GUJARAT GAS

GGL/SEC/1391/2024 13th November, 2024

BSE Limited, Phiroze Jijibhoy Tower, Dalal Street, Mumbai Company Code: BSE-539336	**National Stock Exchange of India Ltd,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai Company Code: NSE-GUJGASLTD

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Post Results Earnings Conference Call (Q2 - FY 24 - 25) held on 7th November, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our letter dated 29th October, 2024, please find below the link of Transcript of the post results earnings conference call (Q2 – FY 24 - 25) held with the analysts on Thursday, 7th November, 2024 at 5:30 p.m. IST:

Link to access Transcript:

https://www.gujaratgas.com/pdf/transcript-q2-fy-24-25-earnings-conference-call-07-11-2024.pdf

The Transcript is also attached along with this intimation letter.

Kindly take it on record.

Thanking you,

For Gujarat Gas Limited

SANDEEP VISHNUPRASAD DAVE

Digitally signed by SANDEEP VISHNUPRASAD DAVE
Date: 2024.11.13 22:14:08 +05'30'

Sandeep Dave
Company Secretary

“Gujarat Gas Limited

Q2 FY '25 Earnings Conference Call”

November 07, 2024

MANAGEMENT: **MR. SANDEEP DAVE – COMPANY SECRETARY – GUJARAT GAS LIMITED**
MR. DEVENDRA AGARWAL – GM (GAS) – GUJARAT GAS LIMITED
MR. DIPEN CHAUHAN – HEAD OF INDUSTRIAL MARKETING AND BUSINESS DEVELOPMENT – GUJARAT GAS LIMITED
MR. RAJESH SIVADASAN – CHIEF FINANCIAL OFFICER – GUJARAT GAS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Gujarat Gas Limited's Q2 FY` '25 Earnings Conference Call. 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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to the Company Secretary of Gujarat Gas, Mr. Sandeep Dave. Thank you, and over to you, sir.

Sandeep Dave: Good evening, everyone. A very warm welcome to Q2 earnings call of Gujarat Gas Limited. I'm Sandeep Dave, Company Secretary and Head of Corporate Communications Department at GGL. Just to give you an update since our last earnings call, on 30th August 2024, we have announced scheme of arrangement among GSPC Group of companies. The proposed scheme will eliminate layered structure of GSPC Group, promote business synergies and unlock value for its stakeholders.

The scheme is subject to various statutory and regulatory approvals. We have filed the scheme with BSE and NSE, and we expect to get clearance from stock exchanges during November 2024, followed by submission of scheme with SEBI. After say, obtaining SEBI clearance, the scheme will be filed with MCA.

Coming back to GGL, to give a brief background about GGL. GGL is the largest city gas distribution company in India. GGL is operating in 27 geographical areas spread across 6 states and 1 union territory. We have a good mix of mature and emerging CGD areas. We have developed a pipeline network of more than 41,700 kilometers, which provide natural gas to close to 22 lakh households, 4,410 industrial customers and 15,470 commercial customers.

We also operate 820 CNG stations serving approximately 4 lakh vehicles per day. GGL aims to deliver affordable, reliable and cleaner energy by operating responsibly and performing with excellence while considering environment, social and governance factors. As part of our commitment to ESG initiatives, we have taken various measures, which include hydrogen blending pilot project, which we have completed with 8% blending recently.

Now we are planning to increase blending level after obtaining necessary regulatory approvals. We are aggressively setting up CNG infrastructure as well as upgrading CNG infrastructure to promote use of clean and green fuel. We have also started injecting biogas into GGL system. We have embarked on major digitization drive across various business operations and processes. Our major contribution to the environment is by virtue of promoting use of gas for industrial customers. In Q2 we have reduced burning of approximately 14,482 metric ton of coal per day.

Further, through our CNG sales on various outlets, we have reduced combustion of approximately 2,924 kiloliter of petrol per day during this Q2. At Gujarat Gas, we adhere to highest standards of safety and a strong culture of safety. GGL is an ISO-certified organization for integrated quality, occupational health, safety and environment management system. We build, operate and maintain a safe and reliable gas network in our areas of operation.

With this brief background on GGL, I now request Mr. Dipen Chauhan to share business updates. Over to you, Dipen.

Dipen Chauhan: Thank you very much, Sandeep. Good evening, everyone. First, I'll update on domestic and commercial segment. We are seeing a positive growth in the domestic segment. Gujarat Gas customer base is now more than 21.90 lakhs domestic customers. Despite the monsoon season where construction is a bit challenging, GGL has still managed to maintain the growth rate and have been able to add 0.4 lakh customers in the current quarter.

The commercial segment is showing a steady growth in connection members. We expect the numbers in the domestic and commercial segment to increase over a period of time as the new areas mature. GGL at present has a customer base of 15,400 commissioned commercial customers across its GAs.

