



GAIL (India) Limited

**“GAIL India Limited
Q2 FY2022 Earnings Conference Call”**

October 29, 2021



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ANALYST: MR. GAGAN DIXIT – ELARA SECURITIES PRIVATE LIMITED

**MANAGEMENT: SHRI A.K. TIWARI - DIRECTOR (FINANCE) – GAIL INDIA LIMITED
SHRI R. K. JAIN - EXECUTIVE DIRECTOR (F&A) - GAIL INDIA LIMITED
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SHRI A. KAVIRAJ - EXECUTIVE DIRECTOR (MARKETING) - GAIL INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 earnings conference call of GAIL India Limited hosted by Elara Securities Private Limited. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gagan Dixit from Elara Securities Private Limited. Thank you and over to you Sir!

Gagan Dixit: Thank you. A very warm welcome to everyone and happy Diwali to all. It is our pleasure to be able to bring to you the management of GAIL led by Shri A.K. Tiwari, Director (Finance), Shri R. K. Jain, Executive Director (F&A), Shri Sashi Menon, Executive Director (F&A), Shri R. K. Singhal, Executive Director (Business Development & E&P), and Shri A. Kaviraj, Executive Director (Marketing). We would also like this opportunity to congratulate the management on its excellent set of numbers, so with these words I would now hand over the conference to the GAIL management. Over to you Sir!

A.K. Tiwari: Thank you very much. Good afternoon Gagan from Elara Securities and my dear friends from investors and analysts community connected through concall. A very warm welcome to GAIL’s earning call for Q2 FY2022. Wish you all a very happy Dhanteras and very happy and safe Deepavali. May this season of festive bring cheers, health and prosperity to your life and to life of your family. We are thankful to you all for showing keen interest in the performance of GAIL. The result of second quarter and half year results have been declared earlier today and I am sure you must be happy with the GAIL’s performance. I take pleasure to state that in H1 FY2022 GAIL has achieved highest ever half yearly turnover PBT and PAT.

Now I would like to give you a brief insight of the company’s performance for the quarter and half year ending September 30, 2021. I would like to first start with physical performance. During the quarter, the physical performance of the company has improved across all business segments mainly driven by higher demand in cash segment and better plant operation and better transmission segment. Gas marketing increased to 97.72 MMSCMD in Q2 FY2022 as against 95.95 MMSCMD in Q1 FY2022 increase of 2%. GAIL has entered into various long-term LNG contracts to meet increase in demand of natural gas in the country. As some of the anticipated demand did not fructify in the past year GAIL was selling some of its volumes in the overseas market. As the demand of the gas in the country is increasing, more and more of the long-term LNG is being brought to India. During the current quarter, the sale of RLNG has increased resulting in better physical performance of gas marketing segment in fact during the quarter only 8 cargos



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were sold overseas as against 14 cargos in the previous quarter. Due to increased gas demand in the domestic market the natural gas market increased to 114.32 MMSCMD in Q2 FY2022 as against 107.66 MMSCMD in Q1 FY2022 increase of 6%. The capacity utilization increased to 55% in Q2 FY2022 as against 52% in Q1 FY2022. Presently the Matix and RFCL are running on full capacity with the commissioning of HURL plant and attaining full capacity by mid 2022 the volume would further increase by approximately 6 MMSCMD.

Polymer production stood at 216 TMT in Q2 FY2022 as against 133 TMT in Q1 FY2022 increase of 62%. There had been apprehension in the past over the reliability of the petrochemical plant. Last year we achieved 100% capacity utilization and the plant is currently running smoothly at more than 100% capacity and we are confident to achieve 100% production capacity this year also. Polymer sale increased to 221 TMT in Q2 FY2022 as against 138 TMT in Q1 FY2022 increase of 60%.

Similarly the LHC stood at 262 TMT in Q2 FY2022 as against 250 TMT in Q1 FY2022. The capacity utilization increased to 74% as against 69% in LHC segment. Similarly, the LPG transmission also had the sustained growth and the capacity utilization was 110% in this quarter.

