"Adani Total Gas Limited

Q2 FY '23 Earnings Conference Call"

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MODERATOR: **MR. HARSHRAJ – ANAND RATHI SHARE & STOCK BROKERS**

Moderator: Ladies and gentlemen, good day, and welcome to Adani Total Gas Limited 2Q FY '23 and 1H FY ’23 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers. 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 conclude. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshraj from Anand Rathi Share and Stock Brokers. Thank you. And over to you, sir.

Harshraj: Thank you, Mellissa. Good evening, everyone. It is my pleasure to welcome all the participants to the second quarter and first half FY '23 conference call of Adani Total Gas Limited. We have with us senior management represented by; Mr. Suresh Manglani, CEO; Mr. Parag Parikh, CFO; and Priyansh Shah, Head of IR.

Without much delay, I would like to pass on to the management for the opening remarks, post which we can open the floor for Q&A session. Over to you, sir.

Suresh Manglani: Thank you, Harshraj. Good evening everyone. Let me extend a very hearty welcome to all our investors, analysts and participants for taking out their time and participating in today's call for H1 and Q2 FY '23 results of Adani Total Gas which is a JV of India's largest Infrastructure platform, Adani Group and world, one of the largest energy conglomerate total energy.

As you're all aware, that safety has always been our major thrust and a precondition to work in ATGL. Now with increase in the intensity of a number of GA’s and also coverage of various businesses, we have enhanced our coverage to all 52 GAs as well as CGD business, EV business and Bio business and we have been holistically focusing on HFC from all perspective, and I'm happy to inform you all that we have been able to maintain a strong track record of a zero fatality and zero harm.

Now first, let me give you the important event that has happened during this quarter. ATGL has won a very prestigious award of Corporate Citizen Award by PHD Chambers of Commerce and Industry. This is a recognition of ATGL's ESG program, which includes one of our iconic plan on Greenmosphere. It has gone through a very strong scrutiny through dignitaries of the Supreme Court judges and high dignitaries.

In addition to that, ATGL has incorporated two-wholly owned subsidiaries companies, Adani Total Energy's E-Mobility Limited and Adani Total Energy's Biomass Limited. This will help ATGL to while continuously focus on CGD business and also take the full benefit of its strength to develop adjacent businesses of EV and bio business.

Now coming to the results, the Board of Directors met today and have approved the result for H1 and Q2 FY '23. CGD sector is continuing to see a challenging time where we have seen a significant rise in gas input costs, both on the APM side and also on the RLNG side. Despite this very challenging scenario, which all oil and gas companies, including CGDs are passing through in India and world over. ATGL has a mandate from both the promoters have continued focus and intensity has been increased on growing the backbone infrastructure.

And I'm very happy to inform you all that several milestone infrastructure has been achieved. We have now surpassed the target of 10,000 inch kilometer for a steel pipeline across India. Similarly, as I have been informing you all that we have been focusing on enhancing home P&G connection. In the first half, we have added 62,000 new home connections. And with that, now our number of home PNG connections who are enjoying pipe natural gas supply, have grown to 626,000 homes.

On the CNG front, we have added 33 more CNG stations and the total tally has gone up to 367, out of 367 million 69 stations are company-owned dealer operated and dealer-on-dealer operated. In this first half, we have added 10 new dealer operated. If I add -- the number of CNG stations set up by our JV IOAGPL, we would be touching a mark of around 600 CNG station across the country.

In addition, we have been diversifying our consumer base, besides home we have added 412, 4-1-2 new businesses, hotels, restaurants, [inaudible 0:05:23], temples, small-scale and medium-scale industries who brings the anchor load for us. So, with 412 new PNG customers on INC side, our total tally has now grown to 6,088.

On the volume front, for the first half, our overall volume stood at 374 MMSCM, which has grown by 19% if I compare year-on-year vis-à-vis the first half of the previous year. CNG volume stood at 222, 2-2-2 MMSCM, up by 40% on a year-on-year basis on a half year to half year comparison. PNG volume were 152 MMSCM, down by 3%, primarily because of high prices, as well as curtailment of a gas supply from a supplier side.

During H1 FY '23, we have also seen, as I stated earlier there has been a significant rise on price front, both on APM side and [RLNG 0:06:34] side. And as you will see, the result, while there is a growth of 90% in the revenue, which has grown to INR 2,301 crore in the first half as compared to the previous first half. EBITDA has remained stable the same, virtually INR 464 crores as compared to INR 462 crore in the previous first half FY '22.

So this is the result of our conscious call of calibrating the pricing, while we were taking the price rise in the input gas cost, pass-through has been calibrated to make sure that the both promoters vision of maintaining affordable price for PNG and CNG is carried out delicately. And that is the reason we have ensured that while profitability is sustained at the same time, consumer wins on both sides, PNG and CNG side.

Our PBT and PAT, profit before tax and profitable tax was at INR 373 crores profit before tax and INR 277 crores profit after tax. Coming on the quarterly numbers, Q2, July to September, overall volume stood at 191 MMSCM, up by 9%. Despite these challenges of high price on both APM and RLNG front, we have been able to achieve 9% growth. We have always been hoping to achieve double-digit growth, but it's still this scenario, we have been able to achieve 9% growth.

