

Transcript

Conference Call of Adani Total Gas Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen, I am Bharathi moderator for the conference call. Welcome to Adani Total Gas Q4 FY21 earnings conference call. As a reminder, all participants 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 touchstone telephone. Please note that this call is recorded. I would now like to hand over the floor to Mr. Manikantha Garre. Thank you and over to you sir.

Manikantha Garre: Thank you Bharathi, good evening management, investors and new concerns. Hope all of you are doing well and following the necessary precautions for your safety. We at Axis Capital are very pleased to host Adani Total Gas Management today for their Q4 concall. We have with us Suresh P. Manglani, CEO and Parag Parikh, CFO. They will start with a brief review of the company, the performance and then we will switch to Q&A session. Thank you and over to you sirs.

Suresh P Manglani: Thank you Manikantha and Bharathi. Good afternoon friends. Let me first heartily thank you all for taking out your time and participating in the call despite all of us being in the midst of challenges posed by the resurge in the COVID cases. Hope each one of you, your families and all your colleagues are staying safe. I will appeal to you all to stay safe, follow yourself and bring wide awareness in the public on following COVID appropriate behavior such as always wearing mask, maintaining social distance, regularly sanitizing and getting vaccinated as soon as possible. This will help us to decisively fight back the pandemic collectively as we did last time.

At ATGL like last time in 2020, we have once again ensured supply of PNG and CNG and safe handling of operations, emergencies on 24X7 basis in all of our geographical areas. Team ATGL has been extending all the support needed to our consumers' community at large and nation to contain and fight back adversity arising from this pandemic. Our overriding business principle that safety has to be the pre-condition to work has laid down strong foundation in building safe behavior culture within ATGL. All our employees and partners working for us are being trained to follow safe behavior in every action they take. We have during this year imparted extensive training of over 34500 plus man-hours remotely through our teams and the partners.

Operations – The year 2021 has seen the major onslaught of COVID-19 pandemic. The world has been passing through testing times. India has been no different, except that in between from October '20 to March 21, Indian economy bounced back well. We at ATGL also saw excellent recovery of the volumes quarter on quarter from second quarter FY21 onwards. Our PNG volumes infact surpassed the pre-tabled volumes

while CNG volumes also substantially recovered well. The year FY21 in many ways has been the year of records. ATGL crossed the sale of two million sales per day sometime in January '21. We also crossed cumulative CNG target of 200 stations. Now, we are at 217 stations as on March 31. Team ATGL set up 102 new CNG stations in a single year; which has never happened earlier and also laid 2215 each kilometer of steel pipeline in a new geographical area which was awarded to us in the 9th and 10th round of (not sure). All this has been done despite COVID challenges. Despite COVID-19 adverse impact, the company connected around 41,000 new PNG homes, 500 new industrial and commercial consumers; taking the total consumer tally near to 5 lakhs now. ATGL has now commences commercial operations in 14 out of 15 new geographical area which we got in the 9th and 10th round. Three new city gate stations at Kheda, Bhilwara and Chittorgarh were also commenced during the year.

Let me now brief you all about the financial performance of the company for the quarter four and also for the year 2021. The Board of Directors of the Company met yesterday and were pleased to approve the third successive quarter of highest ever financial performance with robust physical infrastructure growth which comprises of EBITDA for the quarter four of INR 224 crores for the Q4 alone and for the full year EBITDA was 749 crores. Profit before tax for the Q4 was 195 crores and for the full year it was 646 crores. PAT for the Q4 was 145 crores and for the full year 472 crores. The all-found superior performance has been delivered by the company despite continued COVID-19 impact and a strong volatility in the international energy prices which we all witnessed during the quarter four and during the year as well.

