



MAHANAGAR GAS LIMITED

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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, 2021

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, 2021 was held on Tuesday, May 25, 2021.

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

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

For Mahanagar Gas Limited



Atul Prabhu
Atul Prabhu

Company Secretary & Compliance Officer

Encl.: a/a





**“Mahanagar Gas Limited 4QFY21 Earnings
Conference Call”**

May 25, 2021

**MANAGEMENT: MR. SANJIB DATTA – MANAGING DIRECTOR
MR. SANJAY SHENDE – DEPUTY MANAGING DIRECTOR
MR. S. M. RANADE – CHIEF FINANCIAL OFFICER**

**MODERATOR: MR. VIVEKANAND – AMBIT CAPITAL PRIVATE
LIMITED**



*Mahanagar Gas Limited
May 25, 2021*

Moderator: Ladies and gentlemen, good day and welcome to Mahanagar Gas Limited Q4 FY21 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participants' 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. Vivekanand from Ambit Capital. Thank you and over to you, sir.

Vivekanand: Good Evening everyone. On behalf of Ambit Capital, I welcome all the participants to this conference call today. We have with us the senior leadership team of Mahanagar Gas Limited. Mr. Sanjib Datta - Managing Director; Mr. Sanjay Shende - Deputy Managing Director and Mr. S. M. Ranade – Chief Financial Officer.

We will start the call with a brief overview of the company's performance for 4Q FY21 and then we can switch over to the Q&A. But before we start the proceedings, I will hand over to Jill for the disclaimer. Thank you.

Jill: Thank you, Vivekanand. 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 the quarterly numbers are not a reflection of long-term trends or an indication of full year results and they should not be attempted to be extrapolated or interpolated in to full year numbers. With this I will hand it over to Mr. Datta for his opening comments. Over to you, sir.

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

The outbreak of Covid-19 pandemic in 2020 and its second wave in April 2021 have resulted in significant disturbances and slowdown of economic activities. The company's operations have also been impacted due to lockdown, implemented by the state and/or central governments in view of Covid-19. This has resulted in reduction of sales volume across all segments except domestic PNG where it is used mainly for cooking.

Impact of pandemic is still not over and as we overcome our health and economic crisis of very large proportion, let us hope that things get back to complete normalcy at the earliest. During



*Mahanagar Gas Limited
May 25, 2021*

the full and partial lockdowns gas supplies to all our CNG customers and to the CNG stations have remained operational 24x7. Our emergency control room and customer care services have also remained operational for meeting all emergency needs and for ensuring customer support while adhering to the required safety and social distancing guidelines.

Coming to MGL's operations, I may mention that we are rapidly expanding our CGD network in the existing license areas. During the quarter 54,688 domestic households were connected thus we have established connectivity for nearly 1.6 million households. We have laid 165.69 kilometers of steel and PE pipelines thereby taking the aggregated pipeline length to over 5,916 kilometers. We have added 6 new CNG stations and with these we currently have 271 stations.

We also added 99 industrial and commercial consumers and thus as on quarter end, we have 4,192 industrial and commercial customers. In respect of our Raigad GA we are connected to 40,288 domestic households and 19 CNG stations are operational. CNG sales in Raigad has crossed the average level of 52,000 KGs per day in the month of March 2021, despite movement restrictions. It is expected to go up when some more CNG stations become operational in coming months.

In Raigad GA we have laid 68.53 kilometers of pipeline during the quarter thereby taking the total length of pipeline to 260.87 kilometers. In Raigad GA we have installed a district regulating station or DRS in Ulwe area and have established steel pipeline network from Belapur in GA2 to Ulwe area, while completing major horizontal directional drilling or HDD crossings of Belapur creek and Killa Junction. The downstream network of 11 kilometers will be charged after the commissioning of Ulwe DRS which will cater to a potential of about 19,000 domestic customers in Ulwe area.

Further, MGL has installed a DRS in Indiabulls projects wherein about 3,000 domestic customers will be charged immediately after establishing connectivity of Roha-Panvel railway line crossing at Panvel which is expected by January'2022. Further work is in progress to execute major crossings through HDD contracts along NH-4 to establish steel pipeline connectivity from Panvel to Khalapur. After establishing this pipeline network connectivity, we will be in a position to charge a network length of about 18 kilometers from Panvel to Khalapur along the NH-4 which will cater to new and existing CNG stations.

In FY 2021-2022 we have plans to lay about 25 kilometers of steel lines and 14 kilometers of MDPE network to achieve our GA-3 balance minimum work program target of 399-inch kilometers. Of the 25 kilometers planned steel lines permissions of 21 kilometers is available and for the rest of the pipeline permissions are already under process. At Savroli work on our first City Gate Station or CGS for GA-3 is in progress and we are also planning to commission the first LNG dispensing station of MGL at Savroli in the current financial year.



*Mahanagar Gas Limited
May 25, 2021*

Process of procurement of land for the second City Gate Station at Usargarh is also in progress. During the quarter we achieved overall average sales volume of 2.892 MMSCMD consisting of CNG volume of 2.024 MMSCMD. Domestic CNG volume of 0.457 MMSCMD while 0.411 MMSCMD of gas were supplied through the industrial and commercial segments.

