



**MAHANAGAR
GAS**

MAHANAGAR GAS LIMITED

Ref: MGL/CS/SE/2020/352

Date: August 25, 2020

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Scrip 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>
---	---

Sub: Transcript of Earnings Conference Call on Unaudited Financial Results for the Quarter ended June 30, 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 ended June 30, 2020 was held on Monday, August 10, 2020 at 4:00 p.m. (IST).

Please find attached herewith the transcript of the aforesaid Earnings Conference Call. The same has also been placed on the website of the company i.e. www.mahanagargas.com.

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

Thanking You,

Yours Sincerely,

For Mahanagar Gas Limited

Sughan Srivastava
Company Secretary and Compliance Officer



Encl.: As above





“Mahanagar Gas Limited Q1 FY2021 Earnings Conference Call”

August 10, 2020



ANALYST: MR. GAGAN DIXIT - ELARA SECURITIES PRIVATE LIMITED

**MANAGEMENT: MR. SANJIB DATTA - MANAGING DIRECTOR
MR. DEEPAK SAWANT - DEPUTY MANAGING DIRECTOR
MR. SUNIL RANADE – CHIEF FINANCIAL OFFICER
MR. RAJESH WAGLE – SENIOR VP MARKETING**



*Mahanagar Gas Limited
August 10, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Mahanagar Gas Limited Q1 FY2021 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 “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Gagan Dixit from Elara Securities. Thank you and over to you Sir!

Gagan Dixit: Thank you. A very warm welcome to everyone. It is our pleasure to be able to bring to you the management of Mahanagar Gas Limited led by Mr. Sanjib Datta who is the Managing Director, Mr. Deepak Sawant, who is the Deputy Managing Director, Mr. Sunil Ranade, Chief Financial Officer and Mr. Rajesh Wagle, who is the Senior VP Marketing.

With these words, I would now hand over the conference to Management Representative for the safe harbor statement.

Management Representative: Thank you Gagan. Good evening everyone. Before we begin, I would like to mention that some of the statements made in today’s discussions 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 risk and uncertainties relating to the statement includes but are not limited to risk 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 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 in future number. With this, I will now hand over the conference to Mr. Datta for his opening comments. Over to you Sir!

Management: Thank you. Good afternoon to all of you and welcome to the earnings conference call of Mahanagar Gas Limited for the first quarter of the financial year 2020-2021. I would like to thank all of you who have connected for our earnings call today.

As you are aware, in March 2020, the World Health Organization characterized the outbreak of the strain of the novel corona virus, COVID-19 as a pandemic. This outbreak is causing significant disturbances and slow down of economic activity across the globe. Due to the nationwide lockdown announced by the Government of India since last week of March 2020 to combat COVID-19, the company’s operations have been impacted for the full quarter resulting in reduction of sales volume except for gas consumed in household



Mahanagar Gas Limited
August 10, 2020

kitchens. However, during the lockdown, the company received its gas supplies and maintained the supply of gas to all types of customers as per their requirement. Now with partial easing of lockdown, daily sales volume had increased from 25% in April 2020 to 55% in July 2020 compared to normal volumes recorded in pre-lockdown period. Sales volume has further improved to around 65% level in the month of August. It is estimated that sales volumes are likely to pick up further due to increased vehicular movement, opening up of restaurants, commercial establishments, industries and other businesses that use gas. As the cases of COVID-19 are still rising, and the announcement of responses to it by the statutory authorities may also get modulated from time to time, impact on our operations may turn out to be different as compared to estimates drawn as of today, but the company will continue to closely monitor future changes.

In early June 2020, the state government launched mission Begin Again with some easing of restrictions though a host of restrictions of the lockdown currently stands extended till 31st August 2020. Continued restrictions resulting in limited attendance in Government and private offices is having adverse impact on securing and revalidating required permissions for pipeline laying work. Lockdown restrictions also have resulted in adverse impact on availability of contract manpower much of which had migrated to their native places and are reluctant to come back due to frequent lockdowns. Many societies are also not allowing access to MGL's staff to undertake construction work. In July 2020, there was re-imposition of strict lockdown in municipal areas of Mira-Bhayander, Thane, Navi Mumbai, Kalyan-Dombivali, Panvel and Raigad which impeded construction work.

As Mumbai Metropolitan region is one of the most affected areas due to COVID-19 outbreak, continuation of partial lockdown or re-imposition of complete lockdown in parts cannot be ruled out. Considering the possibility of prolonged disturbances and in order to safeguard our human resources, we have enabled IT arrangements to work from home, particularly for service functions like finance, HR, procurement, engineering and planning, CRM etc. For functions like projects O&M, marketing etc., where work on the field is necessary, observation of the prescribed safe practices are being ensured. Gas supply to PNG consumers and all our open CNG stations have been maintained 24/7 during the lockdown. Our emergency control room and customer care services have remained operational adhering to required safety and social distancing guidelines providing 100% customers support and meeting the emergency needs. As a responsible corporate citizen, we have continued to pay all our dedicated contractual manpower, the minimum wages applicable during the period of lockdown. We have also funded various social initiatives under CSR projects for people impacted due to COVID-19 and prolonged lockdown.