Let us now move to the financial highlights. GAIL achieved gross turnover of Rs. 21,477 Crores in the current quarter as against Rs. 17,352 Crores in Q1 FY2022, there is an increase of 24% mainly due to increase in the natural gas marketing volume, higher natural gas prices, increase in the petrochemical sales, higher LHC prices, etc. PBT stood at Rs. 3,682 Crores in Q2 FY2022 as against Rs. 2,054 Crores in Q1 FY2022, increase of 79% mainly due to all round better physical performance, improved gas marketing spread, better prices in petrochemical and LHC, improved petrochemical operating efficiency and increase in the other income mainly dividend of Rs.465 Crores. The gas marketing segment showed a robust performance and the profit increased by around 189%. Similarly, the PAT jumped to Rs. 2,863 Crores in Q2 FY2022 as against Rs. 1,530 Crores in Q1 FY2022.

On a half yearly basis GAIL clocked turnover of Rs. 38,829 Crores as against Rs. 25,671 Crores in H1 of the last year registering an increase of 51%, the PBT increased to by 201% to Rs. 5,763 Crores as against Rs. 1,907 Crores. PAT also jumped to Rs. 4,393 Crores for the half year as against Rs. 1,495 Crores mainly due to robust performance of NG marketing segment, better average price realization in PC and LHC, which is in comparison with the last H1 is Rs. 27,000 per metric tonne in case of the petrochemical and Rs. 17,600 per metric tonne in case of the LHC.



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On consolidated basis the turnover in H1 FY2022 is Rs. 39,290 Crores as against Rs. 25,926 Crores jump of 52%. The PBT in H1 is Rs. 6,268 Crores as against Rs. 2,161 Crores and the PAT is Rs. 5,021 Crores as against Rs. 1,766 Crores.

During the quarter GAIL received 22 LNG cargos from US, 14 from Southern part and 8 from DCP as per the cargo plan, out of these only 8 cargos were sold in overseas markets and the remaining cargos were brought to India either directly or through destination swap. Up to H1 44 cargos were brought and in the international market we have sold 20 cargos up to H1.

On the CGD front, GAIL is supplying gas to all CGD with infrastructure of 81 CNG stations and the cumulative DPNG connection is 148000 and the capex is spent so far is more than Rs. 1,000 Crores. I am happy to announce that the GAIL's CGD business had become profitable during the current quarter.

On GAIL Gas, during the Q2 FY2022, the gross turnover, gross revenue from operation stood at Rs. 1,478 Crores as against Rs. 1,212 Crores and PBT is Rs. 105 Crores as against Rs. 72 Crores and PAT is Rs. 78 Crores as against Rs. 53 Crores. GAIL gas along with the JV subsidiary has infrastructure of 725000 DPNG connection and 262 CNG stations. This year GAIL achieved capex of Rs. 3,180 Crores up to September 2021 mainly on pipeline equity contribution, CGD project, petrochemical, operational capex, etc. We have a plan to spend approximately Rs. 7,400 Crores in current financial year and mainly in pipeline with petrochemicals.

On Pradhan Mantri Urja Ganga the total commitment is over Rs. 15,400 Crores and actual capex till date H1 FY2022 is Rs. 12,221 Crores. We have been receiving the capital grant from the government regularly and the total capital grant received is Rs. 4,487 Crores against the total capital grant of Rs. 5,176 Crores. The GAIL along with its JV is executing pipeline project of 7500 kilometers with a total investment of around Rs. 37,000 Crores.

GAIL is executing PP project at Pata and Usar with a total cost of Rs. 10,000 Crores and the EPMC contract license selections have been done and work on the project is going as per schedule.

On CSR front GAIL focus on CSR program in the area of health, sanitation, education, skill development, and the total spending of GAIL on CSR project is more than minimum mandate of 2%.



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On safety part zero major reportable accident incidents during last five years and our HSE score is 97.3 as against the excellent target of 95.0. GAIL's presence in the natural gas play an instrumental role in targeting towards a low carbon economy, especially in places on environment and sustainability, some of the key achievements during the past quarter in the area of sustainability are certificate of appreciation received from New Okhla Industrial Development Authorities, development of the organic waste composite plant at GAIL Waghodia and GAIL participated in consultation with large low carbon and climate-resilient pathways of the Indian Public Sector Enterprises.

