

# GAIL's Q2 2021 Earnings Call

## Company Participants

- Mr. AK Tiwari, Director Finance
- Other senior executives

## Other Participants:

- Host: Ms. Nafeesa Gupta, BofA Securities
- Analysts

## Coordinator

Good day, everyone, and welcome to GAIL's 2QFY21 Earnings Call. My name is David and I'm your event manager. During the presentation, your lines will remain on listen only. [Operator instructions]. I would like to advise all parties this conference is being recorded.

Now, I'd like to hand over to Ms. Nafeesa Gupta, from Bank of America Securities, India Limited. Nafeesa, please go ahead.

## N. Gupta

Thank you, David. Good evening, everyone, and welcome to 2QFY21 results conference call of GAIL India Limited. Today we have from the management Mr. A.K. Tiwari, Director Finance, and other senior executives.

The call will begin. I wish to remind everyone that the statements and other information provided today are those of GAIL management and not an offer of securities and should not contain any confidential or material non-public information. The speakers will not be providing any professional advice.

Now, I would like to hand over the floor to the management for opening remarks, after which we can open the floor for questions. Thank you, and over to you, sir.

## A. Tiwari

Thank you very much. Dear Ms. Nafeesa from BofA Securities, and my dear friends from the investor community, a very good afternoon to all and welcome to GAIL's 2QFY21 earnings call.

As you know that we have entered into the seasons of festivity. We wish you a very happy Dhanteras and a very happy Diwali. May the Diwali brings you happiness, prosperity and good health to you and your family. As we know that COVID-19 has changed the way we think and what we aspire, let us do our best to keep our families safe from the pandemic during this festive season.

We have declared the results of the second quarter of the current fiscal year-to-date, and I am sure you must be happy with the overall

performance of the company. Now let me give you a brief insight of the company's performance. I'm happy to share with you that GAIL has received NIL comments from CAG for the financial year 2019-20 for the 11<sup>th</sup> year in a row.

Now, I will touch upon the physical performance of Q2FY21 with respect to Q1FY21. With the relaxation of lockdown, the economic activities have picked up and the same is reflected in the overall physical performance of the company. The physical performance has improved in all segments. Gas marketing stood at 88.60 MMSCMD as against 81.16 MMSCMD in Q1FY21, increase of 9%. The gas transmission stood at 106.44 MMSCMD in Q2FY21 as against 90.22 MMSCMD in Q1FY21, increase of 18%. The capacity utilisation increased to 52% as against 44% in Q1FY21. The polymer production stood at 221 TMT in Q2FY21 as against 134 TMT in Q1FY21, increase of 65%. The capacity utilisation increased to 108% as against 66% in Q1FY21. Polymer sales increased to 224 TMT in Q2FY21 as against 103 TMT in Q1FY21, increase of 22%. And, LHC stood at 297 TMT in Q2FY21 as against 265 TMT in Q1FY21, increase of 12%. And, the capacity utilisation was 81% as against 76% in Q1FY21. Similarly, the LPG transmission stood at 1,058 in the current quarter as against 963 TMT in Q1FY21, increase of 10%, and the capacity utilisation was 111% as against 101% in Q1FY21.

So from the physical performance of the company in Q2, it can be seen that the impact of lockdown has neutralised and our operation has achieved normalcy. The petrochemical and the LHC plants are operating at optimal capacity. The LPG and the NG pipeline transmission has also achieved pre-COVID level. In fact, the current natural gas transmission volume has surpassed the average of FY20 level.

Gas trading has also improved significantly during the quarter but we are yet to regain the pre-COVID volume mainly due to decline in the availability of the domestic gas as compared to the last year and decline in the overseas sales of LNG. The domestic gas of ONGC was disrupted during the last week of September due to fire at ONGC Hazira, and the supply was reduced by around 75 MMSCMD during the period.

GAIL is making regular purchases of LNG cargoes from US. Out of approx. 86 cargoes for the year, GAIL has purchased 41 cargoes in H1FY21, and out of that overseas sales [ph] has been done to 15 cargoes and 26 cargoes has been brought to India.

During the quarter, GAIL received—I'm talking about the now quarter—20 LNG cargoes as against 21 cargoes in Q1FY21. Out of these during the quarter, 6 cargoes were sold in overseas market and the rest, 14, were brought to India either directly or through destination sale. Similar to H1, total 41 cargoes, 15 cargoes brought overseas sale and 26 cargoes brought to India, either through destination sale or directly they brought it.

