MAHANAGAR GAS

MAHANAGAR GAS LIMITED

(GAIL, Govt. of Maharashtra & BGAPH Enterprise)

Ref: MGL/CS/SE/2018/169

Date: August 08, 2018

To,

Head, Listing Compliance Department **BSE Limited** P. J. Towers, Dalal Street, Mumbai - 400 001 **Scrip Code/Symbol: 539957; MGL**	**Head, Listing Compliance Department** **National Stock Exchange of India Ltd** Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 **Script Symbol: MGL**

Sub: Transcript of Earnings Conference call on Unaudited Financial Results for the quarter ended June 30, 2018.

Dear Sir/Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that an Earnings conference call on Unaudited Financial Results for the quarter ended June 30, 2018 was held on Wednesday, August 01, 2018 at 4:30 PM (IST).

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

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

Thanking You,

Yours Sincerely,

For **Mahanagar Gas Limited**

MAHANAGAR GAS LIMITED MUMBAI

Alok Mishra
Company Secretary and Compliance Officer

Encl.: As above

“Mahanagar Gas Limited
Q1FY2019 Earnings Conference Call”

August 01, 2018

ANALYST: **MR. RITESH GUPTA – AMBIT CAPITAL**

MANAGEMENT: **MR. SANJIB DATTA – MANAGING DIRECTOR – MAHANAGAR GAS LIMITED**
MR. GOUTAM GHOSH – TECHNICAL DIRECTOR - MAHANAGAR GAS LIMITED
MR. SUNIL RANADE – CHIEF FINANCIAL OFFICER - MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT (COMMERCIAL) – MAHANAGAR GAS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Mahanagar Gas Limited Q1 FY2019 Earnings Conference Call, hosted by Ambit Capital. 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Gupta from Ambit Capital. Thank you and over to you Sir!

Ritesh Gupta: Thanks. Hi all. Thanks for joining us all for this conference call for Mahanagar Gas Limited Q1 FY2019 results. We have MGL management represented by Mr. Sanjib Datta, Managing Director, Mr. Goutam Ghosh, Technical Director, Mr. Sunil Ranade, Chief Financial Officer and Mr. Rajesh Wagle, Senior Vice President Commercial. I would hand over the conference to Jill for taking us through the statutory remarks and probably then she can transfer to the management.

Jill: Thank you Ritesh. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and we believe that expectations contained in the statement are reasonable. However, the nature involves a number of risks and uncertainties that may lead to different results. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties regarding fluctuations in sales volume, fluctuations in foreign exchange, other costs, and our ability to manage growth. I urge you to consider that quarterly numbers are not a reflection of long-term or indication of full-year results, they should not be attempted to be extrapolated or interpolated into the full-year numbers. Over to you, Sir!

Management : Good afternoon to all of you and welcome to Mahanagar Gas Limited Q1 FY2018-2019 Earnings Conference Call. I would like to thank all of you who have connected for our earnings call today.

As you may be aware, domestic natural gas production accounts for about half of India's total gas consumption. Due to such inadequate domestic production, India's LNG imports have witnessed significant increase during the last few years. On the other hand, demand for natural gas is expected to steadily increase due to strong growth in energy demand arising out of high rate of economic growth and large scale developmental initiatives launched to accommodate aspirations of a demographically diversified young population.

Besides World Health Organization report of May 2018 also mentions that majority of the most polluted cities in the world are from India. If this situation is to be reversed and getting a cleaner and healthy environment for our citizen becomes a basic priority and if India is to fulfill its COP21 commitment to reduce the emission intensity of its GDP then there has to be larger

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penetration of natural gas in Indian energy basket. Initiative to substitute crude oil with natural gas to reduce India's import bill also has the potential to give a boost for extensive gas usage. In this backdrop, we are of the view that the anticipated increase in gas demand would come mainly from retail segment or from the city gas distribution sector. At presently and in short-term, there is going to be near saturation of gas demand in power and fertilizer sectors, which have been traditionally providing the anchor load to the natural gas industry in the country.

