



MAHANAGAR GAS LIMITED

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To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Scrip 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 December 31, 2019.

Dear Sir/Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that an Earnings Conference Call on Unaudited Financial Results for the quarter ended December 31, 2019 was held on Monday, February 10, 2020 at 3:30 PM (IST).

Please find attached herewith the transcript of the aforesaid Earnings Conference Call. The same may also be accessed on the website of the company i.e. www.mahanagargas.com.

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

For Mahanagar Gas Limited

Sagnan Srivastava
Company Secretary and Compliance Officer

Encl.: As above





**“Mahanagar Gas Limited Q3 FY20 Earnings
Conference Call”**

February 10, 2020

**MANAGEMENT: MR. SANJIB DATTA - MANAGING DIRECTOR
MR. S. M. RANADE - CFO
MR. RAJESH WAGLE – SR. VICE PRESIDENT -
MARKETING**

MODERATOR: MR. MANIKANTHA GARRE - AXIS CAPITAL LIMITED



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Moderator: Ladies and Gentlemen, Good Day and welcome to the Mahanagar Gas Limited Q3 FY20 Earnings Conference Call hosted by Axis Capital 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manikantha Garre from Axis Capital Limited. Thank you and over to you, sir.

Manikantha Garre: Thank you Faizal. Good Evening everyone. On behalf of Axis Capital, I welcome all participants to the conference call. Today, we have with us Mr. Sanjib Datta – Managing Director, Mr. S M Ranade – CFO and Mr. Rajesh Wagle – SVP, Marketing. We will start with brief overview of the company’s performance for Q3 FY20 and then we can switch over to the Q&A session. Thank you and over to you, Richa.

Management: Thank you Mani. Before we begin, I would like to mention that some of the statements made in today’s discussion maybe forward looking in nature and we believe that expectations contained in the statements are reasonable. However, the nature involves number of risks and uncertainties that may lead to different results. The risk and uncertainties relating to the statement includes but are not limited to risks and uncertainties regarding fluctuation in sales volumes, fluctuations in foreign exchange and other cost and our ability to manage growth. I urge you to consider that quarterly numbers are not a reflection of long term trends or an indication of full year results. They should not be attempted to be extrapolated or interpolated in future numbers. Over to you, sir.

Management: Thank you and good afternoon to all of you and welcome to the Earnings Conference Call of Mahanagar Gas Limited for the third quarter of the financial year 2019-2020. I would like to thank all of you who have connected for earnings call today. As you are aware the government of India plans to raise the share of gas in India’s primary energy mix from the current level of 6% to 15% by 2030. In consumption in CGD sector will have an important role in that transition. On the supply side, imported gas accounted for 54.3% while domestic gas accounted for 45.7% of the total gas consumption as reported till end of the third quarter under the current financial year. In the recent union budget, the government’s announcements to expand the gas grid to 27,000 kilometers from 16,200 kilometers and the plan to facilitate transparency in price discovery is likely to strengthen the natural gas market in India. This will also support further expansion of the CGD sector.

As far as gas pricing is concerned, the price of domestic gas based on government set formula has been pecked at \$US 3.23 per million metric British thermal unit or MMBTU for the period from October 2019 to March 2020 as against the price of \$US 3.69 per MMBTU for the period from April to September 2019. Besides spot gas prices witnessed a downward trend for almost three quarters. Beginning February 2020, the pricing for LNG deals in India and bid for cargos



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in North East Asia have fallen to unusually low levels of about \$3 US for MMBTU. The LNG market has been hit by a dip in Asian demand due to warmer than usual winter temperature and the Coronaviruses outbreak while the market has remained to be very well supplied by projects around the world. Our conscious decision to rely more on spot gas than on mid term or long term contracts have helped us to improve margins in the industrial and commercial categories.

In order to further expand CGD network, PNGRB is in the process of finalizing geographical areas or GA for forthcoming 11th CGD bidding round. In this regard, PNGRB has released a tentative list of 44 GA for suggestions and views from the stakeholders. We shall be evaluating the offered GA's once the 11th bidding round is formally launched. MGL today is a strong incumbent in the CGD sector with significant strength and core capabilities. MGL has presence in attractive and contagious GA of Mumbai, Thane and Raigad where there are significant opportunities to capture growth in both CNG and PNG segments.

