



“Gujarat Gas Limited
Q3 FY '25 Earnings Conference Call”
February 07, 2025



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Moderator: Ladies and gentlemen, good day, and welcome to Gujarat Gas Limited Q3 FY '25 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 the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference call is being recorded.

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

Sandeep Dave: Very good afternoon to all of you. A very warm welcome to Q3 earnings call of Gujarat Gas Limited. I'm Sandeep Dave, Company Secretary and Head Corporate Communication of Gujarat Gas Limited. To give you an update since our last earnings call on the composite scheme of arrangement, on 30th August 2024, we have announced a scheme of arrangement among GSPC Group of companies. Just to remind you about the rationale of the scheme.

The proposed scheme will eliminate layered structure of GSPC Group, promote business synergies and unlock value for its stakeholders. The scheme is subject to various statutory and regulatory approvals. We have filed the scheme with BSE and NSE, and I'm happy to report that we have received no objection from BSE and NSE, and we are targeting to file the scheme with MCA early next week.

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 new CGD areas. We have developed a pipeline network of more than 42,000 kilometers, which provide natural gas to close to 22.27 lakh households, 4,430 industrial customers and 15,590 commercial customers.

We also operate 825 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.

Consistent with our strategy to focus on increasing volumes, we have achieved an overall volume of 9.73 mmcmd during 9 months ended 31st December 2024, which is an increase of 5% over corresponding period in previous financial year. GGL aims to deliver affordable, reliable and cleaner energy by operating responsibly and performing with excellence while considering environment, social and governance 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 actions for increasing blending level to 15%. This will be done post necessary regulatory approvals. We have embarked on major digitization drive across various business operations and processes.

Our major contribution to environment is by virtue of promoting use of natural gas for industrial customers. In Q3, we have reduced burning of approximately 13,000 metric tons of coal per day. Further, through our CNG sales on various outlets, we have reduced combustion of approximately 3,084 kiloliters of petrol per day during this Q3.

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 system. 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 my colleague, Mr. Dipen Chauhan, to share business updates. Over to you, Dipen.

Dipen Chauhan:

Thank you very much, Sandeep. Good afternoon, everyone. First, I will update on domestic and commercial segment. We are seeing a positive growth in the domestic segment. GGL's customer base is now more than 22.28 lakh domestic customers. Despite festive season, GGL has still managed to maintain the growth rate and have been able to add 0.38 lakh customers in the current quarter.

Apart from that, we have registered 0.53 lakh domestic customers in current quarter for the connection.

The commercial segment is showing a steady growth in connection numbers. We expect the numbers in domestic and commercial segment to increase over a period of time as the new areas mature. GGL at present has a customer base of more than 15,500 commissioned commercial customers.

Now let me update on the Industrial segment. In the Industrial segment, sales volume were 5.45 mmcmd for the quarter ended 31st December 2024, whereas the sales volume during the same period in the previous financial year was 5.53 mmcmd, an overall decrease of almost 1%. This was despite the fact that many industrial areas in South Gujarat observed shutdown during the Diwali period.

The average Morbi volume during the quarter was 3.35 mmcmd and non-Morbi volume was 2.10 mmcmd. The Morbi ceramic market has regained volume from 2.86 mmcmd in Q2 FY '25 to 3.35 mmcmd in Q3 FY '25, owing to resumption in manufacturing activities post Janmashtami. The non-Morbi volume of 2.10 mmcmd for quarter ended 31st December 2024 has grown from 1.8 mmcmd during the same period in the previous financial year, an increase of 12%.

During the quarter, we had to increase the industrial prices by approximately INR 2 per SCM. The increase was mainly on account of significant increase in LNG prices. The spot LNG prices have increased by more than 20% since September 2024. We continue to monitor the price movement of natural gas and alternate fuels across all our operating areas. The natural gas price

during the Q4 are expected to remain high, mainly on account of geopolitical factors. The same may result in adverse impact in the competitiveness of natural gas vis-à-vis alternate fuel.

Finally, let me update on CNG segment also. In Q3 FY '25, CNG sales in Gujarat increased by 11% year-over-year, while outside Gujarat, sales surged by 26% on a year-over-year basis. Overall, CNG sales across regions grew by 12% annually. CNG continues to maintain a significant price advantage, being approximately 46% cheaper than petrol and 15% cheaper than diesel.

During this quarter, we have added 5 new CNG stations, reinforcing the momentum of infrastructure expansion and enhancing access. We are also proud to mention that the strong momentum in CNG sales has continued, achieving our highest ever sales of 3.12 mmcmd in this quarter. This performance highlights a strong investment outlook driven by increasing customer adoption and ongoing strategic infrastructure development, further strengthening Indian position in energy market.

Now I would like to request our CFO, Mr. Rajesh Sivadasan, to take it forward. Over to you, Rajesh.

Rajesh Sivadasan:

Thanks, Dipen. Good afternoon, ladies and gentlemen. I'm Rajesh Sivadasan, the Chief Financial Officer and Head of Investor Relationship at Gujarat Gas Limited. I welcome all of you to the earnings call of Gujarat Gas Limited for the third quarter of the financial year '24-'25. I'd like to thank you all for attending this call today. I trust you have gone through our financial results for the quarter ended 31st of December '24, along with the investor presentation, which we have reported on our website and exchanges.

During the quarter, the company has invested close to INR 213 crores into the infrastructure aggregating to around INR 549 crores in the 9 months of this financial year. The company is presently having close to 42,000 kilometers of PE and steel network, which is the key growth driver for our business.

In terms of revenues, the company registered a revenue from operations of INR4,333 crores during the third quarter of this financial year against INR4,084 crores in the corresponding quarter of the previous year. The company has reported a profit after tax of INR222 crores during the third quarter of this financial year as compared to INR220 crores in the corresponding quarter of the previous year.

