



Gujarat Gas Limited & Gujarat State Petronet Limited

Investor & Analyst Conference Call

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MODERATOR: **MR. DIWAKAR PINGLE – EY**



Moderator:

Ladies and gentlemen, good day and welcome to Gujarat Gas Limited Conference Call hosted by Gujarat Gas Limited. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from EY. Thank you and over to you, sir.

Diwakar Pingle:

Thank you, Zico. Very good afternoon to all of you and I appreciate the time taken on a Saturday to come and listen to this call. Welcome to the GSPC Group's Investor and Analyst Call to discuss the recent corporate announcement on the scheme of arrangement.

To discuss the transaction, we have with us the senior management as represented by Mr. Milind Torawane, IAS Managing Director, Mr. Rajesh Sivadasan, Chief Financial Officer and Mr. Sandeep Dave, Compliance Officer and Company Secretary and the key members of the management team. Please note that the investor presentation and the press release are already available on the stock exchange and on our company website. In case any of you have not received it, please do write to the investor relations team and we'll be happy to send it over to you.

Please note that today's entire discussion will be covered with cautionary statement as mentioned on the slide number two of the investor presentation. It's my privilege to hand over the call to Mr. Milind Torawane for his initial remarks, post which we shall open the floor for question and answers. Just a brief reminder, in the interest of all, during the Q&A session, we request analysts and investors to stick to a maximum of two questions in the first round, before which they can come back for a follow-on question.

With that said, I'm handing over the call to Mr. Torawane. Over to you, sir.

Milind Torawane:

Thank you, Mr. Diwakar. On behalf of the board and my entire team, I would like to thank you all for joining us today at a short notice. I warmly welcome you all to the conference call to discuss the scheme of arrangement that we announced to the stock exchanges yesterday. I do hope that you have had a chance to go through the presentation and while we have tried to share key highlights of this composite Scheme, this call offers an opportunity to get any other queries clarified. Before I go into the scheme and the particulars, let me spend a few lines on the business and industry highlights.

Over the past four decades since formation, GSPC group has experienced remarkable growth and operational success. The group is having firm presence across the natural gas value chain over the years. It has navigated through a period of rapid growth, adapted to changing markets, global geopolitical dynamics and consistently delivered operating and financial performance over the years. Each of the companies enjoy leadership market position in their respective domain and inherent synergies are present amongst each of the group companies. During this time, the group comprising of GSPC, GSPL and GGL has evolved immensely contributing to the overall Group success.



Over the years of interaction with investors and analysts, we have received many inputs from all of you, one of them being on the simplification of the group structure. We have also been internally exploring various options for doing the same.

We believe it is time for a strategic shift as we look ahead to the future.

Today, I am pleased to announce that the board of directors of GSPC, GSPL and GGL have unanimously approved the scheme of arrangement for the mainly three companies with the prime objective of simplification of the corporate structure. This decision has been taken after careful consideration of the changing dynamics of our industry and the opportunities it presents.

Let me run you through the highlights and rationale of the scheme of arrangement; post which we will address any questions that you may have.

Before I dive into the Scheme, I would like to mention that the Group has taken professional support in this entire matter. Ernst & Young have advised the Group on this restructuring. Further, Ernst & Young along with SSPA & Co, Chartered Accountants have carried out the joint valuation report. Upon this valuation report, for GSPL, fairness opinion has been provided by Fortress Capital Management Services Pvt Ltd and for GGL, fairness opinion has been provided by Saffron Capital Advisors Pvt Ltd. Shardul Amarchand Mangaldas & Co has been the legal advisor.

Firstly, GSPC ‘India’s 2nd largest Natural Gas Trading Company’ and a key player in developing Gujarat as a gas-based economy will merge into GGL as it has higher business synergies with GGL. GSPC has recorded a cumulative revenue of more than Rs.1 lakh crore and a PAT of more than Rs. 6,500 crore in the past five years. This merger eliminates related party transactions between GSPC and GGL and shall contribute to further improvement of GGL’s profitability and return ratios going forward. The shareholders of GSPC will receive 10 equity shares of GGL for every 305 equity shares of GSPC.

Simultaneously, GSPL ‘India’s 2nd largest Natural Gas Transmission Company’ merges with GGL. The shareholders of GSPL will receive 10 equity shares of GGL for every 13 equity shares of GSPL.

In order to keep up with the regulatory requirement, as a part of the same scheme, gas transmission business will be demerged from GGL into a new company named GSPL Transmission Limited (GTL). Pursuant to such demerger, shareholders of GGL will receive 1 equity share of GTL for every 3 equity shares of GGL.

The scheme will be subject to the necessary approvals to be obtained and is expected to be completed by August 2025.

This scheme of arrangement is expected to firmly empower GGL and the resultant GTL to independently pursue their growth strategies with sharper focus, avail internal synergies, and ultimately increase their scale of operations. The scheme entails value unlocking for all the shareholders and will enable independent market driven valuation.

BENEFITS AND FUTURE BUSINESS GROWTH

The management's business growth projections for GGL estimate it to become one of India's largest integrated players with presence in gas trading & city gas distribution business. GGL will be able to better leverage the combined assets and expanded capital base all put together, enhancing profitability and return ratios on account of varied gas sourcing portfolios. The cash flow generated by the combined businesses can be deployed more efficiently in future to fund organic/inorganic opportunities. It shall become the only CGD company having access and in-house expertise to varied sourcing portfolio directly from domestic and international market and regasification capacity tie-up resulting in business synergy. The combined entity will benefit from a stronger market presence, enable better pricing power and the ability to capture a larger share of the growing demand for natural gas.

SUMMARY STATEMENT

To summarize, the ultimate objective of the scheme of arrangement is to simplify the layered group structure, merge various inter linked business into one entity, eliminate related party transactions and unlock value for our shareholders. We expect our shareholders will have far greater transparency into the performance of their respective investments and enable them to make informed decision and assess the performance more accurately. I take this opportunity to reiterate that our commitment to responsible corporate governance remains steady. This strategic decision represents a giant leap forward in our pursuit of sustainable growth and increased shareholder value.

With this, I shall propose to handover the call to the moderator to open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Probal Sen with ICICI Securities. Please go ahead.

Probal Sen: Thank you very much for the opportunity, sir. Congratulations on the move to create such an integrated energy player, from the existing holdings of the GSPC Group. I have two or three questions. One, the ownership in GSPL India Gasnet and GSPL India Transco, the JVs that we have. This JV, is it safe to presume, will also shift to GSPL transmission, the carve-out that will happen or will it stay with the resulting company or the merged entity? That was my first question.

Management: Yes, it will remain with the new GSPL i.e. GSPL Transmission Company (GTL),.

Probal Sen: So it will be part of the carve-out?

Management: Yes, it will be part of the subsequent de-merger that will happen.

Probal Sen: All right. And similarly, sir, the Sabarmati Gas will obviously become a subsidiary of the new resulting company, correct?

Management:

Yes, you are right, it will be part of GGL..

Probal Sen:

Will there be a move to merge this also with Gujarat Gas, I mean, rather the merged entity at some point of time?

Management:

That decision will be taken subsequently.

Probal Sen:

But as of now, it will basically be part of the CGD business portfolio of the transferee company as a subsidiary, right?

