



# MAHANAGAR GAS LIMITED

(GAIL, Govt. of Maharashtra & BGAPH Enterprise)

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Date: February 18, 2019

To,

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| <b>Head, Listing Compliance Department<br/>BSE Limited</b><br>P. J. Towers,<br>Dalal Street,<br>Mumbai - 400 001<br><b>Scrp Code/Symbol: <u>539957; MGL</u></b> | <b>Head, Listing Compliance Department<br/>National Stock Exchange of India Ltd</b><br>Exchange Plaza, Bandra –Kurla Complex,<br>Bandra (East),<br>Mumbai - 400051<br><b>Script Symbol: <u>MGL</u></b> |
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**Sub: Transcript of Earnings Conference call on Unaudited Financial Results for the quarter ended December 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 Unaudited Financial Results for the quarter ended December 31, 2018 was held on Wednesday, January 30, 2019 at 4:00 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](http://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  
Q3 FY2019 Earnings Conference Call”**

**January 30, 2019**

**ANALYST: MR. NITIN TIWARI – VICE PRESIDENT - ANTIQUE STOCK  
BROKING LIMITED**

**MANAGEMENT: MR. SANJIB DATTA - MANAGING DIRECTOR –  
MAHANAGAR GAS LIMITED  
MR. S.M. RANADE - CHIEF FINANCIAL OFFICER -  
MAHANAGAR GAS LIMITED  
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT  
(COMMERCIAL) – MAHANAGAR GAS LIMITED**



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**Moderator:** Ladies and gentlemen good day and welcome to the Mahanagar Gas Limited Q3 FY2019 Earnings Conference Call, hosted by Antique Stock Broking. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Tiwari. Thank you and over to you Mr. Tiwari!

**Nitin Tiwari:** Thank you Neerav. Good evening on behalf of Antique Stock Broking I welcome everyone to Mahanagar Gas Limited third quarter earning call. We have the pleasure of having with us the senior management team from MGL represented by Mr. Sanjib Datta, MD, Mr. S.M. Ranade, CFO, Mr. Rajesh Wagle, Senior Vice President (Commercial). Without much ado I would now hand over the floor to the management for making the opening comments. Over to you Sir!

**IR Representative:** Before we begin, I would like to mention that some of the statements made in today’s discussion may be forward-looking in nature and we believe that expectations contained in the statement are reasonable. However, the nature involves a number of risks and uncertainties that may lead to different results. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties regarding fluctuations in sales volumes, fluctuations in foreign 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:** Good afternoon to all of you and welcome to the Mahanagar Gas Limited’s Earnings Conference Call for the third quarter of Financial Year 2018-2019. I would like to thank all of you who have connected for our earnings call today.

At MGL, we are of the view that much of the anticipated increase in gas demand would continue to come from the retail segment or from the CGD sector and some of the following factors would have positive impact on the long term business outlook of the CGD sector: 1) A favorable policy, framework and guidelines in terms of CGD footprint expansion, mission PNG, smart cities, green corridors, etc., have been put in place. 2) The recently concluded 9<sup>th</sup> round of CGD bidding, which offered 86 new geographical areas in 174 districts witnessed very enthusiastic participation among industry players. 3) Ongoing bid round 10 would cover 50 additional Geographical Areas (GA’s) covering 124 districts (of which 112 are full districts and 12 in parts). 4) More OEM fitted CNG variants of cars are being launched by various automobile manufacturers. 5) NITI Aayog has laid out plans to add additional gas pipeline network of over 10,000 kms to the existing pipeline network of about 16,500 kilometers and increase the



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coverage of City Gas Distribution and CNG network to about 326 cities and towns by 2022 to maximize the reach of natural gas across the country.

Coming to MGL, I may mention that MGL is expanding its CGD network in the existing areas of its operation. During this quarter, 26,286 domestic households were added. We have today more than one million household customers supplied with piped gas connection.

We have added over 77 industrial and commercial consumers and thus as on date we have over 3,700 industrial and commercial consumers. We are now operating 224 CNG stations supplying CNG to 6,72,000 vehicles and our aggregate of steel and PE pipeline network stands at 5,181 kms.

