"Adani Gas Limited
2Q FY2021 & H1 FY2021 Results Conference Call"

November 05, 2020

ANALYST: MR. BHAVIN GANDHI – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED

MANAGEMENT: MR. SURESH MANGLANI – CHIEF EXECUTIVE OFFICER – ADANI GAS LIMITED

MR. PARAG PARIKH – CHIEF FINANCIAL OFFICER – ADANI GAS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Adani Gas Limited Results Conference Call to discuss the business and financial performance for 2Q FY2021 and H1 FY2021 hosted by Batlivala and Karani Securities India Private Limited. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhavin Gandhi from Batlivala and Karani Securities India Private Limited. Thank you and over to you, Sir!

Bhavin Gandhi: Thanks Faizan. Good afternoon. On behalf of Batlivala and Karani, I welcome you all to this Q2 FY2021 and 1H FY2021 post results call with the management of Adani Gas Limited. It gives us great pleasure to welcome the senior management team of Adani Gas represented by Mr. Suresh Manglani, the CEO and Mr. Parag Parikh the CFO on the company on the call. I would now request Mr. Manglani to give us his opening remarks on the business performance post which we will open the floor to a Q&A session. Over to you Sir!

Suresh Manglani: Thank you Bhavin and good morning everyone and good afternoon everyone. I hope all of you and your families are staying safe and taking due care.

As I keep always saying safety first is the principle at Adani Gas. Safety first continues to be an integral part of all actions at Adani Gas. Adani Gas is constantly improving the safety processes and has carried out 12000 plus man-hours of excessive training remotely to the teams, which exhibits our commitments towards safe operations and project execution.

Adani Gas has continued its uninterrupted supply of piped gas and CNG across all our geographical areas with continuity of our operations and emergency services of 24/7 bases. In addition, we have significantly enhanced digital solutions to allow our consumers to stay safe at home. You all must have seen our media releases, but let me now summarize those media releases.

The Board of Directors of Adani Gas met on November 3, 2020 and approved the highest ever quarterly financial results of Adani Gas. The EBITDA for Q2 was Rs.218 Crores. The profit before tax for Q2 FY2021 was Rs.192 Crores. The profit after tax was at Rs.136 Crores. This performance has been delivered by the team of Adani Gas despite continued impact of a COVID-19.

Let me also summarize the result in bit more detail. In the Q2 of FY2021 overall volume stood at 131 million metric standard cubic meters, which was around 90% of Q2 FY2020 corresponding quarter of Q2 FY2021. FY2020 sales volume was at Rs.146 Crores and this quarter sales volume is Rs.131 Crores.

The CNG volume on Q2 FY2021 was at 59 million metric standard cubic meters, MMSCM and PNG volume were at 72 MMSCM, which were around 79% and PNG was 102% of a corresponding quarter volume of FY2020.

Average volume in September 2020 was at 1.59 million metric standard cubic meters per day. It is MMSCMD as compared to average volume in our Q1 previous, which was the lockdown quarter April to June we had a volume of 0.71 so this is more than double volume. There is a major volume resurged in the Q2 showing significant volume recovery in trade.

We have achieved 100% volume recovery in our industrial sales volume in September 2020. During Q2 FY2021, the revenue from operations were at Rs.441 Crores as against corresponding quarter of Q2 revenues were Rs.503 Crores.

Our EBITDA as I stated earlier for this quarter is Rs.218 Crores. This is the highest ever EBITDA for Adani Gas. Even the normal Q2 of FY2020 we had EBITDA of Rs.147 Crores. The profit after tax for Q2 FY2021 was Rs.136 Crores against Rs.120 Crores in Q2 FY2020.

On a six monthly basis our overall volume stood at 195 million cubic standard meters which is around 69% of corresponding first half of FY2020. Our CNG volumes were at 83 million for the first half of FY2021 and PNG volume were at 112 MMSCM.

So CNG is around at 57% and PNG at 82% of the corresponding quarter of the previous first half. So you will see PNG is giving a better outperformance. CNG is still slightly slow because of the mid transport buses are not back in full swing. School buses are not operating because schools are closed. Offices are still closed so people are not going to offices all that compound is impacting our CNG volume.

During H1 FY2021 our revenue from operations was at Rs.648 Crores versus Rs.982 Crores in the normal first half FY2020. Our H1 FY EBITDA grew by 4% to Rs.303 Crores versus Rs.283 Crores in H1 FY2020. Profit after tax for H1 FY2021 stood at Rs.182 Crores versus corresponding first half of FY2020 of Rs.200 Crores. It was slightly lower than the first half FY2020 versus FY2021.

On infrastructure front, we have now commissioned 14 geographical areas. We have 19 CNG stations has been commissioned in Q2 FY2021. Our CNG retail outlets have now increased to 134. As I speak to you today it is 136. Our total CNG connection reached 4.5 lakhs, 0.45 million till September 2020. We have added 114 more commercial and industrial consumers in this Q2 FY2021.

