



MAHANAGAR GAS LIMITED

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To,

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 Unaudited Financial Results for the quarter and nine months ended December 31, 2016.

Dear Sir/Madam,

Pursuant to provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that an Earnings conference call on Unaudited Financial Results for the quarter and nine months ended December 31, 2016 was held on Monday, February 13, 2017 at 4:30 PM (IST).

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

Kindly take the same in your records.

Thanking You,

For Mahanagar Gas Limited


Alok Mishra
Company Secretary and Compliance Officer



Encl.: As above



“Mahanagar Gas Limited
Q3FY17 Earnings Conference Call”

February 13, 2017



**MANAGEMENT: MR. RAJEEV MATHUR -- MANAGING DIRECTOR,
MAHANAGAR GAS LIMITED
MR. SUNIL RANADE -- CHIEF FINANCIAL OFFICER,
MAHANAGAR GAS LIMITED
MR. RAJESH WAGLE -- SENIOR VICE PRESIDENT
(COMMERCIAL), MAHANAGAR GAS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Mahanagar Gas Limited Q3 FY 2017 Earnings Conference Call. The call will be represented by Mr. Rajeev Mathur -- Managing Director; Mr. Sunil Ranade -- Chief Financial Officer; Mr. Rajesh Wagle -- Senior Vice President (Commercial).

As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. In case 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 the management. Thank you and over to you.

Management: Ladies and gentlemen, good evening and welcome to Mahanagar Gas’s Q3 FY 2017 Earnings Call. We would like to thank all those who connected to our earnings call.

Before we begin, we 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, their 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 rates, other costs, and our ability to manage growth. We would urge you to consider that quarterly numbers are not a reflection of long-term trends or indicator of full year results and should not be attempted to be either be interpolated or extrapolated into the full year number.

I would now like to hand over the floor to our managing director Mr. Rajeev Mathur for his opening comments. Over to you, sir!

Rajeev Mathur: Thank you, good evening friends and once again, welcome to Mahanagar Gas Limited’s Q3 FY 2017 Earnings Conference Call. I would again like to thank you all those who have connected for our earnings call today.

As you all know in the last decade, the demand for natural gas has gone up due to increased availability development of natural gas transmission and distribution infrastructure and the environment friendly characteristics from natural gas. The government of India is also encouraging the use of this green fuel.



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As far as MGL is concerned, during the last quarter ended 31st December, 2016 we have been able to maintain our performance, in terms of volume as well as PAT, compared to the previous quarter in spite of external event such as demonetization etc.

During the quarter, there has been an increase in the number of CNG vehicles mainly private cars and autos that are running on CNG in Mumbai. In case of PNG, there has been substantial addition of about 24,000 domestic PNG customers. In case of CNG vehicles almost 18,000 new vehicles have come on board and about 84 industrial and commercial customers have also joined this gas bandwagon in the last quarter.

Compared to the previous quarter, overall PNG volumes have increased by 1.7% which consists of domestic volumes increased by 6%; commercial volumes increased by around 2% and industrial volumes there has been marginal reduction in the last quarter.

In case of CNG sales, volumes were down by 2.7% due to the impact of demonetization for almost three weeks to four weeks out of the 12 weeks in the quarter. As you are aware in the month of October 2016, local gas cost was reduced from \$3.06 per MMBTU to \$2.50 MMBTU in view of the formula prescribed by the government.

Accordingly, we revised the sales price down and based on that, the overall gross margins during the quarter has actually improved to 51.5% as compared to 48.1% in the previous quarter.

The EBITDA was also higher by 3.5% at Rs. 167 crores as compared to Rs. 162 crores in the previous quarter. Similarly, the EBITDA margin was 33% as compared to 31% in previous quarter.

The net profit after tax was marginally down from Rs. 102 crores in the previous quarter to Rs. 99 crores in this quarter. Compared to the corresponding quarter of previous year there has been an increase of 4.8% in overall volumes an increase of 30% in PAT as a result of improved gross margins.