Our CNG volume were 113 MMSCM, up by 25% year-on-year basis and PNG volume was 77 MMSCM, down by 8% as I stated earlier, due to very high rise in the prices and curtailment of our gas supplies from suppliers. Revenue for Q2 FY 2023 stood at INR 1190 crores, which was up by 73% as compared to Q2 FY '22, largely because of the price rise and some portion because of the volume growth.

EBITDA for the quarter was INR 236 crores as compared to INR 246 crores of Q2 FY '22. Profit before tax and profit after tax were INR 188 crores and INR 139 crores, respectively. Gas price continues to remain volatile and our view is that a couple of more quarters our LNG prices will remain volatile and while APM price is on a rise, that we are expecting, there would be some moderation in the prices.

ATGL continues to have a focused approach on sustainability front. During the quarter, ATGL has published its maiden sustainability report. We are perhaps the first CDG company, which has published or detailed comprehensive customer report and continues its initiative on ESG program like Greenmosphere, Green belt development, solarization of ATGL, size, water harvesting and greening our all fleets.

We have a commitment to make 100% CNG as our fuel for the vehicles which are being run for ATGL. In these challenging times, I am confident that with the continued support from all stakeholders and motivated team, Adani Total Gas, the journey ahead is going to be much more exciting and successful. I would like to acknowledge and be thankful, the role played by our stakeholders, consumers, dealers, suppliers, business partners, investors, fund houses and all stakeholders who are associated to Adani Total Gas for their trust and continued support. Thank you. Now it is open for all of you to ask the questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question session. Anyone who wishes to ask a question may enter star and one on your touchtone. If your questions have been answered and you wish to withdraw yourself from the queue, you may enter star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have the first question from the line of Avnish Khara from VT Capital. Please go ahead.

Avnish Khara: Hello, thank you for taking our question. I just wanted to understand that Adani has said that a lot of investments are going to be made in green hydrogen. So what kind of plan do we have to integrate that into your Adani Total Gas business?

Suresh Manglani: Avnish, first of all, thank you for participating and being a very regular participant. Yes, Adani Group as well as Total Energies in their part of the world. very high focus on developing green hydrogen. So that is being done by Adani Group and our promoters. ATGL shall certainly be beneficiary because you have been hearing us in all its calls that besides our continued focus on CGD, we are also taking full benefit, our strength on adjacent businesses like EV, Bio, CGD and now even hydrogen.

We will certainly be exploring the -- all the possible opportunity in hydrogen site, in particular, being as a vehicle for transportation of hydrogen in our infrastructure. Second, also we'll explore how do we bring hydrogen blending with our CNG whether its heightened CNG, less CNG or some different forms. The field is very nascent stage, lot of tenders are getting developed. We are keeping our complete options open, but we know that this will bring another opportunity for ATGL.

Avnish Khara: So I just have a follow-up on that. As you said that blending is something that a lot of companies are looking at, so just a question on the technical side, that is it true that to blend green hydrogen with the gas that we already have in the pipeline, a mix of more than say, 15% or 20% win achievable and that if the mix needs to be made where the composition of green hydrogen is higher than a new pipeline and new investments will have to be made for that?

Suresh Manglani: You see a lot of work is going on understanding what is all required to strengthen, reinforce infrastructure to maximize the blending Currently, as the study suggests internationally and domestically, what you stated the number, 15%, 20% is being talked about. These are initial stage of development of an hydrogen and particularly looking at the infrastructure of -- existing infrastructure of pipeline, I am sure with a lot of experts and several research teams working on it. We will have a solution to enhance the quantum of the blending, the same infrastructure we that is in the interest of a nation in the world that we gain fully utilize the existing infrastructure.

So currently, you're right, people talk about 5% -- 15%, 20% in India, some just talk about even 5%. All these opinions are currently are going on. In some parts of the world, they are testing up to 10% and 15%. India, I think for as testing is currently at sub 5% level. But I think we all have to wait to see the kind of a development which will take place because there is a huge investment happening world over and in India on hydrogen side. So, I'm sure a lot of newer solutions will come on the blending side as well to use the existing infrastructure.

Moderator: Thank you. We have the next question from the line of Yogesh Patil from Centrum. Please go ahead.

Yogesh Patil: I have a couple of questions, sir. First, for on your APM gap, what was the percentage of APM gas that you were receiving for CNG and the P&G domestic during second quarter FY '23? And what is the current share of APM in your CNG under domestic PNG sale?

Management: Are your questions are over?

Yogesh Patil: No, sir. I have a few questions. So I think so we can go one by one.

Management: You can ask all questions test our memories.

Yogesh Patil: Okay, sure, sure. No issues. So the second one is on the side of that related to VAT here as we are aware that the Gujarat state government cut the VAT on the CNG and the P&G domestic. So have you passed on the full VAT rate cut benefits to consumer? Or you have retained some benefit? So that was the second one. Third one was on a pricing gap between the CNG and the alternate auto fuel. So as we again aware that the gap between the CNG and the alternate auto fuel has dropped to the lowest level, so how are the CNG vehicle convergence or additions are happening nowadays? And how was it in the second quarter FY '23?

