



**MAHANAGAR
GAS**

MAHANAGAR GAS LIMITED

(GAIL, Govt. of Maharashtra & BGAPH Enterprise)

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Date: May 25, 2018

To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Scrp 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 Audited Financial Results for the quarter and year ended March 31, 2018.

Dear Sir/Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing - Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that an Earnings conference call on Audited Financial Results for the quarter and year ended March 31, 2018 was held on Tuesday, May 22, 2018 at 04.00 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.

Thanking You,

Yours Sincerely,

For Mahanagar Gas Limited





**Alok Mishra
Company Secretary and Compliance Officer**

Encl.: As above



“Mahanagar Gas Limited
Q4 FY2018 Earnings Conference Call”

May 22, 2018



ANALYST: MR. GAGAN DIXIT - ELARA SECURITIES PRIVATE LIMITED

**MANAGEMENT: MR. RAJEEV MATHUR – MANAGING DIRECTOR –
MAHANAGAR GAS LIMITED
MR. GAUTAM GHOSH – TECHNICAL DIRECTOR
MAHANAGAR GAS LIMITED
MR. SUNIL RANADE – CHIEF FINANCIAL OFFICER -
MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT
(COMMERCIAL) – MAHANAGAR GAS LIMITED
MS. JILL – INVESTOR RELATIONS (IR) REPRESENTATIVE -
MAHANAGAR GAS LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the Mahanagar Gas Limited Q4 FY2018 Earnings Conference Call, hosted by Elara Securities 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 “*” and then “0” on your touchtone phone. I now hand the conference over to Mr. Gagan Dixit from Elara Securities Private Limited. Thank you and over to you!

Gagan Dixit Thank you. Good evening and a warm welcome to everyone. It is our pleasure to be able to bring to you the management of Mahanagar Gas Limited led by MD, Rajeev Mathur, Technical Director, Mr. Gautam Ghosh, Chief Finance Officer, Mr. Sunil Ranade, and Senior Vice President (Commercial) Mr. Rajesh Wagle. So with these words, I would now hand over the conference to Mahanagar Gas Management. 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 volume, fluctuations in foreign exchange, other costs, and our ability to manage growth. I urge you to consider that quarterly numbers are not a reflection of long-term trend 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: A very good evening to all of you and once again I welcome you all to Mahanagar Gas Limited’s Q4 FY2017-2018 Earnings Conference Call. I would like to again thank you all those who have connected with us for our earnings call today.

The long-term CGD business outlook looks very positive in view of the following factors: Favorable regulatory environment addressing previous bidding round impediments with forward-looking and investor friendly reforms. Likely surge in the natural gas demand due to increased awareness about pollution and commitment of the Government of India at COP21. Rising population and rapid urbanisation, strong policy framework and guidelines in terms of CGD footprint expansion, mission PNG, smart cities, green corridors, etc., and the developments of CGD network in over 326 cities by 2022 and the ninth round of CGD bidding round called by PNGRB offering 86 new geographical areas in 174 districts, which will cover almost 29% of India’s population.

Now if we come to MGL, MGL is expanding its CGD network in the existing areas of operation, MGL is having close look at over 20 cities to be bid out, out of the 86 geographical areas, which



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are being offered under the PNGRB bidding. During this year we were able to connect more than 103750 domestic households, which started using PNG and we have today more than 1.03 million connected household customers . We have added over 440 industrial and commercial consumers and thus we have over 3600 industrial and commercial consumers as of now.

During the year we were able to add an additional 20 CNG stations and we upgraded 14 stations, the capacity of which went up. With this we have added almost 3.44 lakhs kgs per day of compression capacities this year and our cumulative compression capacity stands at 30.80 lakhs kg/day. We are now operating 223 CNG stations, supplying CNG to more than 609000 vehicles. We have steel pipeline network of 5,042 kms as of now.

With respect to Raigad, which is GA3, connectivity has been established to supply gas to 3000 domestic PNG consumers in Uran. Gas supply to six to seven major towns like Pen, Ulve, Kharjat, is being planned during this year through the virtual pipeline network. Five CNG stations are operational in the Raigad and works are going on to add another three stations in the next quarter or so.

For the financial year we have seen a growth of 5.14% in the overall sales volumes over the previous year. CNG sales volumes grew by 4.46%, domestic sales volume grew by 10.47%, commercial sector grew by 5.39%, and the industrial sector grew by 3.02%. If we exclude the de-growth in the state transport undertaking sector the annual growth in CNG volumes was over 7.3%. Overall the PNG volumes grew by 7.08%. The operating EBITDA was higher by 21.11% at Rs.780.11 Crores as compared to Rs.644.15 Crores in the previous year.

The EBITDA margin was 34.94% as compared to 31.67% in the previous year. The net profit after tax grew by 21.47% from Rs.393.42 Crores in the previous year to Rs.477.87 Crores during this year. During the quarter we have seen a growth of 6.70% in overall sales volumes over the corresponding quarter of the previous year. CNG sales volume grew by 6.65%, domestic sales volume grew by 9.0%, commercial sector grew by 4.9% and the industrial sector grew by 5.01%.

Overall the PNG volumes grew by 6.84%. The operating EBITDA was higher by 7.99% at Rs.176.16 Crores as compared to Rs.163.13 Crores in the corresponding quarter in the previous year.

