"Indraprastha Gas Limited
Q4 FY '23 Earnings Conference Call"
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MODERATOR: **MR. VARATHARAJAN SIVASANKARAN – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Indraprastha Gas Limited Q4 Results Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

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

Varatharajan S: Thank you, Darwin. Good afternoon, everyone. It's my pleasure to welcome all the participants to this call and the management represented by Mr. Sanjay Kumar, Managing Director, Mr. Pawan Kumar, Director Commercial, Mr. Sanjay Kumar, CFO and Mr. Manjeet Singh, GM Finance. I would request the management to be their initial remarks and we can move to the Q&A after that. Over to you, Mr. Manjeet.

Sanjay Kumar: Thank you. I am Sanjay Kumar, Managing Director of IGL. Very good afternoon to all of you. I presume you would have gone through our financials which were reported on Friday. In this challenging year of very high gas prices and uncertainty in the CGD industry, our company has shown the good results and achieved new heights. I feel happy to announce highest ever sales volume of IGL at 2,952 million cubic meters for this year, which is 8.09 million cubic meter per day. Highest single day CNG sales of INR50.62 lakhs KG in CGD sector.

Number of domestic connections installed this year was 3.1 lakh. 81 new CNG stations were commissioned during the year, 298 kilometer of steel pipeline and 3,400 kilometer of MDP pipeline was laid during the year. And we also had the highest revenue of INR15,543 crores achieved during this year and the highest profit after tax of INR1,445 crores achieved during the year. You may be knowing that IGL is celebrating its 25th year this year and IGL has already announced a special dividend of INR10 per share during Q4 of FY22-23. I would now like to invite my Director Commercial Pawan to give his opening remarks.

Pawan Kumar: Thank you and good afternoon, everybody, I am Pawan Kumar, Director Commercial. Let me extend a warm welcome to all our investors, analysts, fund houses for taking out time and participating in today's call for Q4 FY23 results of IGL and full year results of 23. IGL has shown a robust growth of 16% on year in terms of volumes, despite the gas pricing going through the roof.

This strategy to maintain customer base and keep on increasing the volume, we are focusing on new GAs which we have acquired and will accelerate steel pipeline and CNG network so that natural gas ecosystem is developed well in these geographical areas to help us keeping the growth momentum in future also.

As discussed, we have added 81 new CNG stations out of which approximately 50% have been opened in new geographical areas. I am also very pleased to inform you that there are 791 CNG stations as on 31st March '23 and monthly addition conversion has been in the range of around 140,00 vehicles per month. On the PNG front, I am very happy to inform you that the financial year 2022-23, we have added more than 3 lakh new pipe gas connections. We have also added 700 plus new industrial and 900 plus commercial customers. During FY23, we have seen high gas prices. We have always put in our mind the balancing approach for price rise, taking care of both customers' interest and equities' holders' interest and have taken a calibrated approach in passing the additional cost burden.

India has also announced the new pricing formula for domestic gas prices which relates to APM gas prices. As per the new formula, the floor of $4 and ceiling of $6.5 with a moratorium of 2 years and there will be an increase of $0.25 in the floor price as well as on the cap side also. We are quite sure that with this very positive move from the Government of India will act as a catalyst to increase the demand of natural gas, both for PNG and CNG segments. Further, we are also trying to enter into other areas of diversification and especially in the field of renewable energy.

We have entered into one of the MoUs with M/s ACME for development of greenhouse hydrogen and are constantly looking for the new opportunities in the energy space as well as acquiring the state in other CGD companies. We will come back to you when the projects get materialized. Once again, I thank you all to join this meeting and we will be happy to answer all your questions where is and now the floor is open for question-and-answer session. Thank you.

Moderator: Thank you very much. The first question comes from the line of Probal Sen from ICICI Securities, please go ahead.

Probal Sen: Thank you very much for the opportunity. Congratulations on the first set of numbers. The first question was a bit of a housekeeping one. I wanted to get a sense of what is your gas sourcing mix like currently, the sense that how much percentage of priority gas are you getting for your CNG and household and of the balance it is being met by what kind of sources. If you can give us a sense. That would be helpful.

Management: During the year FY22-23, we got about 89% of our gas, which was APM non-APM and CBG. And remaining 2% was HPHT. This is the sourcing that we had done and remaining is RLNG.

Probal Sen: Sir, when you say RLNG, is it mostly on spot basis or is it a combination of term plus spot and engine?

Management: You see, normally RLNG procurements are 2/3rd term, 1/3rd spot.

Probal Sen: Okay. And are we likely to maintain that for FY24 as well? Is this the kind of sourcing that we should be working with for 24 as well? Or can the share of priority reduced from the 89% is what I was trying to ask.

Management: Probal, actually, you know, the CGD sector is poised for an explosive growth now. Because all the entities have been waiting for the last 1.5 years to charge new areas, to start many more stations and make more development. So if that happens and if APM non-APM pool remains wherever it is today, say 21 million or whatever figure is there per day. Then everybody's share of APM non-APM will go down. And accordingly, everybody will have to increase their sourcing of RLNG as well as HTHP gas. So I hope I have answered your question. No body can crystal gaze into it.

Probal Sen: Got it. No, that's very clear. The second question is more around the guidance. You mentioned about 81 CNG stations that we added, percentage of 50% in the newer GA. Any guidance you would like to give on that same front for 24? What are the plans? And what kind of CNG stations are we looking to start?