Various measures have been taken in the digitization, which includes all the stakeholders, management, suppliers, contractors, employees, even the retired employees. So that is the brief introduction on the financial result and the major highlights of the company. GAIL management team is present here and to clarify any points that you may have. Over to you Sir!

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Probal Sen from Centrum Broking. Please go ahead.

Probal Sen:

Thank you very much for the opportunity and congrats for the great set of numbers. Two questions one as far as gas trading is concerned while this quarter growth is very, very strong, but looking at the kind of differentials that we are now seeing for the second half it has only widened even further is it too simplistic to assume that the assumption get even stronger at least for this segment or is it that whatever even unhedged our opportunistic volumes you have you have already sold well in advance at a certain price and therefore the gains could be limited to somewhere near this performance?

A.K. Tiwari:

Thank you very much for this question and as I have clarified in a number of calls and during discussion that we have different portfolio as well as we have different synergies to mitigate the risk and the results shows that what action we have taken. I can only say that whatever result you are seeing in the gas trading we will take all measures to maintain it and to my mind it will be better and it will be sustained and all risk mitigation measures including international sales, whatever the opportunity comes that management is taking and be rest assured that this segment will go further.

Probal Sen:

The second question was with respect to the LPG segment, now is it fair to say that while international prices seemed to have ramp up a little bit higher, the domestic LPG prices do not really reflect that at least in this quarter, what I am asking is in Q3 will we likely see a



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much stronger realization performance, which would help offset the higher domestic gas costs to a certain extent?

A.K. Tiwari: Yes, it will be better because our prices that we have seen that are better or good and with the efficiency and with the cost, which is going to increase that the price which we expect will be increased further so that way this will be a sustained segment, realization as well as growth.

Probal Sen: Sir, despite the domestic gas cost increase that is happening from October we do not expect any material dip in terms of profitability of the segment, is that fair based on what we see today?

A.K. Tiwari: It will not be significant you can say.

Probal Sen: Got it Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Pinakin from JP Morgan. Please go ahead.

Pinakin: Thank you very much Sir. Sir just trying to understand the gas marketing segment because clearly while the company sold less cargos overseas in this quarter 8 versus 12 the EBITDA on a quarter-on-quarter basis has tripled, now at this point of time can you tell us that for the remainder of the year are there any unhedged cargos, which need to be sold because spot LNG remains stubbornly above \$30 MMBTU and if there are unhedged cargos then should we expect a windfall in the second half or is this the level of EBITDA that we can expect to maintain in the second half, how should we look at this segment?

A.K. Tiwari: See, as I have already explained that this segment is a volatile segment and we have taken various measures, the result shows that and what I can say that various measures, which we have taken the sustained EBITDA will be there, our performance in terms of the financials part is that marketing segment will almost be better or we can say that it will be sustained as well as it will be improved because gas consumption in the country is increasing, so we are not selling some of the cargos or many cargos as we have been selling in the international market so that way these synergies we are evaluating and depending upon the market, depending upon the consumption in the country and opportunity, which we are finding time and again, we are taking decisions that way.

Pinakin: Understood Sir. Sir moving on to the petchem segment, this has also been a volatile segment, now petchem end product prices have broadly inched up slightly, but the gas base petchem produces obviously have seen margin compression given the way gas cost as



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surged, now for GAIL given the gas mix that it uses in petchem between Brent link spot prices how should the input cost inflation in the petchem business play out over the second half of the year?

A.K. Tiwari: I think what we expect that whatever the margins we are seeing in the petrochemical segment we are going to maintain that way with the portfolio we have the different types of the gas that we are going to maintain.

Pinakin: Sure, thank you very much, Sir.

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

Nitin Tiwari: Good afternoon Sir. Thanks for giving me the opportunity and congratulations on very good set of numbers really strong profitability in this quarter, my question is actually related to the news, which came up a couple of days back regarding hydrogen plant that GAIL is evaluating, so just wanted your thoughts on that piece of news, so is this a part of your CSR activity or this is a serious attempt to foray into the renewable space and if yes then what is the kind of capacity we are looking at as far as this plant is concerned, timeline, capex, if you can share some thoughts on that and how will this integrate with our entire natural gas business, so your thoughts on that?