Mahanagar Gas Limited
August 10, 2020

As a result of lockdown throughout the quarter, volumes were adversely impacted resulting in reduction in overall sales volume for the quarter by 60% compared to previous quarter. As a result, current quarter EBITDA is Rs.80 Crores as compared to previous quarter EBITDA of Rs.244 Crores.

On the margin front, EBITDA was 30.6% for Q1 compared to previous quarter EBITDA of 35.5%, expenses per SCM of gas sold are high mainly due to overheads remaining at normal levels with reduced volumes. Net profit after tax was Rs.45 Crores in the quarter as compared to Rs.167 Crores in the previous quarter.

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

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session.

Nilesh Shah: Good evening, Nilesh Shah this side, my first question is what is the capex target for this year?

Management: Capex target we are still hopeful of anywhere between 550 Crores to 600 Crores, but it will be dependent upon the speed at which particularly the permissions are received from various statutory authorities.

Nilesh Shah: Given the lower demand this year, is it not possible to defer the capex?

Management: I think we should not take any short term view I mean one year here and there is not an important element to consider also there are capital expenditures with reference to security of gas supply also involved, there are some minimum targets in respect of Raigad areas which capex is also required so while setting the target for compiling budgets of the company everything has been taken into consideration and funding is any way no issue that you are already aware of possibly.

Nilesh Shah: Sir, can you just give us a brief breakup of this 550 Crores – 600 Crores if everything goes according to plan?

Management: What do you mean by breakup?

Nilesh Shah: As in where would this be spent?



Mahanagar Gas Limited
August 10, 2020

Management: Around 120 odd Crores will be in the area of Raigad, rest in other than Raigad area.

Nilesh Shah: Alright and what has been your capacity utilization for FY 2020?

Management: Capacity utilization of what?

Nilesh Shah: FY 2020.

Management: Capacity utilization of what you are asking I mean...

Nilesh Shah: Sir, FY2020 last financial year

Management: You are talking about physical network capacity or you are talking of CNG station capacity or?

Nilesh Shah: No, I am asking capacity utilization?

Management: Of CNG station or which?

Nilesh Shah: Yes Sir both CNG and PNG.

Management: CNG stations we have been averaging about 50% capacity utilization on an average and individual stations may range between 15%-20% right up to 90%-100% also and in PNG typically domestic household consumes half cubic meter of gas and our estimates of cumulative period of 4 hours during 24 hours a day. Now you can have capacity utilization from there.

Nilesh Shah: Okay, again I might be overstressing this but, in a downturn, do you think this is a right move to spend 550 Crores to 600 Crores on capex?

Management: Infrastructure needs to be developed because the effect of this pandemic may not last very long and then as infrastructure is not developed, the utilization cannot be done after this, so this all capex which has been mentioned for the development of infrastructure.

Nilesh Shah: Okay.

Moderator: Thank you. Next question we will take from Vidyadhar Ginde from ICICI Securities. Please go ahead.



*Mahanagar Gas Limited
August 10, 2020*

Vidyadhar Ginde: My question was in last earnings call you had suggested that you had several levers to maintain margins but margins are down quite significantly in Q1, but now volumes have been significantly recovered from lows of April, do you now expect margins to improve significantly going forward or going back closer to the kind margins you were making last year?

Management: It will be dependent upon two things, one is even with current Q1 EBITDA margin very low, you will observe that gross margin has in fact improved, it is all the turn which we have seen is because of the opex per SCM going up, in fact if we just compare opex per SCM Q4 it was Rs.5.69 per SCM, it has shot up to Rs. 8.19 whereas similarly if you see in gross margin in fact it has improved to Rs.15.91 from Rs.15.10 in the Q4, so there is nothing which is going to drastically change with respect to expenses, so the moment the volume picks up particularly in CNG customer category, I think per SCM expenses will definitely drop down.

Vidyadhar Ginde: What is your CNG now you I mean if you give us a total your 65% of normal in August, can you give us some color on in terms of CNG where you are right now?

Management: CNG around 50% odd we have reached.

Vidyadhar Ginde: Okay and last question is on what is your spare capacity in your pipeline network the city pipeline network which you have built, what is the spare capacity there it is suppose to be I think at least 20%, are you there, less than that or more than that?

Management: No, I think 20% should be available spare capacity.

