



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: 539957; MGL	Head, Listing Compliance Department National Stock Exchange of India Ltd Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 Script Symbol: MGL
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Sub: Transcript of Earnings Conference Call on Unaudited Financial Results for the quarter and half year ended 30th September 2023

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 and half year ended 30th September 2023 held on 30th October 2023.

The transcript of the Earnings Conference Call uploaded on the website of the Company can be accessed through the web link: https://www.mahanagargas.com:3000/Mahanagar%20Gas%20Q2FY24%20Earnings%20Call%20Transcript_Final.pdf

The Earnings Conference Call was attended by following attendees on behalf of the Company:

Name of Management Attendees	Designation
Mr. Ashu Shinghal	Managing Director
Mr. Sanjay Shende	Deputy Managing Director
Mr. Rajesh Patel	Chief Financial Officer
Mr. Rajesh Wagle	Senior Vice President, Marketing

Further, we wish to inform that no unpublished price sensitive information was shared/ discussed in the call.

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

Thanking You

Yours faithfully,

For Mahanagar Gas Limited

Atul Prabhu
Company Secretary & Compliance Officer
Encl.: As above



Mahanagar Gas Limited
Q2 FY24 Earnings Conference Call
October 30, 2023

MANAGEMENT: **MR. ASHU SHINGHAL – MANAGING DIRECTOR**
MR. SANJAY SHENDE – DEPUTY MANAGING DIRECTOR
MR. RAJESH PATEL – CHIEF FINANCIAL OFFICER
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT,
MARKETING

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



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Moderator: Ladies and gentlemen good day and welcome to Mahanagar Gas Limited Q2 FY24 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ 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 PhillipCapital (India) Private Limited. Thank you and over to you sir.

Nitin Tiwari: Thanks Rico. Good evening ladies and gentlemen. On behalf of PhillipCapital (India) Limited, I welcome everyone to Mahanagar Gas Limited’s 2nd Quarter Earnings Call.

We have the pleasure of having with us the senior management team of Mahanagar Gas Limited, represented by Mr. Ashu Shinghal – Managing Director, Mr. Sanjay Shende – Deputy Managing Director, Mr. Rajesh Patel – Chief Financial Officer and Mr. Rajesh Wagle – Senior Vice President (Marketing).

I shall now hand over the floor to the Management for their remarks which shall be followed by the Q&A session. Over to you Runjhun.

Runjhun Jain: Thank you Nitin. Welcome to the participants in this call.

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 expectations contained in the statements are reasonable. However, these statements involve a number of risks and uncertainties that may lead to different results. The risks related to these statements are included but not limited to fluctuations of sales volume, foreign exchange at the cost of ability to manage growth. I urge you to consider the quarterly numbers are not a reflection of long-term trends or indication of full year results. They should not be attempted to be extrapolated or interpolated into a full year number.

With this that said I will now hand over the call to management. Thank you, sir.

Management: Good afternoon and welcome to the earnings call of Mahanagar Gas Limited for the 2nd Quarter of the Financial Year 23-24. I would like to thank all of you for attending our earnings call today. During the quarter, gas prices linked to different indices as well as spot LNG have remained stable. HPHT gas ceiling price has reduced with effect from October 23 from \$12.12 to \$9.96 per MMBTU. Stable gas prices and availability of APM plus HPHT gas for CNG and PNG, available to domestic PNG, available to CGDs on priority will help offering competitive price compared to alternate fuel prices and accordingly MGL has reduced prices of CNG by Rs. 3 per kg from 79 to 76 per kg and domestic PNG price by Rs. 2 per SCM, that is from Rs. 49 to 47



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per SCM. Currently, CNG offers attractive savings of more than 50% compared to petrol and almost 20% compared to diesel prices in Mumbai.

MGL continues to create CGD infrastructure across its licensed areas. During the quarter, 43,051 domestic households were connected and thus, we have established connectivity for nearly 2.25 million households. We have also laid 40.31 kilometers of steel and PE pipelines thereby taking the aggregated length of pipelines to over 6,653 km. We have added 7 CNG stations and with this we have 319 CNG stations as on 30th September 2023. We also have added 120 industrial and commercial customers during this quarter and thus as on 30th September we have 4,639 industrial and commercial customers. In respect to our Raigad GA, we have connected 70,654 domestic households and 32 CNG stations are currently operational. During this quarter, we laid 3.75 km of pipeline in Raigad GA, taking the total length to 393 km. This expansion of our pipeline network has created a very good ecosystem for CNG and PNG in Raigad. The first CGS and first mother filling station in Savroli in GA3 has also been commissioned and this will now enable expeditious unlocking of demand in Raigad.

During the quarter, MGL has commissioned its LNG station in Savroli and LNG sales to B2B customers has commenced during this quarter. Coming to MGL's operation; during the quarter, we achieved overall average sales volume of 3.575 MMSCMD as against 3.412 MMSCMD in the last quarter which is an increase of 4.1%. Current quarter volume consists of CNG volumes of 3.583 MMSCMD, domestic PNG of 0.491 MMSCMD and 0.501 of gas was supplied to industrial and commercial. Compared to the previous quarter, there is an increase in sales volume in the CNG which has increased from 2.481 to 2.583 MMSCMD, that is an increase of 4.1%. In case of industry and commercial, sales volume has increased from 0.435 MMSCMD to 0.501, an increase of 15% whereas sales for domestic PNG has marginally decreased from 0.496 to 0.491 MMSCMD which is a decrease of 0.9%.

