

“Indraprastha Gas Limited
Q2 FY '24 Earnings Conference Call”
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MANAGEMENT: **MR. K K CHATI WAL – MANAGING DIRECTOR --**
INDRAPRASTHA GAS LIMITED
MR. PAWAN KUMAR – DIRECTOR COMMERCIAL --
INDRAPRASTHA GAS LIMITED
MR. SANJAY KUMAR – CHIEF FINANCIAL OFFICER --
INDRAPRASTHA GAS LIMITED
MR. MANJEET GULATI – CHIEF GENERAL MANAGER,
FINANCE -- INDRAPRASTHA GAS LIMITED

MODERATOR: **MR. NITIN TIWARI – PHILLIPCAPITAL INDIA PRIVATE**
LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Indraprastha Gas Limited Q2 FY '24 Earnings Conference Call hosted by PhillipCapital India 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Tiwari from PhillipCapital India Private Limited. Thank you and over to you, sir.

Nitin Tiwari: Thank you Seema. Good day ladies and gentlemen and best wishes for the festive season. On behalf of PhillipCapital, I welcome everyone to the second quarter and half year earnings call of Indraprastha Gas Ltd. From the management team, we have the pleasure of having with us today Mr. K K Chatiwal, Managing Director, Mr. Pawan Kumar, Director Commercial, Mr. Sanjay Kumar, CFO and Mr. Manjeet Gulati, CGM Finance. I shall now hand over the floor to the management for their opening remarks which shall be followed by a Q&A session. Over to you, sir.

K K Chatiwal: A very good afternoon to all of you. First of all, I welcome you all and thank you for joining IGL's quarterly earnings call for Q2 of FY '23-24. I am Kamal Kishore Chatiwal, Managing Director, Indraprastha Gas Ltd. IGL declared quarter 2 financial results yesterday and I am happy to inform that we have clocked the highest ever record quarterly profits of INR535 crores, which is a 29% year-on-year growth.

In terms of highlights, the highlights for the quarter are sales volume stood at 8.3 MMSCMD with yearly growth of 3%, EBITDA of INR656 crores with a growth of 24% year-on-year, PBT of INR686 crores with a growth of 26% year-on-year. As you are well aware that the geopolitical situation continues to be a cause of concern and this may result in volatility in energy pricing.

We had witnessed a lot of volatility and high prices of natural gas in the last financial year due to geopolitical issues and supply related challenges across the world, which we feel that the CGD industry in the country has navigated quite successfully. And in terms of the recent development that you all may be aware of, the Delhi government has approved the Delhi Motor Vehicle Aggregator and Delivery Service Provider Scheme 2023 meditating phase-wise transition of vehicles to EV for cab aggregators, delivery service providers and e-commerce entities. The policy will be effective after the approval from LG of Delhi.

As per the policy that is available for the four-wheeler segment, which is more relevant to us, the policy is for phase-wise conversion of aggregator fleet with share of EV in new purchases up to 50% in three years and 100% in five years from the date of notification. So, the aggregators would also need to switch to an all-EV fleet by 1st of April 2030. We recognize that the scheme, once implemented, coupled with the expected shift of Delhi transport buses to EV, will have an impact on our CNG sales volume over a long run in Delhi.

Now, just to pinpoint the exact numbers, it will be very difficult, but the rough estimate is that around 15% of our volumes will be affected. We expect that with lesser additions of new CNG vehicles by aggregators going forward. So, the sales growth in this particular segment, the aggregator segment, which is 15% of our volumes, will remain muted for the next three to five years.

While the final details are being awaited, there is some clarity on transition provisions for existing CNG vehicles up to 2030 in Delhi. We have already started working on mitigating this risk by putting our focus in a big way on interstate bus transport and LNG in long haul transportation. I am hopeful that we will work more aggressively and will be able to come up with further strategies and plans to offset the CNG effect in Delhi on account of the above policy.

Now, I would like to invite our Director Commercial, Mr. Pawan Kumar to give his opening remarks.

Pawan Kumar:

Thank you very much. I am Pawan Kumar, Director Commercial. I welcome you all for this Earning Call of Q2, financial year '23-'24. And thank you all for taking out time for participating in today's call. We had a board meeting yesterday and I am happy to inform you that the board has recommended an interim dividend of INR4 per share to the shareholders as IGL has been rewarding the shareholders and increasing the dividend over the years. So, this is the step taken by the company.

The gross profit per SCM has also increased from INR12.69 per SCM in Q2 last year to INR14.12 per SCM this year in Q2, which is a growth of 11% on year-on-year basis. I am happy to share that EBITDA per SCM has also shown a robust growth of 21% on year-on-year basis and has increased from INR7.09 in Q2 to INR8.60 in the current second quarter. For CNG segment, the year-on-year growth has recorded at 3% with average sales being 6.25 MMSCMD as compared to 6.09 MMSCMD during the previous year.