Net profit after tax for the current quarter is Rs.104.76 Crores as against previous quarter of Rs.123.98 Crores. This is mainly due to certain costs not comparable with the earlier quarter.

- The first is based on the Gujarat VAT implication at the end of gas supplier, we received a debit note in Q4 with retrospective effect from August 2017. The liability booked during this quarter is Rs.7.9 Crores.



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- Some clarities were needed earlier on applicability of GST on the gas transportation charges, based on legal opinion received and clarification received from the gas supplier, a cost of Rs.3.7 Crores has been booked during the Q4.
- During last quarter, the spot gas prices per MMBTU were approximately \$9 per MMBTU as against approximately \$11 in this quarter. Due to this the gas cost has gone up approximately by Rs.17.3 Crores.
- Operational expenditures during the quarter were higher by 8 Crores mainly due to higher level of maintenance activity carried and some provisions made.
- On account of high capex during the quarter and full impact of last quarter capex, depreciation provided during the quarter is higher by approximately Rs.4 Crores.

Regarding the sale of stake by BG Asia Pacific Holding Private Limited ultimately owned by Royal Dutch Shell, Mahanagar Gas Limited would like to state that since this is a prerogative of promoters MGL has nothing to comment on this decision, but it may please be noted that MGL is an independent board managed company with proven track record in the CGD business. Day-to-day decisions are taken by Apex Executive Committee, except one whole-Time Director each from GAIL and BG (Shell) all other members of the Apex Executive Committee are Company executives with long experience in the CGD industry.

MGL is abreast with the latest technology as applicable to its areas of operations and it is self-reliant financially sound company. In fact, there was an indirect change in the holding of one promoter where in February 2016 Royal Dutch Shell acquired BG which is British Gas Worldwide. The business did and will continue as normal irrespective of any change in the shareholding. In the current quarter as well as going forward there would be some challenges in view of adverse Rupee Dollar exchange rate particularly for domestic and CNG customer category; however, we have the ability to pass on all such costs.

On the positive side, the present level of crude oil prices and spot RLNG prices as compared to Q4 of 2017-2018 augur well for the company. The realization from industrial and commercial sectors are also likely to improve. The discount level as compared to petrol, diesel will incentivise higher CNG conversions going forward. Relatively low spot RLNG prices would also help to improve margins in industrial and commercial category. Now 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. Ladies and gentlemen we will wait for a moment while the question assembles. The first question is from the line of Probal Sen from IDFC. Please go ahead.

Probal Sen: Thank you very much for the opportunity, good evening Sir. Just had couple of questions, one you mentioned the number of 1 million plus connected household customers may I ask what is the effective penetration level therefore in the Mumbai metropolitan region including Thane currently?



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- Management:** It is about 30%.
- Probal Sen:** This is on the basis of addressable households?
- Management:** Absolutely.
- Probal Sen:** Right Sir, I missed the number you mentioned of the number of customers added in this year Sir?
- Management:** So we gave 160000 new connectivity's and of which 103750 started using the PNG and they started burning PNG.
- Probal Sen:** Would it be fair to build in this kind of run rate going through for the next couple of years that is the kind of target that we are targeting?
- Management:** So we would only like to increase the run rate and the expectation is that we should about 200000 new connectivity next year.
- Probal Sen:** That is good to know. The second question I had was with respect to the pricing you did mention the impact that the rupee depreciation is having on the numbers for Q1 now given the slightly higher competitiveness I would imagine against alternate fuel, are we looking to make a price change or is it something that we are going to take a call on after observing for sometime, how are you looking at this whole rupee depreciation?
- Management:** At this stage, I would not be able to comment because there is too much of volatility in the rupee dollar exchange rate, but we would like to observe it over a period of time and then take a call.
- Probal Sen:** Last question was with respect to the ninth bidding round did you mention the number of cities that you are targeting to bid?
- Management:** Yes I said that we are targeting about 20 cities and as we go along we will closely look at bidding for some more all of them.
- Probal Sen:** What are the timelines right now from the regulator side in terms of the whole process?
- Management:** Bids are due on July 10.
- Probal Sen:** Okay and after that how much time will it take for them to open them and sort of finalize?
- Management:** The estimate is by October they should be able to decide one way or the other.
- Probal Sen:** Fair enough Sir. That is all. I will come back in the queue if I have more. Thank you so much.



