MAHANAGAR GAS LIMITED

Ref: MGL/CS/SE/2024/537 **Date:** 16th May 2024

To,

Head, Listing Compliance Department	Head, Listing Compliance Department
BSE Limited P. J. Towers, Dalal Street, Mumbai – 400 001 **Scrip Code/Symbol: 539957; MGL**	**National Stock Exchange of India Limited** Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai – 400051 **Script Symbol**: **MGL**

Sub: Transcript of Earnings Conference Call on Standalone and Consolidated Audited Financial Results for the quarter and year ended 31st March 2024

Dear Sir/ Madam,

Pursuant to provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the transcript of the Earnings Conference Call on Standalone and Consolidated Audited Financial Results for the quarter and year ended 31st March 2024 held on 10th May 2024.

The transcript of the Earnings Conference Call uploaded on the website of the Company can be accessed through the web link:
https://www.mahanagargas.com:3000/Mahanagar%20Gas%20Q4FY24%20Earnings%20Call%20Transcript_Final.pdf

The Earnings Conference Call was attended by following attendees on behalf of the Company:

Name of Management Attendees	Designation
Mr. Ashu Shinghal	Managing Director
Mr. Rajesh Patel	Chief Financial Officer
Mr. Rajesh Wagle	Senior Vice President, Marketing

Further, we wish to inform that no unpublished price sensitive information was shared/ discussed in the call.

We request you to take the above information on your records.

For **Mahanagar Gas Limited**

ATUL TRIMBAK PRABHU

Digitally signed by ATUL TRIMBAK PRABHU
Date: 2024.05.16 19:38:39 +05'30'

Atul Prabhu
Company Secretary & Compliance Officer

Encl.: a/a

Mahanagar Gas Limited

Q4 FY24 Results Conference Call

May 10, 2024

MANAGEMENT: **MR. ASHU SHINGHAL – MANAGING DIRECTOR**

MR. RAJESH PATEL -- CHIEF FINANCIAL OFFICER
MR. RAJESH WAGLE -- SENIOR VICE PRESIDENT, MARKETING

MODERATOR: **MR. SABRI HAZARIKA -- EMKAY GLOBAL FINANCIAL SERVICES.**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Results Conference Call of Mahanagar Gas Limited, hosted by Emkay Global Financial Services. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you, and over to you, sir.

Sabri Hazarika: Good afternoon. On behalf of Emkay Global, I'd like to welcome you all to the Q4 FY '24 Post-Earnings Conference Call of Mahanagar Gas Limited. We are pleased to have the top management from the company, led by Mr. Ashu Shinghal, Managing Director; Mr. Sanjay Shende, Deputy Managing Director; Mr. Rajesh Patel, our Chief Financial Officer; and Mr. Rajesh Wagle, Senior Vice President, Marketing.

Before we start, I'd just like to read the disclaimer on behalf of the company. So I would like to mention that some of the statements made in today's discussion may be forward-looking in nature, and we believe that expectations contained in the statement are reasonable. However, these statements involve a number of risks and uncertainties that may lead to different results. The risks related to these statements are included, but not limited to fluctuations of sales volume foreign exchange and the cost of ability to manage the growth.

We urge you to consider that quarterly numbers are not a reflection of long-term trends or indication of full year results. And this should not be attempted to be extrapolated or interpolated into a full-year number. In case of any queries, please feel free to get in touch with the Ernst & Young Investor Relations team.

With that said, so I just wanted to say that today's session will be an opening remarks by the management and followed by the question and answer round. So I now hand over the call to the management.

Over to you sir.

Ashu Shinghal: Yes. Very good afternoon to all of you. First of all, on behalf of management of Mahanagar Gas, I wish all of you a very happy Akshaya Tritiya. And just to put on record, Mr. Sanjay Shende, the Deputy Managing Director, is not here today. So it is being attended by other 3 members from the management.

Good afternoon, and welcome to earnings call of Mahanagar Gas for the fourth quarter of the financial year 2023-24. I would like to thank all of you for attending our earnings call today. I take this opportunity to highlight few accomplishments during this financial year. We have commissioned 36 new CNG stations and upgraded 45 existing CNG stations, which is the highest number achieved in the history of the company.

We have provided 3,20,125 domestic PNG connections. And along with our subsidiary, Unison Enviro, we have completed 3,30,000, which is highest in the country by any CGD entity. We have completed acquisition of 100% stake in Unison Enviro Private Limited and is now a wholly-owned subsidiary of Mahanagar Gas.

We have started the JV company, Mahanagar LNG Private Limited, with 51% equity holding, for supplying LNG to vehicles and a step towards developing the supply-side LNG corridor ecosystem.

We have also made equity investments in 3EV Industries Private Limited, a start-up in the business of manufacturing 3-wheeler cargo and passenger electric vehicles. And also, they have a business of last mile mobility through their associate company. MGL has signed MoU with MCGM for setting up of a CBG plant in Mumbai.

We have achieved highest volume of sales, which is 3.609 mmscmd. MGL continues to create CGD infrastructure across its licensed areas. During this quarter, we have achieved 1,17,279 domestic household connections. And thus, we have established connectivity for nearly 2.49 million households in the 3 GAs. We have also laid 226.04 kilometers of steel and PE pipeline during this quarter, thereby taking the aggregated pipeline length to 6,968 kilometers.

We have added 28 CNG stations during the quarter. And with this, we have 347 CNG stations as on 31st March '24. We also have added 108 industrial and commercial customers during this quarter. And thus, as on 31st March '24, we have 4,769 industrial and commercial customers.

