



# “Gujarat Gas Limited Q1 FY '26 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Gujarat Gas Limited's Q1 FY '26 Earnings Conference Call.

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. Should you need assistance during this conference call, please signal an operator by pressing \*, then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to the Company Secretary of Gujarat Gas, Mr. Sandeep Dave. Thank you and over to you, Mr. Dave.

**Sandeep Dave:** Thank you. Good afternoon, everyone. A very warm welcome to Q1 Earnings Call of Gujarat Gas Limited. I am Sandeep Dave Company Secretary and Head of Corporate Communication at GGL.

Just to give you an update on our scheme of arrangement:

The scheme of arrangement was approved by GSPC Group of Companies on 30<sup>th</sup> August 2024. The proposed scheme will elaborate layered structure of GSPC Group, promote business synergies and unlock value for stakeholders. The scheme is subject to various statutory and regulatory approvals. We have filed the scheme with BSE and NSE and also received no objection from BSE and NSE. We have also filed scheme with Ministry of Corporate Affairs in February 2025. We have requested and we are in continuous touch with MCA to expedite the process. The matter is under active consideration of Ministry of Corporate Affairs and we are expecting approval of the scheme in Q3. Considering longer than expected time taken in completing MCA process, we have also simultaneously initiated process for obtaining approval from other regulatory authorities.

Coming back to GGL:

To give a brief background about GGL, GGL is the largest city gas distribution Company in India. GGL is operating in 27 geographical areas, spread across 6 states and 1 union territory. We have a good mix of mature and emerging CGD areas. We have developed pipeline network of more than 43,300 kms which provide natural gas to approximately 23.02 lakh households, more than 4,425 industrial customers and approximately 15,700 commercial customers. We also operate 830 CNG stations serving approximately 4 lakh vehicles per day. We are aggressively setting up CNG infrastructure as well as upgrading CNG infrastructure to promote use of clean and green fuel. We have also started injecting biogas into GGL system.

At Gujarat Gas, with the commitment of providing complete energy solution that empower communities, business and industries and with an aim to become a total energy solution provider, the Board of Directors of GGL at its meeting held on 5<sup>th</sup> August has approved to undertake sourcing and sale of propane and LPG to industrial customers. This reiterates our commitment towards customer-centric approach. GGL aims to deliver affordable, reliable and cleaner energy

by operating responsibly and performing with excellence while considering environment, social and government factors. As part of our commitment to ESG initiatives, we have taken various measures which include hydrogen blending pilot project which we have completed with 8% blending. Now, we have initiated action for increasing blending level to 15%. We have embarked on major digitization drive across various business operations and processes. Our major contribution to the environment is by virtue of promoting use of gas for industrial customers.

In Q1, we have reduced burning of approximately 11,242 metric ton of coal per day by providing clean fuel. Further, through our CNG sale on various outlets, we have reduced combustion of approximately 3,295 kiloliters of petrol per day during the current quarter. At Gujarat Gas, we adhere to highest standards of safety and a strong culture of safety. GGL is an ISO certified organization for integrated quality, occupational health, safety and environment management systems. We build, operate and maintain a safe and reliable gas network in our areas of operation.

With this brief background on GGL, I now request Mr. Dipen Chauhan to share business updates. Over to you, Dipen.

**Dipen Chauhan:**

Thank you, Sandeep. Good afternoon, everyone. Let me first update on the domestic and commercial segment:

We are seeing a positive growth in domestic segment. GGL's customer base is now more than 23.02 lakh domestic customers. GGL has added ~36,000 commissioned customers in Q1 FY '26 and registered 39,000 customers in Q1 FY '26. Importantly, GGL has signed gas sales agreement with Bathinda Military Station for the supply of PNG to over 11,300 residential quarters and 230 messes.

The commercial segment is showing steady growth in connection numbers. We expect the numbers in the domestic and commercial segment to increase over the period of time as the new areas mature. GGL at present has a customer base of 15,700 commissioned commercial customers.

Now, let me update on the industrial segment. In the industrial segment, sales volume were 4.71 MMSCMD for quarter ended 30th June 2025, whereas the sales volume during the previous quarter was 5.03 MMSCMD, an overall decrease of nearly 6%. As anticipated, during the last earning call, the reduction was mainly in Morbi volumes where customers opted to shift to propane from natural gas due to higher price differential. The average Morbi volume was 2.51 MMSCMD and Non Morbi volume was 2.20 MMSCMD. The Morbi volume reduced from 2.87 MMSCMD in Q4 FY '25 to 2.51 MMSCMD in Q1 FY '26. The non-Morbi volume of 2.20 MMSCMD for quarter ended 30th June 2025 has grown from 2.16 MMSCMD during the previous quarter that is an increase of approximately 2%. The non-Morbi volume has grown by approximately 8% in the same period in the previous financial year.

The reduction in spot RLNG prices and crude prices during the quarter enabled GGL to reduce the prices in industrial segment. The reduction also enabled GGL to maintain the price differential to propane, that is, natural gas premium by Rs. 3.50 per SCM. The natural gas demand in Morbi is likely to remain low on account of upcoming Janmashtami festival in this quarter. In addition, persistent uncertainties related to tariffs and geopolitical dynamics continue to cloud the overall business outlook. We continue to monitor the various aspects affecting the volumes, namely price movements of spot RLNG and alternate fuels, and consumer goods demand across all our operating areas and shall adjust to such market dynamics so as to maintain balance between margins and volumes.