In the new geographical area all 15 new geographical now the work has started. We in fact did ground breaking ceremony for the four geographical areas, which we got in Tamil Nadu, Karnataka and Odisha in September 2020. CNG commercials have been started for 10 out of geographical areas, which we got in 9th and 10th round. So this was about the results for the Q2 and first half of FY2021.

There were certain more important highlights, which we had included in our media release but let me just summarize those highlights as well. The Total has been inducted as our joint promoter together with the Adani Group. As a consequent of their induction to the company, the board has approved the change of the name of the company from AGL to ATGL. The board has also approved to keep the company with the pace of a time the board has approved the changes were made in the main object clause of memorandum of association of the company by inserting various new businesses, biogas, biofuel, biomass, LCNG, HCNG, EV, hydrogen, manufacturing of various equipments and provisions of value added services as a B2C company relating to the CBD business, etc.

The board has also approved a proposal of raising funds by way of issuance of US Dollar denominated foreign currency bonds up to $400 million. We had also issued additional media release on early morning of 4th and the late night of 3rd on the transformational acquisition of three more geographical areas. We have signed it a definitive agreement for acquisition of a very high potential geographical areas in Punjab, Ludhiana and Jalandhar and also there is another area of Kutch, East in Gujarat. We have seen a volume potential of over 6.5 million. There will be opportunity for us to fulfil the aspirations of 1 million homes and 7 lakh CNG vehicles and Ludhiana and Jalandhar are known for the largest SME belt with small and medium enterprises industries belt with large number of commercials restaurants. Kutch East we all know that it is in Gujarat. Gujarat has a well developed gas economy. There is continued industrial development we see Kutch is going for a major industrial development. So we see a good volume potential in Kutch East as well.

I am confident that with the continued support from all the stakeholders and motivated team Adani Gas the journey ahead will be much more exciting and successful. We would like to acknowledge the role played by our shareholders, customers, dealers, suppliers, employees, our investors, business partners and media. We are thankful for their trust and continued support. Thank you very much. Over to you Mr. Gandhi!

Bhavin Gandhi: Faizon can we open the floor for Q&A session please.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Bhavin Gandhi: Sir if you can quantify the acquisition price, what kind of capex are you looking at and the potential that you mentioned what is the time horizon that we are looking at for realizing that potential?

Suresh Manglani: The acquisition you know the location as I explained these are the two cities very prosperous cities of Punjab, Ludhiana and Jalandhar and the Kutch East area. All three are uniquely located. The good part is there is available pipeline connectivity. In addition, Kutch has closeness with the LNG terminal infrastructure. The 6.5 million volume which I stated is over the period of eight to 10 years. We expect because of the pipeline availability, proximity of LNG terminal in the Kutch East, we are fully geared up to do early monetization of these geographical areas. Particularly in Ludhiana and Jalandhar customer concentration is quite dense. The industrial belts are very dense. Commercial customers, large number of customers are present and there is a good volume CNG potential. The good part is even in Punjab most of other areas also have been authorized by PNGRB so there is an ecosystem development. Infrastructural development is going on by various other

CGD companies. We will add our contribution to the ecosystem and since we have successfully implemented City Gas Distribution for the last 15 years, we have been growing it successfully. We are quite confident that with our experienced team, no constraints on resources, energy, and finance, we would be able to do the development at accelerated pace and ensure that we bring benefit, smile to the consumer, fulfil aspirations on those consumers. The capex point of view over the next five to six years, we expect around Rs.2000 Crores capex in six years in the geographical area. The current process as you know Bhavin is that this is the first test of signing the definitive agreement. This is subject to the regulatory approvals. We will have to file the applications before the regulator. We need to go through the whole process of approval. The agreement best provide the process of computation of a consideration. So let once we come closer to the getting the licences, we would discuss about the consideration part.

Bhavin Gandhi: Sure Sir. Just a couple of more queries on my side on the open access front also now there has been the open house being conducted, so Sir any update that you want to give us on that aspect?

