



# MAHANAGAR GAS LIMITED

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Date: January 31, 2024

To,

<b>Head, Listing Compliance Department BSE Limited</b> P. J. Towers, Dalal Street, Mumbai - 400 001 <b>Script Code/Symbol: 539957; MGL</b>	<b>Head, Listing Compliance Department National Stock Exchange of India Ltd</b> Exchange Plaza, Bandra –Kurla Complex, Bandra (East), Mumbai - 400051 <b>Script Symbol: MGL</b>
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**Sub: Transcript of Earnings Conference Call on Unaudited Financial Results for the quarter and nine months ended 31<sup>st</sup> December 2023**

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 Unaudited Financial Results for the quarter and nine months ended 31<sup>st</sup> December 2023 held on 24<sup>th</sup> January 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%20Q3FY24%20Earnings%20Call%20Transcript.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. Sanjay Shende	Deputy 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Further, we wish to inform that no unpublished price sensitive information was shared/ discussed in the call.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.

Thanking You

Yours faithfully,

For **Mahanagar Gas Limited**

**Atul Prabhu**  
**Company Secretary & Compliance Officer**  
Encl.: As above



Mahanagar Gas Limited  
Q3 FY24 Earnings Conference Call

January 24, 2024

**MANAGEMENT:** **MR. ASHU SHINGHAL – MANAGING DIRECTOR**  
**MR. SANJAY SHENDE -- DEPUTY MANAGING**  
**DIRECTOR**  
**MR. RAJESH PATEL -- CHIEF FINANCIAL OFFICER**  
**MR. RAJESH WAGLE -- SENIOR VICE PRESIDENT,**  
**MARKETING**

**MODERATOR:** **MR. YOGESH PATIL -- DOLAT CAPITAL**

**Moderator:**

Ladies and gentlemen, good day, and welcome everyone to Mahanagar Gas Q3 FY'24 Earnings Conference Call hosted by Dolat Capital. 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. Yogesh Patil from Dolat Capital.

**Yogesh Patil:**

Good evening, ladies and gentlemen. On behalf of Dolat Capital, I welcome everyone to Mahanagar Gas Limited's Q3 FY'24 Earnings Conference Call. We have the pleasure of having with us senior management team of Mahanagar Gas Limited, represented by Mr. Ashu Shinghal, Managing Director; Mr. Sanjay Shende, Deputy Managing Director; Mr. Rajesh Patel, Chief Financial Officer; and Mr. Rajesh Wagle, Senior Vice President, Marketing. We shall begin with the remarks from the management, followed by the question-and-answer session.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in the 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 at the cost of ability to manage the growth. I urge you to consider that quarterly numbers are not a reflection of long-term trends or indication of full year results. 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 E&Y Investor Relations team.

With that said, I will now hand over the call to management. Over to you, sir.

**Ashu Shinghal:**

I'm Ashu Shinghal, MD, Mahanagar Gas, and I welcome all of you to the earnings call of Mahanagar Gas Limited for the third quarter of the financial year 2023-24. I would like to thank all of you for attending our call today.

MGL continues to create CGD infrastructure across its licensed areas. During the quarter, 118,215 domestic households were connected. And thus, we have established connectivity for nearly 2.37 million households. We have laid 90 kilometers of steel and PE pipelines during the quarter, thereby taking the aggregate length to 6,742 kilometers.

We have added 1 CNG station during the quarter. And with this, we have 320 CNG stations as on 31st of December. We have also added 98 industrial and commercial customers during the quarter and thus have about 4,691 customers as on 31st December.

In respect of our Raigad GA, we have connected to 75,432 domestic households and 32 CNG stations, are currently operational. During the quarter, we have laid 11-kilometer of pipeline in Raigad, thereby taking the total length of pipeline to 404 kilometers in Raigad district. This expansion of our pipeline network has created a very good ecosystem for the CNG and PNG system in the Raigad area. The first CGS and the first mother filling station at Savroli in GA-3

has been commissioned, and this will now enable expeditious unlocking of the demand in Raigad.

During the quarter, MGL has commissioned its LNG station at Savroli, and LNG sales to B2B customers has also commenced. Coming to MGL operations for the third quarter ending 31st December '23 compared to the corresponding quarter of the last year, at company level, average gas volume sales has increased to 3.671 mmscmd from 3.412 mmscmd, which is an increase of 7.6%. Sales volume in the case of CNG has increased to 2.632 mmscmd from 2.474, which is an increase of 6.38%.

In case of industrial and commercial, sales volume has increased to 0.508 from 0.439 mmscmd, which is an increase of 15.84%. Sales for domestic PNG has increased to 0.53 from 0.499 mmscmd, which is an increase of 6.37%.

The current 9-month quarter EBITDA is INR 1,449 crores compared to previous year's 9-month EBITDA of INR 794 crores, that is an increase of 82%. Net profit after tax for the 9 months is INR 1,024 crores compared to net profit after tax for previous 9 months of INR 521 crores.

Net PAT is INR 317 crores for the quarter as compared to INR 338 crores in the previous quarter. I'm happy to announce that Board of Directors has also approved an interim dividend of INR 12 per equity share for the current financial year.

In December '23, MGL signed a MOU with Mitsui O.S.K. Lines for production and utilization of hydrogen associated products and LNG for various applications. During the quarter at the prestigious, Governance Now Awards, MGL has been awarded in 2 categories: IT infrastructure excellence for being the first CGD entity moving to AWS cloud-based servers and digital transformation leader award for providing better customer and vendor experience under PSU IT category.

