



# “Adani Total Gas Q1 FY-25 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Adani Total Gas Limited Q1 FY25 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 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. Suresh Manglani – ED and CEO. Thank you and over to you sir.

**Suresh Manglani:** Thank you. Good afternoon, everyone. Let me extend a very hearty welcome to all our investors, analysts, funds for taking out their time and participating in today's call on Q1 FY25 results of Adani Total gas.

First let me give you the infrastructure highlights on all our businesses:

During the quarter ATGL have built 12 additional CNG stations and network has increased now to 559 stations. Out of these 559 CNG stations, we have now increased our presence on DODO, CODO, Company Owned Dealer Operated and Dealer Owned Dealer Operated to 110 CNG stations. Our steel pipeline which is our backbone infrastructure has now increased to 12,244 Inch Km. This is the measurement way we do it quarter-on-quarter. This will enable us to provide the entire ecosystem of PNG-CNG in all our geographical area. This is the backbone infrastructure.

On the home PNG side; ATGL have further added 38,165 new homes on PNG during the period April to June ‘24 and now we are serving over 8.58 lakh homes on the PNG. Similarly for industrial and commercial consumers which are the businesses we connect on PNG supply; we added 211 new industrial and commercial consumers to PNG and the total tally has now increased to 8,542 consumers. This covers diversified industries and different format of commercial consumers. With these our pan India footprint along with our JV, joint venture Company which is Indian Oil Adani Gas Private Limited, in CNG station has now reached to 927 stations and together on the home PNG side, we have now crossed a million domestic homes milestone serving to over 10.2 lakh homes along with an IOAGPL and 9,446, basically 8,542 standalone and 9,446 industrial and commercial consumers along with the JV.

Let me give you update on our other businesses which we are developing simultaneously along with the CNG business. The first business is e-mobility. You are all aware that we have formed a special SPV, 100% subsidiary of ATGL. As on the 30<sup>th</sup> June, total 1,212 EV charging points have been set up across 15 states and this quarter, April to June we had set up 606 additional new charging points which are part of 1,212. While I am speaking to you, at this point of time (+740) EV charging points are under various stage of construction and we hope to see them going live in the coming weeks. Once we add this 1212 plus 740+ charging stations which are

under construction and many more under acquisitions, our EV network will spread across 23 states and 217 cities in India.

The next business for which again we have formed a special SPV, 100% subsidiary of ATGL is the Biomass business. You are all aware that, as we have announced last time also that we have commissioned a Phase 1 of our largest biomass plant situated in Barsana which is near Mathura. The base feedstock for that is the co-located cow shelter, 60,000 cows are there. So, the base feedstock is cow dung. And I am happy to inform you all that the commissioning work has completed and now we are adding new diversified feedstock, paddy straw as well as press mud and we will keep looking forward some more diversified feedstock which we could add so that we bring more and more methane contents coming. Also, CBG production will go up as well as this will also help us to increase the organic fertilizer production from the Barsana plant.

Another business which is being developed as a part of ATGL is the LNG for transport and mining. The business objective is to provide LNG in the liquid form as a fuel for long haul vehicles like buses and trucks as well as also explore the opportunity for decarbonizing the mines in India providing LNG for various equipments and transport and mining. We are very happy that very soon we would have our first LNG station commissioned in Tamil Nadu a district called Tirupur where we have a CGD license. So, we are commissioning the first LNG station and soon we will be seeing more and more LNG stations coming up. Our target is to commission 10 LNG station in this financial year and ATGL will help in developing the ecosystem along with other players, so that LNG for transport of long-haul vehicles gets the traction in the country as a part of energy transition journey of India.

Now let me share with you the operational and financial numbers what ATGL has achieved during first quarter. During the first quarter, our volume increased by 17% on year-on-year basis. Our CNG volume has increased by 20% to 153 MMSCM in Q1 FY25 as compared to last year Q1 FY24 and our PNG volume has grown by 10% to 77 MMSCM. This PNG growth is largely due to recovery in PNG industry segment and new consumers addition on homes and commercial side.

