MAHANAGAR GAS

MAHANAGAR GAS LIMITED

Ref: MGL/CS/SE/2017/80 **Date:** June 14, 2017

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**

Sub: Transcript of Earnings Conference call on Audited Financial Results for the quarter and year ended March 31, 2017.

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 Audited Financial Results for the quarter and year ended March 31, 2017 was held on Friday, May 26, 2017 at 17:30 hrs. (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

Alok Mishra
Company Secretary and Compliance Officer

MAHANAGAR GAS LIMITED MUMBAI

Encl.: As above

"Mahanagar Gas Limited
Q4FY17 Earnings Conference Call"

May 26, 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 the Mahanagar Gas Limited Q4 FY `17 post results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. If 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. Avishekh Datta from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

Avishekh Datta: Hi Good evening everyone and welcome to MGL post results conference call. We have the top management of MGL represented by Mr. Rajeev Mathur who is the Managing Director, Mr. Sunil Ranade who is the CFO, and Mr. Ragesh Wagle who is the Senior Vice President Commercial. So, without wasting any time I will request the management to give a brief about the results post which we will have the Q&A session. Over to you sir

Management: Before we begin I'd like to mention that some of the statements made in today's discussion maybe 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 the statements include that 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. I urge you to consider that quarterly numbers are not a reflection of longer term trends or an indicator of full year results. And should not be attempted to be either interpolated or extrapolated into the full year number.

So very good evening to all of you ladies and gentlemen. We welcome you to Mahanagar Gas Limited's Q4 FY 2017 Earnings Conference Call. I would like to thank you all those who have connected for our earnings call today. The demand for natural gas has gone up due to increased availability and development of natural gas transmission and distribution infrastructure. The government of India is encouraging the use of this green fuel in view of environment friendly characteristics. During the last quarter ended 31st March 2017, we have maintained our performance in terms of volumes and profits compared to the previous quarter. In case of CNG almost 17000 vehicles have been added consisting of mainly private cars and app based taxis. In case of PNG there has been substantial addition of about 26000 household customers and about 123 industrial and commercial customers. In this quarter compared to the previous quarter, average daily volumes have increased by 2.4%. CNG has increased by 2.4%. PNG volumes have increased by 2.6%. It consists of domestic volumes increase of 4.2%. Industrial load 1%. And commercial load 1.8% over the previous quarter. The EBIDTA was lower by 2.4% at Rs. 163 crores as compared to 167 crores in the previous quarter. Similarly the

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EBIDTA margin is at 31% as compared to 33% in the previous quarter. Higher input cost for RLNG in January and February was one of the reasons for this minor reduction in EBIDTA. The net profit after tax has marginally increased from Rs. 99 crores in the previous quarter to Rs. 99.5 crores in this quarter. Compared to the corresponding quarter of previous year there has been an increase of 5.7% in daily average volumes and increase of 17.9% in PAT as a result of improved gross margins. During the year 2016-17 we have seen a healthy growth of about 5.7% in the daily average volume sold compared to the previous year. Daily volumes in case of CNG grew by 5.3%, domestic numbers grew by 9.4%, commercial and industrial volumes also grew by 4.3%. On an overall basis PNG volumes grew by 6.8% during the year. The net profit after tax grew by 26.6% from Rs. 310.9 crores in 2015-16 to Rs. 393.4 crores in 2016-17. As of 31st March 2017 we have connected around 9.50 lakh households with PNG and we are operating 203 CNG stations supplying CNG to more than 5.45 lakh vehicles. We have now a steel and PE pipeline network of over 4838 kilometres. Since we last discussed as far as our GA3 Raigad is concerned, we had identified 6 pockets to initiate supply of gas in Raigad. We are pleased to inform that the pipelines have been laid and gasified in Uran to supply gas. The supply of gas to households will commence in June 2017. Work is also in advanced stages of completion for supply of gas to upcoming townships of reputed builders along the national highway 4 in Raigad area. One CNG station has also been set up in Raigad, at Karjat, and gas sales has been stabilised. We have also identified a number of new sites for setting up CNG stations including a CNG station on the Mumbai-Pune expressway. And these shall be taken up progressively during the current year 2017-18. With this I 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 the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone phone. If you wish to remove yourself from the question queue you may enter * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.

We have the first question from the line of Probal Sen from IDFC Securities. Please go ahead.