We continue our initiative in environment, safety, and CSR. MGL has also been awarded the Mahatma award for working on maximum number of sustainable development goals under the banner We Care. MGL assessed 14 out of the 17 SDGs impacting the lives and livelihood of marginal communities.

With this, I conclude, and would now like to open the floor for questions. Thank you very much.

**Moderator:**

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

**Probal Sen:**

Congratulations on a strong set of numbers. I have 3 questions. One, this is obviously a 5 quarter high in terms of the volume growth that you have reported. And I know you do not like to comment on quarter-to-quarter volume fluctuations. But just directionally, can you just let us know what are the primary reasons why volume growth picked up this sharply in this quarter? And what can we actually expect over the next few quarters, whatever view you can give us? That's my first question.

**Management:** Well, volume growth is basically driven by CNG. If you look at the current year quarter versus previous year same quarter, CNG has grown by about 8% in KG terms. And there has been a high double-digit growth in our industrial volumes also, almost exceeding 20%. So these two are the major contributors.

On the industrial front, we have managed to add some new large industries, consuming a high quantity of gas. We had launched some scheme a few months back where above a certain volume, we had started giving them a discount for some fixed time period. So now those customers have come online and started contributing to the volumes.

CNG, hopefully, the difficult times, are now past us, all the pricing troubles and availability troubles. So there also the market is now looking up. And we are having a slow, but steady increase in MSRTC buses, which a few hundred of them -- 300 or 400 will be joining in the next 4-5 months. So that is helping. And going forward, we are again hoping for some increased traction in the commercial goods vehicle segment, where the contribution per vehicle is relatively high.

**Probal Sen:** Right. So just as a follow-up there, sir, what's the kind of vehicle conversion run rates we saw per month in this quarter?

**Management:** This quarter, total vehicles added is around 22,400. Just to add to what Mr. Wagle said earlier, one of the contributors to the volume is also increasing trend in the number of vehicles getting added. First quarter was 15,000. Second quarter was almost 20,000 and now it is almost 22,000. So, cumulative effect of all this is seen in the volumes.

**Management:** There is an uptick in the commercial vehicles from about 1,100, 1,200 to 1,400. And even in the private car segment. Of course, private cars individual contribution is not much, but every little bit helps and has built up the volume.

**Probal Sen:** Sorry, for commercial vehicles, you said from a run rate of 1,100- 1,200 that's on a per month basis or this for the entire quarter results?

**Management:** So that's for the quarter.

**Probal Sen:** So, in the beginning, it was 1,100-odd in Q1 maybe, now it's gone up to 1,400. Did I understand you correctly?

**Management:** Yes.

**Probal Sen:** Just 1 more question, if I may, sir. On the margins front, I just wanted to understand what sort of spot RLNG was consumed this quarter as a percentage of our total sourcing if at all?

**Management:** Roughly 2% plus spot. When I say spot that includes spot RLNG as well as sometimes through IGX, HPHT as well. So, it's not completely spot means RLNG spot. And that was really for peaking requirement around 2% plus.

**Probal Sen:** 2%. And the rest is all now tied up in a combination of mid-term and short-term LNG contracts, right?

- Management:** Correct.
- Probal Sen:** Right, right. So sir, from a margin guidance perspective, given the way that prices have behaved both for medium term as well as spot, can we expect that this kind of margin trends will, I mean, barring any other issues with respect to pricing, can we expect that some of this kind of a margin strength will sustain over the next year or so?
- Management:** See margin is a function of a lot of things. As you said, gas costs as far as APM is concerned, prices are going to be stable with the cap of \$6.5. HPHT availability as well as the HPHT contract already signed by MGL, good enough to, I think, have the availability of quantity.
- We see that minimal spot we will be using. We'll be also taking up any further HPHT if it is available through bidding in the next few rounds. So as far as gas cost is concerned, yes, and availability of gas is concerned, priority segment very well under control.
- As far as even [ I&C is concerned, we have term contracts in place for almost full requirement, okay. But there could be factors like availability of APM allocation, exchange rate. And if there is anything with respect to alternate fuel prices, petrol, diesel going down or something, we can think of taking a little bit hit on margin to sustain and continue this vehicle convergence.
- Management:** So, margins are expected to be properly, I mean, under control, as Rajesh explained. The other part to it is that we have sufficient leg room available, around 13.29 is this quarter and the 9 months is 14.83. So, we are comfortable in that zone of having a proper margin, and our rates are also very reasonable in terms of other CGD companies in PNG and CNG segment.
- And all our major reason for fluctuation in margins were that earlier, we were having a lot of components of spot gap, which was as high as \$31, \$32 per MMBtu, which has come down to \$15 per MMBtu. That is the reason we are having better margins as compared to Q3 of last financial year.
- Probal Sen:** Right, sir. Sir, I last question, if I may. What was the proportion of APM in the priority sector allocation as a percentage right now?
- Management:** It was roughly 78% - 80%, in case of APM (priority allocation). and roughly almost 19.5% to 20% was HPHT and balance 2% was spot.
- Moderator:** The next question is from the line of Yogesh Patil from Dolat Capital.
- Yogesh Patil:** Sir, your CNG volume grew by more than 6% on Y-o-Y basis so considering this, will you increase the CNG volume growth guidance for the long term?
- Management:** No, no, not really because what we have seen is just a quarter-on-quarter kind of a thing, which may not be appropriate to extrapolate long term...
- Management:** The focus remains for CNG. We have recently launched some schemes for private vehicles and commercial vehicles. So private vehicles came and expired in end of December. But commercial vehicle, we are still giving a lot of focus, and we expect that the CNG volumes will maintain the CAGR, which has been the case for the last few years or maybe better to some extent.