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- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** I wanted to just reconfirm on this liability book you said something 7.5 Crores, so can you just again clarify is it part of the gas cost and does it need to be adjusted?
- Management:** Yes it is a part of gas cost the figure was 7.9 or approximately 8 Crores, what has happened we had received this debit note from gas supplier in Q4. This was something to do, we understand, due to Gujarat VAT implication the input credit probably was not available to gas supplier and hence they have passed on this cost to us, may be earlier some clarity was not emerging for them and hence they have sent it in Q4 and since as per our contract with the gas supplier or whatever tax incidences they receive we are required to pay for, hence we have booked it in Q4, which is to the tune of Rs.8 Crores, to that extent of course it is not comparable with the earlier quarter because this entire liability emanating right from August 2017 onwards we have booked into Q4. As regards your second question whether this will be a continued liability kind of thing? Yes proportionate in the sense 8 Crores divided whatever eight, nine months liability is there to that extent there will be a recurring liability henceforth.
- Sabri Hazarika:** The other thing you said was 3.7 Crores of GST related impact right, so that was also similar or it is something else?
- Management:** That was also with respect to gas cost. There was a issue about clarity coming upon on applicability of GST on gas transportation charges, so now we have taken a legal opinion also and based on certain other clarification received from the gas supplier we have now booked the liability in Q4, which is to the tune of Rs.3.7 Crores.
- Sabri Hazarika:** This is also recurring or this is one time?
- Management:** The liability booked is with effect from July 1, 2017, so it is for nine months, so proportionately whatever monthly cost will come up that will be recurring liability assuming other volumes etc., remain same.
- Sabri Hazarika:** And the supply you are talking about is GAIL or it is someone else?
- Management:** Yes it is GAIL.
- Sabri Hazarika:** My second question is relating to the guidance going forward, I actually missed the first part, so what are your broad targets as far as CNG outlet is concerned and about the volume outlook and margin outlook going forward?



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- Management:** I would put it in this manner that going forward this year we expect to have additional 200000 new connectivity for PNG in place by the end of the year and our target is to add 35 new CNG stations, out of which about 20 or 25 would be new and about 10 or 15 would be upgradation equivalent to a new station.
- Sabri Hazarika:** Just one last question your depreciation went up, so you said that some of the capex was booked during Q4, so was it pertaining to some area like Raigad etc., being expense during the quarter or it is got something, some other provision or something provisions or something else?
- Management:** No, it is all areas put together GA1, GA2 and some minor things from Raigad also, it is for entire geography.
- Sabri Hazarika:** This run rate will continue going forward right?
- Management:** Yes.
- Sabri Hazarika:** Okay Sir, fair enough if I have anything more I will come in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.
- Vidyadhar Ginde:** Thank you. In terms of spot LNG price as you rightly said the spot LNG price in the current quarter to date average is lower QOQ, but if you look at the latest prices in the rupee terms they are very similar, in fact slightly higher, so you probably need to pass it on to the consumer, so how are you looking at that if this trend continues?
- Management:** We would definitely look at passing it on, if the trend continues in this manner.
- Management:** I will just add to that, yes spot LNG price on rupee term may be similar as the rupee have depreciated.
- Vidyadhar Ginde:** Correct, it is similar in the rupee term, not in?
- Management:** Yes and dollar terms of course moderated.
- Vidyadhar Ginde:** Correct, but that also I think with oil price it is again started, oils also gone up by about \$10 dollars in the last few weeks?
- Management:** That is fair enough, but what I am trying to say is we automatically get compensated for that by increase in our selling price because all those gas goes into the industrial and commercial



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segments where our selling prices are linked to the prices of alternate fuels, so with oil prices going up, alternate liquid fuel price will go up with a rupee depreciating that goes up, so automatically our selling prices go up and compensate us for any increase in our gas costs.

Vidyadhar Ginde: So you are saying that unlike in the first quarter when the seasonally spot LNG prices are high when oil has not gone up that much you were more hit whereas if the rises in sync with oil prices then it gets passed on?

Management: Yes it was a double effect, right.

Vidyadhar Ginde: Correct, okay. Thanks.

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

Manikantha Garre: Good afternoon. Thanks for the opportunity to ask questions. Firstly as per the set of local taxes that we have to incur on CNG as well as domestic PNG, how much is it per SCM that would be possible to give?

Management: You are taking about tax rate?

Manikantha Garre: Yes Sir, local taxes?

Management: There is no Octroi if you are referring to that or no local body tax involved, but VAT is 13.5% for CNG and excise is 14%.

Manikantha Garre: My second question is in terms of the CNG stations guidance for next year, I think in the last few years you have been talking about adding up 20 CNG stations and now the 20 to 25 along with 10 to 15 upgradation, I just wondering if there is any improvement in CNG outlook that you have seen, which led you to think about adding to the extent of 25 new stations as well as upgrading 15 this new stations, can you give some colour on that?

Management: If you have seen across the city there is long queues which are there in front of every station and our objective is to reduce the queuing time number one, every months 5000 to 6000 new vehicles are getting added and that is when such number of queues are already there, so our take of the whole thing is that more the number of stations every station will contribute between 5000 and 10000 kgs of added volumes for us as we open those stations going forward, so our effort would be to increase the pace of opening new stations, we would also be looking at upgrading existing station, so that the queuing time goes down and more sales happen during the same period.