Management: FY24, we will have 100 CNG stations. And again, 50% of them will be new areas.

Probal Sen: And sir, roughly any capex guidance to go along with that? Overall also...

Management: INR1,600 crores is our estimated capex.

Probal Sen: How much are 1,600?

Management: Yes.

Probal Sen: Okay sir, that's very useful. I'll come back if I'm more. Thank you for your answer.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Siddharth Chauhan from Batlivala and Karani Securities India Private Limited. Please go ahead.

Abhishek: Hi, thank you so much. This is Abhishek from B&K. So if I look at your EBITDA and SCM numbers, you know, it was a good increase on a Q-o-Q basis, but just marginally below what people were expecting. Is it fair to assume that the benefit of lower spot LNG did not really flow through into this quarter's numbers and that should come through in the coming quarters? So that's my first question.

Management: Which number you're talking about?

Abhishek: So if I look at your EBITDA for SCM numbers, it moves from 5.7 to 6.3.

Management: Okay, yes. EBITDA was 6.91 in the financial year. And you are right, the benefit of lower price of gas actually started accruing to us only after 9th April. So we hope to have better EBITDA this year somewhere between INR7.5 to INR8 per SCM for the financial year 24.

Abhishek: Fair enough. So that's very useful. And my second question is, so one concern which has come in, you know, after the KPC recommendations is that now the CNG prices and margins have to be uploaded on a portal and, you know, the government will closely monitor it. So is there some concern around, there could be a cap on, you know, how much the EBITDA for SCM can or how much ROE you can make? And is that a fair concern?

Management: So almost all the entities have reduced the price when this Kirit Parikh Committee Report was implemented by the central government. And let me assure you, almost for every entity, the final margin actually increased that day even after that reduction. So that is, you know, we can only look at a higher margin now, not the kind of margin like INR6.9 per SCM. We will definitely exceed it by, you know, more than 50 paisa to INR1.

Abhishek: Fair enough. And last question, by FY25, what percentage of your volumes will be coming outside of the DNCR? That's my last question.

Management: Sorry, can you repeat?

Abhishek: Yes, so by FY25, what percentage of your volumes will be coming from outside the Delhi NCR?

Management: 60% of the volume will come from Delhi and surrounding area and remaining 40% by in next two years should come from outside GAs.(we expect 40% of incremental volume will come from new GA in next 02 years)

Abhishek: Okay. Thank you so much. That's my last question. Thank you.

Moderator: Thank you. We have the next question from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Thanks for taking my question, sir. First question, sir. All your contracted LNG volumes are restored to the normal level, or these are still added take or play levels?

Management: What he is asking whether you are getting 100% supply against your term LNG contracts? Are we getting now?

Management: Yes, sir. Yes, so we are now getting for the last few weeks. We just started March last week. Volumes has been restored.

Yogesh Patil: Okay, sir. So will it continue for next one year, two years or is this a short-term arrangement?

And then again it will come back to the take or play level. Any idea about that?

Management: Who knows, boss? You tell us how long it will last. It is a long-term contract. We have developed a contract for 3-4 years. So we hope it will continue for full term.

Yogesh Patil: So the question from the point of view of the Gazprom has temporarily started supplying the cargos to the GAIL. And it was only arrangement for the one or two months. And so that's why I was asking whether it will be restored.

Management: Maybe you will be a part of Earnings Call of GAIL. We hope it will continue for full term.

Yogesh Patil: Okay, okay. So next question again the shortfall of APM gas for the priority segment. So to fulfill the priority segment demand, are you still blending the HPHT gas which you were getting from the gas exchange?

Management: Yes, in response to the first question we had answered that for CNG, PNG, the total gas requirement is being met 89%. It was met during last financial year. 89% of that by APM non-APM and CBG. That's one pool. Then HTHP gas was 2% and RLNG was 9%.

Yogesh Patil: And what is the current status, sir? Are you still blending HPHT gas for the priority segment?

Management: It is still the same. Now, this year it is increasing now. We are moving towards 5% of HTHP and slightly lower APM non-APM gas.

Yogesh Patil: Okay, and the last question from my side regarding IGL gas cost again. Can you please share how much gas cost has increased due to the unified gas pipeline tariffs?

Management: It is slightly more than INR1 per meter cube. So it is slightly more than INR1. INR1.15 paisa or something like that.

Yogesh Patil: Okay, thanks. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Rajesh Aynor from ITI Limited. Please go ahead.

Rajesh Aynor: Thanks for the opportunity, sir. My question is on volume growth side. What is the kind of volume growth trajectory we are expecting for the coming years? And what will be the drivers for the same? Which segments of sub-segment, let's say auto, buses, and passenger vehicles? Any light on that?

Management: We are targeting that our growth will be 1 million SEM per year. I mean, this year we had 8.09 SEM per day, and we are targeting 9 plus next year.

Rajesh Aynor: And, sir, which are the sub-segments, which are the consumer groups which will be driving this growth?

Management: See, first thing is that we are expanding to the new GS. So, we expect a lot of demand will come from there because the conversion rate, our geographies will increase. So, more vehicles will be converted in the new GS and our new GS have good potential. Where, you know, the trucks and dumpers, we expect that these will be converted. Secondly, since there is a stability in the prices for two years, we expect that the CNG conversion and new vehicle variants which are being launched by OEMs will increase.