There is an increase of 4% in the overall sales volumes compared to previous quarter. In case of CNG sales volume increased from 1.883 MMSCMD to 2.024 MMSCMD which is an increase of 7%. In case of domestic sales volume has decreased from 0.509 MMSCMD to 0.457 MMSCMD which is a decrease by 10%. While in case of industrial and commercial segments sales volume has increased from 0.378 MMSCMD to 0.411 MMSCMD, an increase of 9% compared to the previous quarter.

Current quarter EBITDA is Rs. 316.16 crores compared to previous quarter EBITDA of Rs. 316.72 crores. EBITDA margin is at 44% for Q4 compared to previous quarter EBITDA margin of 47.5%. Net profit after tax is Rs. 213 crores for the quarter as compared to Rs. 217 crores in the previous quarter representing a 2% decrease. The board of directors have approved final dividend of Rs. 14 per equity share for financial year 2020-2021 thus with interim dividend already paid of Rs. 9 per equity share, total dividend for the year 2020-2021 is Rs. 23 per equity share.

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

Moderator:

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

The first question is from the line of Natisha Gupta from Bank of America. Please go ahead.

Natisha Gupta:

Sir, my first question is on the 4Q results. The other income in the quarter is substantially low versus the previous quarters. Any particular reason why?

Management:

As you are aware general returns in the industry have been dropping so that is the primary reason both in case of mutual funds as well as bank deposits and last year when the Covid pandemic had started off we had made some change in the investment policy particularly from safety of principal amount point of view we had given focus to fixed deposit in banking and other things. And we picked up mutual funds we have concentrated more on overnight funds and to some extent liquid funds.

Obviously to some extent the investments in banking PSU mutual funds or arbitrage funds these kind of funds which there was a risk of mark-to-market application. There has been some drop in the returns. Also, in the initial years whenever we had done bank deposits those deposits were



*Mahanagar Gas Limited
May 25, 2021*

with higher returns and some of these deposits have been maturing in last one or two quarters. That is also additional reason you will find bit of lesser other incomes.

Natisha Gupta:

And sir, my other question is on the current status of volumes CNG, especially in Mumbai. What would your estimate be as to the current volumes due to the second lockdown, second wave lockdown?

Management:

It is difficult to predict exactly volume point of view. What we have observed is from Q3 to Q4 there was a good movement in CNG. In January-February or even to some extent in March when people were finding the pandemic is under control that kind of impression was given and some ease in lockdown was there. There was an increase in CNG volumes I mean to be precise the CNG volume in Q3 average basis it was 1.883 MMSCMD whereas Q4 has clocked 2.024 MMSCMD which is nearly 7.5% growth over Q3.

Whereas if we see currently once again because of the second wave of Covid the volumes of CNG have dropped. So, there has been some sort of seesaw sort of movement ups and down. It is bit difficult but what we are sure looking at Q3 and Q4 performance, the moment the lockdown eases I think the jump in CNG will be substantial. It will be quite coming back to the normal levels. This is what is likely, but all depends on how early the ease in lockdown is granted by the state government particularly.

Natisha Gupta:

Sir, lastly from me. Just a small clarification on Raigad GA. So, you are seeking an extension up to March 2022 but what is the current timeline which has been given after the 251 day extension? Till when is it due?

Management:

So, you are right. Officially 251 days were already communicated to us by the regulator. Nothing further we have received neither positive nor negative but today there were some press reports you also might have seen that there is an indication that some further force majeure concession might be granted. So, we are quite hopeful because it is not only MGL I think the entire CGD industry is affected, and it is a very genuine reason. So, we are hoping further extensions will definitely be granted.

Natisha Gupta:

Sir, that 251 days was from November onwards or so is that understanding correct?

Management:

No, it is from 1st April. It ends on 7th of December 2020.

Moderator:

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

Vidyadhar Ginde:

So, if you could give us some indications on volume currently in April and May how they are on a QoQ basis across segments? It would be very useful.



*Mahanagar Gas Limited
May 25, 2021*

Management: Since this specific question is asked I will give you some figures. We have some data as on I think 22nd May. If you are not in a particular order in the industrial is I think 0.252 MMSCMD. There has been up and down in Q3 if you recollect the industry was 0.244 MMSCMD. Q4 it had gone up to 0.258 MMSCMD and right now just 2, 3 days back it was indicating 0.252 MMSCMD. In case of restaurant category that is commercial it is 0.123 MMSCMD. Domestic is 0.516 MMSCMD and CNG as I had mentioned earlier there has been definitely adverse impact. CNG is at 1.427 MMSCMD.

Vidyadhar Ginde: Sir, this is the number as of a particular day or quarter-to-date?

Management: This is a particular day number.

Vidyadhar Ginde: Sir, we would be more interested in if you could get some idea on the average for the quarter-to-date even if some broad idea it is 20% down QoQ or whatever something of that sort?

Management: What we can say basically the serious adverse impact as such we have seen only in CNG. There has been drop to the extent of 25% to 30% in CNG. That is what has been impacting us. Otherwise, domestic has been overall doing well, the industry has also shown signs. Restaurant category yes, since the outlets were forced close down performance was a bit affected slightly improvement was only observed due to the home deliveries which were permitted.

So, primarily it is CNG which is down from 25% to 30% odd and to some extent restaurant category.

Vidyadhar Ginde: So, was the recent data the worst or things have improved from earlier levels? So, the latest data which you gave us it is the worst data during the quarter?