Now, let me update on CNG segment. GGL reported a strong performance in Q1 FY '26 driven by robust growth in CNG volumes and expanding infrastructure. CNG sales rose by 12% year-over-year, with Gujarat recording a 10% increase and areas outside Gujarat delivering a notable 27% growth, underscoring GGL's success in deepening its presence across geographies. As of June 2025, the CNG vehicle base across GGL's network reached approximately 15.65 lakhs compared to 13.63 lakhs a year earlier, reflecting a solid 15% growth. CNG continues to offer a compelling economic advantage, being approximately 45% cheaper than petrol and 23% cheaper than diesel, further reinforcing its attractiveness amid volatile fuel prices.

During the quarter, GGL commissioned 3 new CNG stations, supporting its commitment to expanding reach and improving accessibility. CNG sales volume touched a record high of 3.72 MMSCMD, highlighting sustained demand momentum. Looking ahead, GGL is well positioned to capitalize on the increasing shift towards cleaner energy. With ongoing infrastructure development, a growing CNG vehicle base, and strong customer adoption, the Company remains confident in maintaining its growth trajectory and strengthening its leadership segment.

Finally, I am happy to update that during Q1, we marked significant milestone in our Company's digital transformation journey also. With a sharp focus on innovation and operational excellence, we go for merger. We have planned to strategically expand our enterprise resource planning ecosystem to incorporate additional key business functions and achieve the benefit of seamless integration across verticals. Along with this, the planned technology transformation of ERP will help to leverage advancement in AI-powered analytics and enhance decision-making and risk management capabilities.

On the operations front, we have drawn a blueprint for implementing a robust and secure SCADA system to enable centralized monitoring and control across all geographies. This scalable, agile infrastructure is designed to support our evolving business dynamics and ensure responsiveness in a rapidly shifting global environment.

Thank you very much. Now, I will request our CFO, Rajesh Sivadasan to take over.

**Rajesh Sivadasan:**

Thank you, Dipen. Good evening, ladies, and gentlemen, I welcome you to the Earnings Call for the 1st quarter of the Financial Year '25-26. I would like to thank you all for attending the

call today. I trust you would have gone through the Financial Results for the quarter ended 30th June along with the Presentations which we have uploaded on the Website and Stock Exchange.

During the quarter, the Company connected close to 35,000 new domestic connections making a total PNG domestic connections more than 23 lakhs. During this quarter, Company also invested close to Rs. 121 crores into the gas infrastructure. The Company is also planning to incur annual CAPEX in the range of Rs. 800-Rs. 1,000 crores in this Financial Year. In terms of revenue of the Company which has been registered, the revenue from operations stood at Rs. 4,065 crores during this 1st quarter against Rs. 4,615 crores in the corresponding quarter of the previous year. The Company reported an EBITDA of Rs. 579 crores in the 1st quarter against Rs. 574 crores in the corresponding quarter of the previous year. The profit after tax stood at Rs. 327 crores in the 1st quarter compared to Rs. 330 crores in the corresponding quarter of the previous year.

The Company's rupee per SCM EBITDA margin for this quarter stood at Rs. 7.17 against Rs. 5.75 in the previous quarter. The Company's estimated EBITDA margin will be in the range of Rs. 4.5 to Rs. 5.5 for this financial year. During the 1st quarter, the Company received around 100% allocation towards domestic segment and 41% allocation towards the CNG segment. Thus, we have an overall allocation of 51% to the priority segment from the government. The APM shortfall was met by the New Well Gas, the HPHT Gas, the long term, and the spot volumes.

Gujarat Gas continues to have a credit rating of AAA stable and a short-term rating of A1+ affirmed from CRISIL Care and India Ratings. Further, as requested by the investors, we have also uploaded the 12-monthly results of GSPC in GSPC's website. We now open the floor for Q&A session.

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

**Probal Sen:** Thank you for the opportunity, sir. I have three questions. Firstly, you just mentioned about the sourcing partially that 51% of your priority sector sales was met by APM. Can we get an overall percentage breakup in terms of sourcing of 8.88 MMSCMD that we have done? Overall, how much gas is being sourced from which source in percentage terms or in volume terms whatever is available? That was my first question?

**Management:** So, coming to your question, the gas from short-term contract is basically 34%, long-term contract is 38% and the rest is all domestic gas, majority of that coming from APM and New Well Gas.

