



**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 Audited Financial Results for the quarter and year ended March 31, 2022

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 Audited Financial Results for the quarter and year ended March 31, 2022 held on May 11, 2022.

We request you to take the above information on your records.

For Mahanagar Gas Limited

Atul Prabhu
17/05/22

**Atul Prabhu
Company Secretary & Compliance Officer**



Encl.: a/a



“Mahanagar Gas
Q4 FY2022 Earnings Conference Call”

May 11, 2022



ANALYST:

MR. NITIN TIWARI – YES SECURITIES

MANAGEMENT:

**MR. SANJIB DATTA - MANAGING DIRECTOR –
MAHANAGAR GAS LIMITED**

**MR. SANJAY SHENDE – DEPUTY MANAGING
DIRECTOR – MAHANAGAR GAS LIMITED**

**MR. RAJESH PATEL – CHIEF FINANCIAL OFFICER –
MAHANAGAR GAS LIMITED**

**MR. RAJESH WAGLE - SENIOR VICE PRESIDENT,
MARKETING – MAHANAGAR GAS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Mahanagar Gas Q4 FY2022 earnings Conference Call hosted by YES Securities 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. Nitin Tiwari from YES Securities. Thank you and over to you Sir!

Nitin Tiwari: Thank you Aman. Good evening everyone. I welcome everyone to Mahanagar Gas Limited’s fourth quarter end FY2022 earnings call. We have the pleasure of having with us today the senior management team from Mahanagar Gas Limited represented by Mr. Sanjib Datta, Managing Director, Mr. Sanjay Shende, Deputy Managing Director, Mr. Rajesh Patel, Chief Financial Officer and Mr. Rajesh Wagle - Senior Vice President, Marketing. I will now hand over the floor to the management for their opening remarks and that shall be followed by an interactive Q&A session. Over to you Sir!

Management: Thank you, Nitin. 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 the expectation 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 the uncertainties relating to this statement includes but are not limited to risk 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 quarterly numbers are not a reflection of long-term trend or an indication of full year results. They should not be attempted to be extrapolated or interpolated into a full year number. Thank you and over to you Sir!

Management: Good afternoon and welcome to the earnings conference call of Mahanagar Gas Limited for the fourth quarter of the Financial Year 2021-2022. I would like to thank all of you who have connected for our earnings call today.

India is witnessing recovery in economic activity after COVID. Accelerated pace of vaccination, uptick in consumer and business confidence with better outlook on the general economic situation have resulted in greater degree of optimism. However, adverse residual effects of the pandemic across the globe coupled with major geo-political upheavals have resulted in a surge in commodity prices matched by high inflation. Crude oil price has soared to above US\$100 per barrel mark and likewise imported RLNG prices have touched new highs.



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For MGL, Q4 of FY 2021-22 was impacted by the third wave of COVID resulting in lower sales volume but the recovery has been fast and the average gas volumes sold in March 2022 increased by 14% as compared to that of January 2022.

Despite the second and third waves of COVID, we could fast track our infrastructure creation efforts across MGL's existing license areas. During the quarter 79,130 domestic households were connected and thus we have established connectivity with about 1.86 million households. During FY 2021-22, we provided connectivity to 2.62 lakh households and bettered our previous best of providing 1.98 lakh connectivity. We laid 125 km of steel and PE pipelines in the quarter thereby taking the aggregated pipeline length to about 6,221 km. We added 14 new CNG stations and with these, we currently have 290 stations. We also added 107 I&C consumers and thus as on quarter end we have 4,339 I&C Commercial customers.

In respect of our Raigarh GA, we are connected to 53,030 domestic households and 23 CNG stations are currently operational. During the quarter we laid 26.23 km of pipeline in Raigarh GA thereby taking the total length of pipeline to 346 km. Such expansion of our pipeline network has also resulted in commissioning of the first online CNG station in Raigarh GA at Somatane.

In January 2022, the Company achieved the cumulative inch-km target as per PNGRB's Minimum Work Programme for Raigarh GA. You may recall that we had already achieved the cumulative number of Domestic PNG connections target by March 2020. With this, the Company has fully met its Minimum Work Programme targets for Raigarh. Possibly, MGL is the only CGD company which has completed its minimum work programme against a bid out license area. This shows the Company's sincerity in adhering to its commitments.

