



“Adani Gas Limited Q3 FY 2020 Earnings Conference Call”
February 05, 2020



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Adani Gas Limited

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Moderator:

Ladies and gentlemen, good morning and welcome to the Adani Gas Q3 FY 2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded.

With have with us today on the call, Mr. Suresh Manglani -- CEO from Adani Gas; and Mr. Parag Parikh -- CFO, Adani Gas.

I now hand the conference over to Suresh Manglani.. Thank you and over to you, sir.

Suresh Manglani:

Hi. Good afternoon, everyone for participating. I am very happy to announce that Adani Gas has once again delivered an all-round good financial and operational performance for the quarter three and nine months period FY 2020.

In the quarter three FY 2020 compared to the corresponding quarter of previous year, overall, our volume has gone by 12% to 154 million metric standard cubic meter. Operating EBITDA grew by 46% to Rs. 156 crores and profit before tax has increased to Rs. 144 crores, which is increase of 117%.

During the nine month period upgraded to December compared to the corresponding period of previous year, overall volume grew by 9% to 437 metric standard cubic meter. Operating EBITDA grew by 35% to INR 427 crores and profit before tax has increased by 65% to Rs. 391 crores.

Let me announce the result in more detail. In the third quarter of financial year 2020 CNG volume grew by 7% and PNG volume by 16%. Overall volume grew by 12% to 154 MMSCM as compared to 138 MMSCM in the corresponding period of the previous year.

Revenue from operations in the quarter three rose by 7% to Rs. 519 crores versus Rs. 485 crores of year quarter. EBITDA grew by 46% Rs. 156 crores versus Rs. 107 crores of a similar period previous year. EBITDA margin were healthy at 30%. Profit after tax for the Q3 FY 2020 has increased to Rs. 114 crores versus Rs. 46 crores in the previous quarter of the previous year.

On nine month basis, our CNG volume grew by 8% and PNG volume by 11%. Overall volume grew by 9% to 437 metric standard cubic meter as against 399 metric standard cubic meter in the previous nine month period.

Revenue from operations rose by 13% to Rs. 1,501 crores versus Rs. 1,329 crores of previous year. Operating EBITDA grew by 35% to Rs. 427 crores versus Rs. 315 crores is a nine month period of FY 2019.

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Operating EBITDA for healthy at 28% for all nine months and profit after tax for the nine month period of April to December has increased to Rs. 314 crores, PAT Rs. 314 crores versus Rs. 153 crores of the previous year. So there is a significant increase.

So or on the infrastructure part, our home connections or PNG connections are now increasing 4,20,000. CNG stations have increased to 92. We have started operations in two more new geographical area of ninth round. So Kheda and Surendranagar we have set up CNG stations. Steel panel work is going on in full swing.

Previously, earlier we have done, our operation started Palwal and Porbandar. The remaining ninth and tenth round most of the geographical area work has started and it is going on in a full swing. And we are doing a lot of work on identification of CNG station and setting up the stations.

I am confident that with continued support from all the stakeholders and motivated Adani Gas team, there will be further exciting time and we will have much greater success in the future. Thank you very much.

Over to all of you, if you have any query, questions, please do ask.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.

Yogesh Patil: It is expected that APM gas prices likely to fall by \$1 per MMBTU with you from half of FY 2021, will you be able to pass on all the benefits to the end consumer or are you planning to retain some part off?

Suresh Manglani: See, Yogesh, thank you very much. If you have seen our trend the way we have been operating, so even the previous there was a moderation of the price from \$ 3.65 per MMBTU to \$ 3.23 MMBTU and we did pass through it pricing. So let us wait for the actual price announcement and also see other dynamics and basis that as we have been always saying, we are agile and market responsive, we will respond to the market.

Yogesh Patil: Okay. Sir, my second question is related to, you have bagged 0.3 MMSCMD of our cluster gas in auction. When will gas supply to start? And do you see our cluster gas will be cheaper than the spot LNG with considering higher transportation cost from east coast to the west coast of India.

Suresh Manglani: You see, our cluster, we will be commencing in next year. Okay And we have got a good competitive price. When we did the bidding, we have evaluated the transportation cost which is additionally applicable for bringing the gas from a Gadimoga in Andhra Pradesh, vis-à-vis what is the scenario for the spot and we still believe that it will be a good competitive price.