Vidyadhar Ginde: Okay, that is it from my side, thank you.

Moderator: Thank you. Our next question is from the line of Jigar Shah from May Bank. Please go ahead.

Jigar Shah: Good evening Sir, my question is one that we are hearing some changes in the APM gas price mechanism whether it is true, if you are able to provide any color then I will ask another question?

Management: No, we are not aware of any such development.



Mahanagar Gas Limited
August 10, 2020

- Jigar Shah:** Okay and the second is about allowing the entry of other operators in the matured markets so do you anticipate in the Mumbai market any of the operators coming along because of the change in policy that is coming up now?
- Management:** That will be function of in what manner and when the network will open, so there are still some grey areas around it which I think the PNGRB is trying to address, so we will only come to know once the final regulations are notified and we get to see in what manner and shape and what method new entrants are allowed in, so without that it is very difficult to say right now.
- Jigar Shah:** Okay, thank you so much and wish you all the best.
- Moderator:** Thank you. Our next question is from the line of Probal Sen from Centrum Broking. Please go ahead.
- Probal Sen:** Thank you for the opportunity Sir, I had two questions. One of what is the number of CNG stations in total that you are operating today and of that what percentage today is been operated out of OMCs and what sort of commission are we paying them if it is possible to share as of now?
- Management:** We are operating about 256 stations out of which 184 will be with oil marketing companies.
- Probal Sen:** Right and Sir the commission is in the range of Rs.3 to Rs.3.5 as it is used to be, or it has gone up?
- Management:** It is about Rs.3.5 to Rs.4, the higher amount is payable in the main city and immediately adjacent areas and further outer areas closer to Rs.3.5.
- Probal Sen:** And this is per kg, right Sir?
- Management:** Yes, per kg.
- Probal Sen:** Okay and just a hypothetical question, now obviously open access as you said modalities and timing and all are yet to be decided but as a very simplistic measure if let us say 20% or whatever volumes are booked by a third party, given our network capital employed today and if assuming it is 14% post tax, transportation cost has to be paid, what sort of per SCM charge will you be able to take from the third parties accessing your network?



Mahanagar Gas Limited
August 10, 2020

- Management:** It is difficult to answer now again tariff regulations are not yet notified, so
- Probal Sen:** I said if I assume a very simplistic the earlier normative level use to be 14% post tax ROCE if that is to be the norm let us say, any rough idea you can give us?
- Management:** Calculated at the rough number, if you are looking at such a simplistic way then of course you can at our asset base our volumes 14% return you should come at a number.
- Probal Sen:** Okay and any timelines you have heard from the regulator in terms of when the notifications can actually come?
- Management:** Nothing formally, we have come across a few newspaper reports which say that they are going to do this soon or we do not know how soon is soon.
- Probal Sen:** Got it, fair enough. That is very helpful, I will come back if I have more. Thank you for your time.
- Moderator:** Thank you. We will take our next question from the line of Amit Rustagi from UBS Global. Please go ahead.
- Amit Rustagi:** Good evening, thanks for taking my question. My question pertains to the regulation itself, do we get an opportunity to present before the government, because government on one hand wants infrastructure development on the CGDs and on the other hand if this regulation comes so how are they going to strike the balance, so if you have any thoughts here if you can add something?
- Management:** As of now we do not have any formal plans to go before the government because there is a sector regulator in place and whatever is to be done on this front will be done by the regulator through regulations and in consonance with that. The center can only probably if at all they want to issue any policy directives under that, yes, they have that power but as of now we have not heard anything in this direction.
- Amit Rustagi:** Okay and Sir my second question relates to last year BEST had a plan to add around 500 buses, so if you can give us some color on how many buses have been added and what is their plan now, are they going to add more buses or it is just like they are done with it?



*Mahanagar Gas Limited
August 10, 2020*

Management: No, out of those 500 when there were some complications because of the lockdown but even then, about 300 odd have been inducted and remaining 150 will be hitting the road in this month and next month.

Amit Rustagi: Okay, but Sir are they adding after this or this is just..

Management: They have plans for adding on another 800 to 1000 CNG buses of which we have had two or three meetings at the highest levels in BEST. We have identified in which depots where these buses will be deployed, we have given our plan for creating the infrastructure required there and we are synchronizing our timeline, only thing is again this lock down and COVID has put a slight pause in those initiatives, but they are still on.

Amit Rustagi: Okay, and how many total buses they would have now after adding these 300 buses and how much volume they would be consuming any rough idea?

Management: With these additional buses in the couple of months we will reach about 2350 and whatever 800 to 1000 more after that but for that those tenders are yet to come out.

Amit Rustagi: Okay, Sir and total volumes they are consuming?

Management: They are consuming the normal about 1 lakh kgs a day.

