"Adani Total Gas Limited
Q3 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call hosted of Adani Total Gas Limited hosted by Monarch Networth 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vinit Gala from Monarch Networth Capital. Thank you and over to you, Sir!

Vinit Gala: Thank you Rutuja. Good morning everyone. On behalf of Monarch Networth Securities, I welcome you all to the Q3 and 9 months FY2022 earnings call of Adani Total Gas Limited. To discuss the company's performance, the new deal wins and the outlook we have the senior management team of the company on this call. It is my privilege to welcome Mr. Suresh Manglani, CEO, Mr. Parag Parikh, CFO and Mr. Priyansh Shah, IR of the company. Without much delay, I would like to pass on the floor to the management for their opening remarks subsequent to which we can have the Q&A. Thank you and over to you, Sir!

Suresh Manglani: Thank you, Vinit and good morning all friends. We appreciate you all joining this call. Let me have the outset extend hearty welcome to all our investors, analyst and fund houses friends for taking out their time and participating in today's call on Q3 FY2022 results at Adani Total Gas. I wish all our friends on this call and their family is healthy and safe lives. As we have been stating that at ATGL, we are adhering to the highest safety standards as a precondition to work and this shall be our key imperative to build safe and reliable network across India and all new geographical areas which we have won and a strong safety culture is being built in within ATGL.

First, let me apprise on the important developments happened recently. As you are aware that the PNGRB, the regulator has conducted 11th round of CGD bidding on December 15, 2021 for 65 new geographical areas. Out of this 65 geographical areas ATGL participated in 50 geographical and with a success rate of 28% We have won 14 geographical areas and just to inform, these 14 geographic areas shall translate into 56 new districts. Along with our JV partner IOAGPL, now ATGL will spread CGD network in 124 districts in India. These 14 GA are spread across 12 states, 56 districts and we will cover over 6 crore population.

The company plans to invest around 12000 Crores over 8 to 10 years period in these geographical areas. ATGL has emerged as India's largest CGD player with this win of 14

GA with its footprint in 124 districts. This is fully aligned with the vision of both of promoter Adani Group and TotalEnergies to continue to enhance our participation in nation building and contribute in realizing government's vision to enhance share of natural gas in energy basket to 15% by 2030. This is the moment of celebration of hard work put in by the team at ATGL. Our board of directors met yesterday to review and approve the quarterly results and the result for the period of 9 months.

The physical progress side, let me apprise you all on the infrastructure front during these 9 months of FY2022, I am sure you will keep a context of a third wave in your mind when we give you the numbers of infrastructure. Despite this pandemic coming in, we have added 70 CNG stations in the period of a 9 months and 43 station in the last quarter alone and with these addition of CNG station we have now reached to 287 station as on December 31, 2021. Another important aspect, which we should appraise you that we are also working and focusing because our vision is to provide better customer experience to bring better brand of Adani and TotalEnergies.

We are improving and focusing continuously with the systemic plan to improve the quality of the formats, so out of 287, 49 stations are full operated as CODO and DODO stations and we would like to see many more added in the next few months. ATGL also has connected now with the 9 month , 531000 homes with around 53000 homes connected during these 9 months. Similarly, we had seen a strong growth in industrial and commercial connections, which now stands at 5453, this is a very strong portfolio business for consumer as on December 2021.487Industrial and Commercialconsumers were added in these 9 months 189 in the last quarter itself. On the steel pipeline front which is what we call it a backbone infrastructure, ATGL has now completed 4285 inch kilometer of steel pipeline only in the new geographical area. Soon we will be announcing you around 1000 kilometer completion of the steel kilometer currently it is at 942 kilometer. On the operational front, this quarter we have witnessed significant increase in the RLNG prices and APM gas price increase. Also there was a lower allocation of APM gas location, which resulted into high gas prices. There was also increase in the domestic gas ceiling during this quarter.

I am delighted that despite these challenges ATGL because it is a consumer brand of Adani and the TotalEnergies we had kept the consumer interest higher than the interest of all our stakeholders because consumer must win that is the philosophy in ATGL. Keeping that philosophy in mind we have calibrated the price pass through and still resulted into the good results of the quarter.

Let me brief you all about the financial performance of the company for the 9 months period FY2022. For the first 9 months of FY2022 overall volume stood at 507 million metric standard cubic meter up by 45% year-on-year. Our CNG volume were at 260 up by 71% and PNG volume at 248 up by 26% year-on-year basis. Revenue from operations for the 9 months period was 2141 Crores, an increase of 83% year-on-year basis. EBITDA for 9 months was 673 Crores up by 28% year-on-year. Profit before tax for 9 months period was 429 Crores up by 31% year-on-year basis.