In view of above and some of the following factors, which I am going to narrate, the long-term city gas distribution business outlook looks very positive. Firstly, a forward-looking regulatory environment has been put in place, which addresses the impediments observed in previous bidding rounds. Secondly, a favourable policy framework and guidelines in terms of city as distribution footprint expansion, mission PNG, smart cities, green corridors, etc., have also been put in place. Thirdly, the recently concluded ninth round of city gas distribution bidding, which offered 86 new geographical areas in 174 districts witnessed very enthusiastic participation amongst the industry players. Fourthly, NITI Aayog has already laid out plan to add additional gas pipeline network of over 10000 kilometers to the existing pipeline network of 16500 kilometers and increase in the coverage of city gas distribution and CNG network to about 326 cities and towns by 2022 to maximize the reach of natural gas across the country.

Now coming to MGL, I may mention that MGL is expanding its CGD network in the existing areas of operation. During this quarter, we were able to connect more than 20000 domestic household and we have today more than 1 million connected household customers. We have added over 57 industrial and commercial consumers and thus as on date, we have over 3,650 industrial and commercial customers. We are now operating 220 CNG stations supplying CNG to more than 630000 vehicles and our steel and PE pipeline network stands at 5088 kilometers. With respect to our Raigarh geographical area, connectivity has been established to supply gas to about 3000 domestic PNG consumers in Uran. Gas supply to 6 to 7 major towns like Pen, Ulve, Karjat in GA3 is being planned through the virtual pipeline network. Five CNG stations are currently operational in Raigarh. Now during the ninth round of PNGRB CGD biddings, MGL has put in its bid for three geographical areas, Chennai and Tiruvallur District in the state of Tamil Nadu, Srikakulam, Visakhapatnam and Vizianagaram districts in the state of Andhra Pradesh and Medchal, Ranga Reddy and Vikarabad districts of the state of Telangana. We foresee that as and when the bidding results are announced, there would be success coming in our way.

Now on the pricing front, let me share that on April 1, 2018, APM gas price was revised by the Government of India from $2.69 per mmbtu to $3.06 per mmbtu on gross calorific value basis. Thus, compared to the corresponding quarter in previous year, APM gas cost has increased from

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$2.48 per mmbtu to $3.06 per mmbtu on GCV basis. Average spot gas price has also increased by about $2.10 per mmbtu on GCV basis as compared to the corresponding quarter in previous year. CNG sales price and domestic sales price were revised on April 3, 2018 from Rs.42.63 per kg to Rs.44.22 per kg for CNG and from Rs.25.69 per standard cubic meter to Rs.26.87 per standard cubic meter in case of domestic sales due to increase in APM gas price. Prices were further increased on June 8, 2018 from Rs.44.22 per kg to Rs.46.17 per kg in case of CNG and from Rs.26.87 per standard cubic meter to Rs.27.25 per standard cubic meter in case of domestic sales mainly on account of increase in oil marketing company trading margin, dollar appreciation against rupee and increase in CNG dispensing charges.

During the quarter, we have seen a growth of 11.9% in overall sales volume over the corresponding quarter in the previous year. CNG sales volume grew by 12.6%, domestic sales volume grew by 11.7% while the industrial and commercial sectors sales grew by 8.6%. Overall the PNG volume grew by 10.1%, gross margin has declined to 52.4% as compared to 56.2% in the corresponding quarter in the previous year. Gross margin is higher in value terms in current quarter despite an increase in APM gas price and adverse exchange rate because of higher volumes in CNG and PNG and better price realization in industrial and commercial customer category.