In respect of our Raigad GA, we are connected to 80,041 domestic households and 47 CNG stations which are currently under operation. During the quarter, we laid 13-kilometer of pipeline in Raigad GA, thereby taking the total length of pipeline to 416 kilometer in Raigad.

Coming to MGL's operations, average sales volume for the year is 3.609 mmscmd, whereas it was 3.423 mmscmd in the last year. Thus, there is an increase of 5.45% in the overall sales volume compared to previous year.

Average sales volume for the year ended 31st March '24 of 3.609 consists of CNG volume of 2.549, domestic volume of 0.52 and industrial and commercial volume of 0.499 mmscmd. Compared to the previous years, sales volume in case of CNG has increased from 2.492 to 2.591 mmscmd, which is an increase of 3.98%. Domestic CNG sales volume has also increased from 0.487 to 0.58, which is an increase of 6.72%. And in case of I&C, volume has increased from 0.444 to 0.499 mmscmd, which is an increase of 12.32%.

Coming to quarter-on-quarter comparison, average sales volume of Q4 is 3.779 mmscmd as compared to previous quarter of 3.671. Such average sales volume of 3.779 consists of CNG volume of 2.666, domestic CNG volume of 0.563 and I&C volume of 0.55 mmscmd.

EBITDA for the financial year is INR 1,843 crores compared to previous financial year of EBITDA of INR 1,184 crores, which is an increase of 56%. Net PAT for the current financial year for FY 2023-24 is INR 1,289 crores compared to net PAT for the previous financial year of INR 790 crores, which is an increase of 63%.

Net PAT for the quarter is INR265 crores as compared to previous quarter net PAT of INR317 crores. In consolidated results, operation for 2 months of Unison Enviro Private Limited are included from the date of acquiring control. That is from 1st of February to 31st March '24.

Mahanagar LNG Private Limited has started its construction activities and yet to start the sales operation as on 31st March '24. We continue our initiatives in environment, safety and CSR activities. During this quarter, MGL is bestowed with the 2nd prize of 18th CII Western Region HSE Awards and in Excellence & Innovation Award 2024.

I'm happy to announce that Board of Directors has proposed a final dividend of INR18 per equity share for the financial year '23-'24. Thus, total dividend for the year, including interim dividend already paid is INR30 per share. That is 300% of the face value of INR10 per equity share.

With this, I will conclude my opening remarks and would now like to open the floor for questions. Thank you very much for your patient listening.

Moderator: The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: I have a couple of questions. Firstly, in terms of the cost in this quarter, there seems to be a sudden increase in the operating expenditure in the sense that other Opex has gone up very sharply and Opex for SCM is also probably the highest we've seen in the last 6 quarters. We just wanted to understand the reasons for this, sir.

Management: See, in line with the volumes increasing, some of the volume-linked expenses have certainly gone up, like power and fuel, LCV, transportation, dispensing charges, etc.. And in case of fixed overheads, some of these expenses have gone up. Mainly, there is an increase on account of the marketing scheme we introduced for promotion of CNG vehicles. So almost more than INR25 crores has been spent during the quarter on account of these marketing schemes, which is the main component of comparative increase from around INR168 crores in the previous quarter to around INR192 crores this year. So this is a kind of one-time expenditure, and we have finished with the schemes at the moment as of March. So this is not ongoing or a recurring expenditure, INR25 crores odd amount.

Probal Sen: Sir, as a recurring number, sir, we should continue to see it around basically the INR5.9 to around INR6 in SCM kind of a range, adjusted, of course, for inflation impact. Is that a fair way to look at it?

Opex for SCM, sir. If I look at the average, for example, till about Q4 for the last several quarters, it was at somewhere around INR5.7 to INR5.8 per SCM, including, of course, raw material charges.

Management: Understood. Yes. So there could be a one-time increase of around INR0.20, INR0.25 on account of these schemes and certain things. Also, in Q4, some of the expenses on account of maintenance, etc, are taken up, which is slightly lower in earlier quarter because most of the things starts after October, and then, it gets finished by the year-end or mid of May, which is the construction season.

Apart from that, let's say, whatever is the spending on account of CSR expenses, those are also if there is something unspent which gets booked in the last quarter. So all this put together may be accounting for around 20-25 paise Opex higher, of course, but the marketing expenses are one of its kind. And depending on how frequently we take up such activity, it could be there. Otherwise, it may not impact the Opex as such on an ongoing basis.

Probal Sen: Understood. The second question was with respect to the gas cost. Just wanted to know what was the priority gas allocation as a percentage this quarter. And is that the primary reason why there is a Q-o-Q increase in the gas cost per unit? Is that a fair way to look at it?

Management: Yes. yes. In this quarter, on an average, we have been able to get around 74% APM compared to our sales in the priority sector. But with the availability of HPHT, I think still the weighted average has remained well under control, in the range of around, let's say, $7.25 or $7.3 per MMBtu.

Probal Sen: Right. And going forward, sir, basically, if I can get a sense in terms of the sourcing mix now, given that volumes will also increase by maybe around -- as the guidance given, 5.5%, 6%, will we need to source basically higher spot LNG, given the trend in this lower -- consistently declining allocation?

Management: You're right, maybe spot, or it could be through some term contracts. As of now, we have almost 0.75-odd Henry Hub contract, which we are not utilizing completely for our I&C requirement. So we are in a comfortable position. And this gas, –even if we draw up to 100%, we can use Henry Hub also. And as you are aware, currently, I think spot prices are quite comfortable and maybe sometimes lower than even HPHT. So we try and blend even spot, if possible, to the extent of whatever term contracts we can ramp down, okay?