With respect to our Raigarh GA we have about 3,311 domestic PNG connections in Uran and adjoining areas. Gas supply to major towns like Pen, Uran and Karjat is being planned through the virtual pipeline network. In January 2019, the company has received critical permissions from various authorities for laying pipelines in the area. One CNG station was added during the quarter and with this, seven CNG stations are currently operational in Raigarh as on date.

During the quarter, we have seen a growth of 8.1% in overall sales volume over the corresponding quarter in the previous year. CNG sales volume grew by 8.3%, Domestic sales volume grew by 11.6% while the industrial and commercial sector sales grew by 3.8%. Overall the PNG volume grew by 7.5%.

Gross margin is higher in value terms in current quarter because of higher volumes in CNG and PNG and better price realization across all the customer categories. However, Gross Margin percentage has declined to 48.8% as compared to 53.4% in the corresponding quarter in the previous year. EBITDA margin was 31.8% at Rs.239 Crores in the current quarter as compared to 34.6% at Rs.201 Crores in the corresponding quarter in the previous year. Net profit after tax grew by 19.6% from Rs.124 Crore in the corresponding quarter of the previous year to Rs.148 crore in the current quarter.

During the quarter, overall sales volume grew slightly by 0.1% compared to the sales volume of immediately preceding quarter. CNG sales volume declined by 0.3% mainly due to Ola/Uber strike for approximately 15 days and school vacations during Diwali and Christmas. Domestic sales volume grew by 6% and the industrial and commercial sector declined by 3.1% being impact of closure during festive season and lesser drawal of gas by certain industrial customers. Overall, the PNG volumes grew by 1.2%.

Gross margin grew slightly to 48.8% as compared to 48.6% recorded in the immediately preceding quarter. The Company, however, has improved EBITDA to Rs.8.77 per SCM as



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compared to Rs.8.13 per SCM in the previous quarter. Net profit after tax grew by 8.8% from Rs.136 Crores in the preceding quarter to Rs.148 Crores in the current quarter, enabled by improved sales realization. With this, I conclude and would now like to open the floor for questions. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Probal Sen from IDFC Securities. Please go ahead.

**Probal Sen:** Thank you for the opportunity. I had a couple of questions. One, as in previous quarters is it possible to give the breakup of the industrial and commercial volumes for the quarter?

**Management:** Industrial volume for Q3 was 0.224 MMSCMD and Commercial was 0.180.

**Probal Sen:** The second question I had Sir, in the previous quarter you got a notification from the PNGRB with respect to Raigarh for the minimum work commitment timelines and so on. Just wanted to understand if there is any fresh update that you can share with us?

**Management:** The update is positive. There are basically two things, which we need to take care of, one is domestic connection and another is pipeline kilometer rather inch kilometers to be laid. Compared to the original targets we have submitted a catch-up plan to PNGRB some two to three months back and our progress with respect to domestic connection seems to be in line with the plan we have submitted. In fact we have done slightly better than what we had promised them in this quarter. Also, in case of pipeline infrastructure we are aiming to expedite further. There was some delay in getting the approvals from the concerned authorities like developmental or municipal authorities, but those important approvals or rather critical permissions also we have received in the month of January.

**Probal Sen:** For the last few quarters consistently we have been beating our conservative guidance of 6% to 7% sustainable growth, so is it time for us to look at FY2020 and give a fresh guidance or are we still sticking to our 6% to 7% of target, Request your views on that?

**Management:** If you look at the quarter-on-quarter volume growth, Q3 versus Q2 it does not really give us enough confidence. On a broad level we have revised five year CAGR numbers. We also agree that compared to the previous year the upward trend has been continuing for the past one or two quarters, but whether that will sustain or not only time will tell.