Let me brief you all about the financial performance of the company for the quarter Q3 FY2022. For the quarter ended December overall volume stood at 192 million metric standard cubic meter up by 25% on year-on-year. Our CNG volume was 101 million up by 47% and PNG volume were 91 million up by 7% on year-on-year basis.

Revenue from operations was Rs.932 Crores increase of 78% year-on-year basis. EBITDA for quarter FY2022 was 211 Crores, slight decrease of 5% on year-on-year basis considering the significant increase in RLNG and APM price. Profit before tax for Q3 FY2022 was Rs.177 Crores again a slight decrease of 9% on year-on-year basis and PAT was 132 Crores for this quarter, decrease of 9% on year-on-year basis. ATGL continues to have focused approach on sustainability front. During this quarter, ATGL launched Greenmosphere, which is the low carbon society initiative on December 24, 2021.

This is part of our ESG program, which aims to create a low carbon society through community collaboration. ATGL under this program shall undertake intensive plantation, education and awareness on LCS in schools and colleges and also carry out energy audit on all our assets and continued other initiative like solarization of assets, decarbonization of all our fleets and water resource management. I am confident that with continued support from all stakeholders and motivated team at Adani Total Gas the journey ahead is going to be much more exciting and successful. We would like to acknowledge the role played by our shareholders consumer dealers, suppliers, business partners, investors community and the stake holders who are associated with Adani Total Gas, we are thankful for their trust and continued support. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pinakin from JP Morgan. Please go ahead.

Pinakin: Thank you very much. Sir, I have two questions, my first question is, at this point of time, if you have to pass on fully the increase in cost of your gas and your prevailing purchase price, what kind of price increases that you would have to do?

Suresh Manglani: Pinakin, good morning. You want to ask both questions, or you want to ask one after another?

Pinakin: Sure, Sir and my second question is that given the visibility that you as a company have overyour CGD expansion, can you give us a sense that over the next 3 years, how much will your gas consumption or your gas throughput will increase by that point of time looking at your implementation of your capital expenditure plans?

Suresh Manglani: Again good morning once again and very good questions both and very relevant, the first question is more pertinent you asked that in case we pass through 100% price rise, what would be the price to the end consumers, now you are aware that we have 4 different segments, which we cater. We have a domestic segment, we have a CNG segment, we have a commercial segment and industrial segments, if you see policies that we can always pass through, but that price would not work because at the end of the day we need to also keep in mind customer interest and customer affordability. Second it could also in a longer run would be a challenge for us because the consumers will start looking at the sudden rise in the prices and start moving away from PNG and CNG, so what we have done if you see my opening remarks also what we did keeping in mind that we are a very strong consumer brand of a very large Conglomerate, Adani Group in India as well as the France global, Total Energies , oil and gas major, we decided to calibrate, we decided to balance the interest, but the philosophy is that the consumer should definitely gain and we should continue to get consumers and as well as grow. So while we looked at it what price could go, but that price will go completely out of range for some of our consumer segments, so we have decided to maintain the balance in the prices, so that would be perhaps we can always compute offline and tell you what would be the price, but I think if you look at the prices what we have given you will also find there is a balancing of approach let us say for example if you see in the industry at what price is spot available versus what our price is there you will find a significant lower price than what is spot price. Just to give you an update that we do not buy alone RLNG, we have 60% APM which comes to us and if any shortfall in APM and then we buy domestically produced gas, so there is a very good portfolio, so keeping all that portfolio also in mind, we have been balancing the prices. The second question was how do we see, where do we see the 3 years growth in the volume. So as we have been maintaining that we have been giving a double digit growth and we hope to maintain the double digit growth and you will see continuous increase in the volume more so now because we are adding newer and newer geographies, so you will definitely see a similar kind of a trend which we have set to continue in the future as well, hope I answered you Pinakin.

Pinakin: Yes, Sir. Just to clarify you mentioned that your portfolio of RLNG come from multiple sources now the APM gas pricing formula suggest that from April there could be a very sharp increase in APM price . At this point of time do you think that as a consumer, your end consumers can accept that price hike if the government allows the pricing formula to work then you as a company will not be able to pass it fully on to the consumer or will it be passed on fully to the consumer or you think that the pricing formula should be kept in a vain?