A.K. Tiwari: First of all thank you very much. First of all this is not CSR business we want to clarify and the technologies in the hydrogen that is going up we are evaluating, we have a big plan and we will share the details in the subsequent period because we have not tied up many screws in that, so give us some time and we will share with you and we are in the process of evaluation, so all the technicalities, which are there have been faced, so many what way we will go, where is the place whether Vijaypur or Pata or some other places, how the technology response, all these things we are evaluating, so give us some time we will share with you, but definitely this is not CSR.

Nitin Tiwari: Sure Sir. Thank you so much. That was the only question and my best wishes for Diwali to the entire GAIL team and for you.

Moderator: Thank you. The next question is from the line of S Ramesh from Nirmal Bang. Please go ahead.



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- S Ramesh:** Good evening and thank you very much and wish you all a very happy Diwali. My first thought is in terms of your current quarter numbers is there any inventory gain you have booked in the gas marketing business?
- A.K. Tiwari:** No.
- S Ramesh:** Sir, I am asking about your hedging strategy, I understand that you hedge about 30% of your LNG volume so does it make sense to increase the share of the volumes you had and given that Brent link how do you see the hedging going forward?
- A.K. Tiwari:** Hedging strategy is nothing can be static, it depends upon the cargos, underlying assets which are available to us, prices and so many other things, but going forward we take a view on the coming 6 months, one year whatever is there and directly depending upon the positioning of the cargos as well as consumption we take decision for that so that way I cannot give any specific strategy for that, it is a dynamic, but we always build a synergy for that whatever we do that is the first and foremost thing.
- S Ramesh:** One last part, in terms of the current concern about the high gas prices, are you seeing any contraction in demand in the Indian market because of the high gas prices and how do you see that shaping up in the second half of the year given the current cycle?
- A.K. Tiwari:** I think our demand is increasing and I have already explained during my recap that in the coming quarter or maybe 6 months or so further consumption is increasing, so demand is increasing with CGD, with the fertilizers and all are coming, so I do not foresee at present any slash in the demand, it will increase.
- S Ramesh:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vidyaghar Ginde from ICICI Securities. Please go ahead.
- Vidyaghar Ginde:** Sir, my first question is on the gas transmission can you give us some colour on the gas transmission volumes in the next year FY2023 and status of the Urja Ganga commissioning and what kind of volumes that pipeline may do next year?
- A.K. Tiwari:** Gas volume for transmission, so that has increased in comparison with the last quarter 107 MMSCMD, I think it is now 114 MMSCMD and if you see the H1 versus H1 it is now 111 against the 98, so that way the gas volume is increasing and with the coming of the various plants along with the Urja Ganga as you know the domestic fertilizer and the HURL, Sindri and Barauni the two fertilizers, HURL in Sindri, Barauni, Gorakhpur we are in the process



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of drawing that, so that way the demand will increase and the transmission volume will further increase.

Vidyaghar Ginde: Could you give us some colour on 5% growth and what kind of?

A.K. Tiwari: I can give the quantity which is from the present of 114 it may go to 120.

Vidyaghar Ginde: This is for next year, is it?

A.K. Tiwari: Yes.

Vidyaghar Ginde: What about the utilization of Urja Ganga commission schedule and what kind of utilization in that pipeline we have next year?

A.K. Tiwari: That project I have already shared that that project is under advanced stage of completion and so far first stage is already commissioned, second stage is the process of advanced stage of commissioning, so that way our project is going schedule ahead against the 16 MMSCMD we are hoping that it will be further at least 50% utilization.

Vidyaghar Ginde: Next year 50% utilization?

A.K. Tiwari: It will ramp up slowly.

Vidyaghar Ginde: By end of next year it will ramp up?

A.K. Tiwari: Yes, it will be around 80% or maybe 75% like that.

Vidyaghar Ginde: 75% utilization by the end of next year?

A.K. Tiwari: Yes.

Vidyaghar Ginde: Last question on the gas marketing side, so is it correct to assume that in the second half of the year the cargos, which you have kept untied for selling those cargos tend to be on the higher side and the number of cargos even you are likely to sell at spot prices are going to be much higher in second half than they were in the first half?

