



MAHANAGAR GAS LIMITED

(GAIL, Govt. of Maharashtra & BGAPH Enterprise)

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Date: February 21, 2018

To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Script Code/Symbol: <u>539957; MGL</u>	Head, Listing Compliance Department National Stock Exchange of India Ltd Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 Script Symbol: <u>MGL</u>
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Sub: Transcript of Earnings Conference call on Unaudited Financial Results for the quarter and nine months ended December 31, 2017.

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 and nine months ended December 31, 2017 was held on Monday, February 12, 2018 at 1730 hrs (IST).

Please find attached herewith the transcript of the aforesaid Earnings Conference call. The same has also been placed 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


Alok Mishra
Company Secretary and Compliance Officer



Encl.: As above



**“Mahanagar Gas Q3FY2018
Earnings Conference Call”**

February 12, 2018

**ANALYST: MR. AVISHEK DUTTA - PRABHUDAS LILLADHER
PRIVATE LIMITED.**

**MANAGEMENT: MR. RAJEEV MATHUR – MANAGING DIRECTOR –
MAHANAGAR GAS LIMITED**

**MR. SUNIL RANADE – CHIEF FINANCIAL OFFICER –
MAHANAGAR GAS LIMITED**

IR REPRESENTATIVE: MS. JILL – MAHANAGAR GAS LIMITED



*Mahanagar Gas Limited Q3FY18 Earnings Call
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MODERATOR: Ladies and gentlemen good day and welcome to the Mahanagar Gas Q3FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Avishek Dutta from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

AVISHEK DUTTA Good evening everyone. Welcome to the post result conference call of MGL hosted by Prabhudas Lilladher. We have the top management of MGL with us represented by Mr. Mathur who is the MD, and the CFO Mr. Ranade. Over to you sir.

IR REPRESENTATIVE 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 volumes, fluctuations in foreign exchanges, other costs and our ability to manage growth. I urge you to consider that quarterly numbers are not a reflection of long term trends or an 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 Very good evening to all of you and I once again welcome all of you to Mahanagar Gas Limited's Q3 FY 2017-18 Earnings Conference Call. I would again like to thank you all, all those who have connected with us today on our earnings call.

As you all know the CGD sector is growing and it is one of the growth sectors in India. Under the ambitious smart city mission the government has set targets to launch a plan to replace LPG connections with PNG in urban identified areas which will be developed as modern localities. In the coming years implementation of CGD network will grow rapidly due to expansion of CGD in at least 100 new cities on account of increasing applications of PNG in domestic, industrial and commercial sectors along with CNG replacing other costly automotive fuels.

Increased awareness in public at large and some commitments by the Government of India at international levels about environmental issues will also push the growth of the CGD sector further. As far as MGL is concerned, we are expanding our CGD network in the existing areas of operation. Currently we have connected over 1 million households with piped natural gas. We are now operating 212 CNG stations (210 CNG Stations as of 31st December 2017) supplying CNG to more than 590,000 vehicles.

We have now Steel and PE network of about 5000 kilometres. Also work is in advanced stages of completion for supply of gas to upcoming townships of reputed builders along the highways in Raigad and we have also connected a large number of customers in Uran in



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the Raigad area. Work on gas supply to 6-7 major towns are also progressing through the virtual pipeline concept in the Raigad area. In addition to one station which is already operational in Karjat, work is also going on to add another 3 stations in Raigad during the current year.

During the quarter we have seen a growth of about 7.1% in overall sales volumes over the corresponding quarter in the previous year. CNG sales volumes grew by 6.6%, domestic sales volumes grew by 9.9%, commercial sector grew by 6.4%, and the industrial sector sales grew by 7.8%. Overall the PNG volumes grew by 8.4%. The gross margin has also improved to 53.4% as compared to 51.5% in the corresponding quarter in the previous year. Improvement in the gross margin is mainly due to better price realisation linked to alternate fuel prices in case of industrial sector, commercial customer category, and also a relatively favourable exchange rate. The operating EBIDTA was higher by 20.2% at Rs. 200.89 crores as compared to Rs. 167.15 crores in the corresponding quarter in the previous year. EBIDTA margin was 34.6% as compared to 33.1% in the corresponding quarter of the previous year. The net profit after tax grew by 25.2% from Rs. 99 crores in the corresponding quarter of the previous year to Rs. 123.99 crores in the current quarter.

With this I conclude my initial remarks and I would like to open the floor for questions. Thank you.

