



**MAHANAGAR
GAS**

MAHANAGAR GAS LIMITED

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To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Script Code/Symbol: <u>539957; MGL</u>	Head, Listing Compliance Department National Stock Exchange of India Ltd Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 Script Symbol: <u>MGL</u>
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Sub: Transcript of Earnings Conference Call on Unaudited Financial Results for the quarter ended June 30, 2021

Dear Sir/ Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the transcript of the Earnings Conference Call on Unaudited Financial Results for the quarter ended June 30, 2021 held on Thursday, July 29, 2021.

You are requested to take the above information on your records and disseminate the same on your website.

For Mahanagar Gas Limited



Respected
Atul Prabhu
Atul Prabhu
Company Secretary & Compliance Officer

Encl.: a/a



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**“Mahanagar Gas Limited Q1 FY22 Earnings
Conference Call hosted by Centrum Broking Limited”**

July 29, 2021



**MANAGEMENT: MR. SANJIB DATTA – MANAGING DIRECTOR,
MAHANAGAR GAS LIMITED
MR. SANJAY SHENDE – DEPUTY MANAGING
DIRECTOR, MAHANAGAR GAS LIMITED
MR. S. RANADE - CHIEF FINANCIAL OFFICER,
MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE - SENIOR VICE PRESIDENT,
MARKETING, MAHANAGAR GAS LIMITED**

MODERATOR: MR. PROBAL SEN – CENTRUM BROKING LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Mahanagar Gas Limited Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Probal Sen from Centrum Broking Limited. Thank you and over to you, sir.

Probal Sen: Thank you very much, Mallika. First of all, thank you everyone for making the time to attend this Q1 FY22 briefing by the management of Mahanagar Gas. I would like to apologize for the delay of a few minutes. There were some technical issues we were struggling with at the beginning, but thankfully everybody has dialed in now.

With us we have senior members of Mahanagar Gas management including Mr. Sanjib Datta - the Managing Director; Mr. Sanjay Shende - Deputy Managing Director; Mr. S. Ranade - the CFO and Mr. Rajesh Wagle - the Senior Vice President, Marketing.

So before handing over to them, I would like to hand over to Gauri Kanitker from E&Y who handles the IR for MGL. She has a regulatory announcement and then we will go straight to the management. Gauri, over to you.

Gauri Kanitker: Thank you Probal. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward looking in nature and we believe that expectations contained in the statement are reasonable. However, the nature involves a number of risks and uncertainties that may lead to different results. The risks and uncertainties relating to these statements include, but are not limited to the risks and uncertainties regarding fluctuations in sales volumes, fluctuations in foreign exchange, other costs, and our ability to manage growth. I urge you to consider that the quarterly numbers are not a reflection of long-term trends or an indication of full year results and they should not be attempted to be extrapolated or interpolated into full year numbers. With this, I will hand over the call to the management for their opening remarks. Thank you and over to you, sir.

Management: Thank you. Good afternoon to all of you and welcome to the earnings conference call of Mahanagar Gas Limited for the first quarter of the financial year, 2021-2022. I would like to thank all of you who have connected for our earnings call today. The outbreak of COVID-19 pandemic in 2020 and its second wave in April 2021 have resulted in significant disturbances and slowdown of economic activities. The company's operations were impacted due to the lockdown. This has resulted in reduction of sales volume across all segments except domestic PNG where it is used mainly for cooking. Impact of the pandemic is still not over and as we



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overcome our health and economic crisis of very large proportion, let us hope that things get back to complete normalcy at the earliest.

During the full and partial lockdowns, gas supply to all our customers remained operational 24x7. Our emergency control room and customer care services have also remained operational for meeting all emergency needs and for ensuring customer support while adhering to the required safety and social distancing guidelines.

Coming to MGL's operations, I may mention that we are continuously expanding our CGD network in the existing license areas. During the quarter, 29,162 domestic households were connected and thus we have established connectivity for nearly 1.63 million households. We have laid 43.12 kilometers of steel and PE pipelines thereby taking the aggregated pipeline lengths to over 5950 kilometers. We have also added 5 new CNG stations and with these, we currently have a total of 274 stations.

We have also added 40 industrial and commercial customers and thus as on quarter end, we have 4196 industrial and commercial customers. In respect of our Raigad GA we are connected to 41,072 domestic households and 19 CNG stations are operational. During the quarter, in Raigad GA, we have laid 7.94 kilometers of pipeline thereby taking the total length of pipeline to 268.81 kilometers. We have also commissioned a mobile refueling unit in Raigad, a first of its kind in the country.

There is reduction of 17.1% in the overall sales volumes compared to the previous quarter due to the second wave of COVID-19 at the beginning of the quarter.