Management:

Yes, you are right.

Probal Sen:

Okay. And the third was, sir, in terms of the sourcing or in terms of the performance of GSPC's gas trading portfolio, as for the presentation, it has seen a little bit of a decline in the last three years from about a peak of 19 MMSCMD that one could see to about 11 MMSCMD for the last two years. Of this number, how much is basically tied up with Gujarat Gas itself?

Management:

Close to 45% to 50% is with Gujarat Gas.

Probal Sen:

And any reason why the trading business has seen a little bit of a decline, sir, in the last three years?

Management:

It is basically because of higher spot LNG prices that we have seen a decline. But if you see the recent gas prices scenario, we expect a lot of liquefaction capacities which are now coming online. And by 2026, we can see huge liquefaction plants coming online. So basically, there is a lot of LNG that will be available in the market. You must have read about one contract being signed in India at around sub 12% of brent. So we expect LNG prices to be much more reasonable and we expect volumes to be back at that point of time.

Moderator:

Thank you. And the next question is from the line of Amit Rustagi with UBS. Please go ahead.

Amit Rustagi:

Yes, sir. There are minority concerns in Gujarat Gas that we have merged gas trading business of GSPC into Gujarat Gas. Now, how do you think that what will be the total number of shares for Gujarat gas and how we have valued GSPC in this concern, in this case, by giving a value of around INR22,000 crores to GSPC?

Management:

Yes, I think the valuation which we have taken for GSPC is close to ~INR 21,000 crores. And of that, close to 35% is with respect to the gas trading business. Basically, the valuers have taken a number which is a lower number to the industry average which is there. Basically, if you look at all the previous year, EBITDA number for gas trading is around INR1,100 crores.

So, if you compare the number with respect to the multiple, it's a little bit lower than the market which is there. Its multiple is around between 6.5 to 7 times. That's the multiple we have taken. You look at the industry benchmark, it's around 8 to 9 times. And I think we have taken a reasonable number. We have cash to the extent of INR2,300 crores.

And we have valued other businesses, that is, GSPL and other investments is close to INR10,600 crores. Of which, GSPL is close to 89% of the total valuation of other investments.

Amit Rustagi:

Sir, can you give us a break-up of this? How you have like INR10,500 crores, you are saying, value of GSPL?

Management:

No, . I am talking about the entire investments in GSPC. That includes GSPL, Sabarmati Gas and the power sector companies. And the listed, one or two listed companies. I am talking of the entire, of that INR10,600, of that 89% is with respect to GSPL.

Amit Rustagi:

Okay. And second thing, when you merge this entity, what will be the total number of shares of the new company for GGL?

Management:

It will be close to ~94 crore.

Amit Rustagi:

So, at the current price, we are saying like INR56,000 crores market cap of the new entity at the current price.

Management:

I think that is for the market to decide.

Amit Rastogi:

Okay. Okay. And sir, how much of GSPC profit will be eliminated?

Management:

See, I think my earlier colleague answered that we are selling gas to Gujarat Gas to the extent of 45 to 50% of portfolio. So, that's on a related party basis. That's on an arm's length basis we are selling. So, that's a margin which is a little bit lower than the market.

Moderator:

The next question is from the line of Mr. Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar:

Sir, thanks for your time. We wanted to understand your vision for the E&P and the capex requirements for the current GSPC entity and the future plans.

Management:

See, I think you need to understand over the period of last five years, basically we have gradually moved out of E&P in the sense that all the loss-making assets of E&P has been farmed out. Presently, we are having around 11 blocks which are profit-making. And they are all onshore and marginal fields. And we wish to continue with the operations over there.

Vishnu Kumar:

We see that by 2023, we have made about INR700-800 crores of capex. And what is the run rate that you are expecting in that entity?

Management:

No, I don't think so that , we have invested INR700 crores on capex.

Vishnu Kumar:

Okay. So, there will not be any major cash requirements at this entity?

Management:

No, no. These are all onshore fields. The only thing is we will be incurring capex to maintain the production over there. Other than that, there is no major capex which is being planned with respect to new field development plans or anything like that.

Vishnu Kumar:

Okay. So, you mentioned this INR10,000 crores, INR500 crores valuation for investments and INR7,350 is what you mentioned for the core GSPC. Is that what you mentioned?

Management:

Yes.

Vishnu Kumar:

And balance is within a debt?

Management:

There is no debt. There is a cash. There is INR2,300 crores of cash.

Vishnu Kumar:

Got it. Sir, and finally, when the GTL carves out, you will have the current GSPL, you will have the Gasnet business. These two entities will alone go. CGD assets that you have in GSPL, that will remain under Gujarat Gas?

Management:

There is no CGD assets in GSPL as of date. I think we carved out it two years back.

Vishnu Kumar:

Okay. Got it, sir.

Moderator:

Thank you. The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead, sir.

Yogesh Patil:

Thanks for taking my question. Sir, we wanted to understand the valuation of GSPC in this amalgamation with the Gujarat Gas Limited. So, as per our calculation and you just mentioned that the GSPC is valued at approximately INR21,000 crores. But our calculation suggests that it is valued closer to 16 times of FY24 EBITDA. Please correct me if I am wrong?

Management:

Yes, you are wrong. I will tell you the EBITDA for Gas Trading business is close to INR1,100 crores in the previous year. So, if you look at the multiple, it will come to around 6.8 times.

Yogesh Patil:

And, sir, you have Gas Trading volumes close to 11 mmscmd. Can you give us a little bit of a break-up? How much is the contracted volume and how much is the spot volume? Any break-up, if you could share, that would be helpful?

Management:

Basically, 60:40 is the ratio between the long-term and the short-term volumes.

Yogesh Patil:

Thanks a lot, sir.

Moderator:

Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead. Mayank Maheshwari your line has been unmuted. May I request you to unmute your line from your side and go ahead with your question, please? Sure.

Mayank Maheshwari:

Sir, in terms of Gujarat Gas, which will be, I suppose, taking over the long-term contracts that GSPC has on LNG, can you just give us an idea of what are the size of your long-term contracts? What are the lengths? What are the qualities, something around that, if you can give us more details around that?

Management:

So, basically, you're talking about GSPC or Gujarat Gas?

Mayank Maheshwari:

So, I think, is it correct to say that Gujarat Gas will be taking over most of the long-term contracts of GSPC now?

Management:

All of them. All the contracts will be taken over.

Mayank Maheshwari:

So, I just wondered, all of the contracts will come to Gujarat Gas now. So, I wanted to understand what is the quality of those contracts? How long-term are they? What are the kind of oil linkage and the length? Can you give us more details around that? Because that will obviously determine how you're thinking about your multiple, on your trading business, correct?

Management:

So, we have two long-term contracts. One is valid till 2030. And the other one is till 2028, April. So, both are oil-linked contracts. And the one which is valid till 2030 is approximately 1.5 million tons, whereas the other one is 0.3 to 0.4 million tons. These are all oil-linked contracts. So, these are the two long-term contracts we have. Other than that, we keep on buying on a term basis from domestic fields. For example, Vedanta and Reliance BP fields in Kakinada and the rest is all spot.

