



MAHANAGAR GAS LIMITED

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To,

Head, Listing Compliance Department BSE Limited P. J. Towers, Dalal Street, Mumbai - 400 001 Scrip Code/Symbol: 539957; MGL	Head, Listing Compliance Department National Stock Exchange of India Ltd Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 Script Symbol: MGL
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Sub: Transcript of Earnings Conference Call on Audited Financial Results for the quarter and year ended 31st March 2023

Dear Sir/ Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the transcript of the Earnings Conference Call on Audited Financial Results for the quarter and year ended 31st March 2023 held on 09th May 2023.

The transcript of the Earnings Conference Call uploaded on the website of the Company can be accessed through the web link: [MahanagarGas-Q4FY23 Earnings Call Transcript-May09-2023.pdf](#)

The Earnings Conference Call was attended by following attendees on behalf of the Company:

Name of Management Attendees	Designation
Mr. Ashu Shinghal	Managing Director
Mr. Rajesh Patel	Chief Financial Officer
Mr. Rajesh Wagle	Senior Vice President, Marketing

Further, we wish to inform that no unpublished price sensitive information was shared/ discussed in the call.

We request you to take the above information on your records.

For Mahanagar Gas Limited

Atul Prabhu
Company Secretary & Compliance Officer

Encl.: a/a



**“Mahanagar Gas Limited
Q4 FY23 Earnings Conference Call”**

May 09, 2023

**MANAGEMENT: MR. ASHU SHINGHAL – MANAGING DIRECTOR
MR. RAJESH PATEL – CHIEF FINANCIAL OFFICER
MR. RAJESH WAGLE – SENIOR VICE PRESIDENT,
MARKETING**

**MODERATOR: MR. S. RAMESH – NIRMAL BANG EQUITIES PRIVATE
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Mahanagar Gas Limited Q4 FY23 Conference Call hosted by Nirmal Bang Equities Private Limited.

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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. S. Ramesh from Nirmal Bang Equities. Thank you and over to you, sir.

S. Ramesh: Good evening and thank you very much. On behalf of Nirmal Bang Institutional Equities, I have great pleasure in inviting you all to the Q4 FY23 Earnings Call with the Management of Mahanagar Gas Limited.

Their Company is represented by Mr. Ashu Shinghal – Managing Director, Mr. Rajesh Patel – Chief Financial Officer, and Mr. Rajesh Wagle – Senior Vice President, Marketing.

May I hand over the call to Runjhun from E&Y to give the disclaimer statement following which we will have opening remarks from the management and Q&A. Runjhun, over to you.

Runjhun Jain: Welcome to the participants in this call.

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 the expectation contained in the statements are reasonable. However, these statements involve a number of risks and uncertainties that may lead to different results. The risks and the uncertainties related to these statements are included but not limited to fluctuation of sales volume, fluctuation in foreign exchange or the cost and ability to manage growth. I urge you to consider the quarterly numbers not a reflection of long-term trends or an indication of full year results. They should not be attempted to be extrapolated or interpolated into a full-year number.

That said, I would now hand over the call to management. Thank you and over to you, sir.

Management: A very good afternoon to all connected with the call. On behalf of MGL Management, I welcome all to the Earnings Call of this 4th Quarter Results of Financial Year 2022-23. I would like to thank all of you for attending our call today.

Just to give you a brief of the financial performance and the physical numbers of the Company, and before that, just to set the tone, domestic gas prices and gas allocations have remained a challenge during this financial year. However, with the notification of government on HPHT (high pressure high temperature) areas, given the priority to allocation to CGD and new domestic



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gas pricing policy from April '23, this has given a good relief to the CGD sector. In February '23, gas from HPHT is available to CGDs for CNG and domestic PNG on priority allocation as per MoPNG notification dated 13 January. This helped CGD entities in replacing earlier costlier LNG (RLNG) for CNG and PNG with HPHT gas. Further, the government also has changed the APM pricing formula and accepting key recommendations of Kirit Parikh committee with effect from 8th of April 2023. APM gas will now be priced at 10% slope to Indian crude basket on monthly basis with a floor of \$4 per MMBtu and a ceiling of \$6.5 per MMBtu for the first 2 years and annual escalation of 25 cents per MMBtu thereafter 2 years.

New guidelines remained silent regarding deregulation of APM prices and removal of ceiling price for HPHT produced gas prices. Post availability of HPHT gas on priority, MGL reduced its CNG prices with effect from 1st of February 2023 by Rs. 2.50 per kg, i.e., from Rs. 89.50 per kg to Rs. 87 per kg. Further, post implementation of new pricing formula, CNG prices were again reduced effective 8th April 2023 by Rs. 8 per kg, i.e., from Rs. 87 per kg to Rs. 79 per kg. Similarly, domestic PNG prices were also reduced by Rs. 5 per SCM with the same effective date of 8th April from Rs. 54 to Rs. 49 per SCM.