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- Manikantha Garre:** Understood Sir and this 5000 to 6000 new vehicles that you are talking about also includes private taxi companies Ola, Uber vehicles including that?
- Management:** That includes everything and in fact aggregator vehicles are only increasing day by day.
- Manikantha Garre:** If I can ask what would be the number for last quarter Sir per month basis out of the 5000 to 6000?
- .
- Management:** 19000 new vehicles added in the last quarter.
- Management:** 19600.
- Manikantha Garre:** Split Sir, split between Yellow Cab's as well as private vehicles?
- Management:** Majority of them are actually auto rickshaw about 13000, 5500 were the aggregators and private cabs.
- Manikantha Garre:** Sure Sir and one last question from my side, if you can please give us some view on – I have been reading some articles, which are talking about upcoming technology of using electricity for cooking that looks it is a direct competition to domestic PNG, would you have some colour on that Sir?
- Management:** If you have experienced the Indian cooking the electricity or the microwave oven does not help except in heating and our experiences has been that all these technologies have been there for years and yet they have not taken off in a big way, primarily because Indians need experience of actual cooking through heating methodology, which directly impacts the coking and the gas is the best source for energy for the Indian taste and the kind of cooking that we do and therefore we believe that gas is going to stay for long-term, electric cooking etc., may just be a minor component of the overall energy that is required by people for cooking purposes.
- Manikantha Garre:** Understood Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Amit Rastogi from UBS Securities. Please go ahead.
- Amit Rastogi:** Good afternoon Sir. I would like to understand that if there is any renegotiation of charges with oil market companies on account of sharing their retail outlets?



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- Management:** We have been in discussion with the oil marketing companies and in the past also we have informed that we have done enough provisioning to take care of whatever our negotiations to come to a settlement for the margins are and we are quite hopeful that those numbers will be well within the provisioning that we have already done for this.
- Amit Rastogi:** Sir when do you think that we will come to know like how much we are paying them right now and what is our expectation and when you think that this matter can be settled?
- Management:** Our take of the whole thing is that it is going to be settled very soon and any increase, which is happening will be linked to inflation and cost of manpower etc., rise in cost of manpower that is the only element which will allow any inflation to happen in terms of the margins and those are all quantifiable numbers. As far as your question of what we are giving today.
- Management:** Rs.2.74 paise per kg.
- Amit Rastogi:** This is all in cost basically we are giving them?
- Management :** Yes it is offered as trade discount, so there is nothing some components or anything like that, it is just offered one figure trade discount to them.
- Amit Rastogi:** What is the revised number you look nearly?
- Management:** So if you have seen what the inflation is and if you have the numbers of the wage increases in the past may be you can calculate that, it is not going to be a big number.
- Amit Rastogi:** This new number will be applicable from April 2018 or like when it is likely to be applicable?
- Management:** Yes, so April 2018 financially onwards the new number would be there.
- Amit Rastogi:** Okay, so it will not affect our previous books of account like till March 31, 2018 whatever numbers get re-negotiated.
- Management:** Whatever would have been the impact is already provided for.
- Amit Rastogi:** Is already provided for and Sir second thing about?
- Management:** Just to add even if by chance some extra elements comes up as per accounting standard since this will be happening post March maybe June, July whatever it happens and if it is so required that additional burden will be taken care in the Q1 onwards, if at all.



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- Amit Rastogi:** Okay and Sir like we are seeing today that alternative fuels are going up gasoline diesel prices are going up and these companies are passing through the rupee depreciation impact as and when it is happening so if you see currently the retail prices are going up so why in our case you think that we need to wait for may be nearly 1.5 month and then look at the price changes?
- Management:** There is no sacrosanct rule that we have to wait for 1.5 months, but our belief is that there is lot of volatility in the crude prices and nobody knows what they are going to be going forward and nobody has been able to predict whether it is 80 or 70 or 60 so unless we are reasonably sure that some trend is going to prevail over a longer terms, burdening the customers with daily variation change etc., is not a desirable thing that actually helps in our favour if there is stability in price of CNG and we have the ability to pass it on to the extent required going forward anyway.
- Amit Rastogi:** Yes that is what I was saying that we have the pricing power given the alternative fuel prices have gone up so exercising that pricing power is slightly earlier might help us in Q1 in maintaining the margins or it might hurt the Q1 as well in terms of margin?
- Management:** Yes you are right. We definitely have the room available or ability to pass through. I think, only thing the Managing Director as mentioned is we are taking that call, it is under consideration, specific time right now it may not be appropriate to disclose.
- Amit Rastogi:** Okay and Sir out of these new 35 CNG stations, which we have mentioned how much already been under significant progress like where we see that a closer can happen very soon?
- Management:** Our take of the whole thing is that there is work going on all 35 at the moment and progressively every quarter you will see five, six or more than those stations coming up. It all depends on how soon we get approvals, how soon we get safety clearance etc., so there is likely that there might be bunching at times then we are aiming at 35 during this year on an average maybe six, seven stations every quarter so.
- Amit Rastogi:** But can see right visibility will be very high for this 35 in this financial year?
- Management:** As I said we are working on more number of stations than 35.
- Amit Rastogi:** So 35 is more conservative number I think?
- Management:** Absolutely.
- Amit Rastogi:** Okay just capex guidance for the current financial year FY2019 and what we have incurred in FY2018?



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Management: FY2018 we have incurred around Rs.270 Crores approximately and 2018-2019 it will be at least Rs.300 Crores.

Amit Rastogi: Thank you Sir and best of luck.

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

Sunil Shah: Sir one just data question I believe earlier in the call you were stated that the quantum of daily gas we compress is something around 3-odd lakh can I get that number correctly place?

Management: No I talked about 30.80 lakh kgs per day.

Sunil Shah: 30.80 lakh kgs and this is Sir for both CNG and PNG included?

Management: No it is only CNG that is the ability to compress.