Management: All those day figures are not with us.

Vidyadhar Ginde: Roughly sir, I am not saying that is the smallest but that is nearer the bottom from here on this was so we bottoming out? Are there any indications of that?

Management: We feel so. I think there should be.

Vidyadhar Ginde: Things will improve if lockdowns being removed I guess?

Management: We will definitely feel that even some relaxations here and there should definitely help us further. These can be taken as of now almost bottoming out sort of a thing.

Vidyadhar Ginde: My second question sir, was on if you could give some indications on how margins are looking in terms of from domestic gas which you have tied up with KGD I am sure is helping you right



*Mahanagar Gas Limited
May 25, 2021*

now and spot LNG after going now has gone up. So, how do you look at the margins how are they looking right now, and I think one can only probably comment on how things are looking as of now?

Management:

You are right. Only thing this spot which you mentioned which had gone up it was a temporary phenomena. Jan, Feb, March may be it has shot up almost to the \$10 and due to the specific instances worldwide, but it has once again normalized so it will be in the range of I mean it is in the range of \$6 MMBTU kind of a thing. And hopefully similar trend should continue hereafter. We do not see something drastically going down. If at all probable's there could be positive movements also on the pricing front.

Margins yes, I think it depends on multiple factors. On spot gas front as I said already, I think things seem to be positive hereafter. Even alternate fuels that is net sales realization point of view it should be a good scene for us going forward because the oil price levels have been going up or steady at 65, 66 kind of thing. So, that is also a positive signal.

APM price as you know, no further increase has taken place. So, that is also good. The only probably two factors need to be observed is there is that negotiation with OMCs for trade margins are still on. Those things have not been continued and at least in theory the Uran-Trombay case which we have already disclosed as a contingent liability. That figure is also that way substantial. I mean of course we have legal opinion, and we strongly feel we should get favorable judgment but it ultimately up to judicial authority to promulgate the things.

So, these two figures point of view are a bit substantial and though our ability to pass through cost in case of CNG when we are talking with reference to OMC trade margin is good, but it all depends on what kind of ultimate consensus comes out. These are the only two real factors which if at all can impact the scene adversely. Otherwise rest of the factors barring unforeseen circumstances seems to be quite favorable to the company.

And there was also some recent price hike we had taken in the month of February which also should help in the full quarter impact in April-May-June and onwards of course.

Moderator:

Thank you. The next question is from the line of Probal Sen from Centrum Broking. Please go ahead.

Probal Sen:

Sir, with respect to Raigad, Mr. Datta, very helpfully explained the progress in the various phases but on a broad level sir, if things go well everything sort of normalizes in FY23 what sort of exit rate should one work with as far as volumes are concerned from the entire Raigad region? Is it possible to quantify?



*Mahanagar Gas Limited
May 25, 2021*

Management:

See Raigad is a bit difficult to explain on just year-to-year basis. Maybe we can talk medium term or long term because you must have heard MD explaining that there is one City Gate Station we have recently completed the land acquisition process and that commissioning of Savroli City Gate Station is in process. One of the very major achievements. No doubt it took a little bit of time due to the land acquisition process but finally at least that is completed, work has also started. Also, there will be another City Gate Station which is likely to come up. We did mention about Usargarh.

These are important factors. There is some other infrastructure also taking place with reference to particularly steel pipelines and all that but ultimately the last mile connectivity which is very important. What we can today say instead of just talking about immediate volume type of thing may be three to four years period we foresee say approximately 0.5 million kind of potential for Raigad.

And this is all based on as of now whatever scene prevails. That is nothing major happening on this pollution point of view and other things in the sense this cheap liquid fuel still being continued to be burnt and all that still continuing. CNG not being mandatory for say for commercial vehicles. These kind of scenarios continuing till around this kind of volumes might be achieved. Whereas some favorable promulgations coming up from pollution point of view like it has happened in Agra or other places in and around NCR.

I think there is a very good potential in Raigad also because there are no doubt industrial units also over there which we should be able to hook up as long as we are competitive with its alternate fuels. But normally speaking this 0.5 million kind of potential is there may take some 2-3 years' time but from last mile connectivity point of view.

Probal Sen:

And sir, the second question was with respect to the volumes. Thanks for mentioning at least an indicative number of how much CNG volumes have dropped and I guess what I could take away from your commentary was that around 20%, 25% drop is there on an average, very rough-cut average basis for the quarter so far. It could be more in some days; it could be less in some days. And as of now we are building that as and when reopening happens hopefully by July the CNG volume should come back very quickly. Is that a fair way to look at it?

Management:

Yes, I think potential exists because all infrastructure is already in place in case of CNG. So, there is nothing much needs to be done in Mumbai or for that matter even Raigad 19 CNG stations are operating by now. So, volumes can ramp up quickly but only needs to be seen that even after lockdowns what kind of approach people take as regards to travelling whether still work from home continues or how is the approach being taken by different corporates and people but otherwise the CNG can ramp up very fast the moment ease of lockdown takes place.



*Mahanagar Gas Limited
May 25, 2021*

Probal Sen: Sir, two small housekeeping questions. CAPEX guidance for 2022 and if you can break up the industrial and commercial volume? 0.411 was the number, if you can break it up in the industrial and commercials? Those are the last two questions.

Management: This is for Q4 volume you are talking?