Probal Sen: Good evening sir. Thanks for the opportunity. One question that I had with regard to Raigad. You mentioned about the progress that has been made you know that household supply will start from June and one CNG station. Can I get a sense of what you are looking to exit FY'18 at in terms of whether number of households that you are targeting or the number of CNG stations that you intend to have operating by the end of the year?

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Management: So our initial target is that we'll connect about a 1000 households in Uran area. The network has already been laid. And at least to begin with 100 to 200 houses are ready for gas to be supplied to them. And progressively we are connecting more and more. So our minimum target is about a 1000 there. In addition I said 1 CNG station is already commissioned. We are looking at commissioning at least 2 more stations or if things go right maybe 3 or 4 in Raigad during the year.

Probal Sen: Sir essentially by FY'18 end at least 1000 households and at least 3 CNG stations.

Management: That's right.

Probal Sen: Is that a fair way to look at it?

Management: Yeah.

Probal Sen: Sir in our core area then you mentioned about the 17000 vehicles which have been added. This is for the quarter or this is for the full year sir? The number?

Management: Quarter.

Probal Sen: This is for the quarter.

Management: Yeah.

Probal Sen: Sir for the full year FY'18 can we get a sense of will this kind of conversion rate are we looking to sustain for FY'18 as well?

Management: So as we look at it, there's lots of app based taxis and aggregators who have been given a 6 month time schedule in which they convert over from alternate fuels to clean fuels like CNG. And we see progressively more and more of the aggregators converting on to CNG. Now what that number would be it's a very difficult thing to guess. But the entire set of aggregator taxis would be on CNG maybe in another 6 months' time.

Probal Sen: Okay so but we don't have an exact number in terms of what that number is.

Management: Just a minute. Let me just clarify.

Probal Sen: Right sir.

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Management: The state taxi scheme mandates all the aggregators to go on to clean fuel timeline for which is February '18. Now depending on how well this scheme works because the aggregators are also showing some signs of trying to push back against that.

Probal Sen: Right.

Management: If finally they convert then maybe this phase will continue. But if there is some delay in implementation of that decision for whatever reason then there could be a slight dip in the numbers.

Probal Sen: Sir is it possible to get a number in terms of what will be then the penetration level today of private vehicles in the state as well as for households in our Mumbai metropolitan area?

Management: For households it is about 30%. This is on an overall basis. And private vehicles should be about slightly less than 20%.

Probal Sen: Okay. Sir sorry to take your time. One last question. With regard to the opex we've seen that last two quarters actually opex on a per SCM basis has been going up. Any reason? I mean what should we actually be looking at for FY'18? If I can give a number it's actually gone up on an absolute basis from Rs. 3.8 on SCM in Q2 to Rs. 4.3 almost in Q4.

Management: See historically in second half our opex numbers are higher.

Probal Sen: Okay sir, okay.

Management: Reason is this is the period that is October to March in which we undertake a lot of planned maintenance activities.

Probal Sen: Okay.

Management: Definitely in case of CNG as well as in respect of pipeline infrastructure as well, since first half includes monsoon period, we are unable to take such planned maintenance activities or it's very difficult. That is one of the primary reasons why generally you will find opex figures little higher in second half.

Probal Sen: Okay. So sir is it fair to say that then the run rate that one has seen over the full year let's say in FY'17 of around Rs. 4 that one should basically take an increase on that and still build in a second half increase? And lower number in first half. That's a proper way to look at it?

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Management: 2-3 things. The opex overall for 2016-17 per SCM was little less than Rs. 4. It is 3.96 per SCM, almost 4.

Probal Sen: Okay right sir.

Management: Yes some inflationary pressures will obviously be there because of the inflation rate which is prevalent in India.

Probal Sen: Sure.

Management: There are 2 cost factors which we need to bear in mind. One is variable expenses, other is fixed cost. Variable costs basically consists of power in our case which is meant for CNG dispensing activities and CNG compression activity.

Probal Sen: Right.

Management: This variable cost will be entirely dependent upon the tariff which is prevalent at whatever given point of time from the power suppliers.

Probal Sen: Okay.

Management: Whereas rest of the costs are either fixed or semi-fixed cost. Definitely there will be inflationary increases and whatever semi-variable portion will be there like metre reading charges or other things depending on addition of number of customers. To that extent that increase will be there. So considering all these factors into account one has to estimate if at all projections have to be undertaken.