On the financial front for the quarter first, April to June FY25 following is the highlight. Revenue from operation stood at 1,237 crores which is up by 9% year-on-year basis. With the increase in the volume as well as efficient gas sourcing portfolio has helped us to achieve an EBITDA of 308 crores which is 21% higher as compared to the Q1 FY24. Profit before tax and profit after tax have increased to 237 crores is the profit before tax and 177 crores profit after tax is about June 30<sup>th</sup>, 2024. Now the PBT has increased by 19% and the PAT has increased by 20% as compared to the Quarter 1 of FY24. Another good news which I wanted to share with you all is that during this quarter Adani Total Gas credit rating also got upgraded from ICRA, (AA-) to ICRA (AA stable). This will help ATGL to leverage its upgraded credit rating as well as healthy balance sheet to fund its CAPEX requirement based on the drawn capital management plan.

Lastly, I would like to acknowledge and be thankful to all our stakeholders, analysts, fund houses, consumers, dealers, our media friends, suppliers, partners and all our employees, the team ATGL for doing lot of hard work commit with all the commitments and for all the stakeholders for providing trust and continued support.

Thank you. Over to you.

**Moderator:** Thank you very much. We will now begin the question answer session. The first question is from the line of Kirtan Mehta from BOB Capital Markets.

**Kirtan Mehta:** I had a couple of questions, first one on the margin that we earned during the quarter. So, we see that the gross spread has marginally declined this quarter by Rs. 1 per SCM or so and primarily because of I think the increase in the gas purchase cost. Wanted to understand the underlying dynamics in terms of how was the available for the priority sector, the APM gas availability and were we able to capitalize on the lowest spot LNG opportunity during the year?

**Suresh Manglani:** Any other question Kirtan?

**Kirtan Mehta:** The second question was about, you referred to the target plan for the LNG, first LNG station and the target of 10 LNG station. I also want to understand in terms of what is the annual throughput that's potential to be achieved at the LNG plant, what kind of economics we are seeing relative to the CNG station? Some color on that.

**Suresh Manglani:** So, anything else you have in your mind or should I respond to you?

**Kirtan Mehta:** Your new business area is something interesting where I think we do not fully understand the revenue or the profit generating ability. So, color on Biomass as well as EV points if at all you can throw light on them as well that would be really great.

**Suresh Manglani:** I think you are the regular participant in our calls, and we really appreciate your regular tracking of not only our results, but I am sure you are keeping track of other oil and gas participants including CGD's. So, if you have any observation on that also we will be very happy to listen offline or online with you also. I will certainly start with your LNG as well as new business and then I will pass on the call to our Gas Sourcing and Business Development Head Rahul to give you response to on the gas sourcing and the dynamics. So, let me just give you a very briefly about LNG part. You know now this is chicken and egg. We need to understand that who takes the lead, should we see first consumers get the LNG vehicles and we start working on infrastructure development or we take a lead as the company which has a full faith that this is going to be a new source of fuel coming in the country. And we have seen the energy transition report which has been made public by the Energy Transition Committee which has clearly laid out the roadmap, of course is yet to be finally notified. Maybe same form or modified form but it gives a direction to us and we also see what's happening globally. So, our view is that while EV could also be alternate source future hydrogen will be the source for the HSD long haul vehicles. But our view is that for the next many years actually and immediately the LNG is the