- MODERATOR** Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session.
We take the first question from the line of Kunal Shah from Enam Investment. Please go ahead. Mr. Shah your line is unmuted. Please go ahead with the questions. As there is no response we take the next question from the line of Hrishit Sitwala from Matsya Capital. Please go ahead.
- HRISHIT SITWALA** Yeah, I had a question regarding the capital expenditures. So you guided for around 250 to 300 crores in FY18 and FY19. I just wanted to understand what the maintenance capex would be after that
- MANAGEMENT** The figure which we had indicated was inclusive of maintenance capex. It could be in the range of 10-15% of the total capex which we incur.
- HRISHIT SITWALA** Okay so maintenance capex would be 10-15%.
- MANAGEMENT** Yeah.
- HRISHIT SITWALA** Alright. My second question was regarding other expenses. So this quarter was higher as compared to the last quarter. So could you tell us a few reasons for that?
- MANAGEMENT** Yeah historically the opex is always higher in the second half as compared to first half. Primary reason for that is that most of the preventive maintenance activities and repair



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activities are undertaken in post monsoon season. Hence you may find in Q3 as well as even probably in Q4, opex could be a bit higher as compared to the Q1 and Q2 quarters.

HRISHIT SITWALA Okay sure. And one last question regarding the cash position as on date.

MANAGEMENT Cash position is quite comfortable. Right now it is even higher than 31st March 2017 position. So it has strengthened further.

HRISHIT SITWALA Okay thank you.

MODERATOR Thank you. We take the next question from the line of Abdul Kareem from HDFC Securities. Please go ahead.

ABDUL KAREEM Yeah thanks for taking my question and congrats for this set of numbers. See company plans to expand its gas distribution network in current geographic areas like Greater Mumbai and surrounding regions like Mira, Bhayander and Thane and Vashi-Belapur. Sir could you update on the same?

MANAGEMENT So this year we had set a target of about 150,000 new connectivity. We are pretty much on course in doing that. Next year we want to increase the number of connectivity further. And our focus will be in Navi Mumbai, Raigad, and Thane District etc. wherever our network gets expanded. We will have the opportunity of connecting newer households. So we are pretty much on course. On an average we are doing about 150,000 numbers that we are talking about and we can maybe even do more as we go along.

ABDUL KAREEM And the second thing, there was some news in the media that PNGRB has started to talk regarding unified tariff for the country as a whole. So could you guide on the same if there is any update on the same?

MANAGEMENT We have also read in the press that there is a move for unified tariff. The only impact that it will have on us, it may increase our transmission costs marginally. And transmission cost is not more than maybe 8 or 10% of the entire commodity cost. So it will not have any major impact as far as we are concerned. However the opportunity that we will get is to access gas from any import or domestic facility at a unified tariff. So it will put us in an advantageous situation of being able to get volumes from any supplier, from any source within the country or outside, which our belief is will bring our costs of procurement down; much more than the marginal rise in the tariff that may happen because of unified tariffs.

ABDUL KAREEM Okay. Thank you sir.

MODERATOR Thank you. We take the next question from the line of Probal Sen from IDFC Securities. Please go ahead.



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- PROBAL SEN** Good evening sir, thank you for the opportunity. Sir apologise if you have answered this earlier. I believe I just got part of Ranade Sir's explanation about the opex. But can you just confirm whether there's any one off in the opex or this was just a normal increase that has happened in this quarter? That was the first question.
- MANAGEMENT** Basically it's a normal which is on account of preventive maintenance and repair. There could be some elements of provision with respect to certain contracts. But predominantly it's a repairs and maintenance activities related expenditure.
- PROBAL SEN** So sir can we expect then should we be building in a similar run rate then in Q4 as well? You're saying that this kind of provisioning would continue.
- MANAGEMENT** Yes similar trend can be expected in opex.
- PROBAL SEN** Ok. And sir the second question was with regards to the volume run rate which has improved significantly in this quarter compared to the YoY growth that we saw in the first half. What kind of trends are we seeing in Q4 sir?
- MANAGEMENT** So the trends are quite positive. As far as CNG are concerned we are looking at increased number of vehicles getting converted on CNG. The run rate on PNG is also much higher because we are able to connect newer houses, newer flats. And also we are now focused on whatever housings were left out in the initially connected societies and areas. So the trend is quite positive this quarter and going forward also we believe the same rate would continue.
- PROBAL SEN** For FY19-20, looking at a 5-6% run rate is something we should be working with as a guidance?
- MANAGEMENT** Yeah that should be possible. Yes.
- PROBAL SEN** Okay. Sir one last question if I may, if I calculate and correct me if I'm wrong, if I just try and do a very rough cut calculation in LNG cost that we would have paid comes to somewhere in the region of 8 to 8.5 dollars for this quarter which is a bit lower than what we have seen at least if we look at Asian benchmarks for Singapore's spot LNG. Is there something I am missing here in terms of what the cost is that we actually paid for our gas?
- MANAGEMENT** So I think it's compliments to our sourcing team, they have been able to do a better job than what's happening as a trend across the world.
- PROBAL SEN** So can you – what you are saying is we have managed to source some sources of gas which are lower than sort of what the benchmarks would indicate this quarter sir?
- MANAGEMENT** I would tend to agree with what you are saying.