Probal Sen: Right sir that is very useful. Thank you for your time.

Moderator: Thank you. We have the next question from the line of Neeraj Mansingka from Goldman Sachs Asset Management. Please go ahead.

Neeraj Mansingka: Sir just wanted to know the impact of the GST for your firm.

Management: GST?

Neeraj Mansingka: Yes.

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Management: There are two parts. One is marketing related that is selling of natural gas. And another is our procurement either capital equipment, spares, store consumables or other services. Now natural gas as you must be aware is expected to be outside the framework. Though final clarity is yet to emerge but that is what is likely. We procure variety of capital equipment, spares consumables and various other services which are quite likely to be under the framework of GST. Now whatever tax charge will suffer over this procurement, the input credit for this will not be available to us because on selling side we will be charging VAT or excise or whatever is applicable.

Neeraj Mansingka: Right.

Management: And that cost credit is right now not allowed. To that extent we will not receive the benefit of input credit. However on purchase of natural gas it attracts octroi LBT while we are purchasing and with the implementation of GST octroi LBT will not be there. So there will be a benefit to us on this account. So net-net it is expected that maybe around 15 crores gain could be there on these accounts for us. Whereas on marketing of natural gas the alternate competing fuels like LSHS, FO, these will be within the framework of GST and as such our customers whenever they buy alternate fuels they will be able to get input credit. Whereas we will face some competitive pressure since natural gas could be outside and we will be probably charging VAT and excise whatever is applicable. The estimate of that is very difficult to make right now what could be the impact.

Neeraj Mansingka: Sir when you said you will gain 15 crores because the LBT and octroi will go away, it means that less than 1% of your revenues you will gain. Am I right to say that?

Management: Yeah.

Neeraj Mansingka: Yeah. Now but how much would you say is the difference in for a customer on a like to like basis? Which fuel would actually start getting impacted on a competitive side?

Management: Right now we don’t have those figures. But I mean in principle as we explained right now, that customer will be able to get input credit whenever he is buying LSHS, FO. I think we will have to see whatever public data is available and calculate. Whereas in our case definitely VAT and excise whatever applicable things. Particularly in PNG industrial and commercial things it will be VAT. Excise question doesn’t arise. But to that extent that would be competitive pressures.

Neeraj Mansingka: Sir just one – how much is the VAT there in this industrial and commercial?

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Management: 13.5%.

Neeraj Mansingka: Okay fine got it. Thank you.

Management: Yeah.

Moderator: Thank you. We have the next question from the line of Ritesh Gupta from Ambit Capital. Please go ahead.

Ritesh Gupta: Hi sir. Just on the volume growth front, do you expect the volume growth rates to taper down from this year towards next year? As because this year you had a lot of benefits from new auto rickshaw permits coming in and some of these cab aggregators were also converting. So is that a fair assumption to make that volume growth rates may taper down next year?

Management: This year of course there was that one off advantage of the additional new rickshaw and taxi permits. So the volume growth again as I said earlier it will sustain if the implementation of the new city taxi scheme goes as notified. And the aggregators actually come on to CNG by February 2018. So if that for some reason doesn't get implemented and let them spread, then there could be a possibility of a small tapering.

Ritesh Gupta: Okay, okay. And sir we have seen some bit of margin – I mean on a sequential basis we have seen margins tapering off a little bit. So next year I mean second half you clearly had benefits. I mean this year you had benefits of gas costs coming down and to some extent I think in rupee appreciation will also give you some benefit. But going forward for the next year do we expect the margins also probably I mean margins could be a little lower from here on? From where you are right now?

Management: I think partly you yourself answered the question. I mean what are the different factors that can affect margin. But this part of your question tapering down something you mentioned. Probably you are referring to Q3 was around Rs. 7 plus.

Ritesh Gupta: Yeah, yeah. Exactly.