**Probal Sen:** As of now it is 6% to 7% is what we continue to target on a sustainable basis?

**Management:** Yes.



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- Probal Sen:** Is that a fair way to look at it?
- Management:** Yes and this 9%, 10% we have witnessed for last two quarters now.
- Probal Sen:** Thank you so much for your time.
- Moderator:** Thank you. The next question is from the line of Hemang Khanna from Kotak Securities. Please go ahead.
- Hemang Khanna:** Thanks for taking my question. My first question was on the line of vehicle addition, which has happened. How has the trend been for the three wheelers addition, which was pretty strong in the previous quarters and in terms of taxis also what has been the additions?
- Management:** There has been no appreciable change in the trends, more or less the conversion numbers have been dominated by autorickshaws followed by four wheeler cars.
- Hemang Khanna:** The previous trend of roughly 6,000 to 7,000, which you were seeing per month does that sustain?
- Management:** About 6,000 or so we are witnessing every month.
- Hemang Khanna:** What would roughly be the capex going forward?
- Management:** This financial year we may grow somewhere around Rs.375 Crores. We are giving a slightly upward guidance compared to earlier, because fundamentally many critical permissions have been received for Raigarh area apart from GA1 and GA2 geographies.
- Hemang Khanna:** Right Sir and for the next couple of years?
- Management:** Similar.
- Hemang Khanna:** Rs.375 Crores?
- Management:** Yes.
- Hemang Khanna:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Upkar from T.A. Wealth Advisors. Please go ahead.



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- Upkar:** Good afternoon Sir. Thanks for the opportunity. I had a few questions and the first is how much is the revenues from Raigarh? In percentage terms how much are we earning from Raigarh?
- Management:** Right now from the percentage point of view it is negligible. We have just started commercial operation so whatever sales is taking place is also called virtual pipeline that is through cascade modes and other modes we are supplying it, so percentage right now is not very significant as such.
- Upkar:** Second question was on the infrastructure exclusivity that we were going to get the rollover, what is the scenario in that?
- Management:** There is still about year-and-a-half to go for that, so in the coming years we will be making our motor application for the rollover.
- Upkar:** Since our marketing exclusivity ended in 2011-12, no other company has virtually entered into our geographic area neither have we entered into any new geographic area, is there any specific reason behind it?
- Management:** Most of the industry is busy setting up infrastructure. There are so many Greenfield areas, people have got licenses and opportunities are huge, so maybe it is not making sense for any competition to emerge right now.
- Upkar:** We have not won any other geographic area after Raigarh we did not get any other contracts, so are we targeting the new PNGRB bidding?
- Management:** Yes, we are looking to participate in the tenth round, for which bids are due on February 5, 2019.
- Upkar:** Okay.
- Management:** We are looking at some area and we will be putting in bids in places that we think it makes sense.
- Upkar:** Another question was that since BG Asia is leaving, will we continue to get any technical support from it or will it end all the technical support that we used to get from BG Asia?
- Management:** First 10% holding is still there from Shell and we were getting support from Shell apart from British Gas erstwhile. The share holding is going to continue for some time now. If they do continue there is no question of not giving support. They give topmost priority to health & safety initiatives, but even if they were to exit, the company today has many best practices and is professionally managed to be self-reliant. We are quite cognizant and abreast of latest



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technologies prevalent all over the world. There should not be any cause of concern and our utmost commitment to safety and other aspects will continue as usual.

**Moderator:** We have the next question from the line of Rohit Ahuja from Bank of Baroda Capital. Please go ahead.

**Rohit Ahuja:** Thanks for the opportunity. I see your margin performance has been quite good this quarter, is there any outlook you can share with us, on whether you would be able to sustain margins at current levels given that oil prices are still lower compared to what we saw in the first half of this year. Also as we move to the next year, you are eyeing a 7% volume growth/earnings growth which was 20% for this year and which could possibly slow down going forward, how do we see margins expanding from current level?