The fourth one would be on the side of, again, on the PNG round. So as per my knowledge, you have won highest number of geographical areas in a recent PNG rounds, so the company presentation indicated that you are going to invest close to INR 20,000 crores in the CGDs over the next eight years. So the question comes in my mind that the gas supplies issues mostly for the rising demand of CNG and the P&G domestic. So from where do you see the additional gas supplies will come? So these are the three, four questions which were.

Management: Very good, Yogesh. First of all, I think I feel very delighted when you do such a good homework and come to the call. And in a way, you represent many more investors because they must be having similar questions and you preside. Now let me see whether you can -- I can pass the memory test which you are put in. I think first was the APM gas supply shortfall. As we have been stating in previous calls as well, there has been, from an APM when it moved to the unified base price, where government as a part of very strong support, started blending domestic gas.

The supplies have increased of course, at the UBP price, which is slightly higher than the APM price. So and these are basis the past periods sale of each of the CGD areas. So the future growth still remains with us. So there has been a shortfall of, as I stated last time around 13% and now currently is around 3% of the shortfall. So basically, there is a significant demand is being met. On the APM, I would say, not purely APM, but the UBP side, the Unified Base Price, the supplies are being met on the -- from the government's APM side. The second question was your VAT.

Yogesh Patil: So sir, just have a quick question on the tax. You said 3% shortfall. So should we assume 97% allocation -- so because based upon the ratification?

Management: Correct.

Yogesh Patil: Yes. Second question was on a VAT rate cut…

Management: I remember, VAT question is there. So, VAT you know that as a part of a joint venture of two very strong parentage, Adani Group and Totalenergies group, it is our responsibility that we support the state governments vision of bringing PNGs in an affordable price. So certainly, we have passed through 100% VAT reduction, what took place in Gujarat on the very same midnight. But that is what we always follow the philosophy of making sure that PNG and CNG is available to the consumers at affordable price and more and more consumer embassies PNG and CNG as a choice of their fuel. So I think we have 100% pass through.

Third was your -- the alternate fuel. As I stated in my opening remarks, and I'm sure since you're doing a lot of good homework you are aware but the gap is reducing. Gap between the alternate fuel price and the CNG price is reducing, somewhere, it is actually, in fact, going higher than the alternate fuel price. So if I may come specific on CNG side, GA-by-GA, it will vary company-by-company also it vary because depending upon what is the fuel price of petrol and diesel in that local place GA vis-a-vis PNG, CNG price, the difference will vary. But if I take a country-wide picture, I think it may vary from 10% to 15% difference to even 30%, 35% difference in some of the geographies area where tax is zero like Delhi. So I think there is a quite squeezing of this gap, and government is conscious of this. Government would like to see that consumer base affordable price. That's the reason you must have heard that there is a constitution of expert committee. And I'm sure there will be -- in the due course of time, there will be some moderation of APM prices or UBP price, so that we continue to bring wider gap of a saving for the consumer of CNG as well as on the P&G side.

And the fourth was your question was that we are investing INR 15000 crores, INR 10,000 crores in developing the infrastructure from where the gas supplies will happen. There is a continuous upside happening even in the domestic gas production. So if you see even the next few months, we will be getting a significant amount of domestic gas coming for bidding. Similarly, we are seeing several LNG terminals are getting commissioned or getting developed. The existing terminals capacity is getting expanded.

The national gas grid is getting doubled. So I think all this is happening on the back of the clear understanding that there will be a sufficient gas supply coming in India. We would be beneficiary of this ecosystem development, whether it is LNG terminal, pipeline or the domestic gas production increase. All this will benefit the buyer and we would be the buyer in the value chain. So in my view, I think gas is going to be available. India has a vision to grow from 6.5% to 15%, which is a huge volume growth. We would all CGD companies including Adani Total gas is going to be beneficiary of this ecosystem development. So I think there are four questions I have responded. If you have any further question or if I have missed, please ask

Yogesh Patil: So a few questions on base upon the current discussion. First of all, I was mostly interested into the alternate fuel price gap between the CNG and Petrol / Diesel on that side, I will be interested on the CNG vehicle conversion and additional run rate, So have you seen any kind of a fall in vehicle convergence during Q2 FY '23 compared to the Q1 FY '23? That was a more specific question. If you could answer that would be helpful.

Management: Yes, ask any more questions from your side?

Yogesh Patil: And secondly, sir, you are looking much more confident that the domestic gas production will increase from the site of KG gas, but why do you think that the CGDs will only get the sizable amount of gas from the KG gas auction? So these are the two specific questions. So because looking into the gas consumers, there are other sectors are also like the fertilizer, petrochemicals, refinery, they can come and compete with the CGDs also. So that's why the availability of gas could be an issue for the CGD. And lastly, on the pricing side, you might aware that recently, the ONGC was trying to do an auction of 15 MMSCMD kind of a gap, but because of a very high price bidding, so it couldn't work out. So on that answer, if you could give us any clarity how the auction will happen and what would be the pricing on that front? -- if the domestic gas production will increase from the KG gas?

