"Adani Total Gas Limited
Q2 FY '25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Adani Total Gas Limited Q2 FY '25 Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suresh Manglani, ED and CEO, Adani Total Gas. Thank you and over to you, sir.

Suresh Manglani: Thank you. Let me – good afternoon, everyone. Let me extend a hearty welcome to all our investors, analysts, funds for taking out their time and participating in today's call on Q2 FY '25 results of Adani Total Gas.

At the outset, on behalf of the entire team, Adani Total Gas, let me wish you all, our shareholders and consumers, a very happy and prosperous Diwali and festive season. I am pleased to share the operational and financial results of Adani Total Gas for the quarter ending September 30, 2024. During the quarter, our overall volume rose 15% when compared on year-on-year basis.

The double-digit increase, which we have delivered is on account of network expansion coupled with increase in conjunction of PNG by commercial and digital consumers due to the stabilization of the gas prices. In line with our focus of expanding infrastructure network across our geographical area, our steel pipeline infrastructure now stands at 12,516 inch-kilometer. We have been stating this, that this for us is the backbone CGD infrastructure because this helps us to reach to the large masses to cater PNG to homes, industrial and commercial and CNG to the transport consumers.

We also during this quarter added one more LCNG, LPNG plant where the pipelines are remotely available. This we did it in Lunawada, which is in the Kheda districts of Gujarat. Now with this commissioning, we now have three LCNG, LPNG plant in addition to our large number of inch-kilometer of a steel pipeline.

This is kind of a virtual infrastructure which we have developed to ensure that we do cater to the PNG and CNG consumers. Our CNG network now increased to 577 stations. Of this, as you have been always noticing, that we have been focusing on developing company-owned, dealer-operated and dealer-owned, dealer-operated formats along with our co-located formats of our marketing companies.

Out of 577, 113 are in the format of CODO and DODO. Our focus certainly remains to expand both COLO as well as the CODO-DODO format, all three formats we have increased. But if I add the CNG stations of our JV partner, Indian Oil Adani Gas Private Limited, IOGPL, we are now closer to 1,000 CNG stations in the country.

On the home PNG front, we are now supplying piped natural gas to 8.93 lakh homes, which is almost touching to the 9 lakh homes now, across various geographical areas. During this quarter, we added 34,468 roughly 350 to 400 consumers per day, new homes during this current quarter. If I add the home which has been done by our JV partner, now we are close to 1.06 million homes. On the industry and commercial consumer side, we have now reached 8,746 consumers of industry and commercial which are diversified in various sectors. If I add our JV partner's numbers, this is getting closer to 10,000 numbers now. As you all are aware that we also have two subsidiaries, one on e-mobility side business, another is the biomass business.

On EV charging network, you all will be very happy to note that now we have increased our EV charging points to 1,486, which are open to the public, 1,486. This is across 21 states, 213 cities. Just to bring to your notice that this is way beyond our geographical areas. This business is independent of the CGD geographical areas. We are not restricted to that. It is all on merit base. It could be in our GAs, it could be outside our GAs, because the EV charging stations are open for anybody to set up across the country and that is what we are taking full benefit of that ecosystem.

We are progressing well on the plan and our plan is that in the near future we want to touch 3,000 charging points soon in the future. Our focus, as all of you are aware that we are focusing to identify and set up an early stage on all strategic locations like airports, all busy highways, tourist spots, religious spots and several key places across major cities. This is what is our focus and strategy for EV side. We have commissioned. You know that we are into the CGD business.

We have now done e-mobility site, CBG site, compressed biogas site, our Barsana plant and we have supported development of Varanasi plant. Now we are entering into another adjacent business called LNG for transport and mining. So we have commissioned our first LNG station in Tiruppur which is in Tamil Nadu and as I am speaking to you, many LNG stations are at various stages of construction and commissioning.

Let me also give you a highlight of our financial numbers. Our revenue from operations stood at INR 1,315 crores in this quarter. Our EBITDA stood at INR313 crores and our profit after tax has stood at INR178 crores. Besides developing and accelerating infrastructure for our all four businesses, CGD, e-mobility, biomass and LTM I call it, LNG for transport and mining. This is the acronym which Adani group has given, ATGL the company has given to this new business, LTM, LNG for transport and mining.

Our focus also is to prepare ourselves to make sure that we take full benefit of technology, machine learning and artificial intelligence. So we call it a digital delight and you'll be very happy to know that 98%, more that 98% I would say our consumers, collection and engagement is coming through now through our home grown developed application called My Adani Gas App. This is again integrated with our home grown digital business platform. We have given the name SOUL.

This is our own name, our own platform which we got to develop. This is to move Adani Total Gas from various applications to one digital platform. And you'll be happy in the short period of time now 93% of our CNG sale is IoT connected. Internet of Things, we are managing through IoT base in the Soul platform. It's a digital platform, but IoT connected. Large number of our stations, our DRSS, PNG infrastructure is also IoT connected now in the Soul platform. During the quarter, you'll be very happy, and our CFO is with me Mr. Parag Parikh and he'll be happy to respond any queries.

