# PETRONAS Gas Berhad | Event Detail

KLSE:PETGAS (MI KEY: 5001486; SPCIQ KEY: 880116)

## Detail

### PETRONAS Gas Berhad, Q1 2023 Earnings Call, May 22, 2023

### Event Details

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### Call Details

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### Company Details

No company details exists for the transcript.

**Transcript**

**PETRONAS Gas Berhad, Q1 2023 Earnings Call, May 22, 2023**

**PETRONAS Gas Berhad (KLSE:PETGAS)**
**Monday, May 22, 2023 11:00 AM**
**PRELIMINARY VERSION** - The edited version will be available shortly.

**Executives**
Abdul Aziz bin Othman - MD, CEO & Director
Izan Hajar Ishak - Head of Investor Relations
Shahrul Azham Bin Sukaiman - Chief Financial Officer

**Analysts**
Anshool Singhi - Research Analyst
Daniel Wong - Research Analyst
Unknown Analyst -

**Presentation**

**Operator**
Good day, and thank you for standing by. Welcome to the PETRONAS Gas Berhad Analyst Briefing for Quarter Ended 31st of March 2023. [Operator Instructions] Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Izan. Please go ahead.

**Izan Hajar Ishak**
Thank you, operator. Good evening, everyone. Thank you for joining our session today for PETRONAS Gas Berhad analysts' briefing for quarter ended 31st March 2023. I'm Izan from Investor Relations. With here from PGB, we have Mr. Abdul Aziz Othman sman, Managing Director and CEO; Shahrul Bin Sukaiman, CFO; and Hisham Maaulot, Head of Business Development and Commercial. We will start the briefing with key highlights, business update, financial performance to be followed by Q&A. For reference, our financial results is available at both [indiscernible] and PGB website. The presentation material is available at our website and also at the host platform. Without further ado, I hand over to Mr. Aziz for the highlights. Jess?

**Abdul Aziz bin Othman**
Thank you, Ian. Hello. Good evening, everyone. Again, thank you for joining us today. Let us start with an overview of the witness as well as external environment that we are operating in. After more than 3 years since the mutual outbreak, I have a good news on Max 2023, the world have organization WHO has declared that COVID-19 is no longer global as emergency.

So obviously, because of that, we expect the population to very low, it's not already hitting into the normal life. And of course, with that business to increase in line with consumer man. The emission GDP gilt for 2023 was subsequently revised upward to 4.2 to reflect better than requirements expected economy of expansion. Based on the data released by the department of statistics, the service product in that price index at HPP rose 3.4% in quarter 1 2023 as more a sectors recorded increase of prices during the quarter.

So the SPP high as the increased cost of doing business faced by many companies at the moment, potentially further driving down profitability. For us, because of the opening up of the world, we will increase our maintenance activities for the year. Obviously, in 2020, 2021 and to a certain extent in 2022, our activities was kind of lower than what we have done before because of the constraints brought back by the panel. Now the market out there is very volatile.

First and almost, what has really impacted as the most the gas price, which has seen substantial increase while at the same time, the global depression has actually greatly affected the ForEx movement. In quarter 1 2023, the Malaysia reference price, the MRP reached a peak of MYR 58 Malaysia. Nevertheless, we expect it to taper a little bit in the following quarters of this year.

At the same time, I mentioned about the SPPI, the trend we expect to increase. And because of that, we expect our operational and maintenance spending to see an existing plan also due to the cost as well as mentioned before, that we are starting to perform more activities. In the near term, the MRP and the overall cost of the business are expected to remain elevated higher than the preceding years. Nevertheless, our operation, we expect it to continue to be stable, which would mean that it will translate into revenue throughout the quarter, although profit would show rental degree of fluctuation due to the high cost environment. Now with that, let me go into the key highlights for the quarter. Again, we sustained our operational performance in quarter 1 2023, leveraging on obviously investment that we have met on PK [indiscernible] as well as capability of our people.