Amit Rustagi: Okay, right Sir we can calculate. Thanks a lot Sir, thanks for taking my questions.

Moderator: Thank you. Our next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Good afternoon Sir. Just couple of questions one is the clarification, you mentioned that CNG stations are operating at 50% capacity in FY2020 these would include both owned and OMC's that is total 266?

Management: Yes, this is an average across all the stations.

Lokesh Manik: Okay, and if you can just share some color on the underlying growth drivers, if you can share the trend in conversion to private vehicles to CNG over the past four years-five years what has been the growth and other private buses and BEST buses mainly in the CNG category, just trying to understand the growth drivers and growth rate for the last three years- four years?



*Mahanagar Gas Limited
August 10, 2020*

Management: For three years- four years if you look at there have been three main growth drivers, one is the auto rickshaw segment, so about three years back or so government had lifted the cap on number of permits which they issue for auto rickshaws and led to a sustained growth on these auto rickshaw numbers for a period of about one year or two years. Second one, was the advent of these aggregators Uber, OLA, etc., they were offering very competitive rates and with diesel becoming more and more expensive, they found that CNG is the preferred choice and unless they were deploying these big Sedan's which travel outside the side etc. So, lot of the aggregators load is actually intracity so, that predominantly came on CNG. The third one was in the private power segment, there over the last two years or so a lot of OEM's are now coming up with new CNG variants with factory fitted CNG. So, helping develop confidence among the customers that this is not any workshop or garage level retrofit which is happening, this is coming right from the manufacturers. These are the three main segments which have growth in CNG. If you look at the State Transport undertakings and Municipal Transport undertakings, last three years- four years actually there has been pretty strong decline in volumes because of various reasons, but last six months or so we have seen the trend reverse in the case of BEST which is the largest fleet operator of buses. They added these 500 more buses and they will be doing 800 to 1000 more.

Lokesh Manik: Okay, so Sir from addressable market size where would we be standing say out of 100% where would we be today from our potential?

Management: You are talking about the CNG segment?

Lokesh Manik: Yes, on a broad basis an approximate number would do?

Management: It would be somewhere between 30% and 35%.

Lokesh Manik: Okay, so today it is 30% to 35% of potential we can get?

Management: Yes, that is the level of penetration today.

Lokesh Manik: Understood. That is it from my side. So, thank you so much.

Moderator: Thank you. Our next question is from the line of Sujit Lodha from Birla Sun Life Insurance. Please go ahead.

Sujit Lodha: Thanks for taking my question. My first question will be Sir, is there any discount which we offer to BEST or is it at market price?



*Mahanagar Gas Limited
August 10, 2020*

- Management:** We do offer them small trade discount.
- Sujit Lodha:** And what would that amount be?
- Management:** It is lesser than OMC.
- Sujit Lodha:** Slightly lesser than OMC?
- Management:** Lesser than a rupee actually.
- Sujit Lodha:** Okay, so theoretically if the open access comes, they could also be a threat to MGL volumes right, because most of the depots would be on their land in most of the CNG bulk depots.
- Management:** Yes, but we will have to see in what shape and manner the actual regulations are notified. There is still that confusion about 20% capacity etc., which we need to see how it plays out.
- Sujit Lodha:** Okay, so my second question is regarding the commercial volumes where are we in terms of percentage of normal volumes and how do you see that segment because they would seem to be more worst impacted and probably will not coming back to force at least for the foreseeable future. So, what is your thought on that, on the commercial side?
- Management:** This restaurant category we have reached around 55% level, if you compare let us say February month volume somewhere around 55%, we are and in case of five-star hotels or some bigger commercial things, somewhere around 40% level we have reached.
- Sujit Lodha:** Okay, and what is thought on that and what is the total consumption, I mean what is the volumes if you split it between restaurants and five-star hotels?
- Management:** It is around 0.098 for restaurant categories MMSCMD whereas 0.050 for these five-star hotels and these types of things.
- Sujit Lodha:** So, this is the current which would be where 50% of the normal numbers, right?
- Management:** No, it is the normal pattern which I had talked about if you want current...
- Sujit Lodha:** No, that is fine I will calculate.