Overall gas sales for H1 of the current financial year compared to the corresponding H1 of the last financial year has increased to 3.494 from 3.453 MMSCMD, that is an increase of 1.2%. H1 volume consists of CNG volume of 2.532, domestic PNG of 0.493 and 0.468 MMSCMD of gas to industry and commercial segment. Current quarter EBITDA is Rs. 479 crores compared to previous quarter EBITDA of 521 crores. Net profit after tax is 338 crores for this quarter as compared to 368 crores in the last quarter. Current half yearly EBITDA is Rs. 1,000 crores compared to previous year half yearly EBITDA of 538 crores. Net PAT is Rs. 707 crores for this half yearly result as compared to 349 crores in the H1 of last year.

We would like to further touch upon EV policy which is a major development in Delhi region. Government of NCT, that is National Capital Territory of Delhi has approved the scheme of motor vehicle aggregators and delivery service providers 2023 subject to approval of Delhi Governor's office. The scheme is for licensing and regulation of MVA providing passengers transport service and DSP for delivery service of goods and commodities, including last mile connectivity in NCT of Delhi. The Delhi mandates switch to EV from existing conventional



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vehicles. In case of three wheelers, switch to EV mandated on net new onboarded vehicles is from 10% to 100% in a span of 6 months to 4 years. In case of four wheelers, passengers and good vehicles, switch to EV mandated on the net new onboarded vehicles is from 5% gradually to 100% next 5 years. The aggregator shall switch to an all-electric fleet by 1st of April 2030. Whereas the primary objective of Maharashtra Draft EV Policy 2021 is to accelerate adoption of EV in the state so that they contribute to 10% of new vehicle registration by 2025. For urban areas including Mumbai, targeted EV adoption by 2025 is 25% for public transport and last mile delivery. In our view, the drivers for EV adoption in NCT of Delhi vis-a-vis Mumbai are not one to one comparable which can be seen from past policy on adoption of CNG for both these regions.

During the month, MGL has signed a joint venture agreement with Baidyanath LNG Private Limited for incorporating a joint venture company for undertaking the business of selling LNG (Liquefied Natural Gas) as fuel to LNG vehicles. We continue our initiative in the area of Environment Safety and CSR. MGL has been awarded the National Award for Excellence in CSR and Sustainability by showcasing its interventions in the category of Best Overall Excellence in corporate social responsibility practices implemented through our partners, NGOs. With this, I conclude and would now like to open the floor for the 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 Probal Sen from ICICI Securities.

Probal Sen: I have three questions. Firstly, you mentioned about, of course the major discussion point which is the EV policy. Just to get a little bit more clarity the Maharashtra Draft EV policy advocates 10% of new registrations by 2025 and 25% of EV conversion for public transport and delivery services. Is my understanding correct?

Management: Yes, that is right. 10% of new vehicles by 2025 and for public it is 25% by 2025. That was draft in 2021.

Probal Sen: Has anything moved on adopting or implementation of this policy as of date?

Management: The policy had mandated 4-5 things, all with the deadline of 2025. There was only one thing with a deadline of 2022 which the government could not achieve. So they deferred it. The only deliverable on 2022 was that all government vehicles in Mantralaya and government offices etc. have to be EV, but they were not successful in doing, so they deferred that one provision of the EV. All the other asks are due only in 2025.

Probal Sen: Secondly, with respect to the volume growth obviously the overall H1 growth has been impacted by the fact that Q1 had a fairly low volume growth. This quarter I believe MD sir mentioned about roughly around 4% YOY growth. Now I know you don't like to do this on a quarterly basis



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but based on the H1 numbers, can we draw some sense of where we stand with respect to our overall guidance? We have consistently guided to somewhere around 5% to 6% growth targets on an annualized basis for our volumes. But does FY24 look a little bit at risk given what H1 performance has been from a volume perspective?

Management:

Well, the volume hit which we took in the last 2 years mainly on account of pricing of CNG, pricing for our cost of gas which we got etc. that tide has turned. And what degrowth or zero growth which we are showing that in Q2 we have shown that, yes now we are again back on the track of growth, but we still not have hit that 6% kind of a number yet because you're still seeing in the CNG segment for example, commercial vehicle growth still has not taken up. Maybe the transporters are waiting for a little more time or maybe once some mindset is set in sometimes it takes a bit of time to reverse it. It is only 6 months back that we started dropping the prices of CNG and it is only since 1 or 2 months now that we have partnered aggressively with the OEs to promote these vehicles. So, the impact will come slowly, and I won't say we are there right now but, yes, the trend is positive and all other things being equal we are hoping to hit that rate maybe in two three quarters.

Probal Sen:

One last question if I may, if you can indulge me. The LNG sales JV with Baidyanath. Can we get some understanding of how the revenue partnership would work, how the earnings model would work for this JV?

