MAHANAGAR GAS

MAHANAGAR GAS LIMITED

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To,

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

Sub: Transcript of Earnings Conference Call on Unaudited Financial Results for the quarter and nine months ended December 31, 2020.

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, 2020 was held on Wednesday, February 10, 2021 at 3:00 PM (IST).

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

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

For **Mahanagar Gas Limited**

MAHANAGAR GAS LIMITED MUMBAI

03/01/21

Atul Prabhu
Company Secretary & Compliance Officer

Encl.: a/a

"Mahanagar Gas Limited Q3 FY21 Earning Conference Call"

February 10, 2021

MANAGEMENT: **MR. SANJIB DATTA – MANAGING DIRECTOR, MAHANAGAR GAS LIMITED**
MR. DEEPAK SAWANT – DEPUTY MANAGING DIRECTOR, MAHANAGAR GAS LIMITED
MR. S. M. RANADE – CHIEF FINANCIAL OFFICER, MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE, SVP - MARKETING, MAHANAGAR GAS LIMITED

MODERATOR: **MR. PROBAL SEN – CENTRUM BROKING LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Mahanagar Gas Limited Q3 FY21 Earning Conference Call hosted by Centrum Broking 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Probal Sen from Centrum Broking Limited. Thank you and over to you, sir.

Probal Sen: Thank you very much Faizan. Thank you to everyone for making the time to come and attend this call to discuss the Q3 FY21 Results of Mahanagar Gas. We have the senior management of Mahanagar Gas with us today including Mr. Sanjib Datta who is the Managing Director and Mr. S M Ranade CFO of Mahanagar. So without further ado, I will just hand it over to them for opening remarks and then we can move into the Q&A. Over to you, sir.

Management Representative: Thank you Mr. Sen. Good afternoon everyone. Before we begin, I would like to mention that some of the statements made in today's conference call may be forward looking in nature and we believe that expectations contained in the statements are reasonable. However, the nature involves a number of risks and uncertainties that may lead to different results. The risks and uncertainties regarding fluctuations in sales volume, fluctuations in FOREX and other cost and our ability to manage growth. I urge you to consider this quarterly numbers as not a reflection of long term trends or any indication for full year results. They should not be attempted for a long term trend or any indication for full year results. They should not be attempted to be extrapolated or interpolated in future numbers.

With this, I would now hand over the conference to MD sir for his opening remarks. Over to you, sir.

Sanjib Datta: Good afternoon to all of you and welcome to the earnings conference call of Mahanagar Gas Limited for the third quarter of the financial year 2020-2021. I would like to thank all of you who have connected for our earnings call today. As we overcome a health and economic crisis of very large proportion let us hope things get back to complete normalcy at the earliest. Nationwide lockdown implemented since last week of March 2020 to combat COVID-19 has adversely affected the company's operations from first quarter of FY 2020-2021. Impact of pandemic is still not over and we still find restrictions in terms of usage of public transport, office attendance, reopening of schools, etc., as compared to pre COVID levels.

However, the company's daily sales volumes in the current quarter have substantially increased and are likely to reach pre lockdown level with further picking up. Internally, MGL has successfully faced the challenges by safeguarding our human resources, shifting all support services to function through the company's IT backbone for undertaking work from home and by observing the prescribe safe practices. Gas supplies through all our PNG and to the CNG stations have remained operational 24 by 7 during the lockdown. Our emergency control room and customer care services have also remained operational for meeting all emergency needs and for ensuring 100% customer support while adhering to the required safety and social distancing guidelines.

Now coming to MGLs operations we are rapidly expanding our CGD network in the existing license areas. During the quarter, 49,171 domestic households were connected thus we have established connectivity for nearly 1.5 million households. We have laid 97.19 kilometer of steel and PE pipeline thereby taking the aggregated pipeline length to more than 5,700 kilometer. We have added 6 new CNG stations and with these we have 265 CNG stations. We also added 47 industrial and commercial consumers and thus on quarter end we have 4,093 industrial and commercial customers. In respect of our Raigad geographical area we are connected to more than 39,500 domestic households and 18 CNG stations are currently operational. CNG stations in Raigad has crossed the average level of 41,000 kg per day in the month of December 2020. It is expected to go up when some more CNG stations become operational in coming months. In Raigad GA we have laid 41.92 kilometer of pipeline during the quarter thereby taking the total length of pipeline to 192.33 kilometer that is 1,044-inch kilometer.