Now let me update on the Industrial segment. In the Industrial segment, sales volume were 4.91 mmscmd for the quarter ended 30th September 2024, whereas the sales volume during the same period in the previous financial year was 5.86 mmscmd. The average Morbi volume during the quarter was 2.86 mmscmd. And non-Morbi volume was 2.05 mmscmd. As stated during the last call, the Morbi volume were expected to be lower due to Janmashtami festivals in August.

Additionally, the ceramic market was also adversely affected by the geopolitical factors, which led to overall reduction in capacity utilization. The non-Morbi volume of 2.05 mmscmd for quarter ended 30th September 2024 has grown from 1.9 mmscmd during the same period in the previous financial year.

During the quarter, we had to increase the industrial prices by approximately INR 2 per SCM. The increase was mainly on account of significant increase in LNG prices. The spot LNG prices were around \$ 9.50 per MMBtu in April 2024 and the current prices is approximately \$ 13 per MMBtu.

Further, the prices under the LT contract were also impacted due to the lagging effect of higher crude prices. We continue to monitor the price movements of LNG and alternate fuel across all our operating areas. In Q3, there may be some impact on non-Morbi sales due to Diwali festival; however, we are hopeful that volume will recover during Q3 FY '25.

Finally, let me update on the CNG segment. In Q2 FY '25, CNG sales in Gujarat increased by 12% year-over-year, while outside Gujarat sales surged by 25% year-on-year basis. Overall, CNG sales across region grew by 12% annually. CNG maintains significant price advantages being approximately 47% cheaper than petrol and 15% cheaper than diesel.

During this quarter, we have added 9 new CNG stations, enhancing accessibility. Overall, we have achieved CNG sales volume of 2.93 mmscmd in this quarter. This performance underscores a positive investment outlook driven by increasing consumer adoption and strategic infrastructure development, positioning CNG favorably in the energy market.

Now I would like to request our CFO, Rajesh Sivadasan, to take this introduction forward. Mr. Rajesh.

Rajesh Sivadasan: Thanks, Dipen. Good evening, ladies and gentlemen. I'm Rajesh Sivadasan, Chief Financial Officer and the Head of Investment Relationship at Gujarat Gas Limited. At the outset, on behalf of the entire team of Gujarat Gas, let me wish you a very happy Diwali and a prosperous new year. I welcome you all to the earnings call of Gujarat Gas Limited for the second quarter for the financial year 2024-'25. I'd like to thank all of you for attending this call today.

I trust you have gone through the financial results of the quarter ended 30th September '24, along with the investor presentation, which we have uploaded on 6th of November '24. We believe that expanding geographical coverage and expansion of the gas network would eventually lead to increase in volumes and profitability.

As a result, we have been able to grow CNG volumes at 12 percentage from 2.62 mmscmd in the corresponding quarter of financial year '23-'24 to 2.93 mmscmd in the second quarter of financial year '24-'25. The volume of the company for the quarter ended 30th September stood at around 8.75 mmscmd compared to 9.32 mmscmd in the corresponding quarter of the previous year.

During the quarter, the company connected close to 38,500 new domestic customers, making the PNG domestic connections of more than 21,91,000 domestic customers. During the quarter, the company invested close to INR 130 crores into the gas infrastructure, aggregating to INR 330 crores up to the half year of this financial year.

The company is presently having PE and steel network of more than 41,700 kilometers, along with close to 820 CNG stations, which is a key driver for our growth going forward. In terms of revenue, the company has registered a revenue from operations of INR 3,949 crores during the second quarter against INR 3,991 crores for the corresponding quarter in the previous year.

The company reported a profit before tax of INR 415 crores during the second quarter of this financial year '24-'25 compared to INR 401 crores in the corresponding quarter of the previous year, an increase of approximately 3 percentage. The EBITDA for the second quarter stands at around INR 553 crores as compared to INR 526 crores in the corresponding quarter, an increase of close to 5%.

In terms of EBITDA per SCMD, it stands at close to INR 6.86 against INR 6.14 in the previous quarter of the previous year. We are closely monitoring the propane future trajectory. And in the near term, we accordingly stick to our strategy , to calibrate and strike a balance between the volumes and the margins going forward.

Further, our focus on digital drive, we are happy to state that more than 98% of our collections are coming through digital mode for which we would like to thank our customers. After the recent corporate announcement, Gujarat Gas continues to have a credit rating of AAA stable and a short-term rating of A1+, which has been reaffirmed by CARE and India Ratings. CRISIL has maintained the AAA rating and under the developing watch category.