Management: See, on the conversion part, it would always depend upon the GA-on-GA where the saving is higher, conversions are still going on, number one. Plus also the segment by segment. If you see the private vehicle convergence, people would really be looking at little more savings than what they used to get earlier now. So they actually consumers in India have been used to have a bit higher saving than they convert and which is rightly so because you are going to put cylinder in your boot space, etcetera.

So currently, conversions are, I would say, the moderate the way the exuberance was there, that has slightly moderated. But if you ask Ahmedabad, Ahmedabad, they're seeing a very good convergence. So it depends upon which GA we are talking what kind of consumer base or a consumer demographic we are looking at? If you talk Northside, NCR, anyway, not vehicle has run on CNG. So I think India is seeing growth over CNG, it is slightly moderated because of the obvious reason of very high prices. But we see it's a very-very temporary phase. The growth of conversion would come back. That's the region.

Government is extending support of constituting expert committee so that APM prices are moderated in a manner that consumer gets the affordable prices. So I may -- if I may add, Yogesh, if you look at our own experiences, our half year to half year volumes on purely on the CNG front, grew by 40%. Further, it at it from a quarterly comparison it grew from last quarter to this quarter at 25%, whilst even as a succeeding quarter, it has grown by 4%.

Now whilst this is the overall numbers, primary the larger growth has also come from newer geographies. And the newer geographies effectively would mean that there is an ecosystem being developed and newer conversions are you getting initiated. So we are seeing both coming back in terms of continued growth on the more developed geographies like Ahmedabad and also in terms of the increasing contribution on the CNG volume from the newer geographies

: On the ONGC bidding, I would certainly impress upon you to attend ONGC call, because it was their bidding, from our perspective, we participated, but we came out after a particular threshold because as a responsible corporate, even though there is a ceiling, we'll only be going up to a particular threshold. And finally, we saw building getting abundant because of price bidding was very high, assuming that always the gas will be available on the ceiling price. But I think more detail you should take from ONGC, because in ONGC also conduct investors calls when their results come. Any third question from your side?

Yogesh Patil: Yes, there was a third question regarding that you said earlier that the domestic gas production is on the right from the various fields like KG basin and you was more or less your that the CGDs or Adani gas will get a gas sizable amount of gas from that side also. So my question was quite simple, that why don't you think that CGDs will only get a sizable amount of gas because all other consumers like the fertilizer, petrochemical, refiners are in line to take that gas. So the competition will be huge on that side. So don't you think it would be difficult for the CGDs to grab the sizable volume out of that upcoming auctions?

Management: What I would you know Yogesh, bring the perspective that one is, we all are aware that CGD has the first and highest priority in the APM allocation. APM today gas availability is significantly higher than what collectively all CGD consumes. So there is a gas availability there and government has been giving and enhancing the gas supply. So, we believe the gas shortfall will continue to remain very moderate to bring necessity of competing very heavily or aggressively on the other gases. But yes, we would certainly need the domestic gas or an RNLG occurring good price and developing a good portfolio for our industrial and commercial segment. We will surely bridge the shortfall through domestic or RLNG portfolio as a mixed portfolio. My view, I think, given the priority of a government on CGD side, we would certainly be able to meet our gas requirement through APM as well as domestic production increase which is happening and number of terminals capacity going up, all this put together along with the national gas grid, there would be sufficient or adequate availability of gas for CGD and then other sectors as well.

Moderator: Thank you. Participants, if you have a question, you may enter star and one. We have the next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: One more question as a follow-up to Yogesh's question. Relating on the conversion side, what is the monthly conversion rate that you have currently sort of seeing? And how does this sort of split between the new vehicles versus the retrofit? And if you can also share the idea about the mix of vehicles like, the gap between three-wheelers, four-wheelers, taxis, LCV? This is the first question. The second question, again, in terms of sort of you mentioned that the on developing the Industrial consumers, you would need domestic LNG and the RLNG portfolio. So from a percentage of sort of three years to five years looking beyond this crisis, do you think that any leading of slope, about 14% could make it sort of unviable in the longer term? Or do you think that the consumers can afford higher slopes?

Suresh Manglani: Sorry, have you completed your question, please? Yes. So let me try and attempt to your second question first, and then I will hand over to Rahul Bhatiaji who is our business development head to give you the answer to the first question. I think we cannot look at one particular source and a particular slope for the gas supply for CGD company. I think as a good and I would say the robust process for a CGD company, as we have always been maintaining our philosophies that we need to develop a good optimized portfolio with multiple sources, multiple tenure and multiple indices.

So a particular slope at 1 particular point of time could be higher. We could attempt for a shorter period to meet our demand, but we will also get a window as we keep developing our portfolio to get good slope or a different mix of indices of JKM as a brand. So in within Adani, Total Gas, we follow developing a portfolio of a different tenures and a different sources as well as different indices. So we do not see any one particular slope being unviable because ultimately we develop a portfolio. I would hand over now to Rahulji to give you response to the conversion part first.