During the current year to-date, we have seen a healthy growth of about 5.7% in the overall sales volume over the same period in the previous year. CNG sales volume grew by 5.5%; domestic sales volume grew by over 7%; commercial and industrial volumes also grow by 9% and 1% respectively. On an overall basis, PNG volumes grew by about 6%.



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As discussed above there has been a reduction in the local gas cost and further average cost of RLNG in the nine months was less compared to the corresponding nine months in the previous year in view of the comfortable supply position internationally. The gross margin therefore improved to 49.5% as compared to 39.2% in the corresponding nine months in the previous year mainly due to reduced gas cost.

The net profit after tax grew by 29.8% from Rs. 227 crores in the corresponding nine months of the previous year to Rs. 294 crores during these nine months.

As of 31st December, 2016 we have connected more than 9.2 lakh connections for households and we are operating over 197 CNG stations supplying CNG to more than 5.28 lakh vehicles. We have now steel and PE pipeline supply network of 4,762 kilometers and in the five years that we plan, we will add about 83 CNG stations and about 675 kilometers of steel and PE pipelines.

Since we last discussed, as far as GA3 Raigad is concerned, we have identified six pockets to initiate supply of gas in Raigad out of this work is going on in Uran to supply gas to households which we expect to begin by April 2017. Work is also in advance stage of completion of gas supply to upcoming townships of reputed builders along the National Highway 4 in Raigad area.

For CNG, the work is in progress for setting up one station at Karjat for commencing sales which we expect beginning April 2017. We have also identified a number of new sites for setting up CNG stations and these shall be taken up progressively in the year 2017-18.

We are pursuing with various statutory authorities for permission for lying of steel lines in few stretches and we will during the year going forward have a large part of our network set-up in Raigad for commencing supplies to domestic as well as CNG customers.

As you all are aware CNG has successfully established itself as a preferred alternative transportation fuel amongst various vehicular segments ranging from three-wheeler, auto rickshaws to four-wheeler cars, buses, and trucks. However, till date two wheelers like bikes and scooter riders were not able to enjoy the benefits of this eco-friendly fuel and which is also cost effective. Due to non-availability of approved CNG kits for two wheelers. Therefore, MGL undertook the pilot project of 100 CNG scooters with the help of other associates and on 1st of January 2017, we have launched the CNG scooters in Mumbai. All the statutory approvals and permissions which are required from various authorities and agencies like PESO, ICAT, RTO, etc., they were all obtained for the CNG kits and the cylinder and now 18



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different variants of different scooters of leading brands such as TVS, Suzuki, Hero, Yamaha, Mahindra, etc., they are all authorized to run on CNG kits now.

You would be happy to know that there is a big potential of 9 lakhs two wheelers in the metropolitan region of Mumbai which can be tapped going forward, should this experiment of running two wheelers on gas becomes a success. And we are quite confident it shall, going by initial data that we have got.

I am also pleased to inform that the Board of Directors of MGL has declared an interim dividend of Rs. 8 per equity share of Rs. 10 each that is 80% of the face value for the financial year 2016-17.

Accordingly, pursuant to regulation 42 of the listing regulation 2015, company has fixed Monday the 20th February 2017 as the record date for settlement of shareholder entitlement to receive the aforesaid interim dividend.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with a Question-and-Answer Session. We have the first question from the line of Probal Sen from IDFC Securities. Please go ahead.

Probal Sen: I had three questions. One, you spoke about the demonetization impact impacting volumes for Q3. Just wanted to understand sir, can we then expect things having been normalized to a certain extent post December. Will the volume growth run rate be more similar to let us say Q2 going ahead in Q4? That was the first question.

Rajeev Mathur: Yes, you are right. As I said, we were impacted for the first couple of weeks, people did not have cash and therefore, they found it difficult to get refills of CNG done but then as normalcy came in, a lot of people also graduated to paperless transactions using credit cards, Paytms, and other similar kind of transacting mechanisms. Also, the cash has come back and people who were earlier reluctant to run their vehicles, they have started using the personal vehicles again. So, the experience is that while couple of weeks we were hit, thereafter the volumes have ramped up to the original levels that were there and therefore, we expect as long as similar market conditions are there, the volume should remain in the normalcy of what you have seen in the past.