We have uploaded the investor presentation on the GGL website. I hope you have gone through the same. With this, we open the floor for the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: Just with respect to the CNG segment, you mentioned about Gujarat growth being at 12%, outside Gujarat being at 25%. Is it possible to, therefore, get a mix of volumes as of now in terms of our overall volumes, how much is coming from Gujarat and how much from outside?

Management: Generally, in percentage-wise, 87% is coming from Gujarat and 13% is coming from outside Gujarat.

Probal Sen: Got it, sir. That's very helpful. The second question was, sir, that in terms of quarter 3, have we seen any upside in terms of Morbi volumes? And if so, is it possible to share a rough number in terms of what the range is as of now?

Management: I think in quarter 3, we are looking at a growth of around 3.5 to 4 mmscmd.

Probal Sen: 3.5 to 4 mmscmd from Morbi, right, sir?

Management: Yes.

Probal Sen: Okay. And the third question was, sir, with respect to the APM gas allocation, we have taken a price increase in the Industrial segment. But just wanted to get a sense that given the kind of growth we are seeing in CNG and the differential that is there, are we looking right now at a price increase to pass through? I mean what is the blended percentage of priority gas we are getting right now for the CNG and domestic segment?

Management: So for the quarter ended September '24, we were getting I mean, the shortfall was approximately 26% which was being fulfilled through spot. So -- and after that there has been a further reduction in APM gas. The reduction is now approximately 50%. We have basically able to get a good chunk of new well gas as they call it. And so the entire reduction has been compensated by the new well gas that we have been able to get.

Probal Sen: New well, meaning for the HPHT price base gas, so at around $10?

Management: So new well gas is basically the APM gas without any cap. APM gas price without any gap. So APM gas price is basically 10% of crude with a cap of $ 65 per barrel. So that's how it was coming to $ 6.5. Now the new well gas is basically 20% premium without the $ 65 per barrel cap. So it's basically 12% of crude.

Probal Sen: Okay. Effectively, then it is about 12% of crude. So that is what we are getting to compensate for the shortfall?

Management: Correct.

Probal Sen: So are we looking at a price increase, therefore, to pass on this additional cost. sir? Any colour you can give on the thought process?

Management: Yes, we are evaluating options to increase the CNG prices in near future to basically offset the increased cost of gas procurement.

Probal Sen: Now one last question, if I may, sir. The capex run rate seems to be a bit lower, at least for H1 than our earlier annual guidance. So are we still hoping to sort of manage our around INR 800 crores to INR 900 crores kind of capex annualized? Or are we looking to be a little bit short of that this year?

Management: No, we'll be incurring the capex will be around INR 800 crores to INR 1,000 crores.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So the first question is on Morbi. Like what would be the total Morbi market size now in terms of the overall potential volume that can be done from there? Earlier, I remember it used to be I think closer to 10 mmscmd.

Management: The market size would be around 7.5 to 8 mmscmd. And right now I think because of various issues in Middle East and all, I think, the consumption would be close to 6.5 mmscmd, including propane consumption.

Amit Murarka: Okay. And you're saying that current run rate is about 3.5 mmscmd out of that?

Management: Correct.

Amit Murarka: Okay. Sure. Got it. And I didn't get the question on the data point on the APM properly. Did you say that 88% was APM for you in Q2?

Management: 26 percentage shortfall was there.

Amit Murarka: 26%. Okay 74% was APM, which is now 50%?

Management: Yes.

Management: Right.

Amit Murarka: Okay. Got it. And lastly, like can you provide the GSPC results also for Q2 or H1?

Management: We are yet to go to the Board of GSPC.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: Sir, the company reported a sequential decline in the CNG volume. Is it mainly because of CNG price hike in the month of August or some other reasons of volume fall?

Management: I think the volume decline is because of the monsoon, which was there.

Yogesh Patil: Okay. And sir, could you please provide the volume guidance for the PNG industrial FY '25, '26?

Management: PNG industrial volume?

Yogesh Patil: Yes.

Management: I think, there is a competition between propane and the natural gas. So as per the present prices of propane and natural gas, we are looking at a volume of close to 3.5 to 4 mmscmd, at Morbi. So based on the propane prices going forward, the volumes will keep on fluctuating.

Yogesh Patil: Okay. Sir, could you please also share the gas sourcing details for the PNG industrial and the commercial? And if you could provide us that the spot LNG blending during the quarter and the average prices of spot LNG you have procured during the quarter?

Management: Yes, we have -- you are talking about the spot LNG, which we have procured?

Yogesh Patil: Sir, question is related to gas sourcing overall for the PNG industrial and the commercial side. If you could share the details on that side, current basis? And what was the portion of spot LNG blending during the Q2 FY '25 and average prices of spot LNG you have procured during the quarter segment?

