MAHANAGAR GAS LIMITED

Ref: MGL/CS/SE/2025/600 **Date:** February 04, 2025

To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 539957	Head, Listing Compliance Department National Stock Exchange of India Limited Exchange Plaza, Bandra – Kurla Complex, Bandra (East), Mumbai – 400 051 Symbol: MGL

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter and nine months ended December 31, 2024

In continuation to our letter dated January 29, 2025 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**Listing Regulations**'), read with Schedule III of the Listing Regulations, we submit herewith the transcript of the Earnings Conference Call held on January 29, 2025 on the Unaudited Standalone and Consolidated Financial Results and operational performance of the Company for the quarter and nine months ended December 31, 2024.

The said transcript is also available on the website of the Company at https://www.mahanagargas.com:3000/Investor%20Call%20Script%20Q3FY25.pdf

You are requested to take the above information on record.

Thanking You,

Yours Sincerely,

For **Mahanagar Gas Limited**

ATUL TRIMBAK PRABHU
Digitally signed by ATUL TRIMBAK PRABHU
Date: 2025.02.04 16:54:18 +05'30'

Atul Prabhu
Company Secretary & Compliance Officer

Encl.: as above

Mahanagar Gas Limited

Q3 FY25 Earnings Conference Call

January 29, 2025

MANAGEMENT:	**MR. ASHU SHINGHAL – MANAGING DIRECTOR – MAHANAGAR GAS LIMITED** **MR. SANJAY SHENDE – DEPUTY MANAGING DIRECTOR – MAHANAGAR GAS LIMITED** **MR. RAJESH PATEL – CHIEF FINANCIAL OFFICER – MAHANAGAR GAS LIMITED** **MR. MUKESH PANHOTRA – AVP MARKETING – MAHANAGAR GAS LIMITED**
MODERATOR:	**MR. VARATHARAJAN SIVASANKARAN – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Mahanagar Gas Limited Q3 FY '25 Earnings Conference Call hosted by Antique Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varatharajan Sivasankaran from Antique Stock Broking Limited. Thank you and Over to you, sir.

Varatharajan S: Thank you. Good evening, everyone. It is my pleasure to welcome the management of MGL and all the participants to this Results Conference Call. We have with us Mr. Ashu Shinghal, Managing Director; Mr. Sanjay Shende, Deputy Managing Director; Mr. Rajesh Patel, CFO; Mr. Mukesh Panhotra AVP Marketing from the management side.

Before handing over the call for the opening remarks to the management, I would like to run you through the disclosures and disclaimer as well. Some of the statements made in today's discussion may be forward-looking in the nature and we believe that expectations contained in the statement are reasonable. However, these statements involve a number of risks and uncertainties that will lead to different results. We urge you to consider that quarterly numbers are not a reflection of long-term trends or indication of full year results.

Having said that, I'll now hand over the call to the management for their opening remarks. The floor is yours.

Management: Thank you, and a very good afternoon to all and I welcome on behalf of MGL management, I welcome all to the earnings call of MGL for the third quarter of the financial year '24-'25. I would like to thank all of you for attending this call today. MGL continues to create CGD infrastructure across its business segments in the licensed area.

During the quarter, 98,469 domestic households were connected and therefore, we have established connectivity for nearly 2.68 million households in the cumulative manner. We have laid 99.07 kilometer of steel and PE pipeline, taking the total length to over 7,224 kilometer. We also added 9 CNG stations during this quarter. And with this, we have 361 stations as on 31st December, '24.

We also have added 83 industries and commercial customers during this quarter. And as on 31st December we have 4,974 industrial and commercial customers. In relation to our Raigarhd geographical area up to December '24, we have connected 87,794 domestic households and 55 CNG stations which are currently operational.

During the quarter, we have laid 12.41 kilometer of pipeline in Raigarh, taking the total length to 445.67 kilometer. With respect to Unison Enviro Private Limited, the wholly owned subsidiary, the company has added 3 CNG stations during this quarter and total of 67 CNG stations as on 31st December.

During the quarter, 4,774 domestic households were connected and cumulative household connections are at 34,003 for UEPL and they have 63 industrial and commercial customers as on 31 December.

Average gas sales for the 9 months ending 31st December '24 is 4.006 MMSCMD, whereas it was 3.554 MMSCMD in the corresponding period last year, which is an increase of 12.75%. Sales volume in the case of CNG have also increased from 2.566 MMSCMD to 2.859, which is an increase of 11.44%. In case of industrial and commercial, the volumes have increased from 0.482 to 0.604 MMSCMD, which is an increase of 25.52%. And the volumes of -- for domestic PNG has increased from 0.506 to 0.542 MMSCMD which is an increase of 7.23%.

During this quarter, the overall average gas sales volume is 4.116 MMSCMD as compared to the previous quarter volume of 4.042 MMSCMD which is an increase of 1.84%. Sales volume in the case of CNG is standing at 2.919 as compared to previous quarter of 2.886 MMSCMD with an increase of 1.16%.

In the case of industrial and commercial, the volume is 0.646 as compared to previous quarter of 0.628 that is an increase of 2.86%. Sales for the domestic PNG is 0.551 as compared to the last quarter of 0.528 MMSCMD which is an increase of 4.32%.

EBITDA for the 9 months ending December '24 is INR1,131 crores and net profit after tax is INR793 crores. For the current quarter EBITDA is INR313 crores and net profit after tax is INR225 crores.

Coming to UEPL during the quarter, we have achieved an overall average gas volume of sales volume 0.192 as against 0.164 in the previous quarter which is an increase of 17.38%. Current quarter volume consists of CNG volume of 0.177 MMSCMD and PNG volume of 0.15MMSCMD. Therefore, MGL on a consolidated entity has achieved total sales volume for the quarter as 4.308 MMSCMD.

Average gas sales for UEPL for the 9 months ending 31st December '24 is 0.175 consisting of CNG volume of 0.162 and PNG volume of 0.013 MMSCMD. MGL as a consolidated entity has achieved total gas sales volume for 9 months ending December 31, 2024 is 4.181 MMSCMD.