The average monthly vehicle additions including conversions in the second quarter is approximately INR15,900 as against INR14,100 in Q1. So, there is a 13% increase on Q2 quarter-to-quarter basis. The impact of reduction in CNG pricing during Q1 has started showing results.

Last year, the natural gas cost was exorbitantly high and a major part of it was passed on to the consumers. It is now expected that with the stable and reduced level of CNG prices resulting from the consistency in domestic gas prices, the customer sentiment for CNG will be positive. Also, with automobile OEMs increasing focus on CNG, multiple model options are available to the consumers to choose from.

Both the above factors are expected to further boost the CNG vehicle conversions or additions in the coming months. On the PNG front, the sales volume in domestic and commercial segments have grown respectively by 15% and 12% on year-on-year basis, while there is a degrowth of 5% in industrial segments due to lower prices of alternate fuels. We are working on various fronts to make natural gas attractive for industrial segments.

Further, the growth in sales volume in new geographical areas is starting to pick up and we expect that the momentum will continue. We are also increasing our footprint in terms of EV charging stations. So far, we have commissioned 30 charging stations and we plan to expand it by 50 by the end of the financial year.

During this quarter, we have commissioned 8 CNG stations and added around 70,000 domestic CNG connections. The capex during this year till September is INR476 crores – quarter 2.

Once again I thank you all for joining the call. And now the floor open is for the question-and-answer session. Thank you once again.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Mr. Sundaram from O3 Securities. Please go ahead, sir.

Sundaram: Good morning, sirs, and thanks for taking my questions. Primarily, I have questions about the new proposed EV policy of the Delhi government. If I understand it correctly, this new policy makes it compulsory for all fleet owners who have more than 25 vehicles to switch to electric vehicles over a fixed time period. It is not applicable to other vehicles apart from fleet owners and that too its applicability is for only people with more than 25 vehicles. Is this understanding correct?

Pawan Kumar: I am Pawan Kumar, your understanding is perfectly correct.

Sundaram: Therefore, sir, my question is, out of IGL's total CNG sales, what proportion is sold within Delhi city?

Pawan Kumar: See, if we go segment-wise, the private car constitutes around 40% of sales and these Delhi cars are around 14% and autos are around 6%.

Sanjay Kumar: In terms of CNG sales in Delhi, it should be around 60%-65% of our total sales of CNG which we sell in Delhi.

Sundaram: Out of the total CNG sales, 60% comes from Delhi city, right? Can you hear me, sir? Am I correct in understanding that out of the total CNG sales, 60% comes from Delhi city, is that correct?

Management: Right, right.

Sundaram: Out of the 60%, what proportion will be for fleet operators?

Pawan Kumar: 14% around.

Sanjay Kumar: This is a very difficult, I mean, quantification of this is very difficult because there is no scientific way in which this data is collected.

Sundaram: I am asking for your estimate.

- Sanjay Kumar:** Our estimate is that it should be around 15% or so.
- Sundaram:** 14%-15%. The other question, sir, is, is anything mentioned in the new policy about how the subsidy for purchase of new electric vehicles will be funded?
- Sanjay Kumar:** We have not seen what the policy which is under approval states. There is no clear, I mean, we have not got a copy of that. Whatever has been there in the media and whatever was there in the draft policy earlier, we have been all having that information only. Going forward, if something comes, then probably we will be able to --now, based on some media reports...
- Pawan Kumar:** There is some clarity required on the policy. Like fate of existing CNG cabs which are registered in Delhi, the policy is not clear. Then operator, this policy talks about operators having more than 25 cars. Maybe that the small operators start coming up again. Then presence of infrastructure to charge these cabs is also an issue. Then capital costs. So, these are basically the things.
- Sundaram:** Yes, yes, I understand that sir. My other question is, this policy, at least the press reports about this new policy says that there will be a levy on vehicles that are not electric vehicles that enter Delhi, if I understand it correctly. Now, my question is, supposing a CNG or a petrol vehicle is compliant with the Bharat State 6 norms, can a levy still be imposed?
- Sanjay Kumar:** I earlier also told you we do not have enough information available on this. What exactly the proposal is under process, we need that information to come out and then only we can comment on that. So, as earlier also I told you, these are all based on whatever is there in the media and based on the draft policy.
- Once the actual policy comes into public domain, then we'll be able to throw more lights. We ourselves have been waiting for those clarifications. Okay, okay.
- Moderator:** Thank you. We take the next question from the line of Maulik Patel from Equirus. Please go ahead, sir.
- Maulik Patel:** Thanks for the opportunity. So, few questions. Can we just break up your CNG sales, which you mentioned that 60%-65% is Delhi and the remaining is in other geography. So, within that, what has been the growth rate? I mean, for this quarter, your CNG volume grew by almost around 3%. But what is the growth rate for the CNG for non-Delhi and for the Delhi?
- Sanjay Kumar:** So, if I talk about growth rate outside Delhi and in Delhi, Delhi, it was around 3%, which is basically the major contributor to our total volume. Other GAs, if you talk about, the growth has been around 5% is there in Gurugram. Gautam Budh, Ghaziabad, the rate that is around, I think, 11% to 12% growth is there in those GAs. The newer GAs are growing at around 60% on a smaller base and 60%-30%, those are the numbers on a lower base.
- Maulik Patel:** So, what can be the contribution? So, let's assume out of 6.2 MMS CMD of CNG volume, approximately 65% is Delhi. What is for the Gurugram? What is for the Ghaziabad and Gautam Budh Nagar? And for the rest of the GAs? So sir, this can give at least a clarity that if your major

output of the volume, which is Delhi, is facing a headwind in terms of EV for the buses and also the cab? The growth rate of the other part of the geography basis, like Gurugram, Ghaziabad and the newer GAs, the growth rate is higher, it can give comfort to the investors.