The company's EBITDA for the third quarter for the financial year '24-'25 stood at INR439 crores as compared to INR424 crores in the corresponding quarter of the previous year. In terms of rupee per SCM, EBITDA margin stood at INR5.04 in the third quarter of this current financial year as compared to INR5.03 in the corresponding quarter of the previous financial year.

As the investors are aware, during this quarter, there was a reduction in the APM allocation in 2 tranches, that is in the month of October and November 2024, which has resulted in the quarterly

APM shortfall of close to 45 percentage, which was sourced through New Well Gas, HPHT from Reliance, IGX and the remaining through spot.

After the recent corporate announcement also, Gujarat Gas continues to have the credit rating of AAA stable for long term and A1+ for short term from CARE, India Ratings and CRISIL. Further, as requested by the investors, we have uploaded the half yearly numbers of GSPC in GSPC's website.

We'll open the floor for now Q&A session.

- Moderator:** The first question comes from the line of Probal Sen with ICICI Securities.
- Probal Sen:** First question was with respect to the APM reallocation that you mentioned. Just to clarify that this 45% shortfall in Q3 was essentially for the CNG segment, if I understand? And after the reinstatement of part of this volume, in Q4 so far? That was the first question.
- Management:** Probal, your voice is breaking. Can you repeat the question?
- Probal Sen:** Just one second, sir. Is this better?
- Management:** Yes, it's better now.
- Probal Sen:** Yes. I was saying, sir, with respect to APM, just wanted to clarify that the 45% shortfall you mentioned, that is for the CNG segment? And after the restoration of some of that volumes that have happened in January, what is the revised percentage that we are getting right now, if we can get a sense? That was the first question.
- Management:** Yes. See, the 45% is domestic and CNG, both put together, the shortfall is 45 percentage.
- Probal Sen:** Okay. And in Q4, sir, what is the percentage now after the, again, restoration of some of those volumes?
- Management:** It will be close to the same amount, 45 percentage only.
- Probal Sen:** So there has been no increase in the APM allocation?
- Management:** No, no. You need to understand that we are talking about an average for the 3 months, wherein the allocation was reduced in October and November. Now that's the average is coming to 45%. So now there is a marginal increase, which has come in for the entire next quarter, it will be around 45% itself, maybe at 47% or 48% maybe.
- Probal Sen:** That is the shortfall or that's the allocation percentage?
- Management:** That is the shortfall, yes.

- Probal Sen:** That is the shortfall. Understood, sir. And second question was with respect to Morbi volumes where you mentioned that there has been a recovery after the festival-related shutdowns are over. I just wanted to understand, sir, how much impact is this whole freight situation and the shipping constraints still having in the region? And therefore, what kind of outlook can we build in for Morbi volumes in particular for the next 3 to 4 quarters?
- Management:** If you just see the present geopolitical scenario and after the new government in the U.S.A., it looks like the situation will be better or improved for the businesses for the shipping to be continue in the Middle East and other areas. So we are hoping that, that volume and business will improve.
- Probal Sen:** And sir, is it possible to share any rough range of what the volumes have been in the first couple of months in Q4 and January?
- Management:** I think you need to understand that the Morbi volumes are also driven by the propane prices. So now the propane price, there's a difference. The delta has increased with respect to propane and gas, which is there because spot prices have also gradually moved up with respect to the gas prices. So we are anticipating 3 mmscmd presently, in this quarter, we did close to 3.35 mmscmd from Morbi. Hence, it will be around 3 mmscmd now going forward because of the price differential, which has increased, the offtake has reduced now.
- Probal Sen:** Understood. If I can squeeze in one last question, sir. With respect to the sourcing contracts, can we just get a broad sense of what are the contracts in place right now with respect to volumes as well as term? Have there been any new contracts signed in this quarter?
- Management:** No, there has not been any new contracts that has been signed in this quarter.
- Probal Sen:** Okay. So the same contracts with BG, Petronet, some of domestic gas and HPHT. That is what it stands.
- Management:** Yes, .
- Moderator:** Mr. Sen, are you done with the question.
- Probal Sen:** Yes, yes. I am done.
- Moderator:** The next question comes from the line of Santanu Saikia with Indianpetroplus.
- Santanu Saikia:** I was just wanting to know what exactly are the volumes for Morbi. You said 3.35 mmscmd in the last quarter, and you regained from 2.86 mmscmd in quarter 2. So the data can you just repeat the data one more time about Morbi?
- Management:** I think the data you are telling is right. 2.86 mmscmd was the previous quarter and 3.35 mmscmd in this quarter, that is Q3.
- Santanu Saikia:** And what is 2.01 mmscmd and 1.86 mmscmd that you described?

- Management:** Pardon?
- Santanu Saikia:** You also said 2.01 mmcmd and 1.88 mmcmd for previous financial year.
- Management:** Actually, it is 2.10 mmcmd, that is for non-Morbi market.
- Santanu Saikia:** That's for the...?
- Management:** Non-Morbi market. Outside Morbi.
- Santanu Saikia:** Non-Morbi markets. Okay. All right. Okay. I got it. So now could you tell us what the delta is between propane prices and your prices as of now? What is the propane price if you have any idea, what is the rough price that you are selling it at?
- Management:** We I think the present data is INR4, around INR4.
- Santanu Saikia:** INR4, which is in favor of propane. So most of these Morbi players have dual feed system, so if the delta is INR4, then there should be a full switch over to propane, which is not happening. So you are selling 3 mmcmd only to those players who don't have a dual feed, right? Because the delta is quite high.
- Management:** So it's not like that. I mean even though there is a difference in price, but still customers prefer the mix of both the fuel, petro gas and propane.
- Santanu Saikia:** And that is essentially so that they can keep 1 foot in 1 boat and the other foot in the other boat? Or is it because it's economically better?
- Management:** Actually, most of the plants or most of the ceramic plants are continuous process plants, okay? So they have to rely on natural gas. It's very difficult for them to move out completely from the natural gas.
- Santanu Saikia:** Okay. So therefore, there is never a 100% switchover. There is a certain amount of natural gas that comes into every plant is what you're trying to say, right?
- Management:** You're correct. You're right.
- Moderator:** Next question comes from the line of Vivekanand S. from Ambit Capital.
- Vivekanand S.:** Yes. Extending Probal's question on the gas sourcing, I understand that some of your contracts, especially the Petronet and Shell contract, they are expiring in 2025, right? There is a 3, 3.5 mmcmd contract. And another contract, I guess, which is with Reliance is also, perhaps it has expired in December 2024. So if you could tell us what your strategy is or the sourcing here on because the market contrary to what investors were expecting about 6 months ago when spot LNG prices, everyone was talking out a gas flood and spot LNG being priced at \$5, \$6. On the contrary now, it's like \$14, \$15, right? So how should we think about the mix between long-term