A scheme of amalgamation or merger of UEPL with MGL was approved by the Board in October '24 last year and the scheme was submitted to NCLT Mumbai on 6 December, 2024. And the matter was heard by the Mumbai bench on January 17, 2025 and they've reserved the pronouncement of its interim order.

With respect to Mahanagar LNG Private Limited, a JV of MGL with BLNG. In the business of operating LNG as a fuel to vehicles has commissioned its first LNG station at Aurangabad in the month of October '24 and has sold during the quarter, 91 tons of LNG, with a present sale of around 2,000 kgs per day. It may be noted that there are reduction in APM allocation in two tranches in the month of October and November across all CGDs.

However, part of the APM allocation has been reinstated with effect from 16 January '25. Thus currently, MGL is having 100% APM allocation for its domestic gas and approximately 50% allocation for its CNG sales volume. There's a positive development that in a Mumbai High Court order dated 9 January with respect to Suo moto public interest litigation.

They have flagged serious concerns over worrisome pollution levels in the city of Mumbai and MMR region, directing the state government to form a committee to study feasibility of phasing out diesel and petrol driven vehicles from the roads of Mumbai and permit only, motor vehicles which run on CNG and electric charge to reduce pollution to the vehicles.

Further, the court has directed MPCB to rigorously monitor and take stringent action against polluting industrial units in the region. In response to this, the Transport Government -- Department of Government of Maharashtra has issued notification forming Committee on 22nd January to study and give their report within 3 months time under the Chairmanship of Shri. Sudhir Kumar Shrivastava retired IAS Officer, wherein MD MGL has been included as one of the committee members.

The Mumbai High Court order is a very positive development for controlling pollution in the city of Mumbai and MMR region and has provided opportunity to companies like MGL also who are providing cleaner fuel for transport sector and industry to contribute to the -- reduction of environmental pollution. This is in line with what has happened in NCR in Delhi also, a few years back.

MGL continues its journey of diversifying and seizing the opportunity in the new energy-related businesses by investing in a Greenfield project for manufacturing of lithium-ion cells for electric vehicle battery and other applications. The company has entered into a joint venture agreement with IBC based out of USA for setting up a facility in the state of Karnataka in this quarter.

MGL has invested INR35 crores for equity holding of 44% in JV company for Battery Company India Private Limited in the month of January '25. MGL for it's annual report '24 has bagged a bronze award at 14th PRCI Excellence Award 2024 for its remarkable annual report from Public Relations Councils of India.

In January '25, MGL has been conferred with Greentech Global WorkPlace Safety Award 2024 for its outstanding achievement under excellence in safety training category. I'm happy to announce that Board has approved an interim dividend at the rate of 120% that is INR12 per equity share for the current financial year.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Congratulations for the good set of numbers. As you mentioned, the recent news flow government of Maharashtra has set up a panel and exploring phasing out of petrol and diesel vehicles in the Mumbai Metro region. We wanted to understand how it will be implemented. That's one thing.

And what kind of CNG volume growth you can see from this kind of a decision? Any ballpark number, if you could share with us that would be really helpful.

Management: It is a very preliminary stage to predict that how it will be unfolding itself. The main point what we wanted to make was that pollution is increasing in Mumbai which is known to all the citizens here. I mean, they are getting impacted. So taking note of this, Mumbai High Court -- Bombay High Court has Suo moto taken a PIL and given this direction that they wanted to take immediate steps for in two particular things.

One is the vehicular pollution, which is they wanted to replace petrol and diesel in a phase manner by electric vehicles and CNG. And second, the polluting industries can be moved out or they can be promoted to use gas as a fuel. Similar developments has happened in the late '90s in -- or early 2000 in NCR. And we have seen that even in the span of 3 , 4 years, the CNG volumes have picked up in IGL in that particular area.

So it depends that once the committee gave its recommendation in 3 months' time which is the time given by the court to submit its report, if similar there are -- I mean NCR and Mumbai are different regions. Here the land problem is much more severe. So depends on what type of allocation or what type of implementation plan is agreed by the government and authorities.

We can -- currently, CNG volumes are growing at the rate of around 11% in 9 months of last Q3 and this Q3. So if we more -- I mean, that depends on how the recommendations are implemented. We can see a growth of around 15% to 20% in case everything goes in favor of CNG.

Yogesh Patil: Sir, Mumbai high Court also directed to BMC that the city bakery units should not use the polluting fuel like wood or coal. And they have directed bakery to convert to use a gas or other green fuel in the next 1 year. What is the additional PNG commercial volume do you expect from this move?

And also, correct me if the PNG commercial volume increases, then it also boosts the overall price realization of a company. Because as per our understanding, the PNG commercial is the costliest product among the all.

Management: I think when you refer to commercial, within commercial, there are two, three categories. The realization which is linked to use of LPG commercial bottles is generally higher which is I think falling into a restaurant category. I'm not too sure about bakeries they may fall in which category. Mostly -- yes, there will be a better realization, but not as high as a commercial A which is linked to commercial bottled LPG. So that is one.

Just to add with respect to the court order, I think based on the assessment we have a preliminary assessment of number of vehicles in our geographies. Within that, if I take number of commercial vehicles which are mostly on diesel are going to get impacted initially. And that number is around 4 lakh in our geographies. And currently, we have around 38,000 such commercial vehicles already on CNG which is about 9.5%, 10% penetration.

So we see that this commercial vehicle segment could be a volume churner for us if something happens because that could be the first step to control pollution in terms of fuel -- vehicle related burning.

Management: Further the volume offtake will not be very huge in terms of the bakeries and others because they are a small establishment and it takes some time to connect to them also. It will not be very significant time.

Yogesh Patil: Sir, next question, sir, CNG volume is growing more than 10% last four quarters consistently. Now what would be your guidance for the CNG volume in upcoming years. Will you -- little bit inch up to the 8%, 9% for the FY '26-'27?