So yes, you're right that if there is a 5%, 6% growth, and if there is no increase in APM, of course, in the first quarter, there was, I think, temporary issue from ONGC side, whereby the production was down. Initially, some more cut was there, and it was again restored by some percentage. So depending on how much is the production from ONGC, balance will have to be sourced through HPHT and either term contracts or spot.

Probal Sen: Sir, one last question or suggestion, if I may. If I look at the kind of improvement that's happening in terms of our cash flows, in terms of our operating cash flows and in terms of our free cash flow, there is a lot of leeway in terms of either increasing dividend or looking at more substantial acquisitions itself. Just wanted your thoughts on how the management is looking at capital deployment because the danger is that this kind of surplus cash flow getting generated, your return ratios can see a little bit of moderation even if enough capital deployment avenue is not there. What's your thoughts on that will be appreciated.

Management: Yes, yes. Your observation is very correct. If you look at this year full year, our surplus would have been in the range of INR2,000 crores plus. But today, my surplus is in the range of INR1,400 crores, INR1,500 crores. Around INR560 crores, we have spent on acquisition of Unison Enviro. Another INR50 crores we have invested in this company called 3EV Industries Private Limited, which is into manufacturing of 3-wheeler cargo and passenger vehicles. Some amount of Capex or equity infusion we have done in the new joint venture, which we formed for catering to LNG supply to the vehicles, okay. And of course, we have signed the MoU with MCGM for setting up the CGD plant where we expect at least INR100 crores plus of equity infusion, but of course, it will be in a phased manner.

Having said that, you must have also heard that MD said, this year the final dividend, which is at INR18, so total dividend for the year is INR30 per share, 300%, which is a substantial increase compared to the last year. We had given INR26 total dividend last year. We have increased it almost by 40%., And as far as new opportunities are concerned, we are keeping a tab, and let's see, as and when there is a suitable opportunity, our endeavour is there to deploy our surplus cash to either diversify and make the existing business more of this. We have also incurred this year a Capex of almost INR775 crores, okay. And our endeavour is to spend more.

If you heard the number of stations laid, we have achieved, I think, highest station in this year, 36 stations. 45 stations are upgraded. Number of connections given are also highest. So our endeavour is to spend more and more Capex going forward and utilize our surplus to tap the balance potential in these areas.

Going forward also, in the case of UEPL, currently also what we have done is we have repaid their borrowing by giving unsecured loan from MGL to the extent of INR200 crores. And we would be funding them at least for 2, 3 years till they start accruing cash and which is being utilized for their own Capex through internal generation. So there also, we expect that around INR150 to 200 crores will be utilized apart from MGL Capex, which is already in the range of INR800 crores per annum.

So I think all efforts are being made to see that we do the capital investment and go ahead, use the surplus as far as possible. Other options, we will consider if need be. We are open to all those options.

Moderator: The next question is from the line of Niharika from Aequitas Investments.

Niharika: My first question is what is the breakup of the intangible asset of INR520 crores in the consolidated balance sheet? And this is over and above the goodwill of INR71 crores.

Management: See, as for the accounting standards, there is a timeline of 1 year for accounting the acquisitions, okay. So currently, whatever accounting we have done is a provisional accounting based on the valuation report, which we have received from the valuer.

See, we have acquired this company or we got the control on 1st of February, so hardly 2 months. So during that period, the valuer has visited all the assets, and they have submitted their valuation report. So whatever numbers are being now accounted are provisional, and we will be coming up with the actual numbers based on the final report, which the management accepts from the valuer and the valuer is able to finalize. You need any specific information with respect to valuation from what I accounted?

Niharika: Actually, I would want to know that. What are these intangible assets? Are these geographies...

Management: So major intangible asset in case of a CGD entity is basically valuation of the authorization, okay. Apart from that, it is a normal case with any other business which we acquire, so like it is from customer relations, the established form of workforce and the structure of the ongoing business, which generates a normal goodwill. So other than goodwill, the major amount is on account of license authorization, which is accounted as intangible.

Management: And in this license, we get the right to market the gas to all the customers, including CNG, PNG and I&C for the economic life of the whole project and the whole 3 GAs. So if you take into that account, that numbers are currently given as intangible assets.

Moderator: The next question is from the line of Yogesh Patil from Daulat Capital.

Yogesh Patil: Sir, you just mentioned that total term contracts are of 0.75 mmscmd. Can you please provide the breakup in terms of how much is Henry Hub, Brent link and the KG-D6 HPHT?

Management: So I just mentioned 0.75 is Henry Hub, around 0.1 is our Brent link, okay. And roughly 0.49 or 0.5 is HPHT term contracts. These are the 3 term contracts currently we have.

Yogesh Patil: And 0.75, we are not utilizing completely?

Management: Yes. Because currently, our requirement is slightly lower than that.

Yogesh Patil: Okay. Sir, second question, vehicle addition details. How many CNG vehicle additions you have noticed in Q4? And how many of them are passenger vehicles, commercial vehicles, taxis and autorickshaws? Along with this, if you could share the MSRTC CNG bus additions in the last 3 months and expected additions in the next 6 months?

Management: The CNG vehicle addition in Q4 was slightly more than 20,000 numbers, out of which about 13,000 were private cars. About 5,400 were autorickshaws, and about 1,400 were small commercial vehicles. As regards MSRTC, they have succeeded in converting and bringing on the road, 300 of their buses cumulatively in our GAs, in the depots that we have set up our CNG facilities, and we are expecting 100 more to add on in the next 1 or 2 quarters.