So, we expect that number of CNG vehicles will increase in times to come. And thirdly, we are aggressively doing the domestic connections. Rather, we are doing the highest number of domestic connections. So, and this NCR being a very, you know, high density area, we expect that the growth will continue. Thirdly, there is a enough scope of increasing our commercial sales. Basically, the entire NCR is having huge commercial establishments which is a potential available. In fact, whatever LPG is being sold in NCR, that is the potential available for us. So, we will maximize commercial sales regarding industry also if the industry is quite price sensitive. So, if the gas prices remain stable, we expect that the industrial sales will also go up.

Rajesh Aynor: Okay, so thanks. And my second question is about, you know, the daily bus population or other NCR bus population. Can you please share, you know, how many buses are there with DTC and outside, you know, private and how many of them will be replaced? What is the new EV bus expectation and is there any threat to our volumes or volume growth going forward?

Management: So, if you're talking about buses in Delhi, so the total number of CNG buses are approximately 7,500. And EVs, if you're talking about, I think, if I'm not wrong, almost 350 EV buses are there in operation as of now. And those government, Delhi government has planned of elaborate plans of introducing more EV buses.

But I presume, I think, there are some hurdles which are going on currently. And there are new tenders, I think, have not elicited enough response which they were envisaging. So, we see that EVs, EV buses are threat to our volumes, but it will take a time, it will take some time and it's not an immediate threat. But of course, in long term, it will have an impact on our sales, buses sales, which is presently around 10% (of CNG volume) through DTC route.

Management: Okay, the 7500 are, this is DTC and DIMMTS buses. And there are 25,000 more buses, private buses, school buses, etc. So, the total buses is approximately 32,000 in NCR region.

Rajesh Aynor: And sir, just on that thing, you know, is the private and the school bus volume also at risk? Because I guess the capital cost is very high. So, other than government, nobody is really procuring EV buses. Is my understanding correct?

Management: That is correct.

Management: See, our total buses volume is approximately 20% of our total CNG volume, which if you take it around, it will be 1.2 million cubic meter per day. So, out of that, around 10% is DTC DIMMTS, which where this EV threat or perceived threat might be there over a period of next year.

Management: In addition to this Long haul buses e Uttarakhand State Road Transport has approached us recently that they are deploying 200 CNG buses, which will operate on Delhi, Dehradun, Delhi, Haridwar. And 100 more is planned in the second phase. So, we expect that these buses will, will be taking CNG from our GAs only, because we have the least price. Even vehicles, some fleet owners are there in Haridwar. They take the CNG from Mujafa Nagar area, which is quite near to Uttarakhand. So, long haul buses give a good potential.

Rajesh Aynor: Okay. And sir, just one clarification, this, you said 20% of the CNG volume is buses and almost half of that is DTC buses. Is that correct?

Management: Yes.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Market. Please go ahead.

Kirtan Mehta: Thank you, sir, for this opportunity. You mentioned about that the benefit of the lower price has started coming through 9th April only. So, what were the reasons which, so that we couldn't take the benefit of this during the last quarter?

Management: You know, it's not that we could not take the benefit. The actual benefit, the appreciable benefit came when this Kirit Parikh Committee report was implemented. That is what we meant. There is no other reason, you know, whatever gas, whatever shortfall was there was being sourced from the RLNG kitty as well as HTHP kitty and those prices were slightly higher. You know, there was this guideline also about the HTHP gas which was changed on I think 17th of January. Yes. So, after that, that modality of bidding of HTHP gas also changed.

Management: And Kirtan, if you see our gas cost has come down, if you compare Q3 versus Q4, it has come down by around 2 percentage, which is mainly around INR1.5 to INR37, INR37.5 something like that.

Kirtan Mehta: Right. Understood, sir. In terms of the current quarter, whatever is the shortfall into the priority sector can we completely fill it from the available HTHP gas subject to it being cheaper or do we still have to rely on the RLNG as well?

Management: No, see, you can't actually rely on any one gas completely other than APM non-APM because APM non-APM will be cheaper, cheapest option in real foreseeable future because of $6.5 price. So, it's not that it's quite possible that somebody who has got a lot of HTHP gas may end up paying $12 whereas the market may be at $10. So, there has to be a balance and these are operational things which we are managing on day-to-day basis.

Kirtan Mehta: Right. In terms of today's outside Delhi and the surrounding areas, what is the currently volume that we are getting from the outside of Delhi and surrounding areas out of 8.1 mmcmd?

Management: Out of 8 plus 1, I think 7 is coming. Yes. 7 is coming from Delhi and surrounding NCR., you mean Delhi, Noida, Gotambuddha Nagar, Ghaziabad and Gurgaon included, is it?

Kirtan Mehta: Yes, sir. So, we are saying that 7 mmcmd is coming from the Delhi and the surrounding areas and balance 1 mmcmd comes from the outside area. Did I understand it correctly, sir?

Management: Yes. Sir, if we say the new geographical area including Rewadi around 15% is coming from outside surrounding area, as of now, but this will increase because the steel pipelines are being commissioned there, that will help us in, converting these stations in these areas from Delhi to online and the sale will increase there. It will definitely increase by it will definitely double or more than that in the next few months.

