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Date: May 28, 2019

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**

Sub: Transcript of Earnings Conference Call on Audited Financial Results for the Quarter and Financial Year ended March 31, 2019.

Dear Sir/Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that an Earnings Conference Call on Audited Financial Results for the Quarter and Financial Year ended March 31, 2019 was held on Friday, May 10, 2019 at 4:00 PM (IST).

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

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

Thanking You,

Yours Sincerely,

For **Mahanagar Gas Limited**

Sanjib Datta

Sanjib Datta
Managing Director

MAHANAGAR GAS LIMITED MUMBAI

Encl.: As above

“Mahanagar Gas Limited
Q4 FY2019 Earnings Conference Call”

May 10, 2019

ANALYST: **MR. VIDYADHAR GINDE - ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. SANJIB DATTA – MANAGING DIRECTOR – MAHANAGAR GAS LIMITED**
MR. SUNIL RANADE – CHIEF FINANCIAL OFFICER - MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT (MARKETING AND PROJECTS) – MAHANAGAR GAS LIMITED
IR REPRESENTATIVE

Moderator: Ladies and gentlemen good day and welcome to Mahanagar Gas Q4 FY2019 Earnings Conference Call, hosted by ICICI Securities. 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. Vidyadhar Ginde from ICICI Securities. Thank you and over to you Sir!

Vidyadhar Ginde: Thank you Stanford. Good afternoon to everyone and welcome to the fourth quarter earnings call of Mahanagar Gas. We have the management of Mahanagar Gas Mr. Sanjib Datta, the Managing Director, Mr. S.M. Ranade, the Chief Financial Officer, and Mr. Rajesh Wagle, the Senior Vice President (Marketing and Projects). I now hand over to the management for their initial comments. Over to you Sir!

IR representative: Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and we believe that expectations contained in the statement are reasonable. However, the nature involves a number of risks and uncertainties that may lead to different results. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties regarding fluctuations in sales volumes, fluctuations in foreign exchange, other costs, and our ability to manage growth. I urge you to consider that 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 full year numbers. Over to you Sir!

Management: Thank you. Good afternoon to all of you and welcome to Mahanagar Gas Limited's Earnings Conference Call for the fourth Quarter of Financial Year 2018-2019. I would like to thank all of you who have connected for our earnings call today.

The report published by the inter governmental panel on climate change in October 2018 has mentioned that about 12 crucial years are left to act in order to save the world from severe climatic conditions.

Carbon concentration which was approximately 392 ppm in 2015 had now reached to 414 ppm, at this rate it could reach to alarming level of 550 ppm by 2050. No wonder India wishes to increase the share of natural gas in the overall Indian energy basket.

As per vision 2030 report of PNGRB natural gas demand will go up, up to 746 MMSCMD while its supply will go up to 475 MMSCMD in 2029-2030. Hence meeting the growing demand of natural gas in coming years is going to be a big challenge. In India city gas distribution has a share of about 8% of the total demand of natural gas. Of the total natural gas demand in the CGD sector, CNG contributes to nearly 50%. CNG presently constitutes 4% of total gas consumed this will grow progressively to around 8% in years to come. With the completion of 10th CGD bidding round, CGD would be available in 228 GA's comprising of 402 districts spread over 27 states and union territories covering approximately 70% of India's population and 53% of its Geographical Area.

MGL had applied for two GA's namely a) Mysuru Mandya and Chamarajanagar districts and b) Allapuza, Kollam and Thiruvananthapuram districts under 10th CGD bidding round. However, we did not succeed in securing any of these GA's.

Now coming to MGL's operations, we are rapidly expanding our CGD network in the existing areas of our operations. During the quarter 38,866 domestic households were added, today we have more than 1.14 million household customers supplied with pipe gas.

We have had a net addition of 54 industrial and commercial consumers and thus as on date we have over 3,800 industrial and commercial customers. We are now operating 236 CNG stations, supplying CNG to 692,000 vehicles and our aggregate of steel and PE pipeline network stand at 5,310 kilometers.

With respect to our Raigad GA we have about 8,900 domestic PNG connections in Uran and adjoining areas. Gas supply to major towns like Pen, Uran and Karjat is being planned through the virtual pipeline network to begin with. In January 2019, the company has received critical permissions from various authorities for laying pipelines in Raigad GA. Three CNG stations were added during the quarter and with this, ten CNG stations are currently operational in Raigad. Presently CNG sales in Raigad is 27000 kgs and is expected to go up when some more CNG stations become operational in coming months.

During the quarter, we have seen a growth of 7.4% in overall sales volume over the corresponding quarter in the previous year. CNG sales volume grew by 6.9%, Domestic sales volume grew by 9.6% while the industrial and commercial sector sales grew by 8.6%. Overall the PNG volume grew by 9%.