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- PROBAL SEN** Okay. Fair enough. Thank you very much for your time.
- MODERATOR** Thank you. We take the next question from the line of Chinmay Gandre from Future Generali. Please go ahead.
- CHINMAY GANDRE** Sir just one clarification on whether there is anything going to be on compulsory conversion of this aggregator of cabs in Mumbai to CNG from diesel or petrol or something of that sort had come up a year back and maybe by this Feb end some material clarification was supposed to come up.
- MANAGEMENT** So there is no clarification which has come up as yet. But the economic compulsion is such that most of them are or rather all of them, the newer ones which are coming up in Ola, Uber and aggregator category, they are getting converted onto CNG today.
- CHINMAY GANDRE** Sir there is no mandatory requirement as of now?
- MANAGEMENT** The mandatory requirement is to use clean fuels. So of the clean fuels CNG is the most economical and readily available.
- CHINMAY GANDRE** Sir but how would diesel fit into clean fuels?
- MANAGEMENT** Diesel – see the economics doesn't work out for diesel because they are talking of Euro safe etc. I don't know when it comes, then maybe it might be possible for it to be classified. But then based on pure economics on operating costs CNG is far superior. So therefore people are looking at CNG and the run rate of aggregators getting their vehicles converted is far higher than what was there in the past.
- CHINMAY GANDRE** Sir what is the current conversion rate? Sorry if I missed out, if you had mentioned it already earlier.
- MANAGEMENT** We have for example Q3 we have around 18000 vehicles converted.
- CHINMAY GANDRE** That's 6000 almost per month
- MANAGEMENT** Yeah roughly 6000.
- CHINMAY GANDRE** Okay thank you.
- MANAGEMENT** The current run rate is slightly higher than this.
- CHINMAY GANDRE** Okay sir, thank you sir.
- MODERATOR** Thank you. Next question is from the line of Nitin Tiwari from Antique Ltd. Please go ahead.



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- NITIN TIWARI** Hi sir good evening. Thanks for taking my question. Sir can I have a brief breakup of your sales mix? The gas sales mix in terms of sourcing. So how much gas are we getting in terms of APM, then PMT and LNG midterm and spot?
- MANAGEMENT** See as regards priority sector which is mainly meant for domestic and CNG, for Q3 the mix was around 78% which we have got from APM category. Around 22 % will be from PMT category. And rest is of course whatever industrial commercial requirement is there.
- NITIN TIWARI** So that is LNG. So LNG again entire LNG sourcing is...
- MANAGEMENT** The entire industrial commercial which is around 15% odd is to be through RLNG.
- NITIN TIWARI** So—no that is fine. I am asking whether the LNG is completely on spot basis or there is a midterm contract that we have in LNG.
- MANAGEMENT** In this financial year it has been predominantly RLNG i.e. spot I mean.
- MANAGEMENT** Predominantly spot but there may have been small term contract lesser than a year.
- NITIN TIWARI** Okay. And sir pardon a very naïve question but so when we are like you know talking about domestic APM and non-APM gas, so when we are looking at the pricing of that gas that we use as cost for our pricing of CNG and domestic PNG, so are we using a formula of 75% APM and 25% other than APM? Or is that in the ratio of the mix in which we are getting the gas.
- MANAGEMENT** See even the non-APM is priced same as the APM gas. So you have to take a call based on the numbers already given to you. And the price of APM and non-APM is the same.
- NITIN TIWARI** So you're not getting any gas priced as per PMT pricing.
- MANAGEMENT** Philosophy for pricing is not cost-plus basis. It is basically based on the prices of alternate fuels.
- NITIN TIWARI** That is the selling price. I am talking about in cost terms.
- MANAGEMENT** Yeah.
- NITIN TIWARI** So when you determined the cost of the gas which is going into CNG and domestic PNG, so is that pricing formula 75% APM gas pricing and 25% PMT pricing? Or it....
- MANAGEMENT** It has slightly has improved towards APM. APM could be around 76% plus. And earlier PMT was around 25% that percentage has slightly dropped.