Probal Sen: Yes sir.

Management: Industrial was 0.258 MMSCMD Q4 and commercial was 0.153 MMSCMD. CAPEX it is very difficult question right now to answer with not much of clarity when lockdown is going to ease out, whether any third wave of Covid is going to come up. So, it is very difficult because please note that our CAPEX too will lot extent depends upon the permissions of municipal and other government and semi government authorities. All these permissions are paper based. There is nothing on paperless approvals which we get.

So, that is going to be definitely bottleneck. We have aggressive plans as we had mentioned even for 2021 I mean we do not mind spending Rs. 500 crores plus also funds are available and there are planning which has been done definitely to that extent even higher than that. But it is a bit premature to state the figure what we should really be able to achieve.

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

Tarun Lakhotia: My question is related to the large cash in investment balance of over Rs. 15 billion that you are carrying on your books. How are you planning to utilize it?

Management: The simple answer is we will be open on all options. I think you have seen when it comes to I am not necessarily saying in particular order but when it comes let us say dividend distribution last year a special dividend was declared to the extent of 150% the company had completed 25 years that occasion we had celebrated. This year actually some increase in the normal dividend rates you will observe compared to 200% we have at least declared 230%. So, we are of course open on dividend distribution possibility.

We are waiting for some further clear signals to come up. I mean this is probably not the right time to take any drastic decisions either way. Hence, the board is a bit cautious but once the lockdown eases then as we mentioned that we have drawn up aggressive CAPEX plans also which definitely it will help us to utilize the cash and there has been some talks though I would not say something concrete is on paper and we may not be able to necessarily give the figures but even some you must have heard MD talking there is some even LNG station being proposed by us may be one more also is being at the planning stage.



*Mahanagar Gas Limited
May 25, 2021*

So, there are some other business growth opportunities which are also being looked into which can be at times a bit capital intensive also. There is also a need felt we had actually started the process, but we could not go through fast due to this lockdown and other restrictions that there is definitely need for good corporate office for the company which should take considerable utilization of our funds.

There are also multiple customer relationship offices. All these are right now at hired premises. What we have thought of that since it is going to be need of the perennial nature and generally the customers prefer that once you open any CRM office ideally that should not be changed frequently. So, there is also a thought of going into some own premises for customer relationship offices also at least 8-10 offices kind of thing we have thought of.

So, those also of course those many are not very heavy from value point view but still put together it can definitely make some use of the cash available. So, these are some thoughts in front of us and as worst as we said I mean board is also conscious that the returns perspective if it really need arises I think we will be open for any options.

Tarun Lakhotia:

Sir, you have managed to generate a free cash flow of just under the shade of Rs. 5 billion even in a pandemic affected year whatever the thoughts that you shared in terms of whatever incremental utilization of the plans that you have. Your incremental free cash generation could suffice because these things will not happen in one single year. In fact, in one of the first questions you mentioned about the lower yields in the debt markets and how your other income have been lower and that is something which is visible in the last couple of year's earnings as well.

Why not consider a buyback program where your company itself is probably going to generate higher earning yields as compared to in a normal business scenario versus the alternate options that you are considering assuming that incremental free cash generation will anyway take care of all other requirements that you may have. So, why not consider that at all, can I have some thoughts on that?

Management:

What right now we can say is as I said I did not specially use the term buyback as such but when we said we are open for all options. It indicates that this option is also included in it. It is not that it can never be considered but probably some right timing we will have to wait for and whether we will also have to see whether that is really the last resort which we have to take into consideration. One or two more factors also I did say earlier is one or two contingent liabilities are also very important to be observed in our case.

The implications can be quite high. For example, this trade margin negotiation with OMCs the demand has been substantial from the OMCs and since our dependents on OMC is pretty high nearly 65% plus volume comes through collocated CNG outlets at OMC outlets. That



*Mahanagar Gas Limited
May 25, 2021*

negotiations are still pending. No doubt our ability to pass through these cost is good but at the same time we will have to keep in mind that the price whatever we will stick for CNG needs to offer good intensives to the customers.

Today it is fine when petrol is touching Rs. 100 and all those kind of things but there are changes, which keep happening even with reference to petrol prices. So, there could be one of the important factors needs to be seen immediately is what happens to these OMCs trade discount negotiations and there is a judgment reserved on by APTEL with reference to our Uran-Trombay case. Though we feel legally our side is strong but ultimately it is up to judicial authorities and things can be debated from either way.

So, may be things could be more clearer for management also to take a decision once these two figures are crystallized. That is what right now we can say. And I think probably I am preempting your question. Probably in next 4 to 6 months time clarity should be there on both these fronts.

Tarun Lakhotia:

So, after that we can probably expect some serious consideration about buyback assuming that the requirements are met comfortably by you?

Management:

I mean if it is really comes to that after all these things been considered and no other development are taking place. But then yes, what we can definitely say we will be open for that. We are not saying that that option is all together ruled out.

Moderator:

Thank you. The next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.

Mayur Patel:

If you can touch upon the potential of new bus additions anything which you are hearing from the state transport using the number of BEST buses could be added anything if you can share some insight about next one or two years how many number of buses could be added which can add to our CNG growth beyond the second wave bump?