**Probal Sen:** How much of HPHT gas did we get in this quarter?

**Management:** Close to 0.7 MMSCMD.

- Probal Sen:** HPHT?
- Management:** Yes.
- Probal Sen:** Right. So, the 51% shortfall that you mentioned sir, would have been HPHT 0.7, 51% from APM and the balance would be from New Well Gas. Is that a fair way to look at it?
- Management:** Can you repeat?
- Probal Sen:** You said that, sir on a blended basis, 51% of priority gas was from APM and you just mentioned HPHT was about 0.7. So, the balance would have been from New Well Gas. Is that a fair way to look at it?
- Management:** Yes, New Well and Spot also.
- Probal Sen:** Some bit of spot, got it. Fair enough, sir. The second question was sir about this new business initiative, the propane sourcing and sale that we are looking to do. I just wanted to understand sir how will this business model work? And what sort of commercials are we looking at in terms of what is the advantage that we are bringing in when other players are also already there that are selling and sourcing propane, particularly in Morbi, if you can just throw some more light on this?
- Management:** So, basically the current consumption in Morbi is close to gas equivalent if you see, close to 7-7.5 million out of which one-third is gas and two-third is propane. So, total propane market if you see is close to around 1,67,000 metric tons per month. We are basically targeting close to 25% of this market and what we intend to do is basically we want to become an integrated energy supplier for all their energy needs. So, they don't have to shift from one supplier to the other and the advantage that we think we can bring is basically we can help them reduce their working capital requirements since they already have some financial security already provided to us which we can use if we are selling propane to them. So, they don't have to basically rush to other suppliers with the advance money and all those stuff. Basically, we are targeting a market close to 25% of the total market for the initial few months, maybe this financial year ending and then depending on what our experience is, we can then scale it up further.
- Probal Sen:** So, where will we source this propane from, sir? Will we be basically contracting with the OMCs or importing it directly or how will it work, sir?
- Management:** So, we will be importing it directly from the international markets.
- Probal Sen:** So, our pricing will therefore be competitive with any other supplier in the market?
- Management:** So, that is our strength. Basically, we have been sourcing LNG since long through GSPC obviously, but that is our strength, and we hope to get propane from the international market at a lower price which we can use to compete in the markets.

- Probal Sen:** Right. Last question sir if I may squeeze in one more. You mentioned about the uncertain demand environment overall at Morbi itself and given that continues to be there, any guidance you would like to give on volumes specifically from Morbi going forward for the next few quarters and then overall exit rate if you want to tell us for FY '26 for the Company?
- Management:** I think we are reviewing the market. We will continue to look at the market, but I think difficult to guess as to what the number would be, but we continue to look at it and that is how I can, as of now we can put it this way.
- Probal Sen:** No problem, sir. Thank you so much for the detailed answers. Very helpful. I will come back in the queue. Thank you.
- Moderator:** Thank you. Our next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.
- Yogesh Patil:** Thanks for taking my question, sir. Sir, as you mentioned the current volumes of the Morbi on the propane side are the 5 MMSCMD and what we are targeting as a Gujarat Gas at 25% of that. So, 1.2-1.3 MMSCMD is the right volume to assume for the remaining period of the FY '26. Is that a correct understanding?
- Management:** For propane?
- Yogesh Patil:** Yes.
- Management:** Yes.
- Yogesh Patil:** So, sir, if possible, what would be the margins on the propane distribution? That is one. And are you planning to do some CAPEX in building this propane or LPG supply chain?
- Management:** So, there is no CAPEX involved in this entire exercise that we are planning. So, except booking for some capacities in the terminals, there is no CAPEX involved.
- Yogesh Patil:** Any guidance or any ballpark number if you could give us on the margin side, what kind of margins you will make on the distribution of propane?
- Management:** Well, difficult to guess since we are entering in this business for the first time. Difficult to give any numbers right now.
- Yogesh Patil:** Will it be better than PNG Industrial? Will it be lower than PNG Industrial?
- Management:** Would be difficult to comment on margin in this juncture. I think we will see, and it will evolve over a period of time. Probably, it will be better placed to comment on margin once we have got a good grasp of the market.

- Yogesh Patil:** Sir, your PNG Industrial business has marketing and infrastructure exclusivity. That is giving you protection. But you are entering into the propane distribution business where more than 5 players are already there. So, apart from the working capital, is there any strategy where you can play and really gain the market share inside Morbi?
- Management:** I think it is not only Morbi we are looking at. I think propane is being consumed by not only Morbi, other areas also. So, let things unfold in the future. We will get back to in the next quarter. By that time we will be trying to sell propane in the market. We will be having better clarity with respect to the margins, etc. I think that would be the right time to tell you what strategy we have adopted.
- Yogesh Patil:** Last one, sir. Have you applied for the propane distribution license towards the regulator? Any updates on that side?
- Management:** So, we have to get a credit rating from the agency which we have got.
- Yogesh Patil:** Thanks, sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel:** Hi, thanks for the opportunity. Couple of questions. Can we just get in on the GSPC performance in Q1 FY '26? What kind of volume did on the trading side and trading profit or the PAT at the GSPC?
- Management:** Maulik, we are yet to go to the Board with respect to that. Mostly, it will be end of this month. So, once that is there, it will be available in the website once the Board approves it.
- Maulik Patel:** Got it. The second question is on this long-term volume we have from the RasGas and BG, we understand that a significant revision has happened in one of the contracts and the pricing in one of the contracts has come down. Also, you recently reduced the price in Morbi almost Rs. 3-Rs. 3.3 per SCM. Will this both offset each other, the reduction in the BG contract and the price reduction in Morbi? Will this offset each other?
- Management:** Well, I think both are not related as such, but the reduction in selling price is more on account of reduction in crude prices as well. And obviously, we have to link our selling price to the alternate fuel, which is propane in this case. So, I think, yes, that is my answer to your question right now.
- Maulik Patel:** So, in a way that currently the propane for this September month is significantly lower at about \$520 per ton compared to \$580-\$590 used to be for the month of August. So, in the next 2 months, there is going to be likely a volume pressure in Morbi. You did around 2.5 MMSCMD in Q1, right? So, Q2 is likely to be lower than that. I presume that propane will see significant sharp correction plus, there is a seasonality also there because in this August-September month,

Morbi generally goes for some kind of production shutdown because of the festival. So, Q2 volume will be lower than the Q1, right?