Our dividend initiative has enabled us to manage our plant operation [indiscernible] . For example, the implementation of [indiscernible] analytics have helped to improve plant monitoring and maintenance, resulting in the less unplanned shutdown. Our people, on the other hand has been equipped with copper tools and training plus ensuring PBB has the right talent for the job. These are the 2 key factors in running our plant as well as other assets well.

On the financial side, revenue for quarter 1 2023 was higher than the same quarter in 2022. This is despite the lower RP2 tariffs for our regulated business. And the higher revenue was mainly due to higher revenue from the utility segment, of course, on the higher product price due to the pass-through from the higher fuel gas that I mentioned at the plant. At the same time, while we enjoy higher revenue, the higher gas price at the utilities has also impacted the cost of -- for the product, again, volatility. So this has led to reduced PBB's gross profit margin to 33%, evidently lower than our normal range between 40% to 50%.

Despite all that, we have a healthy balance of cash to support the implementation of current projects with some headroom for new projects for others value and betting opportunities. So with that, the boss has been flat and interim dividend for the quarter at $0.16 per share, which is similar to quarter 1 2022.

Looking at the financials. Comparing quarter 1 2023 with quarter 2 2022. Group revenues stood at MYR 1.67 billion, an increase of 15% mainly contributed by higher revenue from CDP segment in line with the higher product prices. Gross profit was at MYR 547 million, lower by 11%, again due to the higher operating expenses, mainly fuel gas, the internal gas consumption and depreciation expenses. Yes, just to note that the fuel gas and the internal gas consumption PBB is a market value linked to MRP.

Profit after tax showed a 2% increase due to higher interest income from fund investment, higher share of profit from joint venture companies and lower tax expense. The tax spend in quarter 1 2022 was higher due to the imposition of cost parity tax at that time. EBITDA was lower by 4%, in line with the gross profit movement. Earnings per share increased by 53%, reflecting higher profit as vital to shareholders of the company. First increasing dividend of $0.16 per ordinary share was announced, as I mentioned, similar to the same quarter last year.

[indiscernible], our CFO, will provide the details of the financial performance. Moving on to the business update, starting with gas processing. Operation at our gas processing plant continued to operate at a world-class level. We consistently met the tax requirement as vested in the gas processing agreement.

This business segment continues to operate in a steady manner where the ODC was almost 100% for both [indiscernible] and [indiscernible] . As I mentioned, as part of our tentative has led to higher level of efficiencies, resulting in MYR 39 million share of pro forma incentive achieved in the quarter.

On the projects, the TCO of gas relisting project is slightly behind schedule due to delay in compressor publication and instrument equipment work. This is attributed to disruption in the supply chain as business activities pushed in the recent quarters. Regardless, the slight delay has minimal impact to us.

On the DPA, we have started the third term DPA negotiation with PETRONAS. And of course, we aim to gain a fair key terms to ensure that we have a fair return on our assets amidst challenging environment that I mentioned. Next is the Gas Transportation. The group pipeline network sustained close to 100% reliability during the quarter under the year. Average sales gas delivery was more than 2.2 billion standard cubic feet per day, higher than previous quarters in line with more business gradually between [indiscernible] COVID days.

Effective first January 2023, as we mentioned, the Energy Commission has approved RP2 tariff of MYR 1.061 per [indiscernible] and introduced a separate tariff of high-pressure alter of MYR 0.533 -- 0.553 per gigabit. The regular tariff is lower than RP1 tariffs. However, the separate study for customer is utilization, utilizing BBU to success, as I mentioned, has helped to partly mitigate the segment revenue.

On growth, the pipeline project at Pro Inda are progressing well and to progress in the next -- in the coming quarters. As for the long compression, there is a slight delay, also as tilted to the disruption in the supply [indiscernible] as I mentioned, similar to the TCOT project just now. Regardless, the delay has will have a minimal impact to PPD.