Suresh Manglani: As I have been saying in my even previous call and various seminars, which I speak open access and inbuilt feature of our authorization whether existing geographical area or the new licences, which you are getting, regulator is perusing the process of developing the regulations, code, guiding principles. There are various steps, which the regular has to take. For example for the existing geographical areas, ours as well all other CGDs companies, which have been in existence prior to PNGRB, regulator also has to formulate the regulation to fix the transportation tariff at what tariff, we will carry the commodity of any other marketeer or shipper who would like to do marketing in our geographical area. That is very important. The open access capacity determinations have to be achieved. So there are several steps, which regulator is trying to formulate. We have given our comments are actually on the PNGRB site. We have given our suggestions to the regulator. The regulator was very kind. They did an open house. They gave us a very good time. We have given our suggestions to them. Our suggestion has always been like all or CGDs that it has to be calibrated well. It is for a 20% capacity for all your investors and yourself you should know that even when open access happens. For our 15 geographical areas, it would be only after eight years. Existing geographical area, there is a process even after open access regulations are formulated, the way regulation functions barring is that the regulator determines that whether it is a right time to declare an entity as an open access. It is not an auto switch that the moment five year or eight periods happens for existing five year and new eight years it gets into auto open access mode that is not the case. The regulator has to formulate an opinion basis the ground realities, the development of infrastructure, whether this entity is now poised matured enough to go for an open access. Once that decision is taken, the regulator has to start the consultation process and general issue the notice for consultation. After consultation is done, the regulator has to give an opportunity of being heard to this existing entity and thereafter the regular has to decide that finally whether it would like to go for an open access and after that decision of open access, the entity is required to give 20% capacity. 80% still it retains for its own market so for 80% for the commodity as well as the pipeline transmission as well as CNG competition remains with the entity. So that is the way it is and we have requested the regulator for a calibrated approach not to permit cherry picking. It should be a very calibrated way done and there are a lot of issues, which needs to be fixed plus this is a currently a subjudice matter in Delhi High Court and some other courts. So we have requested the regulator to keep a due attention for point of that part as well. So let us see. It is going to be taking some more time for open access regulation to come in place as well as after that the entities will be getting time for a preparation as well.

Bhavin Gandhi: Great Sir. Thanks for your response. I will come back in the queue. Thank you Sir.

Moderator: Thank you. The next question is from the line of Neerav Shah from GeeCee Holding. Please go ahead.

Neerav Shah: Good afternoon Sir. Thanks for taking and really congratulations on a very strong set of numbers. Sir few questions; firstly just a clarification you mentioned the Rs.2000 Crores capex? Is that for the current 3GAs, which we have signed in definitive agreement for?

Suresh Manglani: Neerav, good afternoon to you. Thank you for participating. Yes Bhavin asked me about the likely capex for the new 3GA we are proposing to acquire through a definitive agreement and I responded him in the next five to six years our plan is that we would put in around Rs.2000 Crores in those three geographical areas of Jalandhar, Jalandhar and Kutch East.

Neerav Shah: Good. What are our current volumes or it is very insignificant right now? It is not that penetrated?

Suresh Manglani: The current status is that there is some partial development of infrastructure. A few kilometres of our pipeline and some CNG stations are in work-in-progress. One or two stations are ready for commission, but currently there are no operations going on in those geographical areas, so there are no existing volumes, but as I said in my statement there is an opportunity for Adani Gas to do an early monetization for one it is in the pipeline vicinity. That is very important for any CGD company to have pipeline connectivity and all three geographical areas have the availability of pipeline. So that is the important part. So we would be able to early monetization and there are certain stations, which are almost ready. So we will be able to do after we do a few technical and safety due diligence we would be able to do commissioning on those on ours and then we accelerate the infrastructure development.

Neerav Shah: Got it. The second question is Sir what is the purpose of the proposed $400 million of foreign currency bond addition that the board ha approved? I mean what is the end use in mind right now?

.

Parag Parikh: I will continue on that in the mean while Parag Parikh here so Neerav good afternoon and good to join the call. So our existing GAs, which are 19 in number while four existing GAs are largely matured. The other 15 GAs, which are under the heavy execution cycle and the three new GAs that we have own. All put together will potentially have a capex of about Rs.7000 Crores to Rs.8000 Crores over the next five to six.

Neerav Shah: The capex at the JV companies are also in similar range the Rs.6000 Crores?

Suresh Manglani: That is correct. The JV Capex is also in a similar range of about Rs.6000 Crores and that a tone independent financing. As a JV partner, we will end up contributing to 50% of whatever are the equity requirements.

Neerav Shah: Sir from our balance sheet, it seems that the Rs.300 odd Crores of advances that we had given to our group company Adani Enterprises, it has been almost returned, so if you can just clarify that?

Parag Parikh: Not almost, entirely has been returned.

Neerav Shah: So as of September I am just seeing a Rs.7 odd Crores of balance in the balance sheet so it is pertaining to something else?

Parag Parikh: Those are IOAGPL. This is for our investment entity into IOAGPL.

Suresh Manglani: Got it and Sir the last question is what is the gross and the net debt number of standalone basis and of the JV company?

Parag Parikh: The gross debt today is quite minimal since you know we do not have any large capex you know that has been undertaken pending some of the newer ones, which will now come up. So our gross debt you know close to Rs.396 Crores. However if one were to look from a net debt position, you should look at it tantamount practically to zero since we have an appropriate liquidity already available of over Rs.400 Crores.

Suresh Manglani: Basically currently we are virtually a debt free company. As the capex cycle intensities there will be a requirement of a debt in addition to using our internal accruals.

Neerav Shah: So when we say net debt is virtually zero we are adjusting for the investments that we have done in IOAGPL?

Suresh Manglani: No we are adjusting for the liquidity or cash in hand available in the entity.