**Management:** Q2 volumes would be, yes, lower because of Janmashtami and general slowdown because of festivals and all.

**Maulik Patel:** What is your view on the non-Morbi volume? I think it has been stated around 2.2 kind of a number, right? And been holding up well. Do you see any kind of incremental growth in non-Morbi volume?

**Management:** Yes, I think we are seeing a good uptake in non-Morbi volumes. We are in touch with various bigger kind of consumers whom we are now targeting them with some fixed-term contracts rather than having a contract which had termination provisions. So, we are going for long-term contracts in non-Morbi regions like Vapi, Valsad and other places. We are in touch with certain bulk consumers, and I think we see a strong growth in non-Morbi region.

**Maulik Patel:** Got it. Just last question on CNG side. What is the progress on that scheme? I think I understand there were some 60 or 70 CNG stations that come under this FDODO scheme, right? But if I see that over this quarter and in Q1 only 2 additional stations have been set up, right? But at the same time, the volume growth or probably if I look at Y-o-Y basis, it is again around 20-30 CNG stations has been added. But if I look at the growth has been very strong, it is almost around 11% kind of CNG volume growth. Is this more that the efficiency is coming into the picture in terms of a higher throughput at the CNG stations which is driving this growth?

**Management:** Yes, please. And the most important thing is increasing the number of CNG vehicles in the state. I think almost nearly 2 lakh vehicles have been added in the last few months or I can say one year. And the same way, we are adding more and more CNG infrastructure also. There is a good asset utilization in existing stations and with this new CNG stations are coming up, we are expecting that vehicle growth will be better than even whatever happened in the last year.

**Maulik Patel:** So, you mean to say that last year, we did around 11% kind of CNG growth, FY '26 CNG growth can be higher than that?

**Management:** Possible. That is possible because we are planning to add more under the FDODO scheme. We have 70 odd stations are almost in the process of construction. And I think before this December, we will be able to add at least a double digit CNG station under this scheme.

**Maulik Patel:** Good. Thank you.

**Moderator:** Thank you. Our next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka:** Hi. Thanks for the opportunity. So, just to get it clear, so Morbi you said would be lower in Q2 than Q1, what would generally be the expected run rate?

- Management:** Can you get back? We cannot get the point.
- Amit Murarka:** No, you said Q2, Morbi volume will be lower than Q1. Q1 was 2.51 as you said. So, could you give guidance as to what is the number that we can expect in Q1 and Q2 based on the current run rate that you see?
- Management:** It could be in the range of 2.3-2.5.
- Amit Murarka:** Sure. Also like industrial price I think has been cut by about 3.5. What is the price right now after this cut?
- Management:** 43.33.
- Amit Murarka:** 43.33. So, essentially like, so I was just wondering that basically pre-cut you are at 46.8 then which is more or less flat as Q1 was flat at Q4. And even CNG and domestic CNG were flat in Q1 to Q4. So, just I was wondering like the realization had a bit of a drop on a Q-o-Q basis. So, what would that be on account of then?
- Management:** I think realization was more in this quarter.
- Amit Murarka:** I don't know because if I do kind of revenue divided by volume, I get a lower realization.
- Management:** I don't think so.
- Amit Murarka:** Fine. Sure. And just lastly on GSPC, could you just give FY '25 financials?
- Management:** It is already in the website.
- Amit Murarka:** I will just take a look. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.
- S. Ramesh:** Good evening and thank you very much for the call. Sir, if you are looking at the LPG propane distribution business, have you got the line of sight in terms of sourcing and the customers who are actually willing to give you a contract? How is that progressing?
- Management:** Basically, we are in touch with various international suppliers for sourcing propane. As far as customer base is concerned, those are our existing customers, and we are very confident that we will be sourcing propane.
- S. Ramesh:** So, if you look at your Slide #12 and 14, I have some questions there. So, the Slide #12 gives the details of the spread of the geographic areas. So, can you tell us in terms of the potential for ramp up in volumes in the next 2 years, which are the GAs or areas where you see growth

potential and which are the areas where you see a quick ramp up to EBITDA, breakeven and positive contribution to earnings? I had a couple of questions on Slide #12 and 14. In Slide #12, you have given the breakup of the GAs across the 27 GAs and the different cities. So, you can give us a sense in terms of where you expect a quick ramp up in terms of volumes or peak volumes, what is the number, and which are the areas where you see profitable operation in the next 1 or 2 years? And the second question is on Slide #14 where you have given data on the DODO stations, franchise stations. So, in the past, whatever franchise stations you have had, how much of CNG volume is coming from these franchisee stations and what is the distribution cost for the existing franchisee stations? So, these are the two thoughts I would like to have from you?

**Management:** Will you please repeat the last question?

**S. Ramesh:** Yes. The first question was on Slide #12 across the different GAs. Second question was on Slide #14 where you have given the breakup of the different types of CNG outlets, which includes the franchisee outlet, which I presume will be similar to your DODO outlet. So, if you can share the current performance of these franchisee outlets in terms of the share of the CNG volume and what is the kind of distribution cost you have for these franchisee outlets to be useful to assess how the ramp up in the DODO stations will help you in terms of volume growth and the cost of that business?

**Management:** I will just share the distribution of the CNG station to see that.

**S. Ramesh:** Now, we have the distribution of the CNG station. Now, what I am asking is, in these franchisee stations of 95 say and 24 and 104 and 25, what is the per kg CNG volume or the overall aggregate volume you are doing and what is the distribution cost for these specific stations compared to your overall distribution cost. That will help us get some ideas about the cost of the DODO station, how you can generate some earnings and cash flows from that. So, just to understand the economics of the current franchisee models?