Management: 6.91 in Q4. That was primarily because in industrial commercial sales category in January and February particularly there was a sudden spurt in RLNG cost to us. That was the reasons slight tapering we have seen over there. That apart coming to main question of going forward obviously margin is going to be function of selling prices and gas costs. And the answers will be different from different sectors. For domestic and CNG which is dependent on APM gas or

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domestically produced gas, there are chances that gas cost might go up maybe from 1st October or further. However in historically whenever such gas cost increases happen, we have been able to pass through. So far exchange rate has shown little favourable trend. But it remains to be seen how things get affected over a period of time. In case of industrial commercial probably the way global position is with respect to RLNG, right now $7 or below $7 whatever we are able to get it. Either it could be at similar levels or may be slightly even downward trend we can see in input cost for industry and commercial. Whereas on selling prices for industrial-commercial it is dependent upon alternate fuel prices which in turn will depend on front level.

Ritesh Gupta: Correct.

Management: That is how we'll have to see the overall margins spanning out.

Ritesh Gupta: Okay. And sir there was no one-off in this quarter right? I mean there is no onetime expense or anything like that which was there in your numbers?

Management: No nothing as such.

Ritesh Gupta: Okay.

Management: There are some provisions done but nothing significant as such.

Ritesh Gupta: Okay, okay. And sir on – I mean a broader question on industrial fuels, do you see some bit of kind of restraint coming on in terms of usage of coke and fuel oil within the city limits in Bombay? In Delhi I think we are hearing a few things coming out from the activist specifically in the NCR area. There is a lot being done there. Anything you have heard in Mumbai territory which can lead to these fuel oil consumption shifting towards natural gas?

Management: Activism level in Delhi is much higher compared to Mumbai. But here in Mumbai actually we have been working together with the state pollution control board and the industrial associations. And the MPCG organises a quarterly meeting with the industries and MGL where the industries are persuaded to try to move from the dirtier fuels to cleaner fuels. But at least our belief is that over a period of time when the urbanisation keeps on increasing, population density increasing, then dirty fuels are not sustainable in urban environment. So definitely we should see some upside. Of course that assumes that along with urbanisation the industry state. Because in Bombay we have seen a de-growth of industries. Because the real estate prices are

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so high, all of them are moving out. So our current take on the situation is industrial volume remains relatively flat in the business as usual kind of scenario.

Ritesh Gupta: Right. But sir even if LNG prices remain where they are today, you don't see much swing coming towards gas. But I think now LNG versus fuel oil economics would be slightly better in your case versus what it has been say 1-1.5 years back. But you haven't seen much shift coming to your side in that case.

Management: So you're absolutely right. You know since the prices are subdued and likely to remain so and as we are entering Raigad you know some industrial pockets we've identified. Hopefully we will gain some volumes as we go there. And if activism goes up and if the pollution norms are strictly followed and there is some enforcement, you will see a slight upside. Even otherwise we are hoping that couple of new industrial customers will come into our fold in this quarter or going forward in this year.

Ritesh Gupta: Sure sir. And last question from my side any new areas that you are bidding for or any new areas which are looking to acquire to expand from the territories you have right now?

Management: So first of all we are open to either looking at bidding at new areas or even acquiring or looking at some collaboration with areas where somebody else has got the authorisation. So we are open to that. Wherein if something happens we will definitely let you know. But within our own 3 GAs that we operate in, there is at least 3X or 4X kind of a potential that exists today. So we will look at increasing our penetration within our own GAs and look at expanding in the areas where for example the new airport is coming, and new developments are happening. So those going forward would be such areas to expand you know. And that will give us good potential maybe equivalent to what you might get in a new GA for that matter.

Ritesh Gupta: Sure sir. Thanks so much for answering my questions. That's all of my questions.

Management: Yeah.

Moderator: Thank you. We have the next question from the line of Aditya Makharia from Motilal Oswal. Please go ahead.

Aditya Makharia: Yes sir. Just a quick question on the GST which you mentioned, who will get it. They can offset it as an input credit while we cannot. So do you think any solution will be found to this possibly?

Management: Yes we have represented overall. City Gas Industry per se has represented to ministry and concerned officials. Also the concerned commissioners we have represented. So we hope some clarities will be given.

Management: So we are quite hopeful you know that – and government is also quite conscious that keeping natural gas out is not gone to help the larger cause of having a single taxation regime in the country. And our belief is sooner or later there will be enough should I say indicators to suggest that this may eventually come into the GST fold. And we are looking at the industry itself, the individual stakeholders themselves trying to push for inclusion of gas into GST.

Aditya Makharia: Okay. And what is the GST rate on FO?

Management: Rate on FO, I don't think we have the number here. So I guess….