Suresh Manglani: See, you have seen our ability to overcome the challenge which is unprecedented rise of the RLNG gas. There was a price rise in APM even from October. There was a price rise even the domestically produced gas really has gone up, but we had been able to keep the interest of our consumer and balance the price rise, we are aware that from April 1, 2022, price rise is escalating, it could happen, we would await what government takes a decision, but we could confirm to you that we will still maintain our philosophy of consumer win and we will see how do we calibrate and what all we should do on the reduction of opex, how do you enhance the volume days so there are several factors which could play instead of only just simply passing the price hike, we will surely balance the approach that there is a such a significant increase how do we balance some increase in the consumer side, but I think we are working on several different ways to see how do we still maintain the balance and still deliver the good results as we delivered now EBITDA of Rs.211 Crores in this quarter so this is the responsibility which we have been given as a management and I think we will take a view how do we calibrate that approach.

Pinakin: Sir, last followup from my side, as a company, how do you see India’s gas consumption behave if we have a continuous surge in oil prices, there are some market participants talking about an oil super cycle, increasing to $150 barrel oil, that will have a cascading impact on gas prices that have been years of their investment, do you see India's gas consumers in India holding up in those high prices or do you think that there will be periods of quarters or years of low demand or negative demand if prices remain where they are?

Suresh Manglani: You see, we are seeing the resilience of India, we saw if you call super cycle, I do not know whether I am not a metal price expert or community price expert, but we have seen significant increase in the price of a commodity across the board, but we have not seen the reduction in the consumptions because India is growing, India is transforming, our belief is that while government of India is vigilant on what should come to Indian market and how did you calibrate that and our view is that growth will continue, we will be the good participant in that growth and we will be able to see that while the prices could continue to rise or get moderated down, the up and down volatility will be there in the price rise, our view is that growth will continue, the consumptions will not go down, it will continue to grow and we will be able to calibrate the market very effectively in the future as well.

Pinakin: Thank you very much for your detailed answer.

Moderator: Thank you. The next question is from the line of Amit Rustagi from UBS. Please go ahead.

Amit Rustagi: Thanks and Sir, congratulations for posting a good set of numbers despite as you mentioned a tough time in margin. Sir, I have one question pertaining to the policy from the government, so now we see that some of the companies including yours with the new GAs and new growth opportunities are growing much faster than the 10% growth rate, which government is providing for domestic gas, so they provide like, 10% growth, so do you think that in the current environment there is a negative implications for the companies, which are growing faster or you think that the policies would accommodate a faster growth as well in the coming period?

Suresh Manglani: See, the gas to homes and CNG across India has the highest priority from government of India, which you can see from the 11th round with 65 GA which covered the entire India, now government is aware about the policy and also government is aware what actions it is taking. Our view is that government will deliberate and come out with in a policy framework which is now currently that how do we deliver that framework and gas is delivered for domestic and CNG because the gas being given towards for homes and CNG it is actually serving much larger purpose and interest. So I think government is seeing that there is the implication of a shortfall of APM gas, it is affecting the prices to the end consumers of course we have calibrated, but not every company will calibrate, they will just pass through and the government is very conscious that end consumer price has to remain affordable so that the share of natural gas in the basket actually should not get dampned, it has to go up so our view is that government will definitely take a view and it is aware that APM gas has to be provided to the company, we are fully engaged with the government and policy makers. We are seeing positive approach, it is taking some time, but we feel that sooner the steps will be taken by the government to provide us the APM gas for CNG and PNG on what is our requirement.

Amit Rustagi: That is good to hear that point, second point is that we are seeing simultaneously the company's future aggregate of that like GAIL or pushing this throught to the government that domestic gas or APM gas may not be sufficient for all the companies in India and particularly when the growth is returning to CNG and PNG segments, so they are looking to push for a blended LNG in the total APM mix for the company so do you prefer GAIL blending it at their end or you are seeing that companies can do it more efficiently at their end and just government should give domestic gas and we can do rest of the blending on our own and where do you see that policy also would government prefer blending at the sector level or we think that blending at the company level will be more preferred?

Suresh Manglani: So, one actually I am very happy that the way you are informed and the way you are keeping the update in the market, suffice would be to say that these are the proposals, which are being discussed within the government and we have seen the government and the policy makers they have always adopted a consultation process, I am sure these all proposals will come to CGD the industry as well for a discussion, we would have to ultimately see what is the long-term interest, our request to the government of India would definitely be that continue to have an APM policy to be prevailed as a 100% supply and we are sure that government has to find a way to balance even that interest and they will see what finally has to be done with respect to whether there is a blending is going to be a long-term solution and how much blending effects should passed to the companies, so as I said in my previous answer, at the we need to pass on into the end consumers, so government is aware that if we put in any add on to the APM price that could eventually pass through the end consumer because we are also in a way intermediately we buy and sell through our infrastructure development so our view is that there would be an excellent positive consultation with the government what is the GAIL proposal, what will be our proposal and certainly we will arrive at a proposal, which India wins actually because now there is no looking back after 11th round India is getting develop on CGD framework so we have to see how really we now ensure that the infrastructure is pushed and everyone will gets the pipe gas and CNG access is provided to all the citizens, that is the larger interest I think that the pricing, APM part, I think the government will definitely calibrate accordingly in our view, so I think it is difficult for us to currently respond on how the government will move.