Neerav Shah: Thanks a lot Sir. All the best.

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

Sabri Hazarika: Good afternoon Sir. Congratulations on a good set of numbers. My question is pertaining to your margin scenarios so the gross margin as well as EBITDA per SCM has improved substantially during the quarter almost close to Rs.20 for SCM of gross margin and Rs.16 EBITDA margin EBITDA per SCM, so of course this quarter has also seen spot LNG prices falling $2 to $3 so how do you see the margins going forward? Now in the winter months we have seen spot LNG crossing $7 and like terminal LNG also more or less stable so I mean do you think that you will be able to maintain these kinds of margins or it will get readjusted some how?

Suresh Manglani: Thank you Sabri for a very good question. I think I am sure this must be a question in many, many investor's mind who are on the call right now. Thanks for asking. You know one thing before I respond to this question, I would like bring to your notice and I am sure you must be keeping watching on that. While you all have seen a very good margin, which we have accrued, which have been achieved in Q2 or this has been a question even in the previous quarter because we have the leadership on opex gross sourcing as well as the margin. Even we need to see that despite this good margin, which we achieve our sales prices are very competitive across all segments. In fact, the domestic CNG we must be lowest I think and the CNG you can see across the geographies our pricing would be very competitive offering a very good savings to the consumer even 45% to 50% saving has been offered even today on a CNG to the consumers who convert their cars or vehicles on CNG. Our industrial prices are competitive the way we do these strategies a way is that we make sure that on a very, very close monitoring of gas sourcing strategy and the way we have developed our portfolio so that we remain relevant to the market prices. Largely we are not doing any long term commitment on gross gas sourcing. Similarly on opex, ours is the leadership on opex so we do a good saving on opex and even now the efforts are going on how do we optimize even the already a very low opex. So that is the principle we do actually on a continuos basis the leadership team is working on optimizing gas sourcing, ensuring a good competitive prices to the consumers and optimizing the opex. So this is the compounding impact. Of course you are absolutely right. There was a benefit of a gas sourcing, which prices were moderate. We are sure in this scenario where it has gone up, we would be able to still maintain healthy margins and we have maintained the track record of giving a healthy margin across all last eight quarters and we hope to maintain a good healthy margin in the coming quarters as well.

Sabri Hazarika: This quarter has been like mostly in the PNG driven, I think CNG volumes are still down 15% to 20% so in the industrial also you are like quite efficient in terms of cost management that is right and also I mean you have a monthly pricing cycle that is right in industrial?

Suresh Manglani: You need to see our industrial volumes are higher than the pre COVID level. It means we are working very closely with our partners to offer them all possible contractual terms and flexibilities so that they can take the test evening during COVID period. It is a volume, which comes and which brings eventually the margin. You know when you have a gas sourcing strategy, you have opex leadership and we offer a competitive price, you still achieve a good margin. All we needed is a good volume and that is what we are trying our best actually to achieve better and better volume and in the safe side yes because commercials were done obviously because of the lockdown we all are not going to be restaurant and hotels, so commercial volumes were slightly down. Anyway the contribution of that commercial proposition was very low, but yes we all worked very, very intensely with all our industrial consumers. They were using alternative fuels. We are trying to bring them to natural gas. So volume is going to play the role. We are quite happy that we could succeed in this quarter. We hope to succeed in the future for the quarters.

Sabri Hazarika: Right and if you may tell us what are the top say three to five types of industrial customers that you mostly cater you? If it can be done in a sectoral segregation kind of a way I know it is like very small scale industries, which range from various types of products, but anything in specific, which are like predominantly you customer base in industrial?

Suresh Manglani: No I will tell you Sabri. You have come on the call please make sure that you go satisfied from this call. Ask as many questions as you want to ask because this helps other investors as well. We are catering to the variety of diversified portfolio of industries. We cater pharma, we cater Amul. We cater hospitals. We cater manufacturing. So all varieties because we have SMEs and SMEs are in packaging, so we have glass and we have all industries. Of course if you require a more detailed segment wise numbers, our team could share with you later, but I would say that we have a diversified portfolio of industries, which also does its mitigation in one particular segment if industry is not getting good orders. Other industries could mitigate that risk for us. So as CGD mostly that is the way it happens unless there is a concentrated built of a particular product. Largely CGDs have a diversified industrial portfolio because the very nature of SMEs.

Sabri Hazarika: Right Sir and just a housekeeping question. I think I am sure whether you have reported this time what has been the mix between commercial industrial and PNG for the quarter and also the geographical area segregation of the volume mix?