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- MANAGEMENT** So maybe 77:23, something like that you can take the combination.
- NITIN TIWARI** Right sir, right sir. Thank you so much for that sir. And lastly you mentioned that the current conversion rate of vehicles is around 6000 per month. So what has been the number for 9 months for the last quarter? 6000. So what is the 9 month number?
- NITIN TIWARI** Yeah total number is also fine sir. 9 months total conversion.
- MANAGEMENT** 44000 approximately.
- NITIN TIWARI** And sir PNG connections?
- MANAGEMENT** PNG connections total number 60000.
- MANAGEMENT** 3 quarters. Yeah domestic only for 3 quarters put together around 60000.
- NITIN TIWARI** And commercial addition sir?
- MANAGEMENT** Commercial numbers actually don't matter much but those were around 300 numbers in restaurant category.
- NITIN TIWARI** Right sir, for the 9 months again right sir?
- MANAGEMENT** For 9 months yes.
- NITIN TIWARI** Sure sir. Thank you so much for answering my questions.
- MANAGEMENT** Yeah.
- MODERATOR** Thank you. We take the next question from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.
- TARUN LAKHOTIA** Sir thanks for taking my question. I just have one thing to understand from you. How do we go about – I mean can you just help us understand the pricing policy? Your margins for the last 2 years have surprised on the positive side. Now that given that crude is on a rising trajectory and domestic gas prices will always move up with a lag, should we start assuming that every year you would deliver a margin expansion in terms of a per unit metric?
- MANAGEMENT** That's an interesting question. I think earlier also we had mentioned the financial year 2017-18 was definitely an exceptional one. In the sense that there are variety of factors on which the margin is dependent. Almost in all respects we had received a positive indication. I mean if you start off with exchange rates for example maybe in the previous year for 9 months the exchange rate was around Rs. 67 per dollar whereas this time it is say



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64.5 approximately. That was one of the big factors we received a benefit on account of. Since oil prices went up compared to previous year, as a result the prices of let us say industrial fuels like LSHS or FO had gone up; and as an alternative fuel prices went up based on our pricing philosophy we could get better realisations in industrial category. Similar was the case in case of restaurant category, the alternate or competing fuel is 19 kgs cylinders or commercial LPG. Those prices had gone up in the current financial year which was to our benefit. I think earlier in one of the questions we talked about even the composition of the sources for our priority sector that is domestic and CNG. Within APM and priority also the share of APM moved little up further from July or August month the financial year. As you know there is a difference between the price of APM and PMT. So that has also benefited us. Also in respect of APM gas cost on average basis for full 9 months, the APM gas was slightly lower, maybe around \$2.61 per MMBTU as compared to slightly higher figure in the previous financial year. So all these factors have been positive. RLNG we have not – dollar MMBTU terms we have not benefited much. But at the same time the increase was also not much in spot RLNG which we have purchased as compared to previous financial year. So literally everything has gone right and as a result we have seen the improvement in the margin. Now the second part or the question which you have ultimately asked what could be the future or whether we will be able to maintain similar things, improve further things. It will all be dependent on these factors. I mean definitely APM gas cost which is dependent on the formula set by central government that will be the primary factor. Exchange rate is also equally important. RLNG, spot prices equally important. Alternate fuel prices are also important. And opex I think we have reasonably managed well. That also was a favourable factor to us. I mean there was an increase in opex but which was mainly in line with the inflation I think. Everybody accepts 7% plus as the inflation rate trend. And at least on these 9 months to 9 months basis if you see the opex increase it is more or less in same region. So these are the different reasons why we have been able to put a good show on margin fronts.

TARUN LAKHOTIA End of the day the prices are anyway in your hands right? So even if these cost increases that you're talking about going forward, given that there is still a strong economic advantage of CNG or PNG as compared to other liquid fuels, you should be in a comfortable position to pass on these cost increases. So can we say that this Rs. 8 per SCM of unit EBIDTA is that the base number to start with and assumes an expansion or should we just assume that at least that is something which you can sustainably earn?

MANAGEMENT I think the focus of the company is more on adding more and more customers and which we attempt through offering value proposition to the customer. In the eventual process not that we don't look at margin, but if you ask us the priority would more prefer to keep on adding the customers because the low penetration in the domestic as well as in CNG; if given a choice between volume game and pricing game, we will always prefer to add on more and more volumes. But at the same time yes you are right. We appreciate – I mean the headroom available vis-à-vis discounts offered to alternate fuels is both in terms of domestic and CNG we are comfortably placed. But this advantage we will probably use



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mainly for off-setting the gas cost increases which we may see and partly maybe to some extent in opex.

TARUN LAKHOTIA Understood. Sir on the volume growth side this quarter of course was better than last few quarters. So of course you talked about the vehicle additions have been better. Going forward earlier your guidance has been 6 to 8% volume growth is sustainable. Are we still holding onto that? Is there a reason for you to revisit that?