Mayank Maheshwari:

—Got it, sir. How many of the contracts on the long-term side are basically cost-plus models? Some of them, I suppose, are with Gujarat gas. And the non-Gujarat Gas long-term cost-plus models on some of these contracts?

Management:

Yes, these are all... So, the ones with Gujarat Gas are basically cost-plus. And the rest one may not necessarily be cost-plus. So, it depends on the market where we are selling.

Moderator:

Sir, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn, sir. Thank you. The next question is from the line of Maulik Patel from Equirus. Please go ahead.

Maulik Patel:

Thanks for the opportunity and congratulations to management for thinking about creating a long-term value for the shareholders. Shareholders were asking for a very long period of time and this essentially solved a lot of problems for the Group and simplified the structure. Now, just a couple of things, are there any tax liabilities? Because of this merger, when you shift the asset from the GSPC to the Gujarat Gas, any tax liability involved?

Management:

There is no tax liability involved.

Maulik Patel:

And what kind of tax losses is to be claimed in a GSPC and the parent company?

Management:

We have a tax loss of INR7,200 crores, approximately, which will be carried forward to the resulting company i.e. Gujarat gas.

Maulik Patel:

Does that imply that for the next two to three years, let's say this merger gets effective from FY25, I think you mentioned about FY24, so for FY25 and FY26, on a combined profit of GSPC and Gujarat Gas, you will not pay any tax?

Management:

Yes, that's what the tax law says.

Maulik Patel:

And till how long this tax credit is valid?

Management:

It will have a period of eight years.

Maulik Patel:

From which year onwards?

Management:

I think we have this Section 72A which talks of mergers and acquisitions where the tax losses are carried forward. So that gives us a better idea.

Maulik Patel:

And second question, when you are merging the GSPC into the Gujarat Gas, all the assets of the GSPC are getting merged, right? Particularly the gas-based power plant and the windmills and other things also?

Management:

The gas-based power plants are in the form of investments. The windmills are directly held by GSPC.

Maulik Patel:

So that investment is also getting shifted to Gujarat gas, correct?

Management:

Yes, you are right.

Maulik Patel:

So, you will be holding close to around 700 megawatts of the GSPC Pipavav power plant where you have an almost 100% stake?

Management:

Yes, 98% is held by GSPC.

Maulik Patel:

Correct. And then the stake in GSEG also which is around 53% stake?

Management:

Yes, you are right. Okay.

Maulik Patel:

And that LNG investment which both of the companies, Gujarat gas made some INR50 or INR100 crores of investment last year and also GSPC made some investment. So what would be your resultant entity's stake in a Mundra LNG terminal?

Management:

I think it will be close to 14% which is the combined stake of GSPC, GSPL and Gujarat Gas put together.

Maulik Patel:

Okay, so you will be still a minority investor for that?

Management:

Yes, you are right.

Maulik Patel:

Thank you.

Moderator:

The next question is from the line of Vikas Jain from CLSA. Please go ahead. Mr. Vikas Jain, your line has been unmuted. Can you go ahead with your question, please?

Vikas Jain:

Sure. Hi, thanks for taking my questions. I wanted to check, you've just given details on the volumes about 7 mmscmd CMD appears like long-term LNG contracts that you mentioned expiring in '28 and then you said '30. Then how much is the contract of, you know, these from Vedanta or Reliance? How much would that be, roughly? That's a shorter 3-4 year contract, right? Or is it an annual one? What do you have?

Management:

It's a short-term contract. It's valid till 2025 March from Vedanta, 1.5 million and Reliance BP we have few volumes expiring in December this year and the rest of the volumes are up to May 2026. This is around 0.5 million.

Vikas Jain:

Okay. So that's a total of 7. Yes. So after FY25 it will be 7 plus about another half or so -- 7.5 or so remaining of the current 11-12 if the run rate is about 4.5 is what is roughly the spot part of it?

Management:

Yes. So and we are also -- just to add we are now also in the advanced stage of executing few long-term contracts. So right now the portfolio is mostly oil. So now we'll be going on a Henry Hub basis which is the US Henry Hub Gas. So we'll be executing two long-term contracts the volumes of which will start somewhere in middle of 2026.

Vikas Jain:

Okay. And what are your other commitments that you have in terms of use or pay agreements that you've signed? There's something with Petronet of course, but are there anything else which you must be aware of? And also you did mention that there's some ongoing limited capex, but ongoing on the upstream business. What is that kind of regular capex likely to be?

Management:

Yes, basically it will range from maximum it will be INR 50 to INR75 crores to 100 crores would be the capex. But that will be only one time may be for to maintain the production levels at the same level and to drain the reserves. That level -- but that will be maybe once in two years or three years that type of investment, not on a continuous basis.

Moderator:

Thank you, Mr. Vikas Jain.

Vikas Jain:

Use or pay agreements that you have?

Management:

So we have two regas contracts with Petronet LNG and so where we are utilizing the capacities and we are confident that we will be able to use those capacities in the future years. I don't think there will be and the other contract is that we have is one, but as of now it is not operational and so there is this break water issue which keeps on coming. So right now it's not operational.

Moderator:

Thank you, Mr. Vikas Jain. May we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you, sir. The next question is from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

Varatharajan S.:

Thanks for the opportunity, sir. You gave the details in terms of how you value GSPC. Similarly, if you can share your valuation basis for GSPL as well in terms of the and the other assets?

Management:

I think the valuers have used several methods, the DCF method and the company comparable multiple methods. So, they have taken a weighted average of both the things to arrive at the value of GSPL so that the holding company discount can be resolved to a greater extent.

Varatharajan S.:

So, the core business valuation, which you can highlight?

Management:

I think the valuation of GSPL has two parts. One is its own business which is going on and the other part is basically the investment which it is holding on. For the core business the valuation is close to around INR3,500 to INR4,000 crores and they have a cash of around INR1,700 crores. So that's the core valuation and for the investment the valuation is close to INR25,000 crores.

Varatharajan S.:

Any pending payments in terms of debt repayments and interest intervals for GIGL, GITL as well as Petronet?

Management:

I think GIGL, GITL that would be taken care of from those companies itself. So the valuation has been arrived after taking that into account.

Varatharajan S.:

And what is the outstanding amount in Petronet?

Management:

We have already had some discussions around that and there was a settlement which was there in the past and as of now we don't expect any payments to be paid to Petronet LNG.

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

Kirtan Mehta: Thank you, sir, for taking my question. In terms of the GITL and GIGL could you highlight the valuation that you accorded? Will we have to service some of the debt required because the volumes are probably lower than the debt servicing requirement?

Management: I think the valuers have given that all the consideration has been taken into consideration for valuing GITL and GIGL.

Kirtan Mehta: Will you be able to share the valuation number?

Management: For GIGL it's close to INR 2,000 crores and for GITL it's close to around INR 181 crores. That is 100% valuation so basically, we have to come up for the 52% stake of GSPL.

Kirtan Mehta: Sure sir. Second question was about, you have given a detail about your gas servicing contract. Would you be able to share your contract terms on the customer side? How many of them are long term and how many of them are short term volumes and what is the tenure there?