Coming to MGL operations, we are rapidly expanding our CGD network in the existing license areas. During the recently concluded quarter 31,006 domestic households were added. Today, we have more than 1.24 million household customers connected with pipe gas. We also had a net addition of 74 industrial and commercial consumers and thus as on quarter end we had 3,997 industrial and commercial customers. Besides as on quarter end we had 248 CNG stations supplying CNG to around 7.42 lakh vehicles and our aggregate of steel and PE pipeline network stood at 5,513 kilometer. With respect to our Raigad GA we added more than 6,000 domestic PNG connections in this quarter, 13 CNG stations are currently operation in Raigad. CNG sales in Raigad has touched 32,000 Kgs a day and is expected to go up when some more CNG stations become operational in coming months.

During the quarter, we are seeing a growth of about 3% in overall total sales volume over the corresponding quarter in the previous years. CNG sales volumes grew by 2.4%, domestic sales volume grew by 6.6% while the industrial and commercial sectors sales grew by 3%. Overall, the PNG volume grew by 4.8%. Gross margin is higher in value terms in the current quarter as compared to corresponding quarter in the previous year mainly due to higher volumes in CNG and domestic PNG sectors with better price realization and lower cost of spot gas used for industrial and commercial segments. EBITDA margin was 34.8% at Rs. 259 crore in the current quarter as compared to 31.8% at Rs. 239 crore in the corresponding quarter of the previous year.

Net profit after tax grew by 25.4% from Rs. 148 crore in the corresponding quarter of previous year to Rs. 186 crore in the current quarter. Compared to immediately preceding quarter there is a marginal increase in total sales volume in current quarter by 1.8%. CNG volume is higher by 1%, domestic volume is higher by 8.2%, however industrial and commercial sector is marginally lower by 0.3%. Gross margin is 52.1% as compared to 51.4% recorded in the immediately preceding quarter. Industrial and commercial price realizations linked to alternate fuels were lower as prices of bulk LPG, LSHS, LDO and 19 kg cylinder dropped in the range of 2% to 17%



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compared to the previous quarter. As a result, EBITDA for Q3 is Rs. 258.9 crore compared to previous quarter EBITDA of Rs. 273.4 crore. Net profits after tax for Q3 is Rs. 186.1 crore compared to previous quarter figure of Rs. 270.6 crore. Since reduction in opening deferred tax liability of Rs. 56.7 crore and impact of higher provision of tax in Q1 was adjusted in Q2 on account of lower tax rate of 25.17% as introduced by the taxation law amendment ordinance. With this, I conclude and would now like to open the floor for questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Tiwari from Antique Stock Broking. Please go ahead.

Nitin Tiwari: So my question is related to pricing actually so as you all know that PMT field is now transferred to ONGC and the gas price which is applicable over there is the nomination gas price, but I suppose like we have not taken a price reduction so far in this quarter, so what is consequently what is the outlook for the margin, do we see margin expansion from here on going forward because general expectation is that overall domestic gas price might also go down in April, so how do we see this number the EBITDA per unit number so to say that in light of all these developments so one is that and then I will ask rest later sir?

Management: You are right whatever you talked about PMT that change in source could be beneficial to the company. However, generally as you are aware company takes call on the pricing front generally twice in a year. So, we will wait till the outcome of APM prices are known to us on 1st April and a consolidated decision will be taken.

Nitin Tiwari: So, no decision is expected at least in this quarter that is what?

Management: As of now we have not thought of anything immediately.

Nitin Tiwari: Secondly sir just a couple of book keeping questions so if you can bifurcate, give us the bifurcation of volumes between industrial and commercial and the CAPEX number for 9 month so far and the outlook for next year?

Management: Ok, as regards volumes so you are talking Q3?

Nitin Tiwari: Yes, Q3 sir industrial and commercial volumes separately?

Management: Industrial is 0.227 MMSCMD and commercial is 0.189, CAPEX so far around 300 crores we have spent in December and we are in estimate anywhere between 450 crores to 500 crores.

Nitin Tiwari: And we are going to spend about almost same sort of number in next year as well 450 to 500?