Gross margin is higher in value terms in the current quarter as compared to responding quarter in the previous year because of higher volumes in CNG and PNG and better price realization across all customer categories. EBITDA margin was 29.6% at Rs.214 Crores in the current quarter as compared to 30% at Rs.176 Crores in the corresponding quarter of the previous year. Net profit after tax grew by 27.4% from Rs.105 Crore in the corresponding quarter of previous year to Rs.133 crore in the current quarter.

Compared to immediately preceding quarter current quarter has lesser number of days and as a result overall sales volume is lower by 0.7%. Due to strike in BEST services, we lost some volumes and CNG volume is lower by 1.1%, domestic volume is lower by 0.9%; however the industrial and commercial sector grew by 1.5%.

Gross margin grew marginally to 48.9% as compared to 48.8% recorded in the immediately preceding quarter. The Company, however, faced a decline in the EBITDA of Rs.7.91 per SCM as compared to Rs.8.77 per SCM in the previous quarter due to lower I&C sales realization and higher Opex on account of CSR, repairs and certain provisions considered. Net profit after tax declined by 10.2% from Rs.148 Crores in the preceding quarter to Rs.133 Crores in the current quarter.

During the year overall sales volume grew by 9.2% compared to the sales volume of previous year. CNG sales volume also grew by 9.2%. Domestic sales volume grew by 10.7% and industrial and commercial sector grew by 7.8%. Overall the PNG volumes grew by 9.2%.

During the year EBITDA has increased to Rs.8.22 per SCM as compared to Rs.7.91 per SCM in the previous year; however gross margin is at 49.6% as compared to 53.7% recorded in the previous year. Net profit after tax grew by 14.3% from Rs.478 Crores in the previous year to Rs.546 Crores in the current year enabled by higher volumes and improved EBITDA in rupees per SCM terms. With this, I conclude and would now like to open the floor for questions. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Probal Sen from Centrum. Please go ahead.

Probal Sen: Thank you for the opportunity sir. I had a couple of questions. One, would it be possible to share as in previous quarter the industrial and commercial sales volume for this quarter separately.

Management: Yes, industrial sales volume in MMSCMD terms in this Q4 was 0.233 and commercial was 0.186 in Q4.

Probal Sen: Sir would you have the Q3 number also handy…

Management: Yes you can take down, industry was 0.224 and commercial was 0.180.

Probal Sen: Okay. Sir the other question I had was with respect to this other expenses, I think Mr. Datta mentioned about the broad reasons, is it possible to get more specifics given the sharp 19% increase in the other Opex number on a Y-o-Y basis.

Management: Yes, some more clarity we can give; nearly additional 6 Crores as compared to, you are talking probably with reference to previous quarter right.

Probal Sen: Yes, whichever sir Y-o-Y or Q-o-Q both ways it has actually gone up. So whichever data you have would be happy to have sir.

Management: As compared to Q3 the main concern of people is the PAT has dropped from 148 to 133 odd. So nearly 6 Crores is on account of different, different provisions. Either it could be for inventory related obsolescence and other things and some provision we are making with reference to pipelines which we lay, which we feel may not be monetized immediately. There are certain provisions due to new accounting standard which has also come in place, Ind-AS 109 with respect to expected credit loss that is approximately 6 crore hit in this Q4 and there is some amount of additional Opex in case of repairs and maintenance activity vis-a-vis in the previous quarter. So these are the main reasons for higher expenditure between Q4 and Q3.

Probal Sen: Sir is higher level of activity in Raigad by any means, source of the higher Opex, I am asking from a sustainability perspective in terms of what we should be looking at for FY2020 in terms of run rate.

Management: We have already informed earlier as well that generally Q3 and Q4 Opex tends to be higher than Q1, Q2, between Q3 and Q3 some ups and downs are always possible. So the primary reason is obviously Q3 and Q4 will be higher than Q1, Q2. If you want to talk about year-on-year expenditure and why that has moved further, the primary reason is with reference to as the operations increased, expenditure also tend to rise because substantial amount of expenditure is almost 100% variable, e.g,, if we talk about power and fuel it is almost 100% variable linked with the CNG volume, the figure has gone up from 105 Crores last year to 116 Crores that you will be able to observe in our annual account figures also. Similarly, another important accounting head will be with reference to CNG dispensing charges that is also a substantial figure including of course the provisions which we make, another important figure will be with reference to LCV transportation wherever online CNG stations are not there you must be aware we are required to transport the gas by way of cascades mounted on LCVs that also involve substantial expenditure and as volume from so called daughter booster station has increased in this year as compared to previous year, the expenditure has obviously gone up nearly 6 to 7 Crores on that account. So there are also higher expenditure with reference to consumptions of stores and sales and spares, which is mainly with reference to CNG activity and some more details I think you will be able to get it from our annual account figures.