Management:

It's a 51:49 JV with Baidyanath LNG. So, it's an incorporated joint venture company and the same proportion of profit sharing will be done as per the equity holding.

Moderator:

Our next question is from the line of Yogesh Pati from Dolat Capital.

Yogesh Pati:

The recently announced Delhi EV Policy Extension has also impacted Mahanagar Gas stock price. So, the question is how many Ola-Uber taxis are running on the roads inside 3 GAs of Mahanagar Gas and how much CNG do they consume on a daily basis? Can you give us some idea on that side?

Management:

That number we can only guess because Ola-Uber themselves say that they have difficulty because the driver partners, they have downloaded both the apps. Sometimes they're sitting here sometimes they're sitting there. So, saying how many does Ola have, how many Ubers has is difficult. But what best guess we have is that maybe about 50,000-55,000 of them may be plying on the roads in our GAs on any given day. And their per capita consumption would be about 7 or 8 kgs. So, whatever the resultant number is about 3.5-4 lakh kgs out of the total 19-20 lakh kgs we sell is from there.

Yogesh Pati:

Could you please share the CNG volume consumption breakup of each category of vehicle, like the BEST buses, three wheelers, four wheelers, private cars, four-wheeler taxis? Just wanted a rough breakup from your side on each category.



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Management: Again, to answer that let me start with the caveat. We do not have data at that level of granularity because we don't get to capture and store sales at the dispenser for each vehicle against each category and stuff like that. So, whatever again best estimates we have on the basis of a few surveys that you have done, or some other secondary data is what I can share with you. There are about 4.4 lakh private passenger cars running on CNG and our estimate is they take about 30% of the roughly 19.5 to 20 lakh kgs per day of CNG which is sold. There are about 3.9 lakh autorickshaws which ply and buyer estimates, their contribution is about 30% or so. The cabs and aggregators as I told you, it will be about 4 lakhs out of—when I say cabs and aggregators it is predominantly—this overall law because the black and yellow fleet has really shrunk and not many of them are actually operating on the roads. If you look at the buses of the state transport undertakings BEST, MSRTC, NMMT etc., they represent about 7% of our volumes. They take roughly about 1.4 lakh kgs a day. The remaining is shared between basically commercial good segments small, medium, large etc. Please take it with a pinch of salt because these are not very accurately measurable.

Yogesh Pati: So, how many CNG vehicles added during the quarter second FY24 and out of that how many of them are LCVs and CVs?

Management: Roughly 19,900 CNG vehicles are added during the quarter. You are saying out of that how many LCVs? SCV-LCV is around 1300.

Yogesh Pati: So, frankly speaking this number has, we have seen a jump. So, last quarter you have said close to 15,000 per quarter kind of CNG vehicle addition. Now it has gone up to the 19,000-20,000-level. So, have you seen the same kind of a jump in the LCVs, CV side?

Management: I think there is an increase of around 100-150 LCVs.

Management: Overall, the majority of the increase would have come from the passenger car segment where since the first-second week of September we started running these incentive schemes there. And the CNG volume has increased from 2.481 MMSCMD to 2.583 MMSCMD. That is a jump of more than 4% Q1 this year versus Q2, primarily because of the number of additional vehicles which are running, addition.

Moderator: Our next question is from the line of Sabri Hazarika from Emkay Global.

Sabri Hazarika: Two questions from my side. First is we have seen that you cut the prices and there's been some sort of like volume growth which has happened. So, is the Mumbai market showing some sort of good price elasticity in terms of CNG demand in particular?

Management: Price elasticity for a Rs. 3 change is really difficult to measure. But what we are trying to do is we are trying to reverse the sentiment in the market when in a span of 2 years CNG went up from Rs. 49 a kg to Rs. 89 a kg. And since the last 8 months or so whenever we have got the



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opportunity, we are trying to reverse that trend. So, we did a small drop in February, then in April etc. So, this time I think we got an opportunity when our gas cost decreased because of the reduction in the HPHT price cap and our margins anyway were the healthiest ever in Q1. So, basically, to move consumer sentiment and to encourage adoption of more CNG we dropped that price by Rs. 3.

Sabri Hazarika:

With this recent price cut to 76, are we at a 10-11 sort of EBITDA per SCM, any idea on that?

Management:

Some savings have come due to the reduction in HPHT ceiling from 12.12 to 9.96. Also, consistently we are getting HPHT gas for our balance requirement for priority sector over and above APM availability. APM availability has been constant. So, we feel that very little dependence, if at all, on spot will be there for CNG as well as domestic PNG. HPHT capped at 9.96 and APM available at 6.5, I think gas cost will remain very stable at least till this year end unless something happens on the foreign exchange side. In view of that we can say that yes, our margin will remain and on annual basis as earlier we have been guiding Rs. 10 to 12 is an achievable target. This year it could be little higher than that having already achieved in the first half almost 14.5 EBITDA per SCM.

Moderator:

Our next question is from the line of S Ramesh from Nirmal Bang Equities.

S. Ramesh:

If you were to go back to this question about the concern on the EV penetration, I know we are all possibly groping in the realm of what could happen in the future. But when you look at your overall target of 6% growth if you take FY25-26, is a 6% volume growth achievable even if you see some progress in the EV conversion in your GAs, how do you see that?