Management: The contracts with Gujarat Gas are till 2025 and the fertilizer contracts are till 2028. There are other contracts which are valid till 2027 and some are valid till 2029. So, most of the fertilizer contracts are till 2028 and that's how it is right now.

Kirtan Mehta: And the way you said 60-40 was long term short term, was that only on your sourcing side or was that also applicable here on your customer side as well?

Management: Yes, so 60% would not be there on the customer side.

Kirtan Mehta: We'll have a shorter tenure so that we can benefit from the differences. Thank you.

Management: Yes.

Kirtan Mehta: Thank you, I'll get back in the queue.

Moderator: The next question is from the line of Raj Kiran Gandhi from SBI Mutual Fund. Please go ahead.

Raj Kiran Gandhi: Thanks for the opportunity here. On the gas side, what is the scope of the ramp-up of these gas-based assets, if you could just throw some light on that? And how have they performed in the recent few years, because we have seen some of the gas-based power plants ramp up? Have these been able to take benefit of the recent power shortage?

Management: I think in the last quarter Q1, they run close to 44% of the PLF because there was no direction from the government to run the power plants and they were taking gas from us. I think that situation will stay during the seasonal times and that situation will still remain. I think it will be operational to that level.

Raj Kiran Gandhi: So, both the plants on an average ran at 45% PLF.

Management: That's for this quarter because of this exceptional seasonal effect.

Raj Kiran Gandhi:

And the way these plants have been constructed, do they get money based on plant availability or are they running on a spot model?

Management:

These are PPAs with the government of Gujarat GUVNL. So basically, they get the fixed costs.

Raj Kiran Gandhi:

And you mentioned both these power plants effectively, company has a 100% stake, right?

Management:

In GSPC Pipavav we have a 98% stake and in Gujarat State energy generation a 54% stake.

Raj Kiran Gandhi:

So, what is the fixed cost earning of these entities?

Management:

See presently they are into an agreement with [GUVNL] where they cover the debt part and debt servicing part, that is principal and interest as well as normal maintenance part. So that's practically getting covered now.

Raj Kiran Gandhi:

And on this gas trading now, we were erstwhile doing 11-12 mm scmd. Just briefly FY 21-22 volume jump to 17 mm scmd and now back to 11-12 mm scmd. So if you could help us, pre-COVID we were doing 11-12 mm scmd and interim jumped to 17 mm scmd. So if you could just throw some light in terms of what led to that jump from 11-12 mm scmd to 17 mm scmd. And have we lost some volume which we can regain or something. From that 11-12 mm scmd we were doing much before and now also we are doing 11-12 mm scmd. So is it that broadly the customers are the same or we have lost some because of the price sensitivity and how much of that can come back?

Management:

Basically, before COVID we were doing 17-19 mm scmd kind of numbers. And then because of domestic gas from KG basin some of that went to fertilizer plants from LNG to domestic gas. So, these contracts are valid until 2026.

Post that there will again come to the market. So, we will have an opportunity to tie up those customers again. So basically because of domestic gas we lost few customers and our volumes have come down. Our volumes have also come down because of higher spot LNG prices because of the Russia-Ukraine war and the Middle East situation because of which these prices are higher than the alternate fuel which is there in Morbi which is propane.

But again, as I said earlier, we expect prices to be much more reasonable going forward and we would be able to retain not only the fertilizer customers but also the volumes in Morbi will be much more consistent going forward. So, we are in the process of executing long-term contracts which are linked to oil and since propane prices are also linked to oil we expect Morbi to be much more consistent going forward and also we will be able to retain some of the fertilizer customers which we have lost.

Moderator:

Thank you, sir. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh:

Thank you and good afternoon. So, if you look at your slides 18 and 20, you are talking about improvements in the performance of Gujarat Gas based on cost savings and the benefits of gas source which will improve the profitability and return. So can we get some insight into what are the synergy benefits or tax savings you will get once you integrate the gas sourcing from GSPC



in Gujarat gas and secondly what are the other leverage which will help you improve the margins including the competitiveness of the piped natural gas versus propane.

Management:

See I think the biggest advantage with this merger is, practically the direct sourcing is happening in Gujarat Gas. So basically, the related party aspects with respect to the margin coming in between moves off. So the margin to Gujarat Gas with respect to that improves a lot. It also gets the expertise of sourcing gas which GSPC is doing for the last 15 years and most of 50% of the same is being sold to Gujarat Gas itself. So it gives a leverage to Gujarat Gas to optimize its procurement cost going forward.

S Ramesh:

So, in terms of this savings on the margins, is it possible to quantify in terms of how much it can help you improve your EBITDA per SCM or percentage wise?

Management:

I think we have disclosed GSPC's margins as well as Gujarat gas margins. And basically, we also indicated the numbers which are there. So, that is a clear indication of what the margins are going forward.

S Ramesh:

But otherwise, there are no other tax benefits in terms of production and VAT?

Management:

No, that will automatically come in. See, when GSPC is selling to Gujarat Gas and now directly sourcing it, then automatically those benefits will definitely come into Gujarat Gas.

S Ramesh:

And secondly, in the slide on the GSPL Transmission Limited, slide 21, you are talking about the potential for adding new customers and new sources, geographic expansion and capacity expansion. Now can we get some insight in terms of how you will grow the volumes and to what extent any increase in volumes and capacity expansion can help you, you know achieve growth in revenue and earnings at the current reduced tariff as per the latest tariff order?

Management:

I think see ultimately the plan is to have a dedicated company which only looks at the gas transmission business I think they are GSPL is in plans to do the expansion and they are they are in the process of putting the capex in place and automatically they have a area of entire Gujarat which is the most expanding area with respect to the gas demand is concerned. I think they are poised to basically expand the volumes based on the infrastructure they will be developing going in going forward.

S Ramesh:

Yes the question is how it will benefit them because at a reduced tariff if the regulator is using a denominator of 31 mmscmd, you would want to get that benefit for five years so what happens after that? So the question is in terms of long-term growth if you can get some insight in terms of what is the capex, how the assets will grow and how the profitability will improve it will be useful? You can come back on that after some work is done.

And finally on the tax as well if you can give us some insight in terms of what exactly is the tax savings in rupees crores in terms of gas transfer from GSPC to Gujarat Gas after merger that will also be helpful?

Management:

First coming to the tariff part of GSPL tariff is calculated as a the function of three aspects; capex, opex and volume so with increasing capex the tariff will not remain static. The more the capex the tariff will also increase significantly and that's the tariff revisions will happen over a

period of time. In fact the current tariff order is also under challenge that's something which is not final for GSPL and binding. We have made out a good case and we should get some positive outcome not only on the existing tariff but also going forward tariffs will increase with increasing capex.

S Ramesh: Yes so when we're discussing the cost savings after the merger between GSPC and Gujarat Gas you are referring to some tax advantages so can we get some you know insight on the actual tax savings in rupees crores that will accrue to Gujarat Gas after the merger?

Management: In terms of indirect tax, the sourcing to be done directly by GGL so automatically that benefit would get in. So practically today whatever Gujarat Gas is sourcing to the extent from GSPC, to some extent the double taxation etc will be taken care of. Yes in terms of numbers we need to come back to you.

Moderator: The next question is from the line of Nitin from Philip Capital. Please go ahead.