Management: Yes. Generally, the conversion factor changes from GA to GA factory, especially if it's a mature geographical area like Ahmedabad or Faridabad versus the new GA that we are developing, but generally, in the mature GA, we have seen that the ratio of new cars versus retrofitment would range from about 25% to 75%. So, new car would be about 25% and retrofitment would be about 75%. And depending on the cost of the retrofitment cost of the kit, it could vary between one third to two third also from on a month-to-month basis. Have I been able to answer your question?

Kirtan Mehta: Yes. This is one part. The second part of the question was, would it be also possible to share the mix like how many would be the private cars, how many would be the taxis, LCVs, 3-wheelers, how does the mix look in these new conversions?

Suresh Manglani: Yes. So about 70% to 80% would be private cars. As far as taxis are concerned, you don't have conversion from taxis because these are diesel taxis and generally people dispose of the diesel vehicles and they buy new CNG vehicles. As you know, the conversion of diesel taxis doesn't happen. So -- and the most of the conversions from the diesel to the CNG taxis have already taken place. Having said that, we've got these -- the LCVs, which have come on to CNG. That is a very interesting segment, which has come out for the last one, one and half years. And in that -- in the Chhota Hathi, etcetera, we are seeing a very good improvement and interest on CNG for LCV.

Kirtan Mehta: How many percent would the LCV grew at this point of time in the new conversions, incremental conversions? Would it be 10% of the total conversion?

Suresh Manglani: No, conversions generally don't happen in the LCVs. Basically, people phase out their diesel LCVs and they are buying new CNG LCVs. The conversion happens basically on petrol vehicles.

Kirtan Mehta: I understood. Sorry, I used the wrong word. And what I meant was would LCV amounting to 10% of your new additions on a monthly or a quarterly basis?

Suresh Manglani: When you said 10%, do you mean the new LCVs, which are being purchased, right?

Kirtan Mehta: No. Total vehicles getting added into the CNG fleet basically -- so including all the vehicles. So there is a run rate of 10,000 vehicles per month. So would be LCV be 1,000 vehicles a month or a quarter?

Suresh Manglani: I think it would be somewhere around 10% to 15%.

Moderator: Thank you. Participants, if you have a question, you may enter star and one. To ask a question, you may enter star and one. We have the next question from the line of Harsh Bohra from VT Capital. Please go ahead.

Harsh Bohra: So my question was relating to the new committee that has been set up for the revision of the gas pricing. So I just wanted to understand what are the expectations you're having from the committee and when it is likely that the committee is submitted to report?

Suresh Manglani: So it's again a very important question you asked and I myself referred to is. So this committee has been constituted by Ministry of Petroleum and Natural Gas, which is being chaired by one of the most renowned economist, Dr. Kirit Parikh. There is MoPNG as a member there. And all other stakeholders, including CGD entities are getting represented through association of the CGD entity as body. Our committee is currently very constructively engaged with the two objectives. One is that we need to make sure that India achieves a higher and higher production of a domestic gas, so that we have a self-reliance, which is a government target. And the second is that CGD has witnessed a very good momentum building in the last two, three years, that momentum building has to rather grow further. So there should not be any downward grain in the CGD growth.

So with these two objectives committee is very comfortable discussion -- we are expecting as a CGD entity, I would say because one of the terms of references that provide PNG and CNG at affordable price. So we are expecting there will be good discussions and deliberation and the recommendation on the pricing side. Committee is expected to submit the reports and a few very soon, I would say. But time-lines is not known actually because the discussions are still continuing.

Harsh Bohra: Okay. Sir, so is it fair to assume like as and when the report is out, so the new prices will be applicable? Or will it be applicable from the first half of FY '24?

Suresh Manglani: So the process would be that this has been constituted by MoPNG the report would go to the MoPNG and then the government process of approval would take place and we are expecting as a CGD entity like the way we see when government is looking forward to make sure that as earliest we should approve the recommendation.

So we are expecting that with a good speed, government will internally complete the process part and then take a view on the recommendation. But it will not be committee is now empowered to announce a new pricing on new regime. It will go to the government.

Harsh Bohra: Sir and second question was regarding the government that has -- like our government is focused on boosting the EV space and the consumption of renewable energy. So how do you expect the same to impact your business, given that you are one of the players to make the largest investment in the CGD space?

Suresh Manglani: So again, this is a very interesting question, and I keep getting this question in almost all forums. So if you see a stated EV policy of government, it is 30-30. By 2030, government expects the new vehicle 30% would be an EV, 70% still will be non-EV and entire mass of existing vehicle would be available with the CNG. So India is a very vast country. We have been always stating that we will see a mix use of the fuels will co-exit. There will be a petrol, there will be a diesel, maybe slightly more getting down, but there will be a CNG, there will be EV. There will be a compressed biogas and future there could be an even hydrogen.