- Yogesh Patil:** Okay. And can you tell us about your CNG Mahotsav or CNG incentives on the CNG conversion? How many new vehicles obtained this scheme during the quarter? And are you planning to extend it for the next few months or quarters? Have you seen any more PV conversions during the CNG Mahotsav sir?
- Management:** You're talking about both PV, passenger, and commercial vehicle, right...
- Yogesh Patil:** Yes.
- Management:** In the passenger car segment, we witnessed an uptick of about 30% from what used to be the vehicle sales there. And the commercial segment, however, the base numbers itself was pretty low, but it is still taking some time for that impact to kick in.
- Management:** As we have told the passenger vehicles, the CNG Mahotsav ended on 31st of December, whereas we are continuing with the commercial vehicle scheme, except for the small commercial vehicle till 31st of March, 2024.
- Management:** Part of that increase in the quarterly number of vehicle addition, which has gone up to 22,000 from 19500 is partly attributable to this CNG Mahotsav.
- Moderator:** The next question is from the line of Maulik Patel from Equirus Securities.
- Maulik Patel:** Can you just give us an update on this acquisition of Unison, –what is the expectation is that it will be commencing from the next financial year in terms of an approval and everything?
- Management:** Approval of PNGRB as with respect to transfer of control from Ashoka Buildcon to MGL, including the shares held by Morgan Stanley or North Haven India Infrastructure Fund, has come. We will be soon consuming the transaction. So, it will be in our fold within this quarter itself.
- Maulik Patel:** Q4?
- Management:** Q4, yes.
- Maulik Patel:** And what kind of, I mean given that you will be probably involved in the business and Unison also now going forward, what kind of numbers, which is Unison currently giving, any update which at the time of the acquisition, which was almost 2, 3 quarters back. Can you just update what kind of number Unison has been reporting now?
- Management:** I think when we did the transaction or sign the SPA, they had 40-odd stations, now they are almost 50-plus CNG stations. In terms of volumes today, they should be touching around 1,30,000-odd cubic meters a day and most of that is CNG.
- Maulik Patel:** Okay. That was at that time it was around 0.1 mmcmd, right, around 1 lakh cubic meter when you announced the acquisition.
- Management:** Yes.

- Management:** More than 1 lakh now.
- Management:** And ultimate potential estimated over about 1.2 million mmscmd.
- Maulik Patel:** Okay. Sir, there has been a cut in the petrol and diesel prices at retail level, what could be the strategy of MGL? Will you try to reduce the CNG price? Or how would you like to play?
- Management:** We'll basically first gauge the reaction from the market. If our sales volume increase is not impacted too much, we may not intervene, but if we see any slowdown in the growth, then we may take a conscious call to do something on pricing. But it's too early to say because we don't know when the price will drop at all. If they drop, when will they drop and if they drop by how much ?
- Management:** To what extent it will get dropped. And PNG, you said is not related to petrol, diesel. So that is an independent pricing related to LPG primarily.
- Maulik Patel:** Right. Now this spot has come down to around 9.5 below per MMBtu compared to the 14- 15, which was the average in the previous quarter. Are you probably looking for more volume growth in the industrial segment?
- Management:** Which number you're referring to?
- Maulik Patel:** LNG has come down. So probably you have between your portfolio this quarter and is only 2%, 3% of the overall volume mix and supply mix side. But as it was falling at the kind of level, do you anticipate a more volume growth in the industrial segment?
- Management:** We are basically cashing on this opportunity by offering our large industrial customers a discount if they consume more volumes.
- Maulik Patel:** But are you seeing that more industrial users are getting connected to the grade down than what they were earlier because probably the pricing was not in the favor from a gas perspective, now it is little much better. More customers are getting connected and approaching you.
- Management:** We are focused on industrial customers, especially in GA-3. And there, we are connecting to some of the important customers in GA-3 and Taloja as well as Patalganga, MIDC. The increase in the numbers of & C itself suggests that the number of customers also increasing and the offtake of the consumers also by incentivizing them for a higher offtake is also working out. So definitely, we are focusing on the I& C segment also.
- Management:** Just to supplement, I don't know, about a year or so back, we were selling gas directly to alternate fuels, be it a new customer, old customer, whatever. But consciously, for increasing our volumes and penetration, we changed that a year back, and we now guarantee a 10% discount for 3 years for any new industrial customer in GA-3 and any new large industrial customers in GA-2. GA-1 of course, industry is negligible. We have added on almost 150,000 SCMD worth of contracts. Part of this has started flowing and remaining would flow in maybe a couple of quarters.
- Maulik Patel:** I think that is a sizable volume you achieved through the incentives or the price protection, the 0.15 mmscmd, given base we have, it's a unsizable number.