Management:

Right now, there are no such concrete figures which can be shared but one positive factor which we have noted if you see one or two years back BEST had stopped inducting CNG buses. They were only thinking additional diesel or at the most some electric and other things they were thinking of. What is good to know is at least they are now open. There have been some additions which in earlier quarters have happened in case of BEST. They seem to be open at least to add further CNG buses.

This is a positive step but unfortunately right now there are no concrete numbers to talk about because as you might be aware BEST was also facing financial crunch and this particularly Covid has impacted their financial health substantially. So, even from their side further discussions had not taken place on concrete basis as such. So, maybe we will have to wait a little bit to get these lockdown easing and may be the discussions will commence once again.



*Mahanagar Gas Limited
May 25, 2021*

Mayur Patel: Another question is given that the potential if you look at Mahanagar Gas volume and if you look at the IGL volumes in NCR there is a huge growth potential untapped for us. Should we expect some more aggression in CNG station addition over the next two, three years and what kind of new stations should we expect in terms of addition over next couple of years by?

Management: If we talk of aggression I mean very accelerated growth in CNG outlets probably such growth which we will see in GA-3 areas Raigad district. Other GA-1, GA-2 no doubt growth will continue but there are two factors one is both these areas are pretty old, so we have set up lot of stations already over there and more than that there is a scarcity of land so accelerated number of additions happening in GA-1 and GA-2 possess certain challenge.

Nonetheless we are thinking of some other solution. It needs to be cleared by regulatory authorities. Is this mobile refueling units in respect of CNG those units can occupy quite a less space as compared to normal typical CNG stations. If that breakthrough which we achieve then even in GA-1, GA-2 area we can see substantial additions or aggressive additions in the CNG refueling units. We will be able to see it. No doubt compared to normal CNG stations the throughput could be little less, but numbers will definitely be higher and that many additions can take place obviously in the CNG volumes also.

Mayur Patel: Okay so what is your status of that mobile unit for refueling?

Management: See we have installed one at a place called Ajivali along old Mumbai-Goa Highway. So, that is awaiting the infrastructure has been put in place. That is waiting the final regulatory clearance. We received the initial clearance and having put up the infrastructure we are waiting the final clearance. But this is more of because that is going to be the first of its kind mobile refueling unit.

So, the regulator we also want to have to gather some operating experience of operating that MRU in that location. And then try to bring that concept more into Mumbai and adjoining municipalities where we are. There is real need of opening more such stations because the vehicle population is very high here as compared to the number of outlets. Having said that we are also working on an expression of interest document under which we will invite interested parties to set up these installations for us and operate them in our jurisdiction.

So, two things. One, trying to get hands on experience on the first MRU which is already in place in Ajivali close to Panvel. And then follow it up by inviting applications to set up similar installations in Mumbai and adjoining more densely populated municipalities.

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



*Mahanagar Gas Limited
May 25, 2021*

S Ramesh: So, following up on the last discussion on the mobile refueling units. Supposing things work out well and you are able to achieve some numbers so over a period of two to three years what is the potential you are seeing in terms of say number of mobile refueling units and the kind of volumes you can achieve through these units?

Management: See these mobile refueling units essentially will be as the name itself suggest mobile so it will get part in areas in land parcels allotted by the local authorities or may be public places like parking lots and things like that. So, there is an element of clearances that are going to be obtained by statutory authorities. There is also an element of the civic authorities agreeing to allow us to because it will also lead to some queuing of vehicles so like for example like the MMRDA ground that is a potential area where an MRU can be parked.

So, we have done a survey so there are quite a number of locations on which this can be theoretically parked but since it has an element of approval process involved with it both in terms of how the civic authorities take it and in terms of what is the risk perception as far as the regulatory authorities are concerned. So, we would not be able to kind of commit any number and the real test will be based on the response to our EOI document that we want to come out. We will be coming out with very shortly. We will get the first sense of it and then we can probably in the next Conference Call we can have a discussion on this further.

S Ramesh: The second thought is on the plans to set up the LNG station what is the capital cost and what is the kind of throughput you can expect and how would the economic works in terms of the cost of LNG and the kind of margins you can earn? Can you give us some thoughts on that?

Management: Yes, see the capital expenditure will be around Rs. 10 crores of the LNG station. But it is kind of a chicken and egg situation. Today there is no, this is only on an experimental basis. There are a few vehicles which have been made to run on LNG but there is nothing is commercially running on a large scale. So, it may take time for that market to develop. We are not only MGL but other CGD companies are also planning to create the infrastructure of fueling.

And in anticipation we are also working with OEMs so that these vehicle manufacturers they will also previously they were occupied with the BS-6 roll outs, now that it is behind them so they should now be focusing on LNG and they are also asking us assuming that they would like to focus on that. What kind of infrastructure are the various CGD companies or the oil and gas companies planning. So, a pan India roll out of LNG stations are being coordinated by the Ministry of Petroleum and lot of CGD companies as well as Petronet LNG, GAIL are all working towards putting up a number of stations all over the country.

So, that the essentially the targets will be to convert the commercial fleet. Not so much the passenger vehicles. So, we will be starting up with Savroli sometime in this financial year as far



*Mahanagar Gas Limited
May 25, 2021*

as the LNG station is concerned and we are also planning another one on the Mumbai-Nasik Highway.

So, these are the two stations we want to start with. One in this financial year and probably the next one will be coming in end of the next financial year or beginning of the next-to-next financial year. But currently we would not be able to project a number on how much volume or what would be the throughput through these individual stations.