Amit Rustagi: But you are seeing some positive results from the engagement with the policy makers?

Suresh Manglani: Yes, definitely.

Amit Rustagi: Sir, my third question relates to your capex program now, so we have like very encouraging program and we have got another 12000 Crores of investments lined up, so when do you think that the 11th round capex would start to get incurred actually so we typically see 18 months to 24 months period by the time you get approvals, but do you think that it would be expedited or it will be like gradually done, what will be the timeframe?

Suresh Manglani: So, Amit, firstly I think we are today running an ongoing capex programme for our 15 geographies that were awarded in the 9th and 10th round so with those 15 geographies and the additional 14 geographies, we do embark on a large capex program, the newer geographies are estimated to be in the range of about 10000 -12000 Crores over the next 8 years. Now as far as the newer geographies are concerned I am going back to our own experience of the 9th and the 10th round, initial time is largely taken in terms of ensuring that you have your city gate stations being built in, the necessary permits approvals that are required for sort of put out and it is then really infrastructure acceleration is being done on the ground, so you should see the first 12 months building up as far as ourselves are concerned in terms of laying out the infrastructure, so from a pure capex offtake it will gradually pick up and we should see more action over the year 2 to year 3, year 1 is more about preparatory work as far as the newer geographies are concerned. License approvals this is the common area all the CGD do land up facing in different areas, different regions. The good part for us is some of these geographies are well interconnected to each other so we will see some synergies at least as far as we are concerned on the ground whilst of course all the necessary permissions approvals will have to be sought, so it will gradually ramp up as far as first year is concerned, but you will see a lot more acceleration is coming down from year 2.

Amit Rustagi: Got it. Thank you for your answers.

Moderator: Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Good morning, Sir, I have a few questions, the first one is relating to this APM allocation and you have mentioned that 23% of your priority sector volume is coming through from non-APM sources that is LNG, now just wanted to know among the new areas which you have operationalized, are you getting any APM for the CNG requirement of those areas or those areas are completely running on LNG right now?

Suresh Manglani: So actually again a very good question, this 23% you should see in the context of, there is a process of nomination, scheduling, past previous volume recognition and the company like ours, which has given 25% volume growth on year-on-year basis has witnessed a shortfall, but again when the new nomination base comes, our base will be higher, so we need to see how future spell out, yes, we are getting APM gas for the new GAs across in fact government is providing APM gas even where the pipelines are not there in fact

Tirrupur and all, there also we are getting APM gas, so government policy is very congested, very positive and we are getting APM gas across the board.

Sabri Hazarika: Okay thanks and secondly with respect to your consolidated accounts, so you have started consolidating smart meters technology due to which the numbers are negative, right 4 Crores of negative short of profit from JV, is that right with the smart meter JV investment?

Suresh Manglani: No, so whilst because smart meters have got consolidated, it is a very, very small entity at this juncture and therefore you know in fact it is a very, very negligible number in positive number of a few lakhs, which is actually getting consolidated, the bigger number that you have actually seen out here is our joint venture with IOC, IOGPL where we have similar like 19 licenses out there and that is the number that you see which is getting consolidated, IOAGPL is again on its own trajectory path, it is continuing to ramp up its volume. Today, we are seeing an average volume is about a little over 0.5 million as far as IOAGPL is concerned on a standalone basis and with the increase of gas cost that you have seen over the last quarter it has its own impacts, if you see over the half-year, there was slightly impact on the profitability side, which has on a cumulative 9 months due to the third quarter as its impacts, but we see that JV continuing to grow and we will have the benefits also of that 19 licences in times to come.

Sabri Hazarika: And one last bookkeeping question, can you give us the volume breakup within CNG that is commercial, industrial and domestic?

Suresh Manglani: See, in terms of overall volume for the third quarter CNG has been a little over 50% at about 53% while PNG comprising of all the 3 segmentals about 47%, bulk of this is industrial which is about 80%, the balance comprises between domestic and commercial.

Sabri Hazarika: And one last thing how much gas are we getting from RIL, which is price based?