Probal Sen: Sure sir that is very helpful. One last question, guidance on volumes for next year remains at that 6% to 7% range and can we get the number of stations that you are looking to add for CNG and household connection target for 2020.

Management: Gas volume we will still maintain at 6% to 7% range, business as usual scenario unless some potential upsides happen.

Probal Sen: And number of CNG stations to be added sir, any guidance on that.

Management: CNG stations we would be targeting in mid 20s.

Probal Sen: And household connections, I think the earlier guidance was every year around 0.2 million or so, does that maintain, and does that remain.

Management: No, I think every year we were adding about 1,10,000 burning customers and that number can go up slightly.

Probal Sen: So 1,10,000 to 1,20,000 is what we should work with right.

Management: Yes, that would be a fair number.

Probal Sen: Alright sir. Thank you.

Moderator: Thank you. The next question is from the line of Jinal Fofalia from Turtle Star Portfolio. Please go ahead.

Jinal Fofalia: Good evening sir and congrats on decent set of numbers. Sir I have couple of questions. My first question is, how many CNG stations do we have as on March 31, 2019 and out of this how many CNG stations are in Raigad.

Management: See as of 31st March we had 236 stations total and out of 236, 10 are in Raigad.

Jinal Fofalia: And how many CNG stations do we plan to add in FY2020 in the region that we operate as well as in Raigad.

Management: Put together it would be about 25 or so, Raigad could be between 5 and 10.

Jinal Fofalia: Okay. Well sir, my second question is what would be your total CNG consumption for the BEST buses.

Management: There are about 1800 buses on an average they consume about 55 kgs per day.

Jinal Fofalia: 55 kgs.

Management: Per day for bus.

Management: So it is about 1 lakh kgs per day.

Jinal Fofalia: 1 lakh kgs per day and what is the total number of buses that you said.

Management: 1800 CNG buses.

Jinal Fofalia: 1 lakh kgs per day these 1800 buses consume right.

Management: Yes.

Jinal Fofalia: Okay. My next question is in-between we have submitted one catch up plan for discussing this with Maharashtra Government. So what is the progress on that catch up plan for Raigad?

Management: Number one, it is not submitted to Government of Maharashtra, rather catch up plan was submitted to the PNGRB the regulator, and whatever catch-up plan we have submitted with reference to that there are two aspects, one is domestic connections and another pipelines to be led. In case of domestic connections we are right on target whatever catch up plan we had submitted, whereas pipelines related the things are progressing.

Jinal Fofalia: Okay. So when shall we start getting numbers from the pipeline and domestic connections.

Management: Pipeline right now I do not have readymade figures, but domestic connections is around 8,900 that we completed.

Jinal Fofalia: 8,900.

Management: Yes.

Jinal Fofalia: Okay. Well sir my last question would be, on city gas tenders so in-between we had submitted some city gas tenders, first in Maharashtra state how many cities have we submitted and how many orders have we received so far.

Management: In Maharashtra we have got the license for the Raigad district in 2015, in the last round of bidding, we put out bids in two areas none of them are in Maharashtra, one was in Karnataka other was in Kerala and we did not get either of them.

Jinal Fofalia: Okay. So apart from Maharashtra state do we plan to expand in any other state as well or are we talking with some other government as other state government. So do we have any hopes or expectations that we get tenders from other states as well.

Management: Well, we are open to opportunities anywhere outside Maharashtra also and as regards talking to state governments the licenses in this sector are given out by the central regulator, which was the petroleum and natural gas regulatory board. So it is not something given by the state government. So whenever the PNGRB comes out with licensing rounds, we look at whatever area looks attractive and then put in our bids if we feel that it make sense.

Jinal Fofalia: So sir as you said that whichever area looks attractive. So, far in how many states have we submitted this tender?

Management: Till now totally would have put in about 7 or 8 bid in maybe three or four states.

Jinal Fofalia: And sir out of this how many states have we got the orders

Management: We have only got one license through the bid round which is the district of Raigad in Maharashtra.

Jinal Fofalia: Sir you said three to four states right, could you please tell, which are those states?

Management: Karnataka, Kerala, Maharashtra, Andhra, Madhya Pradesh also if I recall, we had also looked at Rajasthan and UP.

Management: Goa.

Management: Sorry Goa also is there, lot more than three or four.

Jinal Fofalia: Maharashtra, MP, UP and Goa right.

Management: Yes.

Jinal Fofalia: Okay sir thank you all, I will get back in queue, if I have something else. Thank you.

Moderator: Thank you very much madam. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Very good evening and thanks for your time sir. Just wanted to get your thoughts on the gross margin decline quarter-on-quarter that is December versus March quarter whether it is on the pricing or the sourcing side if you could just elaborate a little on that.