EBITDA margin was 34.1% at Rs.211 Crores in the current quarter as compared to 38.2% at Rs.203 Crores in the corresponding quarter of the previous year. Net profit after tax grew by 3.2% from Rs.124.33 Crores in the corresponding quarter of previous year to Rs.128.32 Crores in the current year. During the quarter, OMC trade margin was revised with effect from January 2015 and Rs.12.9 Crores has been accounted for during the current quarter. The amount is the difference between provision made and actual rate offered for the past period. During the quarter, overall sales volume grew by 3.8% compared with sales volume of immediately preceding quarter. CNG sales volume grew by 4.4%, domestic sales volume grew by 3.7% and industrial and commercial sectors grew by 0.8%. Overall the PNG volume grew by 2.2%, gross margin has increased to 52.4% as compared to 50% in the immediately preceding quarter. EBITDA margin has also increased to 34.1% as compared to 30% in the previous quarter and net profit after tax grew by 22.5% from Rs.104.76 Crores in the preceding quarter to Rs.128.32 Crores in the current quarter. With this, I conclude and would now like to open the floor for question. Thank you.

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

Probal Sen: Congratulations for a very good quarter Sir. Three questions I have, one with respect to the bid for the new GAs one aspect was that out of 86, we have decided to bid for three, our

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understanding was that some players have obviously been much more aggressive, so just wanted to understand the strategic thought behind bidding for just 3 GAs and second part was assuming we get all the 3 GAs, is it possible to get an idea of the investment that will be required over the next three years on these things?

Management : I think we have stated in the past that we tend to be very selective about bidding for new GAs and unless we see a good amount of value creation and benefit for us, just for the sake of bidding, we do not put in bid. So, we followed the same rigorous process this time also and came out with these 3 GAs to put in our bids. On your second question of capex required in the next three years,

Management : it will be too premature right now to talk about the capex requirement, but what we can definitely give assurance that company is well placed to raise any amount of capex that will be required. As you are aware, the company has treasury surplus and we have also ability to borrow and we have execution skill so whatever may be amount of efforts that will be required, I think company should be in a position to raise those resources.

Probal Sen: And Sir would it be therefore too premature to ask for any volume potential as well if there is any sense you can give us?

Management : Volume potential for the GAs in Andhra and Telangana would be between 0.8 to 1 MMCMD each for terminal year and for Chennai it would be somewhere about 2 MMCMD in the terminal year.

Probal Sen: That is very useful Sir.

Moderator: Thank you. The next question is from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

Nilesh Ghuge: My question is on PNG for industrial and commercial as you mentioned you get better realization for industrial and commercial customers so can you throw some light on how much price hike you had taken for industrial and commercial customers on Y-o-Y basis any ballpark number?

Management : Commercial for Q1 the price hike was Rs.35.63 per SCM whereas similar price for commercial in Q1 2017-2018 was Rs.34.14 and on industrial for Q1 2017-2018 the price was Rs.24.34 whereas for current quarter it was Rs.31.11.

Nilesh Ghuge: 31.11 correct?

Management : Yes Rs.31.11.

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Nilesh Ghuge: Thank you.

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

Hemang Khanna: I just wanted to understand what are the main drivers for the large jump that we have seen in CNG volume this quarter?

Management : See one of the primary reasons has been addition or conversions in case of autorickshaw category though we would request you to take all these figures with a pinch of salt, but in this Q1 2018-2019 the three-wheeler additions have been to the tune of around 16000 or at least 15800 whereas for 2017-2018 the addition was in the region of 2800, so there is a substantial addition, which has happened as compared to corresponding quarter in previous year particularly in three-wheeler category. There is also a possibility that Ola and Uber, the taxi aggregators the conversions might have happened back-ended manner, hence the real positive impact is more seen in this quarter rather than earlier quarter and probably the usage of public transport has gone up as compared to earlier quarters could be due to the petrol and diesel price scenario which was prevailing, so it could be a sum total of all these factors put together, this increase is observed now.

Hemang Khanna: Thank you.

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

Sabri Hazarika: Congratulations on good set of numbers and also congratulations to MD Sir. Actually I wanted to ask you about the gas cost so when we put the numbers and we look it to the gas cost so it remains same it is something like Rs.11 per SCM, which is the gas cost, which was the same in Q4 also and same in Q1 also despite rupee depreciating and despite APM gas prices going up by 6%-7% so any particular reason for that is there any one off or something of that Sir?

Management : I think you are talking at company level is it?

Sabri Hazarika: Yes company level?

Management : That is industrial, commercial and priority sector put together.