- Management:** Not only price production but also the fact that connectivity was established in some of the difficult areas in Patalganga and Talaja.
- Management:** Even on Khalapur site, we managed to get pipelines into the factory of Godrej & Boyce and 1 or 2 other customers.
- Maulik Patel:** Sir, last question. Have you seen an absolute drop in APM volume from the government because I think you mentioned around 78% of the volume comes from the APM side, right? But have you seen this number in absolute terms lower than the previous quarter?
- Management:** It is lower than the previous quarter. Previous quarter was around 84% odd. This quarter, it is about between 78%, 80%...
- Maulik Patel:** Will it drop further in the coming quarters? Is there any indication from the ministry on the same?
- Management:** No, no such prior indication comes in -- the allocation comes in on a monthly basis. So probably the reduction, we understand was maybe due to some production constraint at ONGC. Some of it may get restored also, but no formal communication exists.
- Management:** But they are backstopping it with HPHT, so whatever priority requirement we have is getting from I mean if not APM, HPHT.
- Management:** The CGD sector is also growing. I mean, so many companies are demanding APM gas. So going forward, yes, it may come down slightly.
- Maulik Patel:** HPHT allocation is a part of the Reliance portfolio, right?
- Management:** No, it can be anybody. It is on the exchange also. And if everything else is equal, then CGD get a priority for the priority sector, which is CNG and DPNG and that's how we are getting whatever is required additional volumes from HPHT because today, even if we bid it at par with fertilizer and power, earlier the gas is to go to fertilizer or power because of their huge volumes but now government has given a priority for CGD if everything else is equal in bidding.
- Maulik Patel:** What could be your HPHT volume in terms of -- it's 0.1 MMSCMD.
- Management:** See, overall, HPHT will right now for a priority. So, we have signed up roughly 0.51MMSCMD
- Moderator:** The next question is from the line of Niharika from Aequitas Investments.
- Niharika Jain:** So, my first question is, has the MGL bid for the 12th round, which has got concluded for Northeastern and North...
- Management:** Right now, we are not thinking about it, but we are still -- when is the date?
- Management:** Date has gone...
- Management:** So, we have not bid for it.

- Niharika Jain:** So, do we plan to bid for any further geographical areas?
- Management:** There are no such geographical areas left. This was the round where in almost 98% of population is covered. Even these rounds were they're quite remote like in one in J&K, Ladakh, Northeast...
- Management:** Ladakh, didn't bid so that was only one left now.
- Management:** So, there is hardly anything which we expect will come on block.
- Niharika Jain:** So, for our growth, are we looking for some other companies who must have gotten the allocation to kind of come on the block and like Unison and we might bid for this...
- Management:** That's a long-term thing. Actually, there is nothing in the market as of now, which is we are keeping a track and exploring and scouting for the opportunity. But as of now nothing is here, which is very substantial. Yes, you are right, maybe after some minimum lock-in period is over when people start to consolidate.
- So maybe a year or so or 1 or 2 years, we will find something. But the good part is Unison is going to be acquired in this quarter. The formalities have been completed – we've received the formal clearance from PNGRB. We are in the process of completing some language and other issues related to the transition documents, which we will be completing this quarter itself.
- Niharika Jain:** Okay. And my other question is PNGRB chairman, I think had come and said that they are going to increase the competition for CGD players. And basically, they would allow multiple players where the exclusivity period has ended. So, what I understand is for GA-1, our marketing and infrastructure exclusivity has already ended and do we feel that a significant competition could arise in our geographical area?
- Management:** See that matter is still sub judice so we don't want to comment on that. The PNGRB, chairman, I don't know on what forum we have commented. But as of now, we don't want to comment on it because it is a matter which is sub judice under the Delhi High Court. Wait for the decision of the Delhi High Court and wait for the development.
- However, if the exclusivity ends, it is a gain and loss in both the sides because then we also will have access to other areas where the access will be given to other. It cannot be on pick and choose basis. So, it will be both a loss and a gain for all the CGD entities.
- Niharika Jain:** Right. And my last question is some update on this MOU with BMC, has some substantial development taken place and have you started something on it?
- Management:** Discussions are ongoing with the BMC. MOU is already signed last year. Now we are finalizing the terms and conditions for concession agreement and other related documents to land finalization, which we expect will take a month or 2 months before we can proceed in the transaction.
- Niharika Jain:** And from that date, it would take another 1 to 2 years to build a plant?
- Management:** Yes, 1.5 years roughly from the date we sign the concession agreement.

- Niharika Jain:** Okay. And how much cash do we have on our books as on the date 31st of December?
- Management:** It was around INR 2,000 crores plus, but we will be using substantial cash for UEPL soon.
- Moderator:** The next question is from the line of Varatharajan from Antique Stock Broking Limited.
- Varatharajan:** Wanted to understand this promotion, which we ran during the quarter, will obviously like to know when they use the card, it will be charged on to the P&L. But cumulatively, like what would be the amount broadly just to get an idea of what kind of an expense we should expect next quarter or following quarter?
- Management:** So, for these schemes, which we have roughly spent around INR 10 crores in this quarter, and maybe another INR 20 crores, and INR 25 crores could be spent if there is a good response. And that is the budget we have kept for these schemes.
- Management:** Around INR 20 crores could be for this quarter and INR 10 crores was in the previous quarter.
- Varatharajan:** Cool. Sir, as far as the delta in the CV sales is concerned, was it to our satisfaction because what I was wondering was that this is a very, very attractive scheme. But somehow like 10%, 15% kind of an increase in sales doesn't really seem to be a big impact. So, am I right in judging that? Or do you think like it is broadly along expected lines?
- Management:** The commercial vehicle segment, the scheme did increase the number of vehicle sales, but the base number itself was so small that it didn't move the needle when you look at the overall CNG sales. And one primary issue which we are trying to deal with in the market and along with the OEs and MGL together is many of the transporters, they have that worry in the back of their mind the CNG prices, say, a year or 2 back had crossed INR 89 in MGL's case. In some GA's, it had touched diesel price, etcetera.
- So that we are working hard to dispel those kinds of issues and telling them that now with the government changing its policies and ensuring availability of domestically produced gas, we are seeing clear pricing stability at least for a few years going ahead. And of course, at current price levels, the proposition is quite attractive for them.
- So, some of them are opting for it. The only thing additional, which needs to be done is to convince them that they will have this advantage for a few years. And when you look at the total cost of ownership, it will be beneficial for them.
- Varatharajan:** Fair enough, sir. Secondly, on the new acquired GA, have you drawn out any plan in terms of investment? Sir, should we look at some outflow in terms of investment next year and the following year?
- Management:** Around INR 100 crores to INR 150 crores is expected to be invested in the Unison this year, 2024-2025.
- Varatharajan:** Sure. And the similar kind of a run rate should we expect for subsequent years as well?