During the quarter, we achieved overall average sales volume of 2.398 MMSCMD consisting of CNG volume of 1.551 MMSCMD and domestic PNG volume of 0.468 MMSCMD while 0.380 MMSCMD of gas was supplied to the industrial and commercial segments.

Compared to the previous quarter, sales volume in case of CNG has decreased from 2.024 MMSCMD to 1.551 MMSCMD which is a decrease of 23.4%. In case of industrial and commercial sales, volume has decreased from 0.411 MMSCMD to 0.380 MMSCMD, a decrease of 7.5%. However, sales for domestic PNG has increased from 0.457 MMSCMD to 0.468 MMSCMD which is an increase of 2.4%.

Current quarter EBITDA is Rs. 304 crores compared to previous quarter EBITDA of Rs. 316 crores. EBITDA margin is at 49.39% for the quarter as compared to previous quarter, EBITDA margin of 44.05%. Net profit after tax is Rs. 204 crores for the quarter as compared to Rs. 213 crores in the previous quarter. With this, I conclude and would now like to open the floor for questions. Thank you very much.



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- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.
- Anubhav Aggarwal:** Sir, first question is on the industrial customer, there seems to be some price increase taken in this quarter over there that led to good margin, just wanted to check that, the average pricing is still remaining the same or have you taken further price increase in the industrial customers in the month of July?
- Management:** Are you talking with reference to industrial pricing?
- Anubhav Aggarwal:** Yes, correct.
- Management:** No, our pricing policy, there is no change, whatever policy we have been following, it continues which is, briefly it is indexed to alternate fuels.
- Anubhav Aggarwal:** So sir, the outcome of that policy in this quarter was, there is certainly price increase, which has led to higher margin here, so I am just trying to understand that from an absolute price which was prevailing in the June quarter for us, how is the pricing changed now in July, is it a fuel pricing or has there been any change in pricing to industrial and commercial customers?
- Management:** July, we can't talk right now, obviously this call is for quarter one, but if you are talking about the rise in sales realization, then that fact is true even for last quarter as compared to Q4 of financial year 2021. If that is the question which we wish to take up, then the rise had taken place basically since there was an upward change in the alternate fuels like LSHS, LDO etc., and we already told you our pricing is such that it is indexed to these alternate fuels. That is the precise reason why I said realization has gone up in the industrial as well as commercial sales category. In commercial restaurant category, it is linked to basically 19 KG commercial LPG cylinders. So that is the primary reason why realization has gone up in this quarter when compared to earlier quarter.
- Anubhav Aggarwal:** And I think I wanted some clarity on this mobile refueling unit, just trying to understand this how far are we from on the regulation front for getting approval to let us say use the MRUs and housing societies, office complexes etc., so where does that stand right now?
- Management:** This is the first of its kind that we have installed in a place called Ajivali on the old Mumbai Pune Highway, so essentially the utility of the MRU concept is for congested city like Mumbai rather than in Raigad where space is not much of a constraint, but we wish to develop some operational expertise in operating that MRU, so that is the reason why we have put it up there. Secondly, is that the MRU that is installed in Ajivali has secured its full set of regulatory approvals primarily from PESO. Now, we know that what kind of regulatory or statutory safety related regulations or guidelines have to be maintained in such a location, but having said that



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for individual installation that where we propose to set up these MRUs, we will have to seek an approval from PESO, so on a case to case basis, wherever we decide to install an MRU whether it is in the parking lot or in a vacant space in the city, so we will have to undertake a localized study, secure certain permissions and then approach PESO for approval and what PESO has also done is that it has approved, so were on this issue of MRU. So, the other point that I wish to add is that we are in the process of formulating kind of an expression of interest. So, for inviting bids to put up this kind of MRUs in the municipal areas of MCGM, Thane, Mira Bhayandar and Navi Mumbai for which every specific size that would be on offer will have to secure its own regulatory approvals.

Anubhav Aggarwal: Just a clarity on this, no more question on this, but how many MRUs, let us say, to look forward in next 2 years you are looking for 10, 20 or 30 or what is the number you are looking forward to?

Management: The concept is new and though we wish to, probably we will be able to answer in a future call once we have the feedback from our EOI exercise that we wish to hold very soon. So, may be that will give us better indication, the number that we are likely to hit in next 2 years time.

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

Amit Rustagi: Sir, I have two questions, one relating to the Maharashtra government EV policy, so what do you think would be the impact on our long-term customers because of this policy like auto rickshaws and others, have we done any analysis on that?