Kirtan Mehta: Right, and earlier we mentioned that out of the sort of the FY '25 where we are targeting 10 mmcmd volume, we expect 40% from the outside GAs. So, does the contribution of 1 mmcmd grow to 4 mmcmd, is that you were implying?

Management: Yes, I am implying actually, that is what we are planning. We wish we would create conditions so that we approach more than 3 million sale there, 3.5 million sale there in outside GAs other than these 4 GAs. (We expect 40% of incremental volume of total incremental 2 million to come from New GA by 2025.)

Kirtan Mehta: Right, sir. Just one more question on in terms of the dumpers or the vehicles in tractors, we are planning, so could you sort of highlight the steps that we are taking today and how long would it take to sort of get a momentum on?

Management: So, we are working with the transport operators and dumper operator people and we are working on this. There is one thing is very clear that this price that we presently have is much cheaper than diesel. Actually, last one year, the prices went through the roof and other players, not IGL. increase the price to say INR95 or INR92 per kg, which actually you know, has created some problems in those discussions, but we are very sure because we are now able to see stability.

By stability, what I mean is there is a, the market price of gas or the APM, non-APM price of gas will be predictable for the next 4-5 years. And that is where we believe that segment, whether it is the dumper or the carrier of this sand and those, construction material, road construction material, there are large, large consumption group presently running on diesel. So, and there are already many discussions that happened. We are also trying to see if we can incentivize them with some INR2, INR3 discount in the first year so as to cover up the cost of conversion. These are the steps that we are taking, you know, in our GAs in this regard.

Moderator: Thank you. We have the next question from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: Good evening and thank you very much. So, when you talk about the improvement in margins you expect in a FY '24, will that be driven by the reduction in your gas cost per cubic meter? Because you have already seen your CNG prices being cut from INR79 to INR73. So, is that the entire benefit in terms of the per unit margin going to be the rest of the cost per CM coming down by that INR45 to INR1?

Management: Ramesh, the cost of gas of IGL, the total cost of gas average of IGL in the year '21 to '22 was, I remember, INR17 per SCM. The last financial year it was about INR35, INR36 per SCM or INR37, something like that. So, it almost doubled, you see. Now, we, the law of nature says that we will probably go back to INR17 this year which will not happen but we definitely expected to be below, you know, INR28 or INR27, something like that. May be even approaching INR25 per SCM during this year.

This is what gives us the belief that we will be able to maintain margin of INR8, this EBITDA INR8 per SCM or go to INR9 next financial year. That is the kind of thinking that the management has in this company.

S. Ramesh: So, does that mean that we will see further reduction in the pump price for CNG?

Management: No, no, I never said that. What I said is if the gas cost goes down, the gas cost was INR17 per SCM in the year '21, '22. It was more than INR35 in the year '22, '23. Today we are at about INR30, INR28. We believe it can further go down, during the year.

S. Ramesh: The reason why I am asking is that if you look at 4Q, '23, the average price in, was about 49 points including PNG, your gas cost was 37.6. So, if you are talking about gas cost coming down by, you know, INR10, then your price has to come down, right, that is the, because we should look at the fourth quarter number. And I appreciate that on an, in yearly basis you will look at the average, but in terms of the price revision, you will look at the current prices, right.

So, I am just trying to get a perspective in terms of whether that entire increase in EBITDA per se means from the reduction in gas cost or there is a combination of, the overall, reduction in gas cost and the ability to pass on some of that benefit further. So, that is the basic rationale for my question. So, I get your point. So, you are saying that on an, on a net basis you will be able to improve your margin. The second thought is if you are looking at your new GAs, current share is about 15% of sales. It is about 1.2 mmcmd. So, if you are looking at 40%, if you are targeting say 10 million cubic meters in FY '25, you are talking about 4 million from the new GAs. Is that number correct?

Management: No, no, that is, the planning we have, how much we can achieve, we will see that. During the year we will come to know as, as our steel pipelines are commissioned, maybe when we have an earning call after two more quarters, this will be more clear because by then half of the planned growth would have come up already. On the first issue that you referred, I would like to go back there, because the what you are telling that whether you will pass on the price increase, there is no need to pass on the price increase.

You know, there is for increasing EBITDA, we do not need to increase the price because we are, very much within the, you know, T-off range with T-off range of the petrol and diesel price, which means that we are not, we do not have the 35% margin from that price, petrol and diesel price, but we are more focused on the other aspect, which is the mother of margin, which is that the cost of gas was INR17, has been INR35, should go back to INR25, something like that. This is what I have been telling you.

S. Ramesh: I understood, you know, I was not talking about price increase, I was talking about prices being reduced, but you will retain some of the benefits. That is how you make money in this business, right? So, you can take it offline. So, the next thought is, you know, if you are looking at your capex, this year it was INR1,100 crores, so next year you are planning INR1500 crores. So, by the end of FY '24, what is the kind of capitalization you have achieved in percentage terms in the new GAs? It would be 60%-70% and when will you fully capitalise the proposed, you know, infrastructure in the new GA?

Management: Can you please come again? Can you repeat the question, please?

S. Ramesh: The thing is, your capex in the new GAs and the capitalisation in terms of addition to your gross block, this year in FY '23 you have spent INR1100 crores. You said you are going to increase the capex to 1500 crores in FY '24. So, just to kind of sense in terms of what is the timeline for, you know, getting the full infrastructure in place, how much of this, you know, additional capex you will capitalise in FY24 and what is the capex you would require say for FY '25 and FY '26. In terms of the investment on the ground and what is the kind of capitalisation in percentage terms in addition to the gross block throughout the next two years?