Sunil Shah: CNG okay that 30.80 and when we say that we are going to bid for 20 cities so the ballpark we would have some understanding on the kind of capex is hypothetically assuming that we get that 20 cities then what would be the kind of capex or what could be cash flow? What are we planning? Can you give us some thoughts on that about your bidding thing which we are going to do?

Management: I think it is too premature you say the bidding we will participate there will be others also, but ballpark number is for any reasonably sized GA you may require Rs.500 Crores to Rs.1000 Crores.

Sunil Shah: So is it all front-ended I believe so right?

Management: It is spread over at least five, six years. Sales ramp up may be different from each geography where it is a concentration of industrial unit may be sales ramp up may be little faster whereas it is predominantly CNG domestic ramp up will be comparatively slower.

Sunil Shah: Okay Sir there is also on mentioned about degrowth in the buses consumption, it was ST or we are talking about BEST right, buses?

Management: We are talking about BEST.

Sunil Shah: Sir we think now that we have seen electric buses on the road in Mumbai city also, what is the consumption that is happening today out of 30.8 lakh CNG that we compress?



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- Management:** Point number two electric buses are far and few. It has no impact whatsoever. The impact has been where buses have gone out of business because of they were not repaired or they have been junked and BEST has no ability to buy newer ones. So that is only the reason or they have the route on which they have plying, they have discontinued so those are reason the electric buses are not the reason why there has been degrowth.
- Sunil Shah** Sure Sir. Thanks for clarifying, but just what is the quantum that we supply to the BEST today on a daily basis?
- Management:** Just roughly about 1.3 lakh kgs per day. On BEST, ST, NMMT and TMT put together so 90 plus percent total BEST.
- Sunil Shah** Okay it is about 1.3 lakh kgs per day all put together?
- Management:** 1.35 lakh kgs on an average this year.
- Sunil Shah** On an average this year. Thank you very much Sir for all this side. Thanks.
- Moderator:** Thank you. The next question is from the line of Ritesh Gupta from Ambit Capital. Please go ahead.
- Ritesh Gupta:** Thank you Sir. Just on the buses bit just wanted to check who is adding this electric buses I mean is it BEST which is additional electric buses or is it somebody else who is adding and some other authority which is adding electric buses?
- Management:** Our take is BEST was offered a grant for four buses and those are the buses they have added and the other buses that have got added two or three by MMRDA which are running on trial basis. Each bus costs may be Rs.2 Crores or more so essentially it is a grant which is enabling them to experience how electric bus runs.
- Sunil Shah** Bus trend will be similar in Navi Mumbai as well because I think authority is different in Navi Mumbai.
- Management:** Not to our knowledge these are six buses are running as of now.
- Sunil Shah** Okay and Sir you said 19000 new vehicles being added out of which I think you said 13000 was auto-rickshaw and 5500 was aggregated in cabs. On private vehicles what should in?
- Management:** So aggregated all private vehicles but then just then wait a minute, we will give you.



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- Management:** 5000 odd is mix of aggregators in private vehicles, roughly in equal proportion.
- Sunil Shah** Okay any acceleration you see a volume growth rates because of probably increase in crude prices and alternative fuels effectively becoming in more expensive? Is there I mean if we have been doing about 6%, 7% volume growth rates you are expanding in Raigad and probably in terms of alternative economics also more favorable so any acceleration in volume growth?
- Management:** Our take of the whole thing is as it becomes easier for people to access and gets CNG filled. The volume growth will continue to grow so our take is that as we expands the number of stations make it easier for people to get CNG and reduce the fuelling time, there is going to be growth in terms of the usages of CNG because the differential at any stage between petrol, diesel and CNG will remain it will would only grow going forward.
- Sunil Shah** Okay but you have not seen any major positive impact of like improved economics whether in commercial or whether in CNG? Incremental basis I mean of course? You have been always competitive but on incremental basis you are not seeing much improvement in last one month or so?
- Management:** April number of CNG conversion jumped up by about 1500 or so above average.
- Management:** I think it is too early to predict in one month or two months, it is difficult to say but then of course as a differential grow attractiveness of CNG will definitely grow. So our take is that if we make it easier for people to access the product. The volume growth will definitely grow.
- Sunil Shah** Got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.
- Vikas Jain:** I have two questions one is regarding these 20 or so GAs that you mentioned if you could give some sense of what is the demand opportunity like over there and could we buy when are you talking that demand could be met in each of them, I mean broad range of what range are we looking at in terms of MMSCMD?
- Management:** GAs are scattered all over the country some of them are biggest cities for example Chennai, Bhopal, Jaipur etc., and some of them are semi-urban area, some are rural so demand in each of them would be different, but as per the current policy of the government whatever volumes would be required for anybody who gets the GA for CNG and PNG purposes that shall be made available from the APM Gas so for GA which is predominantly rural, you may be looking at half a million cubic meters potential, for a city which is the largest Chennai for example potential may be as good as three or four million.



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Vikas Jain: Sir I mean in terms of the way we are looking at when the ones we are looking more closely is it the size of the opportunity, is it density of population, is it preference of industrial over or domestic over industrial or some of those things I mean what is it simply how contiguous how proximal they are to our current operations?