Management: I think we have been answering this question on almost all the earnings call which we have been having and our view remains consistent, that yes EVs will have some market share going forward, but not to such a large extent and it becomes a very big risk for MGL. Our belief is that initially it will start from the smaller vehicles, the two-wheelers and then the three-wheelers, etc., but a large majority of our CNG volume comes from taxies and private car, of course, there are a good number of auto rickshaws also there, but these auto rickshaws, 3.5 lakh of them, they have valid permits, they have invested the money, so we are sure that the government will allow them to run the course of their economic life at least and whether in a city like Mumbai which is a vertical city, whether there will be enough electric charging infrastructure available to support a large scale EV conversion program in the next 3 to 5 years and then we have our doubts. Yes, EVs will remain a long-term development, but our belief is, it will not eliminate CNG or for that matter even eliminate petrol or diesel. These fuels are used for some time.

Management: And two-wheelers, anyway, it is not our market, right now we are almost nothing.



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Amit Rustagi:

And sir, could you comment on, what is our, like 3 years target in terms of stations whether including MRUs and what is our growth strategy for the next 2 to 3 years and if we can talk about like LNG for transportation as well if we have done some work on these items?

Management:

So, on domestic front, we will be targeting to roll out 300,000 connections this year. So that is the target we have set for ourselves. We did 200,000, year before last, before the COVID thing happened. Last year, we were at 1,21,000, so 300,000 target is what we have set for ourselves and on top of it, as far as CNG stations are concerned, last year we had opened 15 stations and we had upgraded around 25. So, this year also, we plan to do at least 20 odd new stations and upgrade another 25-30 existing stations and as far as MRU is concerned, as I had just responded that with regard to MRU, we will have to wait for some more time. We just want to, this is the new concept, which is being introduced in the market, it has to cross some initial hurdles of authorization by various authorities and other authority should start getting a sense of comfort with this new concept, so we think that 8 to 10 should be a good number to start with in this year because the advantage is that the lead time is very short. So, once we place an order, it is only a matter of putting up a cascade and a cylinder and a compressor and a dispenser on a truck and then drive it to a location and then start dispensing and get it plied between mother station and that location to get it filled up. So, the gestation period of this projects or the individual project is going to be short. So, we hope that 8 to 10 number is something which we should target to achieve in the short term, may be this year and next financial year. As far as LNG station is concerned, as you may be aware that we are planning to erect two stations, one is under construction in Savroli near Khalapur, so there the LNG tanks have all been installed, so we wish to commission by the fag end of this year and other station that we are planning to put up is on the Mumbai-Nashik Highway. The land has been shortlisted and there it may take a year, year, and a half to put up that stations, but two stations in the proximity of 25-30 kilometer should be good enough to serve the market for the time being.

Moderator:

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

Sabri Hazarika:

So, I have three questions, the first one pertains to the quarter-on-quarter reduction in gas cost, so anything specific because there has been not much change in various parameters except spot was down, but that also shouldn't have led to 11-12% kind of Q-o-Q drop in unit gas prices?

Management:

You have partly yourself answered. The reason is obviously spot gas. The prices have dropped from almost \$10 MMBTU to \$7 MMBTU. That is number one. Secondly, in case of this RIL gas also which we have contracted for 1 lakh SCMD, that price was also bit down and you have to remember, as compared to the normal business, CNG sales is substantially down, so on weighted average base, generally industrial commercial as a percentage is at least 16% or so, but in this case, it has been relatively higher. So, a combined effect of this is that whatever gas cost we are observing which is down from 9.83 per SCM to 8.70.