Management: See, the capex is an ongoing activity and capitalisation as well as increase in CWIP both we are considering towards the amount spent during the year and accordingly we report also. So, the last year's number was around INR1190. This year we are planning approximately INR1600 crores of capex, mostly broadly consisting of 50% of the same going towards the existing NCR region and remaining 50% towards the new GAs which we have. In terms of capitalisation, more or less I think almost 70%-75% of the amount we capitalised out of this.

S. Ramesh: Okay. So, the growth in new GAs you are talking about….

Moderator: Sorry to interrupt. We request you to please rejoin the queue for further questions. Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Thank you for the call, sir. Two questions from my end. Firstly, in terms of your long-term sourcing of gas, you talked about how you want to grow your volumes. Can you just talk about your thought process around the long-term sourcing and how you're trying to kind of secure those growth?

Management: See, from the sourcing point of view, presently we are getting around 87% through APM and around 5% last quarter, if we talk about, around 5% was through HTHP gas and remaining around 8%, 5% was through spot purchases and 3%, sorry, 5% was through our long-term contracts and 3% was through our spot purchases. So, going forward, if we talk about the volume growth, last year, most of our contracts were not getting us the full quantity and it was restricted at supply or pay level, which now has come back to its normalcy and we are getting the full quantity.

Given further that HTHP gas has also been given on priority allocation to CCD industry, so that gives us another pool. So, both put together, we will be, we are confident that we'll be able to source all the gas. The option of entering into long-term contract also now seems to be viable because the international prices have come down. So, that gives us another avenue to source gases going forward and depending upon how much growth is there and what volume we require, we'll take a call on that.

Mayank Maheshwari: So, right now, is there a thinking process to kind of say, let's use the LNG markets, what we are seeing today to kind of capitalize and try to get long-term sourcing of gas on that front?

Management: So, I think the time has, I think, started now that we start thinking on additional long-term contracts. We are evaluating and we'll take suitable call. We had gone for some small quantity during last month, but that was just to test the market and we'll take a call for that.

Mayank Maheshwari: Got it. The second question was more related to your comments earlier regarding acquisitions of city gas companies. Can you just walk us through the thought process around that and what are you kind of thinking when you are looking at now the new GAs for organic growth?

Management: New GAs, that's more of a, strategic and confidential discussion. We can only come to you once we have concluded anything. As of now, you may be aware that we made efforts in two, three cases and we could not get through, because these are basically bidding.

Mayank Maheshwari: I wanted to just understand the bigger picture around what are the kind of criteria we are looking at when we are looking at some of these geographies?

Management: No, whenever somebody is telling, they want, kind of 25% return on their investment, CAGR. Whereas that much business potential should be there in that geographical area, isn't it? So, it's basically, it comes down to the extcel sheet, cost.

Mayank Maheshwari: Are you targeting somewhere returns very close to what you are kind of making or kind of potential growth is what you are looking for? Like, what are you kind of thinking?

Management: For some people, growth may be very important. For us, we've got, a lot of new areas where we can do a lot of jobs. We can set up many CNG stations. We can set up many, we can target many industrial and commercial customers. And thereby the growth can come. We have not yet hit the plateau in terms of volume growth.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Yes. Thanks for your time, sir. First, we just wanted to understand, there are too many moving paths in terms of pricing, we understand that what would be a net spread that in our opinion will be a number which you will be comfortable with between petrol and say, CNG.

Management: 20% should be maintained. 20% is required for conversion to continue between diesel and CNG price. Sorry, petrol and CNG price. 25%. 25%.

Management: No, no, no, he's asking about spread.

Management: So, I believe you are pairing litre , rupees per litre with fees per CNG. CNG, simple CNG.

Vishnu Kumar: Simple CNG. From a customer mind, that's what they look at, right? Petrol per litre and minus CNG.

Management: 20% to 25% spread is necessary, we believe that.

Vishnu Kumar: That will equate to about INR20 per absolute spread, litre minus CNG?

Management: See, when we talk about efficiency, we see both mileage and the price. So, if you see last quarter or till before the last price reduction, the gap was around 25%. And after the reduction, and I think that with that gap also, we maintained a conversion of approximately 13,000, 14,000 vehicles per month. Given that we have reduced the prices and the gap has now reached around 25%, we foresee a significant jump in the conversion numbers. And I think this 25% which is there should be reasonable enough for the growth of CNG vehicles.

Management: If we see the total savings in CNG with respect to petrol and diesel, even on current rates, considering the fuel cost, mileage per kilometer per unit, running cost, distance, etc., it is 46% cheaper than petrol and 26% cheaper than diesel.

Management: And this is based on Delhi price, the cheapest in the country.

Vishnu Kumar: No, I agree, sir. Basically, the point is we understand this fuel efficiency mileage, but it all boils down to an absolute point. That could be based on what you are saying is INR96 and petrol and Delhi are about INR74. So, about IRN20 to INR23 per spread is giving you about 40% of savings. Now, the question is the other regions, the newer areas that we are getting into UP petrol price about INR96, whereas we are seeing that the CNG price about INR84. So, the absolute spread is actually much lower for a consumer there compared to Delhi, especially at the time when we are putting a lot of additional investments there. Given that the savings for a customer is lower there, what is it that we are doing or how do you convince the customer to kind of take more volume? Because it appears absolute spread is only INR10 to INR12 in those areas. Let’s say, for Kanpur or Fatehpur or let's say Karnal or Revadi, the price is actually much lower than the Delhi spread.