We secured the largest global financing for city gas distribution company. It's the first time for a CGD company in India by raising USD 375 million from marquee lenders. And during the course of this call, Parag will give you more detail about this. We plan to utilize this fund to accelerate our network infrastructure development program which is what has been committed by us to all our consumers that we'll reach on a faster basis to provide them the benefit of PNG and CNG across the country.

We have now 34 geographical area, which includes the Jalandhar recently acquired geographical area. As you would be aware that effective 16th of October, there is a development of reduction in the APM gas allocation which we receive for CNG, for transport sector and PNG for home. We call it a PNG-D and CNG-P. This is a 16% less allocation we have started receiving from 16th of October. While we are very closely engaged and monitoring this development.

Our approach would be that since we have a good diversified gas sourcing portfolio which has been a part of our strategy for a very long time that we have been continuously developing our sourcing portfolio, being an intermediary and CGD company catering to the large masses. So we will ensure to remain as a responsible and prudent utility of Adani Group and Total Energy and we'll make sure that we calibrate the price in a manner that balances the interests of a large centuries.

In closing, I would like to say that we remain fully committed to playing a leading role in India's energy transition journey by providing affordable and reliable low-carbon energy for homes, transportation, industrial and commercial users and I would like to acknowledge and be thankful to all of our shareholders, analysts, fund houses, consumers, dealers, media, suppliers, business partners and all our employees for providing trust and continuous support. So in summary, I just wanted to bring to your notice that Adani Total Gas now is into the main CGD business and three adjacent businesses.

It supplies CNG to transport sector. It supplies pipe natural gas to homes, commercial and industrial consumers. It is serving the EV charging for EV vehicles of various types, whether two-wheeler or four-wheeler or three-wheeler. Then CBG which is non-fossil fuel being supplied in some parts of our country. We also sell organic fertilizer which is being produced by our CBG plant. The retail brand we have given “Harit Amrit” is our brand, which we have registered now and we will soon start the retailing of the organic fertilizer as well from our CBG plant.

And we do LNG for transport which is basically to cater long haul trucks, buses and also we believe that we will be able to do re-visualization at the mining spots which are the mining which they use a lot of diesel. If we are able to cater to the LNG through mobile units, that will also bring a significant contribution in the climate change. Thank you very much for listening to me patiently.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press star and one on a touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press star and one. First question is from Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Thanks for taking my question. Sir, my question is related to recent development of APM allocation, which has been cut below 50% to the CNG segment. And it was expected that the CNG price hike in the range of INR3 to INR5 per kg, but still no price hike. And historically, we have seen the prompt price hike or price cut if there is any move on the APM side. So, a whole industry has not taken any price hike. That's one thing. Any particular reason? That's one question.

One more question related to the policy shift. So, is there any change in APM gas allocation priority to the sectors? And in the long run, over the period of 5 to 7 years, how much APM gas allocation do you expect for the CNG? This is the first question.

Suresh Manglani: Yogeshji, first of all, I think I must thank you that you have been generally, I would say, the first participant raising question. Very pertinent, following the sector extremely well. And that benefits a lot of other participants who then drop questions from their side because you cover most of their anxieties and questions. So, thank you very much.

Yes, as I said in my opening remarks as well, that there is a reduction of 16% for us. For many, it could be different, for every company. A reduction in the CNG. On the home PNG side, government is continuously supporting up to 105% allocation. For home PNGs, you take care of a quarter, in-between quarter growth as well so that home consumers are continuously grown as well as supplied with the pipe natural gas. On the CNG side, yes, you are right that we have not increased the price yet.

Two, three reasons. One is, as I said, we believe that there is a responsibility casted upon us to do a little more deep dive to see what we could do. Our self-improvement pushes us certainly to now see what layer of opex we could optimize, which is what as a management team we are doing, what we could absorb and what we could pass on. I think it's very important for us to remain as a responsible utility of two giant promoters to make sure that we take care of interests of end consumers and in our own interest to make sure that the growth upticking of the volume which we saw 15% vis-à-vis last quarter and this quarter also is a reasonably good growth. We would like to see this growth happening.

We don't want to see that our price rise pushes the volume or the growth coming down or the enthusiasm of OEMs like Maruti, Bajaj and many more should not come down. We are working on it. You will see the calibrated approach from our side. Some of the CGDs have already done some increase. Maybe it has not been felt, but there has been some increase in the CNG prices by some entity. We are yet to affect it. We are working on it and we would make sure that we calibrate our approach.

The good part is that, as I said, our gas sourcing team, not knowing that this will come down, but certainly they have been working to make sure that we have a balanced and good gas sourcing portfolio. I think that is also helping us to some extent, I would say. You will hear, when, I couldn't say now, but certainly we are working to calibrate the pricing. That is what I would currently be able to give you the response.