Management: No. If you talk about the overall volumes, we were thinking about 8% year-on-year growth. But in 9 months we have already clocked 11% growth from the last whole financial year numbers. So if we take Q4 also into account maybe we will clock around 12.5% to 13% growth year-on-year.

Now maybe next year, we will not be able to have that much number, but we are comfortable that around 10% numbers we will be able to clock next financial year also and which will be definitely -- CNG will be a main contributor in that growth along with industrial and commercial segment.

Yogesh Patil: Thanks a lot. I will come back in a queue.

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

Amit Murarka: Just firstly on the pricing and margin side. So you did take two price hikes of INR2 and INR1 kg each on CNG. But the margin still has dropped. So are you like looking back to go back to, let's say, INR10 or higher margin as we were doing in the last several quarters or this should be seen as a more stabilized margin now?

Management: The margins have -- I mean there has been some impact because we were reassessing our portfolio and the price hike has happened in late of November. And second rise has happened somewhere in January. So there were some delayed response. And secondly, we have contracted some midterm gas also on -- from the existing suppliers for giving a repeat order.

Thirdly, some reinstatement of APM gas has happened as late as 16th of January. So the impact on the margins will be slightly reduced. You're right, but it will not be maybe as low as the Q3 results. So we may be improving our performance in Q4. And if you see last year we have had EBITDA per SCM of 13.95. And for this 9 months, we have EBITDA per SCM of INR10.3 per SCM.

So it is not very off the mark of the guidance which we have given about INR10 to INR12. So we expect similar range to continue and depending on the price of LNG, Henry Hub and other contracts. We may be very comfortable in this range, INR9 to INR11 or INR10 to INR12 range. I mean it depends on so many other things. So we can't be very particular about what will be the range.

But we are in a comfortable position because of one that we have made some procurement portfolio adjustments. And second, there have been reinstatement of APM allocation from 16th of January.

Amit Murarka: Sure. So do you mean there's no further price hike is needed in that sense after the restoration of the APM allocation?

Management: More or less 50% of the gas cut has been restored and we have already taken a hike -- hike in the range of 50%. One factor which is crucial as of today is also exchange rate because the exchange rate has been inching up and around INR85.5 or INR86. So that may have some impact depending on how it moves going forward, but more or less we are back to almost neutral situation of what we were in October mid as of today in January, I'm saying.

Management: And just to add, I mean I know that investors are more particular about both the things, one that the margin, second is the volume. So we also have a very clear cut, I mean, line of sight for volume growth which is more important for the longevity of the company. Margins can adjust for some time, maybe slightly higher or lower.

Amit Murarka: Understood. And on the volume per se, so like you have been I think, talking about close to 7%, 8% ex of UEPL. So with UEPL like can we look at double-digit growth now? I mean I believe UEPL will grow at a faster rate than the core portfolio?

Management: We are already clocking double-digit growth as of now. If you see 9 months this year compared to 9 months last year. And UEPL, all the three geographical areas as well as Raigad both will see at least 20% plus growth and there is a usual growth in GA-2 as well as GA-1 some margin at least, usual grow of 4.4% to 5%.

So we are hopeful that at least for few quarters, we will see double-digit growth. And as sir said earlier, we can achieve an annual growth of around 10%. Also there is a now that high court order is there. We hope that, that will turn out positive and we will be able to achieve more.

Amit Murarka: And also in terms of your CNG -- sorry, yes.

Management: Yes, 8%, what we had said is, I mean, we have already outperformed standalone on MGL basis only. If you add on UEPL because it has a small volume, but the growth is much higher there, maybe more plus 20%. So collectively on a consolidated basis, we are around 12% growth as of now, 12% to 12.5%. So in the year-end we expect it to be around 13% or 13.5%. Next year also we definitely should be in -- at least in the double digit, yes.

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

Probal Sen: Sir, just wanted to get a little bit of sense of what are the capex plans, if you can break it down between the different GAs including for Unison? And also if you can get a sense -- give us a sense of how much to be spent on CNG, how much on network and so on. That was my first question?

Management: See, UEPL standalone should spend in the range of around this year, at least INR125 crores to INR150 crores. And it will be further up maybe next year because we have now have the ground and the groundwork is done. So we'll be able to do more capex on CNG stations et cetera. And it could go from INR150 crores to INR200 crores next financial year.

As far as MGL is concerned, already INR650 crores plus capex has been done in this 9 months period and we expect anywhere between INR200 to INR250 additional capex in Q4 as well. Out of these, major will be on steel and low-pressure pipelines. And roughly INR200 crores or plus, minus 10% on CNG. And balance is on steel grid and LMC, last mile connectivity.

Probal Sen: Okay. Sir, in terms you mentioned about the EV initiatives that are being taken. Any sense you can give us of when these actually start contributing to revenue in a meaningful way? And what kind of potential do you actually see based on the investments that have been made as of now?

Management: It's -- I mean, we have started two investments in EV. One is 31% equity in three-wheeler manufacturing company at Bangalore. And second is a recent joint venture which we have made with IBC, International Battery Company. In this IBC, we are investing around first phase INR380 crores, which -- with a total capex of INR870 crores. And after the -- depending on the performance of the first phase, we can go up to 5 gigawatt factory.

The first phase will be 500 megawatt two plants. So 1 gigawatt factory. It depends like 1.5 years we will be able to commission Phase 1 and maybe within a few more months, the phase 2 of another 500 megawatt or 1 gigawatt plant. So it will start earning revenues from 1.5 years from now and it will gradually pick up. We have 40% equity in the joint venture and 60% is with the partner. The numbers will be in Phase 1 around if you can help me on that.

Management: See we are roughly estimating or while estimating this -- evaluating this project we have taken a discounted rate of around 18% or so. So we expect that return should come because it's a very niche kind of area, so higher rate has been applied.

Probal Sen: 18% IRR is the assumption, sir?

Management: Yes, on the full project costs.

Management: It is INR1,000 crores revenue will be there, it is around that number or 1 gigawatt factory.