Coming to MGL's operations, average sales volume for the year ended 31st March 2022 is 2.999 MMSCMD whereas it was 2.211 MMSCMD in the corresponding period last year. Thus, there is an increase of 35.63% in the overall sales volume compared to the previous year. Average sales volume for the year ended 31st March 2022 of 2.999 MMSCMD consists of CNG volume of 2.114 MMSCMD, Domestic PNG volume of 0.466 MMSCMD and I&C volume of 0.419 MMSCMD.



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Compared to the previous year, sales volume in case of CNG has increased from 1.415 MMSCMD to 2.114 MMSCMD which is an increase of 49.40%. In case of I&C sales, volume has increased from 0.332 MMSCMD to 0.419 MMSCMD which is an increase of 26.2%. Domestic PNG sales volume has increased marginally, from 0.464 MMSCMD to 0.466 MMSCMD which is an increase of 0.43%.

EBITDA for the Financial Year 2021-22 is Rs.924 crore compared to previous financial year EBITDA of Rs.934 crore. EBITDA margin is at 25.96% for FY 2021-22 compared to previous financial year EBITDA margin of 43.39%.

Net Profit After Tax for FY 2021-22 is Rs.597 crore compared to Net Profit After Tax for previous financial year of Rs.620 crore.

Aggregated sales volume to the priority sector was more than available APM gas allocation which resulted in shortage in the range of 15 to 17% during the quarter. This gap was met through purchase of Market Priced Gas. Spot gas prices remained high due to various global factors. Thus, priority sales volumes beyond APM gas allocation and substantial increase in Spot gas prices put pressure on the margins of priority sector during the quarter. Nevertheless, as a customer focussed Company, we met the total demand of priority sector without imposing any dry out.

However, the Company undertook upward revision of CNG and Domestic PNG prices in January 2022 from Rs.63.50 per Kg to Rs.66 per Kg and from Rs.38 per SCM to Rs.39.50 per SCM respectively.

Government of Maharashtra reduced VAT on natural gas from 13.5% to 3% with effect from 01st April 2022 and consequently, prices of CNG and Domestic PNG were reduced to Rs.60 per Kg and to Rs.36 per SCM respectively.

Further, notified price of APM gas was revised from US\$2.97 per MMBTU to US\$6.14 per MMBTU with effect from 01st April 2022 and the Company passed through the above increase



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in gas cost through its retail CNG and Domestic PNG prices in a phased manner during April 2022 and revised CNG and Domestic prices from Rs.60 per Kg to Rs.76 per Kg and from Rs.36 per SCM to Rs.45.50 per SCM respectively by the end of April 2022.

In case of supplies to the I&C customers, high RLNG costs had put pressure on margins as the I&C sales prices are linked to alternate fuels which did not see similar increases. The Company has partially recovered the margins by charging premium over alternate fuel linked prices.

To reduce dependence on Spot gas and optimise the overall gas purchase portfolio, the Company had entered into a contract for purchase of term gas during the Q3 for a period of 18 months and during Q4 another term gas contract was signed for a period of 5 years.

Coming to quarter on quarter comparison, average sales volume for Q4 FY 2021-22 is 3.170 MMSCMD and is lower than previous quarter average of 3.303 MMSCMD. This reduction is mainly due to third wave COVID which struck in January 2022. Such average sales volume of 3.170 MMSCMD consists of CNG volume of 2.277 MMSCMD, Domestic PNG volume of 0.474 MMSCMD and I&C volume of 0.418 MMSCMD.

Q4 EBITDA has substantially improved to Rs.215 crore as compared to Rs.103 crore in the previous quarter. EBITDA margin has increased to 19.83% for Q4 compared to previous quarter EBITDA margin of 10.03%.

Net Profit After Tax for the quarter has increased by 132% to Rs.132 crore from previous quarter Net Profit After Tax of Rs.57 crore.

As you would be aware that on 06th May 2022, Ministry of Petroleum and Natural Gas has come out with the Guidelines for domestic gas supply to CNG and Domestic PNG segments of CGD networks. The guidelines aim at meeting 100% of CNG and PNG requirement of CGD entities through a mix of domestically produced APM, non-APM and HPHT gas duly supplemented through term or spot RLNG, as required.