The second part you said, is there any policy shifting? From a priority perspective, you would also know, we would also know through the same notification, but today it is a first and highest priority for CNG and the PNG home. And that continues to remain. Also, it is a fact that it is a very old ONGC nominated field, which is depleting. ONGC is putting a lot of efforts to enhance the recovery through various means, including the new investment.

That is the reason government has started now new volume which is coming. They call it intervention volume or the new wells gas volume. That pricing, if you know, since you have been following, in the Kirit Parikh also it was permitted to be 20% premium. I think government is still giving priority on HCHP on the CNG and PNG home, the ceiling price. Government would give large extent priority on new wells gas also. I think we are seeing, as I said in my opening remarks, we are closely monitoring this development.

As much as we want to take the interest of a consumer, I think government is a much bigger stakeholder. They are always concerned about the last customer who is buying from us. We are very hopeful that industry's engagement with government and government concern for end consumer would certainly bring some development which should continue to help us to calibrate the pricing, make sure growth continues, interest of consumers plays a larger role than any other things. That is where I don't see any shift in the policy. While reduction is happening, maybe for these factors of depletion of fuel gas. Hope I have responded to you.

Yogesh Patil: Sir, some follow-up question on the same topic. So, as you mentioned that new well gas will be supplied to the CNG. Just wanted to understand the pricing terms of that gas because someone is saying that 20% premium to $6.5 per MMBtu and someone is saying the 20% premium to the calculated APM gas price based upon the average crude basket price for that particular month. So, and already you have started getting that gas into your overall crude basket.

So, what kind of a pricing you are paying in last 8-10 days? Just wanted to understand. So, is it a 20% premium to $6.5 per MMBtu or is it a 20% premium to the $7.48 per MMBtu?

Suresh Manglani: No, I think good part is your understanding is actually many of us ourselves actually. Your understanding and the pulse in the market actually. But yes, currently what new well gas we are purchasing through the process which GAIL is running. We are buying at 20% of the basket average price which is earlier used to be 10%. Now it is 12%. They are not applying the ceiling currently.

Ceiling is not being applied. So, 6.5 into 1.2 is not there. It is instead of a 10% is 12% and whatever price comes, the prices of the basket, crude basket is changing. That is the 12% price. So, today that is the price we are receiving.

Yogesh Patil: So, sir, in a hypothetical case, suppose because of any political reasons or any reason, the crude goes beyond $100 per barrel or $120 per barrel. In that scenario, for a certain period of one month, one and a half month, two months kind of a period, will you be able to pay like a $15, $20 per MMBtu kind of a price based upon that average crude price for that particular month? That is one question.

And secondly, what we have seen every domestic gas price is capped somewhere with the help of a different, different formula that we all of us are aware. So, is there any talk going on that there will be a cap on these new well gas pricing?

Suresh Manglani: So, Yogesh Bhai, as I told you, like we are concerned for end consumer as an entity. I think government is much bigger stakeholder which is concerned or which takes care of the end consumer on PAN India basis. For all the CGD or all marketing companies, the government has this paramount priority on the top of their mind. So, I think hypothetically we cannot look at it. But you have seen whenever the situation is arising on anything of this nature.

I think we have seen the intervention. We saw that Kirit Parikh was one of the intervention which we saw to protect the interest of end consumer. So, I think we leave it there. I think as I said, today our gas sourcing portfolio is supported to some extent. Our opex, we will see how much we are able to optimize and how much we pass on to the end consumer.

We will make sure and you have seen our track record. Even today's result is also in front of you being a listed entity. Everything of ours is in front of you. I think we are hopefully working that we calibrate in a manner that it takes care of interest of all. So, I think we should leave it there. Beyond that, it is difficult that we hypothetically make assumptions of $120.

And even if it happens, we have to presume that there will be some way that we will work out. Because end consumer is end consumer. He is the person whose stake interest has to be taken care by all.

Yogesh Patil: Sir, last question from my side. Some news flows are suggesting that the CGD entities are in a negotiation with the ministry. So, some talks are going on the excise duty part. If you could throw some lights on this?

Suresh Manglani: See, it is not because of the reduction. I think as today you have a listening government, listening regulator in the country. That's the reason you see so much reforms happening. So much amendments coming which is positive for the sectors. Not only for CGD, infrastructure growth. Why it is happening? Because government listens continuously, engages with the industry. So, this is a continuous dialogue.

Industry always keeps putting its issues which can work well for the industrial growth, business growth. So, all these which you stated and many more things are always part of a larger engagement by the industry with various stakeholders. So, it is not necessary that it has arisen because of this lesser allocation of a gain. This is another thing which has developed. But industry CGD has argued.

Again, you have seen so many things happening for us. Lot of positive things holistically. If you see upstream, midstream, downstream. Lot of positive things are also happening.

Moderator: The next question is from Sabri Hazarika from MK Global. Please go ahead.

Sabri Hazarika: So, I have a few questions. The first one is with respect to this new well intervention gas which you are getting. So, right now, the allocation is happening based on the pro-rata of the old APM or is there some sort of -- I mean how the government is deciding how much gas to give whom?