*Mahanagar Gas Limited
August 10, 2020*

- Management:** Okay.
- Sujit Lodha:** Yes fine. Thank you so much.
- Moderator:** Thank you. We will take the next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.
- Manikantha Garre:** Thanks for giving the opportunity. Sir, I wanted to check from you if you have any insights that you get, or you are getting from discussions with OEM's on the CNG vehicles especially from the LCV or MCV side. I am asking this because I hear that in Delhi for example, Tata Motors and Eicher are talking about more than 20% growth in LCV segment. So, are you hearing or are you seeing such kind of growth in Mumbai also, that is my first question?
- Management:** Well that kind of growth is not there in Mumbai and basic reason probably is in Delhi LCV's are not allowed to ply on diesel whereas in Mumbai that is not the case. Having said that, Maruti is pushing their small commercial vehicle CNG fueled quite aggressively in our market also and that is slowly picking bit of traction.
- Manikantha Garre:** Understood. So, related to this only I have actually discussed with a CNG MCV I think it is of Eicher make that driver was telling me that from Borivali till south only CNG MCV's are allowed, is that the case so that means the regulations in place in Mumbai also?
- Management:** Well our understanding is if the commercial vehicle is less than eight years old it is allowed to run on diesel but if it is older than eight years old then it cannot run in Mumbai it either has to convert to CNG or either the transporter buys a new diesel vehicle or moves it out of Mumbai.
- Manikantha Garre:** Understood. So, this is applicable for both LCV's and MCV's or only MCV's?
- Management:** No, this rule is applicable for all commercial vehicles. Eight-year-old in Mumbai.
- Manikantha Garre:** Sure Sir, and last question if I can squeeze in if you can provide us the status of the auto rickshaws there last quarter you mentioned that 3 lakh auto rickshaws are plying and after the lockdown many of them actually have left the city, so how is the situation now. How much of the auto rickshaws have come back from the pre-COVID levels?
- Management:** Well our reading is approximately half of them are back.



Mahanagar Gas Limited
August 10, 2020

- Manikantha Garre:** Okay, sure Sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.
- S. Ramesh:** Good evening and thank you very much. The first part is in terms of your gas sourcing, how much of your gas is on spot and how much on contract?
- Management:** Currently we do not have any long-term take or pay contracts so, it is predominantly from the spot market which we are buying.
- S. Ramesh:** Okay, so that pretty much reflected in your gross margins and second part is in terms of your capex plan do you anticipate any need for borrowings to fund it and any plans to get into electric vehicle chargers?
- Management:** No, we do not anticipate any need for borrowings as of now.
- S. Ramesh:** And any thought on getting into electric chargers?
- Management:** Electric chargers?
- S. Ramesh:** Yes.
- Management:** Nothing concrete on it but yes, we do keep an eye on that space.
- S. Ramesh:** Okay. Thank you very much.
- Moderator:** Thank you. We will take our next question from the line of Nitin Tiwari from Antique Stock. Please go ahead.
- Nitin Tiwari:** Good evening Sir, thanks for taking my question. I hope you all are doing well. Sir, my first question is related to the outlets that we have with oil marketing companies, so what is the contractual I mean making your terms or obligations, if you might elaborate a little bit on that the oil marketing company in terms of operating those stations and what is the duration and whether it is possible like in the light of third party access that oil marketing companies might want to operate it themselves. So, if you can help us understand that a little bit then I will ask my second question?



Mahanagar Gas Limited
August 10, 2020

- Management:** Well typically our contracts with the oil marketing companies are signed for three year to five years and they keep rolling over the contracts. As regards whatever desire or wish the OMC's may have to run their own CNG stations again that will be a function of how the open access regulations finally play out because the guiding principle regulations are yet to be notified and it is really difficult to say at this point of time what will happen in the future.
- Nitin Tiwari:** So, out of 180 stations that we are operating are any so what percentage of contract to be perhaps expiring this year any number around that?
- Management:** No, we do not sign a contract for each station it is umbrella contract which we have with them.
- Nitin Tiwari:** Okay, understood and Sir secondly, IGL is in a litigation with the regulator on basically determination of marketing exclusivity. So, are you also a party to that litigation or it is only IGL?
- Management:** Yes, I think we are also there in it?
- Nitin Tiwari:** So, basically when this regulation comes in the access would comes in that would also essentially be a part of litigation also if and whenever it comes because the very basis of this regulation is dependent on the definition of marketing exclusivity and ending of marketing exclusivity. So, is that understanding right?
- Management:** Again it is very difficult to say unless the guiding principle is notified, we do not know what the PNGRB is going to notify but if you just go by the draft of the regulation which they had put out, yes there could be some legal issues there.
- Nitin Tiwari:** Okay and Sir lastly if I may squeeze in one more, it is only a bookkeeping question, if you can give me a split of industrial-commercial this quarter and CNG sales in Kg?
- Management:** This quarter sales volumes?
- Nitin Tiwari:** Yes, industrial and commercial split between the two?
- Management:** Okay, industrial is 0.146 MMSCMD, commercial is 0.058, domestic is 0.429 and CNG is 0.480.
- Nitin Tiwari:** Sir, CNG sales in Kg's is that?



Mahanagar Gas Limited
August 10, 2020

Management: No, right now whatever I said everything in SCMD terms.

Nitin Tiwari: No, I am asking that what is the CNG sales in Kg terms?