sourcing, spot and also the pricing in terms of percentage Brent slope or Henry Hub as you may want to ink those contracts?

Management: Yes. See, we are aware of the contracts, which are expiring and one of the contracts have already expired with respect to Reliance, so they basically is as GSPC is the sourcing partner for Gujarat Gas, they are in already negotiations with for long-term agreements with respect to replacing those volumes. So at an appropriate time, we will be informing the market with respect to the new agreements we'll be getting into.

Vivekanand S.: Okay. And could you give us some color on how GSPC's performance has been for the 9-month period. It would be nice because the company is going to merge into Gujarat Gas and it will be good to have some visibility of GSPC's performance as well.

Management: Yes, the half yearly, the company had a turnover of close to INR1,000 crores, and with an EBITDA of close to INR1,200 crores and a profit after tax of close to INR900 crores.

Vivekanand S.: Okay.

Management: Details are available on the website of GSPC. You can have a look at that.

Moderator: Next question comes from the line of Amit Murarka with Axis Capital.

Amit Murarka: So firstly, on the gas sourcing, while you mentioned that there was a 45% shortfall, could you provide a full mix of the sourcing that you had in Q3?

Management: Yes, okay. Yes, we can tell you that. Basically, the majority of the gas coming from GSPC with respect to the long term. That is just as we mentioned, the Petronet thing, the spot thing, which is spot was close to 2.33 mmscmd, which GSPC supplied for the shortfalls. And then basically, we had other domestic sources also, which was coming in the form of IGX. We sourced close to around 1.35 mmscmd from the other domestic sources. That includes the IGX, the Enertech, GAIL, New Well Gas. New Well Gas was close to 0.54 mmscmd. So 6.16 mmscmd was sourced from GSPC and the rest 1.35 mmscmd was from the other domestic sources.

Amit Murarka: So when you say 2.33 mmscmd from GSPC, you're talking about spot LNG over there, is it?

Management: Yes, 2.57 mmscmd was the spot. Of the 6.16 mmscmd we sourced from GSPC, 2.57 mmscmd was the spot.

Amit Murarka: Understood. And you've signed no new contracts you're saying in Q3.

Management: No. No, we have not.

Amit Murarka: So more or less it's the same. In fact, some have expired. Okay, fine. And also on the non-Morbi volume, like it has been inching up every quarter as we see. Generally, what is the outlook on that now?

- Management:** Outlook is very positive. And apart from our existing area, we are setting up more network in the comparatively new area. That is Ahmedabad Rural, Dahej, Valsad and some portion of Punjab also.
- Amit Murarka:** Okay. Okay. Understood. Also lastly on capex, generally, what is the planned capex for next year now, FY '26?
- Management:** Yes, we are planning close to INR1,000 crores, not less than INR1,000 crores. The budget process is going on. So we are estimating around INR1,000 crores. We'll be coming with those exact numbers maybe in the next call.
- Amit Murarka:** Right. And this year also would be similar or how would it be?
- Management:** Yes, this year also it will be same. This year, we'll be having around close to INR800 crores to INR850 crores of capex would be there.
- Amit Murarka:** And just lastly, on the scheme of CNG, where you were planning to kind of do it on a dealer-owned model. So any progress on that?
- Management:** We have already signed more than 50 dealers agreement with the FDODO under the FDODO scheme with a condition is that you have to build your stations within the year 1 year from signing of the agreement. So I think the clock has started ticking. Apart from that, we are in discussion with other OMCs also, and they are also interested into getting into this scheme.
- Amit Murarka:** Sure. So is there any time commitment for these 50 agreements we have signed that this much stations.
- Management:** 1 year. Means from the date of signing of the agreement, you have to commission your station within 1 year.
- Amit Murarka:** Right. And these will be, what, a couple of stations per agreement or how is it?
- Management:** Pardon?
- Management:** No, what -- see what...
- Amit Murarka:** So by 50 agreements you mean 50 stations, is it?
- Management:** Yes, you're right. So the 50 agreements, which have been signed, they have a 1-year period to operate those CNG stations. That's a commitment from their side.
- Management:** And we are in the process of signing, at least we'll cross 100 in this quarter.
- Moderator:** Next question comes from the line of S. Ramesh from Nirmal Bang.

S. Ramesh: Sir, if you look at your FDODO stations and the OMC stations and the franchisee stations, now they are pretty much the lion's share of your CNG outlets. So the kind of margins you are earning in CNG, what is the kind of commission you have to pay for the existing arrangements with all these dealer-owned outlets apart from the COCO outlets?

And for the new agreements, would the commission rates be similar? And to that extent, if you get the volume growth, assuming that goes into your gross margin, which is directly going to EBITDA per SCM, that could possibly be an upside. So is there any increase in the commission you have to share for this new FDODO agreements?