most suitable available fuel provided we bring certain advocacies in place as well as certain economics in place. So, while we are working on that front not only we but almost all the stakeholders are working on that front. We believe that we must show our demonstration of our commitment in terms of setting up few LNG station which is 10 is not a very large number as the plan is much larger for us. To allow this momentum to pick up people to have a confidence in LNG, fuel for transport vehicles, we see almost 450 or around 500 vehicles LNG now working moving in the country. And we see all the OEMs Tata Motor, Ashok Leyland, Greenline and other taking interest in manufacturing the LNG new trucks. So, our view is that while we could always see the margins etc., our view is this is a new fuel which is coming up in this country. Not only we but all the stakeholders should come forward and develop this ecosystem. India needs it. You saw the budget talking about energy transition roadmap and we believe this would be perhaps one of the components along with other energy transition components. So, our current view is that we should participate in this ecosystem development. There is a good case of economics, today people are looking paying the HSD as their fuel. Our view is that if you do a good strategy on this long-term LNG or the normal LNG which we procure as well as there is the government support comes forward on in terms of a taxation, in terms of some support on gas allocation for a small volume, to give the boost to the initial momentum of the LNG usage for the fuel. I think this will develop a very long-term point of view. This will be going to be a good fuel, and this will provide us a big opportunity as an early mover. So, my sense would be that we should look at from that strategic direction perspective today. We have just started rolling out and we are also thinking that not only will do the CODO which we are doing today in Tirupur, but we are also seeing interest from people coming forward for a DODO stations as well. So, we will be doing mix of this too. And we are also contacting large number of corporates and transporters and we see very good interest from them. There are certain ask in terms of economics, pricing etc. which we as well as other stakeholders are working. So, we are hopeful that this traction will come in the next few quarters.

I will also give you some color on the new businesses. The LNG for transport also is a new business which I gave you some color. First let me take Biomass. I think you are seeing how India is speaking about biofuel, or the world is speaking. Our view is that this is a big opportunity for the country. This is almost a necessity that sustainable fuels have to be explored and CBG is a sustainable fuel. Actually, it helps us to also dispose of the waste which otherwise becoming a pain whether it is a municipal solid waste or agri waste. So, in our view there is a big opportunity if we are able to do the things right, if we are able to bring the technology right which we believe we would be able to do being the JV of two very large conglomerates. All the resources are to our command, financials are to our command. I think we do a good job there. So, we started with Barsana. We supported one CSR plant in Varanasi which is functioning quite well. Barsana soon we would be able to see a full streamlining happening and then we are going for many more FIDs. So, in our view CBG holds a very good potential in terms of volume as well as on the profitability part. You have seen CBG blending has been made mandatory now 1% to 5%. You have seen a lot of government policies which financial assistance are coming up in terms of connecting CBG plant with the pipeline with (+900) crores assistance coming for first hundred plant. We have seen PM, this marketing support Rs. 1,500 rupees per ton coming for organic

fertilizer. We have seen financial assistance from MNRE, from some state government. I think whole sort of a machinery is working to make it successful. Now it is our role to play to make this successful and make this a big potential for this country. We are quite keen to develop this as another business, taking the early opportunities rather than feeling a problem about CBG to the CGD. We feel this is a complementary strength of ATGL and the numbers are quite big actually. If you see government has published 15 MTPA. Actually, the actual potential government has said in its own paper 64 MTPA. And even if it becomes 5 MTPA, it is equivalent to one LNG terminal. So, I think there's a big potential for us. Country is generating huge waste, whether agri, whether industrial waste, municipal waste, huge waste. I think we need to do something on this side and we believe we will be able to do our bit on the CBG side.

On EV, you are seeing entire country talking about e-mobility, EV, whether it is two-wheeler, four-wheelers or even for heavy vehicles. So, we believe this is another opportunity. We are seeing direction coming from government, got direction coming from various authorities that state governments as well. So, we think this is an early opportunity as well as part of a nation building exercise. So, we have formed a separate SPV. We see big numbers coming up in future because we had vision of 30-30 which means 30% of a new vehicle which are being sold by 2030 should be EV. It could go one or two years here and there but maybe instead of 2030 maybe 32-33 will be able to achieve which is a good number, very large numbers of EV coming up. We are seeing model after model; low end vehicle or high-end vehicles are coming up on EV. The new business segment which is getting developed for us on the EV side is two-wheelers as well which is a very big market. Maybe mostly they will charge at home but there will be top up coming up or in the offices, garages, malls garages, I think where we are setting up. So, again, in our view you will see these are too early period for us. We have just started 1,212 charges though the number in large utilization has to grow. It is again chicken and egg. We have large number of B2B operations. So, if we do things right, I think it will again add a good potential on our revenue side as well as the bottom-line side. To my mind I think as a progressive management and the JV of these two promoters, I think it is always important for us to keep ourselves open to seize this emerging opportunity which are coming. And that's what we are walking on that direction. I don't know whether anybody wants to add anything from here in my room, Parag or Rahul or anybody. But this is otherwise our view on the new business which you asked. I will pass on to Rahul who is dealing with the Gas Sourcing and BD to give you the flavor on the Rs. 1 SCM cost as well as on the land dynamics.