**Management:** I think the current franchisee model runs on a commission basis on the sale of CNG which happens over there. I think it is in the range of Rs. 3-Rs. 4 per kg. That is what the commission we are giving to the franchisee and for the OMC also more or less the commission is same. But in the FDODO scheme where CAPEX and OPEX are both by the franchisee, we are giving Rs. 8 per kg for online stations and nearly Rs. 10 for the daughter booster station.

**S. Ramesh:** So, these existing franchisee stations, what will be the CNG volumes per day or aggregate volume for the quarter? Can you just share that with us for the existing franchisee stations?

**Management:** So, we do not have the exact specified for the franchisee, but on an overall basis, we average around 3000 kg per day.

**S. Ramesh:** So, will it be similar to that in terms of the location?

- Management:** Yes, for the new FDODO people coming in, they have looked at it in those range only, from 2000 to 3000 kg would be the starting for them and then going forward, increasing based on the traffic which is there.
- S. Ramesh:** So, if you go back to that Slide #12 question, if you can give us some thought in terms of where do you expect the biggest bang for the buck on the growth in CNG and PNG across these 27 GAs in terms of over the next 2 years, where is the visibility and what is the kind of ramp up in terms of EBITDA breakeven and progressively profitable operation? Where do you see that happening across the GAs?
- Management:** You are asking too many things in one thing, but I will just try to summarize that. Basically, the growth is practically happening in the Ahmedabad rural area, Thane area and the Dahej and Surat areas, wherein the CNG practically we are getting a much bigger growth more than 10%-15% growth is happening over there. With respect to the margins, yes, we will be having the margins which you are earning on CNG, so that margins we will be protecting those margins going forward. But yes, the APM gas allocation will definitely affect the EBITDA margins going forward.
- S. Ramesh:** So, if you look at the current CAPEX and the commercialization of the GAs and the increase in depreciation, when do you think we will be able to generate EBITDA to cover the depreciation and generate positive ROCE in double digits? See, across all the 27 GAs, what is the timeline one should expect?
- Management:** No, I think we have, with respect to the CNG stations, we cover it between 3-4 years, we cover that for the COCO stations. And see, in the franchisee model, the rest of the things are ours. In the OMC model, there are different models, and different models have different ROEs and the payback periods.
- S. Ramesh:** No, I am not asking for the model, I am asking for the new GAs where you are committing a lot of CAPEX because your depreciation will go up once they are commercialized. So, from the time you commercialize, what is the timeline and when do you expect to get the double digit ROCE?
- Management:** I think it will take 4-5 years because these are all, for example, the Punjab area and all, they are new developing areas. So, we expect that 3-5 years is the time period wherein which we will be able to recover the things.
- S. Ramesh:** Well, thank you very much and wish you all the best.
- Management:** Thanks.
- Moderator:** Thank you. Our next question is from the line of Achal Shah from Ambit Capital. Please go ahead.

- Achal Shah:** Sir, am I audible?
- Moderator:** Yes, sir, you are audible.
- Achal Shah:** I just wanted to know that since currently propane is favorable, but if RLNG is favorable in the long run, what could be the industrial volumes, where could the industrial volumes reach a ballpark figure in MMSCMD?
- Management:** So, if the LNG is favorable, which we hope it to be very soon, I think we can easily do 6 million in Morbi and close to 2.5 million in non-Morbi.
- Achal Shah:** Got it. Sir, shifting would take some time when RLNG becomes attractive, how much time would it take if it continues to remain attractive for 6 months, 1 year or 2 years? So, that volumes will start increasing from next month onwards or it would take some time?
- Management:** I think in the short term, there are some issues, but I think we expect a lot of new LNG supplies coming into the market from countries like Qatar, US and Mozambique and other countries. So, that will increase the supply and basically that will put downward pressure on the prices. So, we are hopeful. I think in the shorter term, there are some issues, but I think we are hopeful that very soon, we will be basically able to sell more in Morbi and non-Morbi regions.
- Achal Shah:** Got it. Sir, the second and last question is, this press release by PNGRB, where they have reduced 3 zones to 2 zones, what will be the impact if positive or negative for like Gujarat Gas on margin front?
- Management:** Based on the present tariff you are talking?
- Achal Shah:** So, sir, currently, there are 3 zones for tariff, for transmission that will, and like by a few, after few months that will move to like 2 zones. So, after that what will be the impact on our margins? Since some volumes will go to zone 1 and zone 1 rates will increase, and which will be more expensive than zone 2. So, have you done any of such analysis?
- Management:** No, see for us, based on the present tariffs which are there, there will be positive impact for us.
- Achal Shah:** So, sir, I am assuming majority of our volumes are currently in zone 2, is it?
- Management:** Yes, it is in zone 2. Yes, you are right.
- Achal Shah:** So, like eventually that will go to the new zone 1, which will have a lower tariff than the current zone 2.
- Management:** Yes. So, after this is changed, 42% would be in zone 1 and 46% will be in zone 2.
- Achal Shah:** Sir, currently what is the breakup?