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Probal Sen: Right. Sir, the second question was a bit on the margin growth. Now you obviously mentioned the fact that domestic gas costs have reduced from October, which would have been major reason for margins to grow. I just wanted to understand sir that has there been any improvement seen in the commercial and industrial margins as well for this quarter, just working backwards in terms of the prices that are available for CNG and PNG. It does seem that even commercial industrial margins have grown a little bit in the quarter.

Sunil Ranade: Yes, you are right. One is first of all this reduction in domestically produced gas, partially benefit was retained and partially was passed on so CNG, and domestic has also some upside. But apart from that industrial margins have also improved particularly in October, November, December, the reason being better sales realization more than on gas cost side. If you recollect this, there have been some upward movements in the brut level the prices of liquid fuel our competitive peers went up. We have some linkages with alternate fuel prices, the realization was better in industry then there is category of commercial-B which is smaller industries actually so the realization was better. And one more factor was restaurant category, over there the prices of 19 kg cylinders were earlier had not improved much as compared to previous year or previous quarter, we have seen improvement in the 19kg cylinder prices and as a result it is because of the pricing policy which we have with reference to 19kg cylinder prices there was an improvement seen in the realization of restaurant category as well. This has also helped to improve the margin whereas the fear on the side of FOREX which was earlier there we were not hit to the extent we have thought of. As a sum total of all these factors, the margin improvements are seen.

Probal Sen: Right sir. Sir, one last question, if I may, with regard to Raigad you mentioned that one station at Karjat is obviously going to be hopefully online by the beginning of FY 2018. You said that new site for CNG stations are being looked at but over FY 2018 then how many stations do we actually plan all things going well to commission and what kind of volume potential can we actually build in for Raigad if at all?

Rajeev Mathur: Everything going well, if you take a combination of GA1, GA2, and GA3, we are looking at anything between 20 stations to 25 stations at least.

Probal Sen: Okay. And sir, would it be premature to sort of look at our volume potential for FY 2018 will the big kicker in volumes come from FY 2019 given the commissioning will take most of FY 2018 for us.



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Rajeev Mathur: So, what we have been saying in the past also the volume everything remaining as they are there will be a growth of between 5% to 7% and we will like to stick to that number as of now. If there is any change going forward we will probably let you know on that.

Moderator: Thank you. We have the next question from the line of Viral Desai from Equirus Securities. Please go ahead.

Viral Desai: Sir, as far as Raigad is concerned, what would be the addressable household number there? And second was pertaining to the pilots scooter project that you had mentioned. So, if you can just briefly explain us, so would you all be supplying directly to the OEMs or how would it work? Thanks.

Rajeev Mathur: On the second question first, you know what we have done is we have got hold of some kit manufacturers who originally manufacture them in Italy, we have got the kit certified here by the Indian authorities and initially to kick start the movement of people using gas in two wheelers we have actually as a marketing gesture funded a portion of you know the cost of all that. So, with that, as I said 100 scooters we have got retrofitted and those 100 scooters that includes the kit that includes the cylinder that includes the other piping and etc., so that the scooters are up and running and we have had arrangements with certain scooter fleet users like delivery people from Pizza Hut or from McDonalds and things like that and we have put them on test, so the last one month that they are operational we have been observing the number of kilometers they have run, we have been observing the amount of fuel that they are using, we are observing the way, they are running, if there is any issue on that. So, all those results for the last one month have been very positive. Also, the unit cost of operating a scooter which was around Rs. 1.30 or so on petrol has come down to around Rs. 0.62 or so operational on road so that is the experience with the load that they are carrying. Now that gives us a lot of confidence that the operating cost will actually come down to half in city conditions in the way these two wheelers are run. So, we are still in development stage of trying to propagate the use of gas in two wheelers and also trying to get the kit manufacturers and all the others on board. And once, we believe that this running of these 100 scooters becomes a success I am sure, there will many more coming forward to use it. On the second part of Raigad numbers and demand Mr. Wagle will give you the numbers.