In Raigarh GA we have received permissions for laying 8-kilometer steel pipeline from Panvel to Rasayani along the state highway. With this our teams have a working front of 37 kilometer now. We will lay these lines and gasify progressively to cater to the requirements of our CNG and industrial customers. Work has also started in JNPT area where an SEZ for small industrial and commercial units is being developed by JNPT. We have successfully completed major horizontal directional drilling projects namely crossing of creek near Belapur, Kila junction and near sector 19 Ulwe. In Savroli the work for development of a city gas station is progressing as per schedule and we are likely to complete the station in a year’s time from now.

During the quarter we achieved overall average sales volume of 2.77 MMSCMD consisting of CNG volume of 1.883 MMSCMD. Domestic PNG volume of 0.509 MMSCMD and 0.378 MMSCMD was supplied to the industrial and commercial segments. Significant volume recovery trend is seen with an increase of 34% in overall sales volume compared to previous quarter. In case of CNG sales volume has increased from 1.276 MMSCMD to 1.883 MMSCMD which is an increase of 48%. In case of domestic sales volume has increased from 0.463 MMSCMD to 0.509 MMSCMD which is an increase of 10% while in case of industrial and commercial segments sales volume has increased from 0.334 MMSCMD to 0.378 MMSCMD an increase of 13% compared to the previous quarter.

As a result, current quarter EBITDA is Rs. 317 crore which is 43% higher as compared to previous quarter EBITDA of Rs. 221 crore. EBITDA margins is at 47.5% for Q3 compared to previous quarter EBITDA margin of 43.6%. Net profit after tax is Rs. 217 crore for the quarter as compared to 144 crore in the previous quarter representing a 51% increase. Now let us look at some recent developments and implementations thereof. Oil marketing companies or OMCs have raised the demand for a steep hike in trade discount for selling CNG from their retail outlets. Ministry of petroleum and natural gas has been upraised of it by many CGD companies and we hope to settle the matter through negotiation and involvement of other stakeholders.

The union budget 2021-2022 proposals reiterate the government aim of increasing the share of natural gas in the energy basket from 6% to 15% by 2030. There is a focus on pushing for a gas based economy moving towards deregulated gas sector and market determinant pricing of our gas. There is a plan to add 100 more districts to the current CGD map. Another key announcement is establishment of an independent gas transport system operator enabling all gas marketers to have equal access to the common carrier gas pipelines to enable booking of available capacity.

MGL seems to be at a takeoff point for rapid progress in next three to four quarters in view of new highs in margins. Sales volume crossing 3 million standard cubic meter per day in Q3 and infrastructure getting ready in Raigad to tap industrial load. If factors like spot gas prices, brent level and rupee dollar exchange rate remains favorable. We can look forward to steady or even improved EBITDA margin per unit depending upon successful negotiation with OMCs on trade discount matter. The board of directors has approved an interim dividend of Rs. 9 per equity share for financial year 2020-2021.

With this, I conclude and would now like to open the floor for questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit from UBS. Please go ahead.

Amit: Sir, I have two questions one is on the volume recovery in the current quarters which in Q4 FY21, so if you can give us some brief on how the volumes are doing right now and then I will come back to my second question?

S M Ranade: There are definitely improvements in all the customer categories, coming to your specific question of what is happening in Q4, January figures maybe I will be able to share with you, domestic for example is going to be 0.467 so may be it will be worthwhile you want to compare with pre COVID level. Our estimate is as compared to pre COVID level it is going to be higher than nearly 15% then industrial sales it will be in the region of 0.249 MMSCMD which will be higher by nearly 7%. Commercial category will still be down I mean presently we are still down because you know the restaurants have opened up, but relatively late and even today restaurants are opened not many people are visiting often preference is at the most to home deliveries and those kind of things. So we are still down as compared to pre COVID level, but it is fast improving and CNG also as on today we are approximately down in the month of January I am talking about by around 9% as compared to pre COVID levels, but I think a positive way to look at it will be that inspite of CNG still not at pre COVID levels in spite of commercial particularly restaurant category still not at COVID level in spite of that good figures we have already seen in the volume and profitability front, so with these things progressing I think scene is much better going forward as well.

Amit: Sir my second question relates to our growth objectives so if we look at again like finance minister has mentioned about new cities should be added going forward and bidding would be done, but how do we look to add new geographical areas without going for aggressive bidding we cannot really win those some of these licenses and if we remain conservative then growth opportunities would remain limited, so like we have been at three geographical areas for now may be last three, four years and already many new entrants have come into this business and probably some of them have higher market cap than us also, so then what is our growth outline and how we are going to look at the new rounds of bidding going forward?