**Management:** Our foremost request will be, let us not try to look at the margins be it EBITDA margins or whatever on quarter to quarter basis as it is a very short period to talk about margin, it is better to talk over a period of say year or maybe nine months so that some normalization effects takes place. That apart I think margin is going to depend on many factors like in case of industrial and commercial sales, one of the important factors will be the price of whatever we get for RLNG on spot basis. There will be also implications on account of rupee/dollar exchange rate. Also, one of the other important macroeconomic factors to consider will be oil price level because depending on oil price level particularly realization in industrial and commercial customer category can significantly change. Apart from these, obviously we need to observe what is going to happen to so-called APM quota, which we have been allocated by the government. But in a nutshell we can say that considering the margins right now at trade particularly EBITDA margin and having almost nine months past, there are fair chances that somewhere around Rs.8/SCM EBITDA we are likely to close this financial year, that is all probably at this juncture we can say.

**Rohit Ahuja:** Secondly, on the Ola, Uber strike, could you quantify what would be the impact on CNG sales volume due to the strike?

**Management:** Ola, Uber strike would have impacted us by about 12 to 14 lakh kg of CNG sale.

**Rohit Ahuja:** Had it not been so that you could have again clocked close to 10% growth in the CNG sale?

**Management:** No, not really. It would have gone to maybe plus 0.7% or plus 0.8%, or at max 1%.

**Rohit Ahuja:** Alright Sir. Thanks.

**Moderator:** Thank you. The next question is from the line of Jimesh Sanghavi from Principle Asset Management. Please go ahead.





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**Jimesh Sanghavi:** Congrats on a good set of numbers. A couple of questions from my side if you can share the realizations for the industrial and commercial segment and secondly if you can throw some light on the demand environment in this particular segment considering the fall in the crude oil prices. Are we seeing any contraction in demand or any slowdown in demand in particular in this segment for the current quarter?

**Management:** On realization side, there are two questions basically one is realization and other is demand scenario. Realization in commercial put together is around Rs.44 per SCM for this quarter as against approx. Rs.40 odd per SCM in the previous quarter and on industrial it is little less than Rs.37 per SCM as against around Rs.35 per SCM in the previous quarter. For demand scenario Mr. Wagle can probably throw some more light.

**Management:** Again from the demand perspective, there would not be too much of a change due to the falling oil prices. Majorly because our prices tend to follow liquid fuel benchmark prices, this usually ensures that the customer has got at least if not parity maybe a small discount on alternate fuel. Since our selling prices float with crude oil prices and alternate fuel liquid prices, demand should not be much of a concern.

**Jimesh Sanghavi:** If I have to look at both your industrial and commercial pricing they have largely increased by around 20% from June till date, are we seeing a similar fall with the fall in crude oil prices in terms of realizations for the March quarter?

**Management:** The pricing philosophy that industrial & commercial will follow is based on the alternate fuel prices. It will definitely be dependent upon whatever is happening to general crude price levels and of course whatever discount pluses or minuses oil marketing companies offer to the end customers. The combination of the above will decide what is going to be the realization for industrial, commercial thing and in case of restaurant category it could predominantly be 19 kg LPG whereas in case of industry the predominant fuel used by our customers or potential customers is LSHS.

**Moderator:** Thank you. The next question is from the line of Krunal Shah from Enam Investment. Please go ahead.

**Krunal Shah:** Sir, in the tenth round of bidding, how many gas areas do we plan to bid for?

**Management:** You will come to know next week, 5<sup>th</sup> of February is the due date for the bids. The regulator puts out the details same day or the next in the press release of how many bids, etc., have been received.