Aditya Makharia: Not a problem.

Management: Maybe offline we can tell you.

Aditya Makharia: And one more thing you mentioned you know the potential of maybe 3X growth over time. Over the near term is it fair to assume a 6 to 8% growth for next year?

Management: So we have maintained that 6 to 8% is a doable number even last time we were with you. And we are very much on course as I said we have done 6.8% this year vis-à-vis last year. And going forward also our belief is that we should be in a position to maintain the numbers provided all the other assumptions fall in place.

Aditya Makharia: Sure, thanks.

Moderator: Thank you. We have the next question from the line of Gokul Maheshwari from Allard Partners. Please go ahead.

Gokul Maheshwari: Yeah thank you for taking my question. I just wanted to know what is the capex for FY'18 and what's the outlook for FY'19?

Management: We have done nearly Rs. 270 crores this financial year 2016-17. I think figure in the range of 250 to 275 can be expected for next year as well.

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Gokul Maheshwari: Okay. And just on what percentage of volumes would be coming from BEST?

Management: BEST?

Gokul Maheshwari: Yes.

Management: I don't have exact figure for BEST but there are three STUs put together. I think there is Navi Mumbai Corporation is also there. Then BEST obviously and another is Thane Municipal Corporation. I think all these add together around 12% or so.

Gokul Maheshwari: 12% of the CNG volumes?

Management: CNG volumes. Approximately.

Gokul Maheshwari: Right, right. And I mean since you've started on Raigad, you have indicated in the past that this is over time in one MMSCMD opportunity. How are you seeing actually business shaping up on the ground and if there is an outlook for FY'18 and '19 for the volumes?

Management: So you know how it works is first you create the infrastructure, reach the customers, and then there is a spurt of demand that grows. Today we are in a process of creating the infrastructure as I said. Initially we have been able to do about a 100-200 houses which are ready and maybe in the next couple of days we will connect them. As the infrastructure increases and we are able to setup the pipelines in 6 different nodes that we are talking about, you will see a spurt of volume growth. Till then there will be a tapered growth should I say to begin with and it will ramp up over a period of time. But as you rightly said the potential is there and that is doable over a period of time.

Gokul Maheshwari: Right sir. All the best. Thank you so much.

Management: Thank you.

Moderator: Thank you. We have the next question from the line of Saurabh Handa from Citigroup. Please go ahead.

Saurabh Handa: Yeah thank you sir for the opportunity. Sir it was just again on GST. Now I understand the reason why products like petrol and diesel were kept out because it could impact state government revenues. So why was gas kept out of GST in the first place? I am sure the government knew that I mean they are promoting gas and they did keep some or the other products like LPG, fuel oil etc. in GSTs. So why keep gas out in the first place? And what

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could change now for them to decide to reinstate gas into GST? I am just trying to understand why they will do it if they haven't done it already?

Management: So the very reason why some products have been kept out is that they were cash cows as far as the local governments were concerned. And the federal government was not able to prevail over the state governments. And that is exactly the reason why gas has been kept out till now. Over a period of time as the state governments get the confidence that whatever revenues were coming in shall continue to come under the GST scheme, probably they will have less resistance to keep these products out of the GST fold. And therefore our belief is as gas is only limited to a revenue source for limited number of state governments, those governments will see reason and allow their gas to be part of the GST.

Saurabh Handa: Sir I don't think gas would have anyway been a big revenue contributor for pretty much any government right? It would basically be petrol and diesel. And the other oil products have been kept out of it. So why was gas not kept out in the first place? It doesn't really contribute much.

Management: So that is our view also. You are exactly saying the same thing what we are saying. But there are certain states which you can figure out who feel that this is a substantial chunk of revenue for them.

Saurabh Handa: Okay. So when do you – I mean do you actually think something can happen within a – in the medium term like in the next 1 year given that there has been so much going on just to get GST approved and on track? Will the government actually look at doing anything in the immediate term on this?

Management: So we are very optimistic and we hope that people see reason and it happens sooner than later.

Saurabh Handa: Okay because just to dwell on this, I am sure your representations must have been made even before last week or last month or whatever.

Management: We have been to all the authorities concerned from top to bottom.

Saurabh Handa: This just makes us believe that it's not really going to be – it's going to be more hope than actually anything from that you can gather from your meetings?