Let me now declare the result in more detail. In the fourth quarter of the financial year 2021, overall volume stood at 166 mcm versus 145 mcm in Q4 FY20. Our CNG volumes were 75 million and PNG volumes were 91 millions. CNG and PNG volumes grew by 7% and 21% respectively as compared to quarter 4 FY20. Average monthly volume in March '21 stood at 1.82 million MMSCMD. This is an average sales volume for March Month as compared to average volume in Q3 of the previous quarter FY21 at 1.67 MMSCMD which shows a growth of 9% volume from a Q3 to March Month the same year. During Q4 FY21, revenues from operations were 614 crores versus 490 crores in corresponding Q4 quarter of FY20. This is an increase of 25% on a year on year same quarter. Our EBITDA for the Q4 as I stated was 224 crores; last year the same quarter EBITDA was 180 crores; a growth of 25% again. Profit after tax for Q4 was higher by 19% as INR 145 crores whereas the last year in the same quarter PAT was 122 crores. For the full year, the year ended on 31st March '21, overall volumes stood at 515 mcm which is 88% of full year volume of '19-'20 which was a normal year. '19-'20 volumes were 582 and this year volume is 515, 88%. Our CNG volume for the full year was 227 million and the PNG volume was 288 million CNG 78%, 22% lesser and the PNG is 99% despite loss of a full first quarter for complete lockdown. We had been able to achieve, virtually the same volume as the last year. During FY21 revenues from operations were at 1784 crores versus 1991 crores in the full year '19-'20. Our FY21 EBITDA grew by 17% to Rs.749 crores versus in the year '19-'20 our EBITDA was 639 crores. Profit after tax as I stated was 472 crores which is higher by 8% as compared to the profit of '19-'20 which was 436 crores. There has been a continued progress observed on the infrastructure development in Q4 of FY21 We have commissioned 66 CNG stations in a single quarter across all geographical areas. As on 31st March '21, CNG stations have now increased to 217 with 102 new CNG stations being commissioned in a single financial year which was largely with the onslaught of

the COVID pandemic. The 102 CNG stations which we commissioned also includes 8 CNG stations on a DO-DO format – dealer owned, dealer operated format.

On the PNG front, now we have increased our consumer base to 0.48 million as on 31st March '21. Project work is in full swing across all the geographic areas on the expansion of PNG stations, laying our steel pipelines, MDPEpipelines and development of our remaining city gate stations and CNG plants. PNG commercial operations have now started in 14 geographical areas out of the 15 geographical areas and the balance one we are expecting to start our operations soon. I am confident that with the continued support from all the stakeholders and motivated team Adani and Total Gas Limited, the journey ahead is going to be much more exciting and successful. We would like to acknowledge the role played by our shareholders, consumers, dealers, suppliers, business partners, investors, friends and media. We are thankful for their trust and continued support. Before I conclude, I once again on behalf of ATGL Adani and Total group will appeal to all of you to please follow COVID appropriate behavior and do wear masks, sanitize your hands, get yourself vaccinated and spread this message to whomsoever you meet so that we collectively fight back the COVID and bring back the economy as we were experiencing in the past. Thank you very much for listening to me patiently.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad . The first question comes from Mr. Nitin Tiwari from Yes Securities. Please go ahead.

Nitin Tiwari: Good evening sir, thanks for giving me the opportunity. My first question is a book keeping one. Can we have a breakup of our volumes...daily volumes in domestic, commercial and industrial respectively?

Suresh P Manglani: Yes, Nitin thank you very much for joining. We will provide you the complete details. Parag if you can provide the complete detail on the breakup?

Parag Parikh: As far as our breakup is concerned, 45% of our volume for quarter four is coming from CNG, and 55% is coming from PNG. Within this 55% of PNG, close to 80% is in industrial, close to 17% is in domestic and the balance being commercial.

Nitin Tiwari: Understood sir, thank you so much for that. My second question is related to the sales position now. All of us are facing second wave of Corona, what is the level that we are selling at right now and if you could give your comment on the outlook as well....

Suresh P Manglani: Actually I couldn't hear the question clearly. Could you repeat the question?

Nitin Tiwari: Sure, I will repeat the question. given that we are facing the second wave of Corona right now, what is the level of sales right now and what is the outlook for the remaining quarter....I mean the June quarter?

Suresh P Manglani: Yeah Nitin, if I understood your question correctly, you are asking the impact of the COVID resurge which we are all witnessing now, is that correct?

Nitin Tiwari: Yes, that is my question.

Suresh P Manglani: There is a decline in the sales volume, not to the extent that we all witnessed in the complete lockdown because in the geography like Gujarat we still see volumes going on very well. We see in Faridabad volumes going on but there is an impact on the volume much, much lesser than what we saw in the last complete lockdown. What our belief is that as we get....and you can see the numbers which we have presented to you quarter on quarter, you have all the four quarters with you...right from quarter one to quarter four now. As we have been able to compensate significantly the volume when we came upto 88% despite the first quarter complete lockdown and second quarter partial lockdown. We are quite hopeful that this is a very temporary phenomenon and soon this COVID pandemic peak will settle down and we would be back and the Indian economy will be back and we will be back with the full volume as we have been doing earlier or much better volume in the future. This is where we would I think be able to share with you at the present.