Rajesh Wagle: Yes, in the Raigad district the domestic segment is not going to be contributing much in overall volumes. Total domestic households which we would be targeting there eventually may not exceed about 20,000 or so because the population density there is pretty low so, we are only targeting a few pockets whether density is high like these housing complexes the new



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ones coming up on NH4 etc., majority of the volumes in Raigad would be coming from the CNG and the industrial segment.

Moderator: Thank you. We have the next question from the line of Amit Rostagi from IDFC Securities. Please go ahead.

Amit Rostagi: Just wanted to understand that how many outlets we have added in the last quarter. And what is the plan for us for the next one year as well as when we look at the two wheeler opportunity how much time it will take to fill a two wheeler and do we have the capacity in our exiting stations to fill for two wheelers as well because the queues for four wheelers has been raising for actually last three quarters, four quarters.

Rajeev Mathur: So, cumulative up to now there are about nine stations of which five I am told are added in this quarter. On your second question of billing time so each scooter requires not more than 2 kgs, the cylinders itself 1 kg each two cylinders, it does not take very long to fill 1 kg into a scooter and therefore, whatever time it was taking to fill petrol may be similar even less time will be required to fill gas into those cylinders that is point number one. Point number two, you go to any retail outlet there is an inherent queue of two wheelers always there trying to get this filled. So, it is not as the queuing is going to increase in CNG station. In fact, what we are planning is to dedicate one dispenser specifically for two wheelers once it picks up and each dispenser will have between two to four nozzles. So, depending on how popular it gets we will try and set up dedicated dispenser at each CNG station for catering to two wheelers going forward. So, I do not think filling is issue, timing of filling is an issue or for that matter queuing will be more than five minutes or more for the two wheelers.

Amit Rostagi: Okay. And sir, what is the plan for us to add new outlets for next one year or two years and because last three four quarters as you agreed the queue time is increasing at our outlets or at the dispensing station filling the cars.

Rajeev Mathur: So, what we are doing is you know because getting land takes time and there are so many procedural requirements that we have to undergo before we can set up a CNG station, we are trying to increase the capacity of our compressors at the existing stations. So, thereby more dispensing ability at every station that is already there. Secondly, we are trying to instead of two nozzles in one dispenser we are getting dispensers with four nozzles, so we are increasing the ability to service more vehicles at different locations wherever, we can set up more dispensers or change the whole dispenser with a new one. So, this is what we are doing as an interim measure. But going forward as I said every year we plan to establish between 20 new stations to 25 new stations to cater to the added demand and we are on course of that. We have



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done about nine this year and I am sure by the end of next quarter you will see many more numbers. But all that require time and you know there is a lot of procedure we have to undergo. So, sometimes there is spillover of time period and at some stations the stations are ready wanting the government regulatory authority or agencies to inspect and then we have allowed them to work, so all that is on. But on an average, we will do about 20 stations to 25 stations every year going forward.

Moderator: Thank you. We have the next question from the line of Sabri Hazarika from PhillipCapital. Please go ahead.

Sabri Hazarika: Sir, I have two questions. The first one is the status of the Mumbai city taxi rules, so where do you stand now and is there implementation expected?

Rajesh Wagle: As per our current understanding the final rules have not yet been notified but we are hopeful that the clean fuel will be retainer.

Sabri Hazarika: Okay. In that case, do you have any target of one time taxi conversion because of this implementation?

Rajesh Wagle: All the black and yellow taxi's in Mumbai are already on CNG.

Sabri Hazarika: Yes, I am talking about base cab so, what is the current universe which is running on diesel at the moment?

Rajesh Wagle: Diesel is run only by the aggregators like Uber and Ola and again the numbers are anybody's guess I mean they do not disclose how many they have actually on diesel. But two of them put together currently have about 10,000 of vehicles on CNG and we are expecting that in the coming year every month about 400 to 500 of this aggregate of vehicles will keep on adding on to CNG.