**Rahul Bhatia:**

Thank you so much Rahul Bhatia this side. Yes, there has been a slight impact on our margins because there was a reduction of about 2% in the APM allocation vis-à-vis the previous quarter. But having said that you know we have a very diversified portfolio plus as you would know as per the MoPNG notification of the 13<sup>th</sup> of January 2023, the CGD also like APM has the first right on all the HPHT gas which is coming primarily out of the KG basin by the Reliance BP combined etc. So, we have a very significant amount of HPHT gas in our portfolio. To share with you, of our overall portfolio about 50% is APM, 30% is the HPHT ceiling gas and about 20% is RLNG. So, therefore, we have a very significant amount of HPHT. This also keeps coming on the market on the IGX month on month and we go and whatever volumes we need

we bid for it and we ensure that we get the very attractively priced ceiling gas. So, therefore, if there is any reduction in the APM allocation, we are able to fairly mitigate that with HPHT. Also, we are not so worried about the allocation reduction because that is something that the government keeps trying to ensure that CGD gets a very good benefit of continued APM allocation. Just to share with you, post Covid the allocation had gone down very significantly and after that the government made it possible for it to go above 90% and this happened about a year back. So, therefore, whenever there is a change in allocation then there are serious discussions with ONGC, with Oil India, with GAIL etc. to ensure that the allocation levels are then normalized and brought back. So, based on that we feel confident that the allocation is something. There are temporary blips but on the large run we feel that the allocation is good enough for us to focus on our markets and grow our markets very significantly.

**Suresh Manglani:** Thank you, Rahul. Hope this satisfies you with our response.

**Kirtan Mehta:** Biomass, if I can have a follow up. Basically, just wanted to understand, would be sort of the cost of CBG gas production would be cheaper than typically the APM gas or does it need some sort of viability funding to make it sort of useful in the sector?

**Suresh Manglani:** We always say *dil mange more*, we keep asking more. But if you see from the point of view of other perspective, we get subsidy from MNRE. Some states are giving subsidy with some cap like UP gives you cap on maybe I think 20 crores maximum. Odisha doesn't have any cap. Then we have a urea Rs. 1,500 per ton incentive coming up there and plus we need to innovate ourselves on the urea side. How do we actually develop urea as a B2B or B2C side? How big is the business we are going to develop ourselves. So, there are various aspects to this business. If you want to see the production cost versus APM, it may not directly match because it's not a CBG plant alone. It actually is a fertilizer plant. If you see we produce almost 5x to 6x of a CBG the fertilizer. Now how do you sell it, what kind of a product mix you develop it, do you develop chrome or FOM? All those are these issues which we are today dealing with and to see how do we maximize. So, while CBG cost would be definitely higher than what is APM gas. But should we see alone direct match of APM with the CBG price? Answer would be no because also we need to see the integrated approach. The byproduct which they call fertilizer in our view it is the main product because of the sheer output which comes out. So, on an integrated basis if you do things right and we get good support and going forward blending is coming which will also get a good demand. We need to also see today fossil to fossil; I think we keep hearing some institutions are bit of vary on the credit green certificate but in our view, this will qualify for a green certification. So, there will be a carbon credit coming up on the paddy straw. A good credit will come on the municipal solid waste. By the way it generates a lot of methane. So, I think how do we package it overall is going to be a good business from our perspective and from our view, not only the business but I think it's very important for us as as the same domestic company to make sure that we support this conversion of waste to the gold, waste to the wealth which we call it. So, in our perspective I think is a long-term business, sustainable business, sustainable fuel is coming. Sometime in the future you will see there will be a demand of a sustainable fuel and we would be the beneficiary of early movers. That's what I would say.