Moderator: Thank you. The next question is from the line of Amit Rustagi from UBS. Please go ahead.

Amit Rustagi: So, I wanted to check that if we look at the BEST some of the press releases there have been discussion and they want to induct around 600 buses in the fleet. So, do we have any clarity and any discussions with them that these 600 buses would be coming in this financial year?

Management: We are in discussion with them. We are very much interested that they actually deploy these buses. In the recent past in last financial year, they have come out with a number of buses and since we have to plan for their fuelling of these buses and since they will be spread out all over the city. In some places we have to augment the capacities of our existing installations inside bus depots and also open create infrastructure in some of the new depots.

So, we are in discussions with BEST on this and we hope that from our side we are providing them with all the comforts that we will ensure refueling. They should just simply workout on the plans to induct these buses. So, there is some discussion that is going on and we are hopeful that we would be able to they will see merit because the economic rationale is very strong. So, we think that these things will roll out and to some extent.

Amit Rustagi: Is there any effort may be in medium term to convert some of the interstate buses in to CNG from our side like working with MSRTC?

Management: We are also in discussion with MSRTC. We had offered them to convert few of their buses because MSRTC buses fundamentally they are different from BEST buses because they do not move in, they ply over longer distances. So, there is a combination of type 4 the composite cylinders which hold more, which are very light weight and actually extends the range of the bus. So, we had given them the proposal to convert 5 of their buses and fit those buses with type 4 cylinders so that they can cover 700 odd kilometers in one fill so that they can take too far away depots and then bring them back without the need for a refill.

Of course, Maharashtra is having now there is lot of CGD companies have come up and much of the state is also having CNG infrastructure but having said that we wanted to give them the comfort that we will fit the composite cylinders so that they will have the comfort of running and have a very extended range.



*Mahanagar Gas Limited
May 25, 2021*

So, that discussion is on and our proposal is on their table. We hope that they will take a decision on it and once they develop the confidence and then hopefully they will convert more number of buses because there they run a huge fleet. So, if their numbers can be tapped I think it will be quite a substantial increase to the total number of buses that MSRTC buses. Currently they have around 50 odd buses running on CNG and there could be a possibility of a substantial increase in that number.

Amit Rustagi:

Sir, who will bear the conversion cost in this case?

Management:

Conversion cost actually we are in discussion with a number of agencies so the conversions we would be sponsoring the conversion. We would not be doing it right away on our own, but it will be in double digit Lakhs

Moderator:

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

Sabri Hazarika:

So, I had two questions. The first one relates to your conversions in the last three to four months particularly on the private vehicle front. So, I am talking about monthly conversions between say November to March before the second wave came up, so how has been the private vehicle conversions there?

Management:

Private cars numbers not exactly per month but quarter wise figures are right now available. Say for example for Q4 it was around 11,300 odd figure.

Sabri Hazarika:

11,300 got converted in Q4?

Management:

In Q4 and in Q3 it was 12,100 odd.

Sabri Hazarika:

Okay 12,100 and 11,300. And this is pure private vehicles, no taxi nothing?

Management:

No, this is when we say private cars I mean private vehicles it includes private cars plus this OLA, UBER thing. This is only cars we talked about, four-wheelers. Obviously not autos included.

Sabri Hazarika:

And what will be for has there been any meaningful increase in autos also?

Management:

Yes, there was good number. In case of Q4 it was almost 2,400 autos whereas in Q3 it was almost 3,000 autos.

Sabri Hazarika:

And before moving to the next question, what was your CAPEX for FY21?



*Mahanagar Gas Limited
May 25, 2021*

- Management:** On cash flow basis it is around Rs. 340 crores.
- Sabri Hazarika:** And overall CAPEX any committed CAPEX inclusive?
- Management:** Next year you are talking about?
- Sabri Hazarika:** I mean yes, next year like you said around Rs. 500 crores you are planning, right? So, this is cash flow CAPEX only you are talking about, right?
- Management:** Yes. I mean we have drawn up plans with higher CAPEX no doubt but if you have heard me saying earlier it all depends on this lockdown and permissions getting quickly. It is a bit very difficult to state what kind of figure we will be in a position to achieve. But from our side we are geared up. Lot of planning work is also there. Funds of course is not a problem. Substantial things depend upon how fast we get permissions and when.
- Sabri Hazarika:** And secondly, on inorganic acquisitions what have been your thought process have you been aggressive like anything have you done any, any thought on how it has been planning out regarding inorganic acquisitions?
- Management:** We are open for any acquisitions, but it should be at right price. That is number one. And probably when we talk about right price also one hidden point underlying is there is a minimum work program which must have been committed by the earlier party to PNGRB. The million-dollar question is what happens to that MWP figure and as long as we feel that that MWP figure is reasonable and rational and with our expertise and many years experience we can do it. Yes, we will be open for it.
- Sabri Hazarika:** But has there been any short listing or anything of that sir?
- Management:** No, no concrete proposals as of now on the table.
- Moderator:** Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.
- Nitin Tiwari:** The first one is on your gas sourcing. So, how much of RIL's volume did we consumed in this quarter and what is the run rate going forward for the same? And related to that like is this volume which is coming in from Reliance KG Basin is that being used only for industrial and commercial purposes or also for domestic and CNG?
- Management:** Volume what we consumed is 0.1 MMSCMD and yes it is meant basically for industrial/commercial.