Suresh Manglani: I will give you virtually. You know CNG our mix of this quarter has been 45%, the CNG has been 55%. Of this 55, industries is 43%, domestic and commercial is 12% so that is the way and you know the existing geographical areas have virtually catered 92% of the volume and 8% volume have come from a new geographical area, which is where we have started developing CNG stations right now for an early monetization and our belief of developing the ecosystem early and we are working. You know our construction is going on all sides. We in fact after this quarter we completed now commission Bhilwara City Gas Station so we will be working with industrial partners in Bhilwara and domestic customers commercially. Likewise all other GAs will be seeing the progress happening in the construction site and commissioning of city gas station or LNG plants, which were ready. Hope Sabri this makes you happy to go.

Sabri Hazarika: That is very helpful and thank you so much and all the best for the future.

Moderator: Thank you. The next question is from the line of Jal Irani from Edelweiss. Please go ahead.

Jal Irani: Mr. Manglani and team thank you for taking our queries. Essentially I wanted to focus a bit more on the upcoming regulation not only on the open access, but also on the uniform tariff for the bigger pipelines and how that could potentially change the cost to your customers? So if I may start by asking what is the average tariff per SCM of the bigger pipelines for the gas, which is being supplied to you and I presume most of your geographies are in zone one at the moment?

Suresh Manglani: Jal thank you for participating Thank you. Let me just come and my team will give you the exact detail on the transmission tariff. The regulator if you see the way process has been evolving on what kind of a tariff should be applied for transmission lines, which connects to the CGDs. We have upstream, which explore the gas, then midstream, which carries the gas and the downstream, which is CGD, which is the last mile connectivity to the consumers. Currently the regulator has been working on transmission lines tariff. Today it is every individual entity, which charges the tariff as per the regulation. There has been the need felt by all that since now pipelines are going India well. Let us say, I will give you an example for everybody's better understanding that if we source the gas from KG Basin, there could be four pipelines till our Khurja geographical area in Uttar Pradesh, so the complication, which is associated today, which regulator is trying to overcome and make it more simple for all of us is that today we will have all the three or four pipelines contract. We will pay the separate tariff. There will be ship or pay charges for each pipeline. There will be imbalances in pipeline. So there is contractual obligation we sign for each contract. We nominate each respective pipeline the quantity how much we have to carry. So there are complications, which all of us are struggling, so everybody has been asking regulator that let us simplify this process like other parts of the world are working with. This is in order something we are innovating. We are going to be implementing what has been fully matured in other parts of the world. So the way it is happening now is initially regulator proposed the regulation to bring out uniform tariff for a particular set of pipelines, but when he heard all the participants finally they decided to go for a uniform tariff on a pan India basis. It means that you enter from KG basin and if you exist at Khurja you will be charged one tariff. You will not be charged three tariff and three contracts. So now the regulator is working. They have heard us. My belief is that currently we have multiple zones; every 300 kilometre zone is changing. The way proposal is that there will be two zones. Some people have suggested regulator to have first zone in 1A, 1B and then second zone. Now the regulator final call we need to yet to see because regulations are yet to be notified so we do not know what is going on the regulators mind, but my belief is actually that regulator is quite sensitive that CGDs all the industrial consumers who are falling in zone one today they are paying quite a low tariff. It should not so happen that zone one tariff also goes up significantly and it subsidizes the people who are the far end of the pipeline. So there has to be some balancing to be done and showing that we do not have to be forced to pass through that increased tariff. The regulator is working and I am sure they will bring that balance of ensuring that what we are getting today should be getting more or less similar tariff and the balancing should be done with the larger network and the larger volume, which will come because efficiency will come in the whole system. Jal do you have any other question please tell me on regulations or any other regulatory issues you have, let me know I will respond to you.

Jal Irani: No worries. We can always touch base later on this. Just on the open access on the CGD, which of your of three businesses or four businesses so to speak whether it is the CNG, piped natural gas to homes, commercial or industrial gas do you feel would be most vulnerable to competition more generically?

Suresh Manglani: Jal if I can tell you know we need to see what open access brings for the company. If it brings innovation and if it brings efficiency, it is going to be good. At the end of the day, if it is going to be addition of a new person or a new entity to give a similar price and similar terms then how is it that we will not be able to offer being private entity with reasonably good scope for us to make sure that we bring that efficiency what a new market is going to bring. So for us, we see actually not much of a treat, but we cannot be complacent that nothing can happen. It could. The 20% capacity is there for open access. We feel the consumers will be happy with the owner like Adani Gas because currently also our engagement is very strong. We have 98% or 99% plus satisfaction form surveyy numbers, which the third party carries out and we continuously work with the consumers on efficiency and customer service. We keep bringing lot of innovative ideas. For example in the previous call, I was telling that during this quarter we brought lot of industrial volumes because of our engagement with them and offering a complete contractual flexibility. So I think we would be definitely up for if it requires reinventing ourselves, we will be able to do that because we do not have those hassles of not working in time or efficiently. We will be able to do it. So we feel that we will in fact be able to ring fence our open access. Vulnerability is for all four sectors, but I do not know whether anybody will come for a domestic sector. Everybody will be looking for industrial, commercial and CNG sector, but if the other side continuity if you see for efficient CGD supplier like ours who has been successfully developing through the regulation and understand the regulation and the business very well. In fact, it may provide if our team works hard and we work well, it may provide a very good opportunity for various very high potential geographical areas and metro cities, which are otherwise not available to us at all. So it could be a good opportunity in fact in my view.