Nitin: Good evening sir. Thanks for the opportunity. I just wanted some clarification on the transaction structure itself. So how many shares actually are getting issued and to which stakeholder? And also would there be creation of treasury shares or extinguishing of treasury shares we can throw some light on that? Related to that again what is the role of GSPC Energy Limited in all this and what is the entity doing what is that their business and why are they involved in this transaction? So that would be the first one please help us understand that structuring of the transaction?

Management: I think the transaction is basically GSPC merging into Gujarat Gas and GSPL merging into GGL and one more entity that is GSPC Energy Limited that's a subsidiary which GSPC has created for trading gas outside the state that has a subsidiary of GSPL Transmission Limited.

So ultimately the demerger of the transmission business is going to happen in GSPL Transmission Limited, so that's the reason that merger is separately happening and that's how that transaction of the GEL is being talked about.

Nitin: And sir like you know how many shares are getting issued to which entity? So how many shares are getting issued to shareholders of GSPC and how many shares are getting issued to shareholders of GSPL, of Gujarat gas share? And is there a creation of treasury share or extinguishing of shares also like you know please also explain that?

Management: No there is no treasury share which is being created. So I think the swap ratio is already mentioned in the scheme itself.

Nitin: That's okay sir swap ratio is something which is there in your presentation and press release as well. I'm looking at specific number of shares which are getting issued, that's what I'm asking for.

Management: I think we will get back to in the exact numbers you are asking for, because I think based on the holdings and the swap ratio anybody can come out with the numbers with respect to the swap and the numbers which a individual is going to get.

Nitin: So how many shares are outstanding for GSPC then and who are the stakeholders other than government of Gujarat?

Management:

In GSPC basically 93% is being held by Government of Gujarat and Government of Gujarat entities. The Governor of Gujarat holds close to 55%. The GSIL is there the investment of government of Gujarat that holds on close to 35% and rest is held by the government of Gujarat entities. And we have close to 6% percentage being held by IDBI, IFC and SBI.

Nitin:

Number of shares you said sir which are outstanding for GSPC?

Management:

Number of shares outstanding is close to , 1075 crores yes. That's a INR1 per share.

Nitin:

Understood sir. And the second question sir is related to the management of these entities. So right now like you know there is a GSPL management, there is a Gujarat Gas management, so post like you know this transaction takes place would there be any changes in the management. Who's going to manage basically the GTL business? And then Gujarat Gas of course the Gujarat gas management would be there but just like you know if you can help us understand would there be any management changes as well?

Management:

No ultimately there is a synergy between the businesses which is there so we don't envisage any change management as on it.

Nitin:

But GTL would be a new entity right so who would be managing GTL the transmission business of GSPL?

Management:

I think you need to understand that the transmission business today also is being done by separate set of management team.

Nitin:

Yes of course that's GSPL management, right?

Management:

Yes.

Nitin:

So once so they will continue to manage GTL is what you're saying?

Management:

Yes GSPL management currently the same set of controlling and management team for GSPL will move and they continue to look after GTL part as well. So there will be no change in management with respect to existing GSPL versus GTL.

Moderator:

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

Sabri Hazarika:

Yes good afternoon. Sir two questions firstly this GSPL valuation so you mentioned INR3,500 crores is the value of the core business so this is based on what kind of methodology?

Management:

I think the valuer has used the discounted cash flow as well as the CCM method and they have given a weightage based on the market practices and they have arrived at this value.

Sabri Hazarika:

Okay and what is the capex guidance for GSPL for the next two years annually?

Management:

Approximately INR3,500 crores is what we are envisaging in next two years.

Sabri Hazarika:

The second question is other than I think your promoter shareholding will be around 26% in the merged Gujarat Gas. So e around 25% to 30% stake by other Gujarat government entities.

Management:

Yes you're right you're right. Basically, that's the government of Gujarat direct holding which you are talking about 25 plus close to 25%.

Sabri Hazarika:

So these will be like quasi promoter. Okay so thank you so much and all the best.

Moderator:

Thank you the next question is from the line of Bhavin Gandhi from DSP. Please go ahead.

Bhavin Gandhi:

Sir can you quantify the 1QFY25 profitability of GSPC's trading business?

Management:

First quarter we have earned close to INR683 crores.

Bhavin Gandhi:

And sir the second question is that post the transaction GGL would have two separate divisions one being the CGD and the other being trading and the volume that you are supplying to GGL is subsumed within the CGD business. Is that the correct understanding?

Management:

Yes that's right.

Bhavin Gandhi:

Okay thank you.

Moderator:

Thank you the next question is from the line of Mihika from Nirmal Bang. Please go ahead.

Mihika:

Yes hi sir. My first question is on a qualitative point of view. I just want to you know get a sense of your growth expectations for the new entities?

Management:

Yes see ultimately see Gujarat Gas with respect to the CGD business the growth potential is already being known to the market what's the growth which is there. With respect to the gas trading basically we are looking at a growth of close to a 9 to 10 percentage going forward. And with respect to the transmission business you know the GSPL and the growth which is there with the volumes.

Mihika:

Yes and so I just wanted to cross check one you know you've mentioned the core and the investment valuations for GSPL so that comes around 26,000 for GSPL valuations.

Management:

Yes you're right.

Mihika:

And will you have 98 crores or 94 crores of outstanding shares by after the transmission business is demerged?

Management:

It's close to 93. 82 crores that's the number.

Moderator:

Thank you. The next question is from the line of Hitendra Gupta from Systematix. Please go ahead.

Hitendra Gupta:

Good afternoon management my question is related to the slide number 12 wherein we are talking about the promoter's stake in GSPC being 55.65% and they have a holding of 37.63% on GSPL and 54% in GGL. But if you see in the slide number 14 we are directly saying the promoter's stake is 24.86, but what I understand the economic interest of Gujarat government should be around 11% plus 6% around 17%. So can you please help me with the math of this from 17% to 25% how it has increased?

Management:

12th slide talks about the promoter's stake in buying GSPC by 55% and GGL by 6.53 percentage. Then with reference to that you are talking to slide number 14 where you are saying it is coming to 25 percentage. Yes so what is the issue over there?

Hitendra Gupta:

So we're just asking so what is the math between like if you see the economic interest of Gujarat government over here, so it says like 55% if you multiply it by 37% and 54% it's around 11% and if even if you take 100% of that 6.53% so 11% plus 6% is around 17%. So that's what we understand about the economic interest of Gujarat government in the new entity in GGL. But what we are seeing in page number resulting in shareholding structure we are seeing like 25.86% is the promoter. So can you just help me with the overall how we have arrived at this number 25.86?

Management:

See the ultimately the shares of the GSPC shareholders that the Government of Gujarat will be getting the shares of GGL in the swap ratio which is available. Just as I told you the governor of Gujarat and governor and GSIL holds close to 25 and 35 percentage. Okay so we are just talking about that swap ratio which practically reduces the Government of Gujarat's direct stake to 25.86 but the other holders of the government would be in the category of 74 percentage because they are not the promoters of the company.

Hitendra Gupta:

Okay they will be qualified into this the public shareholders?

Management:

Yes, you are right.

Hitendra Gupta:

And I think one more question I have is with respect to the GSPL valuation which we talked about the INR 30,000 crores in that INR 24,000 crores is for the GGL right?