MANAGEMENT I think we continue to hold 6% plus CAGR basis. That is what we will say. Particularly with respect to business as normal. If some very strict implementation of pollution norms come up or fuels like dirty cheap fuels like LSHS, FO etc. are banned, then the opportunities are huge. But given the normal business without judiciary or regulatory interventions, I think 6% plus CAGR for five yearly basis that is what one should assume for.

TARUN LAKHOTIA Sir thanks for this. If I may just add one quick last question.

MODERATOR Excuse me, this is the operator.

TARUN LAKHOTIA Okay I'll come back.

MODERATOR Thank you. We take the next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.

SABRI HAZARIKA Yeah good afternoon sir. I joined late so I have a few bookkeeping questions also. First thing is that how many CNG outlets you had at the end of Q3?

MANAGEMENT 210.

SABRI HAZARIKA And what was the progress being made in Raigad on both CNG as well as PNG front?

MANAGEMENT So CNG one station is operational. Three more in the offing. And PNG I said we had added about 300 households in Uran. 6 to 7 are the townships work is progressing. And we hope to connect them with piped gas and corresponding number of households will get increased as we go along.

SABRI HAZARIKA Okay sir. And second question is on your PNG industrial commercial, PNG breakup actually. What will be the breakup between the two?

MANAGEMENT That is volume breakup you want?

SABRI HAZARIKA Yeah volume breakup I want. In the industrial versus commercial. Industrial-commercial category



- MANAGEMENT** Okay if you're talking about for Q3, Industrial was 0.213 MMSCMD and commercial was 0.181.
- SABRI HAZARIKA** 0.181. And if I may sir, two more small questions. First is the 9-month capex of the company.
- MANAGEMENT** We have incurred little more than 150 crores.
- SABRI HAZARIKA** Okay so roughly it won't cross 200 crores for the full year right sir?
- MANAGEMENT** Maybe slightly higher also.
- SABRI HAZARIKA** Okay slightly higher than that.
- SABRI HAZARIKA** And what would be your CNG sales in million kg?
- MANAGEMENT** In million kgs.
- SABRI HAZARIKA** Yeah last time you said around 1.4 million kgs per day was....
- MANAGEMENT** It is 1.410 mmkgd for Q3.
- SABRI HAZARIKA** And what was it for Q3 FY17?
- MANAGEMENT** Q3 17 was 1.313.
- SABRI HAZARIKA** Okay fair enough sir. Thank you so much.
- MANAGEMENT** Yeah.
- MODERATOR** Thank you. We take the next question from the line of Saurabh Handa from Citi. Please go ahead.
- SAURABH HANDA** Yeah thank you for the opportunity. Sir it's actually going back to an earlier question where you were just giving the split of your gas sourcing mix. Could you just repeat that? You said 78% is APM and 12% is non-APM?
- MANAGEMENT** See on overall basis 15 to 16% is industrial-commercial which is fed through RLNG. And 85% will be for priority sector which is consisting of APM, then PMT and now there is a category called non-APM but which is meant for priority sector.
- SAURABH HANDA** Okay. And so within that 85...



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- MANAGEMENT** Breakup between PMT and APM, could be I think somewhere around 78% and 22% something like that.
- SAURABH HANDA** Okay. So this 78% which is APM and non-APM are both priced as per the formula of the government. The non-APM that's the same.
- MANAGEMENT** You are right.
- SAURABH HANDA** Okay. Sir and in terms of guidance for the next 1 or 2 years you said you're maintaining a 5 year CAGR of around 6%? Is that what you said?
- MANAGEMENT** I mean that has been the historical trend and which we hope to continue.
- SAURABH HANDA** Okay so around 6 to 7% is something....
- MANAGEMENT** This is business as normal. There is no judiciary interventions or any court directives. Without that we're talking about.
- SAURABH HANDA** Sure. And just my last question this PNGRB is talking about coming out with like 100 new licenses for bidding. So what is your take on this? When do you think what timelines are they looking at? And do you think it's realistic? It's something which you would be interested in?
- MANAGEMENT** So I think PNGRB is looking at coming out with bidding for 100 new cities very soon. In fact tomorrow itself they are having an open house on this very issue. So our expectation is next couple of weeks we should see maybe the first round of maybe 20-30 or whatever number of cities they come out with being offered to various bidders. And we are looking at it very closely. We would look at you know bidding for a couple of them depending on how attractive they are or otherwise.
- SAURABH HANDA** Okay and here your competition will be everyone. I mean now you would be competing even with the likes of like GAIL and the OMCs who you typically partner with?
- MANAGEMENT** Yeah, yeah, yeah. So we would be competing with everyone. But in certain areas we may have a strategic partner along with us. So depending on how it works out.
- SAURABH HANDA** Okay great! Thank you so much sir. Thank you.
- MODERATOR** Thank you. We take the next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- SABRI HAZARIKA** Yeah thank you for the opportunity sir. I have two questions. The first one is this non-APM category and the priority sector, so this was not the case earlier. So this has been included for the whole CGD sector or is this only for MGL considering that you have....