Suresh Manglani: So, we have tie-up with RIL across different tranches and put across all of that it covers almost one-third requirement as far as our RLMG is concerned, so one-third of our gas is actually coming from RIL and our local tie-ups and two-third are further being imported as well.

Sabri Hazarika: One-third of?

Suresh Manglani: One-third of the gas which is being supplied to industrial and commercial is around 40% gas which we source is 40% to 45% of gas one-third we are buying from RILBP with 3 bid rounds which we secure some gas.

Sabri Hazarika: Fair enough, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Thank you for the call today. A couple of questions if I can, the first one was, can you just give us some comments around how the consumers especially on the industrial side responding to this entire higher prices of gas what you are seeing on the ground, if you can just give us an idea on that and second one was more in terms of your plans around alternative fuels you did talk about it in the last call as well, anything around hydrogen, electrification, etc., that you are planning and how you are thinking about it would be helpful?

Suresh Manglani: Mayank, good morning to you and good that you are keeping track of our calls, right, so coming back to the how our industrial consumers are responding, if you and me are also consumers only in somewhere other we are you using utilities, so that way any price rise certainly will have a kind of approach that can it be avoided. In fact when we take a view on a price rise it is more painful to us that even to our consumers, we try ensuring that we calibrate as much as possible, but yes, in the last quarter, in the last few months we have seen unprecedented rise in LNG and we had to pass through certain rise to our consumers because ultimately we need to make sure that there is a sustainable balance in our approach. We did saw consumer requesting us that whether we could take back this prices or we can low it down, but the good part is we have been sending them the customer engagement communication showing them how the international market is moving versus how much only we are passing through to you and we in fact saw a good appreciation for some of the customers saying that how are you managing actually, so I think initial reaction will be negative, but we are able to engage with the customer the negative reaction could be converted into much more sympathetic and positive for us and that is what our business development team and marketing teams are doing, they are continuously calling industrial customers, they are calling in fact the commercial customers, we are approaching our home consumers, this is a kind of an unprecedented price rise, which is coming we are passing through some portion of it and we are seeing appreciation of it, but you will find some customers would always feel it should be reduced or it should be made what was the original price, so that is the response on gas price.

Parag Parikh: If I would add in on this, it is a fine balance that if you see over the past two to two-and-a-half year that we will be doing between pricing versus volume, so if you go back to our number about 18 to 20 months we are actually on the same kind of margin that we are currently , we have been hovering around Rs.10 to Rs.11 per SCM and today also we continue to remain there and we had this pandemic where the trade off happened where global prices to some extent went down, it enabled us to continue to earn those margin and in fact slightly more whilst volume had some impact during that period, today again as everything have opened up whilst gas prices have gone up and the same time it is enabling us to continue to push volume increase, so that is the balance that we are playing between volume increase vis a vis margins.

Suresh Manglani: So, on the second question Mayank and if you have any supplementary question the first question please do not hesitate to ask, we request all our participants to go back with every possible clarification. So, for the second question what you have asked Mayank is about our alternate fuel strategy, and you are absolutely right, I had stated last time and I am going to reiterate again this time, our view is that India being a developing country which is moving to developed nation, will continue to see for a quite some more time with mixed technology paradigm as far as the transport fuel is concerned, we will have MS continue to be sold, we will have a diesel continue to be sold, of course slowly phasing out as the climate change vision gets implemented, but CNG will be a dominant fuel as a flavor of the season and we are also seeing EV ecosystem getting momentum and developed, the good part in EV we are seeing a very holistic approach from central government and the state governments authorities, everyone is working in the synergy so that is pushing ecosystem going upward. We will also see a couple of years down the line hydrogen also will take big momentum in the shape and on the sidelines we are seeing bio CNG, bio diesel and e vehicles coming up so overall there will be a varieties of the fuel for a transport basket and our vision has been that we would like to make sure that we see adjacent business opportunities, so you will be very happy to note that on bio side we had signed an agreement with one of the largest the participant in the Mathura they have around 55000 to 60000 cows at one shelter, so we are going to be setting up around 300 to 350 metric tonne bio plant there and we are looking for more opportunities on bio side, so we will be selling and supplying bio CNG in the future. On the side EV side, as I said we do not see this as a threat, we see this as an opportunity and we are currently evaluating, complete value chain of EV as well as the ecosystem development which is taking place, technology which is taking place, so we are keeping watch on it and we are examining this as a positive opportunity. I think that in the times to come, you will keep hearing from us more and more about alternate fuel along with very high focus on our core business which is the CGD business, I hope Mayank this clarifies to you.