Management: Yes, I will tell you that overall picture. That is basically we procured the volume was close to 8.9 mmscmd was there. Of that, close to the APM was close to 31 percentage and the long term, which we have, that's close to 35 percentage. And the spot LNG was close to 34 percentage. So if you look at the average price of spot, that's around INR 37.4 per SCM. That's the average price which we had.

Yogesh Patil: Okay. And sir, as per our understanding, you have 1 LNG supply contract from the BG side, British Gas, and that is around 2, 2.5 mmscmd, which is expected to expire in the next few months or the quarters. What is the update on that side? Are we going to renew these contracts or any other LNG sourcing arrangement for that side?

Management: So that LNG contract will expire somewhere in the middle of 2025. And we are right now in discussions for a new LNG contract to replace those volumes.

Moderator: The next question is from the line of Varatharajan from Antique Stock Broking.

Varatharajan: Can you give us the current gas price versus propane price of Morbi? What is that you are charging? And what is the comparable price for propane?

Management: The current price of propane is close to, INR43.6. And the price of gas is close to INR44.7.

Varatharajan: Okay. And what is the proportion of propane-linked contract volumes these days? And how much of contracts have been signed in terms of volume.

Management: We have not signed any contract.

Management: We don't have any propane-linked contract. It's only oil-linked contracts that we have right now.

Varatharajan: Okay. Because I remember you were highlighting like incrementally for Morbi customers, we are trying to roll out the propane-linked contracts?

Management: We tried that; however, we are still in discussions with suppliers for offering propane-linked volumes so that we can sell it on a back-to-back basis to Morbi customers.

Varatharajan: So as of now like we are not doing any volume?

Management: Sorry?

Varatharajan: As of now, we are not doing any volume, which is propane-linked?

Management: No.

Management: It's at discussion stage only.

Varatharajan: And finally, sir, on the price increase, which you said you have done for the INR 2, when was that effected? Was it only in the current month? Or was it done in the previous month?

Management: No, it was the old one. I think it was in July.

Varatharajan: It was in July. Subsequently, we've not raised any prices.

Management: No, subsequently, we have not raised any.

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

Maulik Patel: Two questions. One on this BG contract, which will expire in middle of 2025 and a new contract which you would like to sign. So will there be a time gap between these 2 contracts?

Management: No, there will be no time gap.

Maulik Patel: Okay. And the one which you intend to sign, is this Henry Hub based, right?

Management: Pardon.

Management: So we are exploring opportunities. I think what you are referring to is the publication which is the news that has been published that is pertaining to GSPC. But we are in discussions with various suppliers for volumes linked to various indices, including Henry Hub and oil.

Maulik Patel: Okay. So currently, you are getting approximately 2.5 mmscmd under the BG contract, right? And that will entirely be replaced. And by that time, you will have won a new contract?

Management: Yes.

Maulik Patel: Okay. Second question is on that discussion that there is going to be significant cash flow generation for the merged entity, both the GSPC trading business and CGD business of Gujarat Gas. So has there any been plan or strategies being formed where to deploy this operating cash flow going forward? Because earlier we have mentioned that there will be some thought about diversifying into the renewables, hydrogen and others.

Management: Yes, we are evaluating all the options. All the options are open to us. So we will come back to you with an appropriate time what decisions we are going to take.

Maulik Patel: Okay. And just last question on that recent APM gas cut, what's your thought process that because APM allocations to the CNG, which was almost 100% 2, 3 years back, has now cut down to 50% in a few quarters, right? Will it go to 0 in the next 3 to 4 years? Is that what you think about that government will reduce further APM gas allocation and the CNG has to compete with the petrol or diesel on the market-driven gas prices?

Management: So that's what we hear from the market that APM gas would gradually be replaced by maybe new well gas as they call it. So basically, gradually, there will be a gradual abolishment of or there will be a gradual reduction of APM gas and that gas would ultimately be replaced by new well gas. Basically, it's a price thing. So gas would be available, but probably at a more market-linked price going forward.

Maulik Patel: So essentially, there will be an APM, which you get it at 6.5, which is I think GCV, right? And this one will be at 9.5 also at the GCV or it's an NCV, new gas well from the ONGC?

Management: All at GCV.

Maulik Patel: All at GCV. So essentially, you will have a $3 increase in price for whatever the 65% of the APM gas allocation, which you had in the previous quarter or 75% in the previous quarter. On that, you will have an approximately $2 kind of increase on a blended basis?

Management: That is $2, you are calculating basis the current crude levels. The crude levels are -- crude level -- crude prices can basically fall if we had to go through -- go by the reports of various agencies, international agencies, crude could actually go below $70. So if that happens, the differential will not be that much.

Maulik Patel: So currently, it's $80 of the Indian Brent basket, approximately. It's $ 9.6 of the new gas well is done on a 12% of that oil price, right?