Now I would like to give you the financial highlights of Q2FY21 versus Q1FY21. GAIL achieved gross turnover of Rs. 13,611 crores in the current quarter as against Rs. 12,060 crores Q1FY21. Here is increase of 13% mainly due to improvement in physical performance across all segments increase in petchem prices which is around Rs7,500 per metric tonne. This was partially offset by decline in the average price of imported gas and minor reduction into LHC price which was Rs800 per metric tonne.

PBT stood at Rs. 1,551 crores in Q2 as against Rs. 256 crores. Increase is mainly due to better physical performance, higher price realisation, increasing the dividend income, write back of provision of KKMBPL project and decrease in the cover damage. GAIL registered a PAT of Rs 1,239 crores in Q2FY21 as against Rs. 256 crores in the previous quarter.

Now, let me give you some details of the segment-wise profitability. In NG transmission segment, PBT is up from Rs. 702 crores in Q1FY21 to Rs. 1,009 crores, an increase of 44% mainly due to increase in the transmission volume and increase in other income mainly on account of reversal of provision of Rs. 96 crores on resumption of work in Tamil Nadu section of KKMBPL project.

In petrochemical segment, the PBT increased to Rs. 170 crores in Q2FY21 as against loss of Rs. 164 crores in the previous quarter, primarily on account of increasing the prices which is 7,500 per metric tonne and higher production, as well as sales quantity and decrease in the average cost of input gas.

The PBT in the LHC segment has increased the Rs, 280 crores in the current quarter from Rs. 266 crores in the last quarter mainly on account of the better price via physical performance. However, this was partly offset by price reduction in the prices which is around 800 per metric tonne.

You may be interested in the natural gas trading segment, so I have given the details about the cargoes which we said had been brought to India mainly on US [ph]. Now, the natural gas trading segment, the loss reported is Rs. 335 crores in Q2 as against loss of Rs. 517 crores in the previous quarter. The loss narrowed on account of the better realisation on sale of LNG cargoes in the overseas market, reduction in the inventory valuation losses, reduction in the covered damage charges. However, in the wake of the low crude prices and the spot markets GAIL suffered loss on the imported LNG portfolio in the domestic market despite of all our efforts to minimise that loss.

So, I have given the complete details about the physical performance, as well as the segment-wise analysis and financial performance. Now I will touch upon the performance of the GAIL Gas which is 100% subsidiary of GAIL. During the quarter, the turnover of GAIL Gas—I am talking about the GAIL Gas—during the quarter the turnover is

Rs. 941 crore growth as against Rs. 747 crore in Q1FY21, an increase of 34%. Similarly, the PBT and the PAT has also increased. The CGD sector has shown a very sharp recovery after the staggered and relaxation of the lockdown, and a portfolio of the gas [ph] sale in all the CNG, PNG, and industrial customers are increasing.

I would like to touch upon the capex. This quarter, GAIL achieved capex of Rs. 1,530 crores as against Rs. 400 crores in Q1. Total capex during H1 is Rs. 1,930 crores, which mainly includes pipelines, equity contribution, operation, capex, and E&P. The capex has improved significantly in Q2 after lockdown impact in Q1. GAIL is hopeful to achieve capex of around Rs. 6,500 crores for the full year. We have a plan to spend approximately Rs. 6,600 crores in the next fiscal year, mainly on pipeline, equity, petrochemicals, and CGD.

So, all the pipeline projects which are there, all the spreads which are there, we maintain and we are in execution mode.

I will just touch upon the project performance. On Kochi-Mangalore pipeline section, HDD is delayed due to technical difficulties being faced during pulling. However, as for the contingent scheme, laying of 6"x3.8 kilometre pipeline across Chandragiri is in progress and likely to be completed by November, this month. With this completion, supply to customer in Mangalore Chemicals and Fertilizers Ltd, 0.7 MMSCMD of gas will start.

Further, gas at M/S Ramagundam has started and pre-commissioning activities which was extended due to nationwide lockdown has resumed and the commissioning activities are likely to start from December and the gas supply is likely to cross 1.5 MMSCMD by December end.

On Pradhan Mantri Urja Ganga, the total commitment as on date is over Rs. 13,900 crores, and the actual capex till date is around Rs. 10,200 crores. We have been receiving the capital grant from the government regularly and till date the total capital grant received is Rs. 3,755 crores as against the total capital grant of Rs. 5,176 crores.