For Regasification business, we managed to sustain full capacity payments supported again by strong operational performance at post the Regasification terminals. The group Regasification terminals in Sumida late on Panera in Gogo, sustained strong reality performance at close to 100% during the quarter.

We received a total of 15 cargoes at Bostemina, higher than 13 cargoes received in quarter 1 2022. Just like the pipeline, effective first January 2023, the NG Commission has approved new SVP speaking tariff for the regained the regulated tariff was unchanged for RGTSU at RM 3.455 per giga while it was lower for RBC at MYR 3.15 per giga. On the digitalization, we recently completed the implementation of Nimod Monitoring of RGP from gamma. Now both our Regas terminal are operated remotely from game. And this not only improve on our cost, but also will improve employee safety and well being, big time of it is reduced their exposure to offshore hazard for RBSC. As for the LNG storage projects that I've mentioned a few times, we are working hard to reach final investment decision, and we will share more in the second half of the year.

Utilities. Overall, we continue to fulfill customer demand with 100% product delivery reliability for electricity and fleet. For electricity, quarter 1 2022 volume was lower than previous quarters due to lower uptake from customers and lower sales to the grip on unfavorable pricing during the quarter. Again, this is because of the high gas price that I mentioned before. Then offtake is slightly lower as per customer demand.

Industrial guesses. Volume was also delivered according to customers' plan availability. We have since actually completed all our contract renewals. So all are already contributing to better commercial terms that have partially mitigated the high cost of fuel gas that we can get from PETRONAS. The ICT success of $0.20 per kilowatt hour announced in January has also partially reduced our electricity production cost. So we are actively engaging with the government on the continuation of the ICPT beyond June 2023. So on projects in 2023, several projects are expected to complete. Of course, I mentioned about the TCOT of gas in, the natural gas pipeline to in and the lateral gas pipeline to ante. We are closely monitoring all the projects to be delivered finally, safely and within budget.

We continue to sets projects that would enhance revenue contribution to GPU business as well as adding up to the RAB and the GTR business. There are several new developments under the project in the pipeline on the right side of the slide. And again, we hope that we will announce this test. Other than that, cost, one of the big thing that we are looking at is to have a role in the value chain of the carbon capital and storage that PETRONAS is developing in at Pepe [indiscernible] are currently underway. And of course, we are working hard that PBB will be a player in these value chains and becoming another business for -- so that's all for now. Over to Shahrul for financials.

**Shahrul Azham Bin Sukaiman**
Thank you, Aziz. Good evening, everyone. I'm Shahrul here. In effort from DCO on the operating landscape and also the operational performance for all our business segments. Let me now take you through the financials. So let's start with segmental performance for gas processing. In quarter 1, 2023, the business continued to run as usual with testing revenues amid higher operating costs, and this revenue was [indiscernible] still based on excellent operational performance that I said earlier.

So comparing against preceding quarter 4 2022, revenue for the quarter was slightly higher at MYR 444 million, supported by higher incentive received as a result of operational optimization. Correspondingly, our gross profit was also higher at MYR 458 million. Against corresponding quarter, quarter 2022, segment revenue increased by 2%, following a high Internet gas consumption incentive achieved. And similarly, this is also supported by continuous operational optimization effort that we have done at our guest processing plan.

Segment results, however, declined by 11% due to higher operating expenses in line with higher level of plan activities, mainly depreciation expense as we capitalized more project to NCO as well as higher level of plant repair and maintenance activities during the quarter, right?

Moving on to Gas Transportation segment. The group's pipeline network registered close to 100% reliability during the quarter under review. The business assumed new RP2 tariffs effective first January 2023 for regular review tariff and a separate tariff for PGU to success by alone at LC. In terms of performance comparing against preceding quarter 4 2022, our revenue was lower by

3% at MYR 288 million on the low RP2 tariff effective earlier this year, and this was partly mitigated by the additional revenue coming from tariff C.