Management: So, these GA's actually, the sale is basically done, largely being done through the stations where the cost of transporting gas through commercial vehicles also adds up. So, we are trying to address that and we will be able to mitigate this cost factor during this year to a large extent.

Vishnu Kumar: This will be across sir because let's say we are putting in an highway that it says 100 kilometers from Delhi. You can't be putting pipeline across or we will put a pipeline so that that cost comes down. How should we look at the decision point between sending that to start a booster or a main station?

Management: This is an ongoing exercise actually. In any case, most stations largely they are set up on DBS mode in the beginning. And as the steel pipeline reaches there, it is converted into online. This is what we have been doing for years. So, in the same way, we have got commitments to start CNG station as per PNGRB minimum program. There we have to show it through DBS and then we convert it to online. When we start online, the cost of servicing customer goes down by about INR15 per kg. So, that is how the sale will come, the pricing will go down, the customers will convert and all those things that we are planning is basically the result of that kind of effect which will add up to the critical mass for the company in new GS.

Vishnu Kumar: Understood. So, in terms of the total capex, let's say ex-Delhi-NCR, how much will we be doing what we have invested now over the next three-four years, what will be the total quantum that we will be investing there? Ex-Delhi-NCR?

Management: Can you repeat the question please?

Vishnu Kumar: Ex-Delhi-NCR market, which is the surrounding market, the new area, what will be the total quantum that we have invested till now and let's say the next three-four years, what will be the total quantum that we will be looking in new areas?

Management: See, approximately, if I tell you, around INR2,000 crores is what we have spent in GS other than in NCR region.

Vishnu Kumar: And how much will we be spending over the next three-four years?

Management: How much will we be spending during?

Vishnu Kumar: Next three-four years, how much will we be spending the quantum?

Management: The quantum, I think it will be next three-four years, it should be a similar amount of approximately INR2,000 crores.

Management: 50% of capex will happen in new areas from now on. So, we are planning, targeting capex of INR1,600-odd crores, about INR800 crores, INR825 crores, INR850 crores should come from new GS, should come in new GS.

Vishnu Kumar: So, INR1,600 crores will continue, INR1,500 crores will connect?

Management: We have only 10 more minutes, so...

Vishnu Kumar: This one is, I was just asking, three years with capex will continue, that's all my question. Thank you.

Management: Yes, similar level of capex will continue for three-four years, at least around INR1,500 crores-odd every year.

Vishnu Kumar: Okay sir, thank you. All the best.

Moderator: Thank you. The next question is from the line of Reshab Sisodiya from Sameeksha Capital, please go ahead.

Reshab Sisodiya: Yes. Hi sir, thank you for the opportunity. Sir my questions have been answered, just small one. So, on the dividend payout, obviously, we have had, after 25, because sometimes 25 years, we have had a huge dividend payout this year. I think, [inaudible 0:48:42] still same with the 25% payout ratio?

Management: We missed your question at the end. Your audio is not very clear, please. You were talking about dividend; can you please repeat your question?

Reshab Sisodiya: Sir, on the dividend payout, should we see 15% or 20% payout ratio.

Management: Can you please come back in the queue, because your voice is breaking.

Management: See, on this question, our average payout ratio is around 25%. This year, we had a special dividend of INR10 per share, around 500%, including one more dividend, which we had given of INR3. So, this year being 25th year of our operation, we had given one time kind of special dividend. And going forward, the dividend ratio, payout ratio would continue approximately around 25% to 30%.

Moderator: Thank you. We will move to the next question from the line of Ashutosh Parashar from Mirabilis Investment Trust. Please go ahead.

Ashutosh Parashar: Yes, hi. So, sir, I have some book-keeping question. So, first one is that in the other financial liabilities in the balance sheet, last year we had this INR1,700 crores of amount, which like is into INR2,700 crores. I believe, large part of this was for the security deposits related to the PNG connection. So, last year that number was INR1,000 crores. Can you provide me with the number this year of this INR2,700 crores, how much could be the security deposits?

Management: It is approximately INR1,200 crores.

Ashutosh Parashar: Okay. And sir, then one thing which we noticed is that this has been there for a while, but then it just kind of touched upon this topic again, that the PNG connections in the last seven or eight years have kind of, some 6 lakhs have gone to 24 lakhs, but then consequently the throughput has not risen up to that level. So, 144 spm per connection to some 90 spm is what has come down to. So, is it because largely the speed of us installing the connections is faster than conversion, is it at one reason or is it, is there something else which we should be looking at?

Management: You were talking about the domestic connection or what?

Ashutosh Parashar: Yes, the domestic connection. Correct.

Management: See, domestic connection, as we are increasing the number of customers, so there might be some time back, time gap in gasifying. Like given housing complex when it gets ready, a 1,000 people apply for the connection and as and when they move in the society or the housing complex, they get the gas charge. So, that way vary from territory-to-territory. If there is a housing society which is ready and we are charging it, then the immediate consumption will come, but NCR having a lot of new projects which are getting ready in Noida, Greater Noida, Gurgaon, Ghaziabad, so, these connections are largely coming from these new societies where moving in takes place, like over a period of one year, two years, so people move into the housing complexes. That's why, you might be noticing some variation in the gas consumption also.