Jal Irani: Fair enough. Thank you for taking our queries. Thank you.

Moderator: Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Good afternoon Sir and congratulations on such great numbers again and thanks for the opportunity. I wanted to ask two questions. Sir one is the monthly movement in volumes like you procured in Q1 will it be possible to share that how it has moved for us in Q2?

Suresh Manglani: Yes you please ask both the questions. We will definitely share. We are a listed transparent company and you have been coming on the call to see the information and we shall give you information. Please ask another question.

Manikantha Garre: The second question is in continuation to what somebody was asking again with respect to the EBITDA margins, I understand that we are putting a lot of efforts into continued Capex ultimately despite our pricing being lower and because our opex was low, we were able to generate very good EBITDA margin just wanted to understand if you can quantify some number that you have in mind over the next three years to five years where we can move to and I am asking in the context of ROCE targets that you must be having? Ultimately the EBITDA margins are linked to the ROCE targets that we have that you wanted to generate for the next five years or seven years? If I see in FY2020, we have 25% ROCE so in that context I just wanted to understand how you look at this ROCE moving over the year?

Suresh Manglani: Thank you. I think both the questions are very pertinent. So let me answer your second question first and in the meantime, my team will share you with the monthly volume movement. All I could inform you that this has been a very good monthly movement as we are seeing on all other economic sector because we are serving the last mile connectivity. If the last mile is opening up, we are opening up. So if industries are opening, we will open. If commercials are opening, we will get more volumes. So as we are seeing ourselves experience as individuals when we are seeing how things are opening up, I think economy is coming back and that is giving quite reflection in our volume movement, which my team will share with you the exact number. Coming to your second question, I can tell you Mani, there are several people who keep predicting the future pricing of gas or future pricing of alternative fuels, etc. The situations are dynamic. The time we see as Sabri himself said now the JKM has gone up because of winter, or any one event could take the price up and down.. Of course you will see what you will like to see from your perspective and your lenses. From my perspective you must see the track record and the credentials of an entity and given several circumstances, which we have passed in the last eight quarters of listing whether the situations have been experienced or not. We have experienced low prices. We have experienced high prices. We have experienced low prices of an alternative fuel. While are prices being on higher side. We have experienced COVID. So I am saying we have experienced possible situation and there could be many more situations that will be coming. All you would see that credentials of a team and a business plan in place where we have been able to manage the situation well whatever has come to our side and then we have been able to deliver the result. I do not think so we do not have a policy nor we would like to predict any particular number going forward what we will deliver. Rather we would only be telling you that given our tract record, we can say with definitive, with experience and creditability that we would try maintaining healthy margins and healthy numbers. Our efforts are towards that side to make sure that every situation we convert to an opportunity. Like COVID, we have connected to opportunity working with industrial consumers and seeing their problems. Up till now, we were only just supplying gas and like a supplier and receiver the relationship, but we told our team that you please go and visit every customer, see what issues are there, what we can give them so that they become more competitive in COVID time and we did that successfully. We brought good volume. We surpassed industry volumes. So I am saying you must see us from that lenses that this company management team, business, and polices are in place, which are able to cope up with the situations, which are emerging whether high price scenario for their sourcing and whether we have ability to pass though or not. We have reflected our ability to pass through every time. We have ability to all segments we can pass though and making sure that the consumers is not adversely affected. So I think you should see from those lenses and we would as I have been saying we would continue our efforts that we give healthy returns, healthy margins and healthy numbers.

Parag Parikh: Coming back to the fist question. If you recollect you know as far as our first quarter numbers were concerned you know we had very healthy pickup coming in and at the end of June, we were at 70% of the average of the Q4. That trend moving from June to now in July month you know we had actually recovered to 84% of our Q4 average. August was 89% and as we see the September exist was 98% of the Q4 average.

Suresh Manglani: I hope that satisfies you Mani.

Manikantha Garre: Thank you Sir for such an elaborate great answer and just to continue on that same argument just wanted to ask you more pointers with respect to that EBITDA margin? I understand that we have been great in generating EBITDA margin so far despite the volatile situations and I would agree to your points that it is difficult to predict what would be the EBITDA margin in the future, but my point of asking this question was are you satisfied with the ROCE that you are already generating? It looks like they are close to 23% to 24% are you satisfied with that or are you looking to improve that more in the future because I believe the EBITDA margins are more or less at a function of ROCE that you are targeting? So that is where I am trying to get in?