I will just give brief pipeline project progress. The Dobhi-Durgapur line up to Matix is expected to be completed by December 2020 and Jamshedpur spur-line by June 2021; Dhamra-Angul main pipeline by December 2021. Bokaro-Angul main pipeline, we are expecting to commission by December 2021. Durgapur-Haldia pipeline we expect to commission by December 2021. Vijaypur-Auraiya pipeline is expected to commission by March 2021. Similarly, the other pipeline are expected to be completed by April, May 2021. For the Baurauni-Guwahati pipeline work is continuing and we expect to complete by December 2021.

I would like to inform that the pipeline connectivity HURL Gorakhpur and Barauni is ready. And Sindri, it is expected to be completed by December 2020. The gas at HURL's Gorakhpur plant has started and

their pre-commissioning activities are in progress. The gas supply will go up to 0.5MMSCMD by March 2021 and they're likely to be doubled by September 2021. The other plants, mainly Baurauni and Sindri, the pre-commissioning activities are likely to start by February, March 2021, and commissioning by November 2021. After commissioning of the HURL plant, Ramagundam fertilizer and completion of the connectivity to Matix, Mangalore Chemicals, share in the domestic market will increase by 11 MMSCMD.

On CGD front, GAIL is supplying gas to all 6 CGDs with infrastructure of 42 CNG stations and 68,000 DPNG connections. The present volume flow is very less, which is 0.08MMSCMD, which is likely to increase by 20% to 30% in next year and subsequently there's the likelihood of increase of conjunction with the growth in these CGDs.

I will just give the prospective outlook of the other pipelines which are there. The total pipeline as you know infrastructure is around 17,500 kilometres of which 12,500km pipeline is being undertaken by GAIL and GAIL JVs. The Srikakulam-Angul pipeline investment Rs. 2,700 crores, completion by 36-month, by July 2022. Mumbai-Jharsuguda pipeline, Rs. 7,800 crores, completion by May 2023. Dhamra-Haldia, 240-kilometres, investment Rs. 1,200 crores, completion by November 2022. And gas pipelines, such as in the northeast, for 1,650 kilometres and with a capex of Rs. 9,300 crores.

I would like to inform tendering and ordering of line packs and other project-related activities are progressing on these projects as per the schedule.

So far as the safety are concerned, we have made great emphasis on safety of the people in operation. Our HSE score has been devised on measurable parameters against each element of the HSE management system. HSE score up to September 2020 is 96.99 as against the target of 95.5.

I will just touch upon the environment. GAIL by virtue of its business is a natural gas player and instrument role in transition towards a low carbon economy. The company places a special emphasis on environmental sustainability. GAIL has been included in the FTSE4Good Index Series as part of London Stock Exchange group. Sustainability Index for a consecutive four years in a row, for demonstrating a strong environment, social and governance practices of international standards.

I have given a brief introduction on the financial results, major highlights and now I request that if you have any clarifications or questions that maybe asked and we will be happy to respond to that. Thank you very much.

Coordinator

Thank you. [Operator instructions]. Your first question [ph]. Please go ahead. Thank you.

- Question Hi. Just one question. Was there any one-off in the performance of the petrochemical business? Because we haven't seen \$173 of EBITDA per tonne in a while and also, the overall margin was at 17%. Why is this? The chemical spreads were not supportive of such a performance so just curious to see if what are the reasons, the under strength [ph] of the chemical business.
- A. Tiwari So far there was no one-off in this quarter. It is because price realisation was very good and it was 7,500 per metric tonne increase last quarter so that is the main thing. Since the prices of the gas was very—the spot prices and other prices was low, so this has given the good margin for petrochemical. And, one more thing that the production ramp up it has also continued in this instance.
- I would like to share that we expect that now the petrochemical segment, which we have reported, we expect that in the next quarter or so we will be better off with 100% utilisation of the capacity and other things [ph].
- Question Okay. Just one more question on the gas trading business, if you can highlight how to view because the last decline on a QoQ basis but still it was a lot. So, how do you view it going forward and what was the case for the loss this quarter? Thank you.
- A. Tiwari This quarter I can't give you a number, number one. Number two, you know that prices are volatile and prices within [ph] the customers also plays an important role. This is one factor. So, [indiscernible] I have told that we are progressively ramping up our consumption [ph] in the fertilizer area and others with the project progress, so this would be consumed. We are largely [ph] trading in the overseas market in that case also. But, these are going to be better in the days to come.
- Okay. Thank you.
- Coordinator Thank you. Your next question [ph]. Please go ahead. Thank you.
- Question Thanks for the opportunity. [Audio muffled - 63:07] volumes, it's [audio muffled] currently. Now you mentioned about certain fertilizer plants seem ready and then we will have off-take potential from fertilizer increment [audio muffled].
- From your side, we also saw the last month data from our sector, the [audio muffled - 63:33] or maybe as high as around 14 MMSCMD [audio muffled] last month. So, overall in the industry, how do you see the prospects of gas consumption over the next six months to one year and beyond, given what you have shared both on fertilizer and the current [audio muffled]?
- A. Tiwari So, we expect, as given certain data related to the future outlook of the consumption that is very well. And, with the coming of the CGDs