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CGD entities are now expected to get such pooled natural gas 2.5% over and above their 100% requirement of CNG and Domestic PNG segments of each GA calculated on the basis of consumption in the previous quarter. Such revision in gas allocation policy is expected to have a positive impact on CGD sector with regard to availability and overall pricing thereby facilitating the CGD companies to deliver better results.

MGL's Board of Directors has approved final dividend of Rs.15.50 per equity share for FY 2021-22, thus along with the already paid interim dividend of Rs.9.50 per equity share, total dividend for FY 2021-22 stands at Rs.25 per equity share which is an increase of 20% from 230% dividend paid for FY 2020-21.

With this, I conclude and would now like to open the floor for questions. Thank you very much.

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

Probal Sen: Thank you for the opportunity. Good evening Sir. Sir the first question was with respect to the gas supply new guidelines that you mentioned which would be positive. Just to understand what has been put out is basically that two things, one is shortening of the review period from the quarter from six months and second it is still basically the intent to supply 100% gas on a best effort basis but if we look at the domestic gas supply that is been made available over the last several months, very clearly there is no additional domestic gas that will be made available and the balance has to be met from premium gas as well as spot RLNG. I am just kind of trying to understand how does it change things for us from what is there currently wherein any case 15% to 18% gas is being met by market price source, so what changes with respect to these guidelines if you can just give us some thoughts on this?

Management: It is just a couple of days. We still haven't got to do a full analysis yet but what we believe the way it would pan out will be that immediately whatever spot gas or term gas which we are procuring on our own and pushing into the priority segment, will get replaced by whatever market price gas GAIL is able to procure immediately. Maybe in the immediate term it could be spot so maybe our spot may get replaced by GAIL spot but at a common price for all CGD companies and since this is not a onetime thing. This is a sustained kind of policy thing. Over time GAIL will try to procure some HPHT gas at whatever price ceiling which is coming in as per the formula and pool that into the requirement for CGD. If the HPHT gas contracting takes some time till then our understanding is GAIL will also explore getting into some term RLNG



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contracts which could be cheaper than current spot prices and pool that into the CGD gas requirement pool. So it looks like a positive step. How much actual the quantum of reduction in gas cost that we will have to see as time goes by.

Probal Sen: **Right.** Just to as a follow on to that in the near term you had mentioned that you have signed a term RLNG contract which is extended even in this year for another year or so, so can we get a sense barring whatever domestic allocation is there, how many term energy contracts do we have and what volume we have tied up for the next year or 18 months right now.

Sanjib Datta: We have got three term gas contracts, not all are RLNG, one is domestic gas and that is with Reliance. We have one with GSPC and we recently have entered into one with GAIL for the Henry hub.

Probal Sen: So is it possible to share the volumes that have been tied up Sir?

Management: Volumes in these contracts have confidentiality clauses. So Volumes & how much turn down you can go, we will not be able to disclose.

Probal Sen: Sir the other small question I had with respect to the margin profile. I think it was mentioned that alternate fuel pricing, at least in the initial part of Q4 was adverse compared to your RLNG base pricing for industrial & commercial. Now what we have seen is that if we look at one major alternate fuel for us, tends to be commercial LPG prices and those have obviously gone up very sharply in line with the fact that Asian LPG prices have been going up very fast and we are also seeing RLNG prices have come of a little bit at least in April. Is it fair to assume that in this kind of scenario the margin profile can improve fairly sharply. At least over Q1 is that something that you are seeing on the ground on your pricing front?

Management: Could you repeat your question please?

Probal Sen: I was saying that for industrial and commercial LPG tends to be a fairly material alternate fuel for us from our pricing stand point and our understanding is that LPG prices have been going up fairly sharply and at the same time LNG prices and spot LNG prices have come off a little bit in the last couple of weeks in April so are we seeing any improvement in terms of our pricing power and therefore margins in the industrial commercial segment in Q1 of FY2023?

Management: All other things being constant, yes. These two factors would lead to increase in gross margin. However, we also need to keep in mind that when the LNG prices were very high we had gone to a substantial premium over alternate fuels. So once the prices of LNG have cooled down a bit we have also given some relief to our customers from that very high premium level. But on a overall basis we are hopeful it should be positive.