Yogesh Patil: Okay. Okay. Sir, one question related to volumes. Your company has stopped providing CNG discount coupons from 1st Jan 2024 for the passenger vehicles. And we see quarter-on-quarter CNG volume growth is quite muted in Q4. So is this a right way to analyze the muted growth over quarter-on-quarter for the CNG? Or is there any reason Q-on-Q growth for the CNG volume is only 1%?

Management: Just to put the marketing schemes in right perspective, it was not a discount on CNG. It was a scheme where a person buys a car, we were giving INR20,000 worth of gas coupon, and he can use it for filling those coupons for -- at our stations. So that was not a discount on the CNG sale as such, okay.

Management: But having said that, the total number of vehicles which added, these are passenger vehicles, which were added in Q3 or Q4, for that matter, was between 13,000 and 15,000. Now, this is on a base of almost 9, 10 lakh vehicles. And these private cars, the per capita consumption is relatively lower. So it may not be correct to attribute stoppage of giving this INR20,000 incentive from 1st Jan onwards to any muted CNG growth because CNG growth major drivers is not incremental passenger cars in a way. It is coming from how the existing large customer base is using CNG, what is the per capita fill moving like and how much they are consuming.

Management: To that, I would just like to add, Yogesh, if you look at my numbers traditionally also, Q3 is generally good, and there is slightly seasonality, and volumes are lower or the increase is not that high in Q4. So though there is a net increase from Q3 to Q4, because of seasonality, the volume increase or the vehicle addition which has happened is not getting reflected correctly in the volumes clocked for Q4. If you look at even last year, my Q3 volumes were around 2.47, whereas Q4 was 2.41. So this year, there is a net increase, which is actually because of the addition of these vehicles. It will start showing results in the quarters going forward.

Yogesh Patil: Okay. And the last one, your company completed the acquisition of 3 new GAs in February. So the volume of these 3 GAs are included in the reported volume, which we reported 3.79 mmscmd. Please correct me if I'm wrong on this side.

Management: No, it was excluding those volumes. The metrics which was given in the stock exchanges was only for the stand-alone if you see the paper, okay. And the numbers which MD discussed in the speech were also only stand-alone MGL. But just to give you the information on UEPL volume, UEPL has clocked around 0.14 mmscmd volume in the quarter -- 1,40,000 volumes in the quarter 4 on an average.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: Just wanted to understand more about the volume growth. From the INR25 crores scheme expenses that we have done this time, what is the translation of the benefit in terms of the number of vehicle additions? And was it primarily for the MHCV segment where we have spent this incentives?

Management: Well, if you look at the commercial goods vehicle segment and if you exclude the very small commercial vehicles and talk of only above 1 ton kind of a range, we have been witnessing a pretty good percentage growth in the numbers pursuant to the scheme. However, on an absolute basis, that has not really started to move the needle on the overall CNG sale yet. We expect it to take a few more quarters and for these numbers to really hit a level where they will start materially moving CNG volumes, right?

Just to give you an example of trucks, etc., I mean, we were doing a negligible amount of additional trucks every quarter, but then Q3, we managed to do 67; Q4, 97. So traction is coming. And along with the OEs, we are pushing transporters, fleet owners, etc. to adopt more and more CNG.

Kirtan Mehta: Understood. About the commercial scheme, in terms of the INR25 crores that you have spent, which segment was it spent on?

Management: It was both passenger car vehicle -- cars with Maruti and Honda, etc., as well as OE-fitted commercial goods vehicles from Ashok Leyland, Tata Motors, Volvo, Eicher, etcetera, as well as with 2 parties who are retrofitting commercial goods vehicles and 2 parties who are retrofitting private cars. So combination of all this is about that INR25-odd crores.

Kirtan Mehta: I'm slightly confused, sir. The way we said is that from the 1st of January, we have stopped sort of issuing the discount coupon on the passenger vehicles, but...

Management: Passenger vehicles, we have stopped. We have not stopped the commercial goods vehicles.

Kirtan Mehta: So the expense that we have booked from INR157 crores to INR192 crores in Q4, does it still relate to the past bookings that we have done in the passenger vehicles?

Management: No, no. Nothing of the past quarter. But yes, apart from the schemes, we have also done some amount of advertising in media, television and maybe on newspapers and highways, that also is included in this INR25 crores. The CNG drive, PNG drive, if you see and look at the bus stops, some of the highways, there has been a good amount of advertisement and as well as on the radios we have done. It includes some amount of PNG promotion as well.

Kirtan Mehta: And do we intend to continue with this promotion? Or do we like to sort of stop at this point and see the benefits?

Management: We have been discussing this with the vehicle manufacturer. What we are getting from them is saying that promotional schemes have to be intermittent. They cannot track on for a long time. Otherwise, the urgency and the imminent sense of – that the customer has to feel that, okay, if I don't buy now, maybe after 2 months, I will not get this opportunity. So that angle goes away if you have it in a long stretch. So that is why we've decided jointly to give a break.

As and when the time is appropriate, we will again engage with the passenger car vehicle manufacturers to re-engage. But, however, in the commercial goods segment, where we are seeing a good case for continuing our promotions because the value proposition also for us is very high, and those numbers are relatively small. It is more of B2B, catching hold of transporters, convincing them where this delta of 3 lakhs or 5 lakhs, which we are pitching with, and the OE also pitches in with something from his side, that makes a good difference.