Management: Yes, you must be aware the oil price levels were down in the Q4 as compared to Q3 and our prices in commercial and industrial customer category, are indexed maybe with a lag to the alternative fuels like LSHS, the FO or 19 kg LPG cylinders, etc. So if you analyze the revenues for Q4 versus Q3 the price variance for commercial and industrial put together is almost to the extent of Rs.26 Crores negative.

Vishnu Kumar: Now that the prices have started moving up, in general crude has moved up from the end of the, I mean, if I take November, December prices on monthly averages. So will we see better margins again heading in the next couple of months from April, May?

Management: Yes we should expect particularly with spot price also being relatively under control right now. We should expect margins improvement in industrial and commercial, barring some unforeseen problems in exchange rate.

Vishnu Kumar: Got it. Sir what is the typical lag in terms of I&C pricing, is it one month or slightly longer.

Management: It is about one month.

Vishnu Kumar: And in terms of your spot gas pricing, how was it in Q3 and Q4.

Management: In Q3 it was approximately $10 per MMBTU on an average, whereas it has drop down definitely, it is less than $9 in Q4 on an average basis.

Vishnu Kumar: For the entire gas you almost got a 10% decline despite that we did not get the benefit in I&C margins is it or the pricing is even higher.

Management: The proportionate decrease in sales value versus our price variance was much higher as we talked about earlier. So though benefit of lesser spot was definitely to our account probably drop in sales realization on proportionate basis was even higher.

Vishnu Kumar: And coming back to the Opex part you mentioned that FY2019 our overall cost had gone up because of multiple various pointers. Do you see this kind of a trend to continue in to FY2020 also or if you could just broadly guide us as to how much we expect the average increase in the other expenses?

Management: See these expenses what we are talking on totality basis which is a form of variable expenditure as well as fixed or semi-fixed. Now there are some at least four, five heads which are variable in nature obviously they increase directly in proportion of increase in volume. For example power and fuel expenditure almost 100% variable with reference to CNG volume, there is another two, three heads like dispensing charges which are generally paid as rupees per kg term that is also a variable expenditure. So as CNG volumes increase that expenditure also go up. There are items relating to consumptions of stores and spares once again something to do with CNG with a capacity being utilized more and more there is a tendency to go up on those accounts also. So naturally with substantial portion being variable the expenditure in totality are bound to go up not to speak of the general inflation rate in India, which will affect variable as well as fixed or semi-fixed expenses. As a thumb rule at least around 12%, 13% total opex goes up, but that is a thumb rule and something similar trend may continue.

Vishnu Kumar: So at least 12% to 13% I mean that the 4% or 5% over and above the volume growth we are expecting it to go up.

Management: It has a general trend may differ from year-to-year, but generally somewhere around that the increase is likely.

Vishnu Kumar: You also mentioned that you have to move a lot through LCVs for the distribution to your daughter booster stations. If that proportion continues will the growth be even faster in terms of Opex cost because that also seems to be a rising trend for you.

Management: You are right, however the sales from daughter booster compressors is much less in proportion as compared to online. So though theoretically expenditure for LCV transportation may increase, but in the overall impact on entire Opex will not be substantial on that account.

Vishnu Kumar: Got it sir. And just in your opening remark.

Moderator: Mr. Kumar may we request you to come…

Vishnu Kumar: Okay I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.

Tarun Lakhotia: Thanks for taking my question. I have one related to the rising cash and investments on your books. So if I look at from the time of IPO to now, your dividend payout has reduced from say 55% to 36% while cash balance has now, I mean cash in investments have increased to almost 9.5 billion. So is there any concrete plan to utilize these cash flows given that we do not have any new license areas beyond Raigad right now.

Management: There are plans. Though one slight correction that when we talk about payout ratio at least internally at company we take the ratio inclusive of dividend distribution tax in that respect the percentage will be higher than 36% definitely, but that apart your point is taken on a comparative basis. Now next important question is with reference to cash which we have on hand there is an important strategy exercise the company has undertaken right now there could be multiple opportunities which we will be thinking of that is one of the primary reasons we are still holding on to the cash and not resorting to any excessive or special dividend as such. Of course you will note that we have already announced total dividend of 200% this year as compared to last two years of 190% so some increase in dividend rate anyway we have done vis-à-vis paid up capital. So maybe after completing the strategy exercise which we have undertaken we will take a fresh look at the entire surplus which is available with us. Also there are some contingent liabilities on the balance sheet which you must have seen at least in the previous year which are continuing as of now. So we need to be cognizant of those facts also and the overall decision will be taken accordingly.

Tarun Lakhotia: Sir I understand that you may not be able to share much about the strategy but if you can give us some at least a qualitative insight is there anything leading to some inorganic opportunities which you are evaluating because if I look at your total cash profits in a year versus the Capex requirement and the dividend payout there is still an accumulation which you are doing. So maybe if the opportunities are feelingly limited, is there a thinking that you may do some buyback and why not buy the stock at least given the kind of cash balance which we have got at the balance sheet right now.