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- Moderator:** Thank you. We have the next from the line of Aishwarya Agarwal from Nippon India AMMF. Please go ahead.
- Aishwarya Agarwal:** Thank you. Have we taken enough price hikes for the CNG so that our margin reaches to Rs. 10 per SCM?
- Management:** If you noted MD's speech, price of CNG was Rs. 60 per kg as of April 1 and currently it is at Rs.76 per kg and in similar proportion increase has happened in domestic also. This price increase fully covers the APM gas cost increase from 2.97 dollar per MMBTU to 6.14 dollar per MMBTU.
- Aishwarya Agarwal:** See you generally used to do from Rs. 10 per SCM margin so have we reached there or we need to take some more price hike to reach there because lots of volatility in the prices in between which has led to volatility in the margins which have been reporting since last few quarters?
- Management:** If you look at the price rise which was taken up to Q4 it covered the amount of RLNG being used in the priority sector. So current price rise which we have taken is mainly towards APM price rise from 2.97 dollars to 6.14 dollars and now with spot prices coming down And also the way just now we spoke, pooled gas, I think prices are likely to remain and it covers more or less the pooled gas cost as well at the current level. If you look at margins, I think overall company per SCM margin is in the range of around Rs. 13.60 or something and if you look at margins for priority sector also we are almost making similar level of margin if you look at 19-20 level of margin. I think 20-21 was slightly abnormally high because APM prices were very low so barring that year more or less we are in line with the margins which we have been making in the past as far as priority sector is concerned.
- Aishwarya Agarwal:** Sure Sir. This is helpful. Second question is how do we see the growth as of now, the growth in the CNG volumes because what I can see that the fourth quarter has a weaker growth on quarter-on-quarter basis and that maybe because of the COVID I guess and lesser number of days but how do we see the growth now on a year-on-year basis at this point of time?
- Management:** Well if you take out the COVID period typically last four five years you have seen a CAGR over 5% to 6% or so but now we are seeing a better growth compared to that. A lot of growth is coming now from the CNG segment. There is a combination of factors which is resulted in that. One is that petrol and diesel prices were at historically high level. Second is almost all OEs now are coming up with factory fitted CNG variants, not just entry levels, even mid level cars, etc. Apart from that, of late a lot of commercial goods vehicles have started coming with CNG variants as OE from factory fitted and because of the prices of diesel, there is a good number of new CNG fueled commercial vehicles which are coming on to the market.



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- Management:** I may add to that the commercial vehicles addition is very good every quarter-on-quarter and almost 2800 number of vehicles has been added in this quarter as well and this number is likely to continue for some time because of OE vehicles on CNG.
- Aishwarya Agarwal:** That is very good. And a last question Sir from 1st October when this APM gas prices will further move up to say 9\$ and we have some gas available from GAIL as per the new policy I mean at that point of time I do not know what the diesel prices will be but our growth and margins are also dependent on the diesel price correct?
- Management:** You are right. I think it is anybody's guess what will the price in October in alternate fuels like diesel and petrol and also currently the spot price at a particular level that may also come down. So we will have to wait and watch how it pans out with respect to APM price, spot price, what is this pooled price which comes out and also as you said, alternate fuel prices and accordingly we will have to take an appropriate decision keeping in mind how does it impact the CNG vehicle, conversation etc so we will try and balance out the volume growth and pricing both. However, our endeavor will be always on to add onto new vehicles and add on to the gross margin on absolute terms going forward.
- Aishwarya Agarwal:** There is no clarity of ONGC the gas prices having some tap which can help the City gas companies.
- Management:** No not really we have not heard anything on their lines and only thing is we are hoping that by September or so GAIL should be in a position to source some term gas or HPHT gas which will replace the spot gas which currently may go into the pool so that decrease in cost to some extent will offset the cost of APM price increase. The final number as Mr. Patel has said we have to wait and see how it pans out. Currently, we do have sufficient headroom because petrol is 120 plus in our GA's, diesel is also about Rs. 104-105. We are at Rs. 76.
- Management:** In the energy equivalent terms we are almost at a discount of around 55% - 57% compared to petrol and almost 28% to 30% compared to diesel as of today.
- Aishwarya Agarwal:** Sure Sir. Thank you. Best of luck.
- Moderator:** Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.
- Vikas Jain:** Thanks for taking my question. So on the contracts that you mentioned here you mentioned three of them one is with GSPC, the other is with I think the US LNG contract and thirdly is the new gas contract or the deepwater so all of those three what is the tenure of these contracts. These are like five year contracts. How long are these contracts?
- Management:** One is Six, one is five and one is 18 months.