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- Sabri Hazarika:** And what is the current level, what should be the current run rate for that?
- Management:** Volume's point of view?
- Sabri Hazarika:** No, from that 8.7, so how much is it right now, but should it be any rough-cut estimate?
- Management:** I think we cannot directly talk to you about that, but from volume's point of view, CNG is definitely picking up fast now. So otherwise, obviously APM there is no change, but spot gas have gone up substantially. I think spot is hovering around even \$14 MMBTU and may be for some time it will continue at least \$10-\$12, so it is definitely a bit costlier right now.
- Sabri Hazarika:** Second question pertains to this, ONGC GAIL pipeline, I think you have taken this recent price hike as a response, I think after the APTEL transferring it back to PNGRB so it is certain that this impact would come into your financials, right?
- Management:** No, I think, okay, first of all this is a subject matter of quarter 2, this development whatever price rise, etc., we have taken, it is in quarter 2, so not too much we can talk right now, we will have to concentrate on quarter one results, but this is the question which you have specifically asked as well as I know many others may be interested in knowing this, so what we can briefly at least explain, though detailed explanation will be given a little later, but whatever the price rise has been taken, it is predominantly to take care of the transportation cost increase which has happened in case of Uran-Trombay pipeline with effect from 6th or 7th July this current quarter. What has happened, so going forward there is a change in the transportation cost for which one of the primary reasons for this price rise has been taken apart for many other things whereas earlier period the court case or whatever the case which was already going on continues that case has not yet been decided, in fact APTEL has remanded back that case back to PNGRB to review it and this time APTEL has even almost pointed out what are the specific questions or matters which PNGRB should look into before giving once again their verdict. So past it still continues to be a contingent liability whereas going forward, no doubt the transportation cost has increased and MGL has also accepted it, but for which we already taken a price rise to recover the cost.
- Sabri Hazarika:** And just lastly it is in addition to this only that now you have taken this hike, which is quite 2.6 is a significant hike compared to like past levels and going forward there is an expectation that may be gas prices can jump by almost like more than \$1 MMBTU which could roughly translate into Rs. 6-Rs. 7 per kilo kind of an increase for you in case of CNG, so are you comfortable taking such a hike at one go or would you more be like, would you try to take it gradually and whether that upcoming gas price hike some of them has already been like taken in this recent Rs. 2.6 hike or not ?
- Management:** Ability to pass through the cost is definitely there with the company. What another important factor needs to be seen, what is the value proposition we are offering, indirectly what is the price



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levels of petrol and diesel. Right now, you know the discount levels are almost 66% and something like 47% as compared to petrol and diesel, so such scenario continues or if this differential even widens, we might be in a position to take the price rise even within one shot also, but any time we take any pricing decision, we make a combination of what is the cost impact for us, at the same time our primary motto of the company is always to offer value proposition and keep encouraging new conversions and adoption of CNG vehicle owners. So, I think, depending upon these two factors the decision will be taken. The one-line answer is, ability exists.

Sabri Hazarika: And this Rs. 13 to Rs. 14 EBITDA per SCM is, I think it is sustainable or it is like, should we start assuming this or do you think that it can be like more range bound between 12 to 14 something of that sort.

Management: I think you have already asked two questions; I think let others ask they are waiting.

Sabri Hazarika: Yes, this is the last one.

Management: See, this is a bit complex question right now to answer, but hopefully it should be a question in the minds of everybody, so may be right now I will try to elaborate. See, there are at least 6-7 factors which we will have to take into consideration when we are talking about this EBITDA, it is not necessarily in a particular order if we talk about I and C margins, I and C margins will be dependent upon sales realization on one hand and cost of spot gas or whatever RLNG we procure. So hopefully with oil price levels remaining same, whatever they are as it is or might be even higher kind of thing, then the sales realization should be okay. From that point of view, margin can continue in the industrial sales, whereas right now we talked about that there has been some increase in spot gas which we have recently seen, I mean reaching as high as even \$14, say there could be some adverse impact on I and C margin from spot gas point of view, but some solace to us is I think we did some efficient action in contracting out for RIL gas and around 1 lakh standard cubic meter of gas which will be available to industrial and commercial which will be much cheaper than the spot gas. That is going to be one of the advantages which we will continue even in future also for us. Another important factor in case of domestic and CNG, whatever transportation cost rise or anything we are talking about, we have already taken the price rise in the month of July, so that transportation cost is going to increase going forward particularly for Uran-Trombay, the cost is already covered up, so at least status quo can be maintained particularly from that factor point of view in case of CNG and domestic margins. Another important factor could be in case of, CNG volumes are picking up well now and there is some talk of lockdown even getting lifted either fully or at least further getting relaxed by August 1st or so, so that will lead to a good jump in CNG volumes which may in turn result into drop off per SCM OPEX, which can help us to improve to some extent EBITDA margin, but there are other factors which also need to be borne in mind is this negotiations with OMCs are still on for our trade discount, so that could be a very important point to wait for and it can have



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good amount of impact on the margins of the company. So, all these factors need to be taken into consideration saying just now, one liner answer is going to be very difficult for margin point of view and last but not least I think I forgot to make most important is rupee dollar exchange rate because most of the gas I am almost all gas is procured in dollar terms whereas the sales realization in rupee terms. So, the external factors also we need to bear in mind. Minimum all these factors need to be taken into consideration, but whatever it may be, I think what is important to see is in absolute terms, the rupee per SCM margin is very sound and last year also it was somewhere around Rs. 11.5 if you know for 2021. So, we are confident at least better than last year's margin will continue and on standalone basis also these are attractive margin, even if by chance we have to assume that some adverse impact is to be seen in next quarter.

Moderator: Thank you. Next question is from the line of Mayur Patel from IIFL Asset Management Company. Please go ahead.