Rajeev Mathur: If you go by sheer economics of running Uber, Ola vehicle on diesel versus CNG, the economics will never work in favor of diesel and you may have seen several reports where even drivers are now saying the kind of money that they were expecting earn after paying back the EMIs and other things on diesel is just unviable for them to run on that. So, it is sooner or later all of them will graduate to CNG as a fuel, if they really want to earn money and do some business whether they are Uber, Ola or black and yellow (kali-peeli) taxi.



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- Sabri Hazarika:** That is true. But whosoever is having diesel cabs now they cannot convert it easily to CNG they will have to sell it and probably buy a new car. So, how quickly do you think that is going to happen?
- Rajesh Wagle:** Well, that can happen relatively quickly because when we have been discussing this with Uber and Ola what they are saying is in case that order comes through they will re-deploy these diesel vehicles into area where there is no gas and CNG and induct CNG vehicles in Mumbai.
- Sabri Hazarika:** Okay. But there are some news that it may be implemented in March or April anything on that front?
- Rajeev Mathur:** Not really, not to our knowledge, difficult to say. But it is on the annual.
- Sabri Hazarika:** Okay. Sir, and just one more housekeeping question, what is the commercial and industrial volume numbers for the quarter and Y-o-Y growth of the two?
- Sunil Ranade:** In case of industrial for Q3 the number was 0.197 MMSCMD.
- Sabri Hazarika:** 0.197.
- Sunil Ranade:** 0.197 for Q3. For Q3 of 2015-16 it was also same 0.197.
- Sabri Hazarika:** Okay. And commercial of course I can find out by deducting it from industrial.
- Sunil Ranade:** Yes, I can give you readymade also Q3 commercial, I am talking only Q3 not cumulative, 0.170 commercial put together there are two three categories in commercial as against for previous year corresponding quarter it was 0.156.
- Sabri Hazarika:** 0.156.
- Sunil Ranade:** Yes.
- Sabri Hazarika:** Okay, sir. And sir, just one thing what is the cost of converting a two-wheeler I mean the kit cost of two wheelers CNG conversion?
- Rajeev Mathur:** Yes, so as things stand today the kit is being imported and there is a custom duty and then there are several other elements also so, what they are going to do is that they are going to manufacture them or assemble them in India. This is what we have been told. Till then the entire cost of kit as well as two cylinders and the piping and other thing comes to about Rs.



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15,000, Rs. 16,000. So, once they start assembling and manufacturing in India it may come down by a third at least.

Sabri Hazarika: Okay, it will come down by 30%, okay.

Moderator: Thank you. We have the next question from the line of Avishek Datta from Prabhudas Lilladher. Please go ahead.

Avishek Datta: Sir, just wanted to know what kind of initial result you have found out on the two-wheeler space like in terms of mileage usage, what kind of trends you are witnessing there?

Rajesh Wagle: We do not have too much data because scooters are just less than 100 but what we have been seeing is the mileage is pretty good but that has a strange follow up, per capita consumption it does not come out that much it is half kg or three fourth kg or so. That is mainly because currently the scooters are used by the delivery boys to tend to only operate on a small area and they have many trips in a day which at the most may be 3 kilometers or 4 kilometers for a round trip. So, going forward, the actual vehicle population is much more of two wheelers and a lot of two wheelers people use two wheelers to commute also whether distances can be significantly higher. So, those kinds of economics and numbers for the whole two-wheeler segment as a whole that I think we will discover as time goes by.

Rajesh Wagle: Operating cost is phenomenally low and the pay back is within four or five months. At the current cost of Rs. 15,000 to Rs. 16,000 per kit.

Avishek Datta: Okay. Sir, secondly can you just explain this demonetization effect given the fact that petrol pumps were accepting the old Rs. 500 and Rs. 1,000 note.

Rajeev Mathur: See, what happens is the best that you get CNG field you can get about 8 kgs, 9 kgs, and 8kgs, 9 kgs cost you not more than Rs. 350, Rs. 360. So, even with a Rs. 500 note and no change available, it was of no use as far as our stations were concerned so, then that is the reason why for two weeks first people were reluctant to use any cash. Second, they reduce their trips. You must have experienced in Mumbai how less the number of vehicles were there and three, generally a person gets CNG field he spends may be Rs. 200, Rs. 150 or Rs. 300 at best. So, all those denominations were in real shot scarcity during the period of time that we are talking about.