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- Vikas Jain:** In the current scenario after this policy has come into being, is it fair to say that these contracts will be more than your requirement of industrial and commercial gas in terms of volume.
- Management:** No not really. The way all these contracts are structured, we have managed within the contract. There will not be any impact as far as industrial and commercial volumes are concerned. It is within the minimal threshold.
- Management:** We have about enough downward freedom in these contracts to ensure we do not land up with take or pay regime.
- Vikas Jain:** Okay basically you have been doing industrial commercial of about 0.4 MMSCMD or little more than that and these contracts add together to be lesser than that. You have enough flexibility around that.
- Management:** Yes, industrial and commercial volumes are also growing at a good rate.
- Vikas Jain:** Of course. Now just coming back to this new policy that has been announced now is my understanding correct that the domestic gas allocated to city gas has been fixed at the level which were prevailing six months back and as city gas demand rises the gap between that level and whatever is the demand will all be filled up by either spot or term or the new deepwater gas so domestic gas will not keep falling down for now is that understanding correct?
- Management:** We do not have that kind of clarity available to us right now. I do not think the Ministry or the Pricing order also goes to that level of detail.
- Vikas Jain:** Okay but it does mention that there will be some domestic gas and remaining has to be fulfilled by LNG or whatever way or deepwater gas.
- Management:** Whatever is the shortfall.
- Vikas Jain:** Yes, whatever is the shortfall, I mean so that is what I meant that shortfall is based on a fixed level of domestic gas that you think is not sure right?
- Management:** No that explicit clarity is not available in public domain.
- Vikas Jain:** Is it fair to now understand that first will be on 16th is when it starts right so from here on at the start of every quarter or it will be at the start of every month, a pooled cost price will be declared by GAIL or who is running the pool?
- Management:** GAIL is running the pool. PPAC will probably vet the price and GAIL will run the pool.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.



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- Sabri Hazarika:** Good afternoon Sir, so I have two questions. The first one is related to this domestic gas guideline only. Wanted to know if you are getting the allocation from 16 May for this quarter then it would be the total priority sector volumes of last quarter which will be considered right. Which is both APM plus the amount of LNG or will it be just APM?
- Management:** It will be considering the sales volume of priority sector of last quarter and on to that 2.5% as per the circular or the ministry guidelines.
- Sabri Hazarika:** Not last quarter's APM allocation. It will be last quarter's total volume.
- Management:** It will not be last quarter's APM allocation. It will be last quarter's priority sales volume plus two and half percent over that.
- Management:** That is CNG and domestic PNG sales volume.
- Sabri Hazarika:** For example just a hypothetical situation in Q1 suppose if you are doing certain amount of priority sector volumes where sizeable are 25% component is LNG so in the subsequent quarter this LNG part of price sector will also be a part of the pool and top of that you will get 2.5% is that right?
- Management:** Obviously otherwise it does not make any sense correct.
- Sabri Hazarika:** **Ok.** At this juncture last quarter spot LNG what you have been using that will be replaced with the pool gas that is what you are saying right from this quarter. Secondly, I have got a few small book keeping questions. The first one was what was the overall shortfall of priority segment for the full year, you said 15% to 17% in Q4. What would it be for the full year?
- Management:** Full year is very difficult to answer but it was in the range around 8% to 9% on an average. Full year April 2021 to March 2022 including the period of COVID when full allocation was available roughly 8 to 9% it was.
- Sabri Hazarika:** And what would be your average industrial and commercial price for the full year?
- Management:** Industrial roughly Rs. 47 per SCM. I am talking price realization net of taxes and commercial roughly Rs. 55-56 on an average for the full year.
- Sabri Hazarika:** And what would be the Q4 industrial volumes and commercial volume break up?
- Management:** Industrial volume was 0.25 MMSCMD and commercial was 0.166 MMSCMD Q4 this year.
- Sabri Hazarika:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.



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S. Ramesh: Good evening and thank you very much. So with reference to the new gas allocation scene to be managed by GAIL, now in terms of your ability to respond to change in your overall blended cost of gas how will it change in terms of the leader lag because so far you were controlling your gas procurement and the blended cost of gas, how do you see this impacting the way you change prices every month or every quarter particularly for the industry and commercial segment where you review every month and for CNG and the domestic PNG prices happen when you change in cost of gas? How do you see this play out?

