



Petronet LNG Limited

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PAN: AAACP8148D

GST: 07AAACP8148D1ZI

CS/PLL/LISTING/Reg-30/2022

Date: 16.11.2022

The Manager
BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

The Manager
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai – 400 051

Subject: Transcript of post-results Conference Call held on 10.11.2022

Dear Sirs/Madam,

This is with reference to our intimation dated 7th November 2022 and 11th November 2022 intimating holding Conference Call of the Company scheduled on Thursday, 10th November 2022 at 12:30 PM (IST) for unaudited Financial Results of the Company for the quarter and half-year ended 30th September 2022 and uploading audio recording post Conference Call respectively.

In terms of provisions of Regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of above conference call as Annex-1.

This is for your kind information and record please.

Yours faithfully,

Sd/-
Rajan Kapur
CGM & Vice President-
Company Secretary

Encl: as above

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Tel.: 02641-257249 Fax: 02641-257252

Kochi LNG Terminal:

Survey No. 347, Puthuvypu
P.O. 682508, Kochi
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“Petronet LNG Limited Q2 FY-23 Post Results Conference Call”

November 10, 2022



MANAGEMENT: **MR. VINOD MISHRA – DIRECTOR FINANCE.**
MR. RAKESH CHAWLA – GROUP GENERAL MANAGER AND PRESIDENT (FINANCE AND ACCOUNTS).
MR. GYANENDRA KUMAR SHARMA – CHIEF GENERAL MANAGER AND VICE PRESIDENT (MARKETING).
MR. VIVEK MITTAL – CHIEF GENERAL MANAGER AND VICE PRESIDENT (MARKETING).
MR. DEBABRATA SATPATHY – GENERAL MANAGER (FINANCE AND ACCOUNTS).
MR. ASHWANI AGARWAL – MANAGER (FINANCE AND ACCOUNTS).

MODERATOR: **MR. HEMANG KHANNA – NOMURA.**



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Moderator: Ladies and gentlemen, good day and welcome to Petronet LNG Limited Q2 FY23 Earnings Call. As a reminder, all participant lines will be in 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. Hemang Khanna from Nomura. Thank you and over to you.

Hemang Khanna: Thank you Yashashree. Good afternoon and thank you everyone for taking the time to attend the Post Results Conference Call of Petronet LNG. We are privileged to have with us the senior management of Petronet LNG today led by Mr. Vinod Mishra – Director (Finance), Mr. Rakesh Chawla – Group General Manager and President (Finance and Accounts), Mr. Gyanendra Kumar Sharma – Chief General Manager and Vice President (Marketing), Mr. Vivek Mittal – Chief General Manager and Vice President (Marketing), Mr. Debabrata Satpathy – General Manager (Finance and Accounts), and Mr. Ashwani Agarwal – Manager (Finance and Accounts).

We now hand over the floor to the management to make their opening remarks, post which we will open the floor for questions. Thank you and over to you sir.

Vinod K Mishra: Thank you very much. Very good morning to all of you and first I will just read out the highlights and then we can take the questions. So, there has been highest ever turnover in this Q2 as compared to previous year turnover of same period or in the previous quarter. And the growth has been as compared to Q2 of the previous year, it has grown by 48% and as compared to previous quarter it has grown by 12%. And PAT and PBT has also increased in the current quarter as compared to the previous quarter by 6%. So, now, just I cover the highlights, for this quarter, During the quarter ended 30th September, Dahej terminal process total 182 TBTU as against 196 TBTU in the previous quarter and 225 TBTU in the corresponding quarter. And Kochi has in fact has processed 10 TBTU in the current quarter as compared to 12 TBTU in the previous quarter and 15 TBTU in the corresponding quarter. So, total throughput in both the terminals has been 192 TBTU in this quarter as against 208 TBTU in the previous quarter and 240 TBTU in the corresponding quarter. PBT has been Rs 994 in the current quarter as against Rs 937 crore in the previous quarter and Rs 1105 crore in the corresponding quarter. And PAT has been Rs 744 crore in the current quarter as against the Rs.701 crore in the previous quarter and Rs 823 crore in the corresponding quarter.