Management: Okay, it is 0.351 MMKGD.

Nitin Tiwari: 0.351?

Management: Yes.

Nitin Tiwari: Alright. Thank you, Sir.

Moderator: Thank you. Our next question is from the line of Reena Shah from Ashika Stock Broking. Please go ahead.

Reena Shah: Thank you for the opportunity. Sir, I wanted to know gas source proportion from domestic and imports?

Management: All our gas which goes into the CNG and domestic PNG segments comes from the domestically produced gas and all the volumes which go into the industrial and commercial segments come from imported gas.

Reena Shah: Okay, and can you give me the pricing of industrial and commercial what CNG price would. What price was there during this quarter and what is currently right now?

Management: In the industrial and commercial segments, our selling prices are usually indexed to the predominantly used alternate fuels in that segment. So, they typically change every month depending on the prevailing price of the alternate fuels like fuel oil or LSHS or LPG, LDO etc.

Reena Shah: Yes, so realizations were higher in Q1 and so are continuous to be higher because other alternative fuels are still on a very higher side?

Management: No, realization for let us say the industry was in fact lower in this quarter as compared to previous quarter.

Reena Shah: Sir, can you quantify?



Mahanagar Gas Limited
August 10, 2020

- Management:** Yes, industrial was around Rs.23 per SCM as against Rs.29 or Rs.28.50 in Q4.
- Reena Shah:** Okay, and what is currently running?
- Management:** No significant change, but it has improved as compared to average of Q1.
- Reena Shah:** Okay, and Sir what about commercial?
- Management:** Commercial put together category it is also down as compared to Q4, but hopefully with 19 Kg cylinder prices going up we may see improvement in the period to come.
- Reena Shah:** And I just wanted to know what prices ?
- Management:** Commercial was at around Rs.28 as compared to Rs.36 in the previous quarter.
- Reena Shah:** Okay, and currently there has been no major change in industrial, right?
- Management:** Not significant change.
- Reena Shah:** Okay, that is it from my side. Thank you.
- Moderator:** Thank you. Our next question is from the line of Subecha Jain from AMS Wealth. Please go ahead.
- Subecha Jain:** Hi Sir. Couple of questions, just wanted a sense about how is the labor situation like you said you have lot of contractual labor working for you, if you can throw some light on the labor situation?
- Management:** Yes, we are facing challenges still, particularly on the front of project work whether it is pipeline infrastructure to be laid or more particularly plumber category for domestic connections generally these are migrant workers at place in both these contracts and lot of people have left for either UP or northern states, some of them have come back but still we are facing challenges. We have worked out if we can pay some sort of packages either reimbursement of pay or some monetary incentives for them to come back earlier but there are challenges, we are facing.
- Subecha Jain:** So, can I assume that you will at least take three months to four months for the situation to ease out or mostly it is going to ease out much sooner than that?



Mahanagar Gas Limited
August 10, 2020

- Management:** It can take three months odd before we reach a perfect normal level.
- Subhecha Jain:** Okay and Sir will you be able to give me the cash position and receivable position as on June 30, 2020?
- Management:** Pardon.
- Subhecha Jain:** The cash position and the receivables as on June 30, 2020?
- Management:** The cash position is quite comfortable right now because you must be aware we are in treasury surplus as regards over dues some increase was seen particularly in the area of domestic over dues because lot of people had a tendency to pay even at either post offices, or by using drop boxes etc., so some amount of increase in debtors we have seen whereas in the industrial, commercial CNG front it has been pretty okay, but even domestic I think things will improve quite fast now hereafter.
- Subhecha Jain:** So, will you be able to share the numbers for both cash and receivables?
- Management:** We have Rs. 1000 Crores odd treasury surplus with us.
- Subhecha Jain:** Okay and receivables numbers?
- Management:** Receivable number right now I do not have but we can give you offline, no problem.
- Subhecha Jain:** No problem, Sir, just last question, in your results in the notes section you have mentioned something about meeting the MWP target and we have applied to PNGRB for extending the timeline, so can you throw some light on this, what this is?
- Management:** So, there are two types of targets we were expected to meet or those targets set for us, one was domestic connection and another is something called inch kilometer of pipeline so length of pipelines how much we lay in terms of inch kilometer parameter. As regards to the domestic connection, we have already achieved the target so that is not a factor to worry. The only target which we have not reached is inch kilometers with respect to pipeline and for that some plan was already given to the PNGRB the regulator in the pre-COVID era and in view of the current challenges being faced including as you already asked about labor problems and other things, we have requested for further extension.