Management: So these are some of the parameters amongst others that we determine and it is a package weightage each of these parameters that determines how good or bad that GAs is for us in terms of our benchmarks and that is how we have segregated 20 out of 86, 20 or 24 whatever, and finally we will see as a strategy how many of them we should we be going aggressively on.

Vikas Jain: Also this some of the opex numbers kind of, one off for this quarter may not be one off for the full-year or one-off for this quarter that you mentioned, is it fair to say that when you effected the price hike in April, these were taken into account or they were not taken into account in terms of increase in opex when that price hike was done?

Management: Only part was taken into consideration.

Vikas Jain: Okay so basically from that point onwards the opex has gone higher, rupee is of course I mean it was at 65 then as we can further, I mean is it more likely that the only way for the next reset in October and did you do anything or it could happen much earlier?

Management: As far as pricing is concerned, we cannot comment here on that, you are right these are some of the factors, which lead a company to decide whether to change the price or not. We are free to determine that at what stage we need to change the price so we will take appropriate decision going forward, but we need not wait for October to do that.

Vikas Jain: Okay and Sir last two quarters after rather tepid first half have seen again some return of volume growth in terms of closer to 7% or so? What is the kind of guidance that you have for more full-year basis on over the next couple of years or so?

Management: As I said as we made the product available more easily the volume growth and the percentage growth is only going to grow. It is not going to come down and our effort would be to increase the network our effort would be to get more stations in place, our effort would be to get those stations in place at location where the potential is high so we are trying to make it more easier for people to access this because the price differential and other attractiveness is no brainer. And that is our effort would be going forward in the next couple of years.

Vikas Jain: So when you say that growth will accelerate basically you are taking from starting point of 7% or you are talking from lowest starting point basically 7% is what you think should happen for FY2019-FY2020 as well?



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- Management:** Our hope is that it will be better than this, will be able to better this.
- Vikas Jain:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Thanks for the opportunity. Sir I just missed out on the number of you mentioned renegotiation with the oil marketing companies so have we already done that and the current pricing is that 0.74 paisa if I am not mistaken just wanted to clarify that?
- Management:** Current trade margins is Rs.2.74 paisa. The negotiations with oil marketing companies are in very advanced stage and hopefully we should be closing soon.
- Kunal Bhatia:** Okay so what kind of rise do we expect there in the range of from 10% to 15% or it could be more?
- Management:** Whatever raise not that much of concern because partly as Managing Director said some provisioning is there and we always have pricing freedom, to pass through addition how comes to that.
- Kunal Bhatia:** Okay and Sir I understand you mentioned about you would be taking a price increase on a later date, but Sir what would be your point in terms of a trigger that would aid you to increase the prices? I understand that currently the crude oil prices have been volatile, but at what trigger point would you be sure increasing the prices?
- Management:** So as the appropriate time I think that is the answer. We will take into consideration everything and then take a call as I said we have the ability and the spread to pass on whatever the cost are so that should not be point of worry for anyone.
- Kunal Bhatia:** Okay and Sir finally what would be your volume guidance for the next year?
- Management:** So we said we are doing about 7% as of now or our effort would be to only better that going forward.
- Kunal Bhatia:** Okay got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.



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- Vidyadhar Ginde:** Thanks. Just from what you have said on the call until now it appears that in case of the industrial and commercial volumes probably margins should be better in the current quarter because the rise in oil price should be reading there, but commentary seems to suggest that CNG and PNG which is a bigger proportion of your volumes, margins might be actually under more pressure because do not seem to have passed on this weakness in INR so overall our margins likely to be similar in the current quarter or some improvement is likely?
- Management:** How should I report it we already look at increasing the margins and that is the effort what the company wants to put in to present before all of you, so please do not take it as if margins are getting squeezed or there is an inability to pass on the costs etc.
- Vidyadhar Ginde:** There is ability, but may be even now may be the marginal CNG and PNG are not?
- Management:** We are not doing pricing on a day-to-day basis.
- Vidyadhar Ginde:** No, I agree. But I think the last quarter margin is like a four quarter low again I think your weak margins in the same fourth quarter of the previous year has a good bounce back in the first quarter, but rupee was probably not an issue then?
- Management:** No. I think this quarter Q4, we elaborated already what are the other things, because there are one-off times which have taken place in this Q4 as we talked about earlier I think, MD spoke in his speech also that Rs.8 Crores was on account of some Gujarat VAT element.
- Vidyadhar Ginde:** Correct.
- Management:** That was there in Rs.4 Crores was on account of...
- Vidyadhar Ginde:** This Gujarat VAT will it be an ongoing thing though I know there is an element of prior period in what you paid in Q4?
- Management:** Proportionate that is Rs.8 Crores divided by whatever eight, nine months.
- Vidyadhar Ginde:** But that is going to continue now?
- Management:** That will continue proportionately.
- Vidyadhar Ginde:** But now is that being passed onto the consumers now, because just the gas company, transmission company passes it onto gas supplier, do you have your contracts with your consumers to pass this on?