Company has registered highest ever turnover of Rs 15,986 crore as against Rs 14,264 crore in the previous quarter and Rs 10,813 crore in the corresponding quarter. The company reported highest ever turnover of Rs.30,250 crore in the first half of this financial year as against Rs 19,411 crore in the corresponding first half of 2021-22 registering a growth of 56%. Due to foreign exchange volatility, lease liability has an accounting impact of foreign exchange loss



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amounting to Rs.98 crore as per the provision of relevant Indian accounting standards IndAS. Considering the performance, the Board of Director of company has approved a special interim dividend of Rs.7 per share. The company was able to achieve robust financial performance despite high energy prices due to optimization in the operations. Now, floor is open for question. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Maulik Patel from Equirus. Please go ahead.

Maulik Patel: Can you just quantify your trading or inventory gain in this quarter?

Management: Well, trading gain in this quarter has been Rs 273 crore and inventory valuation impact has been Rs 118 crore.

Maulik Patel: So, this is compared to close to around 139 crore in the previous quarter of Q1 FY23?

Management: In previous quarter Rs 103 crore was trading margin and Rs 110 crore inventory valuation so, total Rs 213 crore was there.

Maulik Patel: Okay, got it. The second question is that, there is a significant jump in our inventory as compared to March. Does this indicate that there's a lot of volumes lying in on your store and off takers are not taking that?

Management: It's not that they are not taking it, they are taking it. But sometimes it happens that they are not able to update and some shutdowns are taking place in some of the industries. So, all these things in fact sometimes slow down the send out and that's the reason sometimes it becomes like that.

Maulik Patel: Okay. Sir, last question GAIL has mentioned in the con call that next year monsoon onwards the Dabhol terminal will be fully available. So, in your assessment, what could be the potential loss to Petronet because GAILs had brought some volume or some cargoes during the monsoon to Dahej and possibly at Kochi also. And what in your assessment could be the loss to the volume?

Management: It's not the loss to the volume. We can see the capacity of Dahej terminal is already booked to the extent of almost 16 MMTPA. In all of that include gas volumes of 7.5 MMTPA and Exxon Mobil volume of 1.425 MMTPA and then capacity booked by various off takers to the extent of almost 9 MMTPA. So, that is the assurance that we are having utilization to the maximum possible limit that means out of total capacity of 17.5 MMTPA, 16.5 MMTPA is booked. So, it doesn't matter whether, Dabhol terminal will be in operation for the entire year. Of course, it may affect to some extent, but as far as we are concerned, we are not that much affected because of the capacity booking Dahej terminal to the extent of almost 16.5 MMTPA. So, others may



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get affected because we have long term contract, which are tied up with Dahej. So, it's not a challenge.

Maulik Patel: Okay. Sir if you allow me the last question, sir any update on the potential investment we're planning in biogas and Petchem side?

Management: Biogas is of course still we are exploring because certain issues have come up regarding allotment of land in the state of Haryana. Till, those things are not sorted out so we are not able to take up the projects in Haryana ,Initially four, five projects we were envisaging to take up. But now, unless this land issue is resolved, we will not be able to go ahead. So, we are taking up with Haryana government and probably they are also co-operating. They are saying there are certain issues and because there has to be a provision for allotment of land, and they are resolving it. We are in talk with them. Petchem as you have asked, So, we are in fact going for this PDH-PP plant and we are in the process of licensor selection. After completion of that process, we will come to know about the exact CAPEX which will be incurred and then we will be taking a approval of the board.

Maulik Patel: Okay. So, probably by the end of this financial year, do you expect to get an approval from the board?

Management: Maybe it may cross this year, maybe March 23 can be said as a right timeline.

Moderator: Thank you. We have our next question from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

V. Sivasankaran: Yes, the lease related charges and impact on EBITDA?

Management: You are asking about lease impact, IndAS impact?

V. Sivasankaran: Yes, that's right.

Management: So, forex loss to the extent of Rs 98 crore in this quarter and it was Rs 124 crore in the previous quarter.

V. Sivasankaran: And with this rupee depreciation how do you expect this to change?

Management: Actually, if you see there has been upward rise of this dollar against rupee. It was somewhere around Rs 79, 80 in the last quarter and it has gone to Rs 82 in current quarter. So, it has impacted definitely That's why there is a loss to the extent of almost Rs100 crores.



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V. Sivasankaran: Is this 100 or something which we have to assume going forward, would it depreciate further ?

Management: Dollar rate you're asking 82, 83 yes.

V. Sivasankaran: Yes.

Management: We cannot predict all these currency markets and stuff.