Management: Actually, I mean, this is not apple-to-apple comparison because the kind of scope of work in our existing franchisee agreement and the agreement, which is FDODO agreement, there's a difference. Because opex and capex is in the scope of the dealer. But I'll still share the number in FDODO schemes. For online stations, the commission will be in the range of INR8 per kg, while for daughter booster station, it will be in the range of INR10 per kg.

S. Ramesh: So if you look at the ROCE on your CNG business, that's a moot point. So at the EBIT level, all these differences get evened out. So in terms of the ROCE for your CNG business on this FDODO model, would it be similar? Or would you give you some incremental basis points increase in your ROCE given that's an asset-light model? And how much would that spread be?

Management: See, I think with respect to ROCE, ROCE will definitely increase because we'll not have a capital base for that, for the FDODO model. The entire investment is being taken care by the dealer himself. And with respect to certain expenditures, which we are incurring today for the franchisees, that also the INR8 takes care of the entire cost with respect to operations. So there is no additional expenditure on Gujarat Gas with respect to more than INR8 from this station. So with respect to that, this will be a better return model for us.

S. Ramesh: Okay. So when you talk about the CNG vehicles, that number doesn't shift. So is it possible for you to give us what is the addition of CNG vehicles in this quarter or 9 months period? And what is the more reliable number for the CNG vehicles in your GAs?

Management: I think, in Gujarat, we had close to 30% of the 4-wheelers being sold from CNG itself. So that's the quarter number.

S. Ramesh: What would be the delta? So if you want to because other companies give clear vehicle additions, if it's possible for you to give that number at least in future calls, that would be useful because that 4 lakh number doesn't change in any call. So in terms of the incremental growth, that vehicle addition data would be useful. So that is just a suggestion from my side. So on the GSPC half yearly numbers, can we get the volume of gas trading they would have done in this half yearly number, if possible?

Management: With respect to the volumes, with respect to GSPC, you are talking about?

- S. Ramesh:** Yes.
- Management:** Yes, it will be close to 11 to 12 mmscmd.
- S. Ramesh:** 11 to 12 mmscmd. So in terms of post-merger compared to what they are earning now, what is the kind of levers you have to improve that marketing margin given that there's a lot of competition and sensitivity involved. So is there a sacrifice you may need to make in the marketing margin and settle for volume growth to give you the overall growth in EBITDA and ROCE. How do you see that situation, say, once the acquisition is completed?
- Management:** See, I think there is a lot of synergy when the merger happens. See thing is we are into these GAs wherein there is volumes already are there. Basically, Gujarat Gas is only catering the volumes up to 50,000 scmd. And GSPC takes over more than 50,000 scmd.
- So basically, the marketing infrastructure, which is there already in place in Gujarat Gas will be definitely advantage for the combined entity with respect to selling of gas volumes. And now we are looking at the entire pan-India with respect to the expansion of gas volumes now. So we have a better force to take care of that now.
- Moderator:** Next question comes from the line of Varatharajan Sivasankaran with Antique Limited.
- Varatharajan S.:** Just wanted to check on this hydrogen blending. What is the kind of proportion we do as of now? And what is the cost of buying of hydrogen? And going forward, what is your target?
- Management:** I mean, currently, we are actually doing a pilot project with NTPC. There is around 200 houses are there in the NTPC Kawas housing colony. We have made arrangement with them, and we are the green hydrogen has been supplied by NTPC, and they are charging us at the same natural gas price charge. So it's something, which is not procured by us, not being taken on a commercial lever at this juncture.
- We have completed blending and testing at 8%. We originally started with 5%, then we have increased to 8%. 8% model has also been successfully proved. So now we are gearing up our system to increase it to 15%. We are seeking regulatory approvals in this regard. And once we have regulatory approval in place, we go ahead and increase the blending level from 8% to 15%.
- Varatharajan S.:** So this 8% is across all the GAs, is it?
- Management:** No, no. I think...
- Management:** It's only a pilot project. It's not being taken up on commercial basis at this juncture. It is only a pilot project restricted to housing colony of NTPC, Kawas.
- Varatharajan S.:** And how about the CBG blending as of now?
- Management:** CBG, I think, we are the first company to have CBG connected to our network and we are recently in the process of signing at least 6 more CBG suppliers agreement. Presently, there are

3 CBG suppliers with whom either we are taking compressed biogas or we are taking gas into our network.

Varatharajan S.: Sir. And finally, sir, on the capex front, like you were mentioning the numbers were INR850 crores to INR1,000 crores. Now this is like in future, when we have the FDODOs of 100 or 150 CNG stations, whatever that number is going to be over the next 18 months, do we still have this kind of a capex intensity on our books?

Management: Yes, we'll still have it because the reason being we are targeting to convert most of the CNG stations online. So there will be an investment, with respect to that capex would be there.

Moderator: Next question comes from the line of Yash Nandwani with IIFL.

Yash Nandwani: Sir, I believe the Morbi cluster was initially scheduled to undergo a 1-month shutdown starting in January 25, but now it has been delayed. So could you please provide an update if they are planning any shutdown in the near term?

Management: I don't think so, they are planning any shutdown in the near term, neither we are getting any feedback from the customers also.

Yash Nandwani: Okay. And second question was, do you still maintain your EBITDA margin guidance of INR5 to INR6 per SCM?

Management: No. We will be revising it to INR4.5 to INR5.5, especially in light of the APM gas reduction.

Moderator: Next question comes from the line of Shubham Shukla with Voyager Capital.

Shubham Shukla: Sir, my questions are largely from like industry's point of view. I've recently started tracking the natural gas sector. I'm quite new into this. So please help me understand the macros here. Sir, in the last 10 years, our national gas volume consumption has grown like 2% to 3%. And we have target to reach 500 mmscmd by 2030 and like double our share in overall energy consumption from 6% to 15%.

Sir, this will require like high teen-digit like volume growth. So like which we haven't seen, like the consumption is very low. So like what is the 6% to 15% story? Like what's stopping us? What are the obstacles? Does national gas grid completion play like any pivotal role in this?