- Management:** It is 14, 53 and 21.
- Achal Shah:** Got it, sir. Thanks, sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.
- Varatharajan S.:** Thanks for the opportunity. Sir, like if you see the last few quarters, the addition in terms of outlets has slowed down significantly. So, you have been talking about the FDODO and other models and 200 outlets being currently like approved and so on and so forth. But we are not seeing the momentum pick up in terms of outlet addition. So, if you can give some visibility on that?
- Management:** Actually, the CNG station development and infrastructure is a bit, if you see the number of permissions and everything is required. And when this most of the FDODO franchisees are doing it for the first time and Company is providing all the support for the application that is the reason it is like going slow. But right now, out of 70-odd agreements which we have already signed, 52 applications already submitted and 43 approvals we have already received, we mean those franchisees. So, I think, as I mentioned earlier in this conversation, that we will see double digit addition in the CNG station under FDODO scheme before December.
- Varatharajan S.:** Sir, my second question was that, like you just now pointed out as well, answering Mr. Ramesh's question, that you are confident about global gas prices, LNG prices coming off. Then why even consider this option of getting into LPG or propane for that matter? Because then it will be more expensive than the LNG, then there is no market in that respect, right? Just now also you mentioned that in Morbi, if things fall in place, we will be able to do 6 MMSCMD. Then why even consider this as an option?
- Management:** So, I also mentioned that in the short term, there are some issues. And obviously, we see some of our customers go to suppliers for propane. So, we want to be a single energy supplier for our customers. And if there is some money to be made there, why not? We could be, if that money is there, lying on the table, we should be able to grab it. So, that is even, maybe it is for the short term, but we should be there to grab that opportunity.
- Varatharajan S.:** Fair enough. Thank you, sir.
- Moderator:** Thank you. Our next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.
- Mayank Maheshwari:** Sir, thank you for the call. I think the question was more related on the strategy on LPG. I get your point around the single energy supplier. But if I look at historically, you have been a bit more wary about signing long-term supply contracts even on LNG. So, for LPG, do you think you will be buying spot or you will be even trying to get those one-year contracts which are currently there in the market if you buy from Saudi Aramco, etc.?

- Management:** I think we are basically right now looking at spot only. Because pricing if you see in the propane market is basically previous month Saudi CP and linked to that. So, we are basically looking at spot only as of now. But on the gas side, definitely we are looking at signing long-term contracts for a major share of the Morbi market.
- Mayank Maheshwari:** And sir, is there a number in your mind that you think over the next 5 years, you want to kind of have in terms of long-term LNG contracts?
- Management:** Yes, as I said, I think we should be covering almost two-third of the Morbi market with the long-term contracts.
- Mayank Maheshwari:** And sir, on the LPG point, you said that you will be buying spots. But in terms of getting LPG even from the Middle East, I think you need tankers and all that stuff. So, you will be doing that also spot-fixing or you are kind of trying to get at least the logistics side on a more long-term basis?
- Management:** So, there are contracts which are available on DES basis delivered to Indian ports. So, once we get the DES supplies, I think the rest of the infrastructure is already there.
- Mayank Maheshwari:** Got it. And sir, the last question was on CNG. If you look at I think in terms of CNG margins as well implied in your numbers, I think there is some pressure there. Is that largely because of the DODO coming in or is there something else that we should be worried about?
- Management:** No. The margin is basically affected because we have increased the commission of the OMC. And that is the only reason. Otherwise, the CNG business, we are quite bullish about it.
- Mayank Maheshwari:** So, on a like-to-like basis, you have not seen any compression in CNG margins?
- Management:** Not yet.
- Mayank Maheshwari:** Quarter-on-quarter I was talking about.
- Management:** No. Ultimately, the APM shortfall is being met through the spot and the other sources of gas. So, automatically, that margin will be affected.
- Mayank Maheshwari:** That is what I wanted to check. Quarter-on-quarter, I thought the APM numbers are reasonably similar. It is not very different.
- Management:** Yes, we only have a 48% allocation. Yes.
- Mayank Maheshwari:** Got it. Thank you.
- Moderator:** Thank you. Our next question is from the line of Hardik Solanki from ICICI Securities. Please go ahead.

**Hardik Solanki:** Thanks for the opportunity, sir. Two questions. One is, what was GSPC volume for FY '25? And what was the cash-in-cash equivalent as on March 25?

**Management:** We achieved a volume of close to 12.50 MMSCMD GSPC for the previous year, FY 24-25.

**Hardik Solanki:** And cash-in-cash equivalent?

**Management:** It would be close to ~Rs. 2,300 or something, approximately Rs. 2,300.

**Hardik Solanki:** Similar to the last year, right?

**Management:** Yes.

**Hardik Solanki:** Yes. And secondly, what was the propane-to-industrial gas price discount in Q1? And what is currently after price cut?

**Management:** I think it has remained almost the same because the propane prices have also come down.

**Hardik Solanki:** So, what is the discount at the moment?

**Management:** Yes, it is close to Rs. 4. After the price cut, it is close to Rs. 4.

**Hardik Solanki:** That is really helpful. Thank you.

**Moderator:** Thank you. Our next follow-up question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

**Yogesh Patil:** Thanks for an opportunity again, sir. Sir, if you could give us some gas sourcing details in MMSCMD unit terms. Now, what we know HPHT of 0.7 MMSCMD, BG volume, which is crude LNG contracted to 0.5 and Qatar is closer to 1 MMSCMD. Apart from that, if you could give us APM volume, NWG volume, and any spot which you have purchased during the quarter that would be helpful?