Management:

No the valuation of the GSPL is close to INR 26,000 crores.

Hitendra Gupta:

Okay and of which INR 24,000 crores of GGL right?

Management:

See I think the valuers have taken a weighted average of the discounted as well as the CCM method. So based on that see when one of the methods they must have taken the entire value without the holding company and the other method they have taken the market values. So they have given a weighted average of both the things and that's how the INR 26,000 crores has been arrived at.

Moderator:

The next question is from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

Varatharajan S.:

Thanks again for the opportunity sir. If you could share some details as to the E&P reserve numbers which you might have?

Management:

Yes we have but practically we have 11 blocks which are in operations of that six blocks being operated by GSPC. With respect to that the reserves numbers – the oil reserves is close to 5.5 million barrels of oil is there and basically with respect to the gas is practically 4.4 BCF.

Varatharajan S.:

So this INR26,000 crores like you know for GSPL if you can give us a break-up across all the businesses are you been giving parts of it if you can give us the entire all the entity?

Management:

The only thing is basically to see once I give you a part then basically we'll have to do a weighted average of all the things. So that's the reason it's INR26,000 crores but that's I told you the valuation on individual terms with DCF method is close to INR 30,000 crores and with respect to the market method is close to INR22,000 crores.

Moderator:

Thank you. Mr. Sivasankaran may we request you to return to the question queue please. The next question is from the line of Maulik Patel from Equiris. Please go ahead.

Maulik Patel:

So once the merger is complete, I think the cash flow will be significant for the entity, right Gujarat gas I'm talking about. So where is the incremental capital will go? Will we invest in more into the CGD business or will we diversify to some other areas of the energy segment?

Management:

This is a good question. In fact the overall scheme of arrangement if you look into that, the first objective is to do the simplification. But the other objectives that are following subsequently are to have the leveraging position and to take up the opportunities which are emerging in the energy sector. So the Gujarat Gas will have the strengthened position in the CGD sector it will not only look into the retail PNG customers, but it will also have GSPC business coming to it.

The related party transaction will be taken off. So it will enjoy higher cash flows. So naturally the management is definitely looking forward towards other energy sectors more diversification but at the appropriate time the call will be taken. This is the first stage at which we will be consolidating and simplifying and once this is done with due diligence as all of us know the energy needs are growing and there are various other forms of energies which are emerging.

So in the right step as an integrated company the Gujarat Gas will be having renewables coming to it. It is having the gas-based power plants and with that there will be other energy options which will be also looked into but with due diligence at the appropriate time the decisions will be taken.

Moderator:

Thank you. We move to the next question which is from the line of Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar:

Thanks for the time again. Sir on the GSPC EBITDA of INR1,300 crores on that reverse imputed is almost coming to about a 1 plus dollar per MMBTU of margin. Firstly, is this whole number for the trading business and what we understand from the other competitors is that the fixed marketing margin probably would be about 25-30%. Rest of it would just be trading. Just trying to understand this excess delta that we are getting is it a bit more stable or is it more of a transitory period or just would be helpful if you could give us the clarity on this?

Management:

Yes I think we need to be corrected on one part is the EBITDA with respect to the gas trading margin is close to INR1,100 crores not INR1,300 crores because the INR1,300 crores includes the other income in the form of dividend and interest. So that is INR1,100 crores and basically if you look at the last 5 years we have been making a consistent margin of close to 9 percentage with respect to the gas trading business. So it ranges from 6% to close to 12%.

So that is the margin we have earned consistently over the period of last 5 years. That is the track record we are having. And we have been having this gas trading business for the last 15 years

and basically, we have developed an expertise with respect to that and so we have a consistent profit which is coming from the books which has been there.

Moderator: Thank you. We move to the next question which is from Kishan Mundhra from Antique Research. Please go ahead.

Kishan Mundhra: Hi, sir two questions. You mentioned that GSPC made a profit of almost INR680 crores in 1Q. So did it have any seasonality because of higher throughput in the gas based power plants?

Management: Yes The gas prices were subdued in the first quarter which led to the increase in the demand with respect to the power sector as well as the city gas distribution companies. So that's the seasonal effect which has come in the first quarter.

Kishan Mundhra: Okay understood. And sir the second question was you mentioned about you entering into a couple of contracts based on US Henry Hub. So if you could mention what is the quantum of contract that we are looking at and what is your expectation of the landed price based on current commodity prices?

Management: So basically, this would be like six cargos a year and landed price would be close to I would say around USD 9 per MMBtu input. This is the DES price I'm talking about.

Moderator: Thank you. We move to the next question which is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Thank you sir for the opportunity again. In terms of the valuation of the GTL business would it be similar to INR3,500 crores that we are assuming for the core business of the transmission or would there be any other moving parts there?

Management: No I think it's for the entire transmission business.

Moderator: Thank you. We move to the next question which is from S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: This is a follow up on the GSPL capex you have indicated at INR3,000 to INR3,500 crores. So on the asset created what is the expectation in terms of the returns you will generate? Will it be at the current reduced tariff or will you be able to get a fresh tariff order on this based on the 12% return on capital employed? How would the returns work on this new capex?

Management: I think it will be on the 12% return.

Moderator: Thank you. We move to the next question which is from Raj Kiran Gandhi from SBI Mutual Fund. Please go ahead sir.

Raj Kiran Gandhi: Thanks for the opportunity. You mentioned some of the accumulated loss that GSPC has will be used up in the gains reported in this transaction right? So net of that what is the net carried forward loss available to the new entity?

Management: That's which we told you that's close to INR7,200 crores of tax losses are available in the books of GSPC.

Moderator: Thank you. We have Mr. Sanjeev Agarwal from Avighna Investments. Please go ahead sir.

Sanjeev Agarwal: What would be the estimated savings on the bottom line of Gujarat Gas Limited post this entire transaction?

Management: Savings in terms of?

Sanjeev Agarwal: In terms of the cascading effects of obviously the taxes getting reduced indirect taxes and also the other operation expenses being reduced.

Management: With respect to operational expenditures, I think there is not much of operational expenditures getting into Gujarat Gas from GSPC. And with respect to the indirect taxes, we will come back to you because that is basically all the trading will happen from Gujarat Gas going forward. So that automatic benefit of double taxation would be eliminated, that exact number we need to get back to you.

Moderator: Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain: Hi. So this INR7,200 crores of accumulated losses, two questions. This is as at the end of FY24, number one. Number two is till what time do we need to kind of recover the profits on the back of this? I mean, how much because these losses might have started or might have come to the books two years ago. So the eight-year period is from which date? Just to understand that?

Management: Yes. Just to give you a background, we had this tax losses which came in FY 18-19 and this tax losses as on 31st of March 2024 is close to INR7,200 crores. We are doing the merger as per the clause 72A of the Income Tax Act, which has necessary provisions for the tax losses to be carried forward or to be adjusted.

Moderator: Thank you. The next question is from Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar: Thank you. So just on the EBITDA on the GSPC trading which you just mentioned of INR1,100 crores. So this is high because for Gujarat Gas we are charging a little bit on others, marginally lesser for the other customers or we have a benefit on the overall pricing and once we merge with Gujarat Gas, so you did mention in one of the calls that we'll only show the rest of the ex-Gujarat Gas volume. So this pool of profits will directly sit in Gujarat Gas EBITDA. Just to give us some - on this overall picture if you can give some clarity?