Probal Sen: Sorry, sir, INR1,000 crores per gigawatt?

Management: Yes, around that number INR900 crores to INR1,000 crores.

Probal Sen: Understood.

Management: See it is a very, very primitive stage. Why I'm saying because that per cell realization could range between $100 to whatever. So right now we are not in a position to give you the confirmed numbers because once after setting up the plant, already the trial runs are going on for testing the cells which are manufactured by the prototype plant already in South Korea.

So once we get full customer base and understanding of this, we'll be in a better position to talk about what kind of sales revenue and margins will come. But surely when you look at the EV cell as a market, the kind of capacity which we are putting up is very, very small compared to the requirement in India because currently, all the EV cells are being imported in India and then battery packs are made.

So most of the manufacturers who may not have their own facility of having the battery pack and EV cell tie up. We will be able to push this. And considering the demand in India based on whatever survey or the studies we have done, 1 gigawatt is a very very small number.

Probal Sen: Sir, if I can ask a follow-up. Are we already speaking to some customers with respect to this project?

Management: The company is not only speaking, but the batteries which are manufactured in the prototype plant at South Korea are being put into the vehicle. With the customers they are tested. We are taking out their reports and all that has been already done since last 1 year. And most of the reports as of now are positive and we are hopeful to that customer.

Management: We are already in discussion with some of the customers and very positive response has come. But the final tie-up of contracts will happen once we get more clarity on the final deadline when the project will start producing. And there's enough time for doing that.

Probal Sen: Understood, sir. Thank you very much. I will come back in the queue.

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

Gagan Dixit: Sir, for the CNG this allocation - when you say 50%, so that 50% means that $6.5 that's the APM gas that you are getting, if my understanding is correct?

Management: That's right.

Gagan Dixit: Okay. And sir, what are the overall this allocation for the CNG I mean, this other than the APM? I mean, what is the new well gas share? What is the HPHT gas?

Management: See currently, as you said, for CNG, we are getting 1.5 million, another 0.5 million of APM is available for domestic. Other than that for Q3 company had tied up 1.25 MMSCMD of Henry Hub gas through almost four contracts and HPHT of 0.5 million. And there is an old Reliance contract linked into Brent of around 0.1 MMSCMD.

So we were left with hardly 0.04 or 0.05 for an average volume. After this quarter, we have hiked our Henry Hub contracts to almost 1.45 MMSCMD and we are getting small amount of NWG, but the long-term clarity on the NWG is not available as of now. Maybe it will start very soon in this month only, then we will be able to announce what is the contract with respect to NWG.

We expect that it should be in the range of 0.25 maybe this month, mid or so. Already, there is a HPHT contract which has come up in this month from ONGC and RIL both. And some more

HPHT bid is going to happen most likely in April by RIL, almost of 5 to 6 MMSCMD. So -- and when you compare today NWG price and Henry Hub price or HPHT, there is not much difference.

Gagan Dixit: And sir, my second question is about...

Moderator: Sorry, to interrupt you, sir. May I request you to please come back in the queue, sir.

Gagan Dixit: Okay, yes.

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

S. Ramesh: Thank you and good evening. So if you look at the cell manufacturing project, is there -- any detail you can share in terms of the overall tax rate you'll have to pay for that project? Could it be at 15% and secondly any sense you can give us on the VAT rate or GST on capex and the inputs and the final lithium-ion cell?

Management: See this is -- I mean, as I told in the last time also INR875 crores is the total capex, 40% we are funding as equity. And for Phase 2 that means from moving from 1 gigawatt to 4 gigawatts, the capex will be in the range of around cumulatively INR3,700 crores. Tax rate on that...

Management: I think we'll come back to you separately on this because I don't have the figures handy, otherwise, I would have discussed then.

Management: And the selling price will be on the market price like whatever imports are happening to -- from China. Similar prices will be offered to the market because that is the market size as of now. So whatever calculations we have done for the profitability of the project is based on import parity price of China.

The positive side of it is, which we have not considered is in case some duty is levied on the imports from China, especially on the import of battery cell, that will be upside to the project which we have not considered on the base case. So things -- they look very positive as Rajesh explained that out of the total requirement of more than 100 gigawatts, we are just talking about 1 gigawatt and maybe other plants which are making -- going to announce or expected is not more than 7, 8 gigawatts.

So we expect that if more flip or more push is given to the domestic manufacturing, this can be a very good initiative because we are the only company who have the project ready which is tested on road from the pilot which has been set up at Korea and the same setup is going to be restricted in Bangalore. So that's why we are very positive about this investment.

S. Ramesh: Okay. On the consolidated numbers and the standalone numbers, if you adjust for the difference, I get a revenue of INR275 crores and EBITDA INR154 crores. So is that number correct for UEPL which means in third quarter it's about INR102 crores revenue and INR84 crores. The market seems to be very high. So can you put the UEPL performance in context based on this number?

Management: Yes. So the revenue that was generated during Q3 was INR102 crores for UEPL with net profit of about INR1.27 crores and cumulative for the 9 months ended UEPL earned INR275 crores. And the net profit after tax generated is INR17.51 crores.

S. Ramesh: Yes. So the question is at the EBITDA level, numbers are very high. So what's happening below that?

Management: I will explain it. On a consolidated, you may see that compared to MGL standalone, there is a minor reduction. Now that happens because of the investment which MGL has made and there is a large component of authorization cost which gets amortization on a consolidated basis. That amortization is a little higher than the profit which are earned currently by UEPL. And that is why on a consolidated basis, you may see MGL plus UEPL standalone does not add up to MGL or it is slightly lesser than MGL.

S. Ramesh: No. But based on the numbers you have given -- yes, sorry. Please go ahead.

Management: Am I able to answer your query or inquisitiveness on consolidated results?

S. Ramesh: No. That is fine. But if you go by the numbers you have shared for UEPL by itself. From EBITDA to the PAT sir its fairly substantial reduction. So is there a large component of depreciation and interest there, even and the margins are pretty high. So from that margin, the net margin is very low. So what is happening below the line in terms of interest and depreciation?