Nitin Tiwari: Right sir. And sir if I can ask one more question. What is the capex for the FY22 and sir if you can expand how that be broken down in terms of CNG stations and CNG network?

Suresh P Manglani: If I understood you correctly, I think you were asking me what is the capex roll out plan for '21-'22 and how we went about rolling out in numbers which are how are we going to roll it out.

So I think if you recall our several calls which we have been having with all of you friends; we have been stating that there is an overall plan for around 5500-6000 crores in the five-year period. The run rate was around 1200 to 1400 crores which is what we are still holding on and we need to feel that there will be no cut back on any capex plan neither on the PNG or CNG numbers. We would be able to catch up the moment COVID starts settling down as we did. You can see the quarter four where in a single quarter we could catch up 66 CNG stations which we have never done. So I think when we have demonstrated to you all that we would be able to catch up the plan which we originally made of 5500 capex plan to roll out in the country, that continues to remain the same. We are not going to be cutting back any capex nor any numbers so far.

Nitin Tiwari: Right sir. If I understood you right, we are going to spend around 1200 to 1300 crores and the infra development would be similar to what we saw in FY21 or probably better than that in terms of addition of stations

Suresh P Manglani: You are absolutely right.

Nitin Tiwari: Okay thank you very much for answering my questions.

Moderator: Thank you sir. The next question comes from Rina Shah from Elara Capital. Please go ahead ma'am.

Rina Shah: Hi sir, thank you for the opportunity. Sir I wanted to know how you are looking for future growth? What kind of volumes surge that you see by adding CNG stations? Just like how you did in the last quarter capex....It is a very big number. So how is this going to be there in FY 22 and going onwards and what kind of CAGR volumes that you are targeting?

Suresh P Manglani: Rina first of all thank you very much hope you are staying safe. On the future growth as we have been already stating that we are not giving future guidance actually, but suffice only to state, since you are asking this question that we have been registering double digit growth on quarter on quarter and year on year basis. You have seen yourself in the last eight to nine quarters we have been reporting. We have to maintain that momentum of double digit growth and we are also quite hopeful that this infrastructure base which we are developing now, a strong foundation which we are laying, adding 102 CNG stations, adding 500 more commercial and industrial consumers, adding 2215 each kilometer of pipeline in new geographical area. This is all for the purpose of significantly enhancing the volumes because in the COVID I think there is a slight slowdown which is definitely temporary as all of us had seen. So the moment COVID settles down, the economy comes back, we will see the resurgence in our volumes. So we hope to maintain the momentum of double digit growth and also a very good growth in the development of infrastructure. As we have already tweeted every time that we are developing a very strong backbone support system in terms of laying steel pipes and developing CNG stations. It takes a little time for developing eco-system in new geographical areas. So, we are putting infrastructure first and looking forward for people to now repose their confidence on our infrastructure and convert on the PNG. Yes please.

Rina Shah: Okay so sir not on volumes exactly but in terms of CNG additions, how many CNG stations would you like to add in FY22? Any numbers specifically?

Suresh P Manglani: As I said to Nitin, he asked in an indirect way he actually got the answer....stating is it similar to this year and I stated yes, similar to this year. We are hoping to add more numbers but it is the COVID which is coming slightly in the way otherwise we are all geared up to give you all a fantastic growth.

Rina Shah: Okay, that's good enough. And sir how about your financing plans for capex because I think the cash flow from operations wouldn't be enough for your very good expansion plans. So any financing plans that are laid out like...how you are going through that?

Suresh P Manglani: A very good question. I will ask our CFO Parag to answer that question. Parag if you can take this question please?

Parag Parikh: Sure. So if you see the nature of the **CGD** business, it is very modular in nature. As and when we incur capex, there is also a revenue generation that is happening from the infrastructure that we lay out. The revenues tend to build over a period of time but immediately this amounts to various infrastructure that give you the ability to start generating cash, small to begin with and then increasing it over a

period of time. As we said, our overall capex is in the nature of about 5500 to 6000 crores in the next four to five years. On an average, we intend incurring around 1200 to 1400 crores as far as our capex program is concerned. At this juncture, we are practically a net debt, zero entity. So, we have a strong balance sheet and we have the ability to raise debt on our books if required. So, that's as and when required, we will charter in terms of leveraging our balance sheet as we think of our capex program.