Rajesh Wagle: If you look at the volume growth in our existing three GA historically, we have been projecting about 5%, 6% of CAGR volume growth, because of this COVID there has been a significant dip. because of course next year we will expect high double-digit growth, but beyond that business as usual some our existing geographies itself we still stand by the 5%, 6% CAGR and we also need to keep in mind that the residual potential in our existing area is huge it is worth 15-20 of these new marginal GA which have been put out on bid in the last four, five rounds of bidding. Having said that it is not that we are not looking at new opportunities we are always on the lookout for other avenues of growth too, be it there is some bit of movement happening towards the 11th round of bidding of course timelines, etc., are uncertain because the regulatory board is not yet fully in place, as it is once we will look very closely at it and of course in the meanwhile any opportunity comes along the existing CGD or allied space we are open for looking at it.

Moderator: Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal: Just taking from previous question when you say PNG volumes right now in January were down 9%, can you give some ideas how the segment has pre budget buses and autos and cars which segment is significantly down and how much is car down some very rough idea will be useful?

Rajesh Wagle: I will try to attempt to answer this question, but do keep in mind that there are no really digitally accurate answers for these kind of questions because of nature of the business, but rough market intelligence sources what we gather we can try to share with you. This is as per our discussions with the different rickshaw taxi union, etc., the aggregator companies and kind of market intelligence from our existing retail outlet operators. So as per that feedback approximately 75% of the black and yellow cabs are back on the roads. For the auto rickshaw the number is about 85% and for the private aggregator, etc., and private car put together is about 90%. Here of course the private car number will be much higher because of absence of the reduction in public transport the aggregator number will be much lower, but what is exact mix we are not very sure. As regards volume contribution from these segments roughly about 37% has come from auto rickshaw this is our current CNG sales about 43%, 44% will come from private cars and aggregators, about 9.5% to 10% will come from state transport undertaking buses large majority of which are BEST. Black and yellow taxis contribute about 5% or 6% and the remaining 3%, 4% will be from the commercial vehicle category.

Anubhav Aggarwal: Secondly you are saying that it is not that one segment is significant on it everywhere when CNG volumes are down 9% it is largely just a taxes are significantly less largely similar across the segment?

Deepak Sawant: Adding to your answer to your question still work from home is going on in many of the organization. So people are not using the vehicles and in Maharashtra still 30% attendance has been imposed this has not been lifted so far. So these are also some of the factors which are responsible for less movement of vehicles.

Anubhav Aggarwal: One more question recently we took a price increase in both CNG and residential PNG segment I am just trying to understand which cost for us has gone up I understand that so is it like one cost which I can understand which will go up if you negotiate with on the OMC from the dealer margin side otherwise rupee has been appreciating it is just that the volumes have not come back to us, is there any increase in cost that we have seen that we have to take this price increase in this?

S M Ranade: Yes, there has been increases for example in case of minimum wages there has been increase. So no doubt our direct cost go up, but there are also lot of service contract which we have avoided so indirectly that cost gets passed on to us so that is one primary reason. Another is on per unit basis per SCM sold the OPEX has increased definitely compared to normal levels of business because you know due to COVID impact the volumes are down and as compared to say 4.70 at the most 4.90 type of OPEX for SCM which was in pre COVID levels that expenditure has sort of more than 5.50, 5.70 these way the range in which the OPEX was operating so that is another reason we have taken this increase. There were certain signs of even rupee dollar exchange rate moving upward. Now it is a different thing that last few days it has again started showing some stabilization, but otherwise there are forecast also available which indicate that it may move further upward and we need to be careful on that front also and if you want to look at it in a forward moving manner then yes there are some pending negotiations with OMC's also. So it is definitely primarildue to the already cost which we have gone up and there are some expectations which may further go up because of which this price increase has been taken.

Moderator: Thank you. The next question is from the line of Iqbal Khan from Edelweiss. Please go ahead.

Iqbal Khan: My question is on the current CNG volume you mentioned correct me if I am wrong you mentioned that the CNG volumes are down 9% and the domestic PNG volumes which is 15% above the pre COVID levels, is this what I have heard is this correct sir?

S M Ranade: Yes you heard it correctly.

Iqbal Khan: So my question so in Q3 the domestic CNG volumes was 0.509 MMSCMD and currently it is trading lower than the overall Q3 volumes, so can throw some light on this as to is it like the sign of indication that whether the demand is lower or just wanted to have an understanding on what direction the demand is pending?

S M Ranade: Can you repeat the question you are talking about domestic volumes or what is that you have said.