A.K. Tiwari: Gas marketing is a very dynamic I think no straight answer can be given and spot is not the procurement, it also takes time to tie up the cargos and all these things are there so depending upon the situation we have already lined up many strategies and that way I can



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only say that whatever the margins we have reported we are going to maintain it and it may further increase.

Vidyaghar Ginde: Thank you and happy Diwali to all of you.

Moderator: Thank you. The next question is from the line of Amit Rastogi from UBS Securities. Please go ahead.

Amit Rastogi: Thank you for giving the opportunity. Sir CGDS have been asking for more allocation of gas because the demand is also increasing in the CNG and residential, which you classify as they are the sector do you think that can be done in the coming quarters and more domestic gas can be allocated to the CGD either in the change of formula or some other sources?

A.K. Tiwari: I cannot specifically answer this question because government is taking decision on that and surely the growth in the CGD sector is ramping up, definitely there will be cut somewhere and there would be allocation of these volumes in the CGD sector, so I think that decision is under process and the government is taking a very considered view on that so if something comes in writing we will share with you.

Amit Rastogi: Second question relates to the LNG procurement for power sector, so obviously with these kind of prices there would have been some dip in the consumption, but do you think that because of the power shortages issue there will be more imports by the power sector for LNG in the coming quarters?

A.K. Tiwari: It depends upon the prices we secure and the prices and the cost and generation cost would be higher if the prices are high, so I cannot say that there will be more and more demand in the power sector particularly for LNG so that way we have to see the prices and the consumption and the per unit cost of production and further selling, so all the synergies will be there, to my mind higher prices are not going to attract more demand in the power sector.

Moderator: Thank you. The next question is from the line of Sujith Lodha from Birla Sunlife. Please go ahead.

Sujith Lodha: Sir, congrats for a good set of numbers. My first question will be regarding the volumes of Gazprom where are we currently, we have a ramp up every year upto 2.5 million tonnes, so where are we currently and when is the next uptick in the volumes expected?

A.K. Tiwari: Mr. Kaviraj our ED marketing is going to answer this question.



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Kaviraj: Good afternoon. We will be reaching the plateau in the calendar year 2023.

Sujith Lodha: So, 2.5 million?

Kaviraj: Yes.

Sujith Lodha: So, currently we are at what, 1.5?

Kaviraj: No, around 2.

Sujith Lodha: So, it increases in every calendar year, so next revision will come in?

Kaviraj: Next calendar year and after that 2023 calendar year.

Sujith Lodha: By what number it will increase, so 2 will go to what in January 2022?

Kaviraj: For 2022 we will be touching 40, and actual peak is 2.8 not 2.5.

Sujith Lodha: 2.8 is the peak and not 2.5?

Kaviraj: Yes, so in the calendar year 2022 we will be getting anywhere between 36 to 40 cargos.

Sujith Lodha: What would be the current prices there?

Kaviraj: Formula based and it varies.

Sujith Lodha: So, it is crude linked?

Kaviraj: Yes, it is crude linked.

Sujith Lodha: Sir, secondly regarding the transition volume just wanted to clarify, you said 114 MMSCMD back to current rate now as well or is it higher or lower?

Kaviraj: No, that is the current rate of last quarter 114.

Sujith Lodha: So, now currently also it would be running at similar levels or it will be?

Kaviraj: It will further increase we expect.