- Management:** Actually, it depends, but once we take over the acquisition in our hands, we will thoroughly review about the minimum work program. But we are going to be aggressive in terms of capex because we would like to have the basic infrastructure in place to take the leverage in coming few years. So yes, the investment after a thorough review of the company and the availability, the financial strength and the expected growth, we will take a call on it. But yes, INR 100 crores to INR 150 crores is the numbers we expect year- on-year.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang Equity.
- S. Ramesh:** So, if you're looking at the Unison Enviro GA development, when do you expect to complete the payment for the acquisition cost? And what is the current reading of the gas connectivity for the supply of gas to those networks? Are you going to use virtual network? Or is there pipeline connectivity for sourcing the gas?
- Management:** Payment, we are expected to be completed in 2-3 weeks' time. We are in the process of finalizing the documents. And this quarter, definitely, it is going to be completed. Related to the gas availability and connectivity, all the 3 geographical areas which the Unison has is already connected to the main grid pipeline of GAIL. So, the gas availability in the main hub is available.
- The other transportation depends on the type of terrain which 3 GAs have, like in Ratnagiri, most simply, it is connected through daughter booster station and other 2 GAs are connected to pipe grid also.
- So, all of these combinations, which are typically available in a CGD company is being utilized. And also, it depends on number of customers, industrial or commercial on the CNG trucks and PNG. We decide the mode that what is the most economical way of operating the GA.
- Just to add, apart from 3 CGAs for receiving gas, they also have LNG facility in Ratnagiri, which enables them to take LNG at any point of time and cater to industrial customers as well. They have 4 points where they can receive gas.
- Management:** Also, the fact that the LNG loading facility at Dabhol is already commissioned or is about to be commissioned. So, it will be advantageous for the Ratnagiri due to source energy of LNG also from the Dabhol...
- Management:** That is very near to their LNG station. Maybe this is less than 50 kilometers from Dabhol...
- Management:** In case of LNG transportation costs from the LNG facility to your location is a bigger cost. So this will help reduction in cost.
- Management:** We will relook at the procurement contracts and try to optimize on the transportation cost.
- S. Ramesh:** Okay. So, in terms of the long-term potential, what is the reading in terms of the split between CNG and PNG in the 3 new GAs under Unison?
- Management:** 80%- 90% CNG.
- Management:** Mostly it is CNG and PNG is being developed, but not that much.

- Management:** PNG and commercial will be very, very low...
- Management:** Industrial will be around 7%, 8%.
- S. Ramesh:** So, for the CNG consumption, is there any number you can share in terms of the number of vehicles on the ground right now, including the floating vehicles that you discussed at the time of acquisition? And secondly, in terms of CNG, is there any number you can, any words or numbers you can share this, please?
- Management:** We don't have any number right now in that area. But just to give you maybe we have 53 stations and around 26,000-27,000 vehicles in all the areas put together. At the time of acquisition, I do not have the data.
- S. Ramesh:** Okay. Got it. Just 1 last one. In terms of your HPHT gas, this is tied up right now it's about 17% of your overall priority sector volume, which you're reported in the third quarter. So, there's a 10% growth that implies requirement of another 0.3 mmscmd. So, assuming that APM gas allocation doesn't go up, how will you source the incremental requirement of gas for the growth in CNG and domestic PNG? Will you expect to tie it up from Reliance and then eventually ONGC or will you have to buy LNG? Or how do you see that sourcing strategy for the priority segment?
- Management:** I think there will be some HPHT available in the next year or so because there are some contracts which will be expiring, and some HPHT fresh bidding also can come. Apart from that, we are even signed up other term contracts, which we can always use here, depending on how the Henry Hub index and Brent index is okay. So, I think all options are available.
- Management:** Just to add to that, I mean, if spot prices continue their downward creep for very short-term requirements, we can take spot also and ramp back a bit on our other contracts...
- Management:** Most of them have 80% or some of them have 60% kind of a minimum guaranteed uptake. So 40% can be done away and swipe the spot if required. And in some of the contracts, maybe 10% or 20%...
- Management:** But HPHT gas is expected to be put on sale for this year -- this financial year and the next financial year also because some of the contracts of older allocation or whatever contracts have been signed by Reliance and ONGC are expiring in this next financial year also. So that will also come for sale through the bidding mechanism.
- S. Ramesh:** That makes sense.
- Moderator:** The next question is from the line of Vishnu Kumar from Avendus Spark.
- Vishnu Kumar:** Just following up on one of the earlier participant's questions, if the petrol price cut happens, you mentioned that at some point, we'll have a look at volume growth and decide. So, what we see currently is there is a INR 30 price gap between petrol and CNG. What level of price difference do you think can have an impact on our volumes?