So from literally zero adoption, we have moved to now a few hundreds coming on, adding on every month or so, whereas if you look at the passenger car vehicles, the delta from the schemes has not really been that much, I mean, maybe 10% or 20% we might have got. But in the commercial goods vehicle, the percentage increase is very high.

Kirtan Mehta: Understood. Just similar thing on the industrial and commercial side, our volume has increased from 0.45 a year ago to 0.55. What has been the driver for this increase? And how can -- how do we extrapolate this in the future?

Management: The drivers for this, something we had mentioned earlier also, there were some key pricing policy interventions, which we talked about a year, 1.5 years back, in which we almost guaranteed all new customers -- large new customers of a 10% discount to FO for 3 years if they used our gas.

Now that guaranteed 10% discount enabled us to sign up more than 1 lakh SCMD worth of new contracts, and many of those have now come on stream. So that is where you're seeing roughly 12% increase in volumes in I&C. As on date, we have another 1 lakh SCMD worth of industrial contracts, which we will be connecting in the coming year, I mean, after the construction season starts in October, November, so maybe Q3, Q4, those sellers will add. 1 or 2 may add on in the next by May, June. And we are expecting to see double-digit growth in the I&C segment in this financial year also.

Moderator: The next question is from the line of Vivekanand Subbaraman from AMBIT Capital.

Vivekanand Subbaraman: Can you explain to us the commissions that you're paying to the OMCs for hosting -- for the sale of CNG through their outlets? That's question one.

Secondly, you have commitments to invest in CBG. When is your first plant coming on stream? And what's the potential that you're looking at in terms of substituting your current sourcing of either HPHT gas or RLNG with CBG over the next 3 years?

Management: Answer to your first question with respect to OMC trade margins. See, the trade margins are decided based on the class of city they're having the stations with us. So for metro city, the commission is in the range of around INR5.40 per kg and depending on the other class of city, class A, B, C, it goes down as low as around INR4.68 -- INR4.60. And in C class city, it goes to around INR3.70 per kg. So this is the range depending on where is the station located of oil marketing company.

Management: Regarding the CBG plant, we have signed an MoU with BMC, and our Board has also approved the investment proposal. We are waiting for the land to be get in our possession. And once we get the possession of the land, it will take around 1.5 years to get the plant running and commissioning. The quantity is not very high. I mean it is around 30 tons per day for 500 TPD plants, so around 55 to 60 tons of CBG will be produced, which is equivalent to around 70,000 SCMD, which is not a very significant number considering our whole volumes of 3.6 mmscmd, that is 36 lakhs cubic meter per day. So that's a very small number. It will be maybe consumed during the growth of the company year-on-year.

Vivekanand Subbaraman: Okay. And just one follow-up on the trade margins to OMC's. Is there still any dispute between the industry, the CGD sector and the OMCs on trade margins? Or have those issues been resolved already?

Management: There were some discussions going on. We have -- I mean, this is a continuous engagement with OMCs. And as a matter of this discussion, Ministry also was getting involved for some time, and they have issued some broad guidelines as all India basis. So there is no dispute as such barring that for an interim period of 1.5 years the numbers are yet to be frozen, which are getting negotiated with the OMCs, which we expect that will be resolved in a few months' time.

Management: To add, there is no impact as such of such things on financials because we have been adequately providing all those estimates if any of that.

Management: Provisions have also been created in the accounts.

Vivekanand Subbaraman: Sorry, just to follow up further. So are you paying currently less than the amount you mentioned? And is there any amount that you are providing for but not yet paying?

Management: No, no. As MD said, we have already settled for the current period, and it has been paid at the rates agreed, but some period in between intermittent in the past, there are some settlements still pending and negotiations are on and which I'm saying are adequately provided by us.

Vivekanand Subbaraman: Okay. How much is that amount?

Management: I think I can't put that amount, okay.

Management: Not very significant, otherwise.

Management: Not significant, not possible to quantify accurately also this point in time.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: Sir, if you look at your consolidated results and try to break it up, I get a revenue of around INR56 crores and a loss of INR12 crores before tax and the gross contribution of INR31 crores, presumably for the Unison Enviro and the gross margin seems to be very high, if we just take February, March volumes on that 0.14 run rate. Sir, can you give us some sense in terms of what is the aggregate volume MGL has done for February, March in the consolidation? And what is the gross margin? And when do you expect to turn around this PBT loss to EBITDA positive?

We don't know whether the EBITDA is positive or positive gross margin. So what is the reading in terms of how much it can grow in FY 2025-26? And what is the kind of EBITDA run rate you can expect, say, over the next 2 years? And when do you expect to see positive profits at the pre-tax level?

Management: Mr. Ramesh, there are 2 things. When you consolidate the results, there is certainly some impact of the valuation and the values which are attributable to license, those are also amortized. So straight away, you can't compare the stand-alone entities result by minusing the consolidated results of MGL, okay.

So there are some charge, which are noncash charge, which are appearing in the consolidated results. And hence, you see a gap of whatever number you said, around INR12 crores, okay. Just to confirm on an annual basis, as earlier also, we have said, Unison is an EBITDA-positive company. And currently, they are making around INR60 crores EBITDA per annum. That is a range. And as I said, average sales is in the range of 1,40,000 cubic meter or 0.14 mmscmd.

S. Ramesh: So -- and how do you see that growing in the next 2 years in terms of percentage growth?

Management: See, all new CGDs have a better growth. And our endeavour is to put up the pipelines and connect most of these stations. Currently, they are having most of the stations. Out of 55-odd stations almost, only 4 stations are online, 4 or 5. So as soon as we are able to connect through pipeline, the throughput per station will go up. Apart from that, our endeavour is to put up more stations to capture the volumes in those areas.