- Moderator:** The next question is from the line of Nitin Tiwari from PhillipCapital.
- Nitin Tiwari:** My question was related to your operating expenditure; I was just looking at the trend. I am talking about the quarterly trend over past few quarters. So, there is a general uptrend in operating cost per unit that we see, so any particular reasons? Would it be right to understand that as your operations spread in more and more towns, therefore given that like that we are sort of front ending the infra therefore our operating cost at the moment is going up on a per unit basis and how should we look at this number going forward? That is one. And secondly continuing on the gas sourcing front, while you indicated that 50% is APM and 30% is HPHT. Of the 20% that we are sourcing as RLNG, can we have some understanding in terms of how much of that would be spot and how much would be coming from term contracts? Those are my two questions.
- Suresh Manglani:** Thank you, Nitin. I will ask Parag, who is the CFO to give you an OPEX and then Rahul on the gas sourcing part, who is the BD Head?
- Parag Parikh:** Thank you. Thank you, Nitin. I think as far as the OPEX question is concerned if you actually go from a trend perspective, you are at annualized OPEX of about Rs. 6.04 paisa per SCM for last year. The first year is slightly short at about Rs. 5.90 paisa. Actually, if you see the quarter results, there has been slight there has been a minor improvement as far as OPEX is concerned. Having said that when you look at from a trend perspective, our continued growing CAPEX is coming in newer geographies. And as we build the ecosystem in the newer geographies, we are actually trying to create that awareness into the newer geographies by transporting gas through vehicles and caskets. This you know brings in a slightly an additional element of OPEX. However, it being temporary in nature. So, this is one of the prime reasons that when you are seeing any newer geography, in the initial stages of development, you will see slightly a higher OPEX which will come down once the pipeline network is being built. On the same hand, there are obvious continuous efforts of seeing innovative ways of you know keeping our check on the OPEX and as I guided you, if you go by the annualized OPEX of last year, it is actually slightly shorter than that. If you go by the immediate preceding quarter, in fact there is a significant improvement. But from a broader trend perspective of our SCM while we try to keep it in check, absolute numbers will keep going up and operations start building further. And this initial temporary cost of transportation of gas. I hope that answers your question, Nitin.
- Nitin Tiwari:** Yes, that clarifies it. The reason I asked is because when I was looking at the annualized number for say FY22, it was at 4.84 and then the same number for FY23 was 5.56 and then when we moved FY24 it was 5.98 almost Rs. 6. So, as you rightly pointed out I was also thinking in the same direction that because you are expanding your network, so there is some front ending of operation which is happening. And of course, as you pointed out that like operation through cascades is often costly until the pipeline and activity is established. So, that explains it.
- Parag Parikh:** The trend is in absolutely and I think the numbers that you are reading out are bang on. So, there if you see from a 3–4-year period, there is an increase in OPEX about one to Rs. 1 to 1.20 paisa



to the newer geographies. Over to your second question. I am handing it over to Rahul to respond to your second question.

**Rahul Bhatia:** So, when I mentioned 30% that's about 26,000 MMBTU. And these are all sort of long-term contracts that we have got from about 3-4 or 5 years for the HPHT gas. But what we do is we keep ourselves open to the tune of about 5% to 7% per year to take advantage of any arbitrage opportunities that may come up month to month. So, in case you know we get attractive HPHT gas price then as I mentioned we have got 20% RLNG contract, where we have negotiated very attractive take or pay levels from our point of view. So, in case we are able to get and bid and successfully bid for those HPHT, can we push back our RLNG volumes in order to take that HPHT gas and lower the cost of our overall portfolio for the month? So, that's what we tried to do. I hope I am clear.

**Nitin Tiwari:** Yes. So, basically, you when you mentioned 26,000 MMBTU that's your HPHT contract or your RLNG contract?

**Rahul Bhatia:** That's HPHT.

**Nitin Tiwari:** And RLNG you mentioned you only take like spot for gas when there is an opportunity to take spot gas in terms of favorable pricing. That's the right understanding, right?