Management: Let me clarify, I think you are mixing up the two things. The APM gas allocation are always given by government only in post COVID because of the shortfalls we started buying and using spot for this segment whereas industrial and commercial we always had market determined gas and it will always remain that way. Whatever new guidelines has come in is only for the APM. So whatever happens post COVID and individually the CGD started blending or putting their own spot gas now that part is being addressed through this pool gas mechanism so there is no change as far as our freedom to buy gas and other things is concerned, priority gas was always available through government and it will be available going forward as well. However, it will now be in this new guideline and it will be pool mechanism through which the gas will come to CGD.

S. Ramesh: Second thing is in terms of the notes to accounts regarding the Trade commission payable to OMC what is the impact which you have provided in this quarter and what is likely to be the full impact once the Trade commissions are finalized?

Management: See as far as the impact is concerned we have taken appropriate provisions in the beginning so there is no impact additional in this quarter compared to earlier quarter or earlier nine months.

S. Ramesh: For the full year what would be the impact in rupees per SCM or rupees crores, can you quantify that?

Management: See whatever is the ministry guidelines, in line with that we have made appropriate provision and there is no additional impact as such for Q4.

S. Ramesh: But for the full year you have to understand how it is going to impact your future, pricing, and margin. It will be useful if you can share that information in terms of what is the value of that impact you have provided for because obviously in terms of the commercial impact there is a reduction right.

Management: Just like gas price increasing and we do the pass through in the pricing similar in that manner for which trade discount also we factor in while doing the pricing. So we have already done that factoring and we continue to do so. There is no impact on the margins per SCM on account of this factor.



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S. Ramesh: If you do not mind I will just squeeze in one last question. What is the kind of capex you have in mind for FY2023 and FY2024?

Management: Current year I think we have spent in the range of 600 Crores. It should be, maybe 600 Crores or little more than that. However, company is ready to go for more capex than that and we have approval in place from Board but it depends on how things span out with respect to permission which we need from local authorities sometime railways crossing, availability of land for putting up CNG stations etc. So we are geared to do required amount of capex and it could be in the range of 600 - 700 Crores for the next year as well.

Moderator: Thank you. The next question is from the line of Maulik from Equirus. Please go ahead.

Maulik: Thanks for the opportunity. Sir one question; CNG volume took a relatively larger dip in this quarter on q-o-q basis. Was there an impact of the MSRTC strike which was happening in Maharashtra since November 2021?

Management: MSRTC has only a couple of 100 buses, its negligible. Not even 0.2 or 0.3% of our volumes.

Maulik: Second question is related to this policy. As we mentioned that you had a two term contracts which you signed in the last four or five months, one is with GSPC and the second one with GAIL for Henry Hub, now I understand both of their pricing are currently lower than the prevalent spot RLNG prices. Does that mean as an increase in the cost post implementation of the policy in your priority sector volume?

Management: Policy has just come out on Friday. So can you be little more specific what you are referring to?

Maulik: Basically, in your priority volume mix right, you have one on the APM and you have one two term contracts which you have signed in the last couple of month's right. Term contract pricing are probably in the range of 12 to 16 dollars per MMBTU as and when you see the term contract. There is spot RLNG in the range of 20 dollars plus per MMBTU. Now if GAIL gives you this APM price, if GAIL creates a pool of APM and spot LNG which is currently on spot LNG available and then supply to you, the pool price will be higher than the current price at what you are getting today.

Management: No, for whatever is the gap in our priority volume requirement mostly it was catered through spot. So that will get replaced by the spot which is going to get tied up by GAIL for all CGD put together that is not going to have any impact.

Management: In the immediate term, we are not expecting to see any material change in our cost of gas, however, going forward may be a month, two-three months depending on how GAIL is able to source term gas be it domestic or be it RLNG, we are hoping that our cost of gas will go down.