V. Sivasankaran: No, you can predict this numbers. I am just saying if I assume Rs.82 as a number would this 100 crore become 105, 110 or we stay at closer to 100?

Management: See, I can give you a ballpark number if there is an increase of Rs.1 in US dollar then it means roughly 40 crore of loss.

V. Sivasankaran: Great. Last question on your East Coast terminal.

Management: It's a great news, this is the right time you asked this question. Yesterday we had a board meeting, and our board has approved the investment proposal for Gopalpur FSRU terminal. So, Total CAPEX will be 2300 crores and we are going ahead with this Gopalpur East Coast terminal. So, now all the term sheets will be signed with Gopalpur Port Limited and then we will work out all the packages for project .Basically three packages will be there in the project which will be, considered, that is, jetty package will be there, then pipeline will be there because Gopalpur port is roughly 36 kilometers away from the trunk lines of GAIL which is Jagdishpur-Haldia-Dhamra-Bokaro pipeline it is 36 kilometers from that pipeline which is basically a srikakulam angul pipeline. So, it can be connected to that trunk line. Then topside facilities for LNG jetty will be there. Likewise we are proceeding with this project. So, this is good news that the board has approved and now we are going ahead with Gopalpur LNG terminal.

V. Sivasankaran: Great sir, but I just wanted to check the Rs 2300 odd crore that includes everything ?

Management: Everything, it is inclusive of all taxes and duties also.

V. Sivasankaran: And the capacity would be how much sir?

Management: 4 MMTPA capacity.

Moderator: Thank you. We have our next question from the line of Somaiya V from Spark Capital. Please go ahead.

Somaiya V: My first question is on the utilization. Last quarter our overall utilization in Dahej was around 82%. Obviously one impact could have been the highest LNG prices, any other color that you'd



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like to add? Any impact on the long-term contracts, anything from the Gazprom supply issue that impacted, and do you see, things getting better during the rest of the year? or take or pay could probably compensate for this? that's first part and second part is, if you could share what is the current level of utilization at Dahej that would be helpful.

Management:

Okay. So, first is the utilization level, This time utilization of Dahej has been 80% in the second quarter, and a little bit lower than 87% in the previous quarter and 99% in the corresponding quarter. So, utilization is low and reason is very obvious that price of spot LNG is very high. So, spot cargoes which used to come earlier are not coming. That is the basic reason of course the long term LNG is coming. It's still good as compared to other terminals where not much gas is coming. But for the rest of the year there's a good news that prices of spot LNG have come down. Now, it is in the range of \$24 around. So, we are hoping that in the fourth quarter at least it will be way below \$20 so may be \$15 to \$20 price. So, that will be affordable and perhaps some more LNG will be coming to India and then utilization will further increase. But right now, of course it's difficult situation because not much spot LNG is coming to India. But of course, we are trying hard to mitigate that particular loss, which we are incurring by not having more spot LNG by way of optimizing our LNG consumption. And in fact we have been able to reduce our LNG consumption in our Kochi plant also where we are able to optimize it through grid power and we are not using LNG for operation of GTG. So, that way we have saved a lot of LNG and power saving is to the extent of almost Rs15 crore per month. So, that way we are optimizing, we are saving LNG. Similarly in case of vessel also we are using more FO and saving LNG to be used as fuel for the vessels. So, that is also saving a lot of LNG and whatever LNG we are saving, optimizing, that we are using for trading and that's the reason you can see that we have trading gain of Rs 273 crores as compared to Rs 103 crore in the previous quarter. So, we are trying to compensate whatever loss we are having in low-capacity utilization, through trading of LNG and to great extent we have achieved. Had there not been foreign exchange loss of Rs 98 crores IndAS loss we, would have crossed the corresponding quarter PAT, it was 823 crore in the corresponding quarter and Rs 100 crore if it is not been there in this time IndAS loss, then we would have got almost Rs 844 crore profit. So, still we are able to maintain it's a notional loss, but we have to show in the financials, so we have shown it but otherwise physically if you see we have done extraordinary effort in not reducing our performance as compared to the corresponding quarter. We are still better than the previous quarter. But we could have been even better had there not been this foreign exchange loss, which is a notional loss and we have to book it.

Somaiya V:

Understood sir. Just one follow up on that, any impact of the Gazprom supply is not being there to us?

Management:

Due to Gazprom supply GAIL is too much affected, but we are also affected to the extent that some of the cargoes of Gazprom were come into Dahej. So, those cargoes we are not able to get.