Rina Shah: Okay, that's it from my side.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. The next question comes from Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Yeah good afternoon. I have around three, four questions. My first one is relating to the gas mix in Q4. So CNG and domestic and CNG you have supplied APM. How was the LNG mix in the in Q4? Was there any spot contract and were you taking any Reliance (not sure) gas also during Q4?

Suresh P Manglani: So you are aware that we do get domestic APM gas for CNG and home PNG and we source our LNG for industrial and commercial customer load. In that industrial and commercial, around 20% to 25% was domestic and the rest 75% to 80% was R-LNG. So basically APM for domestic and CNG which is a domestic gas and anyway it comes from a nodal agency and for the remaining portion of Industrial and commercial as Parag told the earlier candidate we have used around 20% to 25% domestic gas which we earlier bid in the few rounds of Reliance gas etc. and then remaining 75% to 80% we have been using RLNG and as I stated last time, we have the contract for RLNG now in place with a lot of flexibility available to us in terms of pricing,. So basis that we have been able to bring out a very good optimization of gas sourcing cost. Hope this clarifies your question?

Sabri Hazarika: Just a follow up. This is like that LNG contract that you talked about, that is all linked, right, that is the hybrid of crude and oil?

Suresh P Manglani: No, actually I wouldn't say it is oil linked. Actually, it is a mixed sort of formula. It also has a JKM into it, so as I said last time also if you remember that we have a very good contract, which gives us the flexibility on choosing the price. So, we are using it very, very effectively, the entire contractual terms and flexibility and making sure that we optimize our gas sourcing cost.

Sabri Hazarika: Okay, this is 75% to 80% entirely or spot is also is there beyond this?

Suresh P Manglani: Sorry your audio is not clear please.

Sabri Hazarika: I mean spot is also there beyond this or this is like entire spot has been replaced by this contract.

Suresh P Manglani: Spot is very minimal now. We do use spot. It is not that we don't use spot. The spot is not as significant as it used to be in the past.

Sabri Hazarika: But the bulk of it we use this formula 75% to 80%.

Suresh P Manglani: Yeah.

Sabri Hazarika: Okay, and the Reliance domestic gas is basically oil linked 8% to 9% what has been quoted in the media, that's right sir?

Suresh P Manglani: Reliance Gas depends upon tranche to tranche. The first tranche was oil linked, you are right. Second tranche was JKM linked.

Sabri Hazarika: Okay so you got a combination of both first as well as second tranche?

Suresh P Manglani: Absolutely. That is the reason I am stating you that you will see our numbers and that is because of our business strategy of diversified portfolio with in-built hedging and taking a good pricing mix, we are able to optimize our gas sourcing cost and that's the reason you are seeing the healthy numbers come up.

Sabri Hazarika: Right. Your gross margin held on quite strong considering there is a sharp spike otherwise in that. So, the second question was on your CAPEX for FY21. What was the number sir for FY21? The reported was around 600 crores in FY21 is that the right amount?

Suresh P Manglani: Parag if you can take this quesstion?

Parag Parikh: Sure. So, I think, yes and no, both. You are right. I think the actual CAPEX spend has been around 600 crores, but because of the challenging times that we were in, ATGL has used their time in terms of ensuring that it starts contracting as far as its vendors are concerned, materials and equipment suppliers are concerned,. So actually, we have tied up as far as potential vendor, material and equipment suppliers are concerned and that would be an additional amount in a similar range. So, we try to use the time and having a committed capex of another additional 500 crores plus. So, overall it will be around 1100-1150, of which 600 crores actually we have already spent. Balance, it is something that we have tied up.

Sabri Hazarika: Okay, thank you so much. I will come back in the queue. All the best and stay safe.

Parag Parikh: Thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. The next question comes from Mr. Manikantha Garre from Axis Capital. Please go ahead sir.

Manikantha Garre: I wanted to ask about the other income which has risen sharply in Q4. That's the first question sir. Second one is, if I look at and try to calculate the implied energy cost for us based on the domestic gas cost, because you know the

domestic gas price, so I feel that the implied energy cost has risen by 2.3 dollars quarter on quarter basis and if I looked at the spot energy prices also have risen at a similar pace, quarter on quarter basis; so, I just wanted to understand how the Total, when it has started helping us? The contract, when it has started working for us and then how much benefit roughly we would have gotten from that? That's the second question sir. And I have two more questions.