Suresh Manglani So is this the only question or you want one by one question?

Sabri Hazarika: No, no. Then second question would be overall, I mean the overall outlook over a medium term. So, somewhere down the line, I think we are all moving to a $10 sort of gas regime for the CGD sector also. So, under which scenario, I think the economics especially versus diesel for CNG would like become almost like almost become zero. So, what is your thought process over the medium to long term outlook of CNG versus diesel?

And the third one is a bookkeeping question. What would be the share of domestic PNG in the volume mix for Q2?

Suresh Manglani: I think you are testing our memory as well. No problem. So, I think I will definitely take the outlook part. But let me hand over to Rahul Bhatia who is our Head of Business Development and Gas Sourcing. He will give you a little more insight about your questions on new wells, gas. new wells, gas, the way it is being provided to us, is it APM and all? I think Rahul, why don't you comment?

Rahul Bhatia: Yes. Good afternoon. Rahul Bhatia this side. Regarding the new wells intervention gas, GAIL has been in discussions and in formal written communication with all the CGD companies right from the, maybe the third week of September. Understanding what is the requirement of the CGD entities with regard to the priority segments. And those information has been provided. And based on that requirement of CGD companies, the new wells gas has been allocated to the CGD entities with effect of 16th of October.

Have I been able to answer your question?

Sabri Hazarika: Yes. So, there is no definite formula for this. So, this is based on the overall negotiation between the two parties. So, this could keep changing. I mean, how much you will be getting for this gas, right? Because compared to, say, spot LNG, it is still cheaper. It could be like $9 right now versus the $13, $14 of spot LNG.

Rahul Bhatia: No, definitely. I wouldn't call it a negotiation. What the allocation has been done has been done for a six-month period till the 31st of March 2025. So, they've actually looked at what is the requirement. And I think they've aggregated and collated the CGD requirement versus the new wells intervention volumes which are available and may have been certified by the DGFT till March 25. And based on that, it's been allocated.

So, I wouldn't call it a negotiation, but it's an aggregation of the demand of the CGD entities, their deficit requirements, and based on that, the aggregation of the total volumes available.

Sabri Hazarika: So, 16% that you've sacrificed, you have got back entirely 16%. You've got less or more than that?

Rahul Bhatia: We've got almost that amount we've got.

Sabri Hazarika: That amount only you've got. Okay. And just to ask you this, basically, this will be like the Indian basket price for September, and that will be like multiplied by 12%, and that will be the price for October. That way it will go down.

Rahul Bhatia: That's correct.

Suresh Manglani: I think you also asked the bookkeeping questions. Rahul. Parag you are going to respond? Parag will respond.

Parag Parikh: Probably I think in terms of volume composition, two-thirds is CNG, one-third is PNG for the quarter. Within that one-third of PNG, your answer on what is domestic comprising of the PNG component, it's about 23%.

Suresh Manglani: So, let me now give you the outlook on a medium-term basis. I think, as you see, the focus of whether it is a government or whether it is a regulator is to grow CGD. You also see OEMs after OEMs focusing on CNG. In fact, as you are tracking this sector, I'm sure you're tracking also OEM producing the CNG vehicles. We understand and we have seen the numbers. CNG's vehicle sales are surpassing our petrol or diesel sales.

So, I think from our standpoint of view, it is now up to the CGD entities as well to look at its own gas sourcing mechanism, work with the government on continuously having a first priority, which we are sure government will continue to maintain. And at the earliest, as we see, the newer gas is coming. It will give more higher priority to us. So, we still see – that's the reason you are seeing we went to the ECB.

We've arranged the funds. We have our own internal accruals. I think our focus continues to remain on growing infrastructure at accelerated pace. And that gives you confidence that we see CGD. You build a CGD business for a generation. You don't build for two years, five years, ten years. And we have seen. We have today CGDs, which are operating for 30, 40 years now.

And probably they are operating. But it's up to perspective and outlook of the promoters. And from our perspective, we are looking at the business, which is part of a nation building. It is a business which is for generation. And these hiccups kind of a small allocation here and there. I think it pushes us to do now our own homework as well.

This is why we balance the interest of the consumer. And the entire industry is engaged with the government. So, we still are very optimistic and positive on the CGD growth.

Sabri Hazarika: Just last one small follow-up. So, after this whole thing, whole episode, and you have said that you will continue with your capex plans and you continue to remain bullish on the sector. So, if you could give us some margin guidance on an EBITDA per SCM basis after this allocation cut and over the next two, three years.

Parag Parikh: So, Sabri, I think if you noticed while there have been times over the last two, three years, we have seen price volatility. Maybe in terms of APM allocation to at times as far as global prices are concerned. I think our focus is to always marry the margin realization and the volume towards what we can see as a consolidated picture of EBITDA. So, there are times where we believe a lower margin per SCM is better because it helps us in building more volume.