Sanjay Kumar: Yes, so, if we talk about Gautam Budh Nagar, Ghaziabad, they constitute another around 23% of the total sale, the NCR region. 62% to 63% is coming from Delhi. So, that's the broad breakup and the other GAs, they are growing on a lower base that I already told you at a rate of around 50%, 60%, in some cases 30%, 40%. In some cases 100% also. So, that way you can, if you want to analyse further, you can drill down the numbers if you want to have some calculation around that.

Maulik Patel: Is this 20%, 23% including Gurugram also, right? Ghaziabad, Gautam Budh Nagar and Gurugram? Or it doesn't include the Gurugram?

Sanjay Kumar: UP is 23%.

Maulik Patel: Okay, UP is 23%, so it doesn't include the Gurugram. So, what I understand sir, other than Delhi, Gautam Budh Nagar and Ghaziabad, the total volume is approximately 15% of the CNG sales, which include the Gurugram.

Sanjay Kumar: Yes.

Maulik Patel: Okay. Sir, one question is that this quarter your industrial volume has been the same kind of dip. Is it because of the lower open prices or can you just explain what kind of growth rate one can expect in the industrial side?

Pawan Kumar: Basically, industries are very price sensitive and most of the larger industries, they are having dual fuel arrangements. And in NCR, basically usage of biomass is also allowed by CAQM. So, when gas prices are high or LPG prices are lower, people tend to use either LPG or biomass. So, we are working out how we can compete in that segment. But this segment will always remain very competitive.

Maulik Patel: And sir, last question, what has been the contribution of APN Gas in the supply mix?

Moderator: Sorry to interrupt you, Mr. Patel, may I request you to join the question queue?

Maulik Patel: Sure, thank you.

Moderator: Thank you, sir. We'll take the next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Yes, good afternoon, sir. So, I have two sets of questions. The first one is relating to the EV policy 2.0 and CAQM's order on interstate, intercity buses. So, how do you see that affecting the bus and the private vehicle volumes of IGL? Any comment you would like to make on that?

Pawan Kumar: As far as intera-state buses are concerned, basically BS6 and above buses will be allowed to enter in Delhi. We are already in talks with the State Road Transport Corporation for converting

these buses into CNG buses. And Uttarakhand State Road Transport Corporation has already converted a substantial fleet and they are further ordering.

We are also in the advance talks with the Rajasthan and Haryana government, where we want that they will convert to it and they will take, because CNG is the cheapest in Delhi. So, they fill in Delhi or in our GA because we have all our GA across these routes. And UP government also, we have signed an agreement that they will also convert this. We are on the job.

Sabri Hazarika: So, in the next three years, four years, there will be some kind of like demand coming from this segment, right?

Pawan Kumar: Yes, definitely. As soon as they start purchasing or they increase the fleet size, the demand has already come, but it will keep on increasing. In addition to this, we are also looking at the dumpers conversion. Like we have a new GA, Hamirpur, Banda, Mahoba in UP and then Kishangarh, which is a part of Ajmer. So, the large number of truck fleet, dumper fleet is operating. So, we are planning that these dumpers get converted to CNG, which is running these dumpers on CNG very cheaply, because large number of dumpers are operating in NCR on CNG.

Sabri Hazarika: Okay. Sir, second question is relating to, I mean, you have mentioned in the last call that you had some one-offs in Q2 like floods and maybe G20 also. So, right now, what is the volume and what is your guidance for FY '24 and FY '25 now? And also, yes, that's my second question.

Sanjay Kumar: The present volumes are around 8.5 or so. And we expect that the previous guidance, which we had given of 9 million cubic meter per day, we will still maintain that for the current year and we'll exit at around 9 million cubic meter.

Sabri Hazarika: And next year?

Sanjay Kumar: Next year, we'll have to wait and watch how this aggregator policy is impacting us. But we expect that probably, if not 10% growth on the entire volume, but at least the passenger vehicle segment and the other than aggregator segment will still be growing at around 8%, 9%.

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

Sanjay Kumar: Thank you.

Moderator: Thank you, sir. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead, sir.

Amit Murarka: Good morning. So, just further on this cab aggregator policy, so like the LG approval is pending. Is there any way in which the LG approval gets delayed or what's your outlook on that, if you can share?