Gross profit higher by more than 100% to reach MYR 123 million but due to lower operating costs. This was due to the higher recognition of regas costs in the preceding quarter. So what has happened is that as part of our continuous operational improvement, we have installed an equipment at the end of last year that allow us to closely monitor what we have as an accounted for gas or USG.

So for financial year 2022, prior to the installation of the equipment, the reconciliation of USD can only be then at the end of the year hence, higher costs recorded in the preceding quarter. Against corresponding quarter, quarter 1 2022, segment revenue was comparable, while segment results fell by 33% due to higher operating expenditure mainly internal gas consumption expense in tandem with higher fuel gas price.

And as I explained during our special briefing on RPI, under the new regime, IDC is recoverable during the next annual review adjustment from the shipper. Moving on to Regasification segment, which also assumed new RC2 tariff for most regas terminal. Again, just to recap, tariff for RGT Swegon maintained similar to RP1 while tariff for RGT Pengerang was lower. The result against preceding quarter, quarter 4 2022, revenue was 6% lower at MYR 334 million, mainly due to lower operating days and also lower RP2 tariff for RP [indiscernible] . Segment result was 23% lower at MYR 160 million on the back of higher operational expenses involving with depreciation following capitalization of projects and also higher Internet get consumption following higher gas price.

Against corresponding quarter, quarter 1 2022, segment revenue was slightly lower by 3% on the back of lower RP2 tariff for RGT[indiscernible] . Segment results similarly declined by 9% in tender with lower revenue, coupled with higher operating expenditures.

Moving on to utility segment. The group's utilities plants achieved 100% product delivery reliability for all the products during the quarter under review. Performance again preceding quarter, quarter 4 2022, revenue was at 12% higher at MYR 608 million, largely due to higher product prices. Gross profit was 68% higher at MYR 57 million by on the back of low operational expenses as we recorded higher level of maintenance activities in the preceding quarter.

Against corresponding quarter, quarter 1 2022, revenues surged by 55%, mainly attributable to higher product prices. The product prices for steam and industry basis were highly in line with the increase of new gas price, which is based on Malaysia reference pipe MRC. And as for electricity, the tariff was also higher as a result of upward revision of impendent cost pass-through or ICT surcharge, as mentioned by Aziz earlier.

Segment results grew by more than 100% intended with higher revenue and improved margin following favorable impact of improved terms in the recent contract renewals, which allow a more balanced cost pass through to customers and reduce our vulnerability to gas price volatility. For record, we have completed the contract renewal from many customers by end of quarter 2 last year.

So bio PGB group level. Against preceding quarter, quarter 4 2022, group revenue was at MYR 1.67 billion higher by 3%, mainly contributed by higher revenue from Utilities segment. Gross profit was at MYR 547 million, increased by 17%, in line with higher revenue and lower operating expenses as we recorded higher level of maintenance activities in the preceding quarter 4.

PAT, however, declined by 3% at MYR 448 million on the back of higher tax expense. Tax expense was lower in preceding quarter as we were doing downward adjustment on a tax provision for prosperity tax based on the actual result for 2022. Against corresponding quarter, quarter 1 2022, our group revenue rose by 15%, mainly contributed by higher revenue from Utilities segment.

Gross profit, nevertheless, declined by 11% due to higher operating expenditure mainly relating to fuel gas, internet gas consumption and depreciation expenses. In contrast to gross profit, Profit after tax for the quarter improved slightly by 2% due to higher interest income from fund investment, a higher share of profit from our JV companies and also lower tax expenses.

The corresponding quarter tax expense was higher as a result of imposition of prosperity for the year assessment of 2022. Moving on to our balance sheet. As at 31st March 2023, the group's total assets remained robust at MYR 19.6 billion following higher cash and cash equivalents and also trade and other receivables. With that, we have a healthy balance of cash with some headroom to -- for us to grow our existing and also upcoming growth projects.