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So, there has been some default by GAIL also because they could not bring the Gazprom cargoes, which were scheduled for our Dahej terminal. So, there has been an impact, but we are trying to compensate through trading and through other things. So, it has impacted but GAIL is more impacted by Gazprom shortfall.

Somaiya V:

For us, would this be under a take or pay clause?

Management:

Yes, it is there. What's happening is that we have a calendar year for use or pay obligation. So, in third quarter of this year, we will book use or pay and whatever capacity is not utilized, by then we will charge from the off takers. And as far as GAIL is concerned you very well know that whatever they have defaulted, Gazprom has defaulted. There is no mitigation in the contract. Hardly, there's a liquidated damage to the extent of 20% of the price of gas. So, that is hardly anything as compared to the spot energy prices of the market. So, that's why GAIL is impacted, but they are still in talks with Gazprom, if something could be done.

Somaiya V:

Helpful sir. Just one last question from my side, update on CAPEX for this year and next year what you're looking at and also if you could give some color on the progress on all the projects be it Dahej expansion, the FSRU timeline and PDH-PP, also if you look at CAPEX for the next couple of years, thank you.

Management:

CAPEX if you look at, as I told earlier also and I am again telling you that we have already constructing two tanks with a CAPEX of Rs 1246 crore at the hedge. So, it is in progress. Almost, you can say that 38%, 39% of the progress is there. And second project which we are undertaking is third jetty at Dahej which will be having a CAPEX of Rs 1700 crores and then Dahej expansion brownfield expansion we are doing, 5 MMTPA from 17.5 MMTPA to 22.5 MMTPA. So, that brownfield expansion is in fact, will be costing around Rs 570 crore only. Whereas, if you go for a greenfield project LNG terminal, it will cost around Rs 5500 crores, but it's low hanging fruit so we are doing financial with just CAPEX of Rs 570 crores of 5 MMTPA capacity. So, this will all be complete by the end of 2024 or beginning of 2025. So, this is how we are proceeding in Dahej terminal and then the capex you are asking for this year, it will be around Rs 1250 crores and, so far we can say that it will be almost more than double maybe Rs 3000 crore we may reach next year. So, CAPEX will increase because we have so, many upcoming projects like I have told you that Gopalpur terminal is coming up, so as and when the contract is awarded for the packages of Gopalpur LNG terminal, CAPEX will start next year. So, those things will come now. And apart from that whatever PDH-PP plant we are going to have at Dahej. That we will see next year whatever because approval is yet to be obtained from board, it may take next year March or April maybe be there for approval of this project. But otherwise, CAPEX as I've told you this year Rs 1250 crore, next year maybe more than that or maybe Rs 2500 to Rs 3000 crores will be there. This is our expectation and let us see how much happens in the next year.



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Moderator: Thank you. We have our next question from the line of Sabri Hazarika from Emkay Global Financial Services. Please go ahead.

Sabri Hazarika: So, I have three questions. The first one is on this East Coast terminal. Have you booked any capacity or do you have any visibility of capacity booking for this?

Management: For capacity booking already we are talking to so many people including off takers and we will be able to do at least 30%, 40% What's happening that there is a mechanism of gas swapping. In fact GAIL has already laid pipelines in this Haldia-Dhamra-Bokaro pipeline. So, through this pipeline, we can optimize the utilization of terminals. And perhaps if somebody say GAIL or ICL has a customer for Odisha region, and they can take gas from our Gopalpur terminal through swapping the gas then we can directly bill to that customer from Dahej or Dabhol to Orissa on CST sale basis. And by taking volume from our terminal and in exchange they will provide that volume in Dahej or Dabhol to us. This is a mechanism provided by CST Act. So, for gas industry only there is no requirement of physical movement of goods from one state to another, if it is connected with a common carrier pipeline and some volume is introduced in the pipeline, then any customer can take that volume from any state if it is put in one state and taking in another state it will be deemed as if it has traveled. It's an open access. So, we hope that even if GAIL or IOCL or BPCL have any customer in that region, they can take gas from Gopalpur and they will save in terms of transmission cost from Dahej or Dabhol to Eastern region which is costing almost \$3 per MMBTU. So, we can optimize on that cost and we can also share some margin with them and they will also have their gas at a very cheap price landed at Odisha or Eastern region. So, this is how we are trying to optimize it and perhaps on East Coast, we are also trying to book some capacity and also we are trying to have SSLNG project to be launched over there because we are seeing that there are a lot many mining industry which are located in Odisha region. So, there are a lot of dumpers, steppers and very heavy machinery is used with diesel. So, we can in fact use LNG as fuel for those particular dumpers and cranes and dippers. So, that is an area where small scale LNG will be launched. And apart from that, there are many city gas distribution entities are coming up along this pipeline Jagdishpur- Haldia -Bokaro-Dhamra pipeline, they will also need gas which will be provided through the nearest terminal which will be Gopalpur. And they can use that gas. If they want to they can swap with the domestic gas at GAIL, if it is a city gas distribution company, they can take gas from there instead of bringing it from West Coast of India. So, That way, utilization will be optimized and we are hopeful that capacity booking is not an issue it will be dealt properly.