Iqbal Khan: Domestic PNG volumes so you mentioned that although it has slowed it is 15% above the pre COVID levels however in Q3 the domestic PNG was 0.509 MMSCMD, so if we compare the current January levels with the overall Q3 so in January it has actually declined, so just wanted to understand at what direction it is going?

Management: I think you can take the figures which we have talked about is MD just now talked in speech I think those are the figures which you can pick up. Since Q2 was 4.463 and Q3 is 0.509 so there has been a close to 10% increase.

Moderator: Thank you. The next question is from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.

Tarun Lakhotia: I actually have a follow up on the discussion on margins so how do we think about margins going forward that you will continue to pass on any cost inflation as the case may be in which case let us say the unit EBITDA that you have earned in this fiscal year where volumes were actually on a lower side becomes a floor and we should only expect to remain steady or go up going forward is that the right way to think about it?

S M Ranade: I think there are multiple factors on which margin will be dependent obviously from industrial and commercial sales category point of view movement in spot gas will be very important also important will be rupee dollar exchange rate because you must be aware entire gas is bought in dollar denominated terms whereas the sales take place in rupee terms so that is another important factor which needs to be noted. Third important factor is oil price levels because depending upon oil price levels the movements take place in our net sales realizations in commercial and industrial activity. So all these in fact factors which I have mentioned you can also note it these are external factor no direct control on any. Apart from that there are factors like what kind of OPEX we are incurring there are elements of fixed cost also that in spite of COVID era and all that there were certain fixed cost which we are forced to incur. There is also a negotiation which is going on with on trade discount matter though it gets adjusted in the sales realization, but from accounting point of view it is also some sort of OPEX. So all these factors are going to determine what kind of margin scenario is going to prevail. Now spot gas recently particularly in the month of January and February also we have seen sudden spurt in the spot gas, but we hope that now going forward it is going to stabilize because whatever production facilities were hit or some shipping related problems were faced we understand those things are improving fast and going forward there could be some definitely softening in terms of spot gas. In addition, we have tied up with some facility with relating to RIL gas also 0.1 MMSCMD we will be getting the gas domestically produced gas for industrial and commercial category and important point is it will be kept at a particular price which is much more attractive. So, hopefully on the spot gas price front as well as due to this new source of gas which we have recently got and it's supplies have already started also though not in full-fledged manner, but that is going to be a positive scene on the margin front. As regards gas cost increases in APM category which are used for domestic and CNG. Though increases cannot be ruled out, but I think company will be definitely in a position to pass through this cost because of the alternate fuel advantage in CNG and particularly in CNG because we are still at a substantial discount level compared to petrol and diesel and domestic apart from whatever maybe the discount level with reference to subsidized LPG gas today people have realized other benefits of PNG as well safety point of view or 24 by 7 availability and other advantages are accruing. So passing through the gas cost increase in APM should not be a problem while oil price level I think seems to be also once again favorable because there has been some hardening on Brent or oil price level which will be in our favor. So though it is not very easy to exactly predict, but I think the scene seems to be much positive on this one margin front and not to mention the latest price rise which we have taken in CNG also which will help us to hardly cover up the under recovery of fixed cost.

Tarun Lakhotia: In fact sir on that note CNG is like almost 75% of your regular volumes right and the kind of arbitratage that one has between CNG and petrol of course oil prices are volatile and difficult to predict, but let us assume they remain somewhat steady or even if they were to correct a bit we are still at a significant discount to petrol or diesel prices in Mumbai given the nature of taxes that we have, so I mean do you really see much risk to your margin I mean could you remind me when was the last time that your margins were under pressure because of any of these cost factors or inflation in operating cost or anything like that I mean do not you I mean is not it clear strong pricing power that you have in CNG segment which is the bulk of your volumes which allows you to maintain healthy margins and remain confident of delivering that going forward as well?

S M Ranade: Ability to pass through the cost is there, there is no doubt that, but we also ensure that the higher amount of incentives must continue to customers because given a choice if we would always prefer a volumes increase in a much better manner than the mere per unit margins I mean of course margins are important and we do have an eye on it however, at the same time we do not wish to exploit as such the ability to pass through the gas cost. We would rather like to offer much more discount so that conversions on CNG or adoption of CNG rate increases and today I think chances are I mean going month by month I think definitely there will be improvement in the conversions because lot of manufacturers, car manufacturers have started now coming up with CNG models you must be aware. Also, I think there is also a press report indicating in case of one of the leading manufacturer year by year the CNG cars it has sold is going up so that is also a positive factor and on Pan India level CNG movement is catching up because there are multiple areas on CGD distribution coming up. This all we feel will help in higher conversions and that is what we are looking for. So, ability to pass through gas cost we do use it say passing through this basically gas cost APM gas cost increases which takes place whereas for other purposes we would look at more increasing the conversions rather than merely if I can say exploiting that pricing power.