While there are times where we believe that we may not necessarily see the immediate realization of volume, but for that matter the margin per standard cubic meter allows us to maintain our EBITDA. So, that's the calibrated approach that we are referring to that we've always maintained.

If you actually look at in terms of our current margins, our current EBITDA per SCM for this half year is closer towards INR13 and while certainly so as APM allocation has gone down, it will have its own impacts as far as EBITDA realization per SCM is concerned. We will continue to keep a calibrated approach. As we said, we have so far not done any price rise or price pass-on to the end consumer. It will remain as a combined between what we do as far as price pass-on is concerned.

At the same hand, we are moving into a winter season, one of the better seasons as far as volume uptick is concerned. So, that's the calibrated approach we'll continue to play. Longer term, if you were to look at in terms of margin realization largely CNG has been the contributor of almost close to 65% of the current volumes which effectively means faster turnaround and a larger contribution.

As we proceed, we will also see gradually industrial volumes becoming a significant contributor in the longer run which would again mean that there will be a lower margin per SCM while there will be a larger volume. So, that's how you should look at it in terms of a picture. We certainly aim to remain around the same range of margins that we try to maintain, but it will always remain an approach balance between volume versus margin.

Sabri Hazarika: Got it, sir. Thank you so much for this detailed explanation. Wish you all the best and Happy Diwali.

Moderator: Thank you. Next question is from Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Thank you, sir, for this opportunity. Continuing with a similar question with the sort of the lower allocation are probably the gas basket price for the primary sector has increased upwards of USD8 or so. And what is the differential that we like to maintain between the diesel and natural gas or in the petrol and the natural gas which will not deter demand in your view? Would you be able to share some color around it? This is the first question.

The second question was you were referring to sort of doing some homework to see where we can reduce the cost. So could you also give us some more color in terms of the areas where you think the cost savings are possible both on gas purchase cost as well as the opex side?

Suresh Manglani: Kirtan I think as I was telling Yogesh also, I think you also become part of the extended analyst family. Thank you. I think you have been taking interest in sector as well as for ATGL. Continuously keep pushing us to prepare more and more better way for your questions. I think coming to your first question the color, what should be the spread which we should leave for the customer to opt for a CNG. I think that's the responsibility on us to maintain and we are able to do it. We leave reasonably a spread. It may not be one generic number which we could give you.

Rahul could put some more light on it specifically, but I think we always see both MS as well as diesel. Sometimes we are depending upon the pricing of a state being the VAT, etc what is the VAT on the diesel versus MS. Some states are very closely knit on petrol and diesel price. Some places has a good difference. So depending upon the difference, some places we could be closer to diesel, but largely petrol I think will provide a good difference between CNG and the petrol price. We leave reasonably a spread so that customer continues to operate. It also will depend, Kirtan that it's not necessarily the larger spread.

It is a combination of a spread which we leave and the customer's usage of a vehicle. Now if it's a travel agency, even a smaller spread may give him a good saving. If I'm individual, I'm using a car for 30 kilometers, 40 kilometers and a larger spread may not give me a good saving. So it depends upon how customer behavior is there on utilization, which geography we are in. For example, the NCR, perhaps CNG is the way people are using for climate change, environmental climate, air quality point of view.

So as I said in my opening remarks, while everybody you all felt that we should have increased the prices, we still are holding on to make sure that we calibrate in a manner which you all feel that yes, we have conducted ourselves more responsibly and prudently. Same would be being responsible and prudent by leaving some saving on the table for people to continue to buy CNG vehicle, convert their old vehicle to CNG.

And we also do these studies of customer behaviors, the area we are operating, travel agencies, how many like Udaipur, for example, is full of travel agencies. We work with them. We see that there is a conversion. So I think we understand this market. We have been a very old operator in this market. And we have been growing. Our track record suggests that our CNG growth is happening. Even some places we are left with a lesser spread. And we may not see that high growth even if there is a spread a little bit higher in some places. It all depends upon the customers which we are targeting in audience.

The second part was your part. Of course, I will certainly give so that you get a much better answer from the person who is actually dealing day in and day out for this part. I gave you a bit more of a generic response. I know, but you will get a better response from Rahul. On the color on the opex again, I think we all always believe that there is a scope for improvement on every head of opex. We always believe that what we are doing good work on gas serving, there is still a scope for doing better work.

I think that's the philosophy or that's the management vision that is carrying forward. We could have said there is nothing on opex. But we believe once we start laying more deeper hands, there would be because we have grown significantly in all the geographical areas. So now we have started working. Anyway, we would be working on continuously on improving the opex, but this has pushed it more. We will be doing more deep dive.

And we are hopeful that we will be able to balance on our saving, gas sourcing, doing a much better way as well as our operational excellence. Digitalization, which you saw it actually saves the cost. Digitalization certainly helps us to do a lot of opex saving and operations and maintenance part and many other. We have billing, collection, recovery. These are the costs for the utility, but we optimize it.