Management 12% of oil, yes.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets. Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: Two questions from my side. The first is basically on GSPC, once the results are published or discussed with the Board, are they going to be published from here on?

Management: No. See, ultimately, until the merger is happening, each company will be functioning independently. GSPC is not listed today.

Tarang Agrawal: Okay. But the reason why I ask is because of the structure of the scheme now, it indirectly also leads to an exposure in GSPC, correct? Assuming that the scheme will be consummated?

Management: I think it's unfair on our part to comment on what GSPC will do. I think GSPC will be cognizant of the fact that it's being tracked by a lot of listed analysts and investors. So their Board will take appropriate call on this.

Tarang Agrawal: Okay. Second question, was hello?

Management: Yes, we can hear you.

Management: Yes, we can hear you.

Moderator: Sir, we lost the connection of the current participant. The next question is from the line of Sabri from Emkay Global Financial Services.

Sabri: Sir, this CNG station addition, so this includes FDODO scheme or it's like a normal increase actually?

Management: This is a normal addition. FDODO stations will be commissioned, I think, in the third or maximum fourth quarter of this year.

Sabri: Fourth quarter of this financial year, right?

Management: This financial year.

Sabri: Okay. Fair enough. And secondly, Morbi volumes, you said 2.86 mmscmd. Is that right?

Management: Yes, please.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So when you talk about increasing the Morbi volumes from 2.86 to 3.5 to 4, is there an increase in the overall energy consumption, including propane? Or are you able to increase your market share based on the current price differential of that whatever INR1.1 premium for PNG? How is it working now in this quarter, third quarter?

Management: It's purely based on the premium difference, which is there.

S. Ramesh: So no, in terms of the market share, so what was the energy consumption, including propane in second quarter? And what is the current run rate on which you are expecting the Morbi sales to go up from 2.8 to 3.5 to 4?

Management: So last quarter, we understand Morbi market total consumption was gas equivalent of almost 6.8 mmscmd to 7mmscmd. So we expect to gain a share out of propane consuming customers.

S. Ramesh: So how do you plan to achieve that? How would it happen? Because you have not changed the price. So as the LPG price or propane price gone up, why are customers shifting to PNG, if I may ask?

Management: Propane prices have actually gone up. The differential is now INR 1 to INR 1.5 per SCM.

S. Ramesh: So are you saying propane prices have gone up from INR 43.6 to higher than your PNG price?

Management: No, Propane prices are -- gas pricing -- gas prices are now at a premium of only INR 1.5 per SCM. And next month also, the propane prices are expected to go up.

S. Ramesh: Okay. So you mentioned INR43.6 for propane and INR 44.7 for PNG. What was it in the second quarter?

Management: Second quarter, it was INR 44 and it was close to INR 44 and INR 41. The gas prices were close to INR44 and the propane prices were close to INR 41.

S. Ramesh: Okay. So about INR 3 premium has come down to INR 1.1 to INR 1.5.

Management: Yes.

S. Ramesh: Okay. So as on date, you are seeing this sort of conversion and you are able to see this run rate, right? 3.5?

Management: Yes,

S. Ramesh: So how do you see -- what happens when your propane and LPG market kind of enters a weak season, say, from April? What will be your strategy there when you see the propane and LPG prices go down? How do you plan to maintain your volumes?

Management: No, we have to find balance between the margins and the volumes which I need to get. So that has been our strategy for the last few years. We are going with that same thing.

S. Ramesh: Okay. So if you look at your EBITDA per SCM, you've been able to pass on the cost, but your Morbi volumes are down, so where has the incremental growth in per SCM EBITDA come from? Is it because of the growth in CNG? Can you explain that?

Management: See, I think if you look at the last few years, the growth of CNG and the domestic has increased in our portfolio from close to less than 20%, it is more than now 40 percentage. So that's like playing a part in our margins going forward.

S. Ramesh: Okay. So if you look at your growth outside Gujarat, how do you see the share of the sales outside Gujarat overall and that of CNG moving? You said 13% of CNG is outside Gujarat. How would that be, say, in the next 1, 2 years? And in terms of the overall share of the GAs outside Gujarat, for the new GAs, what would be the share of those GAs in the overall volumes?

Management: Yes, I think the ecosystem with respect to gas is being developed over there. So gradually, this growth which we are seeing in Gujarat, they definitely going to happen over there. So in terms of volume, see, ultimately, the infrastructure has to be in place before the volume jumps up. So basically, I think we are at the right place to gain on the infrastructure, including the pipeline and the CNG stations over there. And now we are focusing on conversions, etc over there.

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

Hardik Solanki: My question is already answered.

Moderator: The next question is from the line of Sanjay Kumar from ithought PMS.