Management: Yes. I think you need to look at in a perspective from each state to state. For example, whatever you are trying to say is on an India perspective. If you look at Gujarat, we are the consumption ratio is close to 25 percentage. So we have almost exceeded the limits, which the government of India has provided. So that's the reason being we are totally connected to the grid and most -- all the cities are practically having the CGD network. So if that type of setup is coming up in each of the states, so basically, we'll definitely see an increase in the levels of consumption with respect to that.

- Shubham Shukla:** All right. So you don't have like a national perspective, like a view, like apart from...
- Management:** National perspective, the national grid will play an important part. See, there are isolated places where you have grids in bits and pieces. That needs to be connected just as electricity has to be connected. We have to connect the gas together. So automatically, the free flow of gas happens from the sources to the end customers. So that is a very critical point in basically increasing the consumption going forward.
- Shubham Shukla:** Okay. So on the consumption side, like we know fertilizer is the largest consumer like in this sector. But CGD has taken like second spot like after like power sector used to be the second one. Do we expect any like change in these top 3 spots like going ahead by 2030, like CGD continue to outperform or take like first first spot, sorry.
- Management:** See, the volume which is required in fertilizer and the CGD industries are totally different. So that's the reason fertilizers will be on top. But gradually, CGDs will pick up because once the penetration happens with respect to the network in each of the GAs, which the government of India has allocated, automatically, the scales will increase. But to reach a scale of basically the power sector or the fertilizer sector is different because the volume requirement over there is different.
- Shubham Shukla:** Okay. Sir, if I can squeeze one more question. PNGRB has announced these common carriers. I am like I'm finding difficult to understand if you can explain a bit like what exactly is this? Like is it similar to what this unified tariff like what they are trying to get is scale with like fixed ROCE, you can have like similar type of what we have in GAIL's business or like a transmission business. Does it like is it similar to any -- in any way, is it similar to that?
- Management:** Common carrier concept is already prevalent in the transmission business where entities of the transmission companies like GAIL and GSPL are required to make available 25% of their capacity for common carrier. So any third party can 75% is something, which is available for their own use or for being used as a contract carrier.
- Similar concept is trying to be introduced in CGD business also, but CGD business is on a very different footing as compared to the transmission business. And the model of common carrier implementation in CGD business, I think, is our markets are still not mature enough to that.
- First time PNGRB introduced this regulation in 2020- 2021, so we approached Delhi High Court and obtained a stay order on that. Stay order was continuing till now. And very recently around June, July 2024, PNGRB has modified has rather repealed the earlier regulation and came up with a new regulation.
- Maybe one of the reasons could be to overcome the judicial challenge, which was posed by GGL and other CGD entities. So even for the current regulation, we have approached Delhi High Court and obtained no-coercive order, a favorable stay order from Delhi High Court. So PNGRB

started a consultation process, but they cannot take any coercive action against us. That's what the status is on common carrier for CGD.

Shubham Shukla: All right. Sir, just one question to our company related. Like you mentioned the delta between propane price and our gas prices, which is roughly INR4. Have you calculated this anticipated impact, which we have like due to this because we can't just change the rate because our sourcing is already expensive because of the APM cut?

Management: See, I think we have gone through the cycles earlier also. And basically, we have seen this INR4 difference, I think, in the month of - July, August, September also, that is the Q2 of this year. So I think the volumes would be there. We would be under pressure over there. So basically, we are looking at a volume maybe of 2.75 to 3 mmscmd. That's the range, which we are anticipating.

Moderator: Next question comes from the line of Sabri Hazarika with Emkay Global.

Sabri Hazarika: So I have a few questions. Firstly, in terms of your fall in EBITDA, say, for example, Q-o-Q, it has fallen from, say, around INR500 crores to, say, INR400 crores, excluding other income. So how much of it was due to PNG and how much of it was due to CNG?

Management: We don't maintain that breakup between the 2 things.

Sabri Hazarika: Okay. But roughly out of the INR400 crores, how much would be the contribution of the CNG segment? Rough cut number will also do.

Management: Rough cut in the sense. See, I think we look at it now from an overall level. So we don't bifurcate between the things.

Sabri Hazarika: In terms of segmental EBITDA, any color on that?

Management: No.

Sabri Hazarika: Okay, sir. Secondly, regarding your merger process, you've mentioned that next week, we will be filing for approval with MCA, right?

Management: Yes.

Sabri Hazarika: Okay. And after that, what else could be there?

Management: Yes, that's so in case of a nongovernment company, the approval for a merger or a scheme of arrangement required from NCLT. But in the current in the present situation, all the companies involved in the scheme are government companies. And that's where the mandate is to obtain a regulatory approval from the Ministry of Corporate Affairs. The moment we have approval from MCA, the scheme will be filed with ROC and that will be the effective date of the scheme.

Before MCA finally approves the scheme, there are some processes to be followed. We have to get an NOC or no objection from regulators. We also have to move and convey shareholder meeting and get clearance from them as per legal requirement.

Sabri Hazarika: Got it, sir. And regarding -- I mean, you mentioned Morbi volumes you're expecting 2.75 to 3 mmcmd, right?

Management: Yes, because of the price difference and especially the propane prices coming down.

Sabri Hazarika: Okay. Fair enough. And right. And this 4 lakh vehicles that you have mentioned that you have under CNG, how what was it 1 year back?

Management: 4 lakh.

Management: Around 3.5 to 4 lakhs.

Sabri Hazarika: One year back, right? Okay. And sir, just one last question. So I was looking into the GSPC number that you have mentioned. So the profitability seem to have, I think, gone up significantly. So your volumes have remained 11, 12 mmcmd, anything particular I mean, it's because of high margin because of arbitrage or was there something else also?