Tarun Lakhotia: So what is that threshold that you have for CNG prices at a discount to petrol at which you see the conversions to remain strong or improve going forward, is it like 25% is that a good number to work with?

S M Ranade: Yes, in the past history indicates that if the discount level is less than 25% then yes it does impact conversion that has been our observation.

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

Sabri Hazarika: I have two questions the first one is the bookkeeping question what is your industrial PNG volumes for Q3 and CNG volumes in kilogram?

S M Ranade: Industrial volume for Q3 it is 0.244 MMSCMD for Quarter 3 industrial and CNG in kg 12.46 crores that is the figure which I have or maybe 1.35 MMKGD if you can call it.

Sabri Hazarika: 12.46 crore kg that is the kilo.

S M Ranade: For the quarter.

Sabri Hazarika: And second question is regarding the GST outlook of natural gas so what is the current status there has been news flows which comes off and on and secondly can you quantify the benefits which we will get if GST is implemented in gas?

S M Ranade: See GST right now obviously natural gas is outside the framework of GST, but most of the input cost which we incur whether it is OPEX or CAPEX it is attracting GST on one hand and we are not getting any input credit for it. So the biggest advantage which we will get if the natural gas comes under GST framework is this credit for input whether it is CAPEX, OPEX and whether it is materials contractor related expenses or even other services which we avail. The benefit will be quite substantial however what we should note is when it comes to expenses which to debited to P&L there is an immediate or direct impact on P&L whereas with respect to capital good the benefit will accrue only through depreciation route and so that is the point which needs to be noted definitely. There are some benefit which we will get it even in case of sale to let us say industrial category. Today when we are charging VAT these industrial customers are unable to get input credit for it whereas if natural gas is under GST framework when we sell it with GST they will be able to get 100% input credit for that as well.

Sabri Hazarika: And what would by your P&L impact any calculations you have done?

S M Ranade: It is bit difficult to precisely state it, but it is quite substantial that much we can tell you.

Sabri Hazarika: Any ballpark number as on 50-100 crore something of that sort?

S M Ranade: I mean it is the similar range I mean when GST was introduced at that time we had attempted it was slightly less than whatever you are saying.

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

Vidyadhar Ginde: My question is on margins so with the various factors I mean positive and negative impact in Q4 one is this spot LNG the price hike which you have taken improvement in volumes on a QoQ basis, how do you see margins in Q4 to be flat QoQ how do you see that and second related question is longer term at some stage maybe this quarter itself or maybe a little later your volume should get back to pre COVID level and next time let us say in second half next financial year when the domestic gas price rises would you fully pass on the rise in gas cost or are these kind of margins which you have had are they sustainable in the foreseeable future?

S M Ranade: I think there are multiple questions so to say one question I think it may not be fair to talk very precisely on Q4 margins I think let us wait for Q4 results and you will definitely come to know, but yes you did mention about spot gas cost which must be worry to some people it has shot up like anything, but there are clear indications now that once again it is normalizing down so going forward very steep spot gas cost are not expected that is point number one. Yes, in future let us say 2021-2022 onwards assuming the volumes normalize the per unit OPEX will definitely drop and that is going to be helpful for us to improve the EBITDA per SCM definitely and finally as regards gas cost rise if it at all it is going to happen in APM for our CNG and domestic at least historical data shows that we have always been able to pass through gas cost sometimes decision could be little late, but I think we have passed on these gas cost for the simple reason is we do have ability to pass through based alternate fuels and other reasons in case of CNG as well as domestic. Anyway the entire scene will be dependent mainly on three important factors apart from anything else is rupee dollar exchange rate which will be important these spot gas cost will be important in oil price levels these are the three factors to watch. As regard spot gas we have been heavily dependent almost 100% on spot gas procurement certain improvements we have done I think we are now also sourcing from RIL domestically produced gas and which has been capped at a particular level so that is pretty attractive proposition for us though it is 0.1 MMSCMD only, but it is still at least 25% of total industrial commercial sales which is an important factor for the company. We will be looking for some midterm gas procurement also assuming we can get some good deals that will go in our favor in improving margins in industrial, commercial category further.

Vidyadhar Ginde: So basically, you are saying that your margins should be largely sustainable so though the margin went up to make up for volume fall in the past even when volumes improve you should be able to sustain?

S M Ranade: Yes, the only important other negative side to watch for is our success with OMC's in negotiating the trade discount level.