MGL continues to create CGD infrastructure across its business segments in the licensed area, and during the quarter, 92,274 domestic households were connected and thus we have established connectivity for nearly 2.17 million households, i.e., 22 lakh households. We have also laid 128 km of steel and PE pipelines thereby taking the aggregate length to 6,535 km. We have also added 12 new CNG stations. With these, we have now 313 CNG stations as of 31st March 2023. We also added 115 industrial and commercial customers during this quarter and thus on the financial year end, we have 4,558 I&C customers. In relation to our Raigad GA, we are connected to 68,033 domestic households and 28 CNG stations are currently operational. During the quarter, we laid around 10 km of pipeline in Raigad thereby taking the total length of pipeline to 382 km. This expansion of the pipeline network has created a good ecosystem for CNG and PNG in this area. The first CGS and first mother station was also commissioned in GA3.

Coming to MGL's operations now:

Average sales volume for the year ending 31st March '23 is 3.423 MMSCMD against 2.999 MMSCMD in the corresponding period last year. Therefore, there is an increase of 14.11% in the overall sales volume compared to the previous year. Average sales volume for the current financial year end is 3.423 which consists of 2.492 MMSCMD for CNG, 0.487 MMSCMD for domestic PNG, and 0.444 for I&C segment. Compared to the last year, sales volume in case of CNG has increased from 2.114 to 2.492; that is an increase of 17.86%. In case of I&C sales, volume has increased from 0.419 to 0.444; that is an increase of 5.95%. Domestic PNG sales has also increased from 0.466 to 0.487 MMSCMD; that is an increase of 4.45%.



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Coming to the quarter-on-quarter comparison:

Average sales volume of Q4 FY23 is 3.372 MMSCMD as compared to previous quarter of 3.412 MMSCMD. The average sales volume of 3.372 consists of CNG volume of 2.41, domestic PNG volume of 0.51, and I&C volume of 0.452 MMSCMD. Compared to the previous quarter, overall volume has reduced due to 2.6% reduction in CNG volume. This is primarily due to high CNG prices of Rs. 89.5 which has been now reduced to Rs. 87 and further reduced to Rs. 79 with effect from 8th of April. Thus, we expect that with reduction in these CNG prices, new growth volume should pick up.

EBITDA for the financial year 2022-23 is Rs. 1,184 crores compared to previous financial year EBITDA of Rs. 924 crores. That is an increase of 28%. Net PAT (profit after tax) is Rs. 790 crores compared to PAT of Rs. 597 crores in previous financial year. That is an increase of 32%. Q4 EBITDA has substantially improved to Rs. 390 crores as compared to Rs. 256 crores in the previous quarter. Mainly, this is a result due to reduction in weighted average cost of gas during this quarter. Net PAT for the quarter is increased to Rs. 269 crores from previous quarter of Rs. 172 crores, an increase of 56%.

I am happy to announce that the Board of Directors has also approved the final dividend of Rs. 16 per equity share for financial year 2022-23. Thus, total dividend for the year including interim dividend already paid is Rs. 26 per share. That is 260% on the face value of Rs. 10 per equity share.

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

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: You spoke about the HPHT gas replacing costlier LNG. If we can kindly get some details in terms of the overall volumes that we have, what is the extent of HPHT gas that we have in our portfolio, and how much was the LNG consumption for this quarter and for this year?

Management: Total HPHT for Q4, we have used is around 0.19 and balance was APM as far as CNG and domestic PNG is concerned. CNG and domestic put together was roughly.... The volumes were slightly down in case of CNG, around 2.93 MMSCMD. And both CNG and domestic requirement was fully catered through APM and HPHT for this quarter. You also asked what was the spot for RLNG. During the quarter, roughly we have bought around 0.14 MMSCMD of



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spot and rest was through term contracts which we have in place for I&C. This is the primary breakup.

Probal Sen: The second question was with respect to volume growth. You had earlier highlighted a certain CAGR that you sort of aimed to achieve in terms of 5% to 6%. My question was with the kind of steep reduction in CNG prices that has been afforded due to passing on of the domestic gas cost, do we see a stronger demand momentum at least in the near term for FY24 or are we still happy with sort of maintaining that broad guidance of 5% to 6% growth annualized?

Management: I think we have been always indicating or giving the guidance of roughly 5% to 6%. If you look at my volume growth since FY 2018-19 till 2022-23, despite COVID and despite volatility in gas prices and high gas prices, we are still clicking a CAGR of around 4.85%, very near to 5%. With Kirit Parikh committee recommendations and prices coming down, we see that CNG sales will pick up. There is also with Raigad area getting connected, we have lined up I&C customers. Those volumes will also be added. And I think in the case of domestic PNG, we have a very normal growth rate where we are generally clicking on an average 5% to 6% every year. However, since last 2 years, number of domestic connections we have substantially increased. We are almost reaching to 3 lakh houses. As and when they start consuming gas, out of 3 lakhs, at least 1.5 lakh start burning in the same year and rest get added in the subsequent years as and when flats get occupied. We hope that CNG as well as domestic and I&C all three put together, we should be in a position to give a volume growth on a long-term basis around 5% to 6%. However, we can always look at our pricing and see the elasticity of demand with respect to CNG specifically to see how do we trade-off between volume and the price and achieve the targeted volume as well as profitability.