Ashutosh Parashar: Okay. Sir, how does the plan this PNG connection? This year we added 3 lakhs, last year we had 3.7 lakhs. So, what's our guidance on that? The additions in the next three, four years?

Management: Addition for the next year or what?

Ashutosh Parashar: For the next three, and then for the next four years.

Management: Almost similar numbers.

Ashutosh Parashar: Okay. And then sir, just one last thing is again on the, in the presentation, and this is regarding the presentation in FY '22-year end, we have restated this number on auto and LCV, so it has been shifted from 3.5 lakhs to 5.5 lakhs. So, was it some category change or like, was there a major bump up because of certain things in this year?

Management: You're talking about the three wheelers or what?

Ashutosh Parashar: The vehicle conversion, the vehicle numbers that we report in the presentation.

Management: Okay. The number of vehicles, you are talking about the investor presentation which we have uploaded there, you are talking about that?

Ashutosh Parashar: Yes.

Management: So, as of now, there are vehicles, cars and auto, in the auto LCV segment, the number had gone up from 3.5 lakhs in the last quarter, in the last year, FY '22 to 5.5 lakhs.

Management: No. So, presently, if we talk about number of vehicles, CNG vehicles in three-wheeler and LCVs and RCV segment, that number is 3.74 lakhs. We'll check about what you are referring to. We'll check that.

Ashutosh Parashar: Currently, 3.75 lakhs.

Management: 3.75 is the number of CNG vehicles. CNG, tempos, RCVs and LCVs, that category.

Ashutosh Parashar: Okay, sir. Got it.

Moderator: Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Yes. Good afternoon, sir. A few bookkeeping questions from my side also. So, what are the CNG volumes in kg terms for Q4 as well as for FY '23?

Management: You are talking about per day sale?

Sabri Hazarika: Yes, I mean total, I mean in million kgs.

Management: So, it was around 4.5 million kgs during last quarter, Q4. 4.4 million kgs, 4.5 million kgs. 4.5 million kgs.

Sabri Hazarika: 4.5 million kgs. And for the full year?

Management: For the full year also, it is around 4. 44 million.

Management: I will give you the exact figure. Average sale in Q4 last year was 44.51 lakhs per kg. Okay. And for the entire year, was 44.44 lakhs per kg. Per day.

Management: So, Q4 was 44.41. 44.51, Q4. And Q3 was 44.44.

Sabri Hazarika: 44.44 was Q3. Okay. So, this is last kg per day for the quarter side. Okay. So, secondly, what would be your volume break up this 8.1 mmscmd between, say, Delhi, Noida, Ghaziabad and Gurgaon, and probably Bhiwandi. I mean, within the NCR, how it is divided?

Management: Delhi 65% Uttar Pradesh is 20%. Haryana is approximately, I think, 5%. And rest is natural gas. That's our quantity which we sell to Haryana City Gas and Adani.

Sabri Hazarika: Okay. And how do you see this order, I mean, in terms of this Faridabad and Gurgaon? So, what do you think you have lost? What do you think you have gained? And what is the current volume versus potential?

Management: We are discussing to challenging that order. And we don't agree with that. Subjudice.

Management: See, we are still evaluating it. And we'll take a call on that. We are studying it further. And we'll see.

Sabri Hazarika: But there's a sunset clause, right? For September, it has to be over or it can still continue beyond September also?

Management: No. So, that's the Supreme Court's order or Supreme Court mandated quantity which we were giving, which we are still giving to them. That will come to an end by September in any case because of the Supreme Court's order. And with the recent letter from PNGRB, which we are still studying, and we'll take a suitable call on that. Depending upon what we decide on that, the volume which we are giving them presently will depend on that decision.

Sabri Hazarika: Okay, sir. Last question. In terms of acquisition, you would be seeking management control, right? It will not be like a 20%-25% stake, just financial investment. It won't be, right? If you're looking for some acquisition of some other CGD?

Management: Sir, this is not an investment. This is Central Government authorization of that GA.

Sabri Hazarika: No. I'm talking about normal acquisition if you're looking to buy some, say, like MGL bought one CGD. So, if you're looking to buy some other...

Management: We would like to have management control so that we can -- we have some synergy between what we do presently and what we buy.

Sabri Hazarika: So, you want to be operators, not just financial investors, right?

Management: This is our core competence. So, we would like to be fully in-charge rather than a financial investor.

Sabri Hazarika: Right, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Saurabh Handa from Citi Group. Please go ahead.

Saurabh Handa: Yes, thank you for the opportunity. So, my first question was on the proposed EV policy of the Delhi government for aggregator vehicles. Some, I think, press reports were suggesting that they plan to finalize it in the coming few weeks. Could you talk us through what is the potential implication this could have? What percentage of your CNG volumes currently comes from this segment of vehicles?

Management: You're talking about cars or you're talking about buses?

Saurabh Handa: I'm talking about the EV policy for aggregators and the delivery vehicles. Yes, the delivery vehicles and the aggregator cabs.