Vidyadhar Ginde: But that also you pass on and there is lot of headroom.

S M Ranade: Yes, you are right but apart from other things I mean we have to see it in a sum total ability to pass through is there that is true.

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

Manikantha Garre: Just to extend a little bit on the margins front again if excise duty is on petrol, diesel what do we cut tomorrow or in near future, do we expect a change in CNG prices immediately or we will wait given the discount would have just decreased a little bit versus petrol, diesel that is the first question and the second question is can you please give me the industrial PNG pricing in Q3 and how the pricing has moved in Q4 so far?

S M Ranade: As regard to your first question with pricing we must note it is not based on just one reason which we undertake the pricing revisions except for generally APM gas cost. Whenever APM gas cost rises definitely we pass through immediately, but otherwise when it is with reference to alternate fuel prices like petrol or diesel or something that cannot be the only reason based on which the pricing decision will be taken in fact petrol and diesel prices that way vary every day. So we do not wish to put our customers into difficulty by changing our CNG prices also on daily basis or something like that. So when you say pricing decision I think it is a decision based on variety of things like APM gas cost is of course important, ability to pass through because of the discount levels with reference to petrol, diesel is no doubt another important factor we have to recover our fixed cost also primarily through CNG, domestic because it nearly accounts for 85% of volumes. So it is a decision which is taken based on all these factors together. Second question can you repeat I could not get it clearly.

Manikantha Garre: The industrial pricing that we typically give every quarter how much is it in Q3 and what kind of hikes have been taken in Q4 so far industrial PNG package?

Rajesh Wagle: Industrial and commercial segments are our selling prices are market linked so they float with prices of alternate liquid fuels which are predominantly used in those market segments. So it is not any cost plus kind of a regime which was industrial and commercial segment. So our purchase of gas is in market price which is typically regassified LNG or domestically produce gas which produces or allowed to sell in open market and our selling prices indirectly derived from the price levels of crude oil which are correlated with price levels of industrial fuels which are sold in the country. The difference is what we make as a margin.

Manikantha Garre: Earlier you have given the pricing also the realization also for example in Q1 you mentioned Rs. 23 per SCM as industrial realization commercial as Rs. 28 so I was just looking how this has moved in Q3 and how much has been increased in Q4?

Rajesh Wagle: Quarter-to-quarter margins in the industrial and commercial segments again I can repeat that is a number which is an outcome of what we managed to buy our gas at and what we managed to sell it at. So, purchases typically a mix of spot RLNG and may be some index RLNG. Selling price is again index to basket of different fuels for different customers segments. It would be LSHS, FO for industry, it would be LDO and LPG for commercial segment etc.. So the margins that is a derived number unlike the domestic PNG and CNG segments where from time to time we take up conscious call to either increase or decrease our selling prices depending on circumstances.

Moderator: Thank you. The next question is from the line of Saurabh Handa from Citigroup. Please go ahead.

Saurabh Handa: Sir, my first question was on volumes I think on the previous call you had indicated which was in November that volumes had more or less normalized and were almost at 3 MMSCMD, so was that just during a particular period of time because your average for the quarter and even Jan number seem to be slightly below that?

Rajesh Wagle: November during the call we might have said that the call was I think in second week of November or so and we might have said that the weekday typical volume would have touched 3 MMSCMD in one or two days so that would be the peak volume it would not be the quarterly average or monthly average volume. In fact even now we have not touched the monthly average or quarterly average of 3 MMSCMD we are still short of that. It continues to happen even in the month of January and February there have been days of when our volumes are crossed 3 MMSCMD, but then you need to keep in mind that there are weekends when typically, CNG volumes are low or industrial volumes are low there are other holidays which bring down volumes. So typically, on average monthly or quarterly basis those volumes tend to get a bit low.

Saurabh Handa: So based on the numbers you have provided for Jan average will be roughly in the 2.9 MMSCMD range is that more or less correct?

S M Ranade: Yes right.

Saurabh Handa: And sir just my second question is actually following up on an earlier question which the earlier participant was asking we were just looking for your commercial and industrial net realizations not the margins you have been disclosing in the last couple of quarters it will be useful if you can give in this quarter as well for us to get a sense of how that has been trending?

S M Ranade: Commercial is Rs. 33.72 per SCM and industrial was 30.78.

Saurabh Handa: And in this quarter we can assume these would be obviously trending higher is there any indication of how much higher in Jan or Feb?

S M Ranade: See trend point of view there could be some chance of better realizations because now the start of the quarter itself has happened with higher oil price level $59 per barrel and all that kind of thing. So there could be a chance it will be slightly improved, but depends ultimately on oil price levels obviously there is one and half months still to go.