Management: No, as I said we are quite optimistic. There are only couple of state governments that have a view on it. And as I gain confidence you know they will – there is resistance on allowing it to happen will go away. This is our belief.

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Saurabh Handa: Okay fair enough. And just a second question. You spoke about a 15 crore gain on account of GST because your octroy will come down. Is this a gain net of any increase in standard taxes because of your procurement of goods, services, etc. which…

Management: It's a net gain.

Saurabh Handa: It's a net gain on an annual basis. Okay. And sir just last question. How many domestic customers did you get connected this year for the full financial year?

Management: So 1.10 lakh connectivity's we were able to do during this year.

Saurabh Handa: Okay so this would have been one of the highest that you have achieved in….

Management: Yeah this is probably the highest. And out of them 91100 actually started giving us revenue on day one.

Saurabh Handa: Okay. And are you hoping to maintain a similar run rate over the next 1 or 2 years?

Management: In fact we want to increase it by 1.5 times or even more. That is the endeavour.

Saurabh Handa: Okay great. Thank you so much sir and all the best.

Moderator: Thank you. Ladies and gentlemen in order to ensure the management is able to address questions from all the participants in the conference please limit your question to one per participant. Thank you. We have the next question from the line of Radhika Goel from Karvy Stock Broking. Please go ahead.

Radhika Goel: Hello?

Management: Yeah.

Radhika Goel: Thank you sir for taking my question. The only question that I want to ask is in the volumes on a Q on Q basis have not moved much. What could be the reason behind the volumes staying at the level?

Management: You are talking of Q4 versus Q3 or….?

Radhika Goel: Yeah Q3 and Q4 for FY '17.

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Management: That has been about a 2.5% increase.

Radhika Goel: It is around 173 MMSCM in this quarter which was….

Management: Is you compare it in cubic metres then you have to factor in that Q4 had 2 days lesser than Q3.

Radhika Goel: Okay, okay.

Management: Q4 was 90 days, Q3 was 92 days.

Radhika Goel: Okay, okay, okay. I was looking at MMSC and…

Management: You also have to factor in the caloric value of gas and several other things. So I think Q on Q basis there was a growth.

Radhika Goel: Okay, okay. Sir what is the outlook in terms of growth per CNG volume? If you could just give the trends on that.

Management: We have said that we will be looking to at least maintain those run rates.

Radhika Goel: Okay. Okay. So sir with the expectation that app based taxis will also come in, can we expect some kind of uptake in the volumes from CNG?

Management: In the last financial year there was a one off upside by the additional permits which were given by the state transport department. On the current financial year that one off uptake is expected to come from the aggregators.

Radhika Goel: Right, right.

Management: And there will be things going forward. We are also opening many more CNG stations now compared to our previous years. So that would also give us volumes. So from an overall business yes we still maintain that 6 to 7% or 6 to 8% is doable.

Radhika Goel: Okay. Okay sir that's all from my side.

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

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Sabri Hazarika: Yeah good evening sir. Sir I have one question and two book keeping questions. The question is what is the current industrial PNG pricing versus furnace oil price at the moment?

Management: Currently we are selling at close to parity to furnace oil or LSHS.

Sabri Hazarika: Okay so you are selling close to parity. So once this GST comes into play so this parity will again get affected. So would you be more open to cuts in prices to like maintain the volumes? Or you are willing to let go the volumes?

Management: No we typically try not to let go volumes. But that call we will take once the event happens and we see what is the consumer behaviour and action and what direction are they going. So lot of other factors are considered before taking a call on the pricing.

Sabri Hazarika: Right.

Management: So yes as an overall theme we will always try to retain volumes. But…

Sabri Hazarika: So your customers are like already aware of the fact that GST is getting implemented and the fact that there will be no input credit. This thing is not new. It is like since one year, 1.5 years people have been knowing that. So what has been the reaction of the customers over the last 1 year after knowing it initially? So has anyone told you or like gave that concern to you that it can be a problem going forward?

Management: It's very difficult to say right now. There are a lot of other unknown factors also at play. One advantage which could come from GST is a lot of the small-small industries who are doing cash business with fuel oil and things like that they may choose to come on to gas. Because you know GST may make it that much difficult for them to go on continuous on unregistered kind of things.

Sabri Hazarika: Are you talking about the excise duty exemption that they get by under-reporting the revenues or something of that sort?

