after OEMs coming out with the new variants, Maruti has I think 9 to 10 variants now, every other OEM is coming with the CNG variants.

So, we are seeing good growth on a CNG side. We see in the future also continuous growth is happening. And you know, one other thing which I've been saying why are we calibrating the pricing because we would like to broad base our consumer base. We would like to make sure the volumes are growing. So, once we broad base the CNG customers, we will reap that benefit in the future as well. So I think that's the whole purpose of this calibration of the price that we provide CNG at affordable price. Conversion continues to grow. When EV is coming, we seized the opportunity of EV. The bio came in, CBG is coming in, we are seizing the opportunity of a CBG as well. We shall future proof ATGL even from future fuels, which are going to be coming. Cleaner fuel supply is going to be our goal, CNG is considered as a greener and cleaner fuel. So, I think I hope I'm clear as that, you know, we get into the more future, you will have more calls from our side, and we will definitely be responding to all your specific questions as well.

Raj Gandhi

So, just here, as you mentioned, that the growth is going good, you know, all seeing it, but let's say just as in how you think about it, in terms of return on investment, let's say, you know, there is a lot of growth, you keep on investing. So next 8 to 10 years, there is a lot of growth, which comes in all but, you know, 10 to 15 years, hence, if all this were to start converting back to alternates, and so, you know, from a recovery of investment perspective, you know, that you invest so much over the next 10 years, there is volume growth, and then from 10 to 15 year or hence, you start dipping, so obviously, you know, 10 to 15 year is not good enough to recover your investments. So, from that perspective, you know, what's your thought around that, maybe.

Management Team

Yeah. So, I think the way to look at these businesses is that whilst you are seeing high growth, and these high growths are coming continually from the fact that when you look at different segments within the CGD space, we're seeing very good conversions in the CNG space. Whilst you know, if you look at domestic households, these are more, the perpetual and the annuity kind segment within the business, but it will take its own time in terms of convergence. In the interim, there's growing awareness in terms of improved and cleaner fuels, and therefore, if you see the industries and the commercial establishments actually wanting to move more on a permanency as far as natural gas is concerned.

So, the way to look at it is that no, while you will see longer sustainable growth, but a lot will depend in terms of, you know, how you expand and build your volume across these years. And within that, you will see a lot more momentum coming in the initial years as far as the CNG as a

segment is concerned. And over time, you will see some of the other segments like domestic households, which are more stable in a per consumer, you know, much lower in terms of usage, but there will be more stable and on the longer term. So, that's how you should see in terms of the balance of the segments, and to fill with that is the industrial segment, where there is massive conversion for cleaner fuel.

Management Team

I could just want you to supplement what Parag said is right. You know, one of the overarching goal or mission of government is to increase the share of natural gas from current 7% to 15% by 2030, its humungous. Now, CGD is going to, that's the reason there is a huge support to CGD industry, because we are an important vehicle to contribute to that goal. So when you travel across the country, you will see a large number of SSIs, MSME, restaurants, hotels are yet to be actually gone in CGD, pipe natural gas. So I think we see continuous growth of both CNG and significantly on the PNG side also running as we grow in the newer and newer geographies. So, while investment is growing volumes are growing. So I think there'll be a reciprocation of a rush also. And you'll see in our track record we are quite conscious of what we invest and how do we reap the return on investment.

Raj Gandhi

Sure. Thanks a lot.

Management Team

Thank you.

Moderator

Thank you, sir. We have a follow up question from Nitin Tiwari from YSL. Please go ahead, sir.

Nitin Tiwari

Thanks for giving me the opportunity again, just had a quick query around RLNG sourcing. Do we have Russian LNG as well in our portfolio? And if not, then do we have the flexibility of getting in Russian LNG should it get available at a cheaper price going forward?

Management Team

You're asking about Russian LNG. You know, Nithin, you know that as ATGL we have been buying RLNG, there is a sufficient number of suppliers, including Adani Total, ATPL, which is the SPV of Adani Total Energy. So, Gail just isn't there are several other suppliers of RLNG, they import LNG at whatever the best prices or commodities available. I'm sure if there are opportunities of Russian gas available cheaper, our Indian suppliers who are currently sourcing LNG, they shall source, and that benefit will pass through to the CGD players like us. So, those benefits will definitely pass through. We do buy RLNG and that is reflective of the market including the best prices cargoes which are coming because there is a sufficient competition in India on RLNG supply and we see number of terminals growing. So, we have a very healthy trade on an RLNG side. We are currently not importing directly cargoes from Russia or any other countries.