Management: Simple answer is we are open for everything first of all. Inorganic growth also we will be open to subject to at what price we get those opportunities and any other new initiative also it will be at least somewhat related to our existing business, it is not that all together different diversification will be undertaken.

Tarun Lakhotia: Understood, sir if you can just share a couple of data points. Capex for this year guidance for next year, fiscal 2020 and CNG volumes in kgs for this quarter.

Management: Capex this year is around 360 Crores, next year expectation as of now could be in the region of at least 450 Crores because substantial increase will be there in expenditure relating to Raigad also and sales kgs in CNG for the current quarter you want or…

Tarun Lakhotia: Yes, that is right.

Management: CNG sales in Crore kgs is 14 Crores for this quarter.

Tarun Lakhotia: Okay that is useful. Thank you.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from Goldman Sachs. Please go ahead.

Niraj Mansingka: Sir just a book keeping question, how much is the PMT proportion for the CNG for the quarter and the Q3.

Management: We will just come back to you what is your any other question you have.

Niraj Mansingka: No sir, just this question on Q4 last year, Q4 this year and Q3 this year, so all these three data points I wanted, that is all. Thank you.

Management: For current year, the figure for PMT is 0.554 MMSCMD on an average for full year 2018-2019 and for Q3 it was 0.599, maybe any other quarters or something you want we can come back to you offline.

Niraj Mansingka: No that is all sir. Thank you. But sir you are telling that the average of the year was lower than the Q3 is that the right assessment or that number that 0.554 you gave was for Q4.

Management: 0.554 is for entire financial year 2018-2019.

Niraj Mansingka: Okay, got it sir. Thank you.

Moderator: Thank you. The next question is from the line of Gagan Dixit from Elara Capital. Please go ahead.

Gagan Dixit: So my question is now many state governments are pushing for the EV infrastructure like Delhi and Kerala. So what is your thought on the potential risk from the EV you see in the next three to five years especially on the BEST buses. Any thoughts on that sir.

Management: Well in the sort-term we do not see too much of a risk. May be medium term in four, five years period there could be some penetration but our belief is that it would most probably be at the expense of diesel and not at the expense of CNG and as regards buses running on EVs on a trial basis the MMRDA and BEST have run about 20-odd electric buses in Mumbai in and around BKC that experiment has been commercial failure for them because they are not getting enough ticketing revenue to sustain the operation of those buses. There are a lot of challenges of course the biggest one being availability of charging infrastructure etc. So given all these points we do not see it as a significant risk at least in the short-term.

Gagan Dixit: And sir my last question is that the PNGRB is collecting some network tariff from your network in Mumbai something like that.

Management: I understand the PNGRB is in the process of formulating and notifying the tariff regulations for CGD currently the regulations are not there, the previous regulations were struck down by the

Supreme Court in the IGL versus PNGRB case. The PNGRB is yet to renotify tariff regulations in line with the Act. So once that happens then there will be a period of data filing, etc. tariff determinations which may take a few months.

Gagan Dixit: So sir any thoughts how much time it might take for any initial regulation to come, you have any idea about it sir.

Management: No, that is totally in the PNGRBs hands so we really cannot comment on how soon or how slow that will come.

Gagan Dixit: Okay sir. That is from my end sir. Thanks sir.

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

Nitin Tiwari: Good evening Sir, thanks for taking my questions. Sir it is related to basically marketing and infrastructure exclusivity for you in the current GAs. So I suppose the marketing exclusivity has ended. So when is the infrastructure exclusivity getting over and then I will follow-up after you have answered that.

Management: The GA I which was Mumbai completes its 25 years in May 2020 so about a year or so from now. GA II will be April 2030; GA III will be April 2040.

Nitin Tiwari: Okay sir. Thanks a lot. Sir my second question which is a follow-up to that is given the infra exclusivity for GA I is also ending in May 2020 and marketing one is already like over so do you see a possibility of any other competitor coming in, into the market or is regulator of the view of introducing more competition in the same GA or maybe like OMCs to consider putting up the CNG stations. So if you can give some color on that and then secondly if suppose that happens and say additional infrastructure does not come in so your infra itself is used, then what would be the basis of charging the tariff if a third party uses your infra for carrying gas.

Management: Well, on your last question first. The principles of calculation of the tariff are yet to be notified by the PNGRB but if you draw an analogy the previous regulations which were passed by the Supreme Court offered a 14% post tax return on your regulated assets. So the tariff would be set at that level. So now we do not know whether the regulator will use the same approach or a different approach or 14% will go down to 12% or go up to 15% that is up to the regulator to decide.