*Mahanagar Gas Limited
August 10, 2020*

- Subhecha Jain:** Sir, what was the target and where are we, we have achieved 50% or 60% of the target if you can share numbers around it?
- Management:** Domestic connection as we said it was 26,000 odd and that we have completed whereas inch kilometers.
- Management:** Inch Kilometers we were at about 45% or so.
- Subhecha Jain:** Okay, so we achieved 45% of what we were to achieve right?
- Management:** Yes.
- Subhecha Jain:** Okay. Thank you, Sir, that helps a lot all the best.
- Moderator:** Thank you. Our next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.
- Anubhav Aggarwal:** Good evening. One question is on the infrastructure particularly for the Mumbai region, you had mentioned in the presentation last time that in 2020 I want to understand one update on this, second who is the body who will grant further extension of this, will it be PNGRB or some other body?
- Management:** Technically exclusivity determination was on the purview of the PNGRB, but however those exclusivity regulations are under challenge in Delhi High Court so really difficult for us to say anything much about it.
- Anubhav Aggarwal:** So, what I am trying to understand is because the definition of infrastructure exclusivity is the challenge or the period when you mentioned 2020 in the presentation, what kind of challenge is there?
- Management:** What has been the challenged are the vires of the regulations and the fact that the regulations are not in sync with the act, so the act mentions a lot of things which the PNGRB supposed to do before ending the exclusivity or before declaring any CGD as a common contract carrier which the scheme of that does not been followed so those regulations themselves have been challenged.
- Anubhav Aggarwal:** Okay and the second question was on the capex, now when you guys are planning the capex, when we look at capex for next ten years, if you look at utilization around next ten



*Mahanagar Gas Limited
August 10, 2020*

years things are going to change for sure, timeline is the question mark for example electric vehicles will come in or at some point of time competition will come in from the new players in the present geographic regions that we are in so when you calculate IRR for this project how are you thinking about, so what are you making in your assumption so effectively, what is the plan with some of the new guys coming in and do you project a lower IRR when you put a new capex now in Mumbai region for example.

Management: One important factor to be noted here is whatever infrastructure we lay irrespective of competition even if competition steps in, competition will be with respect to gas if at all whatever share we have to lose. What it means that there is a network tariff payment that is if you can in crude terms can say some sort of rent for infrastructure that will continue to be received by the company even if the gas of another entities pushed into our infrastructure so let us say whatever 12% or 14% post tax return those things will be anyway available on the infrastructure to whatever we wish to put in so from that point of view there is not much to worry about what is the additional capex we are going to incur and in any case the capex also enables us to face the competition because in case of let us say CNG as many CNG outlets we open the better service we will be able to offer to our customers.

Anubhav Aggarwal: Yes, as we understand you are saying that from an electric vehicle competition it is too early to worry about but from the new player coming in you anyways getting a return which going to happen, so that is not a worry at all?

Management: Yes, on infrastructure we will continue to get the return.

Anubhav Aggarwal: Thank you.

Moderator: Thank you. We will take the next question from the line of Ashutosh Chaubey from Centra Advisors LLP. Please go ahead.

Ashutosh Chaubey: Thank you for the opportunity. Sir, I wanted to ask that as likely you said that there has been word going around in multiple newspapers saying that the PNGRB regulations might come in probably by end of this month, so with respect to your capex planning don't you think that we should rather delay this or defer this capex planning until and unless we get a clear view if it does come by end of this month?

Management: Yes, you have heard the earlier question, the answer is already provided irrespective of the competition with respect to infrastructure we will continue to get the return in the form of network tariff or whatever compression charges.



*Mahanagar Gas Limited
August 10, 2020*

- Ashutosh Chaubey:** Okay Sir. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Phalguni Dutta from Jet Age Securities Private Limited. Please go ahead.
- Phalguni Dutta:** Good evening. Sir, I just had one basic question which is our CNG pricing is done with respect to petrol and diesel prices and it is done freely keeping in mind those prices?
- Management:** Well we do keep a look at the alternate fuel price but then there are lot of other factors also which we consider while effecting any price change because we are incurring any significant additional cost because of any reason be it adverse foreign exchange variation or any one off expenses on some additional Opex or we look at costs and we also look in the market and what the competing fuels are priced at and depending on that then we decide on how much to increase or decrease.
- Phalguni Dutta:** But there is no cap I mean there is no regulation that if we suddenly increase our prices keeping all that in mind we will be asked to roll back, there is nothing like that, right?
- Management:** No, in the CGD business in India the selling prices to different segments are unregulated they are all market determined.
- Phalguni Dutta:** Okay and Sir the last question, whenever there is a change in the petrol and diesel prices like we have seen in the recent past, so do we also increase the CNG prices with each such increase?
- Management:** No, because we typically have tended to prefer to give the customers some kind of price visibility and stability so we typically change our prices, we have been changing at least twice a year but in some cases three or four times a year also we have done but we have not been doing on a daily basis like some of the oil marketing companies.
- Phalguni Dutta:** Okay, at most it has been three to four times a year?
- Management:** Yes, but again there is no restriction as such.
- Phalguni Dutta:** Sir how does it compare with anyone petrol or diesel price our CNG price as on date? I mean on a like to like basis.
- Management:** CNG selling at about Rs.48.95 per kg whereas petrol and diesel are in their 80s.