Mayank Maheshwari: Absolutely, Sir. I think just a follow up on the first point, if you can just give us a bit of an idea in terms of how much new industrial customers where you were able to add and existing customers has been, are they all running and take a pay or they move the volumes up or lower, can you just give us some sense around how is that demand dynamics kind of developing over the last quarter?

Suresh Manglani: I think you will be very happy to note that despite the pandemic and despite this price rise, which took place and to some extent we passed through, we have been able to connect and register, 189 new consumers, which is a good numbers in this quarter alone, so October to December around 190 more consumers got added that gives idea that our prices are getting accepted in the market, people are still willing to buy the gas at the price which we give and we are seeing the interest to buy, yes, what we have seen Mayank is that the people who wanted to grow further on expansion or increase more volume they are perhaps giving a little pause and they are not coming forward on this price, which has been increased so much, so they are maintaining their current balance barring one or two here and there which they are asking little more gas and some people have reduced some gas, because they are perhaps not becoming competitive as vis-à-vis alternative, so that is the way a portfolio will function, but on the portfolio basis I think we are continuously seeing the growth on the industry side also and the commercial both.

Mayank Maheshwari: Perfect, Sir. Thank you for this detailed answer.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon, Sir. Two questions, are there a base still available for domestic gas and are we looking to participate that is the first, second is what is your capex estimate for FY2023 and FY2024 and FY2025, you can give us some sense, third is in your opinion, how much hydrogen can be blended in existing infrastructure, those are the three questions?

Suresh Manglani: Mohit, good afternoon to you and thank you for participating. All three questions are very important, the first questions was domestic gas bids available, even now there are several fields are getting developed so that some of the bids keeps coming, we are expecting some more bids are going to be coming on domestic side because more gas exploration is going to be coming to the ground in the next few months, so I think to ensure that there are no time lags, I think the explorers will come to the market for a bidding whether we will participate, we had participated in all earlier bids where we found it was making good sense for us to participate and that will be our approach that domestic gas bidding which is coming, we will have to see the terms, we need to see the pricing, indices formula, the tenure, the whole process and if it is coming out aligned with our strategy and thinking we will participate because we need to make sure that our future growth volumes continue to remain in a good portfolio, so that is what is the part, I will take the third question and I will pass on a second question to our CFO, Parag. About your question on hydrogen, there is a lot of R&D going on, on hydrogen in India as well as overseas and various countries, some of the countries are actually currently even doing some pilots, some experimenting on blending of the hydrogen what we see and what our discussion with several of our overseas colleagues that currently they are actually experimenting 10% to 15% blending in the same pipeline, which they are using for the gas, I am sure R&D and the further technological discussions and technological development will allow more and more hydrogen to be blended, they will perhaps blend more currently they are seeing how the hydrogen mix in blending is sustaining and reacting in the pipeline, our view is I think the hydrogen will be blended in the pipeline in more and more proportion, but we should little bit more wait till is R&D outcomes or the technological development outcomes actually comes to our knowledge, but our infrastructure is also similar, we will be able to blend the hydrogen whenever hydrogen comes in and we are also working on to how to see, how to be future proof the infrastructure when the hydrogen comes, how do we take the benefit of the hydrogen in the same infrastructure my response is making your expectation, I will hand over to Parag, otherwise you can ask supplemental followup questions also on this both question.

Mohit Kumar: No, thank you.

Parag Parikh: So, on the capex program for us we were intending to do close to about 800 Crores to 1000 Crores as far as our existing geographies are concerned, so over the years you would have seen about 3000 Crores of capex considering the fact that now we got 14 new geography areas that will further add on to the capex program, like I said the first year we do not see a very large program coming in and it will start accelerating over the second year and this should push us to somewhere in the range of about 2000 Crores each year from the second year onwards.

Mohit Kumar: If I ask one more question, are you looking to procure anything from the gas exchanges in near future, do you think the gas sourcing will increase going forward could it be 5%, 10% over the next few years?

Suresh Manglani: Mohit, we have actually already carried out certain transactions and we actually have a 5% investment on IGX, when IGX approach us we were the first to take stake in IGX since IGL have come into the ground we have been doing in fact I think we did last week also transaction on the IGX so we keep seeing the opportunities in IGX as I said we are calibrating our approach on price passed through, we need to see from wherever we get a better price and better term gas, we keep buying it from domestic market, from international RLNG which is coming or from IGX, so our approach is that we continue to look for the possibilities of buying of better prices from any other source, so we are looking at opportunity of buying at IGX also.

Mohit Kumar: Is IGX is getting better with the price discovery in your opinion?