Mayur Patel: Can you just give some color about what is the improvement in conversion of CNG private vehicles currently because now things have opened in Bombay and per month basis if you can share some insight, it would be helpful?

Management: If you look at the CNG vehicles addition, quarter-on-quarter, in Q1 actually there was a small dip because of the second wave which hit in April and bit of May, so the conversion numbers were lower than the Q4 numbers of last year, but now with the things improving, we are seeing a lot of new interest coming into the OE segment especially where Maruti, Hyundai, Honda, Toyota, everybody and Tatas are now planning to coming on CNG .since Maruti was always there, but the others are also now joining with lot of OE Tata has recently announced CNG versions of Tiago and Tigor and Maruti has recently announced CNG versions of Swift and Swift Dzire and with the price differential between CNG and petrol which we are seeing nowadays, we are seeing more private car sale than sale of new auto rickshaws and taxies. Going forward, assuming the third wave is not eminent or whatever, our CNG volumes also picked up to what they were at pre-COVID levels. Hopefully, going forward, there will be growth from here.

Mayur Patel: So, we have already reached the pre-COVID level, CNG volume?

Management: In the current quarter.

Mayur Patel: No sir, I am talking about the current month in August, now every month the volume pickup is better for every industry now?

Management: I can't really comment on July, but in Q1 we have not hit pre-COVID levels and we are may be at 95% to 100% from that level.



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- Management:** Fast improving, definitely and with this talk of from 1st August opening up and all that I think definitely we should be able to achieve those level.
- Mayur Patel:** And sir, in the past the management has always given this confidence that whenever there is any increase in OMC commission or APM price hike, given that we have that pricing power and the discount to petrol and diesel is very attractive, we will go ahead and pass it on to maintain margins, so is it fair to assume that there is not much risk on these two factors?
- Management:** It all depends ultimate, it is a matter of negotiation, so until final figures are out, straight away it cannot be commented, but right now this OMCs are trying to negotiate on pan India basis, so it is going to be definitely a complex matter for them also that whether it could be the common price hike for each and every CGD entity. That factor also remains to be seen. There are oil marketing companies, so even ministerial interventions are possible to be seen over there and we, yes, speaking purely from MGL point of view, definitely ability to pass through is there because as regards value proposition we offer with respect to diesel or petrol, the discount levels are much more right now and some amount of provisioning also whatever on estimated basis we have taken, so we are confident we should be able to take care of whatever cost increases come up.
- Moderator:** Thank you. The next question is from the line of Aishwarya Agarwal from Nippon India Mutual Fund. Please go ahead.
- Aishwarya Agarwal:** Sir, I couldn't understand, your current CNG volumes are higher than pre-COVID or not right now?
- Management:** We are approximately at pre-COVID levels.
- Aishwarya Agarwal:** The second is, how do you see the growth in the CNG volume, any expectation in terms of 5%, 7%, 10% or what are the key, we understand that there is a difference in the gas and petrol, diesel prices which should lead to higher conversion for more buying of the CNG vehicles, but are you witnessing those kind of growth or the new vehicle or may be the lines in your existing outlets?
- Management:** Yes, we are seeing growth in our new vehicle addition especially in the passenger car segment. As I mentioned earlier, the growth is not that high in the three-wheeler segment. Pre-COVID, usually equal share used to come from three-wheelers and four-wheeler cars. Now the ratio is more of 2:1, for every 2 cars there is only 1 auto rickshaw, but again from 1st August or going forward, the volume and conversion will be a function of how the unlocking progresses. Even today, the government of Maharashtra has been relatively conservative and is maintaining that level 3 kind of shutdown in Mumbai whereas we actually could have been a bit more liberal, but they have been conservative. So, more freedom is given, people will start moving more, CNG sales will definitely increase and if third wave comes up, next month, three months down the



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line, the numbers will go down again. So, it is very difficult to say exactly even next quarter are we having 5% growth, but if you look at it directionally, assuming COVID is a transient from here, may be one-year, two-year kind of thing, directionally, yes, we have been saying that growth of 5%-6% CAGR is possible for many years to come and if there are any regulatory interventions regarding use of clean fuel etc., like what has happened in Delhi or NCR, then the growth can easily move to double digits.

Aishwarya Agarwal: Sir and while you anticipate the growth to come, what are your plans to increase your dispensing capacity?

Management: We have 2-3 things there; one is of course we are opening new station wherever we can. We are upgrading the capacities of our existing stations wherever we can. We are taking new technological initiatives like we have developed a small footprint CNG station which can come up in just 300-400 square meters of land. Now, we have gone and taken that one step further and started getting into MRU mode where you don't even need permanent land. So, we are trying both and again we are partnering with oil-marketing companies, we are partnering with state transport undertakings and we are partnering with private entrepreneurs to open as many CNG stations as we can.