Mahanagar Gas Limited
August 10, 2020

Phalguni Dutta: Yes, but we did the same kilometers like would that parameter be the same I mean if you were to compare it to that extent I mean cost for a person buying a CNG to run a kilometer and buying a diesel or petrol to run a kilometer are they same or add substantial discount now.

Management: For diesel we take it as almost same so the pricing CNG works at about 35% to 37% cheaper than diesel whereas for the petrol engine CNG gives almost 15% to 20% of higher mileage compared to petrol.

Phalguni Dutta: Sir could you come back again, I just missed you on both these?

Management: Well, the kilometers per liter of diesel and kilometers per kg of CNG are almost the same for a vehicle but if petrol vehicle gives let us say 10 kms per liter of petrol it could give about 12 kms to 13 kms on per kg of CNG.

Phalguni Dutta: Okay I got it. Fine Sir. Thank you.

Moderator: Thank you. The next question is from the line of Abhilasha Satale from Dalal and Broacha. Please go ahead.

Abhilasha Satale: Thank you for taking my question. Sir, I have question on the gross margin, you said our gross margins have improved during the quarter so seeing the current gas price trend, how do we see our gross margins going forward.

Management: See, it will be depend upon variety of things, one is as regards with gas price for CNG and domestic consumer category, it is expected that the price may either further fall down or could be steady so it depends we may share the benefits with the customers and something may be retained by the company that is on the gas cost front for domestic and CNG. In case of industrial and commercial, the spot prices are anyway softened a lot so a significant downward trend probably may not be seen however on realization front there is a possibility some improvement could be there, so all these factors will have to be taken into consideration. Apart from this important factor to watch is forex element also because all gas purchase is in dollar denominated terms whereas our sales to each and every customer category is in rupees terms. So, these are some important things which we need to bear in mind while talking about margins.

Abhilash Satale: Like at current gas prices we anticipate to maintain these margins or how the capex has moved on quarter-on-quarter can you just share that?



Mahanagar Gas Limited
August 10, 2020

- Management:** Yes, we hope so and may be all other things being equal if volumes improve then EBITDA margin may also improve because per unit Opex will go down with the improvement of volumes.
- Abhilasha Satale:** Okay. Thank you.
- Moderator:** Thank you. Our next question is from the line of Abhijeet Bora from Sharekhan. Please go ahead.
- Abhijeet Bora:** Sir, we have increased the CNG prices by Re.1 per kg recently and now our volumes are back to 50% so can you just guide us that with these two things what proportion of our fixed cost is being covered like how much percentage like there was a higher per unit opex was, at what levels we are currently?
- Management:** See, I mean some color I can give it, you can observe that in Q4 the Opex which includes obviously the semi variable and fixed cost was somewhere in the region of Rs.5.70 per SCM whereas because significant drop in volume was there it had jumped to Rs.8 plus per SCM so maybe you will have to run some math to work backwards.
- Abhijeet Bora:** So, this is what fixed cost?
- Management:** Fixed and semi variable cost.
- Abhijeet Bora:** Okay, fixed and semi variable.
- Management:** It is basically gas cost and those elements.
- Abhijeet Bora:** Okay and secondly like taking the volume further from 65% like though it is dependent on market how the COVID pans out but can you just give some color like as we have seen a sharp improvement in the volumes recently so any further improvement will be dependent on like what auto rickshaws are 50% do you see any further chance of improvement or like it will be a difficult task to take it higher from current levels?
- Management:** I think the entire thing depends upon unlock down procedure what is being followed, right now up to August 31, 2020 lockdown is continuing depending upon ease announced thereafter I think we should see improvement in CNG.



Mahanagar Gas Limited
August 10, 2020

- Abhijeet Bora:** Okay and the volumes from cab aggregators like how that has improved the likings, can you just give some color on that like you gave for autos like 50% are back?
- Management:** Discussion with cab aggregators they say that they are running at about 40% of their normal levels.
- Abhijeet Bora:** Okay. Thank you, Sir.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to Mr. Gagan Dixit for closing comments. Over to you Sir.
- Gagan Dixit:** Thank you for all the participants and special thanks to the Mahanagar Gas Management for sharing their views on the complete first quarter fiscal year 20-21. We take this opportunity to thank Mr. Datta and his team once again. You can disconnect this call now. Thank you, Sir.
- Management:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.