Today, just maybe taking a little longer, there is not even a single paper bill across the 1.9 million consumers. Whether CNG station, commercial, industrial or homes everybody gets a WhatsApp bill. That's the saving. You don't print the bill, send it by post. We don't do that. And 98% paying digitally saves the cost. So I think this is what we keep working.

So in my view, I think every component of opex whether it's logistics, operations, maintenance, any other head, I think it is important for us to make sure that we continually improve and bring excellence for the customer for whom we are working day and night. Continuously we are working for our customers to come and widen our base. I think Rahul and Parag may add something. Rahul, would you like to do something?

Rahul Bhatia: I'd just like to add a couple of data points which might give a little bit of comfort. So to actually mention upon the spark spread and the benefit, for example, if you look at Ahmedabad which is one of our main areas, there the current CNG price provides us opex benefit, a daily opex benefit of 40% versus petrol which is a very significant amount. And just to also share with you because we've been over the last 15 minutes, 20 minutes talking about the increased cost because of APM reduction, even a INR3 increase in price, INR3 per kg increase in price of CNG will actually reduce the benefit from 40% to about 37%, which is still continuing to be extremely attractive for CNG users.

So these are some data points which I want to leave with you. Second thing I wanted to mention is that we were looking at the number of CNG vehicles which have been registered in India, in Gujarat which is one of our main areas, in some of our newer areas, for example, Rajasthan, where we are there in Udaipur and Bhilwara. So to give you a flavor, the increase in the invitee, in these 6 months of FY25 in Gujarat, for example, have been 21% higher than what they were in FY24.

So while every month in Gujarat, in the last financial year the number of CNG vehicles which were registered were roughly around 16,000, there are about 19,700 per month in Gujarat alone as an average for these guys. So, pretty much you can see that customers are expecting and are continuing to find CNG as very attractive as they move forward.

Parag Parikh: And to add to your question on opex, I think a number of initiatives are being done and the digitalization, moving towards specific tools, is enabling us to continue to improve our opex, preventive, predictive maintenance. At the same time, therefore, enabling us to reduce in terms of O&M, transport, logistics, etc. If you actually go by our current numbers, we are at actually about INR6 per SCM in terms of our opex, which if you see in the first half of this year, we've actually brought it down from INR6. So those are the sorts of improvements that we're doing as far as opex per SCM is concerned. Thank you. I hope we have been able to respond to you.

Kirtan Mehta: Thank you, sir, for such detailed color and answer. One or two more follow ups. Basically, in terms of Gas Sourcing, would your preference for the oil link contract will increase, looking sort of that oil market is poised for sort of a, probably a price reduction from here over the sort of the typical current preference for the…

Suresh Manglani: Kirtan, can you repeat your question, please? Your audio is not that clear, Kirtan.

Kirtan Mehta: I was asking whether with this change or lower APM allocation, would our preference towards oil link contract will increase when we go for gas sourcing or LNG sourcing?

Suresh Manglani: Okay. So I think, I don't think this one factor will decide which side we move. I think, again, as you said, this is a complex issue for any gas city gas station company, which is intermediatory, how to remain relevant in the market all the time for end consumers. I think we may do what we want to do it, but our responsibility is to remain relevant. If I do oil link only, tomorrow something happens to oil, will I be relevant for the market or I'll expose my balance sheet?

So I think this is a bit of a complex issue, whether allocation was prior one or now, our responsibility is to examine all indexes, all tenures, also see domestic production, several ceiling prices, gas, and come out with a mix in such a manner that, as we have been doing, as I said, you all have to see the track record that we keep presenting you all, that our gas sourcing cost is always there in the system. We want to remain relevant. So it's not necessary this factor will drive us to suddenly move to the oil linkage.

We'll continue to have our focus to see which linkages, which cocktails of linkages, which tenure of linkages, will continue to maintain us as the company which provides customer more affordable PNG and CNG.

Kirtan Mehta: And one more question was you referred to about the usage of the vehicle. Would you be able to divide vehicles into two classes where the proportion of the vehicles which are actually in the 40, 50 kilometer range per day usage versus the higher usage?

Suresh Manglani: Rahul, do you want to respond? This is more specific for you.

Rahul Bhatia: Could you just repeat the question, please?

Kirtan Mehta: I was asking in terms of the out of our total CNG vehicle pool, how many vehicles would be sort of in the lower usage class of 30, 40 kilometer per day?

Rahul Bhatia: Yes, we've got actually a mix of GAs. There are certain GAs where there are, customers which are captive customers and they move within the city, which is something around 40 kilometers per day. And then we have got our newer GAs where volumes are now increasing and where there is a lot of transit and floating traffic.

So if you look at today, maybe we've got about 60%, 65%, 70% of the total volume may be captive. But as we are moving forward, we are finding that the floating traffic is actually increasing very significantly. Have I been able to answer your question?

Kirtan Mehta: Yes, sir. Thanks for discussing.

Moderator: Thank you. The next question is from Somaiya V from Avendus Spark. Please go ahead.