Nitin Tiwari: Sir in today's day in time if the new regulation is not notified but there is a player who wants to enter. So then the charging of tariff would be in your hands like you will be able to determine the tariff and ask the third party to pay tariff on those. So would it be that you will be basically determining the tariff or your regulator would be determining it, how it would be like to determine?

Management: Tariff is determined by the regulator.

Nitin Tiwari: No in today's scenario I mean like when there is no notified regulation suppose if third party wants to enter then who sets the tariff and what the tariff would be.

Management: Well, in such a case and in case MGL decides to entertain such a marketer it will most probably be a mutually agreed negotiated tariff.

Nitin Tiwari: Right, which will be somewhere around like 14% post tax ROC regulation that we used to have right.

Management: Not necessarily because right now since the PNGRB has not formally declared us as an open common carrier the marketer here does not have the right to use our infrastructure.

Nitin Tiwari: So in terms of common carrier what is the regulation like, if there is capacity in the pipeline then only you have to offer common carrier capacity or you have to keep that capacity aside irrespective of what volume you were carrying.

Management: As far as I recall the regulations require entities to maintain some 25% extra capacity to accommodate third party commodity sellers.

Nitin Tiwari: The way we discuss the scenario now do you foresee or do you sense any activity in the market which tells you that there could be an opportunity for the third party to enter not only our GA but in GAs which are like getting maturity in terms of exclusivity.

Management: In theory there could always be people interested in marketing and many CGDs have already completed that three years, five years of exclusivity we are not aware of any entity formally approaching CGD for third party access and we have, as per regulation, notified all our entry exit points etc. capacity etc. on our website as per regulatory requirements, but again the basic situation is we have not yet been declared a common carrier which is a requirement in the Act. Only after that such a scenario can evolve.

Nitin Tiwari: Great sir that is really helpful. The second question is purely book keeping you mentioned that you have 3800 commercial and industrial consumer so if you can give a breakup between industrial and commercial of that 3800.

Management: Well large majority of them are commercial, industrial would be only about 80 or so.

Nitin Tiwari: 80.

Management: Yes.

Nitin Tiwari: Okay thank you sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Rohit Ahuja from Bank of Baroda Capital. Please go ahead.

Rohit Ahuja: Hi sir, thanks for the opportunity. Sir wanted some clarity on the industrial and commercial volumes in terms of pricing we saw this quarter margins declining while simultaneously we are also seeing spot LNG prices coming out sharply. So how does this translate in this quarter currently the running quarter of Q1 FY2020 onwards and do you see a recovery in margins or it is going to be difficult to predict right now.

Management: Yes we expect improvement in margins with respect to industrial and commercial in the current quarter.

Rohit Ahuja: So you said the pricing is based on a mix of FO and commercial LPG.

Management: Yes, it is predominantly LSHS for industry and for commercial or restaurant category it is with reference to 19 kg cylinder.

Rohit Ahuja: I see. So in this current quarter like in the running month of April and May you are seeing spot LNG prices declining far ahead of the movement in opposite direction of the movement in LPG and LSHS. So that should be beneficial for us.

Management: Yes, you are right that would be added advantage.

Rohit Ahuja: Right sir, thanks, moving to the next question. Sir on the CNG side we have seen you have mentioned a lot of reasons for the other expenses to move up, but you also mentioned about these cascades and CNG being transport to cascades for the new stations would this primarily be Raigad ? like any new station you had coming to at 5 to 10 do we see cascade being used for one two years or when do we expect.

Management: Yes, CNG sales is predominantly cascade based or almost entire is cascade base no doubt about that, but at the same time there are some pockets in GA I and GA II areas as well due to certain reasons we do have daughter booster stations there where transportation of gas is through LCVs.

Rohit Ahuja: So in a nutshell can we say what you mentioned earlier that the other expense component will continue to rise in the range of 8% to 10% for you.

Management: No it will be bit higher than that may be 12%, 13%.

Rohit Ahuja: Alright sir thanks a lot. That was helpful.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Sir I joined the call a bit late but if you could help me with the realizations in industrial and commercial segment, the sort of pressure in terms of realization if you could quantify.

Management: You are talking of the sales realization.

Kashyap Jhaveri: Quarter-on-quarter versus Q3 of this year.

Management: See in case of commercial category the sales realization was almost Rs.37 whereas in case of Q3 that is previous quarter it was almost Rs.44 per SCM.

Kashyap Jhaveri: As in the previous question when you highlighted that we should see improvement in the realizations in the current quarter which is Q1 would it go back to the same level or it would sort of be somewhere in the middle.

Management: I think it's premature to say whether it will go back to that level, but definitely it is going to be higher, no doubt about that.

Kashyap Jhaveri: Sure sir. That is all from my side sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Vassim Shah from CapGrow Capital. Please go ahead.