Avishek Datta: Okay. And that is also the reason why you saw a dip in the industrial volumes?



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- Rajesh Wagle:** Industrial volume dip again, was very small, it is mainly attributed to some problems in one of the MIDC areas of Ambarnath where there was a problem with the common affluent treatment plant, run by the MIDC authorities there. That led to a partial closure of some of the industries there which affected the volumes in this quarter a bit.
- Avishek Datta:** So, right now as we speak the conversions and volume pick up has come back to normalcy?
- Rajeev Mathur:** Yes, Yes.
- Moderator:** Thank you. We have the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.
- Prayesh Jain:** Sir, just a couple of questions. First one in the new Bombay region we had certain issues regarding getting approvals for laying down the pipelines and some conflict between the authorities. Has that been resolved and what is the status with regards to expansion in new Bombay region?
- Rajeev Mathur:** So, you know as things stand today, some of the areas of CIDCO have now been given to municipality and that municipality will act like MCGM or any other municipality and our hope is that those issues that were not allowing the laying of lines there they will get over, this is the feedback that we have got now. So, going forward the connectivity numbers will improve laying of lines they should be much easier environment in which to lay lines that is all I can say.
- Prayesh Jain:** Okay. Sir, in terms of gas prices, in the domestic gas prices do you think any increase in the month of possibly April or something if there is an increase that can be easily passed on?
- Rajeev Mathur:** Yes, first of all, there is a lag of six months to eight months between what prices are there in the international market and how they get reflected on the price of gas in the formula that is there on which basis we get the price fix by the government.
- Rajesh Wagle:** Additional point, even if there is a increase that is expected to be very-very nominal and I do not think there will be any issue at all in passing on such a small increase.
- Rajeev Mathur:** So, first of all whether there is going to be an increase or not we really do not know because there is a lag secondly if there is increase it will be just a marginal one and third we have demonstrated every time prices have gone up we have been able to pass it on and not only pass it on, if there are any added elements to cost or this thing that also has been passed on.



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- Prayesh Jain:** Okay. And sir, just one last clarificatory question, you said there was 9 lakh scooters base in Bombay, right?
- Rajeev Mathur:** Yes.
- Prayesh Jain:** Okay. And what are the CAPEX plans for this year and next year?
- Rajeev Mathur:** The total two-wheeler base in Mumbai metropolitan region including Thane, Navi Mumbai and all that is about 18 lakhs and of which 9 lakhs scooters I guess.
- Prayesh Jain:** Sure. And sir, what was CAPEX plan for this year and next year?
- Sunil Ranade:** I think it should exceed Rs. 200 crores that will be Rs. 200 and Rs. 225 crores.
- Prayesh Jain:** For this year and next year as well?
- Sunil Ranade:** Similar, it depends how the Raigad project progress if that then next year slightly higher.
- Moderator:** Thank you. We have the next question from the line of Vishnu Kumar from Spark Capital. Please go ahead.
- Vishnu Kumar:** What is your number that MGL works on full year or put it differently, what should we assume as the sustainable range of EBITDA margin going forward?
- Sunil Ranade:** I think number one the focus of the company which we have earlier also stated is always on increasing our customer base be it CNG, be it domestic, we wish to expand our base as much as possible. In industrial the scenario in Mumbai is not very encouraging so, the customer additions may not be significant but we try to increase in GA2 that is the area of Thane and Navi Mumbai, these areas whatever new industrial estate we are now approaching there attempts will be on to increase the customer numbers. However, we are conscious of margins it is not that no importance is given to margin whenever any gas cost rise is there it is promptly passed on and on a periodic basis whatever increase in other cost elements are there that also we attempt to pass on like FOREX cost or other operating cost increases depending upon that the eventual margins will work out.
- Vishnu Kumar:** Got it, sir, during FY 2013 and FY 2016 we are doing anywhere 5.5 to 5.8 but from nine months we are closer to about 6. Is it possible to expect may be another 10 paise, 20 paise increase over the next two years or FY 2017 is a year of probably a high margin or we should not expect more?