Management: It could be any of those things. You see we – but in a nutshell yes we will be out of GST. FO, LSHS will be within GST. So people may take a call depending on how competitive one product is versus the other. But then gas has got some inherent advantages also. So quality of the product, and convenience of use etc. all those things will also come into play and our relationship over a long period of time. So it is not as if somebody will suddenly exit out of the

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system. In addition we are looking at adding new consumers. So if anything goes out of the system, there is equal number of additions also happening, that is what we have said.

Sabri Hazarika: Right. Right sir. And just two small questions. One is the industrial and commercial breakup for Q4 FY'17 and the YoY growth in those segments.

Management: Just a minute. Q4 for '16-'17 commercial volume was 0.173.

Sabri Hazarika: 0.173. Okay industrial I will be able to find out – 0.173 mmscmd that is…

Management: Yeah 0.173 mmscd commercial industrial of 0.199.

Sabri Hazarika: Okay.

Management: And you wanted comparison with?

Sabri Hazarika: With Q4 FY'16.

Management: '15-'16 okay. Commercial was 0.162.

Sabri Hazarika: Okay.

Management: And industrial was 0.196.

Sabri Hazarika: 0.196 in Q4 FY'16. And sir just one last question. The vehicle that you have added, 17000 vehicles during Q4. So can you give us the breakup between auto rickshaws and taxis and private vehicles?

Management: Yeah. Taxis are 320.

Sabri Hazarika: Okay.

Management: Private cars around 13500 including app based taxis.

Sabri Hazarika: Okay app based taxis you have included it in the private vehicle category.

Management: Yeah. That is how we have done right now with whatever data we have.

Sabri Hazarika: So you don't have a breakup between the two right?

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Management: No, they are registered like that only. So difficult to get separately.

Sabri Hazarika: Okay. The remaining will be auto rickshaws right?

Management: Yes.

Sabri Hazarika: Okay sir. Thank you so much.

Moderator: Thank you. We have the next question from the line of Sunil Shah from Axis Securities. Please go ahead.

Sunil Shah: Yeah thank you sir for this opportunity. Sir just want to get some data clarity. Sir right now as we are speaking we have 9.5 lakh customers in Mumbai Metropolitan alone or we are talking about even the adjoining areas?

Management: So we are talking of all the three GAs.

Sunil Shah: All the three. So in this year itself you have added 1.10 lakh in that 9.50 lakh correct?

Management: No, those are aggregated numbers inclusive of what were added.

Sunil Shah: What were added. And going forward we are looking at almost 1.5 times of the incremental. So whatever we added was let's say 1.10 lakh. We are looking at maybe doing 1.5 times of that?

Management: So our target this year is 1.40 lakh.

Sunil Shah: 1.40 lakh. And sir in terms of our breakup in terms of our volume sales, 75% is through our CNG and maybe 25% through our PNG?

Management: Well yes. Roughly…

Sunil Shah: Roughly approximated that kind of number.

Management: Yeah.

Sunil Shah: Okay. And sir so you know we are in this business where there is no dearth of demand. Then we are looking at just 6 to 8% growth meaning that looks like too kind of low number or conservative because the line of the vehicle at the CNG station is always endless and there is

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always demand for PNG. So is supply one of the constraints for us to restrict ourselves to 6 to 8% growth or we can even do in….?

Management: No let me put it up front. There is no dearth of demand. And there is no dearth of ability to deliver and have more customers in place and increase the growth rate. The biggest challenge is how to create more infrastructure in a congested city if 5 months in a year you are not able to work. So that is the biggest challenge. Laying of infrastructure, getting pieces of land to setup CNG stations, bring them up into the system and reaching the last mile, the last house. So because once the monsoons starts we are not allowed to work. For that matter anybody in the city is not allowed to work. Therefore our season for working is only 7 months in a year. In that 7 months you have to do whatever you can. So that limits our ability to reach every customer or setup more stations. Because getting a piece of land and approvals and all that takes its own time. So there are regulatory and should I say external challenges if we are able to overcome them faster and the growth rate will be much faster.

Sunil Shah: So once we get the approval on land, so the time to setup a CNG station and all, can there be any improvement in there in terms of our – so we can roll it out very quickly. Is that internally is there any scope for improvement?