Vassim Shah: I just want to know some of the highlights from the recent auction that was conducted by PNGRB in the tenth auction held two months back; if you could just share some highlights why was it you guys didn't win any GA's were you too conservative or other bidders were being too aggressive.

Management: We believe that the other bidders were extremely aggressive on lot of GAs and our experience of 24 years in this industry leads us to believe that creating this infrastructure does not happen overnight you need to be a bit realistic so we were slightly conservative or rather would say we were more realistic on our biding numbers but then many entities were extremely aggressive and they are the ones who got a lot of licenses.

Vassim Shah: Okay and that was it from my side. Thank you.

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

Manikantha Garre: Sir may I check with you what is the current pipeline utilization across the infra.

Management: Well in a city gas distribution network it is a very difficult question to answer as it is not like a leaner transmission pipeline where you can say pipeline capacity are in 30 MMSCMD and flowing 20 MMSCMD. Our city gas stations are designed to have at least a 50% redundancy level and we have more than 5000 kilometers of pipeline which are in mesh form; in a grid form that they are not leaner. So different capacities will actually be there corresponding to different pairs of entry and exit points in the network.

Manikantha Garre: Got it sir. So once PNGRB announces that you are a common carrier all of this mesh of pipelines would be announced as a common carrier right.

Management: Yes, if you look at our website we have defined something called entry points and exit points which are required as per regulations. So each pair of entry and exit point will have a certain capacity basically.

Manikantha Garre: Okay, basically where I am heading to sir there would be some set of pipelines in this mesh which would be working at full utilization levels. So in that scenario if the third party comes how it would work for you, the third party can lay another pipeline in that area or how it does work.

Management: Not really because infrastructure exclusivities lies with us, we are the only authorized entity who can lay pipelines but typically this kind of scenario does not happen what happens is way before it reaches a saturation we do something called reinforcement of our network we can either lay parallel lines or we can loop the network to increase its capacity so there are various ways in which you can increase the operating pressure a little bit to give you more flow so there are technical ways and means in which you can augment the capacity.

Manikantha Garre: Okay but I am talking about a situation in which your infrastructure exclusivity also gets over in that case what happens.

Management: The regulations have a provision of rollover of infrastructure exclusivity in blocks of ten years of course that is if you are not in contravention of any of your regulatory obligations and we definitely are not in default of any of our obligations so we expect to get our roll over in GA I.

Manikantha Garre: Sure sir. One last question from my side. sir we have seen one experienced player tying up with OEMs and utility companies in Delhi so are we also thinking anything of that sort in Mumbai I agree you have already mentioned that EVs for us is a four to five year thing but would you be thinking about anything of this sort or is it still sometime ahead for you.

Management: If it makes any commercial prudence then yes.

Manikantha Garre: But are there any discussions or any thoughts going on in the board room with respect to it right now.

Management: No, nothing concrete at this stage.

Manikantha Garre: Okay sir thank you so much.

Moderator: Thank you. The next question is from the line of Abhijeet Vora from Sharekhan. Please go ahead.

Abhijeet Vora: Yes sir. I just missed up on the infrastructure exclusivity which will be ending for GA I in April 2020 right.

Management: May 2020.

Abhijeet Vora: And for GA II.

Management: In 2030.

Abhijeet Vora: And the marketing exclusivity have already ended for GA I.

Management: There is a yes and no in it, as per the exclusivity regulations notified by the PNGRB they gave us three years of exclusivity in GA I, five years of exclusivity in GA II, but that period was over eight years back. But those regulations are currently subjudice so we really cannot say; they are under challenge in the Delhi High Court right now. Our understanding is for your marketing exclusivity also to get over as per the act there is a formal requirement of declaring an entity as a common carrier via formal notification and by following a particular process which is yet to happen.

Abhijeet Vora: And I just missed on one more point the sales realization is Rs.37 per SCM versus Rs.44 per SCM for the entire industrial and commercial customers right.

Management: It was only for commercial category.

Abhijeet Vora: Okay only for commercial category.

Management: Yes.

Abhijeet Vora: Okay thank you sir.

Moderator: Thank you. The next question is from the line of Reena Shah from Ashika Stock Broking. Please go ahead.

Reena Shah: Sir I wanted to know given the volume growth guidance of 6-7% going forward I wanted a bifurcation of CNG, PNG domestic or industrial if you can give something.

Management: CNG is 6% to 7% itself, domestic and commercial would be a couple of percentage points higher, industry would be 1% or 2% points lower.

Reena Shah: Okay and sir any clue on how you are looking at the CNG conversions growth?

Management: CNG conversions have been relatively steady; we are hitting about numbers between 6000 and 7000 every month and big chunk of that about 4000 odd happens from the auto rickshaw segment 2000 odd happens in the four wheeler segment which is both private cars and aggregators and taxies etc. very little of commercial vehicles or goods vehicles convert in the city of Mumbai.