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- Management:** It depends on the permissions obviously which is always an important factor, but yes otherwise it could be in that region.
- Moderator:** Thank you. The next question is from the line of Vijayant Gupta from Edelweiss. Please go ahead.
- Vijayant Gupta:** I had a question around open access so ultimately how do you see the CGD structures I mean given the split of GAIL into transmission and marketing, do you think that we would have CGDs as well split into distribution and marketing and in that event how do you see the marketing operation faring given that GAIL and OMCs have tied up gas at the source and secondly in terms of promoter shareholding, so GAIL 32% in MGL, how do you see that shareholding panning out?
- Management:** So as regards the distribution between infrastructure and marketing the regulations for transmission are a bit different from distribution. In the transmission segment, there is some language around separation of these two functions clearly whereas in CGD gas distribution or regulations that requirement does not come up. So, what we understand the government and the regulator are trying to do in this yes, they are definitely talking of opening up the networks especially of the older CGD players which would mean provide an access to our customers at a tariff which is decided by the regulator. However, there is still some work to be done on that because tariff determination, regulations have not yet been framed and notified by the PNGRB So it would take a little bit of time before that finally fructifies.
- Vijayant Gupta:** Is not there a conflict of interest I mean one entity owning both the infrastructure as well as marketing I mean it is a similar issue as GAIL did?
- Management:** So as regard city gas distribution is concerned you know there is a concept of network tariff which will of course not yet fixed for MGL for its existing areas, but that will take care of transportation rest will be the marketing margin whatever we get it over here. So, it is very clear in case of city gas distribution whereas as regard GAIL I think Mr. Wagle has already explained.
- Management:** And there was conflict of interest as such I mean if the regulations and everything framed in a robust manner, I mean competition can happen, I mean it can always be made a level playing field.
- Vijayant Gupta:** Internationally sir how are you seeing I mean for example in Europe and US, how is the CGD structure and I mean is it a bifurcation or there is some capacity a revision for third party players?
- Management:** See usually once the whole network matures little substantial penetration has been achieved then they open up the network. The trend is in the initial period of development and years they give us some marketing exclusivity also so that development can happen on a proper planned manner.



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- Moderator:** Thank you. The next question is from the line of Amit Rustogi from UBS. Please go ahead.
- Amit Rustogi:** Sir, could you give us a breakup of the new vehicle addition in the 9 months like how many cars, buses and the three wheelers have been added in Mumbai and our geographical areas?
- Management:** On an average if you look at about 6,000 vehicle additions every month roughly 3,500 odd would come from your private cars and taxis etc and 2,500 plus would come from auto rickshaws very few come from heavy commercial segment and recently we have seen the addition of couple of 100 buses from BEST and this ratio more or less has remained constant between maybe a year back or so there are more rickshaws converting, but now it is stabilized to about 3,500 odd cars and about 2,500 odd rickshaws.
- Amit Rustogi:** And sir with respect to the margins we have seen that with domestic gas prices going down we have been able to expand our margins quite well and to a significant you know nearly doubling in last 5 years, so where do you see further margin expansions from here because the domestic gas prices are going down further from April 1, 2020 and so how long we could see this margin expansion continuing and if we remain like a monopoly then this power can we keep on exploiting in the coming years as well?
- Management:** First of all, we will have to wait till 1st April until the formal announcements are made and thereafter the decisions will be taken. You are aware that we have been sharing benefit with the customers in the past as well. So, it is not that entire benefit was occurring to the company, but we also need to take care of the cost increase which takes place for us be it OPEX or FOREX related changes or ultimately depreciation element from CAPEX point of view. So, all points will be taken into consideration and the final decision will be taken post 1st April.
- Amit Rustogi:** So that is why actually for cost consideration we are considering the EBITDA margin versus so if we look at last five years so our EBITDA margin which used to be like around Rs. 6 to Rs. 7 per SCM is now around Rs. 9.5 to 10 per SCM?
- Management:** Right.
- Amit Rustogi:** So, like given the trajectory of domestic gas prices going down, can we expect further expansion in the margins from here in the coming quarters or we think that we have reached a sufficient margin level which can take care of our CAPEX requirements?
- Management:** I think anyway current level of margins can take care of CAPEX requirement because cash generation is good, we have treasury surplus also. What we can leave on the record is scene on the margin front is positive that much definitely a statement can be made.