Sabri Hazarika: Yes right if I divide the cost of goods sold the raw material cost with the total volumes I get that rupees per SCM rates so that has remained same Q-o-Q?

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Management : You are right probably one of the primary reasons is while in priority sector the gas cost has gone up whereas in industrial and commercial as you are aware we feed through imported gas RLNG. RLNG weighted average price was approximately $11 plus in Q4 of 2017-2018, which has dropped down to around $8.75 per mmbtu in this quarter, so it is a combination of these two sources put together.

Sabri Hazarika: But why such a sharp fall because from what I know the term LNG contract also you have so that price has gone up and Spot has fallen, but not by this much, not by $2 to $3, so anything specific or it is?

Management : We do not have any term supply.

Sabri Hazarika: It is primarily Spot LNG only, which has fallen?

Management : Right.

Sabri Hazarika: Thank you so much.

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

Manikantha: Thanks for the opportunity Sir. You are guiding earlier 6% revenue growth that is a phenomenal growth shown in this quarter would there be any update on that Sir guidance?

Management : I think number one that 6%, which you are talking about we used to mention about volumes not in revenue terms necessarily. As of now I would like to continue with our medium-term and long-term target of 6% CAGR on five-yearly basis.

Manikantha: EBITDA per SCM on adjusted basis is coming about 8.6, which is a jump in terms of EBITDA, apart from the price hikes would there be any other one off or anything in this Sir?

Management : Yes basically price hike, which was taken in domestic and CNG was mainly to take care of the gas cost increase which has happened, whereas other factors which has helped in this quarter is as we mentioned earlier the cost of imported gas RLNG has dropped down compared to earlier quarter from almost 11 dollar plus to 8.74 dollar per mmbtu that kind of drop we have seen. Also another important factor, which has contributed is the realization in industrial sector has improved considerably because in view of oil price level is going up the prices of LSHS went up, which is one of the major competing fuel for us, so that has improved our industrial realization and also in case of opex we undertake lot of maintenance activities in particularly Q3 or Q4 so if you have observed opex per SCM for Q4 was in the region of Rs.4.74 per SCM whereas in this quarter the opex is Rs.4.42 per SCM. These are some of the factors, which have helped. In fact profitability could have been even better, but for the debit, which we have taken of nearly Rs.13 Crores, which is requirement over and above what we have provided earlier in the accounts for OMC trade margin, which were finalized recently.

Manikantha: Sure Sir thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisor. Please go ahead.

Dixit Doshi: Just one question Sir, I understand we have license agreement till 2020 for Mumbai market so if you can help us with what will happen post that how we will be renewing it and can the other players also target this market?

Management : As per the PNGRB regulations, the infrastructure exclusivity for GA-1, which is Mumbai city expires in 2020, but as per the same regulations entities are allowed extension of the infrastructure exclusivity in blocks of 10 years provided they do not breach any regulations. It is expected that the rollover will happen of this exclusivity.

Dixit Doshi: So if the rollover happens will you remain the sole player?

Management : Yes because usually the intent is always to have only one operator so unless there is some serious default, second operator is not put in place or added.

Dixit Doshi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Varun Basrur from AQF Advisors. Please go ahead.

Varun Basrur: Sir what was the contribution of PMT gas in the total gas mix this quarter vis-à-vis Q1 of FY2018?

Management : In the quarter of corresponding to previous year the PMT percentage was 26.1% whereas this time it is 22.2%.

Varun Basrur: So it is reducing is it expected to continue reducing going ahead?

Management : Yes going forward we would expect it to reduce because the PMT contracts we understand also will be expiring soon, and the fields are declining.

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Varun Basrur: What would be the price roughly of gas coming in from the PMT gas fields?

Management : About 5.5 to 6 dollars per mmbtu.

Varun Basrur: Thank you so much.

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

Rohit Ahuja: The CNG volume growth you mentioned there was 16000 autorickshaw that came into operational in this first quarter, assume this would be like one time and the coming quarters come back to the normal course of fallings, would that be the safe to assume?