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- Krunal Shah:** One more question is that in the longer term, how do you see the threat of EV playing out for us the likes of e-rickshaw etc.?
- Management:** For the long term inherently difficult to guess, lots of things can happen in the long term. Short to medium term we definitely do not see any material impact on CNG business. For EV's to become a significant threat, capital cost and other cost associated with EVs will need to drastically reduce and continue reducing and a whole new ecosystem and infrastructure will need to come into existence, it is not going to be so easy. The industry has been trying for the last 10, 20 years to set up city gas distribution infrastructure all over the country and setting up a physical infrastructure takes time. EV's also in our view will take time and recent trends indicate that may be two wheelers or some cycle rickshaw type of vehicle segments would be the quicker adopters compared to autorickshaws or taxis or buses for that matter.
- Krunal Shah:** How many CNG stations do we plan to add in next quarter and FY2020?
- Management:** By year end we plan to commission total 20 stations and these are all new additions, apart from that we shall be carrying out upgradations as well as at certain outlets.
- Moderator:** Thank you. The next question is from the line of Gagan Dixit from Elara Capital. Please go ahead.
- Gagan Dixit:** We have observed that in the past three quarters your CNG volume growth is above what is your historical number, so do you want to revise your guidance for the CNG growth or we stick to the same 7% Y-o-Y growth going forward?
- Management:** We are sticking to our 6%, 7% CAGR as of now.
- Gagan Dixit:** That is all from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Pratik Chaudhari from Jefferies. Please go ahead.
- Pratik Chaudhari:** Could you share some colour on what led to the strong margins in the quarter?
- Management:** Primarily it's the price increase which we have taken both in CNG as well as domestic customer category. Also what has helped us is better sales realizations in case of commercial as well as industrial. So these are the primary factors, which we can say.



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- Pratik Chaudhari:** The price hike in CNG and domestic PNG was known, but for the industrial side is there some lag if the oil price goes down and the LNG prices comes off, is there a lag in which it is passed to the end consumer, so did that help in the higher margins?
- Management:** Yes, there could be a lag of around one month.
- Pratik Chaudhari:** Okay, this kind of contributed to the EBITDA margins to some extent?
- Management:** Particularly in 19 kg cylinder category alternate fuel used by our restaurant category customer there was an appreciable jump into the net realization.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.
- Jigar Shah:** Good evening Sir and congratulations for a consistent performance. My question is on the policy side, whether the state government plans to impose any restriction on some of the public transport and other vehicles to take mandatory measures to adopt CNG given that pollution is increasing. Have you heard about any such policy in the works?
- Management:** There has been one policy but unfortunately that is subjudice that was the taxi aggregator policy. The state government did mandate use of clean fuels only, but Uber and Ola had moved to Mumbai High Court saying that they have a lot of diesel vehicles already and they should be given more time. Other than that the other policy, which has helped is when the state government lifted the cap on the number of autorickshaw and taxi permits, the municipal bus fleet reducing in size year-by-year, the demand for public transport has always been there, so the number of autorickshaws shot up. For auto rickshaws, black and yellow taxis, CNG is mandatory, so in that way it has helped.
- Jigar Shah:** Now that you have received permission for the pipeline, etc., in Raigarh, where do you see the volume growth in FY2020 and 2021 from the current level and if you can elaborate more in terms of the potential there?
- Management:** At present we are running seven CNG stations and each would be selling on average 2,500 to 3,000 kg per day. We have observed that there is a lot of demand in Raigarh because its located in between Mumbai and Pune and whatever local autorickshaws and vehicles, few private cars, they really appreciate the economics and benefits of converting to CNG. The demand basically in Raigarh is coming from CNG, followed by industrial customers. As far as industry goes we have started supply to one customer through virtual pipeline mode, but in the coming year we are hopeful of supplying gas to some more customers. Industrial and CNG will be a majority of the load there is very little domestic or commercial load in Raigarh.