Management: No, we have been selling to other sectors also, fertilizer, etc. So basically, we have -- in the first quarter, we have earned the margin because of selling from there. And we had sources of gas, which were cheaper. So basically, we could bid for the other -- for the sales, which were happening because fertilizer and other companies come through a bidding process. So we were successful in those bidding, and we were able to source it at competitive prices.

Sabri Hazarika: Okay. So GAIL seems to give us a margin guidance. So do you have an EBITDA guidance for GSPC, I mean, minimum guidance. I know it can be anything. Of course, there could be exceptional circumstances also, but looking into the normal picture, I mean, previously, INR1,100 crores, INR1,200 crores was the number, which we seem to have assumed. So that holds? Or is there any change?

Management: I think this is a Gujarat Gas call. So basically, I will not be in a position, but you can always take the previous numbers as a base to estimate that.

Moderator: Next question comes from the line of Kirtan Mehta with Baroda BNP Paribas Mutual Fund.

Kirtan Mehta: For the GSPC, would you be able to share the EBITDA split between Gujarat Gas and other customers as you have done in case of the mergers?

Management: EBITDA split, in the sense?

Kirtan Mehta: How much EBITDA GSPC earned from trading with Gujarat Gas and how much was attributable to the other customers?

- Management:** No, I don't think so we maintain that. See, with respect to Gujarat Gas, we have to do an arm's length sale. So that's always on an arm's length basis, the sale is happening because of the related party transaction, which is there.
- Kirtan Mehta:** Right, sir. Second question was about the FDODO model. What would there be any restrictions for dealers to CNG station to shift to the other alternate supplier in case the open network scheme gets implemented?
- Management:** I don't think so because the land and the equipment, we have taken it on a lease.
- Kirtan Mehta:** Right. So basically, FDODO model in that sense, would our risk be higher that dealer can offer an alternate supplier? I mean, does it increase the risk for us?
- Management:** No, there is no risk.
- Management:** We've taken care of the risk regime, which you're referring to in the FDODO agreement, which we have signed with the dealers.
- Kirtan Mehta:** Sorry, could you repeat, sir? I didn't follow.
- Management:** We've taken care of the risk, which you are referring to in the FDODO agreement, which we have signed with the dealers.
- Kirtan Mehta:** So what kind of restrictions would be there on the dealer? That is what I wanted to understand.
- Management:** It's meant for a particular purpose. So that sanctity of the agreement has to prevail, and it has to be utilized for that purpose only.
- Moderator:** Next question comes from the line of Pratyush Kamal with InCred Capital.
- Pratyush Kamal:** I have a couple of questions. First is regarding the BCD reduction of propane from 15% to 2.5%. So I just wanted to understand the impact, which will have on the spreads between the propane and the gas, which we are selling to Morbi and some other places, particularly the industrial customers. And second one is regarding understanding if natural gas comes under the purview of GST, what is the kind of benefit, which you are expecting to have? And what are the kind of benefits which the customers are going to have in terms of reduction of the prices? And what are the kind of VAT rates, which you currently fear, or which the customer wants when the gas finally reach out to them? So these are a few of the questions which I have.
- Management:** Could you repeat the first question? We could not get you.
- Pratyush Kamal:** Yes. So in the budget, there was some kind of provision where the propane prices, the liquefied propane BCD has been reduced from 15% to 2.5%. So what's the kind of impact, which we are probably going to have on the spreads between the propane and the natural gas, which we sell to our industrial customers?

Management: No, no. I think there is some miscommunication which is there. The propane, which is being sold at Morbi, etc, where there were at concessional rates that were at 2.5% already. They were at concessional rates. So what has happened in the budget, they have changed the general rate from 15% to 2.5% percentage. But already, the concession was already concession notification was already in place for that, but the lower percentage of tariff. So there is no change with respect to the tariff, which is there with respect to propane.

Pratyush Kamal: Understood, sir. And how about the GST one, if what's the kind of VAT, which the customers are currently paying in Gujarat, wherever your customers are there in terms of CNG and PNG domestic? And if the natural gas comes under the purview of GST, what's the kind of benefit which you are expecting to get from it? And plus what's the kind of cost reduction, the price reduction, which customers are probably customers can expect from it coming under the purview of GST?

Management: Yes. See, the CNG is close to 5% and for industrial customers, the effective rate is 6 percentage. Otherwise, Gujarat Gas has to claim the refund of 10 percentage from the government. The benefit for GST coming in is basically they can get the input credits. Today, this percentage is a cost to the customers.

So that's a huge benefit with respect to the customers. For example, the propane, it's under GST, so they get the benefit of that credit again, the input credit is available for them. Once this comes under that, automatically, there is -- there will be a definite increase in the gas consumption going forward because it will be much competitive with respect to other fuels.

Pratyush Kamal: Understand, sir. And does it work this way that you take up the gas from GSPC and there is some kind of VAT, which gets imposed when you -- when the ownership gets transferred from GSPC to Gujarat Gas? And when you sell it to the customers going forward, then there is again 5% of VAT, which you just mentioned has been put on the customers. So does the value then look like this? Or how does it usually look?

Management: For example, gas is under VAT. So GSPC would get the input credit for that, input and the output credit would be there. So only the incremental value would be taxed to that extent. Only thing is the end customer would be paying that as a cost. So he will not get any credit for that. So for that, the cost is added to his product there. So for him, once it is coming under the regime, they automatically get an input credit for that also.

Moderator: Next question comes from the line of Yogesh Patil with Dolat Capital.

Yogesh Patil: Sir, we wanted to understand the PNG industrial potential at Morbi in the long run. In the last 2 calendar years, we are not able to cross the Morbi volumes beyond 3.8 mmscmd on average basis. So the question is, what is the real potential of PNG industrial volume at Morbi so that we can build up the same in our model for the long term?