Management:

Yes, the policies have been announced earlier also and now also some targets have been announced in NCR. So, one that the overall volumes are growing because of CNG conversions also, new vehicles are being added. We are launching new schemes to get more conversions. So, the impact of that will also come and there is a scope of market to grow for all the segments because overall the health of roads are getting better in highways and other connected areas where the floating population of heavy commercial vehicles are also expected to pick up in next few years. So, having said that the impact of EV is not likely to be very significant as far as our analysis goes. Yes, it will have an impact after 7-8 years or so when actual conversions of EVs take place. But there again the scope in existing vehicles which are running on diesel to get converted into CNG is also going to happen pretty fast in next 3-4 years' time. So, our volumes are not actually in total danger. Maybe it will get impacted if very aggressive conversion happens. But we expect that 5% to 6% growth of volumes to continue for next 5 to 6 years of time.

S. Ramesh:

And second thing is the recovery in the industrial and commercial segment. Is it something which we can expect to continue for the next two quarters and the next couple of years? Is there a sustainable recovery there?



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Management:

If you look at a quarter-on-quarter basis, the number looks high about 14%-15% or something. But there is a reason for that. Q1 our industrial volumes are really actually low. They were lower than previous year also. The main reason for that was 2-3 of our largest consumers happened to take a maintenance shutdown in that quarter which impacted our volumes. Now that depressed the base and in Q2 we had upside in about 15,000-16,000 SCMD from one existing customer who was using liquid fuel whom we could persuade to switch to gas for the remaining requirement also. If you look at H1 versus H1, the increase is normal 5%-6%. Having said that I&C growth in the next 1 or 2 years you may see slightly higher than what we had been doing in the past. This is mainly because we have tweaked our contracts. We have made them more user friendly. We have done away with elements like 'Take or Pay' etc. We have given a lot of flexibility to customers. We are also giving them a kind of 3-year 10% discount guarantee for new customers who are using a good amount of gas. Because of all these changes we have signed up more than a lakh SCMD worth of contracts which we will be connecting and commencing gas supply over the next few quarters. There will be an uptick in the I&C segment. Later, with pipeline reaching few more areas in Raigard, Raigard also industrial volumes will start contributing.

S. Ramesh:

So, if you were to just summarize your existing GAs in Raigard, just a clarification you gave some numbers in terms of infrastructure addition. So, the 319 CNG and the 32 CNG stations are they separate numbers, or should we read the 319 including the 32?

Management:

319 including 32.

S. Ramesh:

And secondly this 6% growth will include the ramp up in the volumes in Raigard also, right?

Management:

Yes.

Moderator:

The next question is from the line of Varatharajan Sivasankaran from Antique Limited.

V. Sivasankaran:

Just wanted to understand on the commercial vehicle front, what is the promotional scheme which we are running as of now?

Management:

We have basically segmented the commercial vehicle market into categories depending on the gross vehicle weight. For vehicles which are more than 3.5 tons weight up to about 10 tons, we are giving a fuel card - CNG fuel card worth about Rs. 2 lakh. Then if the gross vehicle weight is between 10 and 15, we are giving 3.5. If it is more than 15, we are giving 5. Now this card can be used to buy CNG from our 319 stations and since the per capita consumption of these vehicles is large, the higher the tonnage the more kgs per day they take every day for their runs, we have calculated that we get an attractive payback. So, initially some 1 or 2 years of sales promotion expenses will result in volume addition in the longer run and the other main condition is these vehicles need to be registered in RTOs inside MGL's GAs, so it's not the case that some vehicle from Karnataka, Gujarat or Delhi comes here and takes that incentive and goes because



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whoever takes it has to fill it from a CNG station inside MGL's GA. That is the limitation we put on the card.

V. Sivasankaran: So, this is a blanket scheme for all the existing vehicles as well or is it only for the new vehicles which are getting registered?

Management: It's only for new vehicles.

Management: For commercial goods vehicles there are about (+20) models in the market. I think we are doing incentives with almost all and in the passenger car vehicles also we are doing giving incentives worth 19,999. This we are only giving to select models of the top OEs because in CNG there are some very high selling models which have a wait time of 3 months, 4 months etc. So, they are anyway selling so there's no need to incentivize them. So, we sat down together with four of the top OEs of passenger vehicles and we have identified which models we are going to promote, and the models were selected on the basis that their base sale is not really good but given a nudge the potential for sales was high. So, out of the 12 models of Maruti which are on CNG, out of the 14 total models we have identified with them 7 models in which are in incentive, Hyundai we identified a couple and with the other OEs also Tata and Mahindra we are doing something.

V. Sivasankaran: When were these schemes started?

Management: It started progressively from about 7th or 8th of September, till the last one we signed up was probably in the last week of September.