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- Management:** This gas supply predominantly for domestic and CNG.
- Vidyadhar Ginde:** Okay, so that is again yet another item to be passed on, is it?
- Management:** Yes that is an incremental cost.
- Vidyadhar Ginde:** But was it taken into consideration when you made the price hike in April?
- Management:** No, it was not taken into.
- Vidyadhar Ginde:** Okay, so which is where I think I am coming back to the same thing that it clearly from the commentary appears that commercial and industrial should do better in terms of margins in the current quarter, but CNG, PNG one is not sure, so if you could get more colour on that. Will CNG, PNG margins be similar or better in the current quarter?
- Management:** We may try to beat and or even better them as we go forward that is all I can say.
- Management:** I think one hint has already been given and somebody asked the question that in case there is any price rise whether we will have to wait till October and as the MD had already answered it need not be till October, that we also wait I think that give some hint.
- Vidyadhar Ginde:** Thanks a lot.
- Moderator:** Thank you. The next question is a followup from the line of Manikantha Garre from Axis Capital. Please go ahead.
- Manikantha Garre:** Thanks again Sir. Just wanted to understand from you the split of gas, so as the priority sector and industrial, commercial I think last three quarters you are mentioning that 77%, 23% with APM and PMT for priority does it continue?
- Management:** Yes, it continues in that fashion.
- Manikantha Garre:** And for industrial, commercial split between term and spot LNG how is that Sir?
- Management:** We do not have any long-term LNG, currently predominantly spot.
- Manikantha Garre:** Okay and one last question Sir what is your average LNG price for Q4?
- Management:** Q4 which we have already talked about.
- Management:** About 11\$ or so.



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- Manikantha Garre:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Chinmay Gandre from Future Generali. Please go ahead.
- Chinmay Gandre:** Thank you for taking my question. With respect to the price hike that we took in April, it seems to be bit higher than what the APM price increase was so you mentioned that Rs.8 Crores and Rs.4 Crores continuing item was not considered in that price hike, so did we consider the OMC renegotiation in that. I just wanted to understand what sort of price, what sort of cost?
- Management:** We have already explained that provisioning is already there for any increase in OMC margin and if there is anything else we have the ability to pass it on. On these two one-off things, we have not taken that into account while changing the price in April and third that we have ability to change the price at any point of time, fourth we are not doing a daily pricing, so we have to take various factors into account at the appropriate time at which a price change if required has to happen.
- Chinmay Gandre:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.
- Vikas Jain:** I just one clarification since you mentioned that again if this negotiation with the OMC is not retrospective then what is the provision regarding because if it is prospective so that should come in the year when it will actually be increased, so what do you mean by you made a provision?
- Management:** It is not that. We have not made any categorical statement that nothing is there with retrospective effect. What we have made a statement that for retrospective period also we feel we have made adequate provision that is one statement, which we already made and in case by chance if provision is inadequate, then the call will be taken in the current quarter onwards.
- Vikas Jain:** Just to make it clear. The hike could be retrospective when you said retrospective it could be starting what April 2017, April 2016 when could it be, the retrospective period would be starting when? Secondly you believe that you have made adequate provision and over and above that whatever is actual for that particular year, you will of course see how that can be passed on in terms of a price hike, is that the right understanding?
- Management:** There are only two factors, which I talked about which change any margin or any commission that is given to the OMCs. One is the inflation and second is the cost at which manpower wages change, so those are the only two elements. They are known and they are published by the government every should I say every month and therefore there is a predictability in any change,



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which is going to happen and if in the past if it has changed something provisioning would have been done to take care of that, these are all what we are trying to say.

Vikas Jain: I understand but I am saying that when you say retrospective this will be starting what, for the last one year, last two years?

Management: Probably one-and-a-half year or so to that we are in discussions to that.

Vikas Jain: Thank you so much.

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

Sagar Shah: Good evening Sir. Actually my first question has already answered something like I think foreign exchange rate has gone up for the USD INR so that is why I think the cost of natural gas and traded items has gone up right sequentially I am speaking as Q-o-Q?

Management: To some extent that impact is there, but that is not the major impact. In Q4 why really the gas cost have gone up is we explained that supplier end there was some implication on Gujarat VAT because of that the debit note was sent to us with effect from August in this Q4 it accounted for nearly Rs.8 Crores and there were certain GST implication, which clarities were taken from the supplier as well as some legal opinion was received thereafter approximately Rs.4 Crores were booked in this Q4. These were on supplies for our CNG and domestic sector whereas in case of spot gas which is used for our industrial and commercial since the average cost dollar for MMBTU was almost \$11 as compared to say \$9 in the earlier quarter that has also impacted the gas cost. So this is the primary reason though minor impact could be there due to exchange rates.

Sagar Shah: In the coming quarters, the impact of something high procurement cost will continue according to you?

Management: The reasons which we talked about that was bunched booking for example Gujarat VAT related impact was for eight months, so eight months accounts for nearly Rs.8 Crores, so proportionate payment will continue for continuing month whereas in case of GST for nine month implication was Rs.4 Crores, so we will have to calculate per month and may be to that extent it can continue. It is substantially going to be much lower than this obviously in the Q1 onwards, because it will be only for the purpose of that quarter and not the bunch receipt of the earlier months.

Sagar Shah: Okay and something like can you give a breakup of something like at what percentage of gas do we actually take to have imported and how much percentage do we actually procure from GAIL?