Management : I think only time will tell probably these additions, which have happened we are of the opinion could be more an outcome of the free-licensing policy, which was announced sometimes back by the state government, so we will have to observe over time how it pan out.

Rohit Ahuja: Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

Bhavin Gandhi: Sir just wanted to get your thoughts on GST and if the news that are there in the public domain if those sort of rates come in what do you think would be the implication on the P&L?

Management : The simple answer is whatever benefits we get are supposed to be passed on, so by that logic there need not be any direct impact, but probably what it can help us that our product will be more competitive with reference to alternate fuels like for example in LSHS, whosoever uses LSHS he will get input credit or setting off on the purchase cost vis-à-vis what he has to pay whereas natural gas being outside the framework of GST such benefit was not available to our customers, those benefits will now here after will be available to our particularly industrial commercial customer. To that extent there could be definitely positive impact on our volumes.

Bhavin Gandhi: Are there any standard taxes, which are there on the P&L given the fact that gas is not within the GST framework?

Management : Excise and VAT is already prevalent in our case. Excise is of course applicable only in case of CNG whereas VAT is applicable for PNG and CNG both.

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Bhavin Gandhi: Any quantum of price in change that will be required on the CNG side that is possible to quantify?

Management : No, it will be bit premature, we are not even aware of the rate.

Bhavin Gandhi: Thanks.

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. I had a question on this Rs.105 Crores bank guarantee that you have been asked to submit for Raigarh by the PNGRB, could you tell us why this has been imposed is this something common, has not been happening with other GAs and why you are confident that you do not need to provide at this stage?

Management : The performance bank guarantee is typically given by all entity, it is a regulatory requirement and regulator takes it basically as an assurance that the entity will meet its minimum work program commitments, in that context this bank guarantee of Rs.105 Crores was given to be and yes, we were asked by the regulator about some slippage, which we had in meeting of work program and the regulator basically told us to give a catch up plan and we are reasonably confident that we will be able to do a substantial amount of MWP in the coming couple of years that is the reason why we believe that chances of any action on that front are less.

Saurabh Handa: Have you been asked to submit this only because there has been a slippage in your minimum work program or it is a part of the license, which you would have won a few years back, so it should have been submitted then I guess at the time of winning being granted the authorization and the bid just trying to understand why it has come down?

Management : No, this bank guarantee was given to get the license basically, so bank guarantee was given in 2015. Typically any entity when it wins a bid before getting the authorization that is required to give the required performance bank guarantee, it is only after that the regulator grants the formal authorization.

Saurabh Handa: So I just wanted to understand this is just part of the earlier authorization and it is not something that you have been asked to submit because there has been some slippage or anything?

Management : No, no additional bank guarantee nothing, this is the same old 2015 bank guarantee, which has been maintained.

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Saurabh Handa: Thank you so much.

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

Nitin Tiwari: Good evening. Congrats on great set of numbers. Just book-keeping question, what is the bifurcation of industrial and commercial basis respectively and CNG sales in kgs if you can give that?

Management : CNG sales in kg terms I give first for this quarter it was 13.54 Crores kg as compared to Q1 2017-2018 was 12.37 Crores kg, in percentage term that increases 9.5%, this is about CNG volumes in kg terms. As regards industrial and commercial unit separate by volumes that is what you are asking for?

Nitin Tiwari: Yes.

Management : The industrial figure for this quarter is 0.211 MMSCMD whereas for previous year quarter it was 0.195.

Nitin Tiwari: And commercial Sir?

Management : And commercial 0.174 for this quarter versus 0.160 MMSCMD corresponding quarter of previous year.

Nitin Tiwari: Thank you Sir.

Moderator: Thank you. The next question is from the line of Chinmay Gandrel from Future Generali. Please go ahead.

Chinmay Gandre: This is Chinmay Gandre from Future Generali. With respect to your CNG, what is the mix in terms of PMT, APM and other gas?

Moderator: Sorry to interrupt Sir. We are not able to hear you. Can you repeat your question?

Chinmay Gandre: With respect to your gas mix for CNG you said PMT is 26%, so the rest is APM or is there other gas also?