Management: Just to add, this is a kind of business-as-usual scenario. If there is any upside on account of any environment related initiatives either from the government or from the courts, this number can only go up.

Management: Further, if you see that the numbers have been impacted because of COVID during the last few years, and also because of high LNG prices, the prices of CNG were increased in quite a short interval from Rs. 56 to Rs. 89. As you rightly mentioned, now it has come down. So, we expect that the numbers should pick up and maybe 5% to 6% can be slightly better than that also.

Management: Just to add, this little impact, but during Q4 specifically, there were some buses of BEST due to some accident – not as a result of CNG – were under testing almost for a month or so and around 300+ buses remained off the road. That has also contributed a little reduction in our CNG volumes, which was one time. Now, all those buses are back on the road and we are seeing normal consumption by BEST as well in the month of April and in the second half of March.

Moderator: The next question is from the line of Abhilasha Satale from Quantum AMC. Please go ahead.



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Abhilasha Satale: My question is again related to volumes only. During the quarter, we have seen some reduction in volumes. How have the conversions moved during the quarter, and with the reduction in pricing, are we seeing any pickup in the conversions. And of course, if you could give number of NCV conversion quantity.

Management: If you see quarter 2 and quarter 3, we were generally having vehicle on CNG roughly in the range of 15,500 to 17,000. Q4 there was a little reduction and the number is roughly 14,000 approximately. Within that, commercial vehicle you wanted to know how much is the commercial vehicle addition?

Abhilasha Satale: Yes, that will be good.

Management: Commercial vehicle is roughly 1,300+ small commercial vehicles, tempos, and trucks put together. Roughly 1,350.

Abhilasha Satale: I missed the number for Q4. Did you mention that because Q2 and Q3 you said 15,000 and 17,000. And Q4, what was that number?

Management: 13,700.

Abhilasha Satale: With the reduction in the prices what we have seen in Q1, are we seeing the momentum picking up as far as conversions are concerned?

Management: Once we dropped the price on 8th of April, we witnessed a week-on-week increase of about 7% in the volumes.

Abhilasha Satale: As you go forward, whatever the reduction has come through APM pricing, this is the maximum we are comfortable with the CNG price reduction or is there any further room that as we optimize cost further, there is a price reduction expected in future also?

Management: It depends on many factors. One is that how the petrol and diesel prices are faring. Second is what is our total cost of procurement. Whatever the reduction due to Kirit Parikh has happened, we have passed on to the customers, but we will again review the situation on month-on-month basis and if there is something more which can be passed on to get gain in the volumes, we will be certainly looking at it.

Abhilasha Satale: As our cost structure is also shifted downwards and we have passed on most of the benefit to the consumers, what is our target or what do we see our EBITDA per SCM to be in the range of that Rs. 8.5 to Rs. 9 we should be able to maintain?

Management: EBITDA per SCM is a function of a lot of factors. Apart from CNG and domestic and the available gas prices APM as well as HPHT or any other gas we use for priority, we have



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industrial and commercial segment where our pricing is linked to alternate fuels. If alternate fuels linked realization is good, we may be in a position to make good margins. And also, those term contracts are linked to different index. So, depending on the index movement, the cost of gas will get determined. All these factors will determine what should be the overall EBITDA per SCM for the Company. However, with respect to major part of our volume, i.e., CNG and domestic, we see a comfortable position at least for next few months and a quarter or so because as you may be aware, with \$6.5 cap on priority gas, spot prices also are reasonably down in the range of \$10 to \$12 and HPHT is available in the range of around \$12+. So, we expect that at least next few months, we should be in a position to maintain our margin. MD also mentioned earlier that, CGD has a priority allocation for HPHT. We have participated in the last round of HPHT gas auction by Reliance and we have tied up something. Further, there is HPHT round coming up in this month and also maybe after 4-5 months. We will be evaluating spot what is beneficial for near term and then tying up for long-term gas under HPHT also. By and large, we feel that at least next few months and quarters, we should be in a position to have a good control over gas costs.

Moderator: The next question is from the line of Rajesh Aynor from ITI Limited. Please go ahead.

Rajesh Aynor: Sir, my question is on total volume consumption on the CNG side. Can you give us some idea about how much is consumed let's say by the buses, by private cars when conversion happens, and by the three-wheeler autos? Any ballpark number which is the major or larger segment for us?

Management: I think we have answered this question on previous calls also and I will repeat once again. Buses comprise about 8% of our CNG volumes, then auto rickshaws is about 35% or so, private cars and taxis aggregators put together would be about 45%, and the remaining would be commercial goods vehicles like small light commercial vehicles, trucks, etc.