For dividend, the Board has approved the first interim dividend of $0.16 per share payable on 20 June 2023. And this interim dividend demonstrates our commitment to ensure sustained level of returns for the shareholders despite the ongoing economic conditions. With that, I end the financial section. I will now pass the line over to Aziz Othman to share on the company update.

**Abdul Aziz bin Othman**
Thank you, Shahrul. Ladies and gentlemen, again, before I go into what we'll be focusing on for the remaining of the year, let's go back to the business environment, which will continue to be challenging. While we are essentially an infrastructure company, obviously, we will be impacted by the gas price since we pay market price for our fuel gas. In 2023, the coast for gas price, as I mentioned, will continue to be high.

One good thing is a portion of our cost at the biggest the minerals are in U.S. dollar. We expect the U.S. dollar to mission-ringet will continue to be volatile, hence positively impacting the PAT. Now to address this concern, we have reached an agreement with our counterparty on the settlement of the USD contracts. Post the settlement, we expect that there will be less ForEx impact to our financial.

We will announce the outcome of this exercise earlier issued. So again, that exposure will reduce a lot one [indiscernible] Then this year is also the first year of the RP2 for our DT business. We are thankful to the government on the tariff decision. There are tariff reduction in the tariff, as I mentioned, will impact our revenue for the half.

Cost cofunding the meter is the highest cost environment compared to 2021 and 2022, more activities as we are coming up from the pandemic. So that obviously will increase our OpEx and we'll have some impact to our product. Now despite all that, we will continue with our strategy of continued value creation, two-pronged. One is operational excellence of the asset. And second is pursuing sustainable growth opportunity.

As I mentioned, all our long-term contracts has been renewed recently. So we will have long-term contracts running where to 2050. Our focus on these assets are about for personal excellent. As long as we met the asset available, we can [indiscernible] collect the capacity payment accordingly. So that will be 1 of the key focus with long-term contracts are already extended. We hope to have the resolution on GPA.

The new GPA by year-end, and then it's all about operational excellence for us. The second part is about pursuing the growth. We are very focused in the 4 areas that we think we are good, which is LNG storage, power generation capacity, integrated facilities and the carbon capture and storage. So sometime late last year, we have announced the new 55-megawatt capacity in EBITDA.

So that was a result of our efforts to increase the power generation capacity, which is one of the success that we affect. And we are working on a few more initiatives that we hope, as we go into later part of this year, we have announcement on some of these new projects. So that's all for now. Let's move to Q&A.

**Question and Answer**

**Operator**
[Operator Instructions] We will take our first question. And your first question comes from the line of Max Coe from Macquarie.

**Unknown Analyst**
Just a few questions. For the first one, I think earlier, we did mention that you're looking at a settlement with your counterparties to help you to mitigate the volatile USD to ringgit. I just want to understand that because you did say that previously that the new tariffs, basically a new tariff for RP2 allows for the pass on of ForEx impact on an annual basis. So again, I just understand, is this an additional mitigating -- yes, mitigating effort and also which division does this -- yes, so the design will be operable for this divisions.

**Abdul Aziz bin Othman**

Okay. The hire for the storage comprised of CapEx higher and OpEx higher. So the CapEx higher is the one that we have settled with the counter party, which is for the RPS, the regas terminal in tuna. So with that, there will be no more ForEx movement that will impact the CapEx higher. We do have a small portion of OpEx higher, which we moved with ForEx, but it's not going to be difficult going forward.

**Unknown Analyst**
Okay. So you were mentioning that you reached a settlement, this is already done. So whereas for the OpEx one, are you looking at a new settlement as well? Or no, would it just be just an ongoing business as usual?

**Abdul Aziz bin Othman**
We will continue to look at improving our financial position if there are opportunities, we will do it. But at this moment, we are focusing on the CapEx because it represents a big chunk of our exposure on U.S. dollar.