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- Moderator:** Thank you. The next question is from the line of Roshan Raghavan from Ithought. Please go ahead.
- Roshan Raghavan:** My question was on the potential for CNG going forward with automobiles, so we have already seen Maruti Suzuki move out of diesel and even more recently Volkswagen group is also considering moving out of diesel if I am right, so I just wanted to know your opinion on the potentials for CNG in private vehicles?
- Management:** The potential is looking good because diesel with the BS-VI kicking in, vehicle cost the fuel cost can become a barrier, cost conscious market like India. So, it is a positive for CGD or CNG.
- Moderator:** Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.
- Anubhav Aggarwal:** So, question was on the CNG realization this quarter CNG realizations are down almost like Rs. 1.5 per SCM, I am talking September to December quarter, whereas the APM gas cost reduction was much lower, so certainly our CNG margins are little lower per unit margins, can you just throw some light here that why did you choose to let us say cut prices more than this quarter in the APM cost deduction?
- Management:** Which are the quarters you are trying to compare?
- Anubhav Aggarwal:** September versus December quarter.
- Management:** Okay one is you must be aware that there was a cut in APM prices. So accordingly, we have passed on the benefit to the customer, the APM price had a drop down from I think 3.36 to \$3.23 per MMBTU. So, the benefit was passed on to the customer, that is the primary reason and also it could be a combination of different channels through which we sell depending upon combination which emerges for a particular order, the the sales realisation sometimes change a bit.
- Anubhav Aggarwal:** Can the mix impact be so much is it that almost Rs. 0.5 per SCM can just be attributed to the mix impact?
- Management:** No, the primary reason as we said it was the benefit of decrease in APM price was passed on to the customer.
- Anubhav Aggarwal:** So maybe I can understand this mix impact later second question on the industrial segment growth, volume growth I am talking about you have been mentioning that some of the industries moving out of your geographical areas, but if you look at the outlook over next 12 months let us



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say how do you see the segment growing past two quarters were growing at about 2%, 3% volume growth?

Management: In the coming quarters we would expect the volume growth to be slightly higher than this, but maybe not significantly higher because the fact continuous that whatever few industries are remaining in the city of Mumbai are closing down and moving out, but we are managing to compensate for that by connecting new customers in other geographies and of course once the pipeline infrastructure in Raigad we manage to gasify than there will be further addition on the industrial volumes.

Moderator: Thank you. The next question is from the line of Sujit Lodha from Birla Sun Life Insurance. Please go ahead.

Sujit Lodha: So, the NGD order which was implemented in Morbi and NGD stated similar areas in Maharashtra is also **polluting** so if such similar order is implemented in our area what could be the potential growth in the volume in the industrial side like that we are currently at 0.2 where can we go to?

Management: See we have mentioned this in the past also if similar orders are passed in our geographical areas I think relatively short span of time we can go up to three times our current industrial volume.

Sujit Lodha: So, from 0.2 to 0.6 is something which we can go up to.

Management: Yes.

Sujit Lodha: Second question in the total volume how much volume would be roughly contributed by Cab Aggregators and how much of the Cab Aggregators would be on CNG out of the total aggregator population in the city?

Management: That is a very difficult question to answer because aggregators do not come out with these numbers so it is very difficult for us to differentiate.

Sujit Lodha: But any percentage like 50% of the Cab Aggregators would be CNG or 60% I mean any number?

Management: I am not sure, if forced to take a guess I would say about 50%, but clearly very difficult to accurately answer this question.

Moderator: Thank you. The next question is from the line of Probal Sen from Centrum Broking. Please go ahead.