Management: Compared to MGL, there are two components. One is depreciation, you're right. Another is interest cost is also there in UEPL. So if you take cash EBITDA, it is generating around INR50 crores, INR55 crores cash EBITDA per annum as of now. And this interest is also within the group, it is MGL's loan which is getting accounted as a finance cost in the books of UEPL.

S. Ramesh: Okay. And then one last thought. If you look at the vehicle additions and the growth in the CNG vehicles of around 46% year-to-date. Do you think this current run rate in your GAs will sustain or do you see some upside in the next 12, 18 months? What is the sense you get on vehicle addition? And can you give us some split on the number of vehicles being added across categories?

Management: We have already -- see, if you compare last 9 months -- last year, 9 months, we have had around 57,000 vehicle addition as compared to 71,000 vehicle addition in our GAs in these 9 months of this current financial year. So if we take Q4 into account, maybe we will be close to 1 lakh volume addition which will be very high as compared to our last year and previous year's performance.

So you are right 46% growth has happened across the India on CNG, which has outperformed so many other fuels. And this impact is definitely a good sign for CNG whole as an industry as a whole. And we expect that the growth numbers which we are seeing of 10% for 9 months comparison of last financial year, we will be able to maintain it for at least 1, 2 years. And from there, we will see how the sector is performing.

S. Ramesh: Thank you very much and wish you all the best.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: After this UEPL merger, will we be able to use any tax synergies? Are there any past tax losses, which can be utilized?

Management: In the books of UEPL, currently there are tax losses and accumulated depreciation around INR35 crores, both put together that we will be able to absorb. Also, the capex which we are incurring today, INR150 crores odd and they are not able to absorb that depreciation. On a merged entity basis, we will be able to absorb that early. So, of course, UEPL would have absorbed both, accumulated losses as well as the capex, but it would have taken, let's say, 3, 4 years from now, whereas MGL will be able to take that benefit immediately.

Kirtan Mehta: Right, sir. The second question was about the APM reinstatement. I believe the next round of the reallocation would be around February 16 or so. So are we confident that the 51% would remain at the similar level during the February or is there a probability of part reversal again?

Management: I think readjustment has happened two, three times. One was 16th October then 16th November and now 16 January this reinstatement has happened. Earlier was the re-allocation, means two cuts were there. Now in our information, as far as we understand the next re-allocation or re-adjustments will happen somewhere from 1st of April because around 7% per annum is recommended to be reduced from APM and put into NWG.

The other development we know is that whatever cut from APM will happen, will be allocated to CGD entities on pro rata basis at NWG prices. So basically, the gas will be available APM. The same quantity will be reallocated on a pro-rata basis through CGD at NWG prices. And we expect that to happen somewhere from 1st of April.

Kirtan Mehta: Right sir. Thank you.

Moderator: Thank you. The next question is from the line of Pratyush Kamal from Incred Equities. Please go ahead.

Pratyush Kamal: So I have a few sets of questions, which I wanted to ask. First is regarding your sourcing. So you source couple of -- you do have a couple of contracts, which are linked to Henry Hub and some are linked to Brent. I just wanted to understand like what is the pricing mechanism for these contracts? And what is the general sourcing mix for you? What percentage of the total volumes do you get from Henry Hub versus Brent versus APM, etcetera?

Management: See, general pricing under this contract has a slope linked to the index. So in case of Henry Hub, it is -- Henry Hub is an index. There will be a constant, there will be a slope to the index and some fixed costs, okay? Whether it is a Henry Hub contract or a Brent contract. So this is the normal term contract structure. Okay.

As far as MGL is concerned, I already said, I think, in the last question, overall, including domestic, we are as of now getting 2 million-plus APM. As of today, that means in January, we have already tied up Henry Hub contracts, all contracts -- put together around 1.45 mmscmd.

HPHT is around 0.5 million, okay? And rest is spot and whatever NWG have. Small amount of NWG is coming on a short-term basis. But as sir said, there will be a long-term allocation or an allocation like APM in the near future, maybe this month or by April or so.

Pratyush Kamal: Okay, sir. And what are the slopes and fixed components when you talk about Brent like contract and Henry Hub?

Management: Those are confidential between the supplier and us. We cannot disclose them in the public domain.

Pratyush Kamal: Okay, sir. And what is the landing cost approximately for you, when you talk about the Brent contract versus the Henry Hub contract, the landed cost for you, for the company?

Management: So as of now, considering the indices, with respect to Henry Hub, it ranges between $9.5 to around $10.5. HPHT is around -- that is I think available in the public domain, including transportation, it should go around $11, which has $1 per MMBTU transportation and around $10.25 or so as a basic rate.

Pratyush Kamal: Understood. And Brent one?

Management: Brent is an old contract, and that is around 7.5%, inclusive of transportation as far as we are concerned.

Pratyush Kamal: Thank you.

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

Sabri Hazarika: Yes. So two questions. Firstly, your volume breakup between GA-1, GA-2 and GA-3 and the outlook for GA-3. I mean last time, you mentioned 0.621 mmscmd sort of potential. So any revision on that?

Management: So as of now, for 9 months average, I will give you, GA-1, we have sold around 1.92 mmscmd. GA-2 is around 1.85 mmscmd, 0.245 is GA-3. That makes total sale of around 4 million for this 9-month average, okay? .

If you look at the growth in GA-3, last year average was around 0.163 and we are today at 0.245 which is a growth of almost 49%, 50% over the last year average. So that is a growth in GA-3. If you consider GA-1 and GA-2, GA-2 is double digit and GA-1 is in the normal range of 4% to 5%.

Sabri Hazarika: Okay, sure. And a small question. In terms of kg basis, what was the CNG volumes in Q3?

Management: CNG in terms of kg. For the Q3, it is 2.14 kgs -- 2.14 million kgs.

Sabri Hazarika: 2.14 million kgs. per day, right?

Management: Yes, yes. Per day, kgs per day. And in terms of SCM it is 2.92 million kgs.