**Unknown Analyst**
Okay. Understood. All right. And this would -- I mean, would this be similar to a sort of an annual adjustment as what you do for your CapEx adjust for your USD impact on CapEx.

**Abdul Aziz bin Othman**
The OpEx higher will be adjusted. I -- is it Hanno or -- the mix has been.

**Unknown Analyst**
The next RP, it will be a RP3 period.

**Abdul Aziz bin Othman**
Correct.

**Unknown Analyst**
Okay. Great. Understood. All right. And also, I think previously, the user did mention that you are also looking at increasing our maintenance activities for the year. Can I get a guidance in terms of what your CapEx for this year. But if I look at your financial statements, are you looking at committing about MYR 4.5 billion -- sorry, about MYR 4.8 billion in terms of capital commitment. Can I just confirm that, that is what you're looking at in terms of CapEx? And also what's the breakdown between, let's say, the regulated and the nonregulated divisions.

**Shahrul Azham Bin Sukaiman**
Shahrul here. I'll take that question. So in terms of capital expenditure, I think at the moment, we are anticipating the CapEx to be almost similar at last year's level around MYR 1.2 billion, but of course, subject to some other finalization of our growth opportunities by the moment, looking at around MYR 1.2 billion CapEx for 2023. In terms of the -- between the regulator and non-regulator, it about 50-50 about half between the 2 regulatory and also non-regulated segment.

**Unknown Analyst**
Okay. Great. Understood. Okay. And maybe one last question is that you did mention that the GP margin on a group level is down about 33% versus, let's say, about 40% to 50%. This is mainly due to the higher gas cost or RP. I think if you look at data from the development statistics, it seems that in the second quarter, MRT seems to be on a downward trend. My question is, I guess your message is you're trying to say that I guess, IGC will still remain quite below tau, but do you expect margins to improve within the next few quarters if we are looking at MRP on the downtrend?

**Abdul Aziz bin Othman**
What we see, as I mentioned, quarter one was the highest MRP, we expect it to be lower going forward, which obviously were tough in the margin side. But I have also mentioned that while it's going down, it's still on the high tax compared to what we have experienced before. So that's where we are.

**Operator**
[Operator Instructions] Your next question comes from the line of Lucas Tan from Investment Bank.

**Unknown Analyst**

Lucas. I have a question about the margin for gas transportation and regasification. I noticed that your EBIT margin for gas transportation actually improved, mainly due to lower IGC costs. But on the contrary, your gasification margins actually dropped by close to 10%. Just wondering why there's different directions in terms of the margin changes?

**Shahrul Azham Bin Sukaiman**
I will take this question. I believe this is in comparison to preceding quarter the estimate pre earlier. What happened for GTR business, we have installed a new equipment that allows us to track our -- what we call as an encounter for cash better. And as for last year 2022, we were only able to do the reconciliation by end of the year, hence, the higher regasification costs in quarter 4. So for this year 2023, we are taking it based on the new equipment in stock, and we expect the cost to be more constant throughout the quarters.

**Abdul Aziz bin Othman**
So I mean to say, if it [indiscernible] for the one-off event in year-end last year, on a Q-on-Q basis, the ITC would have been higher in this quarter. Is that what you mean?

**Shahrul Azham Bin Sukaiman**
Yes. Q-on-Q, mainly because of the price impact the MRP movement.

**Unknown Analyst**
Yes. Okay. So -- so that explains mostly by the -- why is that a different actions? I mean because regas actually regas margin drop -- cash transportation increase.

**Abdul Aziz bin Othman**
Yes. Yes.

**Operator**
The next question comes from the line of Daniel Wong from Hong Liang Research.

**Daniel Wong**
On the JV side, why did the JV numbers dropped significantly in the previous fourth quarter? And how come this quarter improved drastically? That's the first question. The second question, you just now guided that the transportation in regas will be able to pass through the higher fuel costs into FY '24. Just want to get an understanding, if we base on this first quarter, how much cost are you expected to pass through?