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- Probal Sen:** Sir, couple of questions one, was there any discussion on dividend decision in this quarter? and would you be looking at then dividend by the fourth quarter I mean I was just wondering because the release mentioned that there would be a dividend decision ahead of the board meeting that was my first question and second was out of total 248 CNG stations can we get a sense of how many are now on or being run by the OMCs and how much commission on a per SCM or per kg basis we are paying to them right now?
- Management:** As regard dividend yes, it was considered at the board meeting, which was held two days back, but as you are aware the dividend has not been declared.
- Probal Sen:** Any reason sir because obviously as you just mentioned yourself the cash situation remains fairly comfortable, given our profitability and our CAPEX, so was it just something that we should just wait for Q4 for the full year dividend to come?
- Management:** Yes, it was a board decision basically, future let us see what happens.
- Probal Sen:** And on the second question sir on the CNG front?
- Management:** CNG out of the 248 stations 175 are with OMCs.
- Probal Sen:** And is it possible to share the commission right now that we are paying them sir?
- Management:** Slightly more than Rs. 4 per kg.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.
- Jigar Shah:** My first question is pertaining to the volume during the third quarter and 9 months as you have mentioned there is a decent addition in terms of the vehicles per month which is a fairly consistent trend over the years, but you have seen slight decline in the volume in CNG which is surprising considering that the prices have also have been dropping and the vehicle addition is good, most of the vehicle manufacturers are trying to push for the gas, so all of this is a little bit puzzling, so any color on what is ailing the volume growth in CNG in particular?
- Management:** What we have seen we have gathered till now is the probably the small reduction in the per capita consumption of vehicles. Now what is causing that we are not very sure, but one or two things could be there traffic situation and all the infrastructure work which is going on I do not know whether it is de-incentivize people to use vehicle or something so lesser vehicles on the road and we are not really sure, but the vehicle addition is happening and again these are transient. This time we might have had 2% or 3% growth there have been times when it is better, but again very difficult to give detailed reasons for just a few percentage points of change in volumes.



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- Moderator:** The next question is from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.
- Nilesh Ghuge:** Sir, what is current sourcing mix between APM, non APM and other sources and spot in Q4 particularly?
- Management:** Any other question hold on we will tell the same any other question.
- Nilesh Ghuge:** Only Q3 and Q4 comparison I want that is it sir?
- Management:** Q4 of last year you are talking?
- Nilesh Ghuge:** Q3 FY20 and the current in a Q4?
- Management:** Okay we can tell you right now for the month of December for example not that quarter wise figures are readily available we can take it offline, but say as at December the purchases were something like this APM quantity was 1.539 and non APM priority was 0.872, PMT portion was 0.308 and spot was 0.441 this was December which has of course slightly undergone a change because of PMT. Other details I think we can give you offline.
- Moderator:** Thank you. The next question is from the line of Saurabh Handa from Citigroup. Please go ahead.
- Saurabh Handa:** Sir, my first question was just on industrial and commercial realizations if you could share those numbers for the quarter?
- Management:** Volumes of industrial, commercial.
- Saurabh Handa:** The realization.
- Management:** Industrial is Rs. 26.21 per SCM for this quarter and commercial all categories put together was Rs. 32.97 paisa per SCM.
- Saurabh Handa:** Okay so both these were down quite sharply quarter-on-quarter because of the alternative fuel prices?
- Management:** You are right.
- Saurabh Handa:** And sir is there any indication of the trends currently or in Jan or these are trending?
- Management:** Realizations could be lower, but you must note is seen on spot LNG front is pretty good for us. So, margin point of view nothing to worry on industrial, commercial right now.



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- Saurabh Handa:** Sir and this second question on CNG I mean anything in terms of outlook in the near term, any drivers of improvement in your volume growth beyond sort of 2%, 3% levels?
- Management:** One positive development is that BEST has ordered about 500 new CNG buses out of which 100 plus have already come on stream. The remaining buses will be coming up by the end of March in this current quarter. BEST is also exploring ordering of additional buses beyond that in the coming financial year for which we are understanding.
- Saurabh Handa:** Yes, I was just checking did they complete that point because it seems to just drop off a bit, so the point was just on BEST buses is there anything else you wanted to add or that is it?
- Management:** No, the other vehicle addition is happening at the constant rate of about 6,000 every month, this BEST buses are something over and above after many years after five years BEST has reversed the trend, but the size was reducing. So, this is a positive development on that.
- Saurabh Handa:** This could take your CNG volume growth back to any particular levels, I mean could it go back to like the 5% of levels if these 500 buses come online, is there any sort of indication that you can give?
- Management:** Not really 500 CNG buses will not bump up the percentage is there 3%, 4%. We have 700,000 plus vehicles on CNG of course buses per capita consumption is high, but if BEST adds 500 or 1,000 buses or so it could contribute maybe at most one or two percentage points. The bulk will of the increase if you are looking for in the future, will have to come from the existing customer base.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.
- Jigar Shah:** Sorry I think we got disconnected and you I think answered my question pertaining to that the volume could be affected due to the ongoing infrastructure project in the city and I am not sure if I missed anything else, but what I want to also ask is if you can give a bit of color on your CAPEX or a bit of break down in terms of what kind of CAPEX is being undertaken for CNG, PNG and for particularly for the Raigad district and also the pattern for the next year and whether this itself helps you to push the growth rate in volume?
- Management:** The increasing number of CNG outlet definitely helps us, I mean so far I think we have added 13 outlets by year end we will add 20, 25 odd outlets and definitely at similar rate the growth will continue, very difficult to say each station cost how much but because it depends on compressor capacity, the number of dispensing points, etc., but typically the cost without branch line will be somewhere around 2 crores for each of the outlet so that will be definitely the CAPEX on CNG this financial year also multiplied by number of stations as well as for future year as well couple of year apart from the branch line which you are required to connect between