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- MANAGEMENT** No, no. It has been offered to several other companies also. I don't know whether they are using it or not. But MGL has opted for it.
- SABRI HAZARIKA** So right now the 110% would basically include non-APM also.
- MANAGEMENT** Right, right.
- SABRI HAZARIKA** And what is the price of this gas? The base price.
- MANAGEMENT** Same base price as APM.
- SABRI HAZARIKA** Okay it's the same base price as APM.
- MANAGEMENT** Yeah.
- SABRI HAZARIKA** Okay sir. And second question is on this volume growth that you have given guidance that you have given around 6%. So you said that it doesn't include factors like any kind of ban or some kind of like court mandates or something of that sort. But does it include any kind of like new buses or anything of that sort in the CNG category? Something exceptional or that sort?
- MANAGEMENT** No, it's all business as usual. So if for example suddenly one transport authority wants a 100 new buses that would probably be an add on.
- SABRI HAZARIKA** Okay. And what about Mumbai city taxi rules? Has it also been incorporated or it's not?
- MANAGEMENT** So whatever comes in as usual in terms of new taxis and new autos, that is factored in. But if there is a spurt or because of some other reason sudden growth which comes in, that is not factored in.
- SABRI HAZARIKA** Like the 20-25 thousand cabs rough cut estimate is still running on diesel. So have you accounted for one time conversion of these? Or that is not included there?
- MANAGEMENT** No. We have given you the run rate of how many are getting converted.
- SABRI HAZARIKA** Okay fine. Okay sir thank you so much.
- MODERATOR** Thank you. A reminder to the participants, to ask a question please press * then 1. We take the next question from the line of Pratap Kedia, an individual investor. Please go ahead.
- PRATAP KEDIA** Thank you.
- MANAGEMENT** Hello?



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- MODERATOR** Excuse me this is the operator. Mr. Kedia your voice is not clear. Can you come in the coverage area please and come back in the queue? We take the next question from the line of Bimal Sampath an Individual Investor. Please go ahead.
- BIMAL SAMPATH** Yeah good evening. Just wanted to check that with these new cities coming up for bidding will our balance sheet support it or we will have to look for additional funds and all that? I mean how is the situation? And second thing I just understood, I am not sure of this, that GAIL is also selling to industrial customers in Panvel, Raigad. Is it correct?
- MANAGEMENT** So to answer your second question first, under the regulation CGD companies are authorised to sell to any customer having requirement of 1 lakh or below. So any customer above 1 lakh will be directly connected to a transmission grid. And those would be the customers GAIL would be selling to. 50000 and below compulsorily, all the customers have to go through the CGD network. So anything above that have the option of going either through CGD or directly. So there will be some customers in Panvel who may have requirement of more than 1 lakh which GAIL maybe selling directly. Okay?
- BIMAL SAMPATH** Right.
- MANAGEMENT** And as regards to your first question, balance sheet is pretty strong. It's a treasury surplus company. So any expansion activities we will be able to take care of.
- BIMAL SAMPATH** Okay. And one question which may again be next, that since I think we are established in Mumbai, the cost of acquisition of new customers, will it be much lower? And what is the cost roughly if you can tell what is the cost of acquisition of a single customer.
- MANAGEMENT** Number one it depends on each customer category. And it is not possible to specify for a unit of acquisition depending on different-different geographies what is the status of the different levels of pipeline and infrastructure the cost will be dependent on that. When it's a question of basic infrastructure already laid and only marginal connectivity to be done that cost will be significantly different than customer acquisition to be done in a Greenfield area
- BIMAL SAMPATH** Yeah. So now in Mumbai I understand we have covered one-third of the potential customers. So next two-third cost of acquisition should be substantially lower?
- MANAGEMENT** Relatively lower it may be.
- BIMAL SAMPATH** Okay. Thank you, thank you.
- MODERATOR** Thank you. Participants who would like to ask questions please press * then 1. We take the next question from the line of Samrat Yadav, an individual investor. Please go ahead.