Somaiya V: So my question is on Gas Sourcing. Could you just help us on the CNG? Your volumes are around 1.8 last quarter. So what was the sourcing mix there, APM and other sources of gas?

Suresh Manglani: So I think either Rahul can answer. I think he's saying what's the mix of gas. Rahul, why don't you give him on APM, non-APM, something to say. Okay. I couldn't understand because your audio is not that clear.

Rahul Bhatia: Sorry, you're asking for the breakup of our gas portfolio, right?

Suresh Manglani: APM to non-APM.

Rahul Bhatia: Yes, within the CNG basket, just looking for the sourcing mix.

Suresh Manglani: Within the CNG basket.

Somaiya V: Is it CNG or PNG you said?

Rahul Bhatia: CNG, CNG.

Suresh Manglani: CNG basket, APM and non-APM which you purchased. How much is your getting APM and rest is non-APM. That's what I think you must be saying. How much you produced domestic, how much LNG?

Rahul Bhatia: Okay. So, we have hardly any LNG. The proportion that we bought is, 50% of our overall volumes that we bought are about APM, about 48%. Let me give you an overall perspective first. Out of the overall about 48% is APM and now it's sort of very recently gone down by a few percent. And we've got HPHT gas, which is to the tune of almost about 30%. The balance is about is RLNG. So in the overall, we've got about 75% to 80% is going to be domestic gas.

Somaiya V: On the RLNG part, so this is, I mean, if you can further break this up into Brent or Henry Hub or Spot, so what would be the next there?

Rahul Bhatia: Okay. So we've got a majority of that 20% of RLNG, about 80% of that would be Henry Hub linked. Very stable contracts, which are Henry Hub contracts, and about, 5% would be Brent linked.

Somaiya V: So now, based on the current, after this current production, so the entire shortfall has been replaced with the new well intervention gas. The entire 15%, 16% shortfall in APM has been replaced with a new well intervention.

Rahul Bhatia: That's correct.

Somaiya V: So also going forward, do we see this 30% HPHT that we are getting currently? In the overall HPHT, could there be a decline in terms of what is available at a country level and would that impact the 30% mix or how do we see HPHT continuing for us?

Rahul Bhatia: We actually see HPHT going up, the availability going up for us specifically, and there are two reasons for that. Number one, there are a lot of contracts which other entities have signed up with the RIL BP combined, and they were for 4 to 5 years. Those contracts are actually coming to an end in January 25.

So those molecules will actually come up for auction in January 25 and will be available. And secondly, ONGC is also going to market its HPHT gas come January or February 25. So therefore, we are very closely tracking that and hope to be able to contract and take on board more HPHT than we have right now as per our requirement.

Somaiya V: Understood Sir. So, in terms of maybe the APM allocation may continue to go down possibly, the rate at which it was going down earlier, if this continues, what would be our approach for any shortfall? So it will be more of HPHT, that's how we will look at it, or we will increase also slightly our RLNG sourcing?

Rahul Bhatia: Okay, so you would be aware that after about two years, from 26, 27 onwards, the liquefaction capacities globally are increasing by about 40%. And at that point of time, very attractively priced molecules of LNG are going to be available globally. So therefore, as we see today, the cheapest gas is APM, then new one intervention, and then HPHT.

Depending on the decline of APM, we would try to replace it first of all by new one intervention and then by HPHT. And then as we move forward, we are very hopeful that the LNG that would be available for 27 onwards would also be very competitive and could be very near HPHT type levels. And therefore, we are closely scanning the market and looking at what sort of contracts we could possibly get into at that point of time. It would be very competitive and near to our domestic portfolio as we see.

Somaiya V: Understood, sir. Quite helpful. Thank you.

Suresh Manglani: Thank you, Somaji.

Moderator: Thank you. The next question is from Pranita Shetty from Morgan Stanley. Please go ahead.

Mayank: Hi, sir. Mayank here from Morgan Stanley. Just a bit more long-term questions are here considering I think the gas allocation is one part of the story that you talked about. But in terms of now capital allocation and considering you're building all these new GAs, how are you thinking about a shift in capital allocation under the new gas regime, which I suppose happened in 2022 itself? But is there a shift in your capital allocation perspective in ramping up GAs as well as how you're thinking about kind of growing the volumes and returns?

Parag Parikh: Sure, Mayank. So, I think while we are seeing this APM reduction on 16th October, and I think as you may have heard, A, we are hopeful of seeing what happens next as far as the lower allocation is concerned. B, how do we ensure the calibration on price pass on to the consumers?

As far as our newer geographies are concerned, a lot of capex is yet to be incurred. And our recent sort of financing actually enables us to look at capex over the next 24 months. So I think from a pure capital allocation perspective at this juncture, we would continue to do so as being planned for the newer geographies of the 11th round more so and continuing where we are at the 9th and the 10th round.