Pawan Kumar: This is typically a political question. It will be difficult for our end to reply. But let's see how it is getting approved and in what form it gets approved.

- Amit Murarka:** Okay. But also, given that, I think it was asked earlier as well, like if a vehicle is compliant with BS6 norms, can the Delhi government stop that vehicle from coming into Delhi, like assuming that it's not an EV vehicle?
- Pawan Kumar:** No, no.
- Sanjay Kumar:** We'll have to see. We cannot be sure what they can do or cannot do. That is something which the government has to take a call on. We should not, I think, dwell on these questions, what they can do or not. We'll have to wait and watch. But as of now, there is no such plan which has come to our notice.
- Amit Murarka:** Okay. Right. Also, lastly, on your growth rates, so you, I think, shared a number that Gautam Budh Nagar and all are going at somewhere mid-teens and all. So similarly, what was the growth rate from Delhi? Otherwise, I mean, assuming on a normal rate basis?
- Sanjay Kumar:** Delhi, we had a growth of 3% year-on-year.
- Amit Murarka:** No. I'm not talking of 2Q. I'm saying generally, 2Q was impacted because of flooding and G20. But otherwise, what generally the growth rate in Delhi been like?
- Sanjay Kumar:** You can add additionally 1.5% to 2%, which was the impact of this. So probably 4.5% to 5% growth was there in Delhi.
- Amit Murarka:** Okay. Sure. Sure. Okay. Thanks. I'll come back in the queue.
- Sanjay Kumar:** Sure.
- Moderator:** Thank you, sir. The next question is from the line of Vikas Jain from CLSA. Please go ahead with your question.
- Vikas Jain:** Hi, sir. Thanks for taking my question. I wanted to check on these numbers, the 3% number that you're getting. I'm just not able to tie that back because your growth this particular quarter is lower than 3% on an overall basis. So how did Delhi grow 3% and others grew even faster? Can we be a bit more specific about that number, number one?
- And secondly, so when you say 15%, so your estimate is about 0.9 MMS CMD. 15% of CNG volumes comes from cab aggregators, right? So that's 0.9 MMS CMD is your estimate, looking at this quarter's number of 6.25, right?
- Sanjay Kumar:** 0.9 of? I didn't get you. The last part of your question.
- Vikas Jain:** I'm saying, you said 15% of the CNG volumes comes from cab aggregator. Or did you mean 15% of the Delhi volume, which is 62%? So if it is 15% of CNG volume, CNG is 6.25%. 15% of that will be 0.9%?
- Sanjay Kumar:** 15% of the total volume we are talking about.

Vikas Jain: Of the total volume, okay. So that's 1.25 MMS CMD, roughly comes from cab aggregators, right?

Sanjay Kumar: That is a guess. That's what I'm telling you. There is no...

Vikas Jain: Yes, of course, it is a guess. It is a guess. So firstly, if you could give that better break up. And secondly, I just, for my understanding, currently, what are the kind of restrictions that Delhi has put in as a state currently? I'm not talking about the new policy. That restricts vehicle movement from other NCR areas into Delhi? Are these restrictions only on commercial vehicles and fleet taxi kind of vehicles? And there is no such restriction on private vehicles? I mean, are there restrictions like that, which I wanted to understand?

Like, I mean, if there is a vehicle registered in Gurgaon, when they were to move to Delhi. I mean, a CNG vehicle, a non-CNG LCV cannot move, right? But similarly, if there is a taxi, a yellow, a yellow kind of a yellow plate taxi, if they have to go, then are there restrictions to them also, in terms of getting a Delhi permit?

Pawan Kumar: Yes, basically, there is no restriction for CNG vehicle. And as far as restriction on other vehicles is concerned, it is on the interstate buses. That's all are being allowed.

Vikas Jain: So interstate buses are only commercial vehicles that is where the restrictions are?

Pawan Kumar: Yes.

Vikas Jain: So in that case, what happens if vehicle registration for fleet taxis move to Gurgaon or Noida? I mean, how will Delhi control something like that?

Pawan Kumar: They will operate.

Vikas Jain: That is the most obvious hack to this policy, right?

Pawan Kumar: That's what is going to happen.

Sanjay Kumar: I think we should not dwell on those conjectures. I mean, that is a regulatory call which has to be taken by government and other regulators. But of course, we do not have any such clarity on this.

Vikas Jain: Okay. And your current volume is 8.5 going to 9, is what you said, right? I mean, I missed the 8. That's 8.5 number, right? Expectation is going to 9.

Sanjay Kumar: Yes.

Vikas Jain: And sir, if you could give those growth rates?

Sanjay Kumar: Growth rate -- so I think I was talking about the round numbers, the decimals. If you are talking about, then I'll have to go into detail.

Vikas Jain: So Delhi is closer to 3% only, what you're saying? Yes. So Delhi is not really worse off or something like that? I mean, say if I were to look at a quarter like 2Q last year or say 3Q or 4Q last year, when your overall growth rates were higher, 2Q last year is a better quarter, 12%. In that quarter, Y-o-Y, what did Delhi contribute? I mean, is this 3% more like a 3% to 4% kind of a number? Is this how it will be and most of the growth coming from other areas?