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- Sunil Ranade:** The current year increase is obviously it has stand out of apart from any other reasons you know the domestically produce gas price in March 2016 was somewhere around \$3.82 MMBTU which fell down to \$3.06 MMBTU and ultimately to \$2.50 MMBTU so, while part of the substantial benefit was passed on, some of the portion was retained by the company so, that has definitely benefited in the margin. But I do not think such kind of reductions would be there particularly and domestically produced gas in the next year. So, it all depends on the gas cost or domestically produced gas as well as the prices at which spot will be available for our industrial and customer category.
- Moderator:** Thank you. We have the next question from the line of Sunil Shah from Axis Securities. Please go ahead.
- Sunil Shah:** Sir, I have very basic question for my understanding. Sir, can I know the addressable geographical boundaries which we can cater to?
- Rajeev Mathur:** Addressable geographical boundaries.
- Sunil Shah:** Yes, in Bombay, so we can go up to Kalyan, Dombivli, what is the kind of addressable reach that we can have over a period of time.
- Rajesh Wagle:** Yes, I will answer that question. This includes the complete districts of Mumbai city, Mumbai suburban, complete district of Raigad, and parts of Thane district which are actually urbanized. So, when we say that, it basically means areas of Thane, Mira - Bhayandar, Kalyan - Dombivli, Ulhasnagar, Amarnath, Badlapur and ending at the north at Bhiwandi. If you want the exact boundaries, you could refer to the website of the regulator there is no actual maps and demarcation of all the geographical areas of
- Sunil Shah:** Yes, sir, this really helps. Sir, Navi Mumbai falls with us or no?
- Rajesh Wagle:** Navi Mumbai is definitely with us, it has been with us since 2004.
- Sunil Shah:** Okay. And sir, when it comes to pipe gas versus LPG cylinders, so what is it that is still left meaning in terms of some study or some understanding that we would that okay this is the addressable reach that we still have to over a period of five years or whatever meaning, I am just trying to understand the size of the opportunity.
- Rajesh Wagle:** Current snapshot of our domestic segment indicates that we can safely and feasibly connect about 30 lakh domestic households. Now currently we are at about 9.2 lakhs. Yes, that existing



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base also is growing with the normal growth rate of the area. Now, in these 30 lakhs we have excluded all the slums, all the chawls, all the dilapidated building, old buildings, a lot of which will come up as potential for us over the years through redevelopment.

Sunil Shah: Right. So, out of 39 is where we are growing at 9% kind of thing?

Rajesh Wagle: Yes.

Sunil Shah: Okay. Sir, then the second logical question is you know on the raw material side, how is that working out?

Rajesh Wagle: All the gas which we need to sell to the CNG and domestic PNG segments we get it from domestically produced natural gas through the government allocation. So, there is no shortage or any restriction on the availability of that in fact, we get 110% of our requirements in these segments. For the industrial and commercial segments, we source market priced regasified LNG for which there are three import terminals are there on the west coast and we source gas from a competitive basis from all the seven or eight RLNG suppliers who are operating in the country. Again, there is no shortage in RLNG front also because it is a free market and a lot of LNG volumes are there available in the market.

Sunil Shah: Okay. So, the regulator in our case is the Maharashtra government or we have a special body which regulates the allocation, the boundaries, etc.?

Rajesh Wagle: Sector regulator is the petroleum and natural gas regulatory board they have jurisdiction over the infrastructure, over the authorizations, over the quality of service, etc., but there is another I would not call it regulator but the government also retains control over the prices and allocation of the gas over which the PNGRB does not have any jurisdiction and of course, the third element is the state government and municipalities etc., whom also we have to interact with to get our local level permission to lay our infrastructure.

Moderator: Thank you. We have the next question from the line of Vimal Sampat, as an Individual Investor. Please go ahead.

Vimal Sampat: Two questions, one is there any restriction that we can only bid in Maharashtra or we will be bidding for projects outside Maharashtra also, because I believe there is a lot of potential in southern India and all. And second thing is for these two wheelers when will the testing time be over? And when can we be sure that it is viable and we can see growth in numbers?