Aishwarya Agarwal: Sir, can you quantify, the answer you gave is right directionally, but can you quantify that your dispensing capacity or may be the number of dispensers you are going to add in next 6 months, one year, two years versus what was before?

Management: The number of CNG station additions had been mentioned some time back.

Management: 274 today. Totally we have 274 stations with the dispensing capacity of around 35 lakh KGs per day and we are targeting to add around at least 20 stations this year and upgrade 25-30 stations this year and try to set up 8 to 10 MRUs this year, so this is what is the plan for current year and going forward, we wish to scale it up even further and if you want the number of dispensers on an average, each CNG station have got two dispensers, these are dual hose dispensers so that is four filling points.

Aishwarya Agarwal: The quantum of jump in terms of capacity addition on a 270, adding 20 dispensers in a year is not a great number I would say, but this is what I feel, but you can indicate that this 20 dispenser's addition can support what kind of volume growth in CNG?

Management: Not just these 20 CNG stations, you also keep in mind that the current 274 stations which we have are running at an average utilization of less than 50%, so even without addition of any station there is scope to increase sales volumes, but directionally because demand is there, because you want to stimulate that demand further, we are making sure that on the supply side,



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make it as convenient as practically possible for the people to convert the CNG and get the vehicles filled.

Management: The upgradation which we are doing, all the upgradations involve addition of at least one more dispenser in the station, so that also adds on to the kitty and every new station, is giving you at least 2 dispensers which is 4 dispensing points, it is actually in the 100s. and not 20 or 40 or any such number.

Aishwarya Agarwal: And in this context, also can you help that pre-COVID, what are the utilization of these stations versus we are below 50% now?

Management: Pre-COVID used to be about 50%, we are marginally below that because we have added some stations in the last year and this year whereas the sales are just about reached pre-COVID levels.

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

Nitin Tiwari: My first question is a book keeping one, please give the CNG sales volume in KGs and bifurcation between industrial and commercial sales?

Management: Second question first, CNG volumes in KG for this quarter were 10.15 crores as compared to previous quarter, if you wish to have 13.35 crores in KG. this is the CNG in KG. Second question was, about industrial commercial sales, isn't it?

Nitin Tiwari: Right.

Management: So industrial sales volume is 0.260 MMSCMD in this quarter as compared to 0.25 in the previous quarter that is Q4 financial year and commercial category, it is 0.120 MMSCMD Q1 whereas 0.153 in Q4 of the previous financial year.

Nitin Tiwari: And sir, my second question is regarding the upgradation you spoke about of CNG station, so what is this upgradation actually basically is about and I would like to know what you do in that upgradation and what is the kind of investment involved per station when you upgrade?

Management: See, when we talk of upgradation, there could be 2-3 things involved, one is, if the life of the compressor is substantially over, then naturally we replace that compressor. That is number one. Secondly, while replacing, if let us say earlier compressor was of 750 SCMH capacity. We may think of putting up 950 or 1200 SCMH capacity compressor also. So, throughput level increases and that benefits in dispensing more gas. Upgradation can also mean rearranging the entire design in such a manner that one or two more dispensers can be put in over there. So, this is what we mean when we talk about upgradation of the existing outlets.



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Nitin Tiwari: And roughly, sir, what is the investment that is involved in upgradation and how does that compare vis-a-vis and new station?

Management: It is very difficult, it depends on station to station, but there will be marginal difference in the capacity of compressor is getting changed. It generally doesn't change in the direct proportion that is if 750 is becoming let us 1200 or 950 SCMH, it may not proportionately change, marginally it can change. So, couple of crores could be involved at the most, even if there is one compressor plus two dispensers and other things are involved. Civil-related costs are generally very minor.

Nitin Tiwari: So, speaking on that topic of CAPEX, what is the CAPEX number for the year that you have planned?

Management: This one is, what we are planning and one is, what is really going to happen on the ground. I think we have drawn a very aggressive plan, but one thing obviously depends upon what is going to happen to lockdown that is number one. Secondly, even these various statutory approvals which we are required to take, generally all those approvals do come in the hard copy form, not in soft form, so those challenges are also faced by us. If we get all these permissions, etc., in time and things start soon right from 1st August, let us say, if we assume, lockdown is completely lifted, then from budgetary point of view, we are ready to spend even 800 crores. That kind of aggressive planning we have undertaken, but all depends on the approvals and other things and of course, any resurgence of pandemic related things.