And sir, if possible, can you also update us on the propane linked contracts for the Morbi ceramic units, which floated a year back? And how many units have shown the interest into the contracts in last 1 year?

Management: Actually, if you see the market size, presently if we are of the -- in the range of 8 to 9 mmscmd. And with that kind of market size and in the past also, we have reached sale more than 7 mmscmd gas in the market. So it's a matter of crude economics, and we are connected to all the customers in the Morbi.

So once the price and everything will be in our favor, i.e in natural gas favor, we will again regain that volume. And for your -- that propane linked GSA, gas sales agreement, we have received more than 150 customers response . We are just waiting for the right time, right moment to get into that.

Yogesh Patil: Okay. And sir, if possible, can you give us an overall volume growth guidance for FY '26 and any in-house projections of Gujarat Gas for FY '25 exit volume rate?

Management: We are in the process, and it's a bit premature to give it to you right now.

Yogesh Patil: Any ballpark number for the FY '26 volume growth guidance?

Management: I think you need to understand that our 1/3 of the volumes are coming from the industrial customers, which are practically linked to the volatility in the gas and the propane prices. So for the rest of the areas, that is the CNG and the domestic customers, the CNG has been growing at close to 12%, and we see that growth coming in.

And the domestic is also moving at close to 5 to 6 percentage. That will also be sustaining that growth or may be exceeding that growth. But with respect to industrial is the area where – it is very difficult to estimate the growth. Basically, if the spot prices comes down and it goes below propane, basically, we may be even selling 5 mmscmd over there.

Moderator: Next question comes from the line of Amit Murarka with Axis Capital.

Amit Murarka: Also regarding the GST thing again. So any sense that you get as to why when can this make progress? There's kind of quite a bit of anticipation some months back, but nothing happened.

Management: We are also anticipating the same thing as you are anticipating it.

Amit Murarka: So there's no visibility as of now that even if this year, it could happen or not?

Management: Yes, we are expecting it should come in, but when it is, that's the bigger question to be answered.

Amit Murarka: Okay. Okay. Right. And you also mentioned that you have to claim some 10% tax from the government. What exactly is that?

Management: No, the industrial, we are selling at 15%. And basically, we get a refund from the government - if the customer pays 6 percentage, then 9% we claim a refund from the government.

Amit Murarka: Within Gujarat sales, you mean?

Management: Yes, within Gujarat, yes, that is the VAT sales. That's the concessional thing, which the government has given to the industrial customer.

Amit Murarka: Got it. Got it. And out of Gujarat is 15%.

Moderator: Next question comes from the line of Kartik Kohli with CLSA.

Kartik Kohli: Just had a quick one. So you mentioned that the price like our price is roughly around INR47 for Morbi region. And what will be the price for the non-Morbi region?

Management: It will be around INR3 more. INR4 to INR3 more. So INR2 more.

Kartik Kohli: INR49. And what is the landed price of propane you said, so that's INR4 less. That's the landed price at INR43?

Management: Yes, that's it. Yes.

Moderator: Next question comes from the line of S. Ramesh with Nirmal Bang.

S. Ramesh: So when you are discussing Morbi, the 3.35 mmcmd, which you did, what is the overall energy consumption in Morbi in 3Q? And what is it now? If you take both PNG and propane together?

Management: More or less 50-50, I can say.

S. Ramesh: Okay. 6.5 So if you look at the tile sector, there are a lot of concerns about the tile export growth and the operating rate there. Obviously, the freight rates have come down. So how do you see the tile operations going from here? Do you see improved utilization and exports? Or is it still some time away because of the global slowdown? What is your reading of the tile market, which is important for your overall energy demand there?

Management: Now if you see the latest geopolitical scenario and the way I can say Trump government is working and the kind of initiatives they are taking in the Middle East and surrounding areas, I think we are hoping that slowly, slowly, but the situation will improve, and it will be good for construction industries in that part of the world. And if that will happen, so definitely demand for tiles and everything will be increased. And so the volume of Morbi will also increase.

Moderator: Next question comes from the line of Somaiah V. with Avendus Spark.

Somaiah V.: First question, would it be possible to give some color on what would be the marketing cost that you will be paying on a blended basis at a portfolio level?

- Management:** Marketing cost for what?
- Somaiah V.:** What will be our marketing charges that we'll be paying, let's say, for a long-term contract or a spot contract that we procure, very rough?
- Management:** No, there is no marketing charges separately.
- Somaiah V.:** So when we procure these long-term contracts, let's say, on a Brent basis, let's say, Brent is \$80 and then we have a slope, let's say, for 13%, 14% of slope, \$9, \$9.5. So by the time it reaches to us, what are the additional costs that we end up paying over and above the underlying commodity cost?
- Management:** Okay. You are saying that from the day -- from the landing to the burner tip, what is the cost, which you have been incurring? That's basically the regasification charge is there and the transportation charge is there.
- Somaiah V.:** Sorry sir, regasification and transportation. Okay, got it. Sir, also from a sourcing standpoint, would our strategy remain the same in terms of how much amount of...
- Management:** Sir, your voice is not clear. Can you...
- Somaiah V.:** I hope I am audible now. From a sourcing -- we continue to have a 30%, 35% kind of a spot exposure? Or how are we thinking about it, especially with our contracts are coming up for renewal? And also second thought there. So in terms of Brent versus Henry Hub, so will we continue to prefer Brent only given that we have a competition with propane? So just wanted your thoughts on that.
- Management:** So going forward, we will have our portfolio will have a combination of Brent as well as Henry Hub going forward. That's how we are looking at new agreements also.
- Somaiah V.:** And spot, we continue to have this 30% kind of a spot mix or try and reduce it? How will you think about it?
- Management:** No. But gradually, when see, the problem is the APM gas allocation is fluctuating. So once I know the final allocation or the scenario, which is there and the stability in the volumes, which are going to come in, then automatically, I will go and hedge it off against the long-term contract. I'll not always be dependent on the spot, which is there because that's not always advisable, especially when I have to have stable margins.
- Somaiah V.:** Sir, more from industrial front, sir. I understand from CNG front, you will -- for a shortfall, whatever it is, you will try for a long-term contract. But from an industrial portfolio, historically, we've had a 30% tie up spot exposure. Would that continue? Or there again, we will tie up incremental contracts and bring it down?