Moderator: Thank you. The next question is from the line of Vikash Jain from CLSA State Consultant. Please go ahead.

Vikash Jain: Sir, there has been lot of discussions on margins just wanted to understand a bit on volumes as well, but particularly on commercial volume now since Euro 6 was adopted diesel vehicles have become very expensive and for LCV many OEMs are also pushing CNG vehicles, so are you seeing any significant uptake in that segment, is that anyway there is a segment which seems to be very under penetrated for Mumbai, so any big positive trends that we are noticing over there?

Rajesh Wagle: On the CNG conversions I think last quarter we averaged about 4,000 odd conversions a month total vehicle addition was about I think 12,000 and the month of January there is an upward trend on it. We have observed about 4,500 additions in CNG vehicles. Again a large majority of this is a difference from maybe one or two years back a large majority of the current conversions are new OE fitted cars which lot of OEs are now pushing into the market and with CNG becoming a Pan India phenomena that segment is growing very fast. The retrofit share as a stagnant or going down because it has been almost year now that BS-VI norms are all have kicked in. So for many of the new car models which have come, type approvals for conversion to CNG, etc., not yet in place, but over the next one or two years that also should fall in place and number of black and yellow rickshaws and taxi those numbers actually are stagnating sort of because again the number of vehicles which are on the road also as I mentioned only about 80%, 90% of the total population. Depending on how on medium term this whole COVID things plays out whether it would be same business as usual and the same amount of public transport and traffic and individual transportation demand that happens of course there would be growth, but if social distancing and restrictions and public transport continue then again there are different scenario how it can play out more and more people start buying their own vehicles because of restricted public transport, availability, the sales and the private car segment, etc., could go up, but again if I have something which is very difficult to predict right now we will have to wait and watch.

Vikash Jain: So specifically, on commercial vehicle with LCV is there a big pickup that we are seeing in the last few months because that segment as I said possible are more underpenetrated for in Mumbai than in many other cities?

Rajesh Wagle: We have seen a small uptake in the induction of small commercial vehicles. This is because I think Maruti is in fact aggressively pitching in, to sell these OE fitted CNG small commercial vehicle and from less than 100 now that number has crept up to about 300- 400 every month. Hopefully going forward kind of diesel prices which are prevailing, etc., then there could be a sustained pickup in the segment and going forward more and more OEs has come up with CNG fitted, light commercial vehicles, etc., then there is a good market for these vehicles especially looking at the cost of new BS-VI diesel vehicles and the price levels which are prevailing in diesels.

Moderator: Thank you. The next question is from the line of S Ramesh from Nirmal Bang. Please go ahead.

S Ramesh: First of all can you give us the CAPEX as of 9 months and expected for FY21 and what is the CAPEX plan for FY22?

S M Ranade: CAPEX has been around 175 crores so far; we may end up depending upon the permissions which we receive anywhere between 350 to 400 crores maximum that is the range we are looking for this financial year. Next year the operational activities related CAPEX will be at least 500 crores, but there are also plans about some real estate I mean there are corporate office and some other satellite offices also we are planning. If we take that into consideration, there could be additional 150 crores which we will be looking at. So, put together it will be in the region of 650 crores for next financial year.

S Ramesh: Second thing is how do you see the regulations move forward in terms of announcing open access in areas where the marketing exclusivity has already expired?

S M Ranade: I think you must be aware already the regulations are out, but it has been challenged in Delhi High Court from our side also there is one challenge there are some other entities also have challenged these. So, until the matter is clear from High Court level it is difficult to comment right now.

S Ramesh: But the regulator has already announced open access code and the regulations for fixing tariff and are you saying that if they go ahead with notifying say Mumbai or Raigad you will continue to use the court case and stall that is that the official view?

S M Ranade: I mean it is not the question of who is stalling that High Court itself has given such types of orders without consent and information to High Court it is not expected on the part of regulator to move further.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.

Yogesh Patil: The first question is how many CNG stations you are planning to add in next two years and what is your view on new CNG station expansion strategy in Mumbai and the Thane geographical area, do you see the OMCs retail outlets which are not covered it will be added as a new CNG outlets or they will prefer as a third-party route for the CNG selling this is my first question?