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- Management:** About 85% is domestic gas from GAIL, and the rest is spot short term.
- Sagar Shah:** Okay, so import is 15%. Since we have already taken price hike in April as do we will expect the EBITDA margins at least in the coming quarters to improve as compared to the Q4 FY2018?
- Management:** Our effort would be to maintain or improve the EBITDA margins going forward and that is the effort.
- Sagar Shah:** I understand that is your effort, but what do you expect, do you expect it to go up or you expected to maintain in this FY?
- Management:** I will just answer within one second for this gentleman. There is a negative impact no doubt due to exchange rate but there will be favorable impact due to oil levels going up, so our ability to pass through in CNG domestic will improve and definitely in industrial, commercial our sales realizations are going to improve.
- Sagar Shah:** Got your point.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from Care Portfolio Management. Please go ahead.
- Mohit Jain:** Good evening. From the comment, it is very clear that is my accessibility and the number of station as it improve the growth will be very good, so one of the article I read when your commentary mentioned that Mahanagar Gas is planning mobile CNG Gas Filling Service, anything that you want to highlight on that or any steps being taken on that?
- Management:** We have taken it up with the regulator. We have taken it up with the safety regulator also and once that gets approved, we should be in a position to do mobile dispensing also. We are anyway moving volumes over long distances to our stations where they are stationed and then dispensing is done to stationary dispensers, all we are saying is that if we have a dispenser mounted on the mobile cascade also then you could station that anywhere and dispense and our hope is that in the near future that should be getting an approval when we will not require land and other facilities to put up a stationary station you could do it anywhere then.
- Mohit Jain:** What could be the coverage that you would be able to do to get that approval, one that mobile CNG gets distinct can cater it is like equivalent to one station or how would that be?
- Management:** It could be equivalent to a station, depending on how much capacity you are moving on the mobile thing, it could be easily a station.



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- Mohit Jain:** No timelines of approval, any expectation of you from when this approval could be received?
- Management:** Our expectation is that they should happen within this year because the regulator they received the matter and our hope is that we should get it expeditiously.
- Mohit Jain:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ayushi Mohta from CD Equisearch. Please go ahead.
- Ayushi Mohta:** Good evening Sir. How many CNG stations have been added in Raigad tender?
- Management:** Five for operating as of now, three more are in the offing very soon.
- Ayushi Mohta:** So that should be for the full year FY2019 or just the quarter?
- Management:** No, our effort would be to do more, but visibility of eight is there immediately.
- Ayushi Mohta:** Okay and what is the amount of capex involving setting up of a CNG station?
- Management:** It depends on the size of the plot, the capacity of the compressors we put up, the number of dispensers we put up, but ballpark you can take Rs.2 Crores.
- Ayushi Mohta:** Per station?
- Management:** Yes.
- Ayushi Mohta:** Is there any difference in capex involved for instance a setting up a CNG station at Raigad or in Mumbai regions is there a difference in the amount involved?
- Management:** It should be any significant difference.
- Management:** Only the differences on the land, which may vary from, place to place if you own the land yourself.
- Ayushi Mohta:** Thank you.
- Moderator:** Thank you. We take the last question from the line of Shailendra Mundra from Veba Financial. Please go ahead.



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Shailendra Mundra: Congratulations for the good set of numbers. I wanted some elaboration on the last question. When I at least in Mumbai city when I go around I find there is very, very long queues in all CNG stations, so what is preventing the company to expedite increasing the number of stations? What is the typical gestation period to set up a station, what is the cost in Mumbai and what is the payback period, so what is the bottleneck to dramatically increase the number of stations?

Management: If you are living in Mumbai you would know there is scarcity of land and there are not too many places where you can set up these kind of utilities so easily. Secondly the process of getting the land also is quite elaborate here, even in spite of all that we have done 20 stations during this year, next year we plan to do 35 and the cost of land of course it depends year-on-year what the circle rate it is etc., whether you are going to own it or you are going to lease it or a third party is willing to offer the land to set up a station that will determine what kind of a cost is there, but essentially a station cost is Rs.2 Crores and the payback is very fast once you have set that station up and on the question of queuing one method is to create more and more number of dispensing stations so that the same number of vehicles can spread and then the queuing time goes down. The other is how to increase the storage capacity within the vehicles themselves, so that they do not come back to the station again and again after may be 100 kilometers or 120 kilometers. So effort has to be on all these things if you want to reduce the queue substantially.

Shailendra Mundra: Only one feedback is that as a normal citizen, I am reluctant to buy a CNG car because of these when I see these queues I do not think I will be able to stand in a queue to fill up by car, so as of now it looks like the CNG is being purchased mostly by taxis, the guys who can afford to stand in queue for hours and hours?

Management: The differential between petrol and diesel and CNG suggests that anybody who is running even 15, 20 kilometers is going to save a lot during the month if you stands in the queue. It is a question of how much time you can spare to stand in the queue. Leaving that aside we have now brought in automation, we have tried to create a portal where you can go and at odd hours get instant filling done, so that is available and if you buy a car, you do not want to stand in the queue, you can go it in odd hour get an instant filling done that is available and we feel that spreading our number of stations trying to get IT and these kind of things in the popularity amongst private people to use their car on CNG would grow.

Shailendra Mundra: Thank you.

Moderator: Thank you. I now hand the conference over to the management for closing comments. Thank you and over to you!

Management: Thank you so much.



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Moderator: Thank you. On behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.