Sabri Hazarika: Second question is on your this spot LNG, it's quite commendable that you are able to extract this much quantity. So, what exactly is the guidance if I assume that Dahej operates at say 85% kind of capacity utilization so is it fair to assume that 2 to 2.5 TBTU of spot LNG would be able to like save and sell it on the spot market?



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- Management:** Spot market you are talking is spot LNG itself is so costly who will buy.
- Sabri Hazarika:** I'm talking about the technical feasibility of like the saving that you have done by using grid power and like saving upon the internal consumption and then selling it in the spot market. So, is there a ballpark rate, it's a big delta right now for the company. So, I was just wondering.
- Management:** We are selling this gas at spot prices, or we are selling on the gas exchange. Gas exchange is there so we are selling at whatever prevailing prices.
- Sabri Hazarika:** Yes, because this has increased from one TBTU to two TBTU from Q1 to Q2. So, I was just wondering is there a ballpark rate, can we assume like?
- Management:** Yes, Debabrata will reply to your query.
- Debabrata Satpathy:** Sabri, this is Debabrata. So, let us look at it from the financial numbers, The volumes have gone down from 87% to 80%. And at the same time there is a commensurate increase in the trading margin. So, if we look at financial numbers, then as explained to the market, as long as the spot prices are high which is the main reason of volume going down, whatever efficiency we do, that efficiency will fetch some trading margin. And once the spot prices come down to a closer to a level of the long term prices, then definitely the volume throughput will increase and we would not need the trading gains. So, the message here is that, this is not a one off thing as it has been proved time and again since last six to eight quarters that if one doesn't happen, the other will happen because of the sheer volume, scale, and the positioning of the company and the commercial tie ups. So, we need to understand it financially. As far as you are asking about the technical details that we do not disclose, how much technically it will happen and the spot prices are also fluctuating and depending on the spot prices, we also do more or less trading. I hope that will answer your question.
- Sabri Hazarika:** Right, got it. And sir third is basically the bookkeeping question, how much was the Regas service income and Gorgon volumes in Dahej and IndAS impact on interest depreciation and expenditure, these are the last.
- Management:** Gorgon volumes in Dahej was 13.9 TBTU. It is YTD and you have the last quarter's numbers. The Regas income is Rs 438 crores. And as far as the Ind AS figures Rs 133 crore at gross margin level positive and then Rs 8 crores at other expenses level positive. Rs 98 crores FOREX loss at other expenses level negative. Rs 84 crores of depreciation and Rs 79 crores of finance charges.
- Moderator:** Thank you. We have our next question from the line of Puneet from HSBC. Please go ahead.



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Puneet: My first question is on the FSRU terminal, would you start the construction before tying up with the off takers or after tying up with the off taker and similarly on the other side, from the sources of gas?

Management: Construction will take off because it cannot wait. But in the meantime before it is completed, we will work out all these issues and we will book some capacity at least. And at least we will mitigate those risks that is sure. And perhaps there are lot many customers coming up over there, the gas demand is in fact is there and perhaps we will be able to tie up before the completion of the terminal. So, it's not always possible to have 100% booking like we had in Dahej terminal, but at least to some extent 30% to 40% we'll try to tie up so that there is assurance that capacity to that extent will be utilized. So, your question as you sold before tying up that means we will have to wait long. So, still whatever things we have to do it will take some time six months to one year and may be more than that also. So, we have to do that effort in between and tie up so that simultaneously both the things can be done , and by the time it is completed capacity will be in place, capacity will be booked to some extent and then we can further explore other areas where we can sell the gas to utilize the terminal.