Suresh P Manglani: Let me first give you the response to your second question and Parag will respond to the first question. On the LNG part, you must have heard my statement which I was making when we gave the result of Q4 as well as the year end 2020-2021. I did mention that this is not only despite pandemic but also one more important factor, which was the volatility in the LNG prices internationally. Several factors happened and we all had to pass through a very, very tough period of very high volatility. So, I think it is not the contract with Total or with anybody else. It is the international phenomena that there was a volatility in the prices. And when you get into more deep dive into LNG prices, you will rather appreciate that there has been a very good gas cost. That's why there is such volatility in the market and this is because of our continued strategy of making gas sourcing as a center of excellence. We have an excellent team, who understands this business, this role very clearly. So, I would say we should not look at it as what benefit it brought; there has been a good benefit from wherever we have sourced. It is not that just because we sourced from one particular source. It is our strategy and it is our understanding of this market that from wherever we would have sourced, we would have got a very good contract; we would have achieved similar pricing structure. And you are seeing that, I have stated in my answer to the previous gentleman that we had two bidding rounds in Reliance BP, we bidded both and one was oil and the other was JKM linked. And we achieved some volume in both. We have LNG contract. We have bought from IGX's exchange. So, this is where we work. So, what you are seeing the gas price, it is a mix of all those events. Not with one particular contract, you will see. You have to see the number quarter on quarter, year on year and you will continuously be seeing that we have been able to perform well on gas sourcing part and second pillar of our costing is the opex. You can actually take the numbers from the declared number which we have published on a quarter on quarter and year on year basis and you will be able to compare with all other CGD benchmark and you will find we have leadership on opex as well as the gas sourcing cost. I think that would suffice you Manikantha for now. Parag, you can take the first question please.

Parag Parikh: Manikantha, I think largely other income is from the treasury side, there are some charges that are being made as far as guarantee to our JV company. However, having said that when we analyze at year end for any past liabilities for which we have taken provision in books and at year end when we reach a point where we see these liabilities are no longer expected to materialized we tend to reverse those liabilities. In Q4 FY21 we have reverse ~ INR 9.81 Crs. when you see the annual report coming in you will see the details.

Manikantha Garre: Sure sir. Thank you so much. I will come back after the others.

Moderator: Thank you sir. Next, we have a follow up question from Mr. Sabari Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Thank you for the opportunity. I would like to just touch upon the long-term outlook for Adani Gas. Just a couple of years back I remember the guidance was something like 10 MMSCMD of volumes by FY27-28. So, do you hold by that guidance or do you think that it can be better than that or are there are any challenges towards that?

Suresh P Manglani: Am I audible?

Sabri Hazarika: Yeah, now you are.

Suresh P Manglani: Sorry, actually I was in mute. So, if you recollect, in all the quarters investor calls which we have been having and one thing in common we have been stating that while we publish the numbers, we are coming for the investor's call to respond to all your queries and questions, one thing in common that we have been saying is that we are not giving any future guidance. It is for all of you to see the track record of the company and the management which is delivering performance quarter on quarter. I think we will not state any number or estimate any number now for the future. But we will definitely say that we are delivering double digit growth. CGD business has a huge focus on the government, all policy making authorities. Both Adani Group and Total are fully committed as you see from our Chairman Gautam Adani's statement or from Total's continuous statement which comes. So I think there is a complete positive environment around CGD business as well as when you see the promoter's commitment, management leadership team commitment, government focus, I think all these things tells you that there is going to be a good growth story around CGD business and we would be a participating in this . We will definitely get the full benefit of this opportunity which has been put in place by the government as well as the regulator. So, I think that should give you sufficient indication that there is going to be excellent growth in the times to come and we have got 19 geographical area. We are growing in the geographic area. You saw that out of 15, fourteen geographical areas have been operationally commissioned. Despite the pandemic we have been able to commission three city gate stations. So, there is complete commitment from our side. There is no dearth of investment, from the investment on the ground being put in. We are actually right now when this COVID resurge is happening, we are all working from homes. But like last time we did, we are doing a lot of preparatory work. We are placing orders for all our capex items, we are appointing our contractors. So, we are actually ensuring building a team. Some recruitment on virtual basis is going on. So, we are actually ensuring that we are fully geared up. When the pandemic settles down we will get on the job full swing and bring the volumes back as well as the new infrastructure which we are developing, that also generates more volume. So, I think that should give you sufficient comfort for the future story of our company or CGD business.