Management: Yes. See, ultimately, we are governed by the related party transaction rules. So we have a restriction of charging profits on Gujarat Gas as on date. So basically that restricts us from charging much to Gujarat Gas. With respect to the margins which are earning from others, that automatically comes and resides in GGL going forward.

Moderator: The next question is from the line of Soumeet Sarkar from BCCL. Please go ahead.

Soumeet Sarkar: Yes. Hi, sir. Just one simple question, given the fact that there is a huge equity dilution happening for Gujarat Gas shareholders only 36% with this deal EPS-accretive right from day one? If you could give us just some perspective on that front and if it is EPS-accretive by how much percentage?

Management: Yes the EPS will increase for Gujarat Gas shareholders.

Moderator: Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Sir, just a follow-up on the earlier question. In terms of your gas consumption that is going into the power plants for fiscal '24 and also 1Q '25, can you give us that on a proportionate basis? That was there at the GSPC level.

Management: See, with respect to the gas consumption in the previous year, I think power sectors were marginally there. Maybe 5%-10% only went to the power sector. Most of them went to the, close to 50% went to the city gas distribution, then the fertilizer, and then the refineries and the other companies over there.

Mayank Maheshwari: Sir, I was referring to your own power plants that I was referring to. Sorry for that.

Management: Yes, I think, see, last year they did not run in the manner, because they did not have demand coming in from the, because of the higher gas prices which were there. The power plants were not operating with respect to that. Only thing is in the last quarter, because in the summers, basically, there was a direction, there was an energy shortage, and there was a direction from the government to run the power plants, and they were able to purchase the gas at the prices which were in the market. So that's the reason they had a higher PLF in the last quarter.

Mayank Maheshwari: 45% PLF, what was that in the last quarter?

Management: So in Q1 in GSPL, we transported close to 5-7 mm scmd volumes in power. In Q1, 25.

Moderator: Thank you. The next question is from the line of Krunal Shah from Enam. Please go ahead.

Krunal Shah: Hi, thank you for the opportunity. My question is on the GSPL-capex, INR3,500 crores, which pipelines would this be catering to?

Management: So basically, we are developing 7-8 projects in totality. Out of this, we'll be doing the Dahej-hadbhut, which is basically into Bharuch from Petronet LNG. And we'll be doing Anjar-Palanpur, which will be connecting the GSPL and GIGL networks. Then we have one pipeline connecting Rajpipla, which is Amboli-Vantewad.

Then we have one connecting the Jamnagar-Okha, which will basically connect the upcoming gas discovery, which is about to be announced in Okha region. It's basically an offshore block. And it's a very promising block, just a quarter of a year from the market. So these are the main projects. There are other few 3-4 projects, like Mundra-Mandvi, and a few more projects. Basically, 7-8 projects in all, and approximately INR3,000-3,500 crores of investment.

Krunal Shah: And this is in the next two years?

Management: Yes, next two years.

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

S. Ramesh:

Hello, thanks for the follow-up. You have this GSPC LNG, which has been losing money and there's a high leverage on the balance sheet. So can you share us some numbers in terms of what is the March '24 revenue and loss? How is it doing in the first quarter? What's your plan to improve the utilization and improve the performance of this? And to the extent that it may require some additional investments, any further cash flow required to revive this from Gujarat gas post merger?

Management:

I think the last quarter, the capacity utilization was close to 29%. And with respect to the previous year, the provisional numbers in terms of revenues are close to INR235 crores. And they have an EBITDA of close to INR137 crores.

S. Ramesh:

Loss?

Management:

I think it depends on the utilization which will be done. So practically the utilization will increase in this year. So that will be taken care with respect to the capacity utilization which will be happening this year.

S. Ramesh:

They're expecting the company to report positive profit this year?

Management:

Yes, because ultimately you had higher prices of gas in the previous year, which practically provided the number of cargos to be brought in over there. In the first quarter itself, they are blocking around 29% of capacity utilization.

Moderator:

Thank you. The next question is from the line of Bhavin Gandhi from DSP. Please go ahead.

Bhavin Gandhi:

Sir, out of the INR1,100 crores trading EBITDA for GSPC, how much is attributable to the volume supplied to Gujarat Gas?

Management:

I see, I think the portfolio of gas which we have, maybe 30% or something. That's just an approximate number.

Moderator:

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

Hardik:

Sir, can you share the cash position of GSPC as on FY24 and as on June '24?

Management:

I think cash position, GSPC, I think we have a, having a cash balance of close to INR2,300 crores as on June '24.

Moderator:

The next question is from the line of Krunal Shah from Enam. Please go ahead.

Krunal Shah:

Yes, hi. Thank you for the opportunity again. Sir, the Mehsana-Bhatinda pipeline, we've been in operation for a couple of years, but volume ramp up has been very slow. So what's your outlook, how do you see the volume ramping up over the next 3, 4 years?

Management:

So yes, volumes have been low, but volumes have been low because of the non-operation of the Rohtat, Panipat pipeline. So recently there have been a lot of positive developments around that and we expect authorisation to be awarded for the Rohtak, Panipat pipeline very soon.

Once that happens, volumes will ramp up fast in GIGL, because we already have a firm and binding gas transportation agreement with IOCL, Panipat. The volume ramp up is from 1.5

million to 3.5 million next 2 years or so. So yes, we would be able to get the authorization very shortly from the regulator. So basically, yes, the volumes would start ramping up very soon there.

Moderator: Thank you. The next question is from the line of Soumeet Sarkar from BCCL. Please go ahead.

Soumeet Sarkar: Whether this deal is EPS-accretive right after completion? And if yes, by how much percentage? Can you just give some light on that?

Management: Yes, it would range between 50% in accretive s would be there increase , because in the gas trading business is coming into GGL. So practically that EBITDA number of GGL, would be affected

Soumeet Sarkar: There is also the equity dilution of 36% happening. Still 50% increase?

Management: Yes, we have taken into consideration that also.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: So, this is just a clarification. So the scheme says that if I'm a shareholder of say GSPL, I get shares for GGL and post that there is a demerger also. Then I get shares of GTL also?

Management: Yes, that is true. I will give an example. If you are a shareholder of GSPL holding shares, 130 shares of GSPL. So with the merger, in the new setup, 100 shares will be allotted from GGL. And again, from the new entity, GTL, 33 shares will be allotted. So for 130 shares of GSPL, the shareholder will get effectively 100 shares of Gujarat Gas Limited plus, 33 shares of GSPL Transmission Limited, the new entity, GTL.

Moderator: Thank you. The next question is from the line of Sunil Sarda from Sarda Foundation. Please go ahead.

Sunil Sarda: Sir, thanks for the opportunity. One gentleman had asked a query about the economic interest which Government of Gujarat has into GGL. That was not answered. Effectively, what we want to say that Government of Gujarat holds 55.65% to GSPC and then GSPC, GSPL and GGL put together.