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- SAMRAT YADAV** Thank you for the opportunity sir. I just want to know where do we see the company after 5 years as you have already seen in the news that the government is focusing on the electric vehicles. So that is basically temporarily unviable for the business. So where do you see the company after 5 or 10 years? Like the target for the government is 2030.
- MANAGEMENT** So we have actually already given you some kind of a foresight on how the company believes it can grow at around 6% CAGR over the next 5 years. And our belief is if past is what can be looked at we are quite confident we will be able to do that. EVs are far away. There are lots of issues with EVs. And even if they come CNG is one of the cleanest fuel available. So it may only displace other more polluting fuels in urban areas. See both EVs and CNG will find a big chunk of market share in the cities going forward.
- SAMRAT YADAV** Okay sir. One more question sir. Do you see any impact of recently the government of Maharashtra has procured electric vehicles, electric buses for BEST? So do you see any impact of these on the company?
- MANAGEMENT** So we don't see any impact as far as volumes and sales are concerned. Maybe incremental buses as many as they can hire. That much amount of incremental CNG we may not be able to sell to those electric buses. But otherwise it is business as usual.
- SAMRAT YADAV** Okay sir, thank you sir.
- MODERATOR** Thank you. We take the next question from the line of Vipul Patel, an individual investor. Please go ahead.
- VIPUL PATEL** Good evening sir. In continuation to the last conference call you had mentioned that renewal for Bombay would be close to around 2020. Do you have an earliest date by when you can have a confirmation on that?
- MANAGEMENT** Only in the year when you know we require renewal, we will have to apply as per regulations. And we see no reason why we will not get a renewal.
- VIPUL PATEL** Okay. Fair enough. And the second question is what is – I mean what is your target year-date to cover whatever license you have. You have Bombay, Raigad, Navi Mumbai, those areas. I mean when do you think you will be covering 90% of this capacity? By what year?
- MANAGEMENT** So our effort is to create an infrastructure to cover the entire market. And you know once our infrastructure is in place, then with smaller marginal connectivity we could access every customer. But the city is expanding as you know towards Raigad, new airport and smart city and what not, new industrial estates are coming up, so it's a continuous process. But our effort is to be able to reach any customer with a small extension of maybe 200-300 meters. That's what we are aiming at today.



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- VIPUL PATEL** Right. So the broad level of infrastructure, do you have any timeline or a target to complete major part of it? Like let's say 80% of it. When you get the maximum potential and from there you just have to go another 200-300 metres to the end customers.
- MANAGEMENT** So most of the city of Mumbai we have already covered. About half of Thane district we have already covered. The rest we are expanding on but there is no timeline. Every year we have a roadmap work-plan based on which how many kilometres we are intending to lay that is what we do. But as I said the city is expanding. So it's an evergreen expansion which is going to happen.
- VIPUL PATEL** Okay. Thank you sir, that's all.
- MODERATOR** Thank you. We take the next question from the line of Gokul Maheshwari from Mosaic Advisors. Please go ahead.
- GOKUL MAHESHWARI** Yeah thank you for taking my question. I just wanted to know the capex estimate for how much are you budgeting?
- MANAGEMENT** So FY19 it could be 250-300 crores.
- GOKUL MAHESHWARI** Okay. And sir you mentioned about the volume growth from a 5 year perspective that you could broadly be growing at 6%. This would I assume include the expansion into Raigad.
- MANAGEMENT** Yes it will be inclusive of Raigad.
- GOKUL MAHESHWARI** Okay. Sir I just wanted to reiterate what is the 5 year opportunity which you are looking at Raigad on a per day MMSCMD basis.
- MANAGEMENT** So initial potential we had said was half a million cubic metres. But that was based on the existing habitation, industries and other things being there. But as we see now the potential is going to be much higher because of newer announcements and newer investment happening in that area. We don't have any specific numbers today but maybe as we go along we should be able to give you those.
- GOKUL MAHESHWARI** Ok. And in terms of this capex of 250-300 crores what would be the split in terms of Raigad and your core regions?
- MANAGEMENT** Raigad, number one it will depend on how many approvals we get in the Raigad district. You know entire capex is dependent upon the approvals given by a local municipal authority. But it could be in the region of say 50 crores to 75 crores.