So if you see our strategy, we are focusing very strongly and with -- on the CGD side, but we have also incorporated two companies, one on the EV side another on the compressed biogas side. So we are taking advantage of our strength, so when EV growth, our EV business will grow and the 70% even if 30% is fully achieved. There is a target available to us for going for a CNG or a compressed biogas. So we don't see this as a threat. We rather see this as an opportunity.

Harsh Bohra: Sir, and one last question. Like you have owned 14 Geographical Areas in the 11th round of CGD auction -- so I just wanted to ask like what is the progress on the new GAs and what is the incremental volume that you're expecting from this new GAs?

Suresh Manglani: So I could answer, but I'm asking our Regional Head, Mr. R B Singh who has been working on 11th round to give you the response.

Management: As far as focus around…

Moderator: The operator or sir, I'm sorry to interrupt but we do not hear you clearly.

Management: Yes, As far as this 11th round, bidding round is concerned, we are focusing on early monetization. And now CNG establishing CNG stations will be the fastest one. So focusing on this part, we have identified around 466 colo. That is from OMC part out of which we have already applied around 100-plus for peso approvals and construction is going on for around 20 numbers. So we are expecting to gas in most of the cases, taking gas from nearby GAs, which is already charged.

On the other part also, we are also focusing on the pipeline. We did survey, we are going with the detailed engineering part. And we are hopeful of starting gas pipeline laying some of the GAs where gas is available.

Suresh Manglani: If I may supplement what he is stating that as we got 14 Geographical Areas and as we did extensive and aggressive work in 9th and 10th round, similar approach is being adopted by Adani Total Gas in developing and intensifying infrastructure development in all these 14 Geographical Areas, starting with CNG, but simultaneously focusing on laying pipeline so that we are able to -- we provide access to the consumer for a PNG as well very soon.

Management: I didn't define the land part also, land for CGS .

Harsh Bohra: And lastly, how many of them will be operational in the next one year?

Suresh Manglani: You are asking from 11th round?

Management: CNG part, almost I think we are able to operationalized most of the 14 Gas within the year. CNG will be started either from the available gas in the GA or from outside. But we are hopeful of commencing each and every GA within a year.

Moderator: Thank you. Participants, if you have a question, you may enter star and one. We have the next question from the line of Harsh Maroo from Emkay Global. Please go ahead.

Harsh Maroo: So my first question would be on the performance of the JV. So we see that the earnings of about INR 20 crores have come in. So there seems to be a turnaround here. So if you could give some key drivers of this performance? Then next question would be that Kirit Parikh Committee, there was a flash on CNBC today. So that said that the price cut of approximately $2 per MMbt something that is getting evaluated. So assuming such a cut comes, what would be our strategy in terms of passing on the benefit to the consumers? And the third question is on the capex. So if you could elaborate a little on the FY '23 capex targets? And do we see any kind of change in our targets considering macro challenges in terms of LNG pricing. So these would be my three questions.

Suresh Manglani: So let me first answer your Kirit Parikh Committee response, and then I'll hand over to Parag, our CFO, to give you perspective on the JV performance and other questions. I already responded on Kirit Parikh that there is a constructive engagement of all the members. The deliberations are happening. So it would be difficult for us as a responsible entity to comment on a media news where they are stated $2 or whatever. I have not seen it, but I take it what you are seeing. I think my request would be to all our investors and participants and in general to all that we should wait for the recommendations to be submitted to the government and government once approved, I think then we will see the fine print and then accordingly, you have seen us very responsively. We come back very quickly whatever benefits could be passed through to the consumer.

We saw, as we stated in our previous response when the government of Gujarat reduced the VAT, the same way. I think it came quite late in evening, but on the same evening, midnight, we responded and we reduced 100% benefit was possible. So my request would be that we wait until this whole process is finalized and government announces the whatever new recommendations are announced. And you will see us responding it with the speed which we always do that. With that, I will now hand over to Mr. Parag to respond to your other questions.

Parag. Parikh: As far as your query of IOAGPL retail is concerned, IOAGPL is on its way of continuing to build a trajectory in its volumes and now which is also resulting in terms of improved financials over a period of time. So yes, this has been one of the quarters and the half year where we have a decent share on the consolidated ad contribution, which has got added ATGL. As far as its volumes are concerned, its volumes have actually grown on a Y-o-Y basis to slightly over 40%. And even on a quarter-to-quarter basis, it has grown by 2%.

So this is one of the reasons on why we've seen the contribution being higher. Besides that, it has also taken advantage of the gas volatility in the market, and it's also traded a portion of the gas volume in the market, and that's also resulted in an additional profitability. So both these put together have resulted into better results for IOAGPL. And we do continue to expect volumes growing over a period of time as it starts building its infrastructure.

Suresh Manglani: See, I would only add what Parag has stated that, the way the strategy has been for ourselves, we have been guiding the same to our JV company, and we see IOCL completely, there is a meeting of minds. -- but we must continue to grow this backbone infrastructure. This is for generations. This upswing will keep coming temporary in between, and we will overcome those things. So I think now since they have built a very good, strong backbone infrastructure of CNG and PNG last-mile connectivity, we do expect this up ticking to continue and grow further. Your third question, if you could please repeat

Parag. Parikh: It was on the capex. So if you could elaborate on the FY '23 and '24 capex plans? And have there been any kind of change in the strategy in terms of capex infrastructure given the micro-challenges?