And the second question would be the medium or longer term at what level of per unit EBITDA where we would be comfortable rather to take a price cut? And how much would probably we'd be thinking as a medium-term target?

**Management:**

Look, as regards CNG versus petrol, the fuel cost in CNG is roughly half of that of petrol the INR 30, I mean, as the rupees per kg and rupees per liter difference, but you get a 15%- 20% uptick in the mileage also. So, in the running rupees per kilometer, CNG is almost 50% cheaper than petrol. So even if petrol goes down by INR 5-10, we will not be seeing too much impact. But on diesel, we are currently at about 18%, 19% discount. There, if diesel prices go up, then potentially -- I mean, that market -- that volume growth could go down.

But again, the share of the commercial goods vehicle segment and the overall volume contribution that is relatively little. Out of the 22,000 vehicles which came on in the quarter, only about 1,500 out of it were commercial goods vehicles. So private car segment, the other 3-wheelers, the aggregators, etcetera, they will -- we don't expect any impact on those volumes. And overall, there on CNG anyway, we will use CNG. So, we will basically be tracking the incremental vehicle additions very carefully.

**Vishnu Kumar:**

Okay. And to put it differently, sir, at what level of additions, let's say, if it comes below a certain number, will we go for additional price cut rather at what growth -- let's say, it's 2% growth only on CNG, then we'll take for an additional cut or -- I mean, any markers that we have to track so that we get some sense that, okay, this is a point where you will probably take us the additional cut. That is what we are trying to understand.

**Management:**

That is a strategic call. So, there's no point speculating on that because as explained, it depends on many factors, including the margins, the cost of alternate fuel, the cost of procurement, our growth, the number of vehicles which we expect and the balance between all these parameters. So, it is not a good idea to speculate on that.

**Vishnu Kumar:**

Understood, sir. And what would be the -- so the second question, what would be a medium-term EBITDA per SCM that we will continue to operate with? I mean whatever history we've seen that INR 14 -- INR 13, INR 14, this is the highest ever we have done. What would be a normative run rate that we'll work with?

**Management:**

See I think you can't decide our run rate and decide that this is the EBITDA I want to earn. What probably any business should look at is how do you grow the absolute profit year-on-year, along with how you earn a reasonable margin on a per unit basis. So, one has to keep on doing trade-off between various factors and decide how they want to grow.

So, one of the factors will be a resultant factor, which is EBITDA. So, if you note last year, my average EBITDA was 9.5. Today, I'm having better EBITDA, but tomorrow, see whether my absolute profitability, turnover, etcetera, grows. I may take a cut on EBITDA and still work on a scenario or a combination, which gives me good return on my investment. So, it's a very- very subjective question. And it has to be dealt at a point of time in a different manner depending on host of factors which actually culminates into EBITDA for this year, right?

**Management:** But just to give you more comfort on that is that our CNG prices are one of the lowest in the country, even the PNG prices are one of the lowest in the country. Cost of procurement has been optimized. Cost of operations is also being, I mean some older assets are being replaced. We are running some schemes also.

So as of now, 9 months, we are having an EBITDA of 14.83 against 8.4, which was there for the previous 9 months of the last financial year. So, we have sufficient leg room available with us. With the schemes coming on place, we expect to get some growth also. And with the prices already being on a lower side, we expect that the EBITDA will be in same range. Around 10 to 12 is very safe to assume in the next year or so.

**Moderator:** The next question is from the line of Sabri Hazarika from Emkay Global.

**Sabri Hazarika:** Congratulations on good set of numbers. So, I have 2 sets of questions. The first one is relating to UEPL. Unison -- so you mentioned that currently, the volumes are around 0.13 mmscmd. So, what has been the growth like in the last 1 year for UEPL?

**Management:** Maybe they have grown from 1.1 to 1.33. 18% to 20% growth is there.

**Sabri Hazarika:** Okay. So, 20% sort of growth is the current recurring growth, which is happening for this company, right? Okay. Secondly, any profitability numbers, etcetera, can you share? I don't know whether you would be able to, but is it possible to give 9 months PAT or EBITDA or something of that sort for UEPL?

**Management:** They are EBITDA positive. And I think once you get UEPL results in public domain, you may be able to see that.

**Management:** Next quarter onwards, we'll be doing the consolidation reporting so in that results of UEPL will also be declared along with MGL results. So just wait for the next quarter in the end of April or some time that we will be declaring their results.