So no change as far as the CGD capital allocation is concerned. I think what you will only see along with the CGD allocation is an allocation towards some of the newer businesses that are becoming. So whether it is on the LNG for transport, EV, bio, so you'll gradually start seeing some capital allocation also there as an add-on.

So purely from a CGD perspective what we'll do, from an ATGL basket perspective, you will see some portion of that also getting allocated in its own independence to these three new businesses.

Mayank: And sir, I was just thinking from just not the CNG perspective, but from the industrial side as well. How are you kind of thinking about like getting on the industrial side in terms of what you said around 2026, '27 on LNG prices that you are thinking? How are you thinking in terms of ramp-up there? Could it be faster, slower, or are you saying that will be pretty much what you had planned for in the last few years?

Management: Yes, Rahul, why don't you do this one?

Parag Parikh: I'll just add it and then Rahul will add it. So I think as far as, Mayank, as far as capex is concerned, the Bayes Infra Network will continue to be set up. So I think to that extent, it does not change as far as the base Infra Network of capex is concerned. As far as ramp-up is concerned, and I think to that question on, how we are seeing the CNI side of the network, I think this will continue to build over a period of time. Certainly so, as you heard from Rahul, that post-2027, we are expecting global prices to be more attractive, and in a manner that could balance out today otherwise, what is being procured as HPHT contracts for some of the CNI segments.

Rahul, would you like to add?

Rahul Bhatia: So as we feel that the volume that would be available to us moving forward in terms of the global liquefaction capacities being increased, based on that, the volume that would be available to us to contract would be very attractive for the CNI customers. And therefore, we feel confident that, we will be able to garner a lot of CNI customers in our newer GAs as we move forward.

Parag Parikh: I think one thing that will happen, Mayank, from a longer-term perspective, today when you look at CNI as a basket from a pure CGD standpoint of view, all said and done, these are relatively shorter contracts. Over increasingly with time, we see a scenario possibly emerging where on one hand, you have longer-term contracts, as far as RLNG is concerned, as well as, you know, efforts similarly are being made to tie into the CNI customers on a slightly longer term.

Mayank: Okay, that's clear. Thank you.

Moderator: Thank you. Next question is from Harsh Maru from Emkay Global. Please go ahead.

Harsh Maru: Yes, thank you. So, sir, my question pertains to the EV station. So, right now, we have one station and two more in the pipeline. So, could you throw some light on the unit economics and the kind of volume traction that you are seeing at this station currently?

Suresh Manglani: So, Harsh, you referred EV station or LCNG plant, because that is where -- or LNG station, you said. LNG is one, and we are building up more. Which one you stated, Harsh?

Harsh Maru: LNG.

Suresh Manglani: LNG, sorry. I thought EV. So, we have -- see, what you have seen is that we try to be a bit of an early mover on the opportunities which we think are emerging, whether it was a CBG, EV, and now LTM, which I call it, LNG for transport and mining. We see, as we have seen in the other parts of the world, and government commitment on climate change is that now they are looking forward how do we reduce or minimize the utilization of a diesel for transport. Now, longer-term, the vision is for hydrogen, of course. But what we see is that one of the immediate solutions for this is the LNG for the heavy trucks or the long-haul trucks and buses.

So, we are seeing traction in policy formulation. We are seeing, kind of demand hitting now. There is a traction. A couple of things. We are also seeing Indian carbon market is also getting developed, plus the European Union coming restrictions, which are coming on the border adjustment tax, which is coming up from 26 onwards.

That is also pushing pressure on because European regulations are end-to-end emission, whereas Indian carbon market today is talking about only the plant-based emissions. It's not gone on to the end-to-end, but eventually that will happen. So, these developments and combined assessment by us is that the LNG for transport and mining could be another big opportunity for us to seize.

And in that process, we have set up the first station. We believe this will deliver a good outcome, whether it is the physical side or the financial side. Today, it's too early for us to look at. It's just coming to the first station to look at unit profitability, but how the policy formulation takes place, we would certainly see that then it will start providing whether Indian carbon market makes more mandatory, whether European market comes, or how Rahul, and Gas sourcing team at Gas facility will procure the LNG part.

How do we de-risk ourselves when we want to give customer maybe HSD-linked prices or HSD-referenced prices. So, we are still developing these entire modules from our side, but we want to just showcase that there is this opportunity for us and we want to set up some of the few stations initially to bring the customers to our side. Large corporates, large transporters, and we are seeing interest around it. All depends upon what kind of a pricing traction they want to see, stability of pricing they want to see.

So, we are working on it. We are providing those kinds of solutions to the transporters or the corporates who are using heavy trucks and vehicles. So, it's a bit of an early, but from our assessment, it appears to be a good emerging opportunity.

Harsh Maru: Thank you so much.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Management: Thank you, all the participants for attending the conference call. In case of any further questions, queries, please do write to us. Thank you very much. Have a happy Diwali. Thank you to the entire management on ATGL. Thank you, everyone.

Moderator: Thank you very much. On behalf of Adani Total Gas Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.