Suresh Manglani: No Mani I agree. I understand that I would say if you could just rephrase instead of seeing we are great in EBITDA margins and we are great in customer offering. I think we ensure that customer is also given a good pricing and good servicing and with our leadership on sourcing, opex, etc., if we are able to generate a good margin, I think that is the way it is we do it. As far as satisfaction is concerned you know we would always like to make sure that we keep improving our numbers and that will be the effort. We believe our current numbers are very good, the ROCE is very good and our efforts will to be to improve ROCE numbers or all the numbers financial number, but at the same time our customer offering has to be competitive. Customer offering has to be above everybody else you know what is being offered. We will try ensuring that it is not at the cost of just expecting the EBITDA and we keep improving it. It is very important for us to make sure that we have a long term sustainable relationship with the customers and we continue get a good volume and those volumes should maintain these numbers. Thank you Mani!

Manikantha Garre: Thank you Sir. Thank you so much Sir. Just on the first question monthly movement Sir mentioned Parag Sir mentioned September existed 98% is it possible to give the current rate?

Suresh Manglani: For now, we are not giving the current October and November number Manikantha, but this is to continuing to improve this and you know cross the point of average.

Manikantha Garre: Sure Sir. Thank you so much.

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

Yogesh Patil: Sir Congratulations for a good set of numbers. I have two questions. Sir my first question is related to your CNG station? You have added close to 50 CNG stations in the last one year? Just wanted to know what is the average daily CNG sales volumes from these new 50 stations and we are also keen to know how much would be your potential sales volume on a daily basis from this upcoming and new CNG stations that is my first question?

Suresh Manglani: Okay and second question Yogesh.

Yogesh Patil: Thanks. Along with these if you could give us a volume growth guidance for FY2022 over FY2021 if you have a number in hand?

Suresh Manglani: Good Yogesh. How are you? All good. You have been regularly participating and I am sure by now you must be having all numbers with you. So today ask more deeper questions the way you are asking. Very good Yogesh. Yes, we have commissioned 50 stations , Parag will be able to give you the numbers statistics of what we are achieving through new stations versus old stations. As I explained to the previous question that new areas today have a CNG volume only. We have not commissioned so far city gas stations. So PNG volumes are not there and those are contributing 8% volume. Parag would you like to give Yogesh more detail on the volumes, which are coming from new CNG stations. On the future number as Parag has already stated about future guidance, he will again reset our position on that. Parag over to you!

Parag Parikh: On the CNG, there is a split between existing and new GAs. Of course today, the larger thrust of volume realization is coming from the existing GAs. So existing GAs actually constitute almost close to 87% to 88% while the new GAs are constituting to close to about 12% to 13% of the overall CNG volume.

Yogesh Patil: Sir if you could allow me more questions. The question is related to your CNG expansion plan? Now how much time and the potential do you see in terms of a time and potential do you see it will take to normalize their volumes from the CNG stations and new CNG stations mostly?

Suresh Manglani: See I think only while you know this is a longer plan, but one guidance that at least I can give from a base perspective that when we bid for this new GAs, the new GAs have a plan of building a certain minimum number of CNG stations and if I were look at therefore the newer 15 GAs that were awarded those 15 GAs itself will have a plan of developing 500 plus CNG stations. This is a course for a longer period of time, but that is the plan that we are intending to do from hereon.

Yogesh Patil: Thanks a lot Sir.

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

Amit Rustagi: Good afternoon Sir and thanks for taking my question. Sir I would like to know that when we are developing new GAs so if we develop a CNG station faster than expected then the future extension can be self sustainable or like how do, we look at development of GA from a capex perspective like how fast the first capex will start generating returns so that we start investing from the investing from internal accruals from the GAs?

Suresh Manglani: You said Amit correct.

Amit Rustagi: Amit Rustagi from UBS.

Suresh Manglani: How are you? Good afternoon. I mean very good question. Amit the way CGD functions, you need to develop a city gate station where you get connectivity with the transmission lines to get a volume and then through pipelines, you supply to your piped gas consumer homes, commercial industrial and also connect CNG station online. Now that being the development of a pipeline network while we do our downstream network, there is a requirement of connecting the whole transmission line developing skid, etc., through the other transmission operator like GAIL and GSPL. It takes some time. So one option for us is to wait for that to happen, procure the line, and develop the land. It is a long process to some extent. The other option is that instead of waiting for that we find the options to gasify the geographical areas to CNG. CNG you can supply through cascade . So you can carry from a neighbourhood GAs in the cascades and you can start operating in those geographies like we are doing in all Gujarat area. We are carrying from Ahmedabad and Vadodara, we are supplying there. In Rajasthan we are carrying from Ahmedabad and some volume we are securing from Kota and from Palanpur. So the way we are working is that we are trying to make sure what it does is. One it starts early monetizing the geographical area. Second it starts ensuring that we continue to comply with the programme, which we have given to regulator. The third it starts connecting India.