and other things, the [indiscernible - 64:11] is going to deliver [ph] and to increase. So, what we are seeing at present it will improve. That much I can give you.

As a certain number of fertilizer plants ramp up that will add significant and other consumptions [ph] which are there in the industries, [indiscernible - 64:30] the pipelines. These are also expected to be through it [ph] also. We expect that [indiscernible] of the transmission will resume, and trading will resume in the days to come [indiscernible].

Question So, it seems you maintain about 70% market share of your overall industry consumption in terms of the volume that is transported through your pipeline. Can we expect you to maintain that kind of share or do you see that improving?

A. Tiwari We expect to increase more with the details I have given. Our own trading will increase, our transmission certainly will increase, and third-party transmission may also increase because they will transport the gas from our pipeline. So that maybe we expect that trading and transmission both will increase.

Question And lastly, when do you expect the Kochi-Mangalore pipeline to be complete?

A. Tiwari Kochi-Mangalore, I have told that by this month. There were some hiccups around [indiscernible - 65:46]. Now we have found alternative route of laying this pipeline, small pipeline. It will commission and [indiscernible] will also complete that. So, we are very confident in supplying the gas this month or maybe first week of December.

- Thank you. Best wishes for the festivities.

A. Tiwari Thank you.

Coordinator Thank you. Your next question. Please go ahead. Thank you.

Question Thank you very much. My first question is can you give us an update on the discussions regarding the unified tariff at PNGRB?

A. Tiwari Yes, the update is that we are also—given the tariffs and whatever they are asking, so the consultations occur and all the things are going on. And, we expect that they will come up with some unified tariff mechanism in the days to come. But, I can't give you any timeline for that when this will be because this is being done by PNGRB, we are following that.

Question Second, on the gas trading, can you share with us what would be the impact of inventory losses this quarter?

A. Tiwari It was very less this time inventory loss in comparison with the last, but this quarter we don't expect any much with inventory losses.

Question Okay. One final thought, in terms of your gas volumes, [audio muffled - 67:39], when do you see that achieving the 100% of [audio muffled] volumes? Can we expect it in the second half or will it be more like the first quarter of FY22?

A. Tiwari Yes, [overlapping voices - 67:53]—

- More than 90%.

A. Tiwari More than 90% is now we have been able to capture. As soon as the industry and commerce [ph] and other things should come up as well as the [indiscernible - 68:08] of the CNG and there is other budget and regulatory [indiscernible] surely will increase. But it depends upon the COVID situations which are there. We can't give you any such [indiscernible] going to that, but we have achieved around 80% to 90% levels. That much I can tell you.

- Okay, thank you.

A. Tiwari Thank you. Thank you very much.

Coordinator Thank you. Your next question [ph]. Please go ahead. Thank you.

Question Hi. I just wanted to know, can your pipelines transport hydrogen in both liquid and the gas forms?

- [Speaker off-mic - 68:59].

Question Yes, basically given that globally in the green economy, everyone is talking of hydrogen so I just wanted to know what is the level of change or additional pipelines you would have to pick up when it comes to hydrogen?

A. Tiwari Currently there is no such plans for us but you have given suggestion. I don't know. We don't have any plans to transport hydrogen.

Question Fine. And I wanted to know what are the capex plans over the next three years for the upcoming pipeline. On a consolidated basis, the next five years, what is the increase in kilometre pipeline that you are looking at and the likely capex cost broadly?

A. Tiwari Broadly, from the coming five years, we have capex of around Rs. 30,000 crores that we have planned and we have developed [ph] still what are the pipelines which are under progress as well as any opportunities which will come for building of the new pipelines we also participate. So that way, we have planned of around Rs. 35,000, 30,000 crores in the three to five years. So, some of the pipelines already are going on. If any opportunities come, we certainly will look at it.

Question Do you plan on increasing kilometres?