Moderator: Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.

Vidyadhar Ginde: My first question was that, until December 2019, you had CNG and PNG, you used to get some small quantity of Panna-Mukta-Tapti gas which was at a high price and since then now I think the entire gas which you get is at a low price, so could this change sometime in the future or do you expect that you will continue to just get APM gas for CNG and PNG?

Management: When we get some APM gas, we also get something called non-APM gas at the same price of the APM gas and both these put together, meet our requirement of previously what we used to get from APM and PMT and PMT, we used to get at Hazira, so now some of this APM and non-APM gas, also GAIL is allocating to us from Hazira. So, yes, our cost has come down a little bit because PMT gas was more expensive compared to APM or non-APM gas.

Vidyadhar Ginde: No, I was saying is that because CNG and PNG has top priority for usage of domestic gas and therefore as the domestic APM gas consumed by you keeps going up and that gas availability is very limited, actually it is going down, so as your volumes go up CGD sector as a whole CNG and PNG, power, fertilizer are getting less and less of some domestic cheap gas, so because of



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that, could you see a possibility that government says that or even for CNG and PNG, you start using may be some LNG or some of the deregulated gas which gets auctioned, you can use any deregulated gas?

Management: The fact is that PNG has been afforded top priority based on the Supreme Court decision in the matter of Dhrangadhra Prakruti Mandal Limited, this was a precursor to the ministry issuing the guideline according topmost priority to CNG, PNG, so we do not foresee any such thing happening really...

Vidyadhar Ginde: If I am not wrong, Supreme Court was more than happy with 80% of it being APM gas, it was only the minister in Feb 14 changed it to 100%. I think over a period of 2-3 months from December, Supreme Court never said 100%, it said same combination of gas for all CGD companies?

Management: It doesn't even say that, but I will take that point, but as we don't foresee that priority getting changed in near future.

Vidyadhar Ginde: Sir, not priority, you saying is that you would, just as earlier also you are getting, even then you were not getting entirely cheap gas, you are getting some Panna-Mukta-Tapti, so effectively, so that is what I am just asking you?

Management: Even if, we have to take 10% RNLG or some other expensive source of gas, the headroom available for us is huge to increase. Domestic PNG is a price inelastic demand and people took at home and they will continue to do so and LPG subsidy has gone away, so currently there are almost 30% discount to domestic LPG and in CNG you know the kind of headroom is available, so 10% reduction in domestic gas doesn't really worry us too much.

Management: To answer your question in short, we do not foresee the possibility of CNG, PNG sector getting allocated less gas than what they are consuming in the previous 6 months.

Vidyadhar Ginde: Last question Given here is that given the Henry Hub and UK NBP prices are moving right now, next year, APM gas is likely to be very sharply higher, do you think that is some may be \$5, \$6, it if moves up to which it is looking like a decent possibility, you may have problem which gets to that level to maintain these margins, passing it on largely I think is a high possibility, but given the kind of lofty margins you are setting on, do you think that you will be able to pass on if, let us say, the APM, again it looks like a very good possibility that next year's APM gas price in H1 and H2 could be well over \$5, could be somewhere between \$5 to \$6?

Management: If you look at CGD history, there have been years in which APM gas price had been more than \$4, you are touching \$5 at one point of time. They have also flourished in that environment. We were taking good quantity of PMT gas, which is almost \$6 per MMBTU, so it is not that much



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of a concern. Again, if you are talking and can you pass on the price on one shot or will it be over a period of time, etc., that is something that call we will be taking when we know exactly what is the kind of hike, which has happened and the other various factors which the CFO mentioned, affecting margins, so we will be taking a holistic view, keeping in view everything and of course the prime concerns are we will not do anything which can potentially impact onboarding of new customers, so we want volume growth. So, we will not price our CNG or PNG out of the market.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Just wanted to check on continue with the previous questioner, so in the future there is a possibility that you may have to club compressed biogas with APM and as per the pricing which I see, I think this compressed biogas may be available at \$10 to \$11 per MMBTU, so that again, even though we don't know the ratio of how much CBG has to be taken, but that can increase the input gas pricing per CNG and domestic PNG, just wanted to understand, is there any direction or talk when this could get added in your APM gas when that can come from the government side?

Management: See, there is already a policy in place called SATAT which is announced by ministry of petroleum and natural gas wherein we are promoting the uses of compressed biogas, but coming to your specific point whether it will impact the overall basket of APM gas and non-APM gas which is allocated for CNG PNG, going forward we don't even think that it will touch the percentage of 4 or 5% in the coming few years, so we do not foresee much of the impact on the overall weighted average cost of the APM, non-APM gas available for CNG PNG.