Sabri Hazarika: Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Handa from Citigroup. Please go ahead.

Saurabh Handa: Thank you for the opportunity. Sir, on your question on your comments on the number of EVs in Mumbai, say around 4 lakhs and currently, the penetration is 10%. Hypothetically, if a similar sort of directive comes as we saw in Delhi, could this number go up to like 25%, 30%, thereabout? I mean just to get a sense of what is the realistic penetration one can assume if you have similar directives as we've seen in Delhi in the past.

Management: Yes, you're right. I mean, the increase will happen in commercial first because as happened in NCR, the commercial vehicles are generally the first vehicles which gets impacted because of court or the policy intervention. So in case that happens, so our penetration will go up because we have certain depots in BEST also, which we have opened on an experimental basis for commercial vehicles. So we can open further outlets also in our BEST captive outlets for booking for the commercial vehicle.

Further, we are increasing infrastructure in particularly in GA-2 and GA-3 for keeping in mind the commercial vehicle increase. And GA-1 also, we expect that we will do some management to create more infrastructure for commercial vehicles. Yes, the penetration can increase in coming few years.

Management: Saurabh, if you look at current 3 quarters penetration, we have added more than 1% of the existing population. Because roughly 4,600-odd commercial vehicles are added in these 3 quarters put together, which is more than 1% of the total population in our GAs. And with the high court order, if it gets a little push also, I think we expect that the numbers could be high, but to give a penetration of exact percentage is very difficult as of today.

Saurabh Handa: And sir, what is the usage per vehicle, for a typical commercial vehicle?

Management: So it varies for different commercial vehicles. If I talk about the heavy commercial vehicles, the usage is about 30 kgs per day. This is on an average basis. So LCV is about 25 and the small commercial vehicles consume about 7.5 kgs on a daily basis.

Saurabh Handa: That's very useful. Thank you.

Moderator: Thank you. The next question is from the line of Vikash Jain from CLSA. Please go ahead.

Vikash Jain: I just wanted to understand currently of about 50 mmscmd of gas that ONGC is producing. I think about 6 has been taken away as new well gas. Of the remaining which is there, roughly how much has been allocated to priority sector in city gas? That's the first part of the question. Second thing is when you see a change in allocation again on 1st of April, maybe another 5%, 6% will, again, go away, say, about 2 to 3 mmscmd. Is there a chance that LPG or some other sector you see could get -- could bear the impact more than city gas? So that's something which I wanted to know.

Management: I think the numbers will be better available with GAIL. But broadly, what we know is around 19 mmscmd was coming to CGD, which got reduced to 16 mmscmd in the first cut, and it went down by another 2 mmscmd in the second cut.

Now 2-3 mmscmd is restored out of it, so maybe around -- if I'm not wrong, maybe around 15, 16 mmscmd is coming to CGD sector. But overall numbers from ONGC, we don't have proper clarity. Maybe not -- 50 mmscmd is not available as far as we understand. It is lower than that.

Vikash Jain: And sir, any chance of any other sector getting reduced allocation as compared to city gas?

Management: I mean you have to ask this from Ministry. But yes, I mean, if you see some deallocation has happened and now the reinstatement has happened. There are 2 things. The isolated fields, if they get connected to the main grid, then some gas can come to CGD or in case the ONGC increases the production of APM, then the gas can be made available to CGD.

The other gas which is going is to fertilizer and partly to the power, which is on the isolated field or the gas in the Northeast, which cannot come into the main grid. So I mean, I don't think there is much which can come up besides the fact that some isolated fields get connected to the main grid or ONGC increases the production. I don't think fertilizer, which is already giving a lot of subsidies in the government side will be taken out from the allocation.

Vikash Jain: And there any chance of maybe some kind of a swap that although those isolated fields and those customers get ONGC gas, but they are charged a higher price and effective swap with you? Or effectively, if we do that, then those become unviable, is that?

Management: I think government has already seized of this matter. GAIL and Ministry of Petroleum has already seized of it. There are actual limitations of doing the swap also because the physical customer should be able to take at that price at the increased price. There should be customers at that particular isolated area to consume gas physically, then only swap can happen. So the matter is between government and the physical limitation as well as maybe putting up more compressors to link isolated feeds to the main grid. Then this mechanism will be able to work.

Moderator: Thank you. Next question is from the line of Niharika Jain from Aequitas Investments. Please go ahead.

Niharika Jain: Thank you for the opportunity. So my first question is, I think in the call you have mentioned that we would have some impact on forex. Now for the APM gas and all the contracts, is there hedge for us or all the contracts, even including APM are unhedged for us as far as forex is concerned?

Management: See, our dollar exposure -- because all the gas we purchase locally is dollar denominated are not hedged, okay? It's not hedged. And if we want to hedge for INR transaction -- see only the price are dollar-denominated, actual transaction happens in INR. For this RBI to my understanding, which I have checked few years back, allows only a forward contract.

So there is a spread-off between whether you want to pay upfront forward cost and increase the cost of the consumer or you remain open and see. In the past, remaining open has benefited us, whereas some entities who took forward, they had a higher cost. But yes, today, the time is such that we may still evaluate what needs to be done going forward, considering probably expected movement in the forex rates INR and the dollars.

Niharika Jain: Is my understanding correct, if I say that the rupee has depreciated by 3% in, say, quarter 4. So my cost directly gets impacted by 3%, right?

Management: Roughly, my estimate is -- yes, you are right in that sense. It adds around INR0.22 to INR0.25 per rupee increase on our overall company basis, a rough ballpark number.

Management: But you are right, whatever the foreign exchange devaluation all happened, that will be reflected in the price because APM price and others are all dollar-denominated.

Management: Partly, we are indirectly hedged because we link our industrial and commercial prices to the alternate fuels, which are also derived from dollar and then priced in India. And it suppose petrol diesel prices are also linked to Brent in a way, they also should be linked to forex. So in a way, our input as well as output both gets natural hedges there to a very large extent.