V. Sivasankaran: How are you publicizing these things? How does it reach the intended target customers?

Management: There are joint advertisements by us and the OEMs like Maruti is putting a joint advertisement with MGL or Ashok Leyland is putting a joint advertisement with us, and they are advertising like that. Also, at the point of sale at the dealer's location also wide publicity is being given to them. As far as the retrofitment is concerned, all the retrofitters are taking sufficient measures to publicize it. In fact, the better way for the CV is to have the potential customer meet which Ashok Leyland and others have lined up and already done. We have done close to around 3 to 4 customer meets in which the potential fleet owners are being invited to talk directly with the OEM as well as with MGL officials.

V. Sivasankaran: Just curious about this fact that you are also incentivizing retrofitting fitment. Given the fact that there is wide variety of OEM vehicles available, is there any real requirement to address your retrofitment market?

Management: We feel that retrofitment will add vehicles because this market was almost coming to a standstill and with our scheme it has come to life again. And what we have done this time is that we have gone through the retrofitment route through the kit manufacturer or a distributor rather than



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going to the retrofitter directly, so that the quality is maintained at the same time when the retrofitment is being done.

Management: These vehicles will add on to the new sales. So, retrofit is always an add on to the existing OE models available and there's an option which is now available for existing vehicle owners to shift to CNG given the environmental benefits and cheaper cost of running.

Management: As you know that beyond a certain number of years the diesel vehicles are not allowed. So, it is a win-win for the vehicle owner also that his life of the vehicle to ply within MMR region gets extended by 7 years.

Moderator: Our next question is from the line of Maulik Patel from Equirus.

Maulik Patel: A few questions, one, can you just give the supply breakup and what's currently the cost of LNG what was there in Q2? How much of the APM you received and other long term or medium-term LNG contract you have?

Management: Currently if you look at our contracts, APM we are getting around 2.7 MMSCMD and around 0.8 MMSCMD is through various term contracts including Henry Hub, term contract and HPHT.

Maulik Patel: Hardly any spot LNG purchase you have?

Management: Very negligible spot LNG. But let's say if spot is cheaper than any of these term contracts then we do have some ramp down in the existing term contracts. To that extent we substitute spot for these term contracts if it is advantageous in terms of lower prices of spot. So, last two quarters at times we have added spot whenever it was cheaper than either Henry Hub or cheaper than HPHT.

Maulik Patel: And in the last con-call you mentioned about that Rich gas which you guided which essentially led to the lower MMSCM volume and in the last con call you gave the number of around 184 million kg was the number for CNG. What was the corresponding number for this quarter?

Management: CNG in terms of kg is 1.897 million kgs per day for Q2.

Management: Q1 was 1.838 million kgs per day.

Moderator: Our next question is from the line of Niharika from Aequitas Investments.

Niharika: My question is regarding the Unison acquisition. So, any update on that as we are already end of October?



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- Management:** Yes, the update is the term, the 5-year lock in has expired on 25th of September. So, Unison has applied to the regulator. Now the board meeting is yet to be held for the PNGRB. So, they will put up the proposal and once the proposal is cleared, so we expect that in the month of November we should get the clearance from regulator and thereafter we will get the acquisition.
- Niharika:** So, numbers should start flowing in our book from probably the last quarter of this financial year.
- Management:** Probably Q3, yes. If it happens in November Q3 of this year.
- Niharika:** And my next question is that we have reduced our prices by Rs. 3 in CNG and Rs. 2 by PNG and HPHT got reduced from 12 to 9. So, have we passed on the full benefit or is it more than the benefit that we have passed on?
- Management:** As we said earlier, I think it is little more than the benefit of HPHT itself.
- Management:** The numbers can be seen from EBITDA per SCM also, our EBITDA per SCM has slightly come down from last quarter. So, what we are also focusing at is to increase the volumes and therefore we have reduced the prices slightly higher than what the benefit we were getting in the procurement cost.
- Niharika:** And how much HPHT have you procured in Q2?
- Management:** Q2 HPHT was around 0.3 MMSCMD, roughly 0.28.
- Niharika:** And on the card scheme which you just mentioned so how are we expensing the card expense? So, as soon as we issue is it coming in our P&L or is it like deferred whenever the card is swiped?
- Management:** No, it will be based on the utilization by the person. So, if you are getting a card and you are filling the gas you will get a statement from the bank for card utilization based on that it will be expensed out. However, it can be done on an estimated basis as well. So, since we have just launched it in the end of Q2 we will wait and see. Both options are available with us.
- Niharika:** So, there'll be a slight jump in the sales promotion expense?
- Management:** There will be jump in the sales promotion expenses, yes.
- Niharika:** And my last question is that I read an article which said that some 10,000 EV buses are going to get incorporated in Mumbai. Do you have any idea or any update on that front? Is BEST or any other bus player is getting very aggressive on the EV front?



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Management: On the contrary we heard that whatever commitment BEST had from the supplier that itself is not getting fulfilled. So, I don't know we are not....

Management: Total buses running are hardly how much, 3000?

Management: They have 480 EV buses, in the last one year they have not managed to get more than 10 or 20 buses. And there was also a news report today or yesterday the Honorable Petroleum Minister, I think in some conference had made a statement saying that the government is coming up with giving a subsidy for some 10,000 odd buses across the country. But that subsidy will only go to smaller cities and towns not to the metros because whatever subsidies they have got for the metros and that metros have taken. So, the next tranche this is a public announcement which had been made is going to smaller towns and cities.