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

Soumaya V: Sir, the question pertains to this Rs. 2.6 increase that we have taken, so we have mentioned two cost head there, one is transportation, by and large you have mentioned that it is largely because of transportation, so can you provide between this 2.6, what would be the roughs between transportation and other operational overheads and what exactly is driving the increase for transportation and operational expenditure?

Management: I think details we will mention at the next call because it is not the period where which we are talking about past, but yes, major portion is with respect to the transportation cost and there are some other provisions like this OMC related things and Opex related provisions are also involved, all that clubbed together right now that price rise has been taken.



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- Moderator:** Thank you. The next question is from the line of Kirtan Mehta from Bank of Baroda Capital Markets. Please go ahead.
- Kirtan Mehta:** I had a question regarding the 800 crores of the aggressive CAPEX plan that you had mentioned, if at all it is possible to sort of really go through the CAPEX plan, what are the key element of those plan, could you share some more color on that plan?
- Management:** Yes, it is with respect to everything, there are four major categories, one is high pressure pipeline that is steel pipeline which we talk about. From supply security point of view, some looping we are required to do. There are some good portions of steel pipeline which needs to be laid into the Raigad district, it is part of our minimum work program also as undertaken with PNGRB. There is another important CAPEX aspect with respect to medium pressure pipelines which are MDPE pipelines which we call it. These are artilleries for connecting domestic, industrial, commercial, all types of customers. Third, not necessarily in that particular order, but important CAPEX will be with reference to CNG also, because earlier I think we did mention there will be upgradation of CNG stations as well as new stations which we will be talking about. There is also other element of cost which is a part of either civil cost, there could be some cost relating to our offices, either be it for head quarter office itself or some CRM-related offices and there is of course normal administrative as well as IT related capital expenditure, so all put together and this is for all GA1, GA2, GA3 put together which we have mentioned that given a choice, lockdown is lifted, all approvals come in pretty fast the way we expect, then we have ability to we have even plan for ambitious 800 crores of CAPEX plan.
- Moderator:** Thank you. The next question is from the line of Varatharajan Sivasankaran from Antique Stockbroking. Please go ahead.
- Varatharajan S.:** Sir, I have two questions. One with regards to your BEST buses and whatever updates you are giving earlier where are we today and secondly any kind of a breakup in terms of Raigad district versus the other GAs in terms of all the new stations and the other numbers?
- Management:** As regard to BEST 500 buses had added on some months back. They have come out with fresh procurement plan for another 500 and we are expecting that those 500 buses will come on stream within the next 2 to 3 quarters and we are upgrading our CNG infrastructure inside the BEST depots to accommodate these buses.
- Management:** And I think your second question was probably something to do with CNG infrastructure or outlets in Raigad, currently we have 19 CNG stations operational in GA3 or Raigad.
- Varatharajan S.:** Can I know that you added any breakup between what happened in Raigad and Mumbai?



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- Management:** There were no hard breakup and again the number or outcome of where we get the formation, where you get the land etc., but roughly it could be about approximately 25% to one third could be in Raigad.
- Moderator:** Thank you. The next question is from the line of Aishwarya Agarwal from Nippon India Mutual Fund. Please go ahead.
- Aishwarya Agarwal:** Sir, can you share the volume which has gone because of schools are not operating and school buses are not running?
- Management:** Unlike Delhi, we don't have too many school buses which are running on CNG, so the volume impact on account of that is negligible.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Probal Sen from Central Broking Limited for closing comments.
- Probal Sen:** Thank you very much, Mallika. I would like to thank the management for being so patient and taking, I know that there were a lot of questions. I apologize to some of the participants, we had to do a hard close at this time. One small question from my side sir, if I can take the opportunity, you mentioned about the Uran-Trombay pipeline, can I get a sense of what is the tariff now vis-a-vis what it was earlier, the transportation tariff in rupees per MMBTU or rupees per SCM, whatever you can share?
- Management:** It is there on the regulator website.
- Management:** About Rs. 34 per MMBTU approximately. This tariff we started paying from 7th July onwards. So, you can take it a round figure of 35, just for calculation.
- Probal Sen:** Thank you very much sir for taking the time to answer questions in such detail. I would like to thank everyone for participating. Sir, would you like to say some closing words.
- Management:** No, thank you very much and we also apologize due to this technical fault, I think we started of late, but hopefully we have tried to compensate a little bit by extending our time. Thank you very much to all for joining the call.
- Management:** Stay safe, thank you.
- Probal Sen:** Thank you everyone, you may now log off from the call.
- Moderator:** Thank you. On behalf of Centrum Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.