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- Sujith Lodha:** Sir, my last thing on the Quatargas cargoes we are fighting for getting it, is there any scope of that cargo is coming to us given the pricing scenario is there any case which you have or it can get postponed to say for coming years?
- Kaviraj::** This is a contractual matter, we have requested PLL to take it up with the Quatargas, and the discussions are ongoing so we have to wait for some more time to know the clarity.
- Sujith Lodha:** Thank you so much, I will come back.
- Moderator:** Thank you. The next question is from the line of Mayank Maheswari from Morgan Stanley. Please go ahead.
- Mayank Maheswari:** Sir, just two questions from my end, one was related to the petrochemical division if you see our ASPs have gone up quarter-on-quarter in this quarter versus if you look at regionally ASPs have been lower anything that you can throw light on what has caused this?
- A.K. Tiwari:** I could not get, what is ASP?
- Mayank Maheswari:** Sir, your prices for petrochemicals have gone up quarter-on-quarter by about 5% odd if you look at in the second quarter while regional prices had come down on a quarter-on-quarter basis so I was just trying to understand of what has happened if you can just help us understand?
- A.K. Tiwari:** The prices, quantity and our production is around 100% plus, so in that way it has resulted in a better realization, I think if the prices are on the same range our productions are on the same.
- Mayank Maheswari:** The second question was more on the cash flow from the consolidated basis, you had seen a significant increase if I look at the numbers, I think when you look at page 17 if you just look at that there is a significant increase in your trade and other receivables, is there something specific that has happened in the first half under the changes in working capital that is close to around 4500 Crores?
- A.K. Tiwari:** We will clarify in detail subsequently.
- Mayank Maheswari:** Thank you Sir.
- A.K. Tiwari:** Our IR team will clarify.



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- Mayank Maheswari:** Sure.
- Moderator:** Thank you. The next question is from the line of Abhinil Dahiwale from Macquarie. Please go ahead. As there is no response from the line we will move to the next question, which is from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.
- V. Sivasankaran:** LPG production has been a little inconsistent what should be the number if this will grow on a quarterly basis?
- A.K. Tiwari:** LPG production you are asking?
- V. Sivasankaran:** Production yes.
- A.K. Tiwari:** So, that way it is around 74%, our total LPG production and that way we are maintaining into that range.
- V. Sivasankaran:** So, we should have the benchmark for the next year or two?
- A.K. Tiwari:** It depends upon the demand and whatever the mix are there that we will do, I think to be on that range gas availability that way.
- V. Sivasankaran:** And also on the volume growth of 6 mmscmd, where it will come from. Is it only specific to the Urja Ganga or overall?
- A.K. Tiwari:** Mainly in the JHBDPL and fertilizer consumption as well as growth in the CGD.
- V. Sivasankaran:** other pipeline Kochi, Bengaluru?
- A.K. Tiwari:** You want to know the other upcoming pipelines?
- V. Sivasankaran:** Yes, other pipelines do you see any increase?
- A.K. Tiwari:** Other pipelines are under execution that is Srikakulam under pipeline and then you have a Mumbai it is also in pipeline, these are under execution that way, so around 5000 kilometer of the pipeline are under execution.
- V. Sivasankaran:** Kochi and Bengaluru do you see some volumes are going up there, upcoming commission any visibility there?



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- A.K. Tiwari:** Yes, it is complete and commissioned but I think 2.5 is there and with the further growth it will ramp up.
- V. Sivasankaran:** Any guidance?
- A.K. Tiwari:** They will start picking up, it has the potential go up, but as of now it will take a little while in the range of four to five maximum in the coming one year, but we are trying that it will utilize further.
- V. Sivasankaran:** Thanks a lot. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from MK Global. Please go ahead.
- Sabri Hazarika:** Good afternoon Sir. The first question is actually it is a followup to an earlier question, so if I look into your LPG realization versus the Arab Gulf benchmark in Q2 the discount to Arab Gulf has increased significantly and in a similar way the petrochemical realization premium to South Korea benchmark and Southeast Asia benchmark Polyethylene has actually expanded significantly so any particulars behind this?
- GAIL Management:** In petrochemical sector prices depends on the demand and supply at India also in addition to the prices linked with the IPP, so if in India demand is very good and production is less and availability of imported material was less so that is why we were able to get a better realization here.
- Sabri Hazarika:** Got it and it is the Indian premium, on LPG also it is a similar dynamics?
- A.K. Tiwari:** LPG is linked to IPP and we are supplying our LPG to these oil marketing companies and that price is fixed.
- Sabri Hazarika:** Right because if I compare your LPG numbers with last quarter, the last quarter Arab Gulf, Saudi Arab Gulf was around 550 and you did around 530, so there is a 4% discount that has actually become 11% in Q2?
- GAIL Management:** No, actually it always is a one month lag, you may be comparing with that otherwise it exactly follows Arab Gulf index.
- Sabri Hazarika:** No, actually we have taken it that way, but it has actually fluctuated in the last quarter?