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- Jigar Shah:** So currently 3 MMSCMD how much is Raigarh?
- Management:** Negligible.
- Jigar Shah:** You see it becoming more worthwhile in 2021 or it will take more time than that?
- Management:** It will keep growing because the base is low the growth rate will be much, much higher than GA1 or GA2 and actual take off of volumes will happen once our steel pipelines get laid and commissioned. May be two to three years down the line when the new international airport, etc., starts operation we have a lot of activity happening there, lot of commercial development, which will happen, lot of residential development, etc., so that will contribute to growth.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** Good afternoon Sir. Request more details on capex, basically your guidance from Rs.220 Crores to Rs.375 Crores now, how will it be divided between various segments?
- Management:** The earlier guidance was never for Rs.220 Crores, we had always talked somewhere around Rs.300 Crores. We are increasing that to Rs.375 Crores on estimated basis and the reason is to do with permissions. There was a long wait for us to get permissions particularly in Raigarh related area, which we have started getting now. In fact we received critical permission in the month of January thus the work is going to begin in full swing and apart from that usual expansion activities in GA1 and GA2 will also continue hence the slightly upward guidance on the capex of Rs.375 Crores.
- Sabri Hazarika:** Could you please break it up between CNG stations and steel pipelines and MDP pipelines?
- Management:** Thumb rule of the breakup is that a typical CNG outlet will cost you somewhere around Rs.2 Crores to Rs.2.5 Crores and we plan to add 20 odd stations, which will be ready during the year, so you can calculate accordingly from CNG related aspects. There will be 100 odd kilometers of medium pressure pipeline, polyethylene pipelines, which we will be laying, it cost at least crore or may be crore and quarter rupees per kilometer. Then there will be expenditure on steel pipelines also. There will be some replacement capex also coming in picture, which could be in the range of 10% to 15% of the total capex and there are other capital expenditure like office-related things, civil-related things, all those put together it will be around Rs.375 Crores and substantial portion is towards what we call it as reinstatement charges, which we are required to give to local authorities.



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**Moderator:** Thank you. The next question is from the line of Nilesh Ghughe from HDFC Securities. Please go ahead.

**Nilesh Ghughe:** My question is on raw material prices, Sir if I look at sequentially the APM prices were up by about 10% and spot LNG prices were up by 15% compared to Q2, but still our raw material prices have gone up by just 7.6%, does that mean you are able to source LNG at lower prices and if yes then will the trend continue in the current quarter as well?

**Management:** It could be a combination of what you have said. The basic bifurcation, which we have is that CNG and domestic accounts for nearly 86% of our total volumes and around 14% is industrial commercial. The industrial commercial is fed through RLNG whereas CNG and domestic is through locally produced gas.

**Nilesh Ghughe:** But those prices are up by 10% whereas our raw material prices were up by just less than 8%?

**Management:** 10% is actually a part of it. There are two or three different sources of domestic gas, 10% hike of increase was in the price of what is called APM gas. You also get PMT gas price of which does not change, so when you do the weighted average you would have got number you are stating, other possibility could be your exchange rate fluctuation which may have contributed a bit, because the rupee was slightly stronger may be in this quarter compared to previous quarter.

**Moderator:** The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

**Vishnu Kumar:** Thanks for your time Sir. Just wanted to understand the next couple of years the capex that we are spending is it going to be more towards the Raigarh region and how much do we see in SCM terms would be the volume in the next two to three years, any broad range if you could just give the numbers?

**Management:** The capex, which we talked about the major part of it will still come from GA1 and GA2 on total basis. As regards volume in Raigarh it may take five, six years before we can look forward to some good number.

**Vishnu Kumar:** Sir, could split the capex between GA1, GA2, GA3 if possible?

**Management:** Bit difficult to say because it all depends on the permission, this financial year for example Raigarh would have hardly contributed approx. 20% odd whereas going forward the proportion may go up a bit since we have now received some critical permissions for Raigarh area.

**Vishnu Kumar:** Is it right to say that some of these capex that we are doing, when we are taking permission for existing area that we are paying much higher than what we used to pay in the past?



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**Management:** Yes, it does happen, the local authorities do have tendency to jack up the rate for RI charges, which we pay to them and depending upon the general economic scenario there is a possibility of increase in materials and last but not the least due to increase in minimum wages often labour related cost tends to go up in laying the infrastructure.

**Vishnu Kumar:** Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Mani Kantha from Axis Capital. Please go ahead.

**Mani Kantha:** What is the spot LNG price in Q3 and can you please give more details on how do you price the industrial and commercial PNG?

**Management:** Spot prices have been ranging between \$9 and \$10 per MMBTU and as regarding sales price to industrial and commercial segments we have already explained that is benchmark to the predominantly alternate fuel in that market segment.

**Mani Kantha:** What is the lag and all benchmarks you take into consideration?

**Management:** You can take a one month lag. For industries, you can benchmark it to LSHS for small commercial you can benchmark it to 19 kg cylinder.