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transmission line to CNG outlet. On the overall CAPEX front I think earlier we talked about we have so far spent 300 crores in this financial year and year end we may see between 450 crores to 500 crores something similar figure should continue for next financial year subject to getting approval from different authorities. Raigad you talked about I think by this yearend probably we would have spent somewhere around 100 crores cumulative basis and at least around 150 crores will be spent further in the next financial year that is what we aim at once again of course subject to permissions from different authorities including forest department and highway authorities etc .

Jigar Shah: So, sir the bulk of the CAPEX is still happening in the GA 1 and 2 on the pipeline basically on the expansion of pipeline?

Management: As of now yes until now it was major expenditure was on GA 1, GA 2 and it will continue to be so also because GA 1, GA 2 apart from the additional CAPEX we are incurring for geographical spread within this GA 1, GA 2 areas there will be replacement expenditure also coming in picture because these are old areas. So particularly for equipments like compressor, dispenser maybe domestic meter there will be replacement expenditure also.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.

Yogesh Patil: Sir, we read a news flow in a last month that few private CNG pump owners have refused to sign a new agreement with the Mahanagar Gas at a 40% reduced commission, sir what is the latest update on these negotiation and can you please throw some light on this

Management: We are in discussions with some of these dealers who basically that 10, 15 above contracts have expired and they are in the process of renewing them and we are basically figuring out a way in which we can extend them on the 10, 15 years, but with an option of maybe introducing a element of a lease in it. So, on an overall basis it is not the case that the commission is we are reducing or anything, but we could be thinking in a few cases that it makes sense to split the revenue of the dealer into a one stream which will get through a lease payment and other stream which will get through variable component.

Yogesh Patil: And sir my second question is related to your gas supplies which you have bag around 0.3 MMSCMD of gas from R cluster field, so when this gas supplies will start to your industrial and commercial customers and do you still believe that this gas prices from the R cluster field will be cheaper as compared to spot LNG prices?

Management: One thing is this gas purchase is still a far way off almost a year away. It is not that we are buying any gas from any new sources right now and in such a long time frame you know betting on one source of gas always being cheaper than the other may not really be prudent. So, our preferred



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option is to go on a kind of portfolio basis where some gas we could buy the spots, some gas we could buy indexed or linked to some other source, so that is a basically a diversifying our sourcing.

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

S. Ramesh: Can you give us some sense in terms of the kind of peak volumes you can expect from Raigad once we have the critical margin terms of the CNG stations and the industrial customers?

Management: Potential assessment of Raigad and we have done it showed a plateau volume of about 0.6 on MMSCMD.

S. Ramesh: And how long do you think it will take for it to develop the infrastructure and achieve the volumes?

Management: Well it would take at least three to five year kind of a time horizon.

S. Ramesh: So, in terms of the incremental CAPEX you are incurring now considering that some of it is for renewals and replacement, what is the kind of return you would generate is there a risk maybe for one or two years you will flatten out or marginally decline?

Management: Some drop in the return can be expected, but you know the kind of attractive return presently we have probably few basis points here and there should not matter.

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

Vidyadhar Ginde: My first question is regarding this gas pricing in April so do I mean some press report suggesting that there could be a gas price deregulation though it does mention that CGD will be kept out of it, so while answering this question earlier today you have said that let us wait, so do you see that a possibility that gas pricing formula or mechanism may change?