Niharika Jain: Okay. And so I assume that a lot of fertilizer plants take shutdown in quarter 4. So do we get more APM allocation if that happens, fertilizer sector taking a lot of shutdowns?

Management: See that happens, I mean GAIL does this mechanism of what is the plan for the future or when there any plant is going for shutdown or not. So that adjustment they do and do some minor adjustments in the allocation on daily nominated gas quantities. So those are things which we are not privy to that information, maybe GAIL will be in a better place to answer that.

Niharika Jain: Okay, understood. And the last question, I think I missed the part. We said that we have invested in IBC, but when can we see the revenue getting generated from that entity?

Management: First phase we expect, in another 14 months' time the plant will start operating a 500-megawatt plant, 14 months from now.

Niharika Jain: Okay, 14 months from now. Okay.

Management: And second phase, another 3, 4 months from that period. That means in 1.5 years' time, we should be able to see 1 gigawatt factory coming online.

Niharika Jain: And do we have contracts in place, or we'll be getting the contracts once it get started?

Management: There is sufficient time, so we will get contracts once we get more clarity about come closer to the production. Now we are testing the product, the results are very good. We have not yet finalized the contract. We will be doing it maybe 1 year down the line.

Niharika Jain: And just from a very macro perspective, considering that it is a very evolving technology. Don't you feel that it will be a big risk if the prices just crash down because China is known to do that. Say we can talk about solar modules also. The price has crashed down and it has been crashing down every year. So being internationally linked, won't it be a risk or are we thinking something on this front also?

Management: No, we don't consider it to be a risk. You are right, China has a maximum production of the battery sales. But again, there is a protection mechanism by the government to such type of pricing mechanism by China in the past also. We have seen with solar PV cells to promote indigenous PV manufacturing, the government has supported the industry quite a lot.

Having said that, we are very much confident that we will be able to source very competitive raw material, lithium-ion and other products, which are required for battery cell manufacturing. We have a very strong partner-- South Korean partner. And we'll be able to manage the market in terms of whatever be the market pricing mechanism.

And government, as we understand, is going to protect Indian market to a great extent in terms of levying duty because we think that moving away from China is a very thing, very much prevalent mechanism by different countries, including India. So we are very confident we will be able to survive different price mechanisms as and when they appear in the market, in the battery manufacturing space.

Management: Also**,** I would like to add one more point here, when you manufacture cells locally, and you will get the live user experience, you will be able to manage the life cycle of the cells and the battery properly when an Indian company talking to the local consumers here. Whereas in case of China, if there are problems which pops up at the cell level, the battery pack manufacturer does not have any answer, okay?

So there, I think, technologically and in terms of performance, an Indian company will have a very, very good upside and edge over the imported cells. And that is going to be one of the USP in the project, which is done locally here with technology as well as the setup of the plant locally.

Moderator: Sorry to interrupt. May I request Ms. Jain to please rejoin the queue. We have participants waiting for their turn. The next question is from the line of Devang Patel from Sameeksha Capital.

Devang Patel: Sir, if you can please quickly share the data points on, what is the share of BEST buses and 3-wheelers in our volume? And what is the 9-month growth in each of these 2 segments?

Management: So if I have to tell you the customer segment, so Autorickshaw, the 3-wheelers, which you asked, they are the highest consuming segment. They consume about 34% of the total volumes that we sell. BEST and others put together, I will call it, the state transport undertakings, which also includes MSRTC, NMMT, and TMT. They are consuming about only 6% of the total volumes that we sell.

Management: And just to add to what Mukesh has mentioned is that in 3-wheelers, almost 98% is CNG 3-wheelers. As far as BEST is concerned, we have around 2,000 buses of CNG and around 1,000 buses on diesel and EVs put together.

Devang Patel: Sir, and what is the growth in the BEST buses Y-o-Y. In Delhi we've seen the number of CNG buses also come down with this either being set up, is there a risk to 3-wheelers and BEST buses volumes?

Management: No, it is the other way around. You are right, BEST buses the last few years have come down from 4,000 numbers, which were running on roads to 3,000 in total. But going forward, we think that the electric buses which were expected to be around 2,000 have now not come on roads.

So if this particular committee will examine the whole thing and give the recommendation to the government for implementation. And in case some uptick is there, then we can see more buses coming on road and that can include a major portion of CNG also. But we have to see -- wait and watch about how the Transport Ministry and BEST take a call on that. But yes, the overall number of BEST buses have come down, including CNG buses has also come down.

Management: Just to share the physical numbers during the quarter, MSRTC alone has added 142 CNG buses, okay? And BEST, TMT and NMMT put together has added 37 number of buses. And the major part is BEST. So probably BEST because they don't have enough number of buses to run their routes have started adding some either retrofitted or buses on CNG as well.

Devang Patel: Sir, and secondly, on the when you said, there is 10% penetration in commercial vehicles. These are what tonnage vehicles? These are the 1.5, 2 tons vehicles?

Management: So commercial vehicles, what we consider are 3.5 ton gross vehicle weight onwards. So this goes up to -- 18 is the latest addition, goes up to 18 tons.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand when we source our gas. So if there is a pricing currently consider it for an example like $6 pricing, sir, at what price do we get with all these transmission and intermediaries? How much cost does that add up in the landed cost for us?

Management: See, most of our gas purchase falls in Zone 1 and Zone 2, okay? Now if you look at the tariff for Zone 1, it is INR40 per MMBtu. For Zone 2, it is to INR80 per MMBtu. If minor gas is coming from Zone 3, that is INR108 per MMBtu. And there is a small amount of marketing margin, which is being charged on APM gas, GAIL being the aggregator and marketing agency for the domestically produced gas.

Madhur Rathi: Okay. And sir, the gas which we import, for that what would be the additional transportation as well as...

Management: As far as MGL is concerned, I'm buying from X point to Y point. So whatever the pipeline transportation I use, depending on the zone in which from where I'm buying the rates will be applied. As I said, mostly our gas purchase is within Zone 1 and Zone 2 maximum.