**Management:** Stand-alone and consolidated will be available. So, you'll be able to make out.

**Sabri Hazarika:** Right. And a few bookkeeping questions. First is, what were the industrial volumes for the quarter?

**Management:** Industrial volumes for the quarter 0.38 mmscmd.

**Sabri Hazarika:** And what is the CNG volumes in KGs?

**Management:** CNG volume in KGs is 1.937.

**Sabri Hazarika:** 1.937 million KGs, right? Okay. And sir, what was the 9 months capex and full year guidance?

**Management:** Nine months capex was around INR 500 crores odd and maybe INR 750- 800INR 800 crores by this year-end.

**Sabri Hazarika:** Okay.

- Moderator:** The next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** I'd like to take this opportunity to understand some of the volume growth drivers for the next year. So, we have signed 0.15 mmscmd of the industrial contracts. Would you be able to bifurcate that between Ratnagiri and the other GAs? And going into FY '25, what kind of potential that we can target in GA-3 as well as sort of the other industrial customers left out in GA-1 and GA-2?
- Management:** If you're talking of industrial customers, we're currently only talking of MGL. We are not talking of UEPL or Ratnagiri...
- Management:** And maybe you mean Raigad?
- Kirtan Mehta:** Yes. I mean Raigad, GA-3, correct.
- Management:** Okay. So, volume will be roughly 60% GA-2, 40% GA-3. GA-1 is actually industrial volume that is degrowth because industries, whatever few are left, they are shifting out. But sometimes some of them shift to GA-2, GA-3. So, we get the customers. For example, Godrej has closed down from Vikhroli, but they moved to Ambernath and some of it is moving to Khalapur, etcetera. So, we get the same volume elsewhere.
- Industrial volumes and the other, next year, what the volume drivers or something you're asking for, again, a lot hinges on CNG, which is 3/4 of our sales volume. So, for us to grow at 6%, 7%, 8%, whatever, CNG will have to grow at that rate. Industry, we are hoping, will be a bit more. Industry, we'll expect double-digit volumes increase. Commercial is business as usual, I mean, kind of whatever 4%, 5% volume increase happens.
- Kirtan Mehta:** Just a follow-up on the CNG itself. So, we have launched the incentive schemes this year and this has probably added some of the volumes. So, do you think that if we continue this into -- or we'll give some sort of other incentives, would you be able to sort of grow above your historical growth rate by offering higher incentives? Would that help to grow into 6%, 7%, 8% range?
- Management:** Yes. If we start getting traction on the commercial goods vehicle segment, that definitely will happen. And we are putting in all efforts along with partnering with the OEs, who are having factory-fitted good vehicles. So, we are partnering with them to give incentives and convince transporters to move away from diesel into CNG.
- The good thing is now there are more than 30 CNG factory-fitted commercial good vehicles variants available right up to 18, 20-ton gross vehicle weight range, which was previously not there. So, the issue of vehicle performance of a retrofit that we have managed to dispel from the minds of transporters. So, they don't have that much of an issue on vehicle performance now because factory-fitted goods vehicles are available.
- But we still continue to work on the perceptions they have on the pricing. Hopefully, over time, we should get them over that barrier too and the sales volume increase will happen because that is an underpenetrated market for us, the commercial goods vehicles segment. And those vehicles



per capita is sale of CNG consumption of CNG is much, much higher. I mean if you get 1 truck, it's equivalent to about 20 passenger cars.

**Kirtan Mehta:** Understood, sir. And in terms of the CNG station footprint, how many we have added in the 9 months and what could be complete this year and what will be our target for the next year?

**Management:** This year, we have completed around 10 in the 9 months period, and we expect around 45 stations to be added this financial year, and similar numbers are expected in the next financial year. The progress of CNG stations typically happen in the last quarter because construction time is there, land is there, permissions are there and so many other formalities required. So, bulk of the CNG stations are commissioned in the last quarter of the financial year.

**Kirtan Mehta:** In terms of the addition of the new station is only part of the growth. Other growth will come from the sort of addition of the additional dispensers or sort of converting them to online. So, in terms of the compression capacity wise, what sort of the growth will achieve this year? And what could be the target for the next?

**Management:** Compression capacity wise, we are at a pretty comfortable level because our station utilization or capacity utilization is only about 40% or so. So, we are not expecting any challenge on that front. It is maybe for a couple of hours during the day, 50,000 or 100,000 auto rickshaws decide to fill because the shift is changing. There will be some peaking.

But we have put in a lot of initiatives to increase customer awareness that there are many hours during the day in which they can comfortably come to the CNG stations, fill CNG and go without waiting.

But we have an agreement with BEST, which allows us to send vehicles into their depots with the prior app-based slot booking where they can fill without waiting. The BEST bus depots have got infrastructure because we fill our buses during the night and in the daytime, the depots are empty, and the infrastructure is idle so it's a win-win for everyone.

**Management:** 45 new stations are being added and almost similar numbers are being upgraded in terms of converting DBA station to online or adding dispensers or compressors. So, in the existing compressor CNG stations also, we are upgrading the capacity depending on the requirement and the load on the CNG station.

**Management:** So, your compression capacity probably is increasing at more than 10%, where the sales volumes are going at 6%, 7%. But when we intend to pursue that because we believe that once you create the capacity, the demand will pick up. And more and more people get incentivized to switch to CNG because they will see it's readily available and convenient.

**Kirtan Mehta:** Understood. Just 1 last question on the capex front. So, for FY '25, would we be looking at target of somewhere in the range of INR 900 crores to INR 1,000 crores of capex, considering INR 700 crores to INR 800 crores run rate on the existing GAs an additional INR 100 crores to INR 150 crores on the Ratnagiri GA.