Management: Well, in the near future, means again this decision was of course for the government to make, but with the recent announcement of the PNGRB have 11th round of bidding. Now it looks a bit unlikely in the near future.

Vidyadhar Ginde: But a gas formula changing is a possibility because otherwise the things are going completely against the producer of gas?

Management: But if they do something people will stop buying domestic gas and buy LNG.



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- Vidyadhar Ginde:** So, you do not expect anything to change in April?
- Management:** No, I think in April of course price will change.
- Vidyadhar Ginde:** But not a formula?
- Management:** As per the notified formula.
- Vidyadhar Ginde:** And the second question was your growth, so could one of the reasons be strong growth you had last year on that so growth normalize next year and if say CNG use was made mandatory like in Delhi what is the potential in Mumbai?
- Management:** Well, last year yes growth was stronger so there could be some element of a base effect and relatively lower growth, but again we have been constantly saying that quarter-on-quarter or year-on-year there would be variations and we have been giving a number of five year CAGR in the range of 5% to 6% a few percentage points here and there is always possible. As regards the potential for CNG in case it is mandated in the city of Mumbai it will basically open up a huge market which is currently untapped which is a commercial goods vehicle segment. So, it will definitely give I mean there will be a strong double digit growth.
- Vidyadhar Ginde:** Can you give us some number of so it may take some time, but what is the size of that market if everybody has to convert?
- Management:** It could potentially give maybe another 5 to 6 lakh kg per day.
- Moderator:** Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Sir, there was a news flow regarding CGD policy their state level nodal agencies could be appointed, etc., so do you think there are any practical take away for us from that policy which can come through?
- Management:** Both the government and the regulator are making their efforts to facilitate infrastructure growth in this industry to that extent those steps are welcome because yes sometimes permissions etc do take a lot of time and there are multiple levels of authorities each drawing power from a separate their own legislation. So at most nodal authority which can coordinate and get us permission yes that will help to some extent, but it will not eliminate the need of the basic permission in itself I mean you will need a separate permission that you want to cross a railway track, you want to cross a highway, you have to go to the highway authorities, but I think the attempt is just to have some single window kind of a clearance where the local government facilitate always and whether it succeeds or not time will tell.



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- Bhavin Gandhi:** And sir second question was relating to the dividend policy itself now with dividend tax going away should one assume that their total payout including dividend tax will continue?
- Management:** I think sustainability we will be definitely attempting, but it depends on it is a function of variety of things apart from profitability what are going to be the CAPEX requirement some important contingent liabilities are also on board. So, we will have to see all that and then final decision will be taken by the board.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Sir I want to clarify you mentioned if 500 buses are added it will add 1% to 2% on your CNG growth is it correct?
- Management:** No, I said 500 plus if they add on, look roughly the BEST buses take out 60 kg a day you can do your mathematics.
- Dhaval Shah:** And in the last call you mentioned some 500 buses were getting added in this December, Jan, Feb period, has that happened or that 100 you mentioned was with regards to that?
- Management:** these are the same set of 500 buses 100 plus have already come in, in the last quarter and this month the remaining 300 odd will be coming by March.
- Dhaval Shah:** And in the next round they are also expecting to add in FY21 you mentioned?
- Management:** Yes, we are in discussion with BEST to create infrastructure at identified depots and jointly we are working out a plan through which they can end up more buses and we can fuel them.
- Dhaval Shah:** And of all of this CNG buses are AC buses?
- Management:** Yes, all the additions are AC buses.
- Dhaval Shah:** And the new small buses which we see on road which replace the share cabs are non CNG am I correct?
- Management:** No, the new AC buses or all CNG the small ones.
- Dhaval Shah:** So, the one which is supplied by Force Motors those buses are diesel?
- Management:** No, I do not think they are CNG.