Rajesh Aynor: In that case, what is the penetration in terms of the park which is available versus opportunity of private car side because auto I guess should be completely on the CNG, so should the buses. And what's the risk of electrification that you foresee?

Management: If you look at penetration, in the black and yellow rickshaws and taxis, it is 100% penetration. If you look at private cars, we have about 4+ lakh of them in our estimate of a total convertible population of about 12 lakhs. That is about 33% penetration. Penetration is very very low in the commercial goods vehicle segment, hardly 2% or 3%, and that is one segment which we are looking to grow as much as possible because of late, some good positive moves have happened. OEs have now started coming out of factory fitted goods vehicles on CNG. Previously, the only option was for retrofitting, but now across the range right from light commercial, small commercial, intermediate commercial, going up to about the 18-ton range, you have CNG variants which are factory fitted and available with full warranty and backup from the OE for



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service and support, etc. Plus given the fact that CNG is also becoming a more or less a pan India phenomenon where all the highways going out of Mumbai now have got CNG right up to we go north of Mumbai, Gujarat, Rajasthan, right up to Delhi, you can drive on CNG without using petrol or any other fuel. If you go towards Pune, you can go to Pune, Belgaum, right up to Bengaluru without having to put in petrol. You have CNG all over the place. Towards Nashik also you go, you have CNG till Nashik. You go down towards Goa and Raigad district we have stations there. Then, Ratnagiri, Sindhudurg, Goa; the whole belt right up to Goa now has CNG. That is also encouraging the adoption of CNG for these goods vehicles. And of course, private vehicles also who travel intercity. That was on the penetration part.

On the EV part, most of the penetration which we are seeing is happening in the two-wheeler segment actually if you look at the nationwide or even statewide numbers. Compared to other states, Maharashtra is doing slightly better in penetration of EV and four-wheelers, private cars, but that we need to keep in mind that is actually a different market segment. Passenger cars come in the entry levels, then they come in sedans, and then they come in luxury level, high level, etc. The EVs are coming in at the high-level sedan and upwards, so Rs. 8-10 lakh+ market segment is where the EV penetration is happening whereas a large majority of the private car adoption of CNG is happening at the entry level which was up to Rs. 6-7 lakhs per car on road, those models. So, it is not really impacting our CNG volume growth yet.

Moderator: The next question is from the line of Keval Shah from Banyan Tree Advisors Private Limited. Please go ahead.

Keval Shah: Sir, my question is on the UEPL subsidiary. Did we get the final approval on the acquisition?

Management: The final approval is yet to be received because there is a lock-in period of 5 years which is ending in September 2023. So, we expect by October or November, the approval from the regulator should be available and then the transaction will take place of transferring the share and the money transfer.

Keval Shah: Do we have the volume number for UEPL for FY23?

Management: Around 0.1 MMSCMD.

Moderator: The next question is from the line of Darshit from RoboCapital.in. Please go ahead.

Darshit Vora: I just had two simple questions. First of all, you said that we have a revenue target of say 5% to 6% growth, right?

Management: Not the revenue, volume target.

Darshit Vora: What would be the revenue target if there is any?



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Management: Revenue is dependent on so many other factors like the cost of procurement which is a pass-through cost. So, revenue actually depends on the cost of procurement and the pricing which we do.

Darshit Vora: Will we be able to see the previous 35-40 EBITDA margins going forward, the OPMs? How long would it take?

Management: As far as percentage is concerned in case of CGD, let us say when my CNG was priced at Rs. 50 and later on when gas prices went up by say Rs. 20 and I had to pass through that Rs. 20, maybe whatever was my margin, within Rs. 50, I retained it intact. Let's assume I have a margin of Rs. 10 in my earlier price of Rs. 50, my price went up to Rs. 70 because of gas cost increased. My margin still remains at Rs. 10. So, 10 on 50 and 10 on 70, percentage terms, it will reduce but that is not relevant as far as our performance is concerned. So, we measure everything in terms of volumes and what are the margins you are making in absolute terms per SCM rather than as a percentage terms.

Moderator: The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Sir, can you help us understand how much will be the percentage APM deficit in FY24 assuming 5% to 6% volume growth and the similar number for FY23?

Management: FY 23 roughly we have got APM around 92% to 93%. And if I am not very pessimistic or optimistic also, we should get around 88% to 90% in FY 23-24 as well. However, this allocation will keep on changing. This I am referring to domestic gas volume APM gas. However, with availability of HPHT on priority for CNG and domestic, I think the major concern is not there and also spot is comfortable today and going down.

Devansh Nigotia: Sir, you mentioned 88% or 83% for FY25?

Management: Current year, around 93% we have got APM.

Devansh Nigotia: And FY24 you are expecting?

Management: Next year, we assume that it should be in the range of 88% to 90%.