**Management:** I think Devendra mentioned about the thing in percentage earlier of the 8.80 mmscmd breakup. He has already told you, told in the conference.

**Yogesh Patil:** Our long-term gas sourcing contracts for the BG is due for renewal in this calendar year. When can we get any update on this side?

**Management:** As of now, we have extended the contracts, so basically till March 26. After that, we will be renewing the contracts again.

**Moderator:** Thank you. Our next question is from the line of Nitin Tiwari from Phillip Capital India Limited. Please go ahead.

- Nitin Tiwari:** Hi, sir. Thank you for the opportunity. I have a very basic question, sir. The margin that we spoke about, the OMC margin or the EBITDA margin that we offer in CNG where is that adjusted? Is it adjusted in our cost or in the topline?
- Management:** Which margin you are talking about?
- Nitin Tiwari:** The dealer margin, sir. The Rs. 3-Rs. 4 margin that you indicated, Rs. 3-Rs. 4 rupee per kg?
- Management:** Part of the operational cost.
- Nitin Tiwari:** That is part of the operational cost. That is not in the topline?
- Management:** Yes part of operational cost.
- Nitin Tiwari:** And secondly, sir, the price discount that you said about between propane and natural gas in Morbi, can you give that to us in energy equivalent terms? So, what is our pricing in rupees per MMBtu in Morbi versus like propane? And what is the price discount?
- Management:** Presently, what we told was in rupees per SCM.
- Nitin Tiwari:** Right.
- Management:** Yes, because the gas prices are close to Rs. 44 today against the propane energy equivalent price of Rs. 40 per SCM.
- Nitin Tiwari:** Okay. That is in rupees per SCM. I was looking for that data in MMBtu terms. If you can help us with that in terms of what is the price in rupees per MMBtu for propane and natural gas engines. What is the gap? Suppose your billing would be in rupees per MMBtu, right?
- Management:** Yes.
- Nitin Tiwari:** So, what is the price in rupees per MMBtu for natural gas and for propane?
- Management:** Just give us a minute.
- Nitin Tiwari:** Sir, in the meantime, I will just like to highlight something. So, this is about the realization on overall basis that if you look at your revenue sort of divided by the volume that we have in this quarter. So, if we, suppose, if we account for other price points, which is your industrial and the price point that you are charging in Morbi and then try and have an understanding of how much our CNG realization would be in this quarter. So, that is actually lower than the headline price. That is why I was asking that whether our dealer margins are adjusted against the headline price or is it adjusted against the operating cost?
- Management:** Yes, it was included as a part of the operating cost. It is not the topline we changed.

**Nitin Tiwari:** So, topline is changed. Suppose, if your CNG price is Rs. 79, then you are going to change your, and your topline would be basically be accounted at Rs. 79 and not?

**Management:** Yes. Right. Yes. With respect to the price, let me just have an update.

**Management:** Rs. 1,327 per MMBtu would be the gas price and Rs. 1,207 would be the propane price.

**Nitin Tiwari:** Sorry, Rs. 12?

**Management:** Rs. 1,207.

**Nitin Tiwari:** These are the current prices?

**Management:** Yes, you are right.

**Nitin Tiwari:** Got it. Thank you.

**Moderator:** Thank you. Our next question is from the line of Somaiah V from Avendus Park. Please go ahead.

**Somaiah V:** Thanks for the opportunity, sir. Sir, first question is on the margin. So, on the opening remarks, you did mention your outlook in terms of 4.5-5.5 for this year. Obviously, Q1?

**Moderator:** Sorry to interrupt, Somaiah, sir. Your voice is sounding very muffled.

**Somaiah V:** Yes. I hope it is better now.

**Moderator:** Yes, sir. Now it is better. Please go ahead.

**Somaiah V:** Yes, thanks. Sir, my first question is on the margin. So, in the opening remarks, we said in terms of this year, we are looking at 4.5-5.5 EBITDA per SCM. So, we have had a good start in Q1. Just wanted to understand what are we looking for the next 9 months, why at 4.5-5.5? I just wanted to hear your thoughts?

**Management:** I think there is an uncertainty, Q2 is always difficult with respect to the festivals coming in. And the propane prices, the differential also is moving. So, that is the reason to hold the market also, we have reduced the prices. So, I think the correction in the guidance will come by Q3. Let us see how Q2 goes. Subsequently, we will take a view on that.

**Somaiah V:** Got it, sir. Just one clarification here. So, this does not include any impact of the propane marketing that we want to undertake, right?