Sanjay Kumar: See, what we expect that the going forward additional volumes which will come, only mostly around 50%, 60% will come from the new GA in next one year or two years. So that's the kind of expectation which we have. Last year number which you talked about, we'll have to drill down what was the...

Vikas Jain: Okay, you don't have that ready, is it?

Sanjay Kumar: Ready, it's not available ready. We'll give it to you separately.

Vikas Jain: Okay. And so just one last...

Moderator: I'm sorry to interrupt you, Mr. Jain. May we request you to join the question queue, sir? We have several participants waiting for their turn.

Vikas Jain: Sure, thank you.

Moderator: We take the next question from the line of Vishnu Kumar from Avendus Spark. Please go ahead, sir.

Vishnu Kumar: Thanks for your time again, sir. Sir, I wanted to understand on the 3% growth rate again. I mean, because 65% of the growth is you said, a 3%, 3% and all of them are much higher. So it appears that even if we adjust for the decimal that you're saying that Delhi growth is a bit slow. Maybe even later during the call also we can explain that will be helpful, sir. That is one, sir.

And second, the EBITDA per CM, I mean, in terms of ranking, which areas would be higher and lower? And especially because -- my question is because more specifically because the new GAs, the diesel is to CNG or the petrol is to CNG prices, delta is very low. How are we able to kind of get the volumes in these markets because significant investments are going?

How should we approach in these markets where we'll be cross-subsidizing some part of profits here? And that would mean incrementally as we focus there and our volume continues to rise up there. Will there be a contraction in EBITDA margin? If you could help us understand on this side.

Sanjay kumar: Yes. So if you talk about EBITDA levels, so the newer GA's which we have, they are not making money. If you want to ask that question, that is an affirmative answer to that. All the new GA's are not making profits. We are basically building the business there and we do not expect it that up front it will be profitable.

The volumes are quite low presently and we expect that once the volumes pick up, it will turn positive because the fixed costs are already there. And once the volume picks up, the EBITDA

levels will go up. So that is, I cannot specifically tell you about which geographical areas we are not making. But as a general principle, during the business development phase, we are cross-subsidizing it from the other geographical areas.

Vishnu Kumar: Okay. So, more importantly, the price difference, would it mean that we will have to operate?

Sanjay kumar: I think Delhi is around 45%, if we talk about total efficiency and price benefit both, Delhi is around 45% cheaper than petrol in terms of running cost. In other GA's, that percentage probably is around 25% to 30%. Different GA's have different numbers. But I think that is also quite a good saving which should drive the CNG growth. Once we have already ramped up our infrastructure and we are in a position that the average cost goes down, probably we will look at maybe increasing that price difference further.

Vishnu Kumar: Got it, sir.

Sanjay kumar: That will be taken as we move forward.

Vishnu Kumar: Understood, sir. Just on the volumes, again, the percentages since you mentioned, sir, this cab is 15% on the total volume. Private cars also, 40% would be on the total volume, like on the 8.5. If you just give us the split again, sir, cab is 15%, private cars is 40%, autos is 6%, how much would be buses, sir?

Sanjay kumar: Buses is around 20%. Out of that, DTC is where we are seeing some impact of EV conversion. That has now come down to 6%- 7%. And what was the next question?

Vishnu Kumar: So all these numbers are on the total 8 and 8.5, which you are doing?

Sanjay kumar: No, this 40-40-20 number which I am talking about, that is on CNG sales. 15 I talked about, that was on overall volume. That is an estimated number. If you talk about the impact, if I tell you, we have total taxis in Delhi, Delhi registration taxis, that number is around 1.5 lakhs. The total 40% volume of CNG which we talk about coming from taxis, LCVs and autos, the total number is around 5.25 lakhs. Out of that 5.25, taxis is around 25% or so.

This 25%, the consumption might not be same for all this one. If we take that 25% on 40%, that is around 10%. So 10%- 15% is what our estimate on this account, on aggregator. Presuming that all the taxis are running under aggregator services, which is not the case. So I will leave you with these numbers for the crunching on your side. So our guess is around 15%.

Vishnu Kumar: Okay, and the autos is 6% sir, just to close this?

Sanjay kumar: Autos, it is part of the total 40%. So really difficult to pinpoint the exact bifurcation between that 40%. So based on the number of taxis, autos, we can make some rough estimates, which should be around 6%- 7%.

Vishnu Kumar: Understood sir, thank you. And if you could just answer the growth rate alone sir, even later during the call also, that will be helpful. Thank you.