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- GOKUL MAHESHWARI** Ok. And I mean just qualitatively is it – is opening CNG stations in Bombay is difficult because of land constraints. Is it easier in Raigad?
- MANAGEMENT** You could say it is relatively easier but not that we are not getting land in Mumbai. Half of the stations we are actually setting up in Mumbai area as of today and the rest are outside.
- GOKUL MAHESHWARI** Okay. And lastly on the bus additions. While BEST, as an undertaking has seen some depletion in its fleet, what is the broad sense which you are getting from the bus undertakings of Bombay as well as the other which operate in the city and its extended suburbs?
- MANAGEMENT** So you are right. The number of buses is not growing. The only buses that they are adding today is based on whatever grants they are getting. To that extent you know the incremental volumes are actually getting added from private players and aggregators and autos etc. which are more than offsetting the relatively lower growth as far as the STUs are concerned. Going forward it will depend on the financial ability of these undertakings or how much financing they are able to get to buy new buses. But one thing is sure it's not EVs in the next couple of years because the cost of the EV bus is maybe 3 or 4 times and the infrastructure is not available. So if at all they get the money it will all be for CNG buses.
- GOKUL MAHESHWARI** Right sir. What would be the proportion for volumes of buses from CNG in CNG?
- MANAGEMENT** These all entities put together, BEST, then there is an entity in Navi Mumbai and TMT in Thane, all those put together will be approximately 12% of the CNG volume.
- GOKUL MAHESHWARI** Okay sir, okay thank you so much and all the best.
- MANAGEMENT** Thank you.
- MODERATOR** Thank you. Participants who would like to ask questions please press * then 1. We take the next question from the line of Pratap Kedia, an individual investor. Please go ahead.
- PRATAP KEDIA** Hello? Good evening. I was comparing the quarter to quarter results. Observation was that your sales has increased in amount terms by 8.5%. Whereas the profit has remained stagnant and which was due to increase in the raw material cost as a percentage of turnover with an increase of more than 42%. Sir my query was outlook for raw material in the



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future, whether it is going to see upward trend? Or is there any scope of controlling the raw material cost.

MANAGEMENT There are two parts in raw material cost for gas supply which we are talking about. One is for priority sector that is domestic and CNG. This gas is domestically produced gas. So the price for domestically produced gas will remain same for Q4 as regards in dollar per MMBTU terms because it is based on a formula set by central government. The rupee implications for us will be dependent upon the exchange rate whether it is favourable or not favourable that will decide the total landed cost for us. Whereas as regards spot purchase we do of RLNG for our industrial and commercial customers, today there is seen some upward trend in the RLNG prices which may continue for short term. But hopefully over medium term it should soften down.

PRATAP KEDIA And one more question, like just to offset the

MODERATOR Excuse me this is the operator. Sir your voice is not clear. May we request you to come back in the queue please?

PRATAP KEDIA Okay.

MODERATOR Thank you. We take the next question from the line of Sunil Shah from Axis Securities. Please go ahead.

SUNIL SHAH Yes thanks sir for this opportunity. Sir we have virtual monopoly in 3 districts which is Mumbai, Thane and Raigad. And our future growth engine will be driven from the Raigad district which is very under-penetrated at this point in time. Sir have we done any study on the density of population per kilometre type? Meaning Mumbai is clearly very, very densely or very aggressively populated. So our cost will be absorbed with more and more number of customers in comparison with Thane. But how is Raigad on that calculation? Have we done any study on that ground?

MANAGEMENT So you are right. Relatively, Raigad has less density of population per kilometre, square kilometre area.

SUNIL SHAH Right.

MANAGEMENT That's why we have taken a different approach towards Raigad. It's a low investment high, yield approach where we have identified 6-7 different nodes where the trunk transmission lines are already there. From there we will take tap offs and make local distribution networks in the vicinity of those areas. So instead of an entire grid covering maybe Raigad or northern part of Raigad, we will have 6 or 7 nodes and concentrated distribution networks in the neighbourhood which will restrict the cost and the acquisition cost per customer will also go down.



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- SUNIL SHAH** Ok. Fine sir that's really a great strategy. Thanks very much for throwing light on this. Thank you so much.
- MODERATOR** Thank you. We take the next question from the line of Siddharth Malhotra, an individual investor. Please go ahead.
- SIDDHARTH MALHOTRA** Yes hi good evening sir. My question was with regards to your dividend policy. Considering that you are sitting on higher cash reserves that you mentioned as compared to 2017, is there a possibility of higher dividends going forward?
- MANAGEMENT** See the dividend policy is predominantly based on two principles. One is sustainability and another is consistency. When it comes to sustainability we would look forward to our future plans also. Now you might be aware our regulator PNGRB has announced bidding for certain cities. So that will require certain amount of cash which will be taken into consideration. Whereas as regards consistency you will find that we have been pretty consistent particularly with reference to our rate of dividend vis-à-vis paid up capital. In fact last year we declared 190% in the earlier 3-4 years we were at 175%. So as and when the improvement is seen in profitability our board of directors do take a call in that perspective.
- SIDDHARTH MALHOTRA** Right, okay. Thank you very much.
- MODERATOR** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments.
- MANAGEMENT** So thank you very much for coming to this earnings conference call for Q3 MGL and I would once again like to thank you all those who had connected with us today. Thanks once again.
- AVISHEK DUTTA** Thank you so much sir for taking time out for the conference.
- MANAGEMENT** You're welcome.

(This document has been edited for readability)