A. Tiwari Around 4,000 plus.

Question Okay. And my last question was after existing gas that we are carrying, how much is broadly the break up between liquid form and gas form?

A. Tiwari Liquid form and gas form? We could not—

- We're transporting gas.

A. Tiwari We are transporting gas. For liquid (LPG) I think the pipeline is separate; it's a separate pipeline. And, that is from Jamnagar to Loni and Vizag to Secunderabad pipeline is there, which is around 2,000 kilometres pipeline.

M [Speaker off-mic - 71:41].

A. Tiwari So, 4,000 TMT we are talking.

- Thank you.

Coordinator Thank you. Your next question. Please go ahead. Thank you.

Question Thank you very much. My first question is on the gas marketing segment. Now, in the first half, EBITDA losses [audio muffled - 72:07]. In your view, has anything changed in the October, December quarter for this business to shift to an EBITDA profit or will EBITDA losses continue until oil reaches, \$55, \$60 a barrel?

A. Tiwari We can't give you any numbers because it depends upon various factors and what are the destination sales we have, what would be the scenario of the international market. So, we can't give you any number but certainly as indicated we have improved from Q1 to Q2. We are quite hopeful it will do better.

Question Just to push the point further, how should we look at the segments? What would it take for GAIL to come back to reporting positive EBITDA in gas marketing? Is there a certain spot on NG price? Is there a certain group price or is this something at this point of time it's not linked to prices?

A. Tiwari There are a mix of things out there. As to last year, we had reported profits and we have not given better margin because of the prices we have [indiscernible] to us and COVID situation was not there, oversupply situation was not there. The spot price increasing was not there and if the spot prices are low and we are long on the LNG so certainly it will be difficult.

We are quite hopeful as I'm told that when the consumption in the country will increase with the fertilizer and others, and we are not to have any sales in the overseas market, plus prices are favourable both Henry Hub as well as Brent [ph]. So certainly there will be a good margin. We have given this result in the past also. Please be hopeful that we'll do better with our many mitigation measures including the hedging of LNG. So, please, what I can say is that I'm quite hopeful; please be hopeful.

- Understood. Thank you very much.

Coordinator Thank you. Your next question. Please go ahead.

- Hello?

A. Tiwari Yes, Please.

Question Happy Diwali and congratulations for a good set of numbers. I have two questions first relating to the transmission business. So, can we get some guidance on the pipeline? Why has volume increased from here like when we look at [indiscernible - 75:01] how much volume we can get there in next one or two years? Similarly, how much volume we can get in Kochi-Mangalore? And you also mentioned that work has started on the Tamil Nadu section of the KKMBPL pipeline, so can you give some gas over there?

A. Tiwari So far as the pipeline projects are concerned, we are quite hopeful that around 9 to 10 MMSCMD of gas will flow with the fertilizer plants. These are the minimum and [indiscernible - 75:35] and where the CGDs in the pipeline route and will be commissioned then certainly industrial as well as in the CGD sector will also increase.

We are also quite hopeful that for this Kochi-Mangalore pipeline it will be starting with a minimum 1 MMSCMD which is going to be there and likely increase EBITDA when other industries will join there. So that's where we are quite hopeful that 3 MMSCMD to 4 MMSCMD will be there [indiscernible - 76:15].

Question In the Mangalore section, can you touch upon what is the timeline of completion?

A. Tiwari The Mangalore section is already complete. So, it will be how much it can be—just one minute.

- In terms of the pipeline, we intend to start those sections somewhere around March or April. So, you can consider two years from that if everything goes fine.

Question The volume ramp up?

A. Tiwari Just one minute, please. Hello? It will start with one MMSCMD and slowly and regularly ramp up in that [indiscernible - 77:11].

Question Okay. And just one question from the shareholder side that since the business has returned to normalcy and we are back to a very strong cash flows in the previous quarter, I think it would be great if management could consider a share buyback to the minority shareholders as well given where the stock price and market capitalisation is there today. This is their request to the management and if some work can be done on that side as well.

A. Tiwari We are taking note of that but there are the concerns on the buyback of shares. And, we have a capex plan. We don't have cash. We have taken loans. So, a couple of things are there but you have given a suggestion, we'll look into that.

- Surely. Thank you and wish you happy Diwali once again and wish you happy Dhanteras. Thank you.

A. Tiwari Thank you. Same to you.

Coordinator Thank you. Your next question. Please go ahead.

Question Thank you for the opportunity. Happy Diwali in advance to you. Hello? Am I audible, sir?