- Sanjay kumar:** Sure.
- Moderator:** Thank you, sir. The next question is from the line of Mandar Pawar from Kotak Mahindra Asset Management. Please go ahead, sir.
- Mandar Pawar:** Good afternoon, sir. Thank you for taking my question. You mentioned about the new GS not being profitable. But if I am looking at the INR8.5 margin that we are making at the company level, if we have 5% within, what kind of margins that we will be doing in Delhi, can you provide us with a number or an estimate on the same?
- Sanjay kumar:** So profitability from the point of view of per SCM, I was talking about, because the volumes are very low. And opex tends to be higher when your volumes are low on per SCM basis. So even though in absolute terms, the loss might not be, I was talking about per SCM terms EBITDA.
- So in one or two Gas, that is negative. And because it is negative, the volume is very low, so it does not really, loss making. So it is not eating up the profits of other GAs, but it is not making the contribution and maybe dragging down a little bit on EBITDA side, so per SCM basis. So really not very significant in terms of absolute numbers. But they are not profitable, that is what I meant to say. Profitable means they are not adding to my bottom line.
- Mandar Pawar:** But it will dilute the margin on a SCM basis, when you are looking at it?
- Sanjay kumar:** Not very significantly because the volume itself is very low.
- Mandar Pawar:** Okay. So when you are saying they are not making profit, it is because of the fixed cost below EBITDA line? Or you are saying even at EBITDA they are not making profit?
- Sanjay kumar:** Even at EBITDA level also, two of our GAs are not positive.
- Mandar Pawar:** Okay, got it. And second, I just want to hear your thoughts on, if we do see a reduction in conversion to EBITDA and if at all we see some congestion coming down at the outlet or the waiting period coming down at the outlet. Do you believe that would incentivize private car conversion? I just wanted to hear your thoughts on that.
- Sanjay kumar:** Yes, so I think during yesterday's media interaction, our MD had also indicated to the fact that there is lots of queuing, which is happening outside our CNG station. And we are finding difficult to get land and add new stations. But we are working on this and we are taking steps so that the queuing outside the CNG station reduces and it incentivizes people or it gives them enough comfort that they will not have to wait for CNG filling.
- And that should help in increasing the conversion numbers. So that we are working on. And towards that end, the capital, the capex which we are incurring, that is going towards Delhi also in augmenting the infrastructure. So we'll continue to invest and going forward enough growth will be there in passenger segment.

Even though probably aggregator, we do not know the impact. But the other segments are expected to grow and we are continuing to spend capex on augmenting the infrastructure, even in Delhi.

- Mandar Pawar:** Got it. Thanks. And the final question, if you can give the conversion number, the latest one?
- Sanjay kumar:** The conversion number, latest one, this quarter's average was 15,900, month-on-month it was different, but 15,900, 16,000 is the average number for this quarter.
- Mandar Pawar:** This is for the quarter?
- Sanjay kumar:** Yes. Per month.
- Mandar Pawar:** Yes, average for this quarter per month. Okay, but let's say in the latest...
- Sanjay kumar:** I'll tell you the exact number. July, it was 15,361. August, it was 17,131. We had given a different number previously in different interactions. But I think this number is something which keeps changing depending upon when the registration papers have been filed and when it is actually registered. And September number is 15,100. Average is 15,900.
- Mandar Pawar:** Okay, got it. And October will be around the same level or?
- Sanjay kumar:** October, we'll have to see. We have not got the data yet.
- Mandar Pawar:** Sure. Okay, thank you very much.
- Sanjay kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Varatharajan from Antique Limited. Please go ahead, sir.
- Varatharajan:** Yes, thanks for the opportunity. Sir, one on this volumes, you used to share some volumes with Adani and Haryana Gas. Does it continue? Does it stop at some date due to the orders?
- Sanjay kumar:** Yes, it is continuing as of now.
- Varatharajan:** Any date when it is going to stop?
- Sanjay kumar:** No.
- Varatharajan:** And secondly, to be on the safer side, when we build in volumes, should we assume that FY '25 most likely won't be there?
- Sanjay kumar:** We don't foresee.
- Varatharajan:** Second question on this vehicle additions run rate, which has been pretty good in the last three months- four months. However, what we observe is that the volume impact has not been to the same extent. So, is there any sense on, what part of the new registrations could be replacement?

I know it is not an exact science that you can come up with a number, but I am sure you are observing it for a reasonably long enough period of time to give us some kind of an idea, how to correlate this incremental vehicle registration versus the volume?

Sanjay kumar: Vehicle registrations have picked up. I think it is quite early to say how this increased numbers will reflect in our volumes. And as you rightly said, it is very difficult to pinpoint the exact impact. But we expect that this should improve further and will give some positive number. The numbers which was reflected, I also told you that in this quarter, two major events happened in Delhi. One was G20 and another was floods.

And I told you that, 1.5% of our sales was impacted because of growth was impacted because of that. So, probably I think this quarter will have some better visibility and we will be able to see the impact of these additions. How many vehicles are going out of the system? That number is not there. So, we really don't know whether it is replacement vehicles.

Varatharajan: But under normal circumstances, we would have some idea as to what is normally the replacement cycle. So, in the case of cabs, let us say, is it eight years, 10 years? In the case of CVs, do we have a similar kind of a number? Broadly, just for our understanding, more than any kind of a one-to-one volume impact.