*Mahanagar Gas Limited
May 25, 2021*

Nitin Tiwari: So, there will be no mixing with the domestic volumes which are meant for CNG and PNG like the way we used to have earlier with PMT volumes? There is no such?

Management: There is no need also. I mean adequate APM gas is being promised for CNG and domestic so there is no question of need for it whereas Reliance offers I mean that gas source offers price advantage over imported gas RLNG.

Nitin Tiwari: And second question is more strategic in nature and it is around vehicle conversion and your CNG station. So, as during the course of this call itself you mentioned that you have a high dependence on oil marketing companies for your CNG sale. Second you mentioned that the land and therefore scope for incremental stations are limited and related to that like your regular conversion has actually depended on availability of CNG.

So, how do you see this dynamic evolving forward as a strategy are you going to continue with your dependence on oil marketing companies for opening new stations or for CNG dispensing or we will like greatly depending more on your own strategic strength? And how do you see the vehicle conversion evolving given that we are practically getting saturated in Mumbai? So, what kind of a potential we are looking at in terms of saturation versus where we could go from here in terms of growth of CNG?

Management: There are two, three things. One is apart from things you mentioned probably you might have earlier heard us talking about mobile refueling units. This is one of the solutions we are actively looking at subject to of course regulatory approvals. So, if that permission is granted to us there could be potential of many MRUs, mobile refueling units which can up particularly in GA-1 and GA-2 because scarcity of land or total dependence on OMC this issue primarily comes up in GA-1 and GA-2. So, good solution can be MRU. So, that definitely we are pursuing a lot and it can help us substantially. That is number one.

Secondly may be earlier earning call you might have heard we mentioning about apart from the new outlets we also try to upgrade our existing outlet capacity point of view both compressors and dispenser point of view. That is continuing. Even in 2021 I think 15 odd upgradation we had done apart from whatever new additions we have done, and that drive will continue.

When it comes to GA-3 probably apart from OMCs it will be quite easier for us to get other land parcels either on ownership basis or on leased basis. Already 19 outlets are over there and there is a visibility of nearly 100 odd CNG outlets depending upon of course gradual rise in the demand which we see and the penetration level. So, all these factors put together should help us and nonetheless anyway the cooperation with OMCs continues. May be even this negotiation which is pending for OMC trade discount once that is concluded some further progress may also takes place in case of CNG outlets being offered from OMCs.



*Mahanagar Gas Limited
May 25, 2021*

Nitin Tiwari: At any point in time do you foresee that vehicle conversion could potentially slowdown because of capacity constraints on CNG dispensing front? Is that a possibility we could be looking at in the near future?

Management: GA-3 definitely not. That there is no issue because adequate station we will be able to put up. GA-1 and GA-2 the point is good amount of capacity exists be it compression capacity or dispensing capacity. It is only these peaking hours that is the issue which we need to resolve. There are some steps earlier we had taken, and we will try to reintroduce or take those things forward also may be offering some incentives to come up at different time lines. I mean people can be given time slots and if they come at specific time slot they immediately they will be given the priority for gas. So, such kind of measures may be on test basis we have tried earlier and which we will continue to once again pursue.

Nitin Tiwari: What I was saying is that past couple of quarters we are seeing metals slightly definitely steel prices increasing quite a bit. So, has that make you redraw your CAPEX plans in terms of like is there an increase in cost which you have considered in your CAPEX plans and any thoughts on that?

Management: Yes, okay one is this inflationary pressures or whatever happening to material cost or may be even labor cost. On the other hand, some other things also need to be considered apart from this cost rise is steel grid or steel pipelines, higher pressure pipelines substantially we have completed. I mean whatever is needed to reach charge areas in GA-1, GA-2 is fully over. In GA-1, GA-2 whatever kilometers we may be required to further lay in steel pipelines is may be from looping or security of supply point of view.

So, to that extent the kind of aggressive kilometers we had seen in earlier year those kilometers length may not be required. GA-3, yes, some additions will continue to happen. But in GA-1, GA-2 to that extent the requirement will go down in case of steel pipelines. And may be after may be three years down the line even in case of medium pressure pipelines the length requirement per se can go down.

So, it will be a mix of whatever material and other cost increases will be there but may be length will be proportionately less. A combination of these will decide how over a period of 5 years or so plans will be drawn up.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital. Please go ahead.

Kirtan Mehta: I was asking in gas sourcing mix currently how much percentage comes from imported LNG and how much proportion of that is on cost basis at this point?



*Mahanagar Gas Limited
May 25, 2021*

Management: Okay I mean right now due to Covid some distorted figures are also there but supposing we are talking normal business scenario the CNG and domestic account for nearly 86% of our total volumes which is all APM domestically produced gas which conversely means around 14% is through RLNG and may be within that substantial has been from spot basis but may be going forward we may have 50:50, 50% spot and 50% may be midterm kind of thing. This is what broadly the pattern is likely to continue.

Kirtan Mehta: And one more question in terms of the Raigad area due to Covid situation I just wanted to understand how much basically there has been a delay in implementation of the work program from your initial plans. You have mentioned about some 251 days of force majeure and there could be a possibility of further force majeure. So, does that indicate that the work program is delayed by more than a year or two or is there possibility to catch up?