If you work out the economic interest, the Government of Gujarat gets some 11.34% stake into GGL plus 6.53% they are directly holding. So it becomes close to 17.83% stake. But if you see the revised holding resultant shareholding structure, it is coming to 25.86%. So is the 8% is the extra shares getting allotted to the Government of Gujarat? Number one.

Number two is again the same query Mr. Hitendra Gupta ask that, you have valued this GSPL close to INR26,000 crores. Out of that INR22,000 crores is basically the investment value of Gujarat Gas share. INR3,500 crores you are giving core value to a business. Core business value is INR3,500 crores. A company which is earning INR1250 crores is valued only at INR3,500 crores for a core business value. So these are the two queries that we have sir.

Management:

So to answer your first query, GSPC is owned to the extent of 94% by Government of Gujarat and Government of Gujarat owned entities. So that is the direct shareholding pattern so far as Government of Gujarat is concerned into GSPC. Also, it has direct ownership to the extent of 6.53% in Gujarat gas. So that is already there.

So I think somewhere you suggested 55%. 55% is direct ownership and another 40%-odd through Government of Gujarat owned entities. So now if you apply this swap ratio, you will eventually get the resultant shareholding of Government of Gujarat to the extent of 25%.

Sunil Sarda:

But, that you only get if we take the institutional holding also into account. You said that institutional holding would be classified as a public and not as a promoter. So if it is only Government of Gujarat holding has to be taken, not the Gujarat Government entities or promoters?

Management:

I think, sometimes the structure used or the existing structure and the new structure has been derived based on the valuation carried out by two independent valuers, who have given a joint valuation report. By applying the standard method which are utilized for valuation purpose. Over and above these two valuations, there were two category one merchant bankers who carried out fairness opinion and based on this, the valuation for each of the company has been derived and based on this valuation, the post-merger scenario of the holding has been determined.

So comparing the shareholding which is there currently with the post-merger shareholding is something which is not directly applicable. You have to see it in the perspective of valuation which has been carried out by two independent valuers as well as fairness opinion by them. This is how we are also deriving as a simplification of the layered shareholding structure.

Sunil Sarda:

Okay. Second query, I asked about the valuation of INR3,500 crore to a company which is earning INR1,250 crores PAT.

Management:

I think the INR 1,250 crores you are talking about is before the tariff reduction. So once that 50% tariff reduction is being affected into and going forward, see if most of the capex over years the tariffs were determined earlier based on the capex, which was incurred in future which practically has been recovered.

So going forward, that practically will come as a bottleneck for an increase in the tariff going forward. So that has been factored into with to come out with the valuation going forward for the enterprise.

Moderator:

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

S Ramesh:

Hello, this is a follow-up on GSPC LNG. So the balance sheet has a very high debt. So in terms of the thought process on restructuring the balance sheet and the debt, do you expect the operating performance to help you repay some of the debt? And going forward, how do you see the overall balance sheet shape up for GSPC LNG?

Management:

I think, there's an independent management to basically take care of the operations over there. And they will ensure that the balance sheet is sustained enough and they will have operating profits over there. And this is not part of the structure which we are talking about today.

Moderator:

Thank you. The next question is from the line of Harshad Borawake with Mirae Asset. Please go ahead.

Harshad Borawake:

Thanks for the opportunity. I think the initial one of the answers you said that of the INR10,600 crores value given to GSPL, Sabarmati and Power Assets, roughly 89% of this is GSPL. Can you just break this INR10,600 crores value in these three separate assets?

Management:

Which asset? Sabarmati Gas is close to 7.3%. And what is the other asset you talked about?

Harshad Borawake:

So you said of the INR10,600 crores value given 89% you said is GSPL.

Management:

Yes, you're right.

Harshad Borawake:

And then in the last one or two questions, you also said that GSPL value is roughly INR 3500 crores. So I'm slightly confused there. What is the exact number?

Management:

I have not said INR 3500 crores.

Harshad Borawake:

Okay, so of the INR 10,600 crores, 89% is GSPL, right?

Management:

I think what you're talking is you're referring to the GSPL valuation. That's the confusion. I think with respect to the GSPC valuation, we are very clear. With respect to INR 10,600 crores, close to 89% is basically GSPL and close to 7.3% is Sabarmati Gas.

Harshad Borawake:

Okay, fine. Thank you.

Moderator:

Thank you. The next question is from the line of Manikantha Garre from Franklin Templeton India. Please go ahead.

Manikantha Garre:

Yes, thanks for providing me the opportunity, sir. Out of the INR3500 crores capex which you have mentioned for the next 2 years, how much capex has already been approved by PNGRB? And I have just one more question. On the inorganic opportunities that you have mentioned, and you said you will do both organic and inorganic. The inorganic part will be across the businesses in GGL, the combined GGL, that is LNG terminals, and the power assets too. Those are my questions?

Management:

So the first part out of this INR3500 crores, almost 60% has been approved by PNGRB and the rest final is in advanced stage of approval from PNGRB.

Manikantha Garre:

Okay, the remaining 40% when do we expect that approvals to come through?

Management:

It will be very shortly.

Manikantha Garre:

Okay, the second one is about inorganic opportunities which you mentioned, right? The improved cash flows from the combined GGL. You look for both organic and inorganic opportunities. On the inorganic part, wanted to understand you'd be thinking about all the

businesses, that is LNG terminals, CGD, and the power assets too, or it's predominantly focused on CGD only?

Management: Yes, on the growth side, CGD would be there and as our Managing Director told, we are also looking at other opportunities also, organic as well as inorganic growth. That will practically come up over a period of time and we'll be disclosing it to the investors also.

Manikantha Garre: The point which I'm trying to understand, is would you be thinking about the power assets too?

Management: I don't think on the power assets as on now, because we already have part two power assets. But any renewables or anything with respect to that, the power assets may be part of it, but not an expansion on the power assets.

Moderator: Thank you. We take the last question from Vikas Jain from CLSA. Please go ahead, sir. Mr. Vikas Jain, may we request that you unmute your line, please?

Vikas Jain: Hi. So INR7,200 crores, again, coming back to that tax that was mentioned, accumulated losses. So this was for FY'19. So you have time till FY '27 to recover that. So basically, once the merger is over, most likely sometime in the middle of FY '26, unless there is a huge jump in profits from that, broadly, we can assume that FY '26 and FY '27, the merged Gujarat Gas entity will not be paying any taxes. Income Tax.

Management: Yes, I think one correction over here. I think I mentioned about section 72A, which talks of mergers and acquisition, there is a provision of carry forwarding of the tax losses in a merged entity. So the tax is getting expired in this financial year, that is on 31st of March. So basically, as a part of the merger, and as per the tax rules, whatever the tax losses will be carried forward, be carried forward for next 8 years.

Vikas Jain: So, you get a fresh term of 8 years after the merger is over, is it?

Management: I think that's what the tax law says about.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Management: From the management of GSPC, for this call conference on the amalgamation and demerger scheme, composite scheme, I thank you all of you for joining the conference with a short notice. I thank you for your queries, very well thought queries, and we tried our best to respond it. I hope that you are satisfied with the answers we are giving. I again thank you all of you for your support and trusting us. Thank you once again. Over to moderator to close the conference, please.

Moderator: Thank you. On behalf of Ernst & Young, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.



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