Sanjay kumar: If you see the life is 15 years, the license is also given for 15 years. And I think average, if you see, it is difficult to say eight years to 10 years might be the case. But depending upon people's own preferences, they might be changing it at intervals. So, average, you can say maybe around eight years to 10 years can be taken just as an estimate.

Varatharajan: Right. That was useful. Thanks a lot.

Sanjay kumar: Thank you.

Moderator: Thank you, sir. The next question is from the line of Mr. Mayank Maheshwari from Morgan Stanley. Please go ahead, sir.

Mayank Maheshwari: Thank you for the call, sir. A couple of questions on the strategic side. One was in terms of when you think about elasticity of demand, considering your margins are pretty healthy right now, do you think you will be able to see some demand elasticity if the spreads versus petrol and diesel were to go up higher? Like, how are you thinking about that? And the second thing was in terms of capex allocation, considering all the policy changes, how are you thinking about capital allocation for the next five years? Thank you.

Sanjay kumar: So, your first part of the question was related to price elasticity. So, if you see last one year, the conversions had gone to around 12,500, 13,000 per month level. And we had previously seen a peak of around 17,000, 18,000 when the price gap was substantially large. So, history says that there is price elasticity. And if we are able to increase it, it should give us more conversions, which will result in higher volume growth. So, that fact remains that price elasticity is there.

People are mindful of the economic benefits. And if they are able to reap that, they will switch to CNG as a fuel, given that it's also environmental friendly. So, price elasticity, your point is valid that it is there. And if given an opportunity, we'll have to basically see for a longer period of time at what level we are in terms of EBITDA and how further growth is expected. Based on that, we'll take pricing decisions, whether to reduce or increase or take some hit on EBITDA and increase the gap. So, that is an ongoing process.

Mayank Maheshwari: But nothing right now that you are thinking that will help the demand, correct?

Sanjay Kumar: At this point of time, I think we have kind of a balanced approach or balanced situation presently. We'll see some more time. We'll see the convergence going forward next one or two quarters. Then we'll take -- because we'll have to also keep in mind that the APM allocations are going to decrease gradually. And that will have to be dependent more on RLNG.

And the price fluctuations in RLNG is known to everybody. So, we are in a comparatively stable period at this point of time. But going forward, we do not know what is going to happen. So, we'll have to be having some cushion to take care of those contingencies also. So, we'll take a call accordingly. The second part of your question was on?

Mayank Maheshwari: The capex allocation?

Sanjay Kumar: The capex allocation, next five years now, we used to tell that we'll be spending around INR1,400, INR1,500 crores every year. With the -- that fact remains, that statement still remains. We'll have to maybe moderate it, considering the impact which the aggregator policy brings. And then we'll see how it goes. So, if that -- what will be the exact response? Difficult to say at this point of time. Let the policy come out and we'll analyse the expected impact on the exact provisions. And then we'll take a call on that. Present the statements which you used to say, that remains valid, subject to the adjustments to be done for the expected changes because of this aggregator policy.

Mayank Maheshwari: And sir, you're still looking for inorganic growth or that's on something still on the cards or no?

Sanjay Kumar: We are open. I think we have been telling also that the opportunities will come because the five years change of control period gets over in maybe next one or two years, given the extension given by PNGR before Corona period. And once that is over and people evaluate their exact position in terms of MWP and all, we expect that some opportunities will come. We are open to that. And we'll take a call accordingly. At present, nothing is there which we are considering.

Mayank Maheshwari: Got it, sir. Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Saurabh Handa from Citigroup. Please go ahead, sir.

Saurabh Handa: Thank you for the opportunity. Just a couple of questions. I think you did mention this in your remarks, but just to confirm. So, currently, CNG taxis, they have valid permits for 15 years. So, what do you think happens to a CNG taxi with a valid permit in 2030? I mean, will they be

forced to convert? Is that realistically possible? I know I'm not asking you to speculate, but for a person who is invested in this, how do you think, I mean, will there be some sort of an exemption?

Sanjay Kumar: If you ask my take on this, because people will be able to buy the vehicles till 28, CNG vehicles. And only after two years, if you ask them to discard that vehicle or buy a new one, that will be too much to ask for. And you cannot, even if five, six years older vehicle is there, if you ask them to scrap it, that will be a national wastage.

So, I don't think that situation will arise and they will be stopping that vehicle. But that clarity is still required on that. We'll have to wait and see. I think there was some circular also when, from transport department, when it was said that the vehicles will be allowed to continue to run for the entire 15 years of their life.

Saurabh Handa: The CNG vehicles?

Sanjay Kumar: The CNG vehicles, yes. So, we do not know conflict, these are the conflicting statements and provisions. We'll have to wait for the exact provisions when they come out.

Saurabh Handa: Sure, sir. And my second question was just on the volume guidance. So, you've spoken about exiting for this financial year at 9 MMSCMD. And previously you were talking about around 1 MMSCMD growth should be possible for the next couple of years. So, can we assume that March 25, you're still broadly looking at around 10 MMSCMD?