Management: EV adoption of buses in Mumbai will be a slightly challenging job because of space constraint in Mumbai also. Right now, the charging happens at night and the buses run during the daytime. The range of electric vehicle buses is much lower as compared to CNG. Therefore, the chaffer having the same equal of movement of buses they will require higher number of buses. Storage of that buses will not be available in Mumbai-like city. So, that is another issue then. Then charging point is another. Third is the availability of buses. Fourth is the cost which is much higher. CAPEX is required for procurement of electric vehicles. The supply side is still a constraint. So, we expect these issues to be addressed then only the penetration of electric vehicles especially in a city like Mumbai will have made any significant impact.

Management: Just to tell you, in Mumbai today the BEST is operating their lowest number of buses in their history. And that's how the queuing time at a bus stop is 45 minutes. So, it is primarily maybe because of their dependence or their calculation of getting EV that they have not received so far. In fact, if you have read the newspapers about a recent development in Pune, they are now switching back to CNG, PMPR.

Management: Even MSRTC is adding up more buses to CNG from their diesel fleet to CNG convergence are happening month on month basis.

Management: This quarter we have MSRTC-NMMT put together around 80 odd buses added in Quarter 2 and BEST 80 buses have come on CNG this quarter, Q2.

Moderator: Our next question is from the line of Vikas Jain from CLSA.

Vikas Jain: Firstly, thanks a lot. I think after our feedback last time you have given the million kg number in the footnote for 1Q and 2Q. Could you give me the comparable numbers for the quarter of 1Q FY23 and 2Q FY23 as well? That's the first one. And the second question is on a QOQ basis the decline that we see in gross margin, what could be the broad reason for that? Because the price cut that we are talking about is something that has happened only in October. So, from that



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perspective why do we see this decline? Any particular reason for that? So, those are my two questions.

Management: First, I'll address the question of gross margin reduction. So, first quarter the prices were higher for around 7-8 days. That also gives some little upside. In case of Q2, we have been aggressive with respect to I&C marketing and the volume push with good amount of discount to the new customer and customers with higher load. So, that is where our I&C margin compared to Q1 are lower and marginally there is an increase in gas cost maybe in the range of 30-40 paise compared to Q1. And sometimes within CNG also the proportion of realization changes depending on the mix of sale through our own outlet, sale through OMC outlet, sale through private outlet. So, sometimes margins in CNG keeps on changing depending on the mix of the outlet. These are the 2-3 reasons where you can see that around a little less than Rs. 2 is the reduction in gross margin compared to Q1 of this year.

Management: The second part of your sales volume CNG is around 1.80 million kg per day for financial year 2022-23. For H1-H1 comparison it is 1.82 million kg per day for 2022-23 half year and this year it is 1.87 million kg per day for H1 2023-24.

Moderator: Our next question is from the line of Amit Rustagi from UBS.

Amit Rustagi: If we have to grow our volumes from here maybe let's take 0.2 or 0.3 MMCMD, where do you think that additional gas will come from? Do we have additional domestic sources like HPHT available to us or we have to move to spot LNG if we have to see a volume growth now?

Management: The gas is available in ample quantity. As much as we want, we can take it. First that APM is allocated for PNG and CNG which maybe can slightly go down. But HPHT is available in sufficient quantity and spot also is at a very reasonable rate as of now. So, the gas is available HPHT or spot we take a call primarily HPHT is anyway available. And more or less our dependence on spot has reduced since last year or so primarily because we have gone for more term contracts. So, we find that gas at reasonable cost will be sourced in the coming few quarters or next few years.

Management: As you are aware that we also expect that Reliance and ONGC will also come out with fresh bidding for HPHT.

Management: HPHT bidding for November I think 20-21 around 4 million.

Management: And from February onward this year the first priority is given to CGD for HPHT sales.

Amit Rustagi: So, we are looking to bid some gas in this upcoming bidding to ensure that we get sufficient volumes at a good price because spot is really around \$18 right now, APC currently.



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- Management:** Yes, we will do that.
- Management:** We will evaluate, and we may go for some more term contracts depending on the volume offtake which is expected to increase in next few quarters.
- Amit Rustagi:** And lastly on the propane pricing. Now propane prices have gone up in the third quarter. So, are we seeing some industrial volume returning back to us?
- Management:** There are hardly any propane customers in our geography. Most of them have long back shifted to natural gas from propane. So, we hardly have any propane customer.
- Management:** Most of our customers were using FO, LFHS, LDO etc.
- Moderator:** Our next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** Would you be able to give us some color on the volume growth between GA-1 and GA-2, particularly in terms of the CNG volume pickup that we are seeing?
- Management:** GA-1 and GA-2 are actually seamless, attributing CNG volume in GA-1 and GA-2 because vehicles go all the time from Mulund to Thane, Thane to Mulund, Chembur to Vashi, Dahisar to Mira Road. So, for purpose of analysis, we usually club GA-1, GA-2 as one unit.
- Management:** GA wise reconciliation of CNG is not possible because as Rajesh explained, vehicles are moving all around the GA-1 and 2.
- Kirtan Mehta:** Understood. What is the actual CAPEX run rate that we have done in the H1 and what would be our target for the entire year?
- Management:** We have done around 300 crores in H1, and we expect anywhere between 700 to 800 crores. If most of the plant activities permissions or pipeline laying as well as availability of plot is there, we can go up to even 900 to 1000 crores.
- Management:** This is excluding the Unison acquisition.
- Management:** Yes. Usually our H1 is lower because of the season starts somewhere around October- November so H2 is always higher CAPEX.
- Kirtan Mehta:** One more, in terms of the employee cost run rate we are seeing bit of a pickup this quarter. So, what would be sort of the annual guidance on the employee cost.
- Management:** This increases mainly on account of new employee numbers getting added. I think most of it has been done. Some could be because of some incentive schemes etc. So, it should be now onwards normal quarter-on-quarter basis.