**Rahul Bhatia:** That's right. Because we have got lakhs of customers, and we can't keep ourselves open very significantly because that has got two downsides. Number one, we can't have a situation that you know gas becomes very expensive all of a sudden because of higher demand or some black swan events and our customers don't like price instability. So, we therefore calibrate ourselves in such a way that we keep our openness in terms of the flexibility of our gas contract. And therefore, if arbitrage opportunities are possible then we push back on the most expensive gas of our portfolio to buy to take advantage and capitalize on those arbitrage opportunities.

**Nitin Tiwari:** So, the term suppliers are like you are sourcing your own gas or you are sourcing it from GSPC, GAIL etc.?

**Rahul Bhatia:** You mean RLNG?

**Nitin Tiwari:** Yes, RLNG.

**Rahul Bhatia:** Primarily the RLNG that we have currently is from GAIL. It's Henry Hub linked.

**Nitin Tiwari:** GAIL HH. All right, that's very helpful. Lastly, just a bookkeeping question. If you can just break up the PNG volume in terms of domestic, industrial and commercial like offtake for the quarter.

**Parag Parikh:** I think if you go by the current quarter, close to about two thirds 66% odd is actually coming from CNG and the 34% is coming from PNG. Within the PNG, close to 70% is industrial, about 22% to 23% is domestic and the balance is commercial.

**Moderator:** The next question is from the line of Arya Patel from Emkay Global.

**Arya Patel:** My question is regarding the Jalandhar GA that has been approved by PNGRB. So, I just want to understand when will the GA start adding to the numbers of ATGL as well as what is the potential of the GA and also if you can guide on or give a view on how will we be meeting the MWP requirements?

**Suresh Manglani:** Thanks for participating and asking very pertinent question because this was the highlight of this quarter that we got new GA, the transfer of authorization from previous entity to Adani Total Gas. One of the good features of Jalandhar is now you see the geographical area is very large, 4-5 districts encompassing large rural areas etc. Jalandhar is a city with us, like in Ahmedabad is a city, Mumbai is a city, or Surat is a city. So, that's a very good feature that you will have concentrated demand pockets and we are seeing how intensification of a population and businesses are happening within the concentrated city. So, our view is that Jalandhar will offer us a good volume potential in terms of domestic because city has large number of houses. Similarly, Jalandhar is known for a large commercial establishment. Punjab, we all know that commercial establishments whether in terms of gurdwara, restaurants, hotels all are very high in numbers. So, that also offer a good volume. I think another feature of Jalandhar is also it offers us a good industrial volume. CNG of course is the ecosystem because there are neighboring areas which already been working on the CNG. So, to that extent while we will put in our two cents in developing ecosystem and doing a lot of branding of a CNG and working on some marketing intervention for Jalandhar residents. But our view is that there is a lot of awareness about CNG because we went and visited that. So, from a wholesome perspective I think Jalandhar offers a good volume being a concentrated demand pocket. When are we going to be coming to Jalandhar? I will hand over to Mr. R.B. Singh who is our project head also PMO Head. He will give you some sort of a color on that.

**R.G. Singh:** You will hear this news within one and a half months when we are going to commission at least three to four CNG station and we will start dispensing CNG from Jalandhar. We have also started working on different fronts, mainly on trunk line and steel pipeline where we have started detail engineering, recon survey and we are also going ahead with the finalization of tap-off, and you will find a surprise progress in this geographical area. Because in this area we have everything, tap off is available. We have a also, we have a GAIL take off, we have GSPL take off. When we start CNG ecosystem is already there in the outer where Think gas has been working. So, we are expecting from day one itself we have a good CNG volume from there. So, this is all about this because we have just one month, and we have started working on all fronts as far as development of infra is concerned.

**Suresh Manglani:** Anything Arya, we couldn't answer to you?

**Arya Patel:** No that's it.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Priyank Shah for closing comments.

**Priyansh** Thank you everyone for participating on the call. I will also thank the management, Mr. Suresh Manglani and Mr. Parag Parikh and Rahul and Mr. R.B. Singh for joining the call. Thank you everyone.

**Suresh Manglani:** Thanks everyone.

**Moderator:** On behalf of Adani Total Gas Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.