Madhur Rathi: Okay. Got it. Sir, my second question was, sir, with this APM gas reduction every year, so I guess that would increase our cost for SCM that we sell to our customers. So what is like a steady-state margin? So what is the landed cost that you can get over the next 1 year?

Management: Around 7% reduction of APM is expected as per the reports and the recommendation by DGH and Kirit Parekh committee. So I mean, it depends what is the LNG prices on the substitute gas of NWG prices of the Indian food basket. HPHT option is also there with us. So we will and --

HS option is also there. So we will do a mix of the alternate sources and then determine what will be the selling price of CNG.

And also we'll have a look at petrol and diesel. The margins, as we mentioned, EBITDA per SCM will be in the range of, say, INR9 to INR11 or INR10 to INR12, depending on situation because we want to keep two things in place: One that the price disruption doesn't happen or too much price variation doesn't happen in CNG or CNG anyway 100% allocation of APM is coming. So we would like to keep prices steady and keep the growth numbers also in line of sight.

So having said these things, we will take a call on when to -- what is the right time for increase or decrease of CNG prices as well as maintaining our portfolio because right now, we are not exposed to spot prices variation. So that way, we are much more protected and the signals and the policy initiatives are coming, but whatever APM is getting de-allocated will be sold at NWG prices with CGD entities. So we have a clarity on what will be the de-allocation and what will be the price impact, how much we can absorb or how much we can pass on, keeping the margins and the growth numbers in place.

Madhur Rathi: Okay. Sir, just a final question from my side. Sir, with this EV economics getting better, so the life of -- over the life of EV, it is getting more attractive than CNG. And with -- I think with increasing gas cost currently, sir, it will look even more attractive. Sir, so how do we tackle this issue and can this lead to consumers slipping from petrol diesel to directly moving to EV then just moving from where petrol diesel to CNG?

Management: No, I think it is not as simple as what you've mentioned. The total cost of ownership depends on several factors. One is the main cost of differential between EV and CNG and petrol diesel vehicles, the first time purchase cost. The EV is costliest followed by there's marginal difference between CNG and petrol or CNG and diesel.

And third -- second is what is the electricity tariff you have to pay for charging of the EV and the petrol prices or diesel prices vis-a-vis CNG prices. So when we have seen the total cost of ownership in certain segments, the total cost of ownership, like in the case of buses, we found CNG cheaper than EVs. But for small vehicles, yes, EV can be cheaper than CNG.

In pollution also, if we see like CNG is its total cost -- life cycle cost of CNG pollution vis-a-vis is a mix of what is being produced in India, the coal-based electricity. The impact on CO2 is also not much different from CNG, vis-a-vis EV with the current mix of electricity generation.

So we find that going forward, depending on the electricity tariff we will be either in some segments cheaper than EVs or some segments slightly costlier than EVs. But having said that, there is sufficient room in many segments where the per capita consumption of CNG is very high as we were talking about commercial segment, 10% penetration is there.

So that means 90% vehicles are still to be captured by CNG, which is currently running mostly on diesel. So that segment more than compensate for whatever small segment is lost to EVs. Like if 3-wheelers goes to EV, we can more than compensate it to the commercial vehicles, which can come on CNG as compared to diesel. So as far as CGD entities and in particular, MGL is concerned, we are -- we don't find that EV is going to be very big threat for the whole company.

Moderator: The next question is from the line of Hardik Solanki from ICICI Securities.

Hardik Solanki: Sir, just want -- if you look at the effective tax rate for the quarter, it has reduced below 20%. Sir, is there any specific reason behind that?

Management: Your observation is correct. We have had an assessment of the past year tax returns, and we have got some refund which we have accounted. And that is the reason effective tax rate has come down marginally.

Hardik Solanki: Okay. And sir, can you just break down the volume between industrial and commercial for this quarter versus the last quarter? And how was the margin between these 2 segments?

Management: So industry for this quarter is around INR0.5 million, rest is commercial. And as earlier, we said, margin in case of commercial A and other commercial category is higher than industry, but all these depends on the alternate fuel prices.

If you look at current industrial margins compared to the last quarter because of the LSHS and LDO prices going down, has gone down slightly. Whereas in case of commercial, where most of the customers are linked to commercial LPG 19 kgs where prices have slightly gone up, the margin is better. But this position keep on changing. So it's not a static or onetime position, which will remain. So depending on the ultimate fuels, price realization will be changing in both these categories.

Hardik Solanki: Ya. Sir, just a follow-up on this. If you look at the current -- the fall in crude prices and with the fuel oil getting at much discounted prices. So how do -- how are you seeing the impact in this quarter? Have you seen an impact in this quarter? And how do we see coming quarters?

Management: If you see impact on the industry, yes, there was an impact in the current quarter in the realization of -- as I already said, that because there was a reduction in the LDO and FO prices compared to the last quarter. So I think ideally, all these are linked to Brent in a way.

So if the Brent goes down or up, both will change. If you want to give a view may be Brent looks softer now for some time going ahead. So there could be reduction in those realizations. Also, my industrial volumes or industrial realization has gone down because the new customers, which we are adding, we offer them committed discount of 10% for 3 years.

And my addition in the volume has happened -- so on a weighted average basis, realization has gone down. It is not only because of the fuel, but average realization is down because of the large addition of the new customers and the increase in volume.

Management: Just to add to what Rajesh mentioned is that LNG marketing also expected to be slightly surplus in next 2, 3 years. So since LNG is being supplied to industrial and commercial. So we think that we will be in a better position to maintain the margins or improve the margins because, I mean, most of the analysts and research if we read, crude is expected to be slightly more costlier as compared to LNG prices, which is expected to be slightly more surplus. So in that, maybe 1, 2 years or 3 years' time, we will see that we will be able to maintain these margins or improve these margins.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you so much, all the investors and earnings calls and analysts who have joined on this call. We look forward to your continued support and confidence in the company. Thank you so much for joining in.

Management: Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(This transcript has been edited, without altering the content, to ensure clarity and improve readability.)