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- Moderator:** Our next question is from the line of Yogesh Patil from Dolat Capital.
- Yogesh Pati:** During Q2 we have seen a jump in other expenses. Is this because of increase in marketing cost or any specific reason or any one-off?
- Management:** No, marketing cost is there but it is not so high. Nominal increase is there in the marketing cost. With increase in the volume, there is an increase in the linked costs like transportation power and fuel etc. Also, there is an increase in case of repair maintenance etc. Apart from that, on overhead side, we were running our strategy exercise. So, there was an increase in the consultancy expenses and as outcome of strategy also we have taken up lot of digitization and other initiatives. That is where OPEX has gone up. You will see some increase in OPEX towards this year Q2 and Q3 on account of marketing, once the CNG numbers click in.
- Management:** Our next question is from the line of Manikantha Garre from Franklin Templeton India.
- Manikantha Garre:** Just wanted to understand on this partnership with OEs that you have done. How long will this partnership continue? Is there any limit on number of vehicles you want to give this incentive? That's first question and what would be the contribution of the OEMs towards the fuel costs that you are offering? That's the second question.
- Management:** As regards the tenure, initially we are looking at the festive season. If the schemes work and they succeed, we see no reason to discontinue them because more volumes come in, more vehicles come in they are going to be with us for 10-15 years. As regards what contribution the OEs making, I'll give an example of Maruti for the 7 vehicle models which we are incentivizing, Maruti is also chipping in with discounts and benefits ranging between Rs. 15,000 to Rs. 60,000 against our 20,000.
- Manikantha Garre:** So, this 20,000 for PVs and 2 lakhs to 5 lakhs that you have mentioned for CVs, there is a contribution from OEs included in that is what you're mentioning?
- Management:** In the passenger car segment yes, it is there. This is over and above what MGL is giving.
- Management:** For passenger vehicle OE contribution is over and above MGL's contribution of 20,000 in the range of 30,000 to 50,000 from OE side in some of the passenger vehicles.
- Management:** And the commercial vehicles the offering from the OEs is more in terms of extended warranty and those kind of things. It's not upfront financial benefit is not on the table.
- Manikantha Garre:** And just one last question, here if you decide on continuing this scheme for long and if it gets successful this season, I was just wondering would that have some downward pressure on the unit EBITDA margins for you going forward? Have you worked on that numbers?



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- Management:** It's not very significant because whenever we launch these schemes it takes some time for it to pick up. And the numbers, in overall expenditure, is not very heavy to make any significant impact on EBITDA.
- Management:** And the additional volumes which we'll gather through all these schemes, they will more than take care of any small reduction in EBITDA over SCM and for the short term.
- Moderator:** Our next question is from the line of Varatharajan Sivasankaran from Antique Limited.
- V. Sivasankaran:** In terms of upgradation of outlets, you used to give a number. What is the kind of numbers we had last quarter and maybe in the first half also if you can give us the overall number? This quarter as well as the previous quarter.
- Management:** I think they are not much, maybe around 7-8 stations have been added. Upgradations are more.
- V. Sivasankaran:** My second question was on the availability of high-pressure high temperature gas. Is it still available in IGX as and when you want can you access it?
- Management:** Yes, HPHT is available in IGX. As far as upgradation is concerned, I don't have quarter wise number but in H1 we have upgraded 16 CNG outlets. I don't have Q1 and Q2 breakup but 16 outlets.
- Moderator:** Our next question is from the line of Devang Patel from Sameeksha Capital.
- Devang Patel:** Very briefly just wanted to understand the new scheme for incentivizing CVs. How long are you planning to offer this?
- Management:** I think we just answered it sometime back. We are definitely offering this for the festive season and depending on what response we see and what we get, it's beneficial for all we can continue it.
- Moderator:** Our next question is from the line of Saurabh Handa from Citi Group.
- Saurabh Handa:** I had two questions. Firstly, on the volumes of HPHT that you said were 0.28. So, we assume out of this 0.2 MMSCMD, the contracted portion that goes for industrial commercial use and the balance is what you use for the priority sector?
- Management:** Completely this is for priority sector. 0.28 is for priority sector. HPHT procured on priority basis for CGD is not allowed to be used industrial commercial. Our industrial commercial is catered through Henry Hub term contract and there is another term contract linked to Brent through Reliance. That is more than sufficient for our I&C requirement.