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- Moderator:** Thank you. The next question is from the line of Manikantha Garre from Axis Capital Limited. Please go ahead.
- Manikantha Garre:** Sir would you be interested in participating in the further round of domestic gas options from Reliance I think today there was a new situation that there will be doing the next 500 SCMD bidding soon?
- Management:** Whenever such opportunities come we do take a look at them, but then no whether we move ahead or not will depend on a lot of factors. We have earlier seen whether it makes business sense if it does we participate otherwise we do not.
- Manikantha Garre:** And my second question would be if you can throw some light on the setup of gas exchange probably in H1 FY21 we have been hearing that and any thoughts on how your gas sourcing will change is some portion of your domestic gas gets traded on the exchange?
- Management:** Yes, there has been this talk about starting a gas hub, but if you look at the parallel like how it started in the power segment it is only a very small percentage of volumes gets traded on that hub and that too will probably need some policy or regulatory push and intervention for that to happen. We do not see too much of a shakeup in the market because in the initial months or years if at all this things takes off and succeed the volumes are expected to be relatively low.
- Moderator:** Thank you. The next question is from the line of Vineet Maloo from Birla Sun Life. Please go ahead.
- Vineet Maloo:** It is basically you know was it some more clarity on a dividend policy going ahead because you know this quarter you sort of departed from a tradition of interim dividend, well I understand you need to take into account the sustainability of cash flow, etc., but nothing significant would have changed in terms of CAPEX plans etc I will assume right and so what will be the specific reason to depart from this tradition of declaring the interim dividend at this point in time?
- Management:** No, it was a board decision it will be difficult to comment on it right now.
- Vineet Maloo:** I guess as company representative you would have the information right why the board has decided that and we a shareholder need to know that what has suddenly changed in terms of companies outlook in view that you need started looking at a need to conserve cash and not declaring interim dividend?
- Management:** What we can say right now say I mean frankly speaking it is a really board decision nothing much we can tell you, but yes board is cognizant of all the factors and definitely shareholders interest will be taken care in some manner or the other.



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- Vineet Maloo:** This is not related or is this related to the change in taxation, broadly I just want to understand I do not need specific number or anything like that is this related to the change in taxation treatment or is this related to change in some CAPEX program I mean what is the broad idea?
- Management:** These factors were also definitely figuring prominently, taxation, CAPEX yes there were two important factors apart from many other things considered by the board.
- Vineet Maloo:** So there needs to be better communication right when we depart from established tradition otherwise I mean as shareholders we are left with bit of darkness regarding these policies?
- Management:** We understand probably what right now we can tell you okay all this investor sentiments will be communicated to the board.
- Moderator:** Thank you. The next question is from the line of Amit Rustogi from UBS. Please go ahead.
- Amit Rustogi:** You mentioned 248 CNG stations out of that 175 are with all oil marketing companies, so can you broadly tell us that how much volume is done by through our stations in CNG and how much is done through OMCs and how much is done out of those 37 dealers and stations?
- Management:** On an average the per capita throughput of OMC stations is lower than an MGL owned or MGL franchise station that is because OMC stations are collocated.
- Amit Rustogi:** Broadly if you have a breakup like how many kg per day lakh kg per day at our stations and may be how many lakhs kg per day at an average at OMC stations?
- Management:** Yes, it could be the split would be about 60-40, 60 from OMC, 40 from non OMC.
- Amit Rustogi:** So, 60% of our total CNG volumes comes from OMCs and 40% comes from our stations?
- Management:** Yes, roughly I mean this numbers can vary a bit depending on progress of new stations.
- Amit Rustogi:** Sir, this 40% includes 37 dealer owned also like the franchise outlet around 37?
- Management:** Yes, that includes those outlets they include MGL outlets, they also include outlets where you sale to STUs.
- Amit Rustogi:** And they include the BEST outlet also?
- Management:** Yes, and all those OMC, non OMC.
- Amit Rustogi:** OMCs and non OMCs. So then if we look at 248 stations then 37 are for how many we have with the BEST?



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- Management:** BEST we have 14.
- Amit Rustogi:** So, 14 plus 37 we have with this small operators the dealers so around 50 and 175 is OMC so around 225, so we have around 25 stations with us is that correct or no?
- Management:** We have about 17 and the private ones are now I think about 40.
- Amit Rustogi:** 40 stations are private okay and 14 you mentioned about BEST right?
- Management:** Yes.
- Moderator:** Thank you. Ladies and Gentlemen that was the last question I would now like to hand the conference over to management for closing comments.
- Management:** Okay thank you. Thank you, Gentlemen.
- Moderator:** Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.
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