A. Tiwari Yes. Please go ahead.

Question Just on the KKMBPL section that you just mentioned, now our understanding earlier was that there were some legal issues due to farmers protest, so what has actually changed that has allowed us to restart work on this section, on the Kochi pipeline?

A. Tiwari Yes, I will tell.

- These are legal issues resolved in this year March. And subsequent to that, because of lockdown we were actually not able to take up any activities. Now the work is starting and we have given contracts to the competent parties. In the meantime, we are trying to procure materials so somewhere around middle of next year we expect starting the work on the ground.

Question And is there any change in the investment involved or the re-altering of the original pipeline route?

- Not that I know.

Question Okay. And, second question was with respect to the trading business, I know you answered it in various ways. The simplest, if I can just summarise what you are saying that H2 is likely to be better given the conditions of LNG volumes as well as the Spot prices but we still—I mean, in terms of the overall cargoes that we are looking to import against 41 for H1, can you guide us in terms of how many cargoes are now planned overseas as well as domestic for H2?

- A. Tiwari We plan on month to month so it depends upon the volume we have and the cargoes which are open to us. So that we will plan that way. But, we have rightly told that you can expect H2 better in comparison to the H1 and we are—a couple of the reasons are explained and you have also explained that way. So we expect that H2 will be much better.
- Okay. Thanks a lot for your time. Happy Diwali. Bye.
- A. Tiwari Same, too.
- Coordinator Thank you. Your next question [ph]. Please go ahead.
- Question Thanks for taking my questions. I have two questions. My first question is related to unified tariffs for gas transmission companies. Suppose it is unified as a single tariff for all pipelines in the country, instead of individual different tariffs, then do you see a risk of lower tariffs for all general [ph] pipelines?
- A. Tiwari We can't hypothetically answer any questions because our concern and our paper [ph] which was given to PNGRB has been that there should unified tariffs and with the sustained return which we have given to them. So, if this situation comes, then we have to evaluate and there are a couple of—if that is not favourable to us we can ask the PNGRB to listen to us. So that way [indiscernible - 81:57] to that.
- We are pushing for the unified tariffs.
- Question Okay. And sir, my second question is related to your other income. Can you give us a break out this quarter of other income? Because the dividend income was included in this quarter of that income, so how much was the dividend income?
- A. Tiwari Other incomes includes this dividend which was Rs362crore and then you have interest income on corporate loan to our subsidiaries and this were mainly the two parts. Just one further moment.
- [Speaker off-mic - 82:48]
- A. Tiwari It is mainly on account of around 60 crores on account of the other operating income. Interest income was 295 crores. Interest on loans to our subsidiary GAIL that is the main thing [ph] and the rest is dividend income and some other—one more thing is included in this is some of the provisions which was there and which was written off in the books of accounts. Now, the pipeline sections have already started so we have reversed it. That is also there but mainly dividend as well as interest.
- Question Okay. Last question, sir, you have mentioned that the supply to Ramagundam fertilizer plants have started. That volume will be considered as a gas trading volume only, if I'm not wrong.

A. Tiwari Yes.

- Okay. Thanks a lot.

Coordinator Thank you. Your next question. Please go ahead. Thank you.

Question Thanks for the call. Two questions from my end. One was, can you just give us an update on what's happening with the Dabhol terminal? Where are we now on that?

A. Tiwari So, Dabhol terminal, as you know that it is a 5 million tonne capacity there. And, we have already awarded the job for break water and the work is going on. And, we expect that our plan is to by FY22 we'll be able to complete this, maybe three, four months plus/minus. And, the work is under progress.

As soon as this ramping up that is planned for [ph] will be there slowly and gradually in a gradual manner, our volumes of cargo [indiscernible - 85:00] will increase that way. So, that is there and we have a very good volume there, number one.

Number two, as for our business plan, we are still doing the cargo unloading at the Dabhol terminal.

Question Okay. Thank you. And then also on the natural gas trading segment, can you just about the hedges that you used to tell us historically in every quarter? Like, how are the hedges looking like on the natural gas trading front?

A. Tiwari This is very dynamic. Naturally it is—every month, every day we do for the coming period, depending upon the prices. Sometimes prices are favourable, sometimes prices—so many factors are there but for this year, for FY21 and partly FY22, we have already—FY21 is almost complete for our hedges to be taken, we have already taken. And some things, whatever the plan was there, that has been done.

For FY21, we have also around 60% to 70% we have done. And basically we do it because we can't see the forward for the next ten years, no counterparty will come of that [ph].