Sabri Hazarika: Got it. Thanks for that. Secondly, I wanted to know the panability which was there with PNGRB, so the regulator gave anyway 180 days relaxation, right ? Is that the right thing? So whatever target you have set, so it will be postpone by 180 days continuing the COVID in 2020, is that right?

Suresh P Manglani: It is 129 days and Yes it will get postpone .

Sabri Hazarika: Beyond that I think everything is on stream whatever you have committed in terms of CNG stations PNG connections right?

Suresh P Manglani: 129 days, so if you have any question around the , force majeure event?

Sabri Hazarika: Yeah, yeah.

Suresh P Manglani: You want to ask me a question or you want me to give you a some perspective on that?

Sabri Hazarika: No, I think you had already discussed in the previous call. Now that everything has stabilized, at least for whatever, I think last year since everything is more clear now. I just wanted to know that if I make a schedule of your indemnity, how the delay has factored out, so that is why I wanted to know exactly how many days it could be. So, it doesn't make much of a difference over the long term, but I think certain targets you will get 129 days relaxation, that's what I wanted to confirm.

Suresh P Manglani: No, you need to understand that while regulator has given 129 days, force majeure grace period for all the CGD entities, they had made some assumptions on doing 129 days. We have all seen those letters, we have all seen that letter that all CGD companies by and large everyone has represented to the regulator. As I said last time we worked together with the regulators and we always find that 129 days is not adequate. On the ground we are definitely working in full swing, but on principle and force majeure, 129 days are not adequate. We have represented back, CGD industry has represented back that 129 days should be re-considered. And since then actually there was still some one way or the other we did not see CNG volumes coming because of school not working, offices not working. So there was one way or other some restrictions prevailing in the country and we again saw the resurge. So, we are again quite hopeful that force majeure as a whole will be relooked by the board to make sure that industry is given sufficient comfort or force majeure which is required to be given and all other authorities are doing it. So, we are quite hopeful that regulator and industry will work together to arrive at a reasonable force majeure period in terms of required obligation of MWP. But that apart, leaving out apart of the contract is a difficult part. The practical part as you said, we are actually, if you see today, our CNG number must be ahead of MWP, because we have done 102 stations in this year itself actually, than we did last year itself. We will be around that number. So, we are going to be actually crossing MWP or we will be equivalent to MWP on CNG steel pipeline and as and when we get opportunity as the resurge starts settling down, we will definitely be looking at the number with full vigor.

Sabri Hazarika: Okay, fair enough. Sir, one last question, your industrial pricing, industrial CNG pricing, this happens on a monthly basis right? It is like a pass through formula only, right? It is not linked to any oil or benchmark as such, right? It is basically whatever the cost is there, probably they get all in the market and then pass it on? Just wanted to get some sense on the pricing of industrial CNG.

Suresh P Manglani: Industry price or industries and commercial pricing we do take a review on a monthly basis. There is no direct, straight jacketed link or a pass through actually. We take a review of our price, our cost and we see how much we should be able to pass on to the customer who can sustain the increase. So, at the end of the day when you see our numbers growing, industrial, commercial by 500 in a single year, that gives you testimonial that we are actually sensing the market correctly. We are working with the market while ensuring that we achieve a reasonably good margin,

but also ensure that market absorbs a good amount of PNG actually and there is attraction for consumers to take more and more PNG. So, we keep it very dynamically. Not necessary we pass through whatever increase that comes to us maybe in the same breath, maybe a little longer term we will do that. But we will ensure that there is a sufficient cushion for consumer and for us also the margin. We balance the approach.

Sabri Hazarika: Right, so it is not like a very direct formula in itself that you put the numbers and the formula changes. So, it is basically you take a call on the market sentiments and then come up with the final.....

Suresh P Manglani: Yeah, it is up to the company.

Sabri Hazarika: Okay. Thank you so much and all the best. Thanks a lot.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

The next question comes from Mr. Saurabh Jain from HSBC. Please go ahead.