Management: But if you look at February of '23 onwards, if you put together APM and HPHT, they have got 100%. It's only in the previous part of the year, sometimes they are having to put in some market price gas into the priority basket.

Management: From 1st February onwards, government has allocated HPHT on priority to CGD sector. So, APM plus HPHT is almost 100% of PNG and CNG volumes.



- Devansh Nigotia:** From when will the Kirit Parikh be applicable, the \$6.5 cap?
- Management:** 8th of April 2023. It's already implemented.
- Moderator:** The next question is from the line of Shubham Shukla from Voyager Capital. Please go ahead.
- Shubham Shukla:** My first question is on EBITDA margin. Even though we had a great quarter on this front – It is the highest in the last 5-6 quarters – but if I look at the past 9-10 years, we closed the year with lowest EBITDA margin ever. Are we expecting those 30% to 35% levels plus EBITDA margins like we had 2 years back?
- Management:** As I said earlier, I think it is not right to monitor our EBTIDA margin in percentage terms. If gas prices go down from here, I may pass on the gas cost reduction, so my percentage may improve. If the gas prices go up, I pass on that burden onto the consumer and the percentage may fall. Looking at margins for us or CGD companies in terms of percentage to sale price is not a very right parameter to look at. Rupees per SCM or per kg is a very good parameter to look at it.
- Management:** Normally, the cost is pass-through. So, we don't keep that margins with us. EBITDA to the sales is not a correct parameter to judge the performance. Better parameter is EBITDA to the per SCM, i.e., the volume sold.
- Management:** That is mainly because of selling price is very very strongly correlated with our purchase price and that is what moves the selling price the most. Our other costs, non-gas costs, etc., are more or less stable. It is only the gas purchase price which has wide fluctuations and which impacts our gas selling price. If a rupees per kg or rupees per SCM margin is relatively moving in a narrow range, you will see EBITDA in percentage terms swinging up and swinging down pretty significantly. That's why we don't usually use that as a measure.
- Shubham Shukla:** You have guided any like how revenue growth we are envisaging for FY24 next year?
- Management:** Revenue growth, as we replied this earlier, again, dependent on the cost of procurement and pricing we do. It primarily depends on the prices but prices are also dependent on the cost of procurement. And we have to see what are the alternate fuel prices – petrol, diesel, and other alternate fuels. Revenue is, again, like we see the revenue year-on-year growth of around 55% but the cost of procurement has also gone up significantly. Therefore, the PAT has only increased by lower margin as compared to the revenues. So, revenue is a more or less pass-through. If the cost of procurement goes up, we have to increase the prices; the revenue goes up. However, the profitability is not much impacted on that aspect.
- Moderator:** The next question is from the line of Varatharajan Sivasankaran from Antique Stockbroking Limited. Please go ahead.



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Varatharajan S.: Sir, you had earlier guided for some upgradation of outlets. Has there been any upgradation done during the last quarter as well as the financial year? I thought we were planning to add dispensing units that is part of your expansion program earlier which you had guided for.

Management: The CNG stations are upgraded in 2 manners. One that we add new CNG stations. Around 24-25 new CNG stations were added in the whole financial year and almost 41 CNG stations were upgraded. When we say upgraded, it means either addition of compressor, dispenser, or capacity upgradation or things like that. In total, we have done 65 upgradation and new CNG stations in the whole financial year.

Varatharajan S.: And this run rate is expected to continue?

Management: 2023-24 we have set up more aggressive targets in terms of new CNG stations and upgradation will be in the similar lines.

Varatharajan S.: If you can spell out that number?

Management: Around 30-40 new stations is expected to be added in this financial year and around 30-40 upgradations may happen.

Varatharajan S.: Any breakup between Mumbai and Raigad?

Management: All 3 GA's put together, but mostly new stations will be coming in GA2 and 3. GA1 is already exhausted. GA1 when we say, it is main Mumbai and GA2 is Thane and Navi Mumbai and GA3 is Raigad. So, GA2 and 3 are expected to see more of a growth in terms of CNG stations.

Varatharajan S.: Any CAPEX guidance, sir?

Management: This year, we have done around Rs. 580 crores and we should be doing around Rs. 500 crores to Rs. 600 crores depending on how the permissions are available, availability of space for putting up these stations. We will be doing CAPEX in this range.

Varatharajan S.: For both '24 as well as '25?

Management: Yes.

Moderator: The next question is from the line of Hemang Khanna from Nomura. Please go ahead.

Hemang Khanna: Sir, just 3 quick questions from my side. Sir, if you could help us understand on the operating cost side, what was exactly the reason cost has remained largely steady Y-o-Y and are materially down Q-o-Q? Secondly, on the I&C realizations if you could help us with the realizations for



this quarter? And lastly, you had helped us with these numbers earlier but what had been the total gas sourcing for FY24? What is the breakup across the various sources of gas?