Management: So while we've always maintained, we are building this capex for a license, which is for generations for more than 20, 25 years. And therefore, we continue to incur our capex, build our ecosystem. Within that, as you may have heard a little earlier, for example, when we are moving on to 11th round capex, focus is to make sure that some of the CNG stations are accelerated so that we start building some volumes operationalize it, along with our capex spend.

In line with this, we continue to maintain our capex in the number of around INR 2,000 crores to INR 2,500 crores on an annual basis. So that's the number you will see as an overall capex being spent being incurred to spend on a year-on-year basis. So this INR 15,000 crores the number that we mentioned that we are likely to incur over the next seven to eight years. We see the first two, three years picking up a little higher, and then it will start stabilizing over a period of time.

Suresh Manglani: So on your one observation, whether there is going to be a change in our capex loan because of the current challenging period, the answer would be no. as we stated, that both the promoters are fully aligned that ATGL should continue to build a strong backbone infrastructure. So that capex follow plan shall continue because we see a very positive side of a CGD story that there is going to be a very good volume growth in the future. We are a catalyst for climate change, your catalyst for government vision to grow from 6.5% to 15%. So we see a very positive perspective on the CGD growth.

Moderator: Thank you. Participants, if you have a question you may press star and one. We have the next question from the line of Yogesh Patil from Centrum. Please go ahead.

Yogesh Patil: Again. Could you please share a breakup between the PNG domestic and the PNG industrial volumes for the second quarter FY '23, it would be really helpful.

Management: Any other question, Yogesh?

Yogesh Patil: On the same line, as of now, the broken prices are much, much lower than the PNG industrial prices. So have you seen any switching of PNG industry consumers to propane? Yes.

Suresh Manglani: Let Parag respond to it, I'll come back to you in propane as well.

Parag. Parikh: So I think in terms of the segment breakout, CNG constitutes for the quarter 2 of close to around 60%, while balance 40% is within the PNG segment. As always, industrial segment within the PNG dominates at almost 75% whilst close to 18% to 19% is on the domestic side. Commercial is the residual of about 5%, 6%. As far as growth is concerned, like I was mentioning a little while back, overall volumes have grown. CNG experiences have been good.

On the PNG side, whilst domestic and commercial have grown in a quarter-to-quarter from a year-on-year comparison basis, Industrial, we have been calibrating given the price volatility. We ourselves have been continuing to curtail as far as supply to some of the end industrial consumers are concerned. So that's where you would see a small dip as far as industrial volumes are concerned.

Suresh Manglani: On the switching over from natural gas to propane -- we have not seen a very significant -- because our customers are very small, as you said, a small scale and medium scale industries. They do see a very stabilized prices, and we have been stating that we have been calibrating the prices. So everybody is looking forward the moderation of the prices, which we are now seeing in LNG the trend started. Our overall portfolio also is helping us to continue to build the prices, which they could continue for quality products. So we have not seen very significant switch from natural gas to propane, which we could report to you.

Yogesh Patil: Okay. Can I ask one more question regarding the PNG industrial prices. So could you please share current PNG industrial prices? If possible,

Management: Yes, We'll share with you, but I think it again differ on a GA by GA basis

Suresh Manglani: Therefore without tax rates, so many things are there. It's approximately around INR 65 a cubic meter on an average if we see.

Yogesh Patil: Okay, sir. And the last question from my side. In the longer term, do you think the propane is a kind of a risk to PNG industrial based on the current price differential. And most of the industries which are already switched or installing propane receiving infrastructure at their gate. So in the future, whenever there would be any opportunity, industries will switch to whatever cheaper fuel, whether it will be an PNG industrial and propane.

So don't you think any industry which has installed propane receiving infrastructure at their gate -- so in future, that could be a kind of threat or risk to the PNG industrial they can consume the propane also and so they can consume the PNG industry also

Management: We have understood your question. I think Rahul will respond to you.

Management: Thank you so much. See, we have seen that our customers, the alternate fuel, there are very few customers whose alternate fuel is propane. They are actually using either furnace oil or LSHs. And we are lucky that our customers are very sticky customers in the sense that they have been using natural gas for a long time and they understand the benefits of an uninterrupted supply -- continued supply of natural gas.

So we have seen that at adverse times also which has happened during 2022. We have seen they are very comfortable to pay a premium of somewhere between 10% to 20% on an energy on a natural gas equal and energy equivalent premium, they are happy to pay -- and even on a temporary basis, when we see that the premium goes up to, say, about 40% et cetera, they understand that this is a cycle and while we do have conversations with them and we communicate with them and we continue to engage with them to give them the comfort that there is a cycle they do wait for the cycle to turn around and for the linkage of natural gas to turn comfortable once again. So we are not really worried. We have sticky customers, and we know that they have a preference for natural gas, even at times when there is a certain premium vis-a-vis alternates fuels.