Sanjay Kumar: So this is my first time on the call. So just a basic question. PNGRB issued a notice of classifying 20 GAs as common contract carriers. Is this a new development? And there was a committee meeting on November 4, and there's one more scheduled on November 20, what can be the impact for us on these 20 GAs?

Management: PNGRB has issued the first regulation for declaring common carrier in 2020. In January 2021, we approached Delhi High Court and obtained a stay order. The stay order the interim protection order was continuing until recently, until the time PNGRB came up with 2024 regulation. So the

2024 regulation probably was one of the ways of getting out of the stay order, favorable order, which Gujarat Gas has obtained.

What we have done as GGL management is we have immediately moved Delhi High Court again and obtained a protection order, a favorable order from Delhi High Court. So this prevents PNGRB from taking any coercive action against GGL. So as of now this order we obtained this on July 2024, the same is continuing.

So we do not expect what PNGRB currently doing is more of a consultative process, but they cannot take any coercive action against GGL management. And GGL to that extent is protected from open access regime.

Sanjay Kumar: Okay. And roughly, what would be the volume from these 20 GAs?

Management: It will be difficult to comment on that because we have not thought it through. We believe that we have made out a good case in Delhi High Court, and this open access regulations are a little premature, and we'll deal with it as and when it comes.

Sanjay Kumar: Got it. And second question on the APM gas allocation cut of 20%. So any revision in EBITDA margin guidance, I think you had given 4.5% to 5.5%. Now we are already at, I think, close to 6%. So any new margin guidance for second half of FY '25 and FY '26?

Management: I think our EBITDA margins would be in the range of 5% to 6% now going forward.

Moderator: The next question is from the line of Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari: Sir, so my first question was more regarding LNG trucking. You did mention in a few earlier calls about it. A lot of your peers have talked about it as well. Can we just get an update from you on what's going on from your side on LNG trucking?

Management: We are already supplying LCNG at 4 of our stations where we are converting LNG into CNG and supplying to the customer. So we are in the process of setting up a dispenser at these 4 stations. So we can start LNG dispensing also at these stations. Apart from that, we are in the process of surveying all our routes, basically, which are connected to the major ports in Gujarat and Expressway, which are coming up in and around Gujarat. So it looks like we will be in this business very soon.

Mayank Maheshwari: Got it, sir. And I think the second question is more related to the industrial customers and reach. You had earlier talked about Vapi, Valsad and ability to kind of grow your customer base there and diversify your volume mix away from Morbi. Any thought process because your absolute numbers of customers, if you look at the charts you're showing has been not growing that much still. So what's been the reason for a slower growth around that strategy?

Management: So basically, we are targeting new markets in Ahmedabad Rural, Silvassa, Dahej and Surat, Ankleshwar, Bharuch, which are basically 2-wheeler markets. We are basically in touch with all the consumers and I think we are flowing close to 2 mmcmd volumes in Surat, Ankleshwar, Bharuch and Vapi, Valsad markets. And we expect these volumes to grow substantially in the next few years.

I think these areas have a potential to increase to almost 3 mmscmd to 3.5 mmscmd. We are putting up networks in Ahmedabad rural and Dahej and Silvassa. I think in times to come, these volumes can grow substantially from the current level of 2 mmscmd.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: In terms of the FDODO scheme that you have rolled out, could you talk us through the physical progress that they are seeing in implementation of this FDODO scheme? What kind of orders for the equipment have been placed?

Management: We have issued nearly 400 LOIs, out of which 125 have been accepted by the applicants. And apart from that, they have already submitted the bank guarantee of INR10 lakhs for those LOIs from those 125 locations. The way things are going, I think we will start on the action and will start sometime in the first week or maximum second week of December for the construction of the stations.

Kirtan Mehta: And how do we see the ramp-up of this station? And how many stations by what time frame?

Management: Time frame generally as per our agreement or a terms and condition of the franchisee agreement, I think, the applicant has to complete the station within 1 year. And with the proper support and handholding from the company, I think we'll manage to achieve that.

Kirtan Mehta: And are there also any condition on the volume ramp-up under the agreement?

Management: No.

Kirtan Mehta: Right, sir. The second question was about the new industrial areas that we are developing, Ahmedabad Rural, Silvassa and others. Could you share the infrastructure pipeline implementation target for this year and next year in those areas? And how much of capex we are committing to those geographic areas to develop the network?

Management: I think our major capex, which is going into the steel and the CNG stations are with respect to these places only. The Ahmedabad Rural, I think, of the 9 stations which we implemented 3 stations are in these areas. Even Thane, etc , also the new stations which are coming in have come in, the areas which have been mentioned.