Management: We don't have exact breakup as such but let's say whatever is our requirement for CNG and domestic PNG will be through APM and HPHT mainly. If there is any shortfall in that, it will be catered through spot RLNG and rest as far as I&C is concerned, we have the terms contracts in place as far as gas sourcing is concerned.

Hemang Khanna: And sir, what would be the total HPHT which we have tied up already?

Management: We have roughly earlier Reliance 0.1 and now we have tied up recently in the RIL auction 0.1, so 0.2 roughly, but of course, the earlier one pricing is different than the new one as per HPHT pricing of around \$12.12 per MMBtu.

Hemang Khanna: And sir, if you could help me with the I&C realizations and operating cost for Q4.

Management: Current quarter realization of I&C, there was some improvement, but the margins have improved mainly because of the reduction in gas cost. So, the Henry Hub linked gas cost as well as spot and other term contracts, the prices were very favorable and realizations have remained more or less same as last quarter.

Hemang Khanna: And sir, on the operating cost for this quarter? Any one-off or anything we needed to call out in this?

Management: I think operating cost there is not much change. More or less I think things are let's say hardly 10-20 paise difference and usually in the quarter 4, our maintenance activity, spares consumption, etc., goes up. Most of the activity of pipeline maintenance also happens post rains. So, if you look at my overall OPEX per SCM is around Rs. 5.45 which remains a little low in the first 2 quarters and it increases in 3rd and 4th quarters. Third and fourth quarters have been in the range of around Rs. 5.75 per SCM. If you look at on an average, annual OPEX, it has come to around Rs. 5.45 whereas last year it was around Rs. 5.39, an increase of 6 paise which is very normal considering inflation and other general increase in the cost levels.

Hemang Khanna: Lastly, a follow-up. Do you expect largely with the kind of pricing visibility which we have that margins will remain elevated in the years to come or will we go back somewhere around the 3rd quarter kind of numbers which we have seen earlier?

Management: It depends on a lot of factors as MD said earlier. It depends on alternate fuel prices, petrol and diesel prices as far as CNG is concerned. However, as he said, now with availability of gas with a ceiling of \$6.5 and also balance gas available through HPHT, spot prices also coming down. In case of I&C also, all the index-linked contract prices have stabilized a lot – we see that at least



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a few months going forward and maybe 1 or 2 quarters, gas cost is going to be under normal level which we have experienced in Q4.

Moderator: The next question is from the line of Yogesh Patil from Daulat Capital. Please go ahead, sir.

Yogesh Patil: Sir, can you please share what was the APM gas allocation for the quarter 4 and what is the current proportion of APM gas for the priority segment? Sir, this question is important from the point of view of your gross margin improvements in this quarter. If your CNG volume has declined sequentially and your input APM gas sourcing remain at the same level in the absolute number, then it suggests that the APM share in the priority basket is higher which led to the lower cost of gas and that has ultimately led to the gross margin improvement. Is that a correct understanding on the APM side?

Management: Partly yes because we have had availability of around 2.73 MMSCMD of APM during Q4. But the reason for gas cost reduction is reduction of spot and replacement with HPHT. Earlier quarter, I had consumed in the overall Company around 0.36 of spot whereas I in Q4 around 1.89 MMSCMD of HPHT has been consumed. Also, the prices of spot in Q3 were roughly average of \$33 whereas in Q4, it has come down to as low as \$17 per MMBtu odd, a little more than \$17. The gas which I replaced was spot to HPHT as compared to Q3, there was a reduction from \$33 to \$12.5. And the spot which I consumed also had a reduction of \$33 to \$17. So, overall gas cost is reduced because of these two factors – HPHT and spot prices reduction. Apart from these two, the term contracts, be it RIL term contract or GAIL Henry Hub term contract or GSPC, all of them have seen reduction in the range of at least \$1 to \$3 in the term contract as well. All this put together has added a very good leverage in gas costs which we have been able to reap and the profits are reflected in those lines.

Yogesh Patil: Sir, my second question is related to APM gas prices which are reduced from \$8.6 to \$6.5 per MMBtu. Have you passed on the 100% benefits to the consumer or some benefits are retained?

Management: We have passed on the full benefit to the consumer. Final calculations and impact will be the same. In case something more is available; we will pass on again. But as of now whatever is the reduction, i.e., \$2 per MMBtu, from \$8.57 to \$6.5 per MMBtu has been passed onto the consumer.

Yogesh Patil: Sir, last question from my side. One of our medium-term LNG contract with GSPC will expire in June '23. What is the plan? Are we considering spot LNG? Will we replace that volume or are we trying to extend the same contract with the lower flow?

Management: We have currently not taken any decision on this because under our Henry Hub linked term contract, we are now getting full quantity almost, which had a take-or-pay threshold of 60%. There we will be getting almost equal gas what we were drawing under GSPC contract. And



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since my requirement of CNG and domestic is getting catered through HPHT gas which we have already tied up 0.1 and also currently HPHT gas is also available through exchange and spot is also hovering around \$10 to \$12, so I think the next 3-4 months is a comfortable situation. We will review that and we will take, at an appropriate time, a call whether to tie up for a long-term gas or no, but we will be certainly tying up some amount of HPHT gas in the next few rounds as and when it is available. One round is available in this month, another maybe in the month of October or November this year.