Management: See, presently our total sales to taxis and autos, that category is 40%. The detailed breakup within that of what is, how much is autos and how much is taxis is not available. It's very difficult to ascertain that number. But given that policy, any policy which mandates people to move to EV will have an impact first on petrol and diesel vehicles and then maybe on CNG. So, from that perspective, there might be some impact. Quantification would be very premature at this point of time. And though we accept that there might be impact, and how fast it impacts our sales, we'll have to wait and watch. And then, being a policy decision, there is very little we can do. But of course, we are mindful of that.

Management: No, so we are also working now, taking that cue. We are also working on; I think 75 are now formed. 75 we are working and 25 more and 100 more. So, in total in next 1.5-year time frame, we may have about 210, 200 charging stations, actually, of IGL in the city.

Saurabh Handa: So, but what would be your revenue like models for this charging? How would that work? We've been in partnership with some power companies.

Management: The gentleman who handles that, we have not called him in this thing. So, Sanjay Kumar, CFO will take this up with you sort of on one-on-one basis.

Management: Sort of, this is a very fluid, but you can talk to him. So, it's still evolving and then we'll, once this model stabilizes, then we can maybe comment a few more. These are still early days in this segment. So, we will come back with more details on this.

Management: Saurabh, our people talk to you about this, later.

Saurabh Handa: Sure, sir. And sir, just a follow-up question on the Gurgaon-Faridabad ruling. Just to clarify, you are looking to appeal against this order. It's something which you believe has, I mean, should have gone fully in your favor and it hasn't. I mean, can you just give some more color?

Management: We are studying the order of PNGRB. And we will take appropriate decision shortly.

Saurabh Handa: Okay, sir. Thank you so much.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Gagan Dixit from Elara Capital.

Management: Can we have the last question? Can we take this as a last question?

Moderator: Sure, sir. This will be the last question, ladies and gentlemen. Mr. Dixit, your line has been unmuted. You may proceed with your question.

Gagan Dixit: Yes, thanks. Thanks for taking my question, sir. So, my question is if LNG prices, connection LNG prices remain at, let's say for12 to $15 for the next two-three quarters. So, is there still any provision of the cut in the CNG prices by another 4 bps, 5 bps? Assuming that you can maintain the INR10.5 to INR8 to be the fixed price.

Management: See, LNG prices remain between $12 to $15. As I heard you correctly, there is no scope of cutting the price of CNG.

Gagan Dixit: Okay, sir. And sir, what are the GAs? Which you see that still needs to be, that can witness the strong, I mean, volume growth from the taxis and auto-side, which needs to be, I mean, if you can connect both CNG stations there. I'm assuming that Delhi-NCR is little bit the mature market, but still, which GAs you see which has the lots of potential?

Management: See, particularly, Western UP, this Meerut, Muzaffarnagar, Hapur, Shamli, then Haryana, Karnal, Kaithal, these are the areas where huge population density is there, and huge paying capacity is there. This is primarily sugar based where people have deep pockets. So, as we lay the network and the conversion takes place, we expect the huge volume from these areas.

Gagan Dixit: Okay, sir. And sir, what is the still overall true potential of the NCR region for the industrial demand? I mean, industrial CNG demand, or is it still, I mean, in your sense?

Management: See, whatever is the consumption of the competitive fuels, that is the potential available. And in NCR, the non-polluting fuels are allowed. So, we take our competition with LPG and propane, mostly in biofuels. But propane and LPG demand, you can just seek some data. That is the potential available.

Gagan Dixit: Okay, sir. My final question is about your long-term contracts. What are you presenting the long-term and medium-term contracts in case you can indicate some volume, whatever volume that you have at the time?

Management: We are getting repeat of our earlier contract. These are being discussed. Whatever is the RAS gas formula or whatever is the Henry Hub-related formula, which was signed in the year 2020 and 2021. Similar options are emerging. Although we, IGL as such is sufficiently sourced company as of now. And as we, my team had indicated to you a few minutes ago, I think half an hour ago, we are taking appropriate call on that subject.

Gagan Dixit: Okay, sir. Yes. That's for my side. Thank you, sir.

Management: Thank you so much. Thank you, Varatharajan ji.

Management: Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Varatharajan Sivasankaran for closing comments. Over to you, sir.

Varatharajan S: Yes. Thank you, Dorwin. Sir, if I could squeeze in one last small question. Is that okay?

Management: Okay.

Varatharajan S: Sir, this mid-term contract, like you have Henry Hub-plus oil link contract. If you have a split between the two, is it like more like 50-50 or is it more Henry Hub-internal oil link?

Management: In our case, it is more Henry Hub-link.

Management: Its around 1 million is approximately linked to Henry Hub and around 1.1 million is linked to Crude.

Management: So, 50-50 almost. 50-50. So, but I would like to tell my investors that for the first time, IGL has taken a call by going for a hedging kind of service from one of the RNG suppliers and we have been able to fix the price of very little volume. I think about 50,000 cubic meter only per day. But that's the beginning we have made. Whereas we have taken this fixed price of Henry Hub-linked RNG for the full financial year, from 1st of April 2023 to 31st of March 2024. This is one particular strategic decision that we have taken. The management of IGL has taken which we believe will actually improve our profitability and the visibility or profitability that you may be looking for, the investors may be looking for. Just wanted to inform you as the last point from our side.

Varatharajan S: Perfect. I wish to thank all the participants for taking time out to join this call and the IGL management for a stretched call and giving out all the details which the investors have requested. Thanks everyone and have a nice day.

Management: Thank you so much.

Management: Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us. You may now disconnect your lines.