**Izan Hajar Ishak**
Can you repeat the question?

**Shahrul Azham Bin Sukaiman**
Can you repeat the second question. Second question.

**Unknown Analyst**
On the just transportation and gas -- just not as guided that you guys were able to pass through the higher ITC [indiscernible] ForEx to FY '24 on an annual basis. So based on the first quarter loan rate this first quarter numbers right. How much will PETRONAS able to pass through the costs?

**Shahrul Azham Bin Sukaiman**
Let me answer the first question first on the share of profit from our associates and joint ventures. I think you saw a lower number in quarter 4 compared to quarter 1. First, because the volume for one of our GB in Puteri hire in quarter 1 this year. And for the same JV, late last year, quarter 4, we do a small provisions on receivables. And hence, the higher profit recorded for quarter 1 this year.

Secondly, in -- that is now under the new regime is pass-through. So when we submit our OpEx to energy commission, there's certain assumption on our MRP price level. So what was agreed if the price is higher than what was used as a basis during the tariff decision, we'll be able to recover in the next year to our -- yes.

**Daniel Wong**
So how much are we able to pass through?

**Shahrul Azham Bin Sukaiman**
I think indicating, if you look at the MRP prices slightly is higher than what we forecasted around 50 -- in the mid 50s -- so now with you. So that's a differential for the pass-through.

**Daniel Wong**
Meet the [indiscernible] -- on the MRP.

**Abdul Aziz bin Othman**
Yes.

**Daniel Wong**
But we are not sure how much gas I see you guys consider per annum basis.

**Abdul Aziz bin Othman**
It's subject to the volume as well. So yes.

**Daniel Wong**
On an average basis, are you able to guide -- on average basis, how much per annum on a -- just a bit on some rough guidance.

**Shahrul Azham Bin Sukaiman**
Can I get you a question to take the numbers first.

**Daniel Wong**
Okay, sure. And then the other was forestation are we looking at as compared to now, we is about 4.4%. Now it increased further to 4.5 vis-a-vis.

**Shahrul Azham Bin Sukaiman**
So you mean the assumption for what?

**Daniel Wong**
ForEx?

**Shahrul Azham Bin Sukaiman**
The assumption for tariff.

**Daniel Wong**
The ForEx, you guys, I will be able to pass through the higher ForEx cost price on the CapEx spending on this right on the x basis. So in the book, how much ForEx under the current ARPU, what are the ForEx assumption being used as compared to now today, which is real high at 4.4, 4.5.

**Shahrul Azham Bin Sukaiman**
I believe the submission mid to ST was sometime in March last year. So something was around 4.2.

**Operator**
Your next question comes from the line of Anshool Singh from JPMorgan.

**Anshool Singhi**
I -- most of the questions I had -- have asked them with a.

**Izan Hajar Ishak**
Anshool, we -- can you please speak up...

**Abdul Aziz bin Othman**
A bit louder.

**Anshool Singhi**
Can you hear me clearly now?

**Izan Hajar Ishak**
A bit louder.

My apologies Yes, yes. Okay. Yes. So I had -- most of the questions I had asked. I have already basic questions. So you mentioned that the IDC cost adjustment will be made next year, assuming the costs drop to below 35% by the end of this year, you will register savings. Is that understanding correct?

**Abdul Aziz bin Othman**
I think the way it works with the regular during the period, there are assumptions on the gas price. If it goes higher than will be adjusted in the next year. Whatever that percentage is higher price wise. Assuming the volume remains has, likewise, we used last or the price is lower than the budget, then it will also be adjusted, meaning we have to give back but that's how it works. So we are not exposed either way. It's just a timing between this year and next year.

**Anshool Singhi**
Yes, yes. That is very, very clear. And I just had another follow-up question. So for the regulated business, if we want to assume a run rate how would we go about doing that?