Management: One 5-year contract we have already signed with Reliance Gas from 1st of May 0.1 MMSCMD which is similar volume which GSPC is having.

Yogesh Patil: And the last one, sir. A news flow about a waste treatment plant to produce the compressed biogas. Can you provide some details about that?

Management: Yes, I think in the newspaper, it was reported that BMC has announced 1 plant which we are in discussion with BMC to put up a plant at a suitable location wherein they will be supplying the waste and it will be CBG plant, i.e., compressed biogas plant, of around 300 to 400 tonnes of handling capacity of waste and producing around 15 tonnes per day of CBG. This plant is still to be configured. BMC is now also called MCGM, i.e., the Municipal Corporation of Greater Mumbai. So, the contours are still not frozen. We are in discussion with them for signing an MoU. Then, a detailed project report will be prepared and then FID will be done.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global Financial Services Limited. Please go ahead.

Sabri Hazarika: If we look into Q4, I think EBITDA per SCM was one of the highest, probably the highest barring one quarter when it went up to 14 and now you have mentioned that the gas costing mix is somewhat similar at least for the next 1 to 2 quarters and you have also passed on whatever benefit has accrued from lower APM gas prices. From a 1 to 1.5 quarter perspective, is this Rs. 12 to Rs. 13 per SCM EBITDA sustainable now or do you think that you could be passing on further and bring the margins to a more normalized levels?

Management: If you talk about EBITDA per SCM is Rs. 9.5 year on year and Q4 is Rs. 12.8. So, slightly better as compared to the full year. We will have a relook at these numbers in going future, and if some more price reduction is required, we will do that. But right now, we are not envisaging any such thing.

Sabri Hazarika: We understand that on the industrial commercial, it is completely a formula-driven mechanism, but on CNG and domestic PNG, I think some of your peer group companies have some EBTIDA per SCM in their minds, and based on that, they do the pricing. In your case also, is it the same or you will be taking it as it comes?



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- Management:** We will be looking at elasticity of demand as far as CNG is concerned. If we find that the volume momentum as expected is not coming off, then we will review our pricing because at anytime price review is in our hands.
- Management:** And our EBITDA per SCM is always hovering around Rs. 8 to Rs. 10 in that range. We are still in Rs. 9.5 on the whole year basis. Similar type of profitability is being maintained. One quarter, yes, you are right. Last quarter was slightly much better. But we will see going ahead how does this year rolls out.
- Sabri Hazarika:** Under the challenging circumstances, maybe like Rs. 9 to Rs. 10 could be.... Of course, not the final but could be something which we can assume, right?
- Management:** Yes, we are comfortable in that range.
- Sabri Hazarika:** Sir, one bookkeeping question. What was the industrial volume for Q4 as well as FY23 as a whole?
- Management:** Q4, I will give you the volume combined – commercial and industrial.
- Sabri Hazarika:** I think the combined is there. I just needed for industrials.
- Management:** There has been some classification. So, it won't be really apple-to-apple if you look at them separately.
- Management:** So, combined is around 0.45 for Q4 and for the full year is around 0.44.
- Sabri Hazarika:** Has there been any change in the kg per SCM conversion for you or is it the same, 1.4 sort of a run rate?
- Management:** There has been a marginal drop. It is about 1.36 or 1.37, it is ranging around that. But then that fluctuates in a very small range.
- Sabri Hazarika:** In Q4, right?
- Management:** Yes, on a few days, if there is an upset in the ONGC plant at Uran , we get relatively richer gas but then that change pretty quickly.
- Management:** Not much has changed.
- Moderator:** The next question is from the line of Nitin Sharma from MCPro Research. Please go ahead.



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Nitin Sharma: Last year, we started deploying CDUs. Can you help us understand what happened throughout the year? What kind of volume came from it? How many have been deployed and what are your plans for FY24?

Management: Unfortunately, the CDU roll out is still stuck in a few regulatory hurdles. Currently, the approvals which we are getting from PESO are not permitting us to deploy the CDU as it is, in true spirit of the CDU. It is becoming more like a location-specific approval where I can't really move the CDU around. If you are fixed to any location, it makes more economic sense to have a small conventional CNG station there which is much cheaper than a CDU. You can have larger sales volumes also. So, though we have given out 2 or 3 LOIs to some parties to deploy CDUs, we haven't seen much progress on that. There is still work to be done there on the regulatory front, on the state regulations basically.

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

Kirtan Mehta: One question on the growth rate that we have seen in GA1 and GA2. Would you be able to give a breakup of the volume growth that we have seen in these two GA's?