S M Ranade: I think if you see the progress, we have been achieving in the past that at least 20 odd CNG station we are putting up which were Greenfield, but there were also upgradation anyway in the region of 15 to 20 we used to do. So minimum that type of trend is definitely going to continue. There are attempts to improve the number much more and apart from adding these new outlets this upgradation activity which we have been doing in the past as well that will be continued going forward also. There are chances particularly in the region of GA-3 addition of CNG outlets can improve much more for the simple reason at least there will be availability of plots either on outright basis or to take it on rental having leased basis or rental basis. The availability of plots will be definitely much more in case of GA-3. The number precise giving is right now bit difficult because as you know that particularly in GA-1 to a large extent we depend on oil marketing companies, there are no freehold lands available are very few. In GA-1 we have to be significantly dependent upon oil marketing companies more or less similar situation is on GA-2. So depending upon the responses received from oil marketing companies there will be figures much more than what earlier we have been achieving that is what we can see in GA-1 and GA-2 whereas in GA-3 we are quite confident that apart from plots from OMC we should be able to get other private plots as well.

Yogesh Patil: Sir my second question is just wanted your view on the metro lines in Mumbai, geographical area it is projected to be ready in a next two year so have you done any back envelope calculation how much it will dent on CNG volume growth, is there any back calculations do you have?

Rajesh Wagle: We have tried to do some analysis a couple of years back and we have come to a conclusion that this is not going to have a much impact on CNG volumes that is two reason for it. One is we have prior experience also because the first metro line in Mumbai was opened up quite a few years back Andheri to Ghatkopar metro and when we analyzed the CNG volumes in that area pre metro construction and post metro there was no decrease of anything as such. So that leads us to believe that there is a pent-up transportation demand which is already there which the new metro lines will cater to. It may not have additional detrimental impact on the current modes of transportation. Similarly, if you look at the case of New Delhi probably has got the biggest and best metro network in the country, but you have seen the CNG volumes they are in the way moving despite the advent of the metro. So we do not believe to be a significant pressure currently.

Moderator: Thank you. The next question is from the line of Varatharajan Sivasankaran from Systematix. Please go ahead.

Varatharajan Sivasankaran: Sir if you can give us a guidance as to the number of CNG stations you are likely to add in the 3 GAs and secondly you have access to the Denovo studies which OMC's has shared with you what is the basis of a sharp increase on the discount which is being demanded?

S M Ranade: I think CNG outlets additions we have already answered the question I hope you heard it just five minutes back anyway just for your benefit I will repeat we have been adding in the past in the range of 20 new outlets as well as we have been upgrading 20 odd stations as well. So minimum that kind of rate is bound to continue in GA-1, GA-2 whether we can add even further more stations can significantly depend upon the responses which we get from OMC because number of private plot available in these areas are relatively less. In GA-3 the number can be even higher because there is no, I mean the availability of plots is there whether on rental basis or on outright basis. So you will see some definite improvement in GA-3 area that is about CNG outlet. As regards the Denovo study which you have said we have received the details from their side and apart from what we can say is, apart from the normal operational cost they have talked about anyways like marketing efforts done by them then substitution effects and some synergy benefits these type of cost they have talked about which can be of course debated from the reasonability or necessity point of view and that has particularly raised that mark up to whatever Rs. 8 or other things they have demanded.

Varatharajan Sivasankaran: Is there an element of mark-to-market commission value of the side sir?

S M Ranade: Can you repeat the question.

Varatharajan Sivasankaran: Is there an element of mark-to-market commercial value of the site?

S M Ranade: No, nothing of that sort has been specifically mentioned.

Moderator: Thank you. The next question is from the line of Tushar Pendharkar from Ventura Securities. Please go ahead.

Tushar Pendharkar: Sir in the last call you mentioned that the NGT has identified few areas where the strict orders to shift from coal to gas is possible any update on this?

Rajesh Wagle: No we have informed the authorities of our readiness to serve customers there and availability of gas, but we have not observed any material progress on the ground in these areas in the last quarter.

Tushar Pendharkar: Because the same kind of order came in Delhi as well to convert all the industrial units, so any possibility in near term may be in six months or one year timeframe?

Rajesh Wagle: NGT is monitoring this thing we have indicated our readiness with our network in three of the affected places and fourth place is in GA-3 where we have said we can currently start by virtual pipelines and supply by conventional means in a year or two, so again it will be up to the NGT and judiciary of how quickly they will do something here which they have done in Delhi and maybe a bit in Gujarat.

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

Sanjib Datta: Thank you very much for attending the call.

Probal Sen: Thank you sir this is Probal here. Thank you everyone for taking the time to attend the call. Thank you so much in the management for patiently answering all the questions. I trsut it has been very informative for everyone. Thank you very much we can all log off now.

Moderator: Thank you. Ladies and gentlemen on behalf of Centrum Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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