- Management:** No, there -- see, problem over there is because we have competing with propane. So unless I have a I get into a long-term agreement for sourcing, which is almost linked to a propane, I'll be still dependent on the spot to come in.
- Somaiah V.:** Okay. Got it. Sir, your spot LNG sourcing cost, if you could give for the last quarter?
- Management:** Spot would be around just a minute. It's around it was close to INR41 per SCM.
- Somaiah V.:** Okay. And what would be the current spot prices, the equivalent number?
- Management:** It has increased to close to INR48 now. The earlier, the value which I told was for the entire quarter, and this is the present one, which is there.
- Somaiah V.:** Understood, sir. But sir, I also believe, given -- I mean, the lag impact on the Brent contracts, so we probably get some benefit because of that in this quarter because the last quarter Brent was relatively lower compared to the previous quarter.
- Management:** Yes, you're right. So that lag will come in this quarter.
- Moderator:** Next question comes from the line of Hardik with ICICI Securities.
- Hardik:** Sir, can you just give us more detail on our expansion plan towards the how we can grow the volume in terms of industrial volumes and also on the CNG part, the detailed expansion plan, if you can?
- Management:** I think we have already last call also, we have told you that basically we are looking at expansion in the newer areas, especially the Thane area, the new Ahmedabad Rural area wherein we are seeing a significant growth in volumes. The Dahej area, Thane, DNH area, these are the areas of growth for us now. So these are the areas from where even the CNG and the industrial volumes are coming in.
- Moderator:** Next question comes from the line of Santanu Saikia with Indianpetroplus.
- Santanu Saikia:** I was just conceptually trying to figure this out. You said your margins will probably come down to about INR3.5 or something on that sort. So unlike in the fertilizer sector, where, of course, there is a constraint on the price of urea at which you can sell it, you do have a pricing problem.
- So if there is an APM -- reduction in APM volume and if you're bringing in the volumes from outside at a higher price, what constrains you from increasing the price of CNG and domestic household prices? Is it political considerations? Or is it something else? With industrial customers, of course, it's a straight one-on-one relationship.
- Management:** No, I think we have increased the prices by INR3. In December, we increased by INR1.5 and in January, we increased by INR1.5. So there is no political pressure as such.
- Santanu Saikia:** So why does your margin come down? Is it essentially because of the industrial pressure?

- Management:** No, it's not of the industry pressure. See, ultimately, we were getting a source of gas, which was cheaper earlier. But today, we are not getting. Basically, there is a reduction in those volumes. That's practically applicable to all my other industry peers also.
- Santanu Saikia:** No. But is this entirely for domestic CNG, right?
- Management:** You need to understand that we are developing this gas ecosystem across the country. So we need to price it in a manner that over a long term, the growth also happens in this sector. So if I price it more than petrol or equivalent to petrol, that conversion automatically will come down.
- Santanu Saikia:** But you already have quite a big delta with petrol and with diesel, and petrol. So you can probably limit the delta and keep raising your prices, you still get customers or there is a certain delta beyond below which customers are not going to come?
- Management:** Yes. But I think we have maintained that, and that's reflected in our margins also.
- Santanu Saikia:** Okay. Fair enough. The other question I just had because I couldn't get the details. Could you just detail out what are the long-term contracts that you have and which of them are expiring and for what volume? I mean you don't need to tell us what the future contracts are going to be. So that data you probably have.
- Management:** I think we are getting gas from GSPC to the extent of 6.16 mmscmd, of which close to 3.5, 3.25 mmscmd is with respect to the long-term agreement, that's Petronet LNG or the JCC linkage which is there. And only this Reliance Gas, which has expired now. That's in December, we have expired -- the Reliance Gas expired. Other than that, the gas is being sourced from the IGX, the other domestic fields also. And the new well gas, etc, is coming in, which I have detailed in the earlier reply, which I've already given.
- Santanu Saikia:** So I think everyone else has it. So maybe it will come out in, except for the...
- Management:** Yes, it will come out in the transcript, yes.
- Moderator:** Last question comes from the line of Parinita with Morgan Stanley.
- Mayank:** Sir, Mayank here. Just 2 questions. One was, I think, on the long-term sourcing, I think it's becoming reasonably clear that the pricing for domestic gas is going to almost free market pricing over the next few years. So in that context, when you're thinking about sourcing now, is there a way that you want to kind of manage the sourcing over the next few years considering this APM lack of clarity? And the second thing was in terms of acquisitions and growth inorganically, is there a focus there going forward maybe after the transaction and the restructuring is complete?
- Management:** Yes. With respect to your second question, yes, we are looking forward to that. Once the transaction is completed, we'll be pursuing that. The management will take an appropriate call

and even the market will be informed at the appropriate time on that. What -- your first question was with respect to the long-term sourcing?

Mayank:

That's correct.

Management:

Yes. Long-term sourcing, we are looking at long term -- we are in talks with the suppliers to replace the gas, which is basically the contracts, which are getting expired. We are looking at a blend of maybe a Henry Hub or a Brent link also. And we will come out with the announcement with respect to that shortly.

Moderator:

Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Sandeep Dave for closing comments.

Sandeep Dave:

GGL management has been focusing on increasing volumes while maintaining a fine balance between volume and margin, and we'll continue to do so during the last quarter as well. I take this opportunity to thank all participants for sparing the time. We look forward to your continued support. Thank you all.

Moderator:

Thank you. On behalf of Gujarat Gas Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.