Reena Shah: Okay. So trucks and all these do not come especially in Mumbai.

Management: They come but their numbers are very small.

Reena Shah: Okay. That is it. Thank you sir.

Moderator: Thank you. The next question is from the line of Rajesh Agarwal from Moneyore Advisors. Please go ahead.

Rajesh Agarwal: Sir my question on the CNG conversion is answered. My only one question is for the new geography whether it will be through pipeline or it will be through cascades.

Management: You are asking about Raigad.

Rajesh Agarwal: Raigad, yes.

Management: Raigad initially it is through cascades then about a year or two we will have our city gas stations and some steel trunk pipelines operational in which case some of the load will then be taken over by pipelines. The residual load will remain on cascade till such time our pipelines reach there.

Rajesh Agarwal: By what time sir.

Management: Well Raigad is a very large area it is almost 7000 square kilometers. So there may be some places where it is financially prudent to serve them by cascades rather than pipelines; if you want to lay a 50 kilometer pipeline to cater to two or three CNG stations it will be better to operate those by cascades.

Rajesh Agarwal: What can be the potential in Raigad market for the CNG vehicles and the industrial?

Management: Our current estimates is about between 0.6 and 0.7 MMSCMD.

Rajesh Agarwal: And the new geographical which we have bid would that be cascade or it will be through pipeline.

Management: No, 9th and 10th round we did not get any licenses.

Rajesh Agarwal: Okay, thank you sir.

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

Vidhayadhar Ginde: Thank you. So couple of questions I wanted to ask one was in terms new competition emerging, one of the reasons why new competition is unlikely to emerge is because especially for CNG and domestic PNG you have access to gas at first priority for APM gas which only you are entitled to. Any potential entrant would not get access to that gas is that not the biggest entry barrier for a new player?

Management: Yes that is a very big entry barrier because as the government policy stands today it is only the authorized entity who is having access to domestically produced gas and that too only for sale within its own GAs.

Vidhayadhar Ginde: And given the shortage of APM gas it is likely to decline rather than rise then this policy is unlikely to change I presume.

Management: The policy has stood the test of time even the previous government followed the same policy, the current government followed the same policy and if you look at the volume growth rate in the segment, currently about 60-odd MMSCMD of domestically produced gas is sold by GAIL in the country and CNG and domestic household segments put together is not more than 13 or 14 MMSCMD and these are retail segments in which sales volumes ramp up pretty gradually each domestic household you penetrate takes half cubic meter, each vehicle rickshaw or a taxi you convert consumes 5 kgs, so it is not like starting a large industrial or a power plant where we step jumps in volumes so the ramp up will happen gradually and even if all the 9, 10th rounds cities come up we believe that there is enough residual APM gas available; since we are on the top priority even if domestic production does not increase we will continue to get the gas at the expense of the segments which are on the lower priority.

Vidhayadhar Ginde: That was actually going to be my next question that your rough mix of PMT and the gas for which the price is link to these prices in US, UK, Canada and Russia that price changes every six months that mix appears to be are about 78:22 you do not see that increasing significantly away from the cheaper price gas in a hurry given that as you said that 60 MMSCMD of gas available, so even if it falls you guys are a first priority and just 13 to 14 MMSMD is required but as these more CGD GAs start operating do you see that becoming a risk because then the demand for that gas will keep rising.

Management: No you see even if all the awarded GAs start growing at double digit growth rates or whatever, you need to consider the fact that the base is zero, so it will take quite some time many, many years for it to reach any significant level to impact the volume availability for CGD. The second thing about the mix which we need to keep in mind is probably the PMT contracts expire sometime in 2019 or so. So after that and we do not know what exactly the decision of a government will be and will it be a zero PMT and everything will be then called APM in which case there might be a price advantage for us, but that is something which we have just have to wait and see.

Vidhayadhar Ginde: Which at least initially we will have to pass on to the consumer either way.

Management: Yes so that lever is always there we have substantial headroom in our pricing even if the domestic price goes up or if even if you have to accommodate a small percentage of LNG in to this mix we do not foresee too much of an issue.

Vidhayadhar Ginde: So to summarize can we say that at least in the near future this competition as well as, the way things stands any significant increase in gas cost does not appear to be a risk.

Management: Yes, that is our current belief.

Vidhayadhar Ginde: Okay great. Thanks a lot to the management for answering all these questions and thank you to everyone we will end the call here. The management wants to summarize before we end the call.

Management: I think this financial year 2018-2019 was an excellent financial year the sales volume growth was 9% plus at the same time there was some improvement in the overall EBITDA margin rupees per SCM so we are hoping to continue to do better next year and thank you all for joining the call.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of ICICI securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.