Management: Before that, just one point I would like to make. A big chunk of our volume is CNG, 70% +, and as far as GA1 and GA2 are concerned, a huge common boundary is there in between Thane, Navi Mumbai, Mira-Bhayander, etc., where vehicles keep coming in and out, in and out, they fill depending on their convenience either in GA1 or GA2. So, attributing any particular growth rate, analyzing it that way is slightly difficult because these are almost seamlessly connected. If you look at the PNG sector, yes, there we can have some proper numbers because the households, industries, and commercial establishments, they are either in GA1 or in GA2. But the analysis becomes a bit difficult when it comes to CNG.

Kirtan Mehta: You also mentioned about lining up of some of the industrial consumers for Raigad with the implementation of CGS3. Would you be able to give us an insight what kind of volume growth that we can see in FY24 and FY25 by connecting them?

Management: We should see at least a double-digit increase on our industrial sales.

Kirtan Mehta: Overall, when we are say on a base of 0.45 MMSCMD that we have seen, we can see double-digit increase?

Management: 0.45 includes commercial also. We are talking of industrial which will be about 0.3 maybe.

Kirtan Mehta: And how long the run rate would be? Basically, the way we are looking at the Raigad GA, the GA potential is somewhere in the range of 0.5 to 0.6 MMSCMD. How much of that proportion would be the industrial demand?



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Management: Industrial would be about 0.25, but again, there is another issue there because when we are saying industrial demand is 0.25, it is the potential where typically gas penetrates against those alternate fuels which are being used by these customers. Otherwise, the total industrial fuel consumption of GA3 is huge if you take the coal, etc. There are some restrictions on the use of solid fuels and polluting heavy fuel oils, etc., then the demand can go much higher. But given the current situation where we are only able to replace relatively higher cost liquid fuels because the market price gas which we have to use for I&C is high, then we are looking at these kind of numbers.

Kirtan Mehta: And one more question if I can squeeze in. In the commercial or the light commercial vehicles and tempos that is your target segment, what kind of the payback period or what kind of the implicit savings could motivate that segment of the consumers to translate into a faster growth of conversion? What is your sense around those numbers?

Management: In the last year, the differential between CNG and diesel was not much. We were selling CNG at Rs. 89; diesel was at Rs. 94. Now, the differential has increased a bit and we are at about a 16% discount to diesel. If you look at a small or a light commercial goods vehicle and compare its diesel variant to CNG variant, the price difference is not that different. The driver for the adoption of CNG in light commercial and small is more to do with what is the daily running of that vehicle and in which area it runs and whether it can conveniently refuel CNG or not. And since all these boxes are getting ticked, we were seeing a few thousand of these vehicles adding on every quarter.

Q4, there was a dip in those numbers because of reasons which you mentioned, but going forward, we are expecting that number to increase.

Moderator: The next question is from the line of S. Ramesh. Please go ahead, sir.

S. Ramesh: Before we close the session, I would like to have your thoughts in terms of what is the contribution from new OEM vehicles in your conversions for 4th quarter? And do you see any increase in the number of new OEM CNG vehicles? Because Maruti is talking about very ambitious growth plans for CNG vehicles. What is your view on that?

Management: You are talking of commercial vehicles or passenger cars?

S. Ramesh: Both, because Delhi in IGL, they are talking about primarily new CNG cars but in your case perhaps, you are looking at both. So, we would like to have a color in terms of if you are looking at the overall number of conversions, what would be the split between actual genuine physical conversion and new OEM models and within that if you can give some color on cars and trucks, it would be great.



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Management: Retrofitting is almost negligible now. With so many OEs coming with some many CNG variants, whoever had to retrofit earlier because he was finding petrol expensive and driving a lot, would have already retrofitted. And probably 95% plus addition is coming from the OE market. If you look at the adoption in private cars, etc., now Q1, Q2, and Q3 on an average, we were seeing about 11,000 to 13,000 vehicle additions per quarter. Q4, that has gone down to about 9,000. In small commercial vehicles again, Q1, Q2, and Q3, the range was about 1,600 to 2,000. Q4, that has come down to about 1,300. We are hoping that this Q4 dip was mainly because of pricing. The April numbers are yet to come in for the vehicle conversion. So, we will get an idea only after maybe another few days or weeks, but we are hoping with the price differential again now is good, the CNG vehicle adoption should improve.

Management: Plus, several OEMs have started making new models also. So, this year 2023-24, we expect people have more choices, and therefore, CNG prices being attractive should get in better conversion.

S. Ramesh: On that note, let me thank the management of Mahanagar Gas for being kind enough to host this conference call. And I also thank all the participants for making it a very enlightening experience. May I now pass on the proceedings to the management for closing comments?

Management: Thank you so much all for joining this call. Because of paucity of time if somebody has not got the answers completely, they can always write to us separately and we will be giving proper answers. Thank you so much for supporting the Company and we look forward to have your support in the coming years. Thank you.

Moderator: On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us and you may disconnect your lines.

(This document has been edited for improving readability)

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