**Mani Kantha:** Got it Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Mayur Mathani from ICIC Securities. Please go ahead.

**Mayur Mathani:** Just wanted to know how much is the impact of lower buses addition on the volumes and how do you expect that to go forward?

**Management:** Till now I think we have been fortunate because the reduction in number of BEST buses has coincided with the increase in the number of autorickshaws, which have come on the roads. So on an overall basis even though the CNG sales volumes to BEST, etc., have dropped significantly that has been more than made up by increased CNG sales in the retail segment.

**Mayur Mathani:** So how much sales do we make to the BEST buses at present?

**Management:** BEST could be around 70,000 kg per day approximately.

**Mayur Mathani:** Right Sir. Thank you.



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- Moderator:** Thank you. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.
- Prayesh Jain:** Good evening Sir. What is the share of CNG in the total population of Ola and Uber in the city roughly the number of CNG in Ola/Uber?
- Management:** Our estimate is about 30,000 to 35,000.
- Prayesh Jain:** What would be the per day consumption roughly?
- Management:** It could be about 8 to 9 kg per day.
- Prayesh Jain:** And when is the next hearing for this case at the Mumbai High Court?
- Management:** I do not have the exact date with me. We are not the party to the case.
- Prayesh Jain:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Gupta from Narnolia. Please go ahead.
- Aditya Gupta:** Thank you. Sir my questions are already answered.
- Moderator:** Thank you. The next question is from the line of Divya Singal from HDFC Securities. Please go ahead.
- Divya Singal:** Other expenses during this quarter has gone up by about 12% Q-on-Q, 19% Y-o-Y, so is there any one-off in that?
- Management:** Let us talk one by one. First is may be Q3 current quarter just ended versus Q2 earlier quarter. There have been different, different reasons one is we have earlier also mentioned in Q3 and Q4 generally we tend to undertake our planned maintenance activity, so something relating to maintenance and diversion of pipeline, we had spent around Rs.3 Crores plus that was one of the important factor, which could be one-off from that items point of view. However, we cannot rule out a possibility that another such new item may come up in next quarter, but otherwise it say one-off Rs.3 Crores. There is also one cleaning up exercise, which we had undertaken with respect to surplus and absolute inventory. We have taken a provision of around Rs.3.5 Crores on that account and also in view of accounting standard Ind-AS 109 with respect to financial instrument, there are certain provisions we are required to take that accounts for nearly Rs.3 Crores, so these have been some specific item, rest all are normal and there is variety of expenditure, which changes indirect proportion to sales volume, so this is in nutshell for Q3



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versus Q2. As regard year-on-year the primary escalation is, the increase consists mainly for let us say power and fuel or CNG transportation by LCV or dispensing charges, all these accounting heads are prominent accounting heads and these are variable expenditure that the moment your volumes go up generally these expenses will vary almost 100% in proportion and having volume grown for nearly 9%, 10% that is why you find the increase on Q3 versus Q3 of previous year.

**Divya Singal:** Thanks.

**Moderator:** Thank you. The next question is from the line of Ayushi Mehta from CD Equisearch. Please go ahead.

**Ayushi Mehta:** Good evening Sir. I wanted to understand what is the revenue arrangement with OMC private franchise and own CNG stations?

**Management:** With OMCs we have a principle to principle agreement and we give them a trade margin whereas with others franchise, etc., the sale is in our name and they get commission or a service charge.

**Ayushi Mehta:** What is the cost of upgrading the CNG stations?

**Management:** It depends on station to station area, very difficult to give a specific figure because sometimes we will be upgrading compressor, sometimes dispenser, sometimes both so bit difficult to state the figure. Also depends upon the capacity of the compressors, the range is quite wide it could be right from 450 SCMH to nearly 1000, 1200 SCMH also.

**Ayushi Mehta:** Thank you so much.

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

**Yogesh Patil:** Thanks for taking my question. Sir based on our calculation, domestic gas prices to rise by 13% from Apr 2019, will you be able to take the price hike in April 2019, and basically my question is in context to the general election? Thanks.