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Rajeev Mathur: So, on point number one, there is no restriction on us, bidding for any geographical area in Maharashtra or elsewhere in fact we can do work outside India also. And we have been looking at various opportunities outside Maharashtra also. On point number two, generally, it takes about two to three months before people are able to convincingly say that you know the numbers that we are talking about the riding experience, the load bear ability, and different models of various scooters, have been successfully run. So, you can take it that it will take about two three months before one can safely say you know it is a successful venture or operation on CNG.

Moderator: Thank you. We have the next question from the line of Yusufi Kapadia from Edelweiss. Please go ahead.

Yusufi Kapadia: Sir, can you please tell me what is the conversion rate at the moment on CNG from petrol from private vehicles and also new auto rickshaws being added every month. And my second question is on the oil marketing company side. So, how many of our 192 CNG sites are currently in tie-up with OMCs and what is the commission with OMCs. So, was there increase in commission in this quarter? Thank you.

Rajesh Wagle: To start off with your first question, on our private car segment, we are seeing about 3,500 or so of them converting every month from the aggregator segment again about 400, 450 every month. Rickshaws were about 1,500 to 1,000 or so, our monthly vehicle conversion has been remaining steady at about close to 6,000 or just under 6,000 a month. Then on the CNG stations of OMC, we have got about 100 CNG stations in Mumbai which are co-located with oil marketing company petrol pumps. Now, there are joint studies are going on to identify what are the residual petrol pumps where we can set up CNG stations. Some of the pumps there are a few issues like expired leases or litigations, in some there are some technical issues like space constraint or acute space constraint where you may not be able to do anything but we are confident that at least in the city of Mumbai where getting land is a bit difficult easily to start with at least 15 to 20 additional CNG stations may come up. This is over and above our other initiatives to upgrade the capacities of existing stations and partnering with other stakeholders to open up CNG stations in Mumbai.

Rajeev Mathur: On the commission part, there is no change whatsoever.

Moderator: Thank you. We have the next question from the line of Sabri Hazarika from PhillipCapital. Please go ahead.



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- Sabri Hazarika:** Sir, actually wanted to understand about PNGRB bidding round, so we have got the eight round of bidding that is currently on. So, there are like around two cities - three cities which are outside the northern area so we have got one city in Maharashtra also. So, currently are you looking at the PNGRB bidding actively and what about the seventh round, is it like totally scrap right now or is it already it is going on right now?
- Rajeev Mathur:** First, this question you should post to the PNGRB whether the seventh round is on or off, I would not be able to comment on that. But as far as the eight around is concerned, we are looking at some of those cities quite closely. We have in fact done some pre-feasibility study of certain cities or geographies areas, we feel could be potential and as we go along if the numbers that come out of our you can say pre-feasibility study are attractive enough then we may bid for one or more of those geographical areas.
- Sabri Hazarika:** Okay. And that we do not have enough members in PNGRB, can it hamper our allocation process, the award process or is it going to continue?
- Rajeev Mathur:** See, without the board approving something how can authorization be given to somebody. So, that is elementary you see, that even if they undergo the entire process they cannot award it till the board passes it.
- Sabri Hazarika:** Okay. And how many members are required? Around three members for this minimum?
- Rajeev Mathur:** Forum is three members.
- Moderator:** Thank you. We have the next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Sir, most of the questions have been just two bookkeeping questions. One, can you share the performance of CNG volumes done from the OMC outlets?
- Sunil Ranade:** It is around 63%.
- Bhavin Gandhi:** 63%, okay. And sir, just broad percentage of PMT and APM mix?
- Sunil Ranade:** 25% and 75%.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for their closing remarks. Thank you and over to you.



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Rajeev Mathur: So, thank you so much for attending this earnings call. I hope we have been able to answer all your questions and if there are any you can post to us on the e-mail or contact us. Thank you once again for being here.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Mahanagar Gas Limited, that concludes this conference. Thank you all for joining and you may now disconnect your lines.

(This document has been edited for readability)