Management: Irrespective of whatever delay has happened one is we are quite hopeful that that extension will be granted and there were two targets which we are required to achieve. One was the domestic connections, and another was inch kilometer. You will be happy to know that the domestic connection target has already been achieved by us in time. It is only a question of inch kilometers but there also last two years we have demonstrated good progress to the regulator, and we are quite confident with whatever extension we might be granted. The balance inch kilometer which is left out we should also be able to complete on that front.

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

Yogesh Patil: My first question is related to quarterly volumes. Surprisingly, we have seen a fall in the PNG domestic sales volume sequentially. Any major reason?

Management: It is a bit difficult to judge immediately. You are right there has been some drop. Probably it is more on account of per capita consumption being less in this quarter. One of the things which we feel is this if you know the Jan-Feb-March particularly and that is Q4 there has been some impression in the general public that pandemic seems to be under control and there was some easing down. So, even the presence in offices and other establishments have increased. Probably it was one of the reasons why may be tea, coffee or whatever cooking is being done at houses was comparatively low.

And in PNG you are referring to only household or in general you are talking because if total PNG you are talking then it also includes commercial that is restaurant category and probably that you are already aware the reasons. These outlets have been force closure has been there and there have been some problems. Though commercial we have done better than Q3. It is only domestic. Probably your observation was with reference to household?



*Mahanagar Gas Limited
May 25, 2021*

- Yogesh Patil:** Only domestic sir, I was talking about domestic?
- Management:** We see predominantly it is drop in per capita consumption. Probably people attending offices, or those kinds of reasons could be there.
- Yogesh Patil:** Okay my second question on the CNG trade margin discussions with the OMCs. Can you throw some light on or you can give us idea about the number how much trade margins OMCs are asking and how much would it be possible to pass on to the consumers? As you earlier mentioned that whatever will be the hike in the CNG trade margins that you will likely to pass on to consumers. So, any number or any idea about that CNG trade margins discussions with the OMCs? Any more lights on that side?
- Management:** Right now, discussions are still on so it may not be appropriate to give out the exact figures but the demand from OMC side has been pretty substantial. There is no doubt about that. Substantial increase they are talking about. One good thing is that it is going to impact the entire CGD industry. It is not just MGL which is going to be impacted. So, all the City Gas distribution players have pleaded with and kept MOPNG informed about this demand from OMC, and we hope that including with the intervention of ministry soon there should be some solution coming through.
- Management:** We have been insisting that this will happen with prospective effect. So, as far as your question of passing it on to the consumers so we are trying to avoid the retrospective division, but it is again as Mr. Ranade said the whole thing is now being kind of Ministry of Petroleum has got involved. So, we will again put it in front of the Ministry and try to get a favorable dispensation in this account as well.
- Yogesh Patil:** So, for our understanding sir, is it lower single digit number or higher single digit number?
- Management:** Higher single digit we can talk about.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints we will be taking the last question that is from the line of Ashutosh Chaubey from Centra Advisors LLP. Please go ahead.
- Ashutosh Chaubey:** Sir, I just have one or two questions which earlier participant asked, I might have just missed that. You said that in the Raigad district what was the volumes that you were expecting going forward?
- Management:** It will take definitely some time because right now infrastructure is being build including City Gate Station but when you are talking midterm to long term approximately 0.5 million MMSCMD we can talk about.



*Mahanagar Gas Limited
May 25, 2021*

- Ashutosh Chaubey:** So, 0.5 MMSCMD correct?
- Management:** Yes, 0.5 MMSCMD. And this is business as normal we have not taken into consideration any special advice being given by statutory authorities with reference to polluting fuels and all that. If that happens there could be substantial jump but otherwise this is the business potential we are considering.
- Ashutosh Chaubey:** Sir, also in one of the earlier con calls you had mentioned that in Mumbai GA we had around 35% penetration, right? So, what is this? So, what will be in percentage form in Raigad district this 0.5 MMSCMD?
- Management:** Right now, those figures are not available. May be offline we can help you out.
- Ashutosh Chaubey:** Sir, one question what I was is again on the margins front. So, like you mentioned the only factor that can affect our margins would be the negotiation with the OMCs that is happening, right? Because even on the APM price it is still unchanged. So, that is the only one thing affecting our margins but like you said it would be a complete pass on, right?
- Management:** No, what we have said that though our ability to pass through is good, but it all depends on what is the final conclusion taking place as regard to OMC trade margins. It all depends on what is the figure being concluded with them because while increasing our selling price we need to bear in mind the value proposition we offer to potential CNG customers. So, it is not that it is limitless, and we can pass on each and everything or in entirety. It all will depend on what is the figure which we conclude at.
- Ashutosh Chaubey:** Sir, one just last question. Is there any update on the 11th round of bidding that is going to happen and are we keen on bidding for any GAs? I think what I remember is last time we have had done a bidding for a GA in Southern part of India, right? So, what are we looking at what is the future prospectus regarding the 11th round of bidding?
- Management:** No, not much clarity because right now there is not much of clarity as regards office of PNGRB itself. So, we will see. Time only will tell us.
- Moderator:** Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to the management for their closing remarks. Thank you and over to you.
- Management:** Thank you very much for participating in this call. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.



*Mahanagar Gas Limited
May 25, 2021*

(This document has been edited for readability purpose)

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