Kirtan Mehta: Is this mainly targeting the sort of CNG and industrial together in the same area? Or are we focusing to get more industrial are we focusing on particular areas for more industrial volume?

Management: No, it was a combination of 2 because when the steel pipeline is put, basically, we also ensure that the CNG stations are online. So basically, then only we get the maximum benefit of it.

Moderator: The next question is from the line of Somaiah from Avendus Spark.

Somaiah: A few clarifications. Sir, one, in terms of EBITDA outlook, so you have mentioned INR 5 to INR 6, where it was INR 4.5 to INR 5.5 earlier. Just want to understand your thought process. So is it because of higher share of CNG mix, we expect this to be slightly higher compared to earlier periods or any other drivers that you are thinking of, that will help us.

Management: One is CNG is definitely there because we are growing at close to 12 percentage in CNG. And the other thing is basically the portfolio of gas, which we are sourcing, that is also giving us a benefit advantage to the rest of the people over here. So basically, that will help us in to aggregating the industrial volumes as well as getting better margins from CNG.

Somaiah: Okay, sir. Sir, also in terms of your long-term contracts, you did mention about the BG. So the other 2 contracts, which are the ones? And what is the quantum and when what is the term period for that?

Management: So the other contract is similar to the BG contract, and it is also valid till middle of 2025. So that is close to 1 million. And the other one, the third one is basically the domestic gas from Reliance-BP fields in Kakinada, and that is valid till December end 2024.

Somaiah: Got it, sir. So now you had mentioned about taking we are working on replacing the BG volumes. So is it the same for the other 2 contracts as well?

Management : That's right.

Somaiah: Got it, sir. So generally, your preference would be, given that these are oil-linked, so you would try to replace it with oil linked or you will prefer taking a Henry Hub exposure this time around?

Management: It's going to be primarily oil because it competes well with propane. That is again oil-linked product, but we would have some share of Henry Hub as well as Henry Hub prices are not very volatile and it provides a good amount of stability as far as pricing is concerned.

Somaiah: Sir, this time around, will we try to increase the quantum? So this 2.5 plus 1 plus 0.7 leaves with 4.2. So when we are coming up with the new contracts, so will we try for a higher quantum or we'll try and maintain the same for 4-odd mmscmd?

Management: No, the effort would be to convert as much as Morbi demand as possible. So if the prices that we get from the market are good enough to compete with propane, we would basically go for a higher quantity.

Somaiah: Understood, sir. Sir, also, you mentioned last quarter, roughly around 30% you sourced of your total volumes, 9 mmscmd from the long-term contracts, which comes to around 2.5, given that you have a 4-odd mmscmd. So it's a conscious choice because your pricing compared to spot was on the higher side, you probably chose more spot last quarter. That's how we should read it?

Management: Yes, the spot was lower than the long term. So that's the reason.

Somaiah: Understood, sir. Sir, also, you gave a spot LNG price around INR 33-odd last quarter. What is it currently?

Management: The spot, I think last quarter, it was close to INR 34, INR 35.

Somaiah: And currently?

Management: And currently, it is on INR 42.

Somaiah: Understood, sir. Sir, also, would it be possible in terms of these long-term contracts, these volumes, I mean, who would we be procuring it from, which entities? As a marketer who would be transferring this volume to us? Between GAIL and GSPC?

Management: So generally, we buy from GSPC as we get the flexibilities in the sense that if there is a variation in demand, then GSPC is better placed to either divert those volumes or provide additional volumes whenever required. So basically, we will be sourcing these volumes from GSPC. And if there is an opportunity to source domestic volumes, then probably, depending on the terms and conditions of domestic gas being offered, Gujarat Gas can source it directly as well.

Somaiah: So our existing long-term contracts, also the spot procurement that we have been making is, by and large, via GSPC. Is that the right understanding?

Management: That's right.

Somaiah: And going forward also after this renewal or new contracts coming in, it will be via GSPC.

Management: Yes. And anyway, both are going to be single entities after some time.

Moderator: The next question is from the line of Vikash Jain from CLSA.

Vikash Jain: I just want to understand this bit that since the premium has become lesser versus propane, why will customers really shift? It's still propane is still at a discount? Is there an extra handling cost, which makes the effective cost of propane more expensive than PNG? I mean I realize that it has become less the discount has become lesser, but that itself should not change someone who's using propane to move to natural gas. So what am I missing over here, if I can understand that, please?

Management: So when the customer procures propane, they have to pay the pay in advance for the propane cost. Whereas in case of gas, they get a credit of close to 20 days, so that is one thing. The other thing is that logistics involved in transporting propane from may be the port up to their plant. The third thing is that they have to incur additional cost for loading, unloading of propane and there is an additional element of risk, which is already there once you handle a product, for which there are different kind of risk involved in handling propane and all.