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- Management:** Infact now if you look at this scenario as very positive because there was no clarity and everybody was using spot. At least now there is clarity and it will be replaced in the medium to short term with term RLNG or HPHT gas which will reduce the cost substantially.
- Management:** It is a big uncertainty which has gone away in our gas sourcing.
- Moderator:** Thank you. The next question is from the line of Iqbal Khan from Edelweiss. Please go ahead.
- Iqbal Khan:** Breakup of Industrial and commercial customers. Second question in the last quarter you had mentioned that it was around 2200 CNG buses, 800 diesel and 200 EVs so you could you please give us the current break up?
- Management:** Can you address your first question because your voice is getting muffled. First question answer is we have 88 industrial customers and rest is commercial customers, 88 is industrial and rest is commercial which is around 4200 plus. What is your next question?
- Iqbal Khan:** My next question was the current BEST fleet, so in the last quarter you had mentioned that there is around 2400 CNG buses, 800 diesel buses, and 200 EV in the last quarter you had mentioned, so would you please give us the break up?
- Management:** See currently we have around 2500 buses from the BEST, TMT etc and around 600 odd buses from private operators so it makes 3100 buses roughly.
- Moderator:** Thank you. The next question is from the line of Varadharajan Siva Krishnan from Antique Limited. Please go ahead.
- Varadharajan Siva K:** Thank you. Thanks for the opportunity Sir. I just want the clarity on this 5% CNG volume drop. On a q-o-q basis CNG volumes are down 5% so what growth has declined?
- Management:** It is hardly 0.43% down compared to PNG. You are saying CNG Volumes?
- Varadharajan Siva K:** Yes that is right.
- Management:** Yes CNG volumes are down by 4% compared to the previous quarter mainly due to January and February had impact of third wave of COVID so I think there was a restriction on traffic and on that mobility so that had impacted us.
- Varadharajan Siva K:** The 2800 CV numbers you mentioned, where they all OEMs vehicle or was there a significant portion which was retro fitted as well.
- Management:** Usually very, very few retrofit. Retrofit and commercial good vehicles are almost negligible.



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Varadharajan Siva K: Would you have similar kind of feel in terms of the private vehicles. What proportion could be OEM & what proportion could be retrofitted?

Management: It is again predominantly probably around maybe 90% of the OE. Retrofit is now slowly going away because all the manufacturers are coming with factory fitted variant which customers typically are more comfortable with. There is a warranty behind it. There is a manufacturer standing behind it. The quality is much better. So previously when OE fitted models were not there then a lot of people used to retrofit.

Moderator: Thank you. The next question is from the line of Niharika Jain from Equitas Investment Consultancy. Please go ahead.

Niharika Jain: In the current quarter the total domestic sales is 2.75 MMSCMD which is CNG and PNG domestic and already in the last quarter we had told we have 0.15 MMSCMD of 18 months of LNG contract and some 0.1 MMSCMD. So how much of quarter four quantity did we get from contract and how much did we procure from spot.

Management: It should be roughly 0.45 to 0.5 for spot.

Niharika Jain: 0.45 to 0.5 for spot are we talking about?

Management: Term contract you are asking right.

Niharika Jain: Yes. Term contract how much were we able to procure in quarter four.

Management: All the three contracts put together roughly 0.45.

Niharika Jain: Spot would be around you mentioned around 14% or so out of 2.75, 14% would be the shortfall towards APM is it ?

Management: I gave you a figure for the company level. Are you asking right now about only priority sector?

Niharika Jain: Only priority sector yes.

Management: Okay 2.75 was the average roughly 2.5 was APM and rest is spot. Not term contract, spot, 0.25.

Niharika Jain: So the contract went towards commercial and industrial you mean.

Management: Term contract is primarily for industrial and commercial you are right.

Niharika Jain: Okay got it.



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- Management:** If there is any volume flexibility in it we can try to optimize our cost of gas, if that gas is cheaper and if additional oblique's is there, we can push some into the priority segment in place of spot and vice versa.
- Moderator:** Our next question is from the line of Harsh Bohra from VT Capital. Please go ahead.
- Harsh Bohra:** Sir my question was regarding the mobile refueling unit so is there only one MRU or have we added more during the quarter?
- Management:** We are on the verge of giving three more LOIs. Again there is a change in terminology this is not MRU. This is now called CDU, composite dispensing unit and in a few days time we are expecting to give three more LOIs.
- Harsh Bohra:** What will be the timeline after issuing the LOI? The time it will take to commit onto the ground.
- Management:** It is difficult to pinpoint that, but we are hoping that maybe six or eight months there should be some moment because currently safety regulations they are slightly, the one which we ran we got under a pilot program kind of a thing. Now that we want to run this as a regular business probably the safety and other regulators will be taking a closer look and examining before giving the final approvals for commercial application.
- Harsh Bohra:** What is the GA's, you are looking to implement this new composite dispensing unit like Mumbai, Thane and Raigad?
- Management:** Now it is primarily for city areas where land parcels of sufficient size are not available because if we get 4-500 square meters of land, if the pipeline is not there, we can set up a conventional DBS which is usually more cost effective than a CDU. It is only the case where it is only 150 to 200 square meters of land and where land is not available for 10 to 15 years with a shorter duration, then we can deploy the CDU there and the faster three or five years of the land go away you can always relocate that CDU to another parcel somewhere.
- Moderator:** Thank you. The next question is from the line of Mukesh Mani from Vallum Capital. Please go ahead.
- Mukesh Mani:** Sir just one question from my side. The commissions that we are paying to OMC are they on margin basis or are they on fixed cost per SCM basis?
- Management:** It is per kg.
- Mukesh Mani:** They are fixed per kg.
- Management:** There is no linkage of the selling price. There is no linkage of purchase price of gas. It is fixed number with rupees per kg which can vary from time to time.