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- A.K. Tiwari:** The IOC, which is the nodal agency for working out the LPG price what price based on Arab Gulf therefore there is no reason that it will be at a discount, it is actually follows the Arab Gulf price.
- Sabri Hazarika:** Fair enough, that is all. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Thank you so much for the opportunity. Of your total transmission volume, which went up from 108 to 114 so six additional where did this six go, any large customers that you can ascribe this additional six million cubic meters?
- GAIL Management:** Mainly because the Matix Fertilisers has got commissioned in August and it has ramped up to almost full capacity very fast and secondly usual demand in the power sector during the summer months and that is the permanent phenomena every year we see some power demand during the summer months, which has happened this year also. After the lockdowns have opened especially after June the industrial demand and the CGD demand has risen very fast.
- Puneet Gulati:** Sir, the four fertilizer plants which have partially started consuming, how more can they still take from the current levels?
- GAIL Management:** Currently Gorakhpur is under pre-commissioning and we understand it is going to get commissioned very shortly, we cannot say the exact time and Barauni and Sindri they have not yet started the consuming, but they will start taking very shortly, our pipeline is ready and they are in the pre-commissioning phase so that way it will ramp up.
- Puneet Gulati:** So basically Gorakhpur, Barauni, Sindri are still not consuming anything or are they consuming some little?
- A.K. Tiwari:** Some little they are consuming.
- Puneet Gulati:** How much more will they consume what is the full capacity?
- A.K. Tiwari:** It would be around 6, all three put together.
- Puneet Gulati:** That is very helpful and any colour can you give, what percentage of your cargos are hedged for the second half of this fiscal year?



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- A.K. Tiwari:** I have already many times that do not follow the hedging, we have different synergies, we have different opportunities, we have different risk mitigation measures, so what you look that our gas marketing spread and marketing margins should be up that should be the benchmark and that is what we are trying to achieve that way. Cargo wise we cannot give you and that is not possible because we do not know, any opportunity comes if we get better price, so that market dynamics are there, please try to understand do not go too much in detail about the hedging, we will give you the better results we have been giving, I think that should be the spirit.
- Moderator:** Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.
- Vikas Jain:** I wanted to specifically ask for petrochemicals, for petrochemicals is it correct to understand that the volumes are required in terms of LNG, almost all of it is coming from long-term LNG whether it is your cargos from Russia or is it the Qatar gas, we are not really forced to use any spot over there is that the right understanding?
- A.K. Tiwari::** Yes, we have different portfolios and we are using for our petrochemicals.
- Vikas Jain:** Sir, my question is are you being forced to use any of spot or not required?
- A.K. Tiwari::** It is not required; we have long-term and different indexation.
- Vikas Jain:** Sir, beyond the US gas, even this gas from Russia, etc., is there a long-term contract for that or that is something where you have medium term or short-term that is the way which, the volumes that I understand, have they gone to the full extent, which was originally planned because it was expected to increase every year?
- GAIL Management:** We have another increase in the supply next year January 2022 and then finally at January 2023, January 2022 it will be 2.5 and January 2023 it will be 2.8 that is the maximum.
- Vikas Jain:** Thank you so much.
- Moderator:** Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Gagan Dixit for closing comments.
- Gagan Dixit:** Thanks for all the participants and special thanks to Tiwari Sir for sharing his views on the company's second quarter performance and again, happy Diwali to all, any closing comments Tiwari Sir?



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A.K. Tiwari: Yes, sure. Thank you very much. First of all thanks and I enjoyed discussing with you. I will be leaving next month as you know and this was the last quarterly financial result that I am discussing with you as a Director (Finance) of GAIL. I would be leaving GAIL at a high note and expect further better performance. I am very thankful to each and every connected here for their support and faith and confidence on GAIL management. I am sure that you will continue to provide similar support in times to come. I once again thank you very much for this meeting, for this call. Thank you very much once again.

Moderator: Thank you. On behalf of Elara Securities Private Limited that concludes the conference call. Thank you for joining us. You may now disconnect your lines.