Nitin Tiwari

The reason I asked is I understand that you'd be posting to suppliers, because like Total is a partner and so would that become a sort of, would that be a constraint in terms of sourcing any Russian cargo or using any lessons or technology from that perspective because of the ongoing conflict between Europe and Russia? And because of the embargoes, which are placed on Russian Crude oil and natural gas as well, and Europe is incrementally considering putting more embargoes going down the years. So, I was just asking like, should there be an opportunity offer cheaper session cargo being available? And would that like know your partnership with hotels put you in a situation where you would not be able to source that, just let's do some clarity on that.

Management Team

Nithin, let me actually clarify you in fact, we have been clarifying in previous calls, that ATGL is sourcing its gas supplies, whether LNG, domestic gas bidding, all on an arm's length basis. Our partner is also one of these participants in our process. So, if they are unable to source Russian gas, if it is that is the part of the policy, our Indian friends will source it, so we will see what is the best available price of our LNG and we source it. So there is no constraint on our side enforcing the best price LNG available in the market. And that's what we do.

And that's the reason numbers are getting reflected that's why RLNG being so high, APM price getting revised, supply getting constrained from suppliers, ATGL team has delivered 815 crores EBITDA for the year 21-22. We have given the growth of 35%, so we have been able to ensure that these all, you know, developments have been taken care. Our partner may import Russian LNG may not import. At the end of the day is arm's length sourcing of RLNG or partner may supply or a participant who comes to the best terms, or somebody else will supply who gives the best terms to us. So we have an arm's length arrangement on the sourcing part.

Moderator

Thank you, sir. So we have another question from Kishan Mundra from Antique Research. Please go ahead, sir.

Kishan Mundra

Yeah. So just one question from my end. So, have you guys recently gone out in the market and looked to buy long term LNG to strengthen your LNG portfolio? And if so, how has been your experience, I mean, with regard to the pricing, and the terms being offered? Thank you.

Management Team

So, I think it's a very good question, though you're come quite an end, but I think you're still asked a very good question, which has not been asked from us. So, I think you see, we have always been experiencing low price gas. And generally, all of us actually securing short term, medium term and more of spot gas to meet our requirement, but the current development which took place which has shooted up the prices, so high, certainly all of us have gone back to you know, strategy and we started looking at what do we do, so the sourcing a long term gas, of what period, of which indices, how much volume is what we are now deliberating, but there will be some portion of a long term gas in our portfolio and we all are working towards that.

So, that we make sure that our portfolio gets diversified, we will have some portion of a spot some medium, short term, some will be on a brent, some could be in a JKM JCC, so we are trying to diversify to make sure that there is a risk mitigation and happening inherently in the portfolio itself. So, to answer you that we are not done a long term currently barring, I think, a very small volume, which we did recently, very, very small volume, but that is not relevant for FY 21-22. But going forward, we would like to have, we'll see how the response come from the market and how the prices are going to be hovering around in the future, but we have a desire to add long term volume in our portfolio now.

Kishan Mundra

Understood. But any initial indications regarding the terms or the pricing being offered.

Management Team

Now, as I said, we are not going to the market currently on what are the long term it all will depend upon finally, we decide how much period which indices is a brent, JKM or JCC, or combination of this, then how much volume we are going all these combinations will determine the response from the market, but you know as we are always considered the largest CGD entity we are strong parent is of Adani group and Total Energy, we believe that once we are with the market, we would get the best of our terms and best of the price.

Kishan Mundra

Understood. Thanks.

Moderator

Thank you. Ladies and gentlemen, that would be the last question, now I hand over the floor to the management for closing comments.

Management Team

Thank you. Thank you everybody for joining the annual and the fourth quarter analysts call. Thank you for actively participating and lastly, thank you Ventura for organizing this call. Thanks, everyone.

Moderator

Thank you, sir. Ladies and gentlemen, with this we conclude our conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good day, everyone.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.