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- Mukesh Mani:** The cost or commission varies.
- Management:** It varies. Usually it is higher in cities areas and lower in semi urban and rural areas. Broadly to reflect the difference in the cost of land.
- Moderator:** Thank you. The next question is from the line of Kirtan Mehta from BOB Capitals. Please go ahead.
- Kirtan Mehta:** Thank you Sir for giving this opportunity. You had mentioned 2800 conversions happening on the commercial side in Q4. Could you give us the sort of level of conversions that you have seen in Q4 across categories of vehicles and also for the annual FY2022?
- Management:** You want other than commercial vehicle numbers.
- Kirtan Mehta:** Yes Sir.
- Management:** So in Q4, car and taxies put together roughly 13300 plus. Then three wheelers roughly 2300, buses roughly 140; other small LCV trucks roughly 680. Total is around 19260 vehicles in Q4.
- Kirtan Mehta:** Right Sir. Is it possible to get these similar details for FY2022 as well collective?
- Management:** FY2022, full year. Full year total number of vehicle added around 62,500 which consists of car and taxis in the range of 45,000, three wheelers roughly 6400, buses 200 plus, then trucks around 1500 and this LCV is in the range of around 9400 plus.
- Kirtan Mehta:** Thank you Sir. The second question would be in terms of the volume outlook for FY2023 would be you looking at sort of repeating 4 to 6% growth or you mentioned that you are seeing a better growth available so what sort of numbers is possible this year.
- Management:** FY2023 we are hoping for a growth better than that 5 to 6% and what the final number is let us see. At least 7 to 8% should be possible if not more. Again it depends a lot on various factors what kind of differential price will be there between CNG and alternate fuels because CNG is a bigger chunk almost 3/4th of our volume, industrial as we enter into Raigad and a few other places with price gap now, yes we are expecting some increase on volumes there also. Domestic and commercial steadily increases more than 1.2 lakh domestic customers burn additional gas every year. They contribute a little bit and that does not add too much to the overall kitty as per capita consumption is a bit low but yes it is also contributes and about 300 odd commercial customers we add on every year they also contribute a little bit. But if you look at our base year effect because you know FY2022 April and May there were some issues, January 2022 there was some issues, percentage growth could be double digits.



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Moderator: Thank you. The next question is from the line of Ankit Agarwal from PhillipCapital. Please go ahead.

Ankit Agarwal: Just one clarity, I needed. You said 2.5 MMSCMD is the APM gas volume that we got and the priority sector total consumption was around 2.75 so that implies a shortfall of around 9% to that rate whereas you mentioned 15% to 17% shortfall here?

Management: Yes, percentage given of shortfall 15% to 17% also right because January and February there was a COVID impact so that percentage which we are mentioning is at a peak level so if you see March it was higher 17%, some part of February it was 15%. It was the lowest in the month of January because the sales volumes were impacted and it was lower than the available APMs also.

Ankit Agarwal: Just one clarity needed. Is there any visibility on the reallocation of the APM volume that we have some visibility there? Is there a chance of increasing the APM volumes as such no clarity on that?

Management: Circular had new prices and new allocation order come out last Friday. That is the only clarity we have.

Ankit Agarwal: All right Sir. Thank you.

Moderator: Thank you. Ladies and gentlemen due to paucity of time that would be our last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you!

Management: Thank you everybody for joining and having an interactive discussion. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of YES Securities Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.