Puneet: So, you're looking to tie up 1.6 metric tonne?

Management: Almost you can say yes.

Puneet: And that too on long term basis right, any potential leads that you can share that you are discussing with?

Management: We will not like to share unless something happens we cannot share those things. As and when something happens you will come to know.

Puneet: Okay. And when do you actually start placing orders for this?

Management: Orders maybe placed in the next three to five months We have to sign term sheet first with Gopalpur Port Limited and then a lot of things like site development and other infrastructure things are to be completed and simultaneously we will also try to float the tender for various packages which I've just mentioned, including jetty, pipeline, topside facilities, all those things. So, that part we will do later but at least four months, you can say four to six months it may take.

Puneet: Okay. And is environment clearance done, or is that yet to be done?

Management: It is to be done. The board has approved it so now we are going for environment clearance first. And all the clearances required from the Odisha government that we will see if required.

Puneet: But I would presume draft feasibility report is now complete?



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Management: That is over, that has been completed by Engineers India Limited and the financial appraisal has been done by SBI Caps. And it is now found that it is a project which we can undertake, it is having good IRR and it's a good project. Once the gas reaches in Eastern region, more and more avenues will come for supply. Like I've said that city gas distribution companies are coming. So, small consumers will come to those CGD entities. So, that way it will further pick up.

Puneet: Okay, understood that's very helpful. Secondly, on the take or pay contract any acknowledgement from your customers that they will pay and what's happening in the current quarter have they paid for this quarter or will you book the shortage only in the December quarter?

Management: No, shortage will be booked in December, that is the last quarter of the calendar year. It will be third quarter that will book use of a charge. So, far whatever default has been committed we have not booked any revenue till Q2. And perhaps they have not paid last year, user pay that is true. But we are following up with all the customer to pay and let's see what happens next quarter.

Moderator: Thank you. We have our next question from the line of Rakesh from HDFC Mutual Fund. Please go ahead.

Rakesh: I have three questions. One is short term and slightly toward long term, Short term if I look at your Dahej volumes, for the first nine months of the calendar year you probably could have done about 10.5 or 10.7 million tonne of LNG assuming fourth quarter is also ballpark in the similar range, probably you will end up about 14 maybe 15 million tonne. So, does it mean about a million tonne so maybe 1.5 million tonnes of take or pay revenues in the coming quarter would that be the ballpark right match?

Management: Right now I'm not confirming anything, but whatever default is there in long term tolling volumes. That will be of course, accounted for in third quarter. The default is there to some extent so it's not that it is not there. But everything will be known in the third quarter and capacity utilization, I have told you it is around 80% only. So, that way, you can just assume that whatever shortfall is there that will be booked as a user pay charges.

Rakesh: Got it. And sir two more questions on the East coast terminal. Would we be competing with the Dhamra terminal which probably would be in the vicinity maybe about 300, 400 kilometers far away from each other but does that mean that we'll be competing for the same market or will the markets for both the terminals be different and an extension of that if you can help us understand what is the demand potential on that part of the country from LNG demand perspective?



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Management:

Dhamra capacity is already booked and perhaps many industries have already tied up with Dhamra terminal. So now additional volume will be coming from our Gopalpur terminal. So, this is how we are banking on and as far as the industry is concerned, nearby industry if you look at in Odisha region, major anchor customers are there which include Nalco, Utkal and Vedanta three projects have come up. So, they are the anchor customers who could be potential customer for our terminal. And apart from that, I have told you that swapping of the gas and other such mechanism will be adopted and SSLNG will also be there. So, that way we will be able to utilize almost 50%, 60% in next year after commissioning three, four years from now So, that will be good enough to at least support and we see that there is a potential increase in consumption of gas in years to come, it's only for the time being that the consumption is low because of high LNG prices, but as and when these prices will be normal the consumption will increase and we hope that by 2025-26, it will be much, much higher. Therefore, demand will be there in that region. And Vizag is also there, which is one of the potential demand region.

Rakesh:

Right. And one last question between FSRU and land base terminal, if you can help us understand your choice and also, what my understanding is that currently Germany is also bidding out for lot of FSRUs to move away from the pipeline gas which they have, that means they need to put in more LNG terminals. So, do we see a possibility where availability of FSRU itself might be a challenge in the coming years or that's not an issue at all?