Management : 26% was in the previous year, now the percentage around 22.2%.

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Chinmay Gandre: Rest is all APM?

Management : Right.

Chinmay Gandre: Thank you.

Moderator: Thank you. The next question is from the line of Amit Rustagi from UBS Securities. Please go ahead.

Amit Rustagi: Sir I just wanted to understand that how many vehicles in each category like buses and cars and autos you gave the number 16000 have been added and with 12% volume growth in the first quarter then why we are not revising the guidance upward to the range of 7%, 8% this should be a reasonable case now given the traction in the volumes?

Management : I think sometime back Mr. Ranade also had given you the CNG sales figures in kgs per day. The kgs per day increased slightly above 9%, so actual sale happen in kg, there is variation between kg and SCM on account of some technical parameter changes, specific gravity, etc. Actual sale of volume in kg gone up by about 9% and since there was one-off kind of increase, which we saw this quarter in some vehicle segments, do not think that may be sustainable, having said that again we will wait and watch if we see any similar increase or whatever happening continuously then we will review our projection and will get back.

Amit Rustagi: We have already passed one month in the current quarter July has already been done and second auto you mentioned 16000 autos have been added, so they will always remain in the system if they are driving the growth and as I asked you can you give me the breakup of the vehicle addition in this quarter like how many cars we have, how many buses we have in the CNG and how many autos we have versus March 31, 2018?

Management : You are saying Q1 addition is it or the total?

Amit Rustagi: Q1 addition.

Management : Taxi around 470, private cars around 6000, three wheelers we already talked about.

Amit Rustagi: 16000.

Management : Yes. Odd

Amit Rustagi: And buses?

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Management : All these figures we request you to take in a directional manner, so there is no precise statistics available through official record.

Amit Rustagi: Sure Sir. Thank you.

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

Vishnu Kumar: Very good evening Sir. Thanks for your time. How is the July month for CNG sales trend? Is it still clocking double digit or close to double digit?

Management : Today is August 1, 2018, so data is still coming in, so we really cannot say anything on that.

Vishnu Kumar: Okay, but broad indication similar growth, are you seeing?

Management : As we mentioned earlier the one of the clear signal falls with respect to three wheelers, but probably that has happened because of the free-licensing policy, which was announced, now these are the factors, these are external factors not necessarily the factors on which we have control, so basically we will have to observe over a period of quarters then only more clear picture will emerge.

Vishnu Kumar: Got it Sir.

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

Probal Sen: Thank you for giving me the opportunity again Sir. I just wanted to understand leaving aside the new city bids whether we win or not. What kind of capex plans and what kind of expansion of the CNG network over FY2019 and 2020 do we see and any connection guidance that you can give in terms of household?

Management : Household connections we already have achieved the rate of 100000, one lakh connections per annum. We aim at nearly 150000 connections per annum and general indication of capex could be in the region of 400 Crores per annum.

Probal Sen: This is just on the existing areas plus Raigarh?

Management : Yes, you are right. All areas put together, three areas put together.

Probal Sen: Thanks.

Moderator: Thank you. The next question is from the line of Sunil Shah from Axis Securities. Please go ahead.

Sunil Shah: I had just one question. Last concall we had mentioned that there is a tender being floated for new city gas distribution come in place, Sir what is the status of the tender and details on the tender, if you could share with all of us?

Management : That is referring to this ninth around of CGD bidding, which the regulator is undertaking and there have been some press releases from the regulators saying that they have received some 400 odd bids for 86 geographical areas, which they put up for bidding and recent press release also has said that they are targeting to finalize and declare the winners in this month itself, month of August, so may be in a few weeks time we should be knowing the outcome of that bidding.

Sunil Shah: If I also know about our participation or our interest, how many you have bidded for?

Management : That was mentioned earlier also and we have bid for three geographical areas.

Sunil Shah: Three areas you are saying?

Management : Yes, three geographical areas.

Sunil Shah: Alright Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Rajesh Agarwal from Money Investment Advisor. Please go ahead.