Management: No there is always a scope for improvement. We are working on it. But in reality you know getting the piece of land itself takes is a very challenging thing in Mumbai.

Sunil Shah: Okay fine. So it is more of an external thing in terms of laying the infrastructure. That is what is the biggest hurdle as we can see.

Management: So let me say if I have 100 pieces of land I can setup 100 CNG stations within this year.

Sunil Shah: Okay. Fine sir I can understand. Thank you so much for making this clarification with me. Thank you so much.

Moderator: Thank you. We have the next question from the line of Nitin Tiwari from Antique Limited. Please go ahead.

Nitin Tiwari: Hi sir good evening. If you can give the number of industrial and commercial consumers right now?

Management: Total numbers. Just one minute. Approximately 3200.

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Nitin Tiwari: 3200 is both combined?

Management: Yeah.

Nitin Tiwari: And is there a breakup available between industrial and commercial?

Management: Industries would be about somewhere between 60 and 70.

Nitin Tiwari: 60 to 70. Rest is commercial. And sir my second question is related to your margins. So it is just an observation that your margin on EBIDTA level was about Rs. 5.7 per SCM over last year and it is almost higher by about a rupee per SCM in this year. In fact more than a rupee. And this is also the same time in which the domestic gas prices have also fallen. So which means that we have retained some portion of that decline instead of passing that on to the consumers. So should the prices go up, then are we going to look at a scenario of our lower margin as such on ebidta level? Would that be the right read?

Management: I think we answered this question earlier. In history also there have been some increases in domestically produced gas. And we were prompt enough to pass it through. So hopefully in such scenario we should be able to pass through the gas.

Nitin Tiwari: What I meant is like when the prices declined you didn't pass that on. So given the scenario that we are in and so do you think that an increase would be you will be able to pass on instead of like taking a hit on the margin.

Management: It is a reciprocal thing. When the prices have gone down benefits have been passed on to customers. So whenever costs go up we have I think justification in passing it through.

Nitin Tiwari: Alright sir fair enough. Thanks. Thanks for answering those questions.

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

Tarun Lakhotia: Sir you mentioned that 20% of private vehicles in Mumbai city have already shifted to CNG. So do you see a practical cap that not all vehicles in the private segment will shift to CNG in the long term?

Management: Look 100% market share of CNG probably will not happen. But 20% and definitely go up to 40-50, 60%, a lot of it will depend on finally how many CNG stations we are able to open up in the city and that depends on how many parcels of land we manage to get in the city.

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Management: And how we reduce the queueing time.

Management: Yeah and how we operationalize increase our efficiencies to reduce the queueing time and filling time. The demand per se is not the issue. Again a large part of it is impediments which come in setting up the infrastructure.

Management: And also when probably it comes to buying new vehicles, comparatively the OEM fitted variance are not available the way it should have been. That is also probably the other reason.

Tarun Lakhotia: Sir therein actually don't you see some challenge, particularly from the OEM fitting side? You know the government has now started talking about moving to EVs by 2030. So there is a possibility you know the longer term – I mean is there a longer term risk to CNG fit vehicles and if so for the CNG business opportunity from this direction from the government?

Management: I would say absolutely not. We are in fact in a better wicket than anybody else because it's the cleanest fuel available. You know till something like electric vehicles take over in the long run. And today India has limited capabilities as far as EVs are concerned. They need their infrastructure in the manner that we are describing how difficult it is for us to set up. It will be similarly equally challenging for them to have the charging stations and all kinds of facilities that they would require, parking spaces. One battery takes 5 to 7 hours to charge. Here I am telling you I am dispensing in 2.5 or 3 minutes and I am trying to bring it down to 1 to 1.5 minutes. And then you are seeing how much queueing is happening. So for anybody to have a battery charge within one minute will be miracle to happen in the next couple of years. But having said that they will find the space. The hit will happen on fuels which are not clean or all the automobile manufacturers who are making vehicles which don't allow cleaner fuels to be used.

Tarun Lakhotia: Understood. Thank you sir.

Management: Welcome.

Moderator: Thank you. A reminder to our participants. If you wish to ask a question you may please press * and 1. Ladies and gentlemen as there are no further questions from the participants, I now hand the conference over to the management for their closing comments. Thank you and over to you.

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Management: So from the management's side I would thank you all for coming into this conference and we shall keep you updated from time to time of the progress the company's making. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability)

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