- Fair enough. Thank you.

A. Tiwari Thank you.

Coordinator Thank you. Your next question. Please go ahead.

Question Hi. Thank you for the opportunity. I had a question regarding the buyback and because you mentioned about this lower capex plan and therefore buybacks are not in your strategy. But, if I just look at your investment, so one question would be, is there any plans to monetise your stake in pipelines? The reason I am asking is the market value of

our holdings [background noise] which is 10% of GAIL's market value. Now, China Gas is just about 1.5% if I take this 4,000 crores at base value where GAIL's only investor. So why not sell our own stake in China Gas and buyback our own shares? I believe that should give shareholders a lift.

A. Tiwari We have noted your suggestions. We will evaluate but at present, neither we have plans to buy back the shares and do not have plans to sell the China Gas shares. So, as we have rightly told, we will evaluate and if there is something we will come back.

- Thank you. Happy Diwali.

A. Tiwari Thank you. Same to you.

Coordinator Thank you. Your next question. Please go ahead.

Question Thank you. I have two questions. First is on the pipeline tariff side, I know you mentioned on the unified tariffs, but your average pipeline tariff across all your volume space [indiscernible - 88:26], this says 35 a piece last year, same period, and then FY18 says but the low 30s. So a very simple question, in view of your IRR of 12%, and I know the regulator has his own views on what assumptions you should use, but the simple question is with unified tariffs, do you think this tariff would be as today or it goes up or comes down? Can you just help us understand the risk around that tariff number?

- [Speaker off-mic - 89:01].

A. Tiwari The unified tariff that is being proposed right now it is not going to impact GAIL tariff revenues because the current proposal with PNGRB is for unification of the existing tariffs. That means that PNGRB is supposed to work on it.

But that, [indiscernible - 89:26] so there are so many instances that are there. Unless this gives us the synergy [ph], this will not be implemented or executed by us.

Question So is there a conceivable scenario where the regulator is saying you can make 12% of the pipeline, you can't be making 7% and 8%, and that returns [ph] to making the pipeline further declines.

A. Tiwari No, as for this 12% is [indiscernible - 89:57] that has to be there.

- The regulator proposed 12% basically based on the volume divisor, and in terms of the current valuation, the volume risk is with GAIL. That's how the return is 7% to 8%.

Question Okay. And then I had a second question on your US LNG [ph] activity, conception question. So, I guess with your US LNG and I'm simplifying here, [indiscernible - 90:26], but I guess your option one is to place those volumes in Europe if pricing is okay, and option two

is, I guess, bring it to India, and you obviously have your hedges in place, etc. Can you just help us understand, in the current macro, what is the cost of your US LNG place in India compared to your other sources?

A. Tiwari The cost depends upon the prices. We can't put any price because we don't know whatever the asset prices are there and [indiscernible - 91:01] that will be there. And if we get some opportunity to sell in the international market that we have [indiscernible], I've already given that we have sold into overseas market where the opportunities are there.

Yes, with the spot prices, with the international market and prices and all, some we may profit, some we may have losses. So that way, there is no escape [ph]. We can't give you any number with respect to what the impact is, the prices can be calculated.

Question Well maybe just for your second quarter whatever volumes you've brought to India, are you able to comment about if it was costing X, your US was X+\$1.50, whatever the number was?

A. Tiwari For Q2, yes, it was a little bit costly but we have done hedging wherever required so we have minimized the cost, or somewhere our counterparties have given us that.

Question Maybe [indiscernible - 92:20] was US volumes cheaper or more expensive than [indiscernible] and then we can maybe back into that?

A. Tiwari In this call we can't give you any number that way. If you want to understand our detail, I request you come down sometime or we'll have a detailed discussion so we can give you the assumption one, two, three. That we can do. That will not be general, that will be based on assumptions. Tax assumption, this will be there. So, my request would be if you want to know the details that way, we can provide you with the assumptions and that is known to you also that way. It depends.

- Thank you.

Coordinator Thank you. Your next question [ph]. Please go ahead. Thank you.

Question Thank you very much. Just a follow-up question. If you look at your share of JV and the associates in the consolidated results, it has come down from positive growth in the first quarter '21 to 291 crores. So can you explain how this happened?

A. Tiwari In the consolidated you want to know?

- Yes.