Rajesh Agarwal: The volume growth is coming from existing regions or the new conversions, which are happening in auto, Uber or private cars, which trend you are saying whether it is happening in autos, Uber, Ola or private car Sir?

Management : We do not have data at that level and granularity, two-three things which we have said initially and we have observed that some conversion spike has been there in the quarter.

Rajesh Agarwal: What is the conversion rate quarter-to-quarter?

Management : Typically we see, 6000, 7000 vehicles getting added every month.

Rajesh Agarwal: This quarter it has increased substantially because of the auto conversions?

Management : It is 22000 plus.

Rajesh Agarwal: Same trend has been seen Sir?

Management : We will have to observe now, we will have to see, the data we received a bit late.

Rajesh Agarwal: The new city gas distribution policy, which comes into being around 2020, so it will have a massive increase in the conversions of vehicles, any ballpark number for one city, how much vehicle can get converted?

Management : Can you just repeat the question?

Rajesh Agarwal: Suppose the city gas distribution licensing, which has been given in this ninth round, suppose by 2020 the infrastructure is ready, suppose city like Pune, something comes over any ballpark figure how much vehicle conversion can happen to CNG a lakh vehicle or 2 lakh vehicles in a particular city of Pune size?

Management : That will vary from city to city, but again you need to keep in mind this is a retail market segment and putting in the basic infrastructure takes a few years of time, getting one lakh or two lakh vehicles may take five, six years or so, may be a bit more also depending on potential and demand density, etc.

Rajesh Agarwal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Amit Rustagi from UBS Securities. Please go ahead.

Amit Rustagi: You mentioned about this three new cities, so how many like what is the capex you gave the numbers like one MMSCMD potential in each Odisha and AP and may be two MMSCMD in Chennai, so what is the potential capex also, which will be done in each of the cities to realize this potential?

Management : I think it is a bit premature right now to give capex figures. It requires really a very detailed survey and then also the mapping of the pipeline. I think we will have to wait for sometime before we arrive at the exact capex figures of course if it gets awarded to MGL.

Amit Rustagi: Sure Sir. Thank you Sir.

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Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.

Atul Mehra: Just one question related to the capex, so you said that the capex is 400 Crores, but on an ongoing basis how much of this would be pure maintenance capex in the business?

Management : Maintenance capex can be in the region of 15% of the total value and whatever 400 Crores we talked about right now inclusive of maintenance capex.

Atul Mehra: So we are saying about 50-odd Crores, 50 Crores to 60 Crores should be maintenance capex?

Management : Roughly.

Atul Mehra: In terms of the remainders you spoke about 85% growth capex, which is the broadly Rs.350 Crores, so what kind of incremental IRRs when we are looking at capex from here on and also to do with may be the new bids that we have made, what are the target IRRs for the growth capex?

Management : We do not operate on any specific piecemeal geography, the viability of geography is considered right in the beginning in totality, so there would be two-way effect the pockets within GA where we are going for the first time Greenfield area obviously takes time to get even payback period. Whereas the majority areas where we already laid our infrastructure the IRR theoretically can be infinite because entire infrastructure is already in place only marginal capex we have to incur and then sales starts flowing in, so it is a combination of effect of both, which needs to be taken into consideration.

Atul Mehra: Thank you and wish you all the best.

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

Vishnu Kumar: Thanks again for your time. On the new CGD areas currently, which you have bid, are there gas supplies that are currently available and second when does the MWP minimum work program timeline start if you win all the three areas?

Management : When the government has assured availability of domestically produced gas for the CNG and domestic PNG segments, so gas availability will be there. Of course some of these areas are also planned on authorized upcoming pipeline, so while gas may not be available today may be six months, one year, two years down the line gas could be physically available there.

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Vishnu Kumar: Okay.

Management : As far as the minimum work program targets go they are there for eight years and the targets start right from year one.

Vishnu Kumar: For example just to ask Visakhapatnam currently does not have a line and probably Chennai also until the Ennore terminal comes up we do not have any gas availability, so even if it takes three years MWP starts now, only when you get the gas connection then only you can theoretically start laying or at least start investing on capex is that right assessment?