Sanjay Kumar: Given the timing of the implementation of this policy, maybe we'll have impact on whether at all if it is implemented and at what time it is implemented. So, based on that, I think we will reserve that comment that what will happen in 25. For the time being, we are restricting ourselves to 9 million cubic meters by this year end. And next year's guidance, once the policy, if it comes out, then we'll be able to give you.

Saurabh Handa: Okay. So, and this is my last question. You had spoken about 15% is the total volume contribution. So, this is 15% of IGL's total 8.3 MMSCMD volume from Delhi cab aggregators?

Sanjay Kumar: Yes, that's what I meant to say. It's a total 15% of the total volume can be impacted once this over a period of time next four, five years. And I'm saying that the growth will be impacted. I'm not saying that my volume will go down. The growth, which we expected of 10% or so, that might not be coming in on this segment. Because new vehicles will be added till 28. There is a time gap. So, that's the...

Saurabh Handa: Just to follow up on that, right now, there is nothing which stops vehicles registering in the NCR like in Noida, Gurgaon and coming to Delhi. And you don't envisage any change happening. Right now, there is free movement of aggregators between Delhi and say, Noida, Gurgaon. So, if they choose to register there, it should be okay the way things stand?

- Sanjay Kumar:** I think that should be the case. Presently, there is no restriction. And things should continue the same way depending upon how the government wants to implement when they are coming out with the implementation provisions.
- Saurabh Handa:** That's clear, sir. Thank you so much.
- Sanjay Kumar:** Thank you.
- Moderator:** Thank you, sir. We take the next question from the line of Mr. Amit from UBS. Please go ahead, sir.
- Amit:** Yes. Thank you. Sir, can you give us some guidance relating to 1.5 MMCV in the volume addition over next 18 months? Like which categories will add to the volume growth? Will that be buses, cars, and outside Delhi and within Delhi?
- Sanjay Kumar:** Mostly, it will be NCR region which will be driving the growth because they are contributing the major volume. The segments which we expect to contribute more is the passenger vehicle segment. And LCVs, mostly there are lots of new additions in that segment also. And going forward, interstate buses are where we are focusing right now.
- There are, I think, 200 buses which Uttarakhand government has ordered and they have already got around 50, 60 odd numbers. Even UPSRTC also has, I think, ordered for some 100 or 150 buses. So, these are the segments which we expect to contribute additional volumes.
- Amit:** So, basically, all these volumes can contribute around 1.5 MMCV because 8.5 to 10 MMCV...
- Sanjay Kumar:** We are including this nominal growth which was coming for aggregator taxis also. So, we will have to see how it impacts. So, maybe that portion of that aggregator segment, that is something which we will have to watch out for how it is getting impacted. But that's what was our expectation of contributories to the additional growth, additional volumes. Okay.
- Amit:** And sir, do you think that we need to change our thought process on the infrastructure addition? Like we have been going bit slow on the infrastructure side right now. But the more delay we do, the opportunities on the EV side will grow much faster. So, like if we have a plan to add maybe 300 stations over next four years, five years, then they should be done over next two to three years.
- So, that you can maximize on the return on capital because you will have a time to earn money from that infrastructure. But if you add something in 2027 or 2029, that may have a very little life to add to your return expectation. So, do you think that as a company we need to slightly run faster than what we were doing in the past two, three years?
- Sanjay Kumar:** No. So, you are right. We have not slowed down. We are still maintaining that we will be investing in augmentation of infrastructure, including Delhi where we are saying that there might be some impact. But the queuing problem is there. So, we are not slowing down. And we will be just calibrated in terms of what impact the aggregator policy brings in terms of Delhi. In other GAs, we have not been, we have not slowed down.

- Amit:** But we have added only eight stations in this quarter. And I think we have a guidance to add around 100 plus in this year. So, do you think that in the next six months we will be adding?
- Sanjay Kumar:** Yes. So we are still expecting that we will be able to meet 100 stations. Things are in pipeline. Probably, we will discuss this at the year end when we talk about, when we are in the earnings call. Things were a little slowed down also because of the floods and the G20 summit which had happened. So, permits and other NOCs were a little delayed. So, that also impacted a little bit, capex on our, specifically in Delhi. But we are hopeful that we will be able to make it up by the year end.
- Amit:** Great, sir. And wish you all the best. And wish you a happy Diwali to your entire team. Thank you, sir.
- Sanjay Kumar:** Thank you. Thank you so much. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing comments.
- Sanjay Kumar:** Thank you, everybody. Thank you so much for joining this call. Last time it was a little chaotic. This time, things look to be going smoothly. So, thanks to Philip Capital, Nitin and team for organizing this call. Festive seasons are starting. Diwali greetings for everybody. See you in the next earnings call. Thank you so much.
- Moderator:** Thank you. On behalf of Philip Capital India Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your line.
- Sanjay Kumar:** Thank you.