A. Tiwari Just one minute. [Speaker off-mic - 93:51]. It was down. You want to know about decrease or what?

- Question The share of JV and associates consolidated number is down [audio muffled - 94:09] in the first quarter '21 to 291 crores. I just want to understand the reason. You said the company is where you thought [audio muffled] and perhaps your [audio muffled].
- A. Tiwari The impact of loss from the subsidiary M/S KLL is Rs.192 crores. So, for consolidating this quarter, it was down by 192 crores, but in totality there was also a loss of Rs.158 crores from the subsidiaries. The consolidated profit is shown after elimination of dividend from JV, associates and subsidiaries.
- Question [Audio muffled - 95:13] consolidated on a gross basis [audio muffled] subsidiary? [Audio muffled]. I think we can take it offline.
- The second question I had was on the [audio muffled - 92:25] number, your revenue is down but your EBITDA performance has improved. Again, your consolidated number. So you said because of higher volumes, but is there some [audio muffled]?
- A. Tiwari No, you are talking about the other segments?
- Question No, the [audio muffled - 95:44] consolidated segment detail, [audio muffled]. That obviously [audio muffled]. So, your [audio muffled] revenue is down and your profits have gone up so is it based on higher volumes or is it based on the impact of softer gas prices?
- A. Tiwari Both are there.
- Okay, thank you.
- A. Tiwari Just one minute please. So, we'll consolidate line by line but in the JV we consolidated the share [ph] of our profits which are there. So, I will give you the details of whatever is there in the consolidated financials. That we'll provide you; that is not an issue.
- Thank you very much.
- Coordinator Thank you. Your next question [ph]. Please go ahead.
- We don't seem to have [ph] so I'll move on to a question [ph]. Please go ahead.
- Question Thank you for taking my question. My question is on the [audio muffled - 97:54] for the volumes, [audio muffled]. In terms of the volumes, how [audio muffled] which are there in the Q2 which was [audio muffled] because then how these volumes will reduce in Q3, Q4? Any broad picture on this? Thank you.
- A. Tiwari The volume will not reduce, we expect that, in Q3 or Q4; volume will not reduce. It was on account of the Q1 only FX was there. We

expect that this will normalise and in Q3 and Q4 we expect that the volume will increase.

Question What I'm trying to understand is that the kind of volume will not change. I am saying the fertilizer plants were supposed to get operational in the first half of the current financial year and they got delayed. So, obviously you were supposed to give gas to them and they did not take it anywhere to basically sell the gas somewhere else. And, this kind of impact [indiscernible] that is my understanding on this. So, these were kind of [audio muffled] volumes which are there, so how is the situation for the H2 for the FY21?

A. Tiwari We are grateful for that most of the pipelines which I have given and most of the five-year plans which I have given that is [indiscernible - 99:50]. And, [indiscernible], so we are quite hopeful that this situation will not be there in H2.

- Okay but what [audio muffled - 100:03] volumes, if you can share?

A. Tiwari This volume in the coming one and a half years, will be ramping up, will be around 10 to 12 MMSCMD.

Question Okay. Currently you can't share how the [audio muffled - 100:25]?

A. Tiwari There are many, many contingencies out there. We can't give you exact numbers. So we have predictions on this that I have given to you, but on [indiscernible] or on this we can't give you any number. But, I have given you a broad number. We expect that this will come. We have already agreement is there; everything is there. We have given the details; [indiscernible] and others also. We have given the details. We expect that this is [background noise].

- Okay. Thank you.

Nafeesa David, can we make that the last question, please?

Coordinator Thank you.

Nafeesa Thanks, David. On behalf of Bank of America Securities, I would like to thank the GAIL management and all the participants for joining the call today.

I now hand over the call to the management for their closing comments. Over to you, sir.

A. Tiwari Thank you, Nafeesa. We have given all the answers which was asked by our investors and other officials. One thing I would like to share that anybody who has not been able to ask a question, or any further supplementary requests, we are open and we have our investors department in there. They can approach and we'd love to give all the details and all the information which are requested. So, that is a commitment from my side and we are very optimistic in our

mitigation measures. We expect in the days to come we'll be able to take various measures in mitigating many, many of the risks which are there. I'm thankful to you, your team, as well as all the investor community who have joined us. I'm thankful to all my colleagues sitting here for this interaction.

So, thank you very much, Nafeesa, and over to you.

Nafeesa Thank you, sir. A good day to all and very happy Diwali to everyone. Thank you.

A. Tiwari Thank you.

Coordinator Thank you, Nafeesa, and all the speakers. Everyone, that concludes your call for today. You may now all disconnect. Thank you for joining and have a very good day.

*[END OF CALL]*