**Izan Hajar Ishak**
Sorry, Anshool.

**Abdul Aziz bin Othman**
Which business?

**Unknown Analyst**
This business again regular.

**Anshool Singhi**
So the regulated business, specifically transportation.

**Izan Hajar Ishak**
Sorry, Anshool, what's the question again?

**Anshool Singhi**
Yes. So my question is, given the -- within quarters, while there is still some impact of the fluctuation of the gas price and the ITC, if you want to assume a run rate is -- how should we go about that? Is there -- is the fluctuation still going to be considering MRP remains elevated for the next 2 quarters as when.

**Abdul Aziz bin Othman**
The price is based on Malaysia reference price. The Malaysia reference price is published by [indiscernible] every quarter. You can see trend of the price every -- if you refer to the reference 36 .So obviously, move with the oil price. And it has a prerenal price also because linked to the oil price, which is also seasonal. So as some time is quarter is higher, sometimes it's lower, but we budgeted number for the year. Yes. Does that answer your question, I said.

**Anshool Singhi**
Yes, it's now really is.

**Operator**
There seems to be no further phone questions at this time. If you wish to take your web questions.

**Izan Hajar Ishak**
Yes. We will take some questions from the web from pay of Kanaga, the first quarter fee tax rate was around 30% and it is explained in the results note that the low tax rate was due to tax incentives granted to Pumara IGT. So is this a new incentive? And how long does this incentive last?

**Shahrul Azham Bin Sukaiman**
Okay. I'll take this question. So yes, you're right, our Q1 EPR is about 20%, and it's lower than last year. Last year was around 23% because last year, we had the impact of team of prosperity tax. So what we are seeing now is the regular ETR rate. And you are right, this is because of the incentive that we have for our RGT in PETRONAS mainly. So IDT Pumara is granted on tax incentives for iconic activities. And of course, this is subject to ability of debtor income. So we will have this for 15 years. And as of last year, so we still have the unused at process. So we particularly still have that incentive for a quite long period moving forward.

**Izan Hajar Ishak**
All right. The next question is from Sean of RHB. Okay. What's gas roll in CCS project and any time line for such new projects?

**Abdul Aziz bin Othman**
Okay. That's 2 questions. The JV we talk about it just now -- so the CCS. Okay. CCS is not a molecule one. We prospect the gas on behalf of the ship, which in this -- case is better now. So again, the CO2 and whatever it is, is associated with the molecule owner. So what we are looking at is to protect this or to take care of it on behalf of the molecule on them. So that's how the project is. So what we are looking at is on the offshore, where -- wherever that Q2 is entered, we are looking at gathering it.

And then controlling it before we fund or we compress it onward to offshore or storage in detect reservoir. So anything onshore in percent is what we are looking at as a business -- new business for us going forward. We better [indiscernible] expected to have this project up and running by 2028. So -- we are working to support that time line to meet the objective that [indiscernible] has set.

**Izan Hajar Ishak**
All right. Last question of the day from [indiscernible] . Will IDC pass-through now being reviewed annually, can P&L recognition of IGCPdone on accrued theoretical basis? Or we will continue to recognize actual as incurred?

**Shahrul Azham Bin Sukaiman**
Okay. Yes, the IGC pass-through will be annually -- so in terms of profit and loss recognition of ITC. At the moment, we cannot accrue the pass-through because the counting standards doesn't allow that to happen, but there is a new cutting standard by the NIM of MFRS 14, regulatory asset and regulatory liabilities. We currently had the exposure draft that would allow this accrual to happen. So until that being made effective, we will continue to recognize the actual gas cost during the year and recover or surrender the differences in the following year.

**Izan Hajar Ishak**
All right. That's all. It seems like there's all the questions for today over to Heidi.

**Operator**
That does conclude our conference for today. Thank you for participating. You may now disconnect.

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