Management:

You are right, its not easy to get it, But of course we will try to do that and if we are able to find a good scenario, then we will hire it, But we have a provision in this project that later on we will convert this terminal to land based terminal. Initially we are going for FSRU terminal. So, that way we have planned and perhaps maybe after five years we may venture to set up this land based terminal, so whatever facilities we have created like we will be able to construct jetty for this project, all these infrastructure will be useful and this terminal also. So, it's a common thing and with not much CAPEX will be required to set up land base terminal in future based on the demand perspective in that region. But right now we are going for FSRU and we will see how much market is there and what is the price available and if at all we get a good price whatever, 70,000, 80,000 per day, kind of FSRU if we get dollar per day, then we will hire it, if it is very costly, then perhaps it will not suit to our economics in future. And we'll see what happens, but as of now market is not good to assess whether this will continue like this, in future prices will be lower and perhaps we will be able to hire FSRU.

Rakesh:

Understood sir. And from a timeline perspective, is it fair to say assuming you take probably about a year to get all the approvals, or environmental approvals and local levels, et cetera. And then you probably will need another three, four years to get all the timelines a little shorter if you can help us understand.

Management:

Three years' time will be there for the construction of terminal.



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Moderator: Thank you. We have our next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: So, on the FSRU project, if you can help us understand what is the kind of volume required to generate the IRR expectation and what is the tariff assumption there?

Management: So you are asking very internal thing but of course, I'm telling you that we are having handsome IRR and this IRR is good enough as per our project appraisal and investment policy. We are having adequate IRR coming in this project and capacity utilization we are taking almost 50%, 60% and that way we are working it out and maybe after five years it will be almost 70%, 80%. So, this is how we are proceeding and we hope that it will be utilized to the maximum percentage but at least it will go to 80%.

S Ramesh: Okay. And on the capital costs for the FSRU when you talk about FSRU rentals of \$70,000, \$80,000. So, how is that cost built into this capital cost, is it going to be capitalized on the lease, how will it work?

Management: No, it's not capitalized it will be OPEX .Capex utilization doesn't include this FSRU hiring charges, which will be paid every year.

S Ramesh: Fair enough. And on the volume growth prospects for FY24, 25, your brownfield expansion will be done by say end of FY24 or beginning of FY25. So, apart from the improvement from the current base which is low, is there any other additional growth you expect in FY24, 25 as in the gas prices are reasonable as per the current trend.

Management: You're talking about the Dahej terminal?

S Ramesh: Yes, Dahej and Kochi combined, in terms of the volume growth for your company over FY24, and 25?

Management: Yes, volume growth will be there because we are expanding the capacity that's why I'm telling you that, even with the estimated growth it should be right now consumption level is around 163 MMSCMD and we hope that it will increase to almost 200 mmscmd around next three to four years, because by that time all CGD LTTs will come up and they will also be helping in growth of consumption of gas in the interior locations of the country. So, that will be a great thing because, still some of the projects are not completed in CGD, they are under construction. And then, when CGD will pick up, it will be one of the highest consumer of gas in future Right now it is second highest consuming almost 21% of the gas of the total kitty and after fertilizer. So, I hope that after coming up of these city gas distribution project gas consumption is bound to grow.



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S Ramesh: So, just to understand the timeline for the Dahej brownfield expansion, when do you think the first two and a half and the next two and a half billion tonnes will be?

Management: It will be by end of CY 24 or maximum and second phase it is in two phases. So, one is the end of CY 24, two and a half month and balance is a in the March 25, April almost.

S Ramesh: Okay, fair enough. And finally, when you're looking at your Dahej operation there are two terminals, Mundra and Chhara and then Swan LNG terminal. So either one LNG terminal likely to see completion this year and how do you see the Chhara terminal coming up because there is a certain amount of competitive intensity, much as you are competitive so how do you see these are the new terminal Swan LNG and chartered terminals taking shape in the next couple of years?

Management: We have already booked capacity to the extent of almost 16.5 MMTPA. So, there is no challenge to us as such, because if you look at all those things, it is not there with any other terminal Long term capacity booking is not there with other terminals and long term volume tied up back-to-back is not there. So, there is no competition as such with those terminals. But of course as and when those centers will come, they will also compete for the additional volume of spot LNG for which we will be competitive and we are much, much ahead of anyone in terms of the things that we have already recovered our CAPEX and there is nothing to lose on that front and that way we can be competitive and additional volume of course competition will be there and Another thing is that, it is not that terminal is coming then it will be utilized, it will be seen whether that terminal is well connected with the pipeline network or not. Dahej is the most well connected pipeline with the pipelines of the country. And as far as I know that at least four pipelines are connected to Dahej terminal. So, it's a most feasible location for taking the gas and other terminal you are talking about Chhara and other terminal they are not so well connected and it also makes a difference in long term. So, let us hope that we will compete with them for the additional spot volume only, Long term volume we have the security. So, that way, we are well protected against any future terminals which are coming up.