- Management:** Yes, yes. I mean, INR 800 odd crores in the Mahanagar Gas and around INR 100 crores in the -  
- UEPL INR 100 crores to INR 150 crores. So, putting together will be more than INR 900 crores  
-- expect it to be more than INR 900 crores.
- Moderator:** The next question is from the line of Somaiah from Avendus Spark.
- Somaiah:** So, first question is on the HPHT gas. So, the HPHT gas that we procured we'll be getting at a  
price closer to the ceiling of \$10 for MMBtu, that would be right...
- Management:** So, it is around \$9.96 MMBtu from October this year. Earlier, it was \$12.12 prior to...
- Somaiah:** Correct, sir. I was asking more from -- I think we required -- probably last quarter, we required  
around 0.6, of which 0.5, I think, you mentioned a long term, this long term, what would be the  
linkage and the linkage price leads to above ceilings, so we have been getting at a ceiling price.  
Is that right understanding?
- Management:** Yes, we have been getting at ceiling price all this time, yes.
- Somaiah:** So the long-term contract that we have on 0.5 of HPHT, what -- I mean, what would be the  
linkage, sir, that would be linked to...
- Management:** That's a ceiling of HPHT prices with a formula, which have a ceiling of 3 different fuels. And  
the lower of the 3 is considered. So it is around \$10 per MMBtu as of now. So whatever  
transactions we are getting until 31st March will be around \$10 per MMBtu. And next year, it  
is expected that it will be in the similar range or maybe slightly lower than that.
- Somaiah:** Okay. Got it, sir. Sir, also those conversions that we have been seeing increased, say, as you  
said, 15,000 to 22,000 so when we are thinking about a mid-single-digit growth in our existing  
GAs, so what what would be conversion number that we'll be thinking it as a good number in  
this context of 15,000 to 22,000 range.
- Management:** It is a number we have been traditionally getting was 80,000 also in some of the previous year.  
Last year, it was 65,000. This year, in 3 quarters, we obtained almost 60,000. So we expect  
another 20,000. So 80,000, we will be touching this financial year.
- Next financial year, the impact of the schemes, which we have launched, and we will have a  
reassessment after the end of the financial year, and we expect maybe around 80,000 to 100,000  
vehicles should be added in the next financial year also.
- Somaiah:** Okay. Got it. Earlier you used to give on the industrial and commercial segment, the alternate  
fuel prices. So if you could just help us with the Q3 and Q2, the alternate fuel prices.
- Management:** As far as LDO and FO is concerned, compared to last quarter, this quarter, there was a better  
realization. LDO was 61,350-odd per KL, which has gone up to 72,000. And FO was 47,500-  
odd, which went to almost 52,800. Whereas in case of 19 kg LPG, it reduced from 1,700 to 1,641  
this quarter.
- Moderator:** The next question is from the line of Raunak from Robo Capital. Please go ahead.

**Raunak:** Natural gas prices have come down by 15% to 20%. So how do we see its impact in the volume of our business?

**Management:** It has improved some extent -- the connected customers continue to take how much our gas they need. And to some extent, your volume increase is also a function of how much infrastructure you can roll out and how many more PNG customers you can connect and how many more CNG stations you can open up.

**Management:** Another way you look at your question is that the LNG prices are linked to our industrial and commercial segment because our CNG and PNG segment is catered through APM gas and HPHT, which is not directly linked to the LNG prices.

So coming to industrial and commercial, again, it is a variety of factors like what is alternate fuel. So we have different segmentation of pricing in different segments. And therefore, yes, it makes an impact on our pricing methodology and the profitability. However, our dependence on the spot has come down substantially, which was a major indicator in last financial year wherein we were purchasing a lot of spot, and that used to give a lot of volatility in our profits, which is now much more stable.

**Management:** Of course, the government's policy, which came in February last year also helped where we started giving HPHT priority to CGD.

**Management:** And the term volumes are more still linked with Henry Hub, which is a very stable index and not much of variability happens in the Henry Hub index.

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

**S. Ramesh:** Just on the LNG station additions, what is the kind of cost you are likely to incur in the second half of this year? And how do you plan your capex? And what is the kind of visibility on volumes and the top line we can expect from the LNG sales, say, over the next 1, 2 years?

**Management:** It's a very small, miniscule number because only 1 LNG station is working in Savroli. So the contracts have already been signed up with the suppliers in terms of procuring LNG. So we have signed contracts for selling LNG on B2B segment as of now. And the volumes are low and the impact on the total financials of the company will be miniscule.

**S. Ramesh:** Okay. And then what is the information you can share on the margins on the industrial and commercial segment or the selling price to get a sense in terms of how it impacts your overall EBITDA per SCM? Would it be close to your blended EBITDA per SCM or slightly given the fact that your alternate prices have gone up?

**Management:** If you look at -- just now sometime back, I said how LDO and FO prices have moved. So this quarter, the margins were good, okay. Had this improvement not happened, maybe the INR 3 reduction in CNG would have brought a little bit of my sales realization. But industrial has helped in this quarter. So we can talk about whether we sell at parity or how much discount to these alternate fuels.



But this quarter, more or less realization is slightly more compared to maybe domestic and CNG prices in case of commercial A and commercial B. Industry is more or less in line with average sales regime of priority sector.

**Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Yogesh Patil: from Dolat Capital for closing comments. Please go ahead.

**Yogesh Patil:** Thanks a lot to Mahanagar Gas management for such a detailed answer to each questions. Thanks a lot for your time, sir. Now we will conclude the call.

**Ashu Shinghal:** Thank you everybody for joining me. Thanks.

**Moderator:** On behalf of Dolat Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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(This document has been edited for improving readability)

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