As we have said earlier also in the call that as for our estimate, the overall terminal volumes, which can be achieved over 7, 8 years are in the range of 1.2 mmscmd. And gradually, I think it should be a double-digit growth if you are able to put up these stations and convert some of the existing stations from DBS to Online and also some of the industrial and domestic potentials in these 3 GAs.

Management: See, we have recently taken over the company, and we have aggressive plans for both CapEx and also looking into the way the business is being conducted there. So as CFO mentioned, we expect that the growth will be in double digits in terms of volume. And we want to capture both CNG volume, which is the main profit and the volume with revenue generating from the Unison plus industry and commercial in some of the sectors in Ratnagiri also we are targeting. So we expect that growth will continue. And with the aggressive plan in the Capex, the results will start coming in from maybe next financial year.

S. Ramesh: Okay. Is it possible to quantify these noncash charges in consolidation on order of magnitude basis?

Management: Sir, at this moment, I think it will not be really appropriate to do that because, as I said earlier, we have accounted this intangible on the provisional basis because the accounting standards permit us almost a period of 1 year and then freeze the valuation. Also, in these 2 months, some of the one-time expenditures, which are spent for obtaining the transfer from PNGRB and then other management consultancy expenses for doing this deal apart from the notional valuation charge which might have gone in the consolidated profit and loss account.

When you see the full year on or full quarter on expenses, I mean, the results, you will get a better feel of the results. I think 2 months is a period. Also, a lot of realignment of MGL policy and their policy we have done. So we have taken some credits also in this consolidated results. So once you see the first quarter, we will be able to see properly what is stand-alone UEPL as such, okay.

S. Ramesh: So one more thought. Now, in terms of your growth for the next 4 to 8 quarters, is it fair to assume that your industrial and commercial may possibly grow faster than CNG on the kind of trends we are seeing or what we hear from other companies?

And secondly, can you give us some sense in terms of how you see the commercial for LNG retailing move in terms of the discount versus diesel? And how do you see the vehicle additions there? What is the roadmap there?

Management: On your first question, yes, for the next 4 to 8 quarters, we expect the industrial and commercial sales volumes to grow in double digits, which will be more than CNG or domestic PNG.

Management: LNG prices are slightly discount to diesel. Right now, to promote the industry, we have recently commissioned our Savroli station last year, so we are also promoting the sale in terms of getting more contracts there. So, we have developed the fixed margin on our cost plus basis and trying to promote this as a product in substitute to diesel. So as of now, we are selling around 4 tons per day of LNG from that station on an average basis, which has picked up over the last few months, and we expect that this financial year, it will be much better.

S. Ramesh: Any sense you can give in terms of how you see that growing, say, in the next 2 years, 3 years?

Management: Another point is that we have already established a joint venture company with Baidyanath LNG with 51:49 equity investment. So first station is expected to be commissioned from that joint venture in 1 month's time. And during the year, we are expected to add another 4 stations during this financial year. So the volumes will pick up from Savroli because that station is more or less established.

For this joint venture company, also some volume will start picking up during this financial year. Capacity of this station is around 10, 15 tons per day. So, we are at average sale of 4 tons, and it can go up during the financial year, and we expect 2, 3 quarters down the line it would increase.

Moderator: The next question is from the line of Nitin Tiwari from Philip Capital.

Nitin Tiwari: Just a few bookkeeping questions. So if you can help me with the CNG sales in kgs and also the breakup of industrial and commercial sales in respective industrial and commercial segments? Currently, I do not know if you can give the breakup of total number of I&C customers that you mentioned between industrial and commercial customers. So that would be one.

Management: In terms of kg, for Q4, we have sold around 1.94 million kgs, okay. In industry, we have sold around 0.418 mmscmd, okay. And other than industry, that is commercial, it is roughly 0.142.

Nitin Tiwari: Understood. And sir, a breakup of the number of I&C customers between industrial and commercial? I suppose the number that you mentioned was 4,769. 4,769 is the total number of I&C consumers that we have, right? So, if we can break that in industrial and commercial separately.

Management: Roughly, slightly more than 4,000 would be commercial. Industrial should be about 300-400. And we'll get back with the exact number.

Nitin Tiwari: Sure, sir. Sir, I just wanted to have 2 clarifications. One, on the margin guidance, so in the previous quarter we mentioned that we are guiding for a margin of 9% to 11%. So do we maintain that guidance? That's one. And secondly, a clarification on the coupons that you mentioned for -- basically it was promotional in nature. So have we completely expensed these coupons or there is also some revenue that would have been booked with respect to CNG sales, which will be associated with these coupons getting utilized?

Management: I'm not very clear about the second question. As I said, the person who buys the vehicle, we were giving him the coupon for filling up CNG, okay? So obviously, if that coupon is getting utilized on my outlet and the corresponding sale is in my books, so if you look at actual cost to me, let's say, if I'm giving a coupon of INR20,000, so my cost is actually gas cost. But of course, he gets the value, which is the MRP of the gas he fills. So, let's say somebody has filled up 10 kg of gas, and my gas is at INR80, he gets worth INR800, whereas my cost is different because I also make a margin on that particular volume, which has gone to him.

Nitin Tiwari: Yes, sir. Actually, sir, I was just trying to get a sense around the accounting aspect of this transaction only. So basically, you've given a coupon for INR20,000, and the person utilizes the coupon and the gas gets filled, as you mentioned, like your -- so basically, there is no revenue, which will be booked against this utilization of gas and it will only...