Moderator: Thank you. We have our next question from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

V. Sivasankaran: Sir, in this case of Gazprom volumes is there scope for GAIL to pull up a force majeure kind of clause, does something like that exist in our contracts which can provide a escape route?

Management: This is for the GSP they've entered with the customer. You are talking about contract with Gazprom itself.



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V. Sivasankaran: No. I'm talking about the contract with the off taker. So, if GAIL to pull up saying that this is a force majeure kind of a situation and hence compulsory take or pay may not apply on this volume, is there scope for them to do that?

Management: Yes, it is, I've not seen the contract, but it is there, they can invoke the force majeure clause. Because there is a disruption in the supply facility, then force majeure is involved. And the Ukraine Russia war is one of the events which can be seen as a disruption in the supply chain.

V. Sivasankaran: Fair enough sir. And everything else actually happening on this LNG outlet which you had originally entered into arrangement with the IOC and a couple of other players. So, is that something that you're still progressing or is it on hold at this point in time given the economics?

Management: It is taking place, but as you know that we have already tied up with one of the OMC and we are going for setting up four LNG station in southern region. We have already bought the LNG dispensing equipment and we'll be setting up maybe in next five, six months you will see that they are installed, but it's not in a big way is going on, it will take some time.

V. Sivasankaran: We understand that.

Management: Yes, but otherwise other OMCs are also coming like IOCL, BPCL and HPCL. They're also bringing their own LNG station. So, our effort is not only to have some of dispensing station we should own but we want that anybody can set up the LNG station. If oil marketing companies are doing this good also, because our objective is to supply LNG it from our terminals, so that our utilization level increases. So, whosoever have the LNG station, if they take LNG from our Kochi terminal or from our Dahej terminal that will also fetch some of the revenue to us. So, we are doing it because we want to connect with the customer but may not be that we will go in a big way right now. It will be in a phased manner and we'll see whether this viability is there or not, we'll see after putting upto 10 to 20 stations, what is the visibility in that particular area. If it is good then we will expand further. So, it will take time and simultaneously other companies and OMCs will also open. Ultimately, this will be cannibalizing their diesel or their fuel. So, they would like to set up on their own. So, we are not saying that we only have to set up this. They are doing it which means that they will do it and still we will be benefited out of it. But we will do to the extent possible.

Moderator: Thank you. We have our next question from the line of Manikantha Garre from Franklin Templeton India. Please go ahead.

Manikantha Garre: So, wanted to check now that you have taken the decision to go ahead with the Gopalpur FSRU and you're doing other investments at Dahej and Kochi, or your on international scouting that you are doing earlier is off the radar now.



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Management: There is no opportunity as such now, as and when something comes up then we will discuss it and see the merit of the case. But right now nothing is going on, as far as the International acquisition or kind of investment is concerned that is not there right now.

Manikantha Garre: Understood. No, I'm also asking in the context that Europe is looking to add a lot of LNG import capacity. So, if you are finding any opportunities there, and if it is something that you'll be thinking about in the future?

Management: Europe is doing only for their own consumption for FSRU type of setup they are seeking. In fact, their objectives is different. We are not going for any kind of investment in Europe. It could be somewhere where originally; LNG supplies are located. But as in when it comes we will see the merit of the case and then go ahead, otherwise won't.

Manikantha Garre: Understood, but as of now you are saying that there is nothing on the radar?

Management: Nothing on the radar right now.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day due to time constraints. I now hand over the call to Mr. Hemang Khanna for closing comments. Over to you.

Hemang Khanna: We would like to thank the management of Petronet LNG for taking time to answer all of the questions that were posed today. Thank you so much sir, and thank you all to the participants, which you a very Happy New Year ahead.

Management: Thank you very much, thanks to all of you.

Management: Thank you.

Moderator: Thank you. On behalf of Petronet LNG and Nomura, that concludes this conference. Thank you for joining us and you may now disconnect your lines.