**Management:** No, nothing to do with it.

- Somaiah V:** Got it, sir. Sir, second question, in terms of the existing propane supply in the region, so is it by the industry currently, it is being domestically sourced propane or is it they are also kind of imported propane?
- Management:** So, it is actually a mix of domestic and import, but generally, but more or less, it is more on the import side.
- Somaiah V:** Got it, sir. So, I was just trying to go back to earlier point one, working capital is one advantage that you were mentioning. Anything else, because if it is going to be more on the import side, I think from logistics angle, I don't see an advantage. Is there anything else that we can have as an advantage where we can try and get back to this 25% of the market share in propane?
- Management:** I think the difference would be then who does the sourcing better. That would basically advantage would lie with them.
- Somaiah V:** Last question, in terms of existing infrastructure and Morbi for propane of the total units, to what extent, the propane infrastructure are being there, but still, or put it the other way, how many units or total mix in overall units, which is still only dependent on gas and don't have propane infrastructure?
- Management:** So, almost 1-1.5 million equivalent gas consuming consumers are only on gas. So, basically, 370 units are only on gas and 530 units are, they have the dual facilities. They can use gas, they can use propane as well.
- Somaiah V:** Understood, sir. This is helpful, sir. Sir, one small clarification here. So, you did mention 1.5 MMSCMD. So, we have ended up selling 2.5-2.6. So, now, this extra 1 MMSCMD, though they had an option to switch to propane, the reason for being with gas, is it because they have been tied with some contracts with us and they have to kind of continue to use it, or the stickiness of the extra 1 MMSCMD, just want to understand that?
- Management:** So, it is not because of the contracts. It is because many of these are export oriented units. And with gas, they achieve certain kind of clarity or whatever you call. In terms of quality basically, they want to use gas instead of any other fuel.
- Somaiah V:** Understood, sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.
- Kirtan Mehta:** Thank you, sir, for the opportunity. I had a question on the GSPC 12.5 MMSCMD volume that we have done. Could you give us a bit more color in terms of how much was sold to Gujarat Gas and how much was to the external consumers? And also from the sourcing perspective, how much was sourced on the long-term contract and what was the spot volume there?

- Management:** Yes, I think what we can tell is around 50% is sold to Gujarat Gas. And with respect to the sourcing thing, we can say that close to 65% was on LNG imported and the rest 35% we sourced from the domestic and RLNG.
- Kirtan Mehta:** Right. And everything was on long-term contract or is a mix of long-term and medium-term contracts?
- Management:** Mix of long-term and short-term, yes.
- Kirtan Mehta:** Is it possible to indicate the breakup as well in terms of long-term and short-term?
- Management:** Not now.
- Kirtan Mehta:** And what is the average margin that we make on this volume? Is it close to Rs. 2 per SCM?
- Management:** No, it depends on who are we selling to and all. With respect to Gujarat Gas, we have to maintain the arm's length so that arm's length is always maintained with respect to related party transactions. For rest, it is basically bided out mostly. We participate in the bids and basically we get the bids from that. It is really the fertilizer and other sectors.
- Kirtan Mehta:** Right, sir. Second question is about, you also mentioned that for the LPG, you will be tying up the terminal capacity. So, would it be the AGS Warpage terminal which would be the key which would be looked at or are other terminals work more economically for us?
- Management:** So, AGS obviously would be, that is also one of the terminals we are looking at. But there are other terminals also closer to Morbi. So, we are looking at all the options.
- Kirtan Mehta:** And what could be our inland logistics cost basically from the terminal to this in terms of rupee per SCM or rupee per kg?
- Management:** We are still in discussions with various partners. Maybe in the next, earning call we will be able to communicate to you with greater accuracy.
- Kirtan Mehta:** Sure, sir. Thank you for this clarification.
- Moderator:** Thank you. Our next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.
- S. Ramesh:** Yes, thank you for the follow-up. So, if you look at the potential in Morbi, what is happening exactly in terms of the tile industry because a lot of concern in terms of export slowdown and the tariff issue, especially in terms of the exposure to the US exports. So, how is the on-ground utilization there and how long do you think it will take for the tile industry to get back to normal consumption and reach that full potential of 7-9 million cubic meters a day?

- Management:** I think as of now, we are not seeing anything which is leading to non-utilization because even today, out of the total potential of close to 9 MMSCMD, they are still consuming close to, I think, 7.5 MMSCMD, which is more than 75% capacity utilization. So, as of now, we do not see any issue as far as utilization or production is concerned at these ceramic units. Exports are already in excess of Rs. 1,000 crore per month and growing at a reasonable rate. So, as we speak, I do not think there is any issue as of now.
- S. Ramesh:** And if you look at the LNG sourcing, given that there is a lot of eco LNG capacity coming online, is there any line of sight you have in terms of the tie-up of supplies to direct negotiations with GSPC and what is the kind of reduction in price you may expect or discuss and so on? Because it is well known that the LNG prices are going to possibly decline, but what is the progress you are making in terms of negotiation there in terms of tying up long-term contracts?
- Management:** So, we are in touch with, through GSPC we are in touch with various LNG suppliers, and we see good linkages available in terms of price. Price in terms of linkages to brand are at a very reasonable level in view of the increase in liquefaction capacity and supplies going on stream in near future. So, I think the gas prices would be reasonable as compared to what we are seeing right now, much more reasonable.
- S. Ramesh:** So, in terms of a housekeeping question, you have a 7% or 8% stake in GSPC LNG and that is a loss-making entity. So, where are you adjusting the mark-to-market losses in your results, FY '25 and 1Q FY '26 and when is it likely to turn profitable?
- Management:** We are not consolidating on a line-by-line basis.
- S. Ramesh:** Yes, but you still have to provide mark-to-market for the 8% stake in GSPC LNG, right? So, where is that?
- Management:** No, they have given a valuation to that. So, the valuation has not gone below Rs. 10 at the price which we have acquired it.
- S. Ramesh:** So, basically, there is no mark-to-market requirement. Fair enough. Thanks a lot and wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Sandeep Dave - Company Secretary, for closing comments. Thank you and over to you, sir.
- Sandeep Dave:** I would like to thank everyone for sparing your valuable time for attending the investor call. Festive season is approaching and best wishes on behalf of GGL Management to all our investors who participated on the call. We look forward to interacting with you during the next call.
- Moderator:** Thank you. On behalf of Gujarat Gas Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.