If it connects India, the people will move from a localized fuel perception of a CNG to India based fuel perception CNG. Today when you travel from Mumbai to Delhi you do not have in mind scarcity of availability of MS or HSD, fuel, petrol or diesel because you know large number of petrol stations you will be able to see on the roads. Our view is that if all CGDs come together, we start working on early development of a CNG station. This is what development will happen and it will encourage converging. Actually it is serving multipurpose. One it is developing ecosystem in our own geographical area. It is connecting India. It is helping early monetization. Amit sustainability will come when we have wholesome holistic piped gas and CNG supply. Even these stations are sustainable because CNG has a good margins as well as offering a very good saving to the consumer. It is a win-win for the consumer as well CGD entity and since we can develop CGD station without CGD being in place why should we not do that. So I think it is a very important for the CGD company to prudent and start working on CNG. As this connectivity happens, we will make them online. The volume throughput will go up. So it is basically CGD industry's requirement that we should follow this path and that is what we are doing it. It is the country's need to connect India with the CNG station that is what we are doing and fulfilling the vision of the government and our own and sustainability is there now. Sustainability will continue to proper further as we connect pipeline infrastructure further. Does it satisfy you Amit?

Amit Rustagi: Yes I think it is a good strategy because if you see this early demand that really helps and solves the problem of CNG story as the customer see the gas in the first hand and they start converting this very quickly to the CNG?

Suresh Manglani: Amit I will tell you one example. We setup stations in Udaipur. People were earlier not moving from Ahmedabad to let us Nathdwara are going on CNG, they were thinking that the CNG is not available in between, but now since they get in Udaipur all the people just carry CNG fitted vehicles or they are converting CNG vehicles. This is what it does you know. This is what it does. If you developing early CNG station.

Amit Rustagi: Sir my second question relates to like what I understood from your earlier statement from the regulation Sir are you seeing this regulations more like an opportunity rather than a challenge because that will open up almost 22 geographical areas where marketing exclusivity gets over to you and you can start operating in those cities may be like Delhi we are already close by in the form of Faridabad and probably may be Morbi so what is our thoughts on entering new areas? So I am asking it in a different manner because most of the people are asking that what will happen to your geographical areas? I am asking how we are seeing the competition in those geographical areas where monopoly is reigning?

Suresh Manglani: Amit you have prepared yourself well. So definitely you will ask much more deeper question than others. Amit coming to your question, I will respond to you in your way only. You know CGD entity leave aside Adani Gas or any large CGD entity should undermine open access regulations. Open access does allow third parties, marketeers, and shippers to come in our area and do the marketing so how can be saying that this is not a threat or a challenge. Ultimately there is a challenge, but all we need to see is that we fully prepare the company, fully geared up, if the company takes the decision, time, it is efficient, it is agile, and it is innovative then it will be able to cope up with that challenge and mitigate that risk. We believe that we are preparing ourselves from that perspective. We believe that we will be able to continue to offer a very good customer offering even when the open access happens so customer would like to be engaged with us rather than giving to marketeer may be for some off light and some sort of a sudden schemes coming or some better pricing may be given, but we believe we will able to compete even in those kind of strategies because one we have that scope. Second we are agile in our private entity and quick decisions. I think we will ring fence to the extent we can and we will try to ring fence fully. This is number one. Number two as I said certainly if we are in a CGD business, we understand these regulations, we understand this opportunity, we will definitely be taking the benefit of that opportunity once it opens up. The other potential volume area as you said and I was saying in my statement will be available. We need to see finally setup a regulation what it comes, but it will definitely be our efforts to make sure that regulations they are fully understood and we take full benefit of regulation in exploiting other opportunities as well as ring fencing our own case. I hope it satisfies you Amit?

Amit Rustagi: Yes Sir sure. Thanks for this and just if you allow me one for quick question on this. Sir which market do you think would be more preferable to enter if open access comes that would be the CNG markets like Delhi or industrial market like Morbi? Which do you think is more easier to penetrate from the competitive perspective?

Suresh Manglani: You see if you ask any star which movie is better they will tell you all movies. So it is the same thing. All geographical areas, which offers every molecule offers me money. Every molecule offers me new consumers. Why should I not try and is there any constraint with me for resources, I would say we do not have constraints. We have resources now across the country. We have got 74 districts where we are catering now. 71 districts currently and with these three acquisitions happening 74 districts will happen. So we have our office sales, we have establishments; we have teams available so I do not think so we will be looking at which area or which segment is better. I think we will be looking at whatever segment and areas are available we must develop our strategy. Every molecule matters. Every penny matters.

Amit Rustagi: Great Sir. Thanks for taking my question and have a good day.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Bhavin Gandhi for closing comments.

Bhavin Gandhi: Thanks Faizon. On behalf of Batlivala and Karani Securities, I would like to thank the management for giving us this opportunity and the investors for taking the time out. I would now like to hand over the call to the management for any closing comments. Over to you Sir!

Suresh Manglani: Thank you every one for participation and I am sure me and my team have been able to answer all your questions and look forward for your participation in future calls. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala and Karani Securities India Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.