Suresh Manglani: That is correct, Mohit, I think as more people come onto the exchange on the floor it will only help in terms of improved price discovery overtime.

Mohit Kumar: Understood, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Shreya Jain from Global Capital. Please go ahead.

Shreya Jain: Thank you for the opportunity and congratulations on the bids win Sir, what I wanted to understand is the bid we have won the gas line penetration is not that great, so how do we going to tackle all the same?

Suresh Manglani: Shreya, first of all thank you for your congratulations. Yes, we have won 14 geographies and if you see, Shreya, actually there were 65 bids, we bidded for 50, we won 14 and each of the 14 bids, there was a competition so it means there were more participant than us to source these bids geographically and we have done our studies before bidding and we feel our view is that we will be able to develop a very good market, there is a good market on CNG side, we have seen this in India in several times that when the gas arrives in the market there is a huge development of industrial sector, there is a development of CNG sector, so in our view it takes some gestation time, but like we have developed several other areas, which are now we are developing we are seeing the traction of the demand going up, we will see similar growth trajectory in all the GA’s which we have participated and we have won it and we feel that all the GA's which we have won have a synergy with our business philosophy and as Parag was explaining earlier some of the GA's are like we have got in contiguity. In Maharashtra we got 4 GA, Assam we got 3 GA, Chhattisgarh we got 3 GA, it is like on a belt and we will be able to also develop them into a good scale and optimize opex as well, so those benefit also will be coming to us actually.

Shreya Jain: Sir, on the sourcing side, what is the mix in short, medium term and long-term and giving the answer to my team, do we tend to go for more long-term per se?

Suresh Manglani: Actually for a CGD company, which is working with the end consumer our job is to see how best we remain relevant in the market for the end consumers because end consumers is always seeing what is the price of an alternate fuel, so as I have been saying in every call our approach has been that we should develop a good portfolio gas, we should have some scope to buy like from IGX sources or from the spot market, we should have APM gas we already have, we should have a domestically produced gas through some bidding or some other sources and you should also have some RLNG for some tenures, which could be one year, which could be a little longer than one year, and also within that we should also have different indices based purchases so I think as the management team and we have a good experts on gas souring hedging, we continuously ensure that our procurement is a good develop for portfolio and it also has a natural mitigation of a risk by adopting the various indices which we buy or tenure which we buy and I think similar approach will continue in the future, if you get an overall some proportion of volume we could always buy little longer period than what we are buying now, but not binding us for entire volume.

Shreya Jain: It is helpful, Sir, if I can just squeeze in one more question, what is the CNG station addition and what will be the contribution from the new areas?

Suresh Manglani: So, I was explaining on the call earlier that we have developed 70 CNG stations in this nine 9 months period 60 are going to the new geographical area and the existing geographies, which Ahmedabad, Gujarat, we have been working for last 15 years, we have significantly or virtually completed, but as cities are expanding, the area are expanding and population is increasing we are also seeing where do we fill the gaps and how do we cater to the newer market in the existing geographical area, so in existing geographical area we will continue to see an incremental developmental infrastructure, but in the newer geographical area you will see a fresh or the major push on the project execution and this number which you are seeing , 10 and 60, similar or rather more focus on newer GA will continue to be there.

Shreya Jain: Sir, in the next 2 to 3 year you are expecting more additions to be to the newer geographical areas that we have planned?

Suresh Manglani: Of course yes, and that is amended, we have taken the mandate to service newer geographical brings the benefit of natural gas to all homes in newer geographical area, setup CNG in every nook and corner like we have done in Ahmedabad, Faridabad or

Khurja , same is the approach and mandated for us to the management to setups stations so you will see significant development happening in the new geographical area,.

Shreya Jain: And on the new geographical areas, how do we see the acquisition working, what could its return ratio be, and how do we select these areas, and keep our return ratios in the same range?

Parag Parikh Shreya, a lot of ground assessment is being done in assessing what is the potential volume that can come from each of these geographical areas, so I would say that is the prime area on which we see which geographies to select, which geographies to bid, of course there are other factors also that go into assessing any newer geographical area ease of permissions, construction, implementation, pipeline connectivity, etc., but prime is to see the potential that each of these regions can provide over a period of time and whilst from a bidding perspective primarily the criteria is laid down in terms of the kind of steel pipeline network that one is implementing, CNG stations that one is implementing and the amount of number of domestic units or households that one is connecting.

Shreya Jain: Thanks for a detailed explanation and all the best.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.