Management: One-on-one, there is no revenue linkage. It will be coupon costs, which will be booked as my marketing expense, and revenue will get booked as and when he utilizes. That I'm not supposed to link and see, though I may track it from the perspective of control that how much was issued and how much has been utilized or unutilized, okay.

Nitin Tiwari: So basically, out of this INR20,000, there is some benefit which will accrue to you because of that differential you spoke about between...

Management: Indirectly. Indirectly, it's my profit or gross margin that accrues to the company. Yes.

Nitin Tiwari: Understood, sir. And about the EBITDA margin guidance, do we maintain the INR9 to INR11 per SCM number?

Management: Yes. I think if you look at current year average also, we are quite comfortable and even if we expect that some amount of weighted average gas cost going up. But with volume increase, we should have a good control on Opex once this initiative of marketing CNG vehicle pays off. So currently, average of 13.95% is our EBITDA per SCM. So even if we expect some cost increase and gas costs going up, we are still comfortable with the range of 9% to 11% in the long-term, I mean.

Management: As far as the previous question, about the breakup of industrial and commercial, out of the 4,700-odd I&C customers, 4,300 roughly are commercial, 460-odd are industrial.

Moderator: The next question is from the line of Dhaval Joshi from Dymon Asia.

Dhaval Joshi: I'm sorry, I joined in a bit late. If you can just let me know about the volume guidance that you've given for FY 2025-26, volume growth guidance?

Management: We have not talked about volume growth for this financial year, which is 2024-25. What we have disclosed all the numbers, which we achieved for 2023-24 vis-à-vis 2022-23. So, there is a growth of around 5.5% compared to the last financial year, 3.423 mmscmd was the overall volume. And this year, we have achieved 3.609 mmscmd.

Dhaval Joshi: So how do you see the growth for 2025-26 then sir?

Management: For this 2024-25 and next financial year, we expect growth to be slightly better than 5.4% -- 5.5%, maybe in the range of 6% to 7%. Our internal targets are more aggressive, but we expect around 5% to 6% or 6% to 7% will be the numbers.

Dhaval Joshi: And this you're talking purely of CNG or the total volumes, including the industrial and the commercial segment?

Management: This includes both CNG, DPNG and commercial.

Management: Again, since CNG is almost 2/3 of our volume or more than 70% in fact, CNG growth will be very close to this number. We have mentioned that industrial and commercial, we will expect low double-digit growth. The remaining will be DPNG.

Dhaval Joshi: Okay. And sir, given right now our margins are lower in the industrial segment, with the higher growth out over there, our margins should be a bit lower on a sequential basis or do you think, sir, you'll be able to make it up through the CNG sales?

Management: No, no. Look margin per SCM may go down, but on absolute term, the margins will go up.

Dhaval Joshi: Yes, yes. I was talking of the margin per SCM?

Management: No, no, there's a trade-off there, no, because at a particular selling price level, there is a section of customers who doesn't come on board because FO is cheaper for them. If you want that volume, you have to take a hit on your margin. You can't get them with keeping a INR8 or INR10 margin, I mean, but you can always still work with the INR4, INR5 margin and get that volume. So overall, in absolute terms, you are gaining. But yes, the percentage increase in volume as long as that is higher than the percentage decrease in price, I mean, you are good financially.

Management: Secondly, when you look at margins of maybe CNG and domestic on a gross margin level basis, you may feel, okay, they are higher than industrial, commercial. But when you look at a total OpEx level basis, you incur a lot of expenses, and more of the facilities are deployed for catering to domestic segment, okay, and CNG segment. So other operating expenses like power and fuel, LCV-based, in case of domestic, the billing of the customer collection and all that is pretty high.So when you include all that operating expenses or overheads in case of DPNG, and there is a very less amount of such kind of expenses in case of industrial or commercial customer, where volume consumed is larger per customer, so more or less, the margin after adding the respective direct operating expenses are still comparable or reasonably good.

Dhaval Joshi: Okay. I'll just repeat, you said 6% to 7% is what you are guiding in terms of volumes, although your internal targets are much higher. And this is for the standalone, right? I'm assuming this is not considering the acquisition.

Management: Yes, that's right.

Moderator: The next question is from the line of Amit Rustagi from UBS.

Amit Rustagi: And for posting a wonderful result on the volume front. Sir, my question pertains to the CNG stations. So we have added a historic number of 36 stations this year. So can you guide us like how many stations we can expect to add in the coming years, like FY 2025 and 2026? And when most of these stations came, where they came in first half or did the stations came in second half? And then based on the last 2 quarters, we're seeing we are posting double-digit growth. So can we expect that we can move to a growth number of 8% to 9%, given the strong addition of CNG stations and the past 2 quarters' performance?

Management: See the CNG stations, as you have all rightly mentioned, we have achieved 36 number. But this year, FY 2025, we expect to do much better in terms of CNG stations. Maybe more than 50 stations we are targeting to be completing this year and maybe around 40 to 50, around that number will be for FY 2026.

Regarding the phasing of the stations, typically, the working season is limited. We have to get the land and the permissions. And, therefore, most of the stations get commissioned in Q4 of the financial year. And that the same trend we expect, but it's not that everything will be commissioned in the last quarter of the financial year. Q3 and Q4, we get the numbers, which are added on to this.

Management: And sometimes, we get a small amount of spillover. 2-3 stations, which we somehow missed the target in Q4, they spill over into Q1. So Q1 also really we see a bit of a small number of stations.

Amit Rustagi: Got it, sir. Sir, can we consider 8% to 9% kind of volume growth in the coming quarters? Within that, we are already posting the volume growth now.