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- Saurabh Handa:** So, your old Reliance contract of 0.1 is not included in this 0.28?
- Management:** No. 0.28 includes 0.2 term contract and balance we have got through IGX, HPHT bidding regularly.
- Saurabh Handa:** So, the 0.1 MMSCMD of Reliance Gas is over and above this?
- Management:** Yes.
- Saurabh Handa:** Just another question. Given that you have seen a pretty meaningful pickup in CNG conversions last quarter, can you just comment on the volumes that you have been seeing this month in October, either just CNG or overall basis are we seeing a sequential pickup? Anything that you can throw some light on?
- Management:** Usually there is not any material increase between Q2 and Q3. Q1-Q4 normally are a bit low, Q2-Q3 are a bit high. And having said that some of these, the festival season on the holidays are there, that sometimes depending on the timing of the holiday, it can have up or down on your CNG volume. So, till now if you're talking in October, there were any material significant jump we have seen, the answer is no. But we are waiting for these schemes to gain traction. Especially the commercial goods vehicles, they haven't really started coming back to their old numbers yet. The increases which we are seeing in the 19,000 vehicles, the Q-on-Q the 4,000 odd number increase is predominantly from private cars whose per capita consumption that is relatively lower. Of course, this quarter those 100 odd buses also came through. But on the small light and intermediate commercial goods vehicle segment, we are still way off the numbers which used to be there a couple of years back when CNG and diesel price differentiate used to be significant.
- Saurabh Handa:** So, you are hoping for some maybe uptake from next quarter when the full benefit I think of the festive season being over and you spoke about I think 0.1 MMSCMD of new industrial contracts. Even those should start kicking in from the fourth quarter/ March quarter?
- Management:** The end of the construction season basically Q4 and a bit in maybe Q1 next year.
- Management:** But some I mean in October as a trend we are seeing slight increases there in the volume of overall volume.
- Moderator:** Our next question is from the line of Darshit from Robocapital.in
- Darshit:** I just have one, rest of them are answered. You said currently for H1 of FY24, it is 14.5 EBITDA per SCM, correct?
- Management:** Yes.



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- Darshit:** And you said twelve is the number that looks sustainable, is that correct?
- Management:** Yes, for the longer period of time I'm saying 12 as of now it is sustainable.
- Darshit:** At least for the next 2-3 years as what the conditions are?
- Management:** Quarters, years we can't say.
- Management:** 2-3 years is a very long period.
- Management:** 14.6 is this quarter and 15.6 is the H1 for this year. The EBITDA for SCM.
- Moderator:** Our next question is from the line of Mohit Mehra from Guardian Capital.
- Mohit Mehra:** For this industrial and consumer incentives that we are running the 10% discount, are we still making money on the incremental volumes because the gas sourcing blend would also be different. It would be a mix of spot and HPHT.
- Management:** I think we have clarified the I&C segments we are not feeding with spot or HPHT. They are being fed using our term contracts. So, even with the additional 10% discount for the new large customers, we are making money on them also.
- Mohit Mehra:** So, even the incremental volumes that will flow, those will also be satisfied by the term contract?
- Management:** Yes, it's like this. As we keep on aggregating volumes and the volumes increase, we will keep going for tranche of term contracts to feed them.
- Mohit Mehra:** And again, so the focus seems to be shifting from margins to volume and these schemes that we are running for the CNG discounts as well as for the heavy commercial vehicles, is there a floor margin that we would be comfortable with?
- Management:** Yes, focus has shifted. We are not exactly shifted. We are making a balance between the margins and volumes. And what was your second question? It's not very clear.
- Mohit Mehra:** So, is there some floor margin? So, let's say we would not go below say Rs. 8 per SCM, Rs. 9 per SCM whatever. Is there any such number that you could provide?
- Management:** We don't keep any floor margin as such in the mind. However, we do keep floor for pricing with respect to our gas costs and some margin over that rather than keeping an absolute to this. But all that is done keeping in mind overall absolute profitability should go up. I'm saying the absolute amount of PAT we generate or EBITDA we generate should go up with the incremental volumes at a company level.



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Moderator: Ladies and gentlemen, our next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: I just wanted to check on the fuel savings schemes that we are offering, the fuel card that we are offering. So, in terms of how does the card work? This would be the upfront initial sort of the 2-lakh card that we are doing. Would it be immediately against the entire CNG purchase or would it be a discount on the exact numbers? How does the card actually work?

Management: So, the card is loaded by us, and the vehicle owner can go to our CNG station, fill up CNG. If he's filled up let's say Rs. 800 worth of CNG, he swipes the card and 800 gets reduced from his card balance.

Kirtan Mehta: So, it would be sort of the upfront loaded cost that we will take. And we'll be booking this cost into our numbers as and when the card gets swiped.

Management: Correct.

Moderator: Ladies and gentlemen that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Management: Thank you so much all for joining in today's earnings call and we look forward to your support in future as well and posing confidence on the company. Thank you so much and very Happy Diwali and Happy New Year which is going to come soon to all the investors in MGL. Thank you so much.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited. That concludes the conference call. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for improving readability)



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