Yogesh Patil: Thanks for the opportunity, Sir. I have few questions, first one as you mentioned in the presentation during the quarter APM shortfall was 23%, so what is the current level of shortfall of APM gas right now?

Suresh Manglani: I think this is again a very good question, in fact I had already answered that the volume base which we take forward becomes a base for allocation of our APM gas as a future is a 6 month cycle which we are now requesting to be done at 3 months, so because of that since we grew so much 25% on year-on-year basis, the inherent system and process was such that shortfall was to happen maybe some percentage here and there, now the time has come where the new base will be coming, so we are expecting any time the authorities will now make the new base available to us, so for awhile a similar kind of location shortfall is containing now, but we hope this will get mitigated very shortly.

Yogesh Patil: Sir, my understanding is that you are commissioning your new geographical areas where you are already getting the natural gas on time as you mentioned in earlier question, secondly your CNG growth is coming from the two side that is on the newer geographical areas and from the existing geographical area, so major shortfall should be into your exiting geographical area, is that right understanding?

Suresh Manglani: Actually it will depend upon GA to GA how it has grown, for example if you take Udaipur, Udaipur has grown very significantly because of its nature of being a tourist oriented GA, so whenever there was spell where people were allowed to travel Udaipur had a very good growth, so I think it will not be the case to simply state that shortfall is o for new GA it could be an existing GA, if there is no much growth but at the same incident GA is giving a good growth even shortfall could be there because the whole process is such that your base is taken a couple of months, so it will all depend upon how much growth comes in that GA particularly, so while you will see in our case newer GA will have little higher side of the shortfall because newer GA our CGD infrastructure is rapidly increasing which is bringing the volume and when the new base comes this higher base will be taken up and then again if you grow the similar higher phase again there could be shortfall, but now we are engaged with the government and the authorities including GAIL that there has to be some reconfiguration of the policy, we are expecting and there is a positive engagement, we are expecting that some positive development will come where this continual shortfall which all the cities are facing will be mitigated to large extent, because for government as I said the highest priority is connecting CNG across the country.

Yogesh Patil: Sir, my second question is related to your industrial and commercial gas sourcing basket so the cost of gas is increasing for Q4 FY2022 compared with the Q3 FY2022?

Suresh Manglani: Sorry, can you repeat the question, please?

Yogesh Patil: So, my question is related to your industrial and commercial gas sourcing basket, so the cost of a gas of that basket is increasing in Q4 FY2022 compared with the third quarter FY2022?

Suresh Manglani: FY2022 to Q3 FY2022, yes, quarter-on-quarter the cost of sourcing has certainly gone up and it has gone up like you know we explained a little while back, Yogesh, you have seen a surge as far as RLNG prices are concerned and that surge in RLNG prices in some form has let expensive gas on a quarter-to-quarter basis.

Yogesh Patil: So, let me again explain you my question, my question is related to your industrial and commercial gas sourcing basket which includes the domestically lines gast plus your source RLNG plus oil and gas, so my question is quite pertinent, Q3 versus Q4 FY2022 ?

Suresh Manglani: Q3?

Yogesh Patil: Versus current quarter, so I am asking you January and February month, so is that increase compared with the third quarter FY2022?

Suresh Manglani: So, immediately if you are referring for the month of January no, we have not seen any further surge as far as RLNG prices are concerned in fact multiple of forecasts are happening, we expect that to remain more or less in a similar range , so no experience of surge further in the month of January so far.

Yogesh Patil: And my last question is related to again, first of all congratulations you have won the 14 new GA's interest 11th round, so as far as regulation in the next 6 months you have to enter into the gas and purchase agreement so what is your inhouse estimates for gas tie-up mostly for the non-priority sector industrial and commercial side?

Suresh Manglani: Yogesh, the regulations have been evolving and now policy framework is in place where the new GA gets immediate signing of this GSA from GAIL as a nodal agency that requirement of mandatory tying up has been given up now there is no requirement mandatory, but having said that whether mandatory is there or not there it is in our interest that we will tie-up the gas , the LOIs has just been received on Friday, now we are working on completing the formalities of submitting documents to regulator and then getting a proper authorization letters, our teams are working on retail planning on how are we going rolling out our execution plan and that includes the time of the gas assets, so we have seen our track record before you have been actually tracking us on quarter-on-quarter basis since we are listed, you have seen us that we have been working on all fronts holistically at 360 degree, so gas tie-up will be done and we will achieve it without any loss of time.

Yogesh Patil: Thanks a lot, Sir, it was really helpful.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Suresh Manglani: Thank you very much to all the participants and Monarch and everyone who has made this call so smooth and very good. Thank you very much.

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