Saurabh Jain: Thanks for taking my question. Just wanted to know your thoughts on what's happening on the EV side in Gujarat, because it appears that the pollution control board is quite active in that State. So, what are your thoughts there and any policy that you are expecting could come in near time? Any guidance will possibly be very helpful, thank you.

Suresh P Manglani: Saurabh, I think it is a very pertinent question and I think many of our other friends will be also keen to understand our perspective around EV. This has been I think standard question, regular question I would say coming in every quarter because we see EV development taking place around us. So, we have always been consistently taking the same view that EV is in a developmental stage. State governments after State governments are working on developing the EV policies. We believe that it will take a good amount of time before EV ecosystems fully takes off. It will be couple of many more years ahead actually. So our belief is that currently as government and it is up to the prime minister level there is a huge focus on PNG and CNG. There will be sufficient emphasis and focus from every State government and we are seeing that practically when we are laying the infrastructure. There is high priority which has been given for conversion of vehicles on CNG. So, we believe that for a couple of years more actually CNG would be playing a very, very dominant role and a couple of years down the line, EV would come in for certain type of vehicles like two-wheelers etc., much faster which will not be market for us. EV would start co-existing with us. But still for many years CNG would continue to play a dominating role.

Saurabh Jain: Okay sure, thank you.

Suresh P Manglani: Thank you Saurabh.

Moderator: Thank you sir. Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

The next question comes from Mr. Manikantha Garre from Axis Capital. Please go ahead sir.

Moderator: Thank you for the opportunity again sir. I just wanted to check on the CNG vehicles which are there....?

Manikantha Garre: Thanks for the opportunity again sir. Sir, I just wanted to check on the CNG vehicles, which are there in...

Suresh P Manglani: Sorry Manikantha, your voice is not clear, like Saurabh had very clear voice. Can you please repeat again?

Manikantha Garre: So, now that we are expanding our CNG stations at an admirable pace, so I wanted to understand what is the market size in terms of CNG vehicles here. So, basically I am looking for some rough number of total CNG vehicles in all of your geographical areas and if possible split by buses, autos and cars if that is available?

Suresh P Manglani: Manikantha, I think if you understand there is a huge market for CNG. You can also see that how many new models from Maruti and various other OEMs are now being launched in the market on CNG. The used cars, anyway there's a huge market for CNG. So besides public transport I am talking about even the private car segment, particularly on the petrol, there is a good market for the CNG. So, what we are doing Manikantha is that, we are evaluating every geography which is authorized to us. Every geography on the kind of number of vehicles which are available, private, public transport, three-wheeler, government buses, private buses; what would be the potential target for conversion and what kind of transient vehicles would come. See the way earlier India was that CNG used to be a localized fuel that if you do in Surat, you use generally vehicles which are based in Surat, they would use the CNG or Ahmadabad based vehicles will use Ahmadabad CNG. But now the phenomena has changed. Now, you can travel from Mumbai to Delhi on CNG. Because of that we get a lot of transient volume which comes. So whatever number you take, it is the strategic location of your geographical area and the highways or State highways which are passing from our GA will also bring you a lot of volume. So, we actually do a very good deep dive study by our teams, where they understand that on basis that we identify the locations of the CNG stations. MWP in one reference guide, but we may go beyond MWP numbers, if there is a market which we see is there. So basically, our intention is to make sure that CNG is provided at every good location which brings the customers an attractive, without much dry run and also we do the marketing intervention, because it is a chicken and egg. You see the segment for the first time. But we then tried to bring a lot of marketing intervention in terms of providing conversion incentive, we will work with the retrofitters and we bring the work. So you will see that it is not the number one number which I can give you this is Tirupur number or this is Udaipur number. Udaipur will have a lot of tourist vehicles which will in fact go from Gujarat or Rajasthan and that will be Gujarat numbers. So, we actually do a study of each geography and deep dive and develops CNG network in that particular geography. I think that should give you a comfort that we have an understanding of the business well actually.

Manikantha Garre: Sure sir, I think that's an elaborate answer. Thank you so much. I think that's the last question for the day. And we from Axis Capital thank you all for providing us the opportunity to host this sir.

Suresh P Manglani: Thank you very much. Thank you Manikantha and thank you Axis team, thank you all the participants. Stay safe and have a good day. Thank you.

Parag Parikh: Thank you Manikantha. Thank you Axis Capital. Thank you everybody for joining regularly on the web call. Take care, stay safe and take adequate precautions. Thank you all.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1. This document has been edited to improve readability.