And especially during monsoons because of water logging and all, it becomes difficult to handle propane. So these are some of the reasons why whenever the differential is less, people trying to shift to gas rather than propane.

Vikas Jain: So basically, what you're saying is that while the price of gas that you are talking about is landed to the customers' facility, the price of propane is not exactly what you're comparing with, is not landed to, it's basically at the port. So landed price will be higher. And therefore, effectively, on a landed basis, at this price for certain customers, it might become more I mean, CNG might PNG might become more attractive.

Management: And there are many customers who know where the cost of making advance payment is more, and they would generally like to take advantage of reduced working capital because of credit, which is there in gas.

Vikas Jain: Sure. That's about 1% for a lot of people roughly. I mean, a little less than 1%, yes.

Management: Yes.

Vikas Jain: So the other thing was so you did give raise your guidance on margins about volume growth, say, I mean, for this year and next year, I mean, if you where do you expect that you're going to average for this year? I'm not asking an exit rate because there is an element of seasonality in your volumes, which is pretty clear. But on an average, where do you see FY '25 ending just as compared to your overall volume of 9.35 mmscmd in FY '24?

And then what is the kind of growth that we should take in on a Y-o-Y basis for '26 and '27? Any guidance over there, please?

Management: I think there are 2, 3 elements. As you told, there are 2, 3 elements, which practically play a part in our volumes. Especially the industrial volumes, which we have. So basically, there is a fluctuation which happens on a seasonal basis as well as the price of the propane, etc plays a role. So basically, I think, see, we cannot tell you clearly how much the volumes would be, but it will be around the same range.

I think last time also, we gave a guidance of around 5 to 7 percentage. We stick to that guidance, subject to the price volatility and the demand increase, which is going to happen based on that.

Vikas Jain: Okay. So I mean, Y-o-Y guidance would remain around 5% to 7% on an overall basis?

Management: Yes.

Vikas Jain: And the recent changes of this basically raw material costs becoming more expensive for CNG and residential PNG, that would obviously have an impact until you decide on price action for the third quarter margins, right?

Management: Yes, you're right.

Vikas Jain: Because that's pretty significant for the time being.

Management: Yes.

Vikas Jain: Okay. And you hope to kind of pass that on largely? I mean why I'm asking is, in your opening remarks, you mentioned that diesel is at a 15% discount to diesel. So do you see that you have room to pass on a large part of the price hike on CNG? I mean, wouldn't the discount fall to very low levels and would not isn't there a worry that, that will impact volume conversions?

Management: I don't think so because we have a huge headroom in petrol compared to petrol, we are 47% cheaper. And we from the experience, we can say that most of the customers who are converting to CNG are petrol users.

Moderator: The next follow-up question is from the line of Tarang from Old Bridge Capital.

Tarang Agrawal: Sorry, I got dropped off. Sir, just one request and a couple of clarifications. The request is, sir, as a minority holder of GGL and GSPL pursuant to the announcement of scheme, one has an indirect exposure on GSPC until officially it gets consummated. So if you could reconsider publishing GSPC's financials or at least critical information at regular intervals, it would be helpful.

The second 2 clarifications. The shortfall that was witnessed in APM sourcing, was it met with new well gas or was it met with spot purchases?

Management: It was a combination of both the things. This was HPHT gas as well as spot. So basically, we had procured some HPHT gas as well as in the last round in October, we procured new well gas as well since we got the news that APM gas is going to be curtailed. So we could manage a good share of new well gas as well. So partly, it has been met through HPHT and new well gas and some spot gas.

Management: Your first question, GSPC management is cognizant of the fact that investors are curious to know about performance of GSPC and track it on a regular base. So they will take a conscious call on that, and we'll keep investors informed about major events. We'll also put up this request to GSPC's management.

Tarang Agrawal: And sir, last question. What is calorific value on a per SCM basis? Is it 10,000 or 8,350 or something else?

Management: Could you repeat the question?

Management: 9,200.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: As you mentioned, the spot LNG cost of INR 37 per SCM for the quarter second FY '25, and now the cost of spot LNG is INR 42 per SCM. Do we have any plans to pass on the gas cost to the PNG industrial customers in the near term? Because the PNG industrial sales volume also increased due to the improvement in the Morbi side. So any plans?

Management: I think we will take an appropriate cost based on the volume increase and the incremental volumes, which we get by the reduction in the prices or increase in the prices. That's the call which we'll be taking going forward.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Sandeep Dave, Company Secretary, for closing comments.

Sandeep Dave: GGL management has been focusing on increasing volumes while maintaining a fine balance between volumes and margin, and we will continue to do so. It's just festive time has just ended in Gujarat, and I wish all of you a very happy, healthy and blissful New Year. Thank you.

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