**Management:** At least in lighter vein the price rise will happen in our gas cost that will also be dependent on general election and ultimately if it does happen history shows that we have been quite prompt enough to pass on our increase in gas cost.

**Yogesh Patil:** Thanks a lot Sir.





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- Moderator:** Thank you. The next question is from the line of Rajesh Agarwal from Moneyore Investments. Please go ahead.
- Rajesh Agarwal:** Sir, now the new BS-VI norms coming in by 2020, so the cost of diesel vehicles and hybrid vehicles will go up, so will you see a shift from diesel vehicle to more of CNG because petrol hybrid will be cheaper than the diesel and being a cleaner fuel will you see that shifting?
- Management:** As per automobile industry reports, general shift has been happening from diesel to petrol over the last year or so because the price differential is shrinking between diesel and petrol and maybe if there is a disproportionate increase on cost of BS-VI diesel vehicles from a petrol or CNG that trend could accelerate a bit.
- Rajesh Agarwal:** So we can see a shift from petrol to CNG also?
- Management:** Yes, expectation is diesel demand would go down so this will go both to petrol and to CNG.
- Rajesh Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tarun Lakhotia from Kotak Securities. Please go ahead.
- Tarun Lakhotia:** Thanks for taking my questions, I have couple of them, one just on your margins front your unit EBITDA margin as we compute was Rs.5.6, Rs.5.7 per SCM in 2015-2016 and it has expanded to Rs.8.5 on a consistent basis for the past nine month of this year, can we say that given that there is still decent discount in CNG versus liquid auto fuels there is scope for these margins to expand further in the next few years or do you think the discount levels have narrowed off late, so this is more sustainable number rather than any further expansion from here on. Secondly if you could just share the CNG volumes in Kg terms for the quarter?
- Management:** CNG sales volume in kg in Crores is 14.21 Crores a kg for Q3 that is this quarter and coming to the margins related number I would request you not to go literally quarter-by-quarter.
- Tarun Lakhotia:** I am talking about last three-and-a-half years.
- Management:** There have been factors particularly enabled by price of the domestically produced gas, which has definitely helped us. This year the growth in volume has also been better. As a Company philosophy we still do not necessarily aim at any particular EBITDA margin per SCM or anything. Our focus is always on how to accelerate more and more volumes and gain more customers, hence we would continue to look for opportunities where the things can be made more attractive to the customers, though given the past nine months this year we should be



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comfortable with Rs.8/SCM EBITDA. Going forward there will be many factors on which it will be dependent upon, given today's diesel price and whatever gas costs are there the discount levels have dropped a bit compared to the earlier levels when oil had reached significantly higher levels, so in fact the value proposition has come down, so we will have to observe other factors like exchange rates, spot gas prices, price of crude oil, macroeconomic factors, which will ultimately determine the margin trajectory.

**Tarun Lakhotia:**

You mentioned a number of Rs.8 whereas you have done Rs.8.5 for nine months, I am sure for fourth quarter given that currency has appreciated your margins are likely to be similar or healthier than this right, since you just mentioned Rs.8 I just wanted to clarify that?

**Management:**

Conservative number we are talking because we are in an era where oil prices are changing in a very short period from \$70 to \$60, such kind of things have never happened at such a short term levels. The spot gas prices also keep changing in very short time, similarly the exchange rate has seen significant changes in a very short term, overall long term average of rupee dollar exchange rate appreciation was expected to be in the lines of 5% per annum CAGR basis, which suddenly jumped for a certain period this time to a 10% level. With such things happening within a very short time frame it becomes difficult to predict and again we always say that in Q3 and Q4 the maintenance activities of the company particularly plant maintenance go a bit up so that is our point of view.

**Tarun Lakhotia:**

Sure. Thank you.

**Moderator:**

Thank you. As there are no further questions, I would like to hand the conference over to the management for closing comments.

**Management:**

We thank all of you to join us in the Call. Thank you all.

**Moderator:**

Thank you on behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.