Management : That is true, but the regulations do allow you some leeway in case authorized trunk transmission pipeline does not come up or gas is not available, so there are some provisions, which allow you and to defer your MWP.

Vishnu Kumar: In your experience how much of state government approvals would be required to get once you get from PNGRB and typically what is your assessment in terms of the approvals timeline that will take from the state government?

Management : That will depend from state to state and more than state government approvals usually the local bodies and the municipal authorities, etc., whose approval is important and it is not just them you have the highway authority, you have railways, host of other development authorities whose approvals are required, so it is not very easy thing, it takes time.

Vishnu Kumar: Just to conclude if you win all three also we will wait for first gas availability to start, second will be the state government approvals, third will start to invest capex, is that right way to look at it?

Management : We cannot wait for gas to be available and then start because the relaxation you are allowed in the MWP for nonavailability of gas only happens once you demonstrate that you are in a position, you have the ability to receive gas. You at least have to set up what is called city gate station and lay may be a little bit of pipeline and demonstrate yes now you are ready and waiting for gas and then you can may be deferred the rest of your MWP.

Vishnu Kumar: That answers my question. Thank you.

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

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Sabri Hazarika: Thanks for the opportunity. Sir what is your margin guidance considering it has fluctuated significantly from Q4 to Q1, so it has gone up adjusted margins something like Rs.8.6 per SCM, so what is the outlook and what should be generally build in going forward?

Management : I think we will have to look at probably customer category wise, if we talk about domestic and CNG, there are chances gas cost can go up w.e.f. October 1, 2018, but company believes it has ability to passon this gas cost, which may take place in case of domestic as well as CNG. What remains to be seen is how exchange rate implications are there, rupee dollar exchange rate because that is a separate call otherwise company will be required to take. These will be two important factors in respect of margins for domestic and CNG whereas in case of industrial and commercial, two most important factors when will be the price of RLNG depending upon whether the price remains in the same level or it moves upwards or downwards there will be implications on the margin.

Sabri Hazarika: I just wanted to ask you do you have a targeted margin yourself or it is an outcome of the overall pricing or do you set up a target yourself that we need to and this much of margin because you had monopoly business, so you have got enough pricing power to charge any margin you want?

Management : The company's focus is always on acquiring more and more customers and that is possible only by offering value proposition to the customer, which can take place through the discount, which we offer as compared to alternate fuel. This is what will be the primary philosophy of the company margins that way will be the resultant outcome.

Sabri Hazarika: Fair enough. Thanks.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead. We seemed to have lost the line for the current participant. The next question is from the line of Tanubhav Vasisht from Sharekhan Limited. Please go ahead.

Tanubhav Vasisht: Good evening Sir. Last year we had seen that the orders for CNG buses from state government has seen some contraction and the upcoming electric vehicles was given as an answer as to why CNG buses are not going to be in that much demand. What is your take or going ahead on the demand for CNG buses?

Management : If we look at the municipal transport undertaking in and around Mumbai, the number of CNG buses has not been growing in fact there was small decrease in numbers and very old buses have got phased out and basically what is happening here in MGL is the local transport undertaking do not have money to buy forget CNG not even buying diesel buses, but having said that, that

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transport demand is getting compensated by increase in the number of autorickshaws and taxis, etc., so we are getting the volumes from there.

Tanubhav Vasisht: Thank you.

Moderator: Thank you. The next question is from the line of Varun Basrur from AQF Advisors. Please go ahead.

Varun Basrur: Good evening Sir. Just want to understand in the Raigarh GA, how the volumes are building up may be you could just give an estimate of what you think would be the volumes in 2019 and 2020?

Management : By 2020, we would expect a volume of somewhere between one and one-and-a-half lakh SCMD.

Varun Basrur: And this year FY2019?

Management : We should close at may be around 30000, 40000 SCMD.

Varun Basrur: Alright. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Management : Thank you very much. My sincere thanks to all of you for taking time up and interacting with us. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(This document has been edited for readability)

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