Management: As there was a jump because of industry and commercial last quarter, we could add some more customers. And some more will be added in this Q1 and Q2 of this financial year. The main will have to come from CNG, which is the main thing which needs a push. So overall, considering IC, CNG and PNG, we expect 6% to 7% as mentioned earlier, but we will try to better it.

Moderator: The next question is from the line of Hemang Khanna from Nomura.

Hemang Khanna Firstly, could you please help us get a sense of what will be your CapEx guidance for FY 2025, 2026 and 2027?

And the second question is relating to, could you give us the realizations for the industrial and commercial segments individually?

Management: As far as our CapEx guidance is concerned, we target and have an internal budget approval in the range of INR900 crores to 1,000 crores, at least in the next year. This year, we have clocked CapEx of around INR775 crores, okay. And the minimum we expect that we should be able to spend that much amount in CapEx because we are targeting higher stations compared to this year, we are targeting equally, domestic connections also higher than what we have done this year. With addition of UEPL, we'll be spending another maybe INR150 to 200 crores in those areas also, okay. So put together as a group, our CapEx should touch INR1,000 crores or a little more than INR1,000 crores, okay.

Coming to the margins of industrial, commercial, they range -- commercial A are typically -- we benchmark our prices to commercial LPG. And in case of industrial and commercial -- I mean, industry benchmark it to the alternate fuels like LSHS, FO, LDO. So the price realization depends on this alternate fuels and the gas cost, which I incur for these segments, okay?

If you want to know about what is my realization for this year, it was in the range of -- gross margin level at least in the range of INR25 to INR30 depending on whether it is a commercial A customer, B customer or C customer, that is it. And sometimes it has gone down to as low as INR12 also.

If at times, Brent is lower, then I end up selling at a price where margin is lower, specifically when a customer is very large, consuming maybe 10,000-20,000 cubic meter, then we do give that pricing so that my overall profitability, absolute profit increases, and we get volumes as well.

Moderator: The next question is from the line of Somaiah V., from Avendus Spark.

Somaiah V: Sir, first question is on the CBG plant that you said. So what would be the CapEx for that 70,000 volume that you said?

Management: It will be around INR550 crores to INR600 crores for -- there will be 2 phases, one, 500 tons per day of waste handling in Phase 1 and 500 tons per day of waste handling in phase 2. Cumulative, put together, it will be INR550 crores to INR600 crores.

Somaiah V: Got it, sir. And this industrial and commercial, where you said -- where you assign contracts giving at least a 10% discount to FO. So is there any gas price, because you are linked to Henry Hub, beyond which this could be probably tough? I just want to understand, is there any hurdle rate on the gas price?

Management: See, the gas price, we are having a portfolio mix of both, Henry Hub and other sources of gases. Sometimes shortfall is managed through spot gas also. The margins are different, and we are not exactly matching it with the procurement cost. The procurement is done on a portfolio basis, and the selling is done on the alternate fuel linkage to the industry or the type of commercial customer it is in. Like for commercial, LPG is the target price. And on discount to LPG, we sell -- industrial LPG, we sell commercial PNG.

Industry also, we see the type of customer, and based on the category of customers, we have different pricing structure for maintaining the price range. So it is not directly linked to procurement costs as such.

Somaiah V: So one final question, this 0.75 of Henry Hub midterm contracts, is this take or pay?

Management: Yes. It is take or pay, but the take or pay is limited to 60%, around that range. And in the new contract, it could be 70% to 80%. So a lot of flexibility is there. That's why we can switch over either from reducing our term contract in some of these contracts and take spot if that makes sense. Otherwise, we may go for full Henry Hub.

Moderator: The next question is from the line of Sunil Shah from 3PMS.

Sunil Shah: Sir, I somehow missed your statement earlier, so I just wanted to confirm that. Sir, the acquisition that we have done where there are those 3 geographical areas, there are already 55 existing CNG stations in that locality and majority of them are not online. Is that the correct sense?

Ashu Shinghal: That's right. Around 50 to 55 stations are already functional. I mean, earlier it was 49 plus 7 were added, so around 56 stations are there, which are operating in these 3 geographical areas. Most of them are DBS, i.e., daughter booster station and only very few are online stations.

Sunil Shah: Okay. Sir, so like in any other geographical area where, in Bombay, Thane, Raigad, we have virtual monopoly, it applies to these 3 new geographical areas as well, like we'll be the only supplier over a period of time?

Management: As a matter of policy, it is not only for MGL, it is on all India basis. These are not monopolies. Actually, these are bidded areas. The PNGRB with the regulator issues the bids and interested parties or entities they quote for it. And whosoever gets the highest bid, they get the license for it...

Sunil Shah: For a 10-year period.

Management: Not 10 years period. It is 25 infrastructure and 8 years marketing and exclusivity.

Sunil Shah: Okay. Sir, one last question. The margin, which you stated, INR 5.4 for tier 1 cities, could you please repeat those for tier 1, tier 2, tier 3, the final trade margin?

Management: Yes, it is 5.41 for metro, that is Mumbai main. Then, 4.68 for Thane and otherwise. And below that, it is 4.38 or something, and then, 3.7 for rural and small areas.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Management: So on behalf of MGL management, it is a pleasure that we have good results. I hope the investors are also pleased with the overall financial performance of the company. This has been one of the finest performances by the company in terms of both physical and financial numbers, as you might have noticed. So thank you so much for having a faith in the company and keeping on investing in the company. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

(This document has been edited for improving readability)

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