Management: So the investors are more worried from the side, if the gap price differentials between the group and the PNG Industrial continues for the longer period. then the propane receiving infrastructure cost can be recovered within a year or less than a two-year period of time. So the industries, those who are right now consuming an industry can definitely think about this if the price differential continues for a longer period. So that kind of a trade -- so that is what my question is.

Suresh Manglani: I think please understand. It is not so simplified that people will just have one year or two-year payback. It depends upon the size, what they are producing. what is the whole supply chain on the reliability of propane. And we have to also keep in mind that while natural gas prices are volatile. It is not a guarantee that propane will remain the same price.

So I think as Rahul was saying, rightly that consumers look at it, that how engaged we have remained with them, we have been continuously working with them and whatever benefit we could pass through in various other contractual way. As a private entity, we have been working with the consumer. So as we are experiencing and you are seeing from our volumes, that we are giving it to you.

The volume has grown. So I think consumers are using PNG. They have confidence in us that very soon as the opportunity arises, we would go back to them with a better pricing. And as we stated that we are working extensively on developing a very good portfolio so that this volatility also is taken care of to the large extent in the future as well. So I think we are seeing Rahul's statement is correct because he's dealing on a day-to-day basis. There is a stickiness of our customers on natural gas supply.

Moderator: Thank you. We have the next question from the line of Harshraj. Please go ahead.

Harshraj: Sir, one question I had in terms of the segments. So if you could just share what would be the maintenance capex for our four core GAs, the existing GAs has contributed about 80% of the volumes. And will it remain same or expected to go up?

Management: So I think – Harsh Raj, the large part of our incurrence is in terms of building the network. So in terms of newer pipeline network, CNG stations. So that's where really the significant portion of capex is being spent. As far as the maintenance capex for the existing geographies is concerned, primarily, it is the last mile connectivity in terms of adding newer connections. So you should not expect any large capex coming from the existing geographies.

Yes, we continue to see increasing growth as far as volumes are concerned, even from some of these mature geographies and as a thumb rule today, we'll end up spending about 15% to 20% as far as the existing geographies are concerned, which I'm referring to the older ones, while the newer one will contribute almost 75% 80%. And this ratio will only skew further and further towards the newer geographies with passing time.

Harshraj: So I had another question on the sourcing part. We have mentioned in our presentation that we are sourcing volume from IGX. So we are also a member of IGX with holding 5% stake. So is there any commitment on the volume in terms of sourcing and if you could also share what kind of volume we source from Total during the quarter?

Management: So firstly on your question on IGX, absolutely not. No commitment because you are there as a 5% shareholder. Both are very distinct relationships. ATGL remains very very active in terms of seeing any volume opportunities even on the IGX market and that's how we have sourced.

As far as this quarter went by, we buy from Total, we did purchase in bits and parts, but there were several opportunities to buy domestic gas, to buy ceiling gas from the market, and we prefer to take those opportunities and to put, you know, since they were at a ceiling gas price around $9.92 and then $12.46. So we prefer to purchase those very optimally priced gas and include them into our portfolio rather than purchasing the RLNG at JKM prices etc.

Harshraj: Okay, so I have the last question. Just wanted your view now that major states where the gas is consumed in terms of the CNG segment have reduced their VAT below 5%. So do you expect the gas would come under GST very soon?

Management: You see, you heard Honorable Prime Minister saying that gas should be under GST. Many states have been saying that gas should be under GST. GST, because this is the matter which is in the domain of the GST Council, where the matter has to be debated. We expect, and a lot of work is going on. We expect that sooner or sooner this agenda will be taken up on the natural gas side, which is a suitable candidate on the petroleum product to look at the GST. Of course, all petroleum products could be looked at, but naturally the natural gas is one of the candidates which is more suitable for GST in the immediate basis. So we do expect that this matter would come up in GST Council, as the India government of India itself has stated their own position.

Let's hope. We are all looking forward to natural gas, not because only for us, but also for our industrial consumer in particular, because when they buy gas from us, we charge them and they don't get the credit. So there is a double whammy for them. When they buy alternate fuel, they get credit, they buy natural gas, they don't get credit, and natural gas is the fuel which is getting promoted by your government. So we hope this kind of anomalies will be addressed and natural gas will come to GST very soon.

Harshraj: Thank you. Any closing remarks you would want to share with us?

Management: No, I think it's been a pleasure addressing so many questions coming from the participants. I hope we responded all the questions to their satisfaction, but if there is any question in your mind or your participant's mind, please do collect their questions. We'll be very happy to respond to them even via emails or any other media. We are very keen that our investors are fully informed and they remain completely updated on all the developments which we are doing plus on oil and gas side. So please do collect any further questions on their side. We would be and our team would be very happy, Priyansh is our IR head, he is looking after, so you can get in touch with him. He will make sure that questions are addressed on a priority basis. Thank you.

Harshraj: Thank you all the participants in the call.

Moderator: Thank you members of the management and Mr. Harsh Raj. Ladies and gentlemen, on behalf of Anand Rathi, Share and Stock Brokers, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.