- Yogesh Patil:** Okay. Sir, if you allow me to ask last question. Sir, we wanted to understand the competition from LPG fuel to the PNG industrial fuel. So which is the more economical in the current price scenario and how much is infrastructure set up cost for the consumer gate for the LPG fuel consumption?
- Suresh Manglani:** LPG?
- Yogesh Patil:** LPG, right, sir.
- Suresh Manglani:** No, we are into pipe gas business. We are replacing for a commercial and domestic customers and also some large industrial customer who were using LPG like textile customers. So we actually replaced LPG, we supplied natural gas through pipeline, and we call it a piped natural gas. So as we said, CGDs requires the capital investment but you build the CGD for a generation. So you reap the benefit over a period of time. We always see the competitive pricing like LPG or generated fuels which are there and basis of that only we make sure this our pricing becomes beneficial for the customer in terms of not only pricing but also convey yields, around up clock pipe gas is available. So various factor will take into account. We do take into account the alternate fuel price and accordingly we fix the price and that is the reason you see the testimony is, we are giving you double-digit growth, it means customers are coming and we are able to respond to customers requirement expectations on pricing, supply, customer servicing, it is not purely price, it is also how well you serve the customer. So on all front we are trying our best to see that we reach to the expectation for customer we remain alive to the requirement of the customer.
- Moderator:** Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.
- Manikantha Garre:** Sir, I just want one clarification, you said our cluster gas will be taken from next year that is next financial year or next calendar year?
- Suresh Manglani:** No, we will begin early next year, early next calendar year.
- Manikantha Garre:** Early next calendar year, okay. Sure, sir. And my second question would be. I think in your presentation you have given the split of volume contribution from the geographical areas, you mentioned 0.07 MMSCMD for our new geographical areas, would it be possible to give the CNG stations there and the domestic PNG connections given if there are any industrial commercial customers that you have acquired there?
- Suresh Manglani:** See, if you look at today, we are still building our new GAs volume and this includes really for us between Palwal, Kheda, Porbandar and Surendranagar. Obviously, the focus is more in building the CNG business with a faster turnaround time. So what you are seeing as far as the newer business is concerned is largely coming out of CNG business as far as the newer wins are concerned, barring Palwal, where we are also focusing on the CNI business.

- Manikantha Garre:** Okay, understood, sir. And if I may squeeze in one more question here, last quarter I remember you mentioned that you have made maximum utilization to spot LNG prices and that is affecting our EBITDA margin and looks like that is our case in this quarter as well. If that is the case and if you are continuously leveraging at a lower spot LNG prices and probably differing a bit of the term LNG volumes, at some point, you would have to take those term LNG volumes, is not it, sir?
- S Suresh Manglani:** See, if you have seen last quarter also we stated that it is a mix strategy which we follow, we do take term LNG and we also have a good flexibility on taking the spot. So we take the benefit of the market of optimizing our sourcing cost and ensuring that we have a security of a supply because the CGD cannot be a 100% a spot. So we do have a term with us. But we have a short-term period term. We always have a yearly contracts for them, medium contracts. We do not have any long-term end term contracts.
- Manikantha Garre:** Okay. So given the forecast for the spot LNG prices were basically they will remain low probably multi year low, so over the next one year or so. Your strategy for sourcing the LNG in a whole probably would remain constant than, is it?
- Suresh Manglani:** Yes. As I said, we are keeping complete tab on the market and we have our flexibility in our contracts, a good flexibility. So we will ensure that we use that flexibility and optimize our sourcing cost on a continuous basis.
- Moderator:** Thank you. The next question comes from the line of Yogesh Patil from Reliance Securities. Please go ahead.
- Yogesh Patil:** Thanks for taking my question, again. Sir, we just wanted to know on update from the side of NGT strict rules on the polluting units. As per our knowledge has serve notice to the Industrial Polluting Units. So is there any update on that side? And second question is related to your PNG Sir, my question was like related to the NGT. NGT has issued some orders to polluting industrial units and out of that areas I think 10 cluster falls in Gujarat region. So do you have any updates on that side? And second question is related to your PNG industrial volume growth, which is from the 53 MMSCM to the 61 MMSCM, that is around 15% kind of growth. So from which consumers or industrial consumers you have added in which region, just a brief idea about that?
- Suresh Manglani:** See, first question, the matter is still with the NGT. Matter is heard by NGT. So let it get a finality. Regarding second question, yes, we have registered 15% growth in industrial volume, it has come from our existing geographical areas, Faridabad, and Ahmadabad and Khurja, you know we are small geographical area, but we are ensuring we promote piped gas and which shall lead to all the industrial customers. So that we are seeing a good acceptability of the Khurja industrial customer, so three areas, diversified industries I would say have added this volume of 15% to us.

- Yogesh Patil:** And sir, do you see any kind of relating that in this case which have received order from NGT, they are now switching towards the PNG industrial volume. Do you see any kind of a trend in your volume growth or the request from the side of consumers, industrial consumers?
- Suresh Manglani:** This is very clear. See recently, there was an order from Supreme Court when they said that coal must be permitted. Everybody shifted who want to run the plant. So I see, if your relationship is to law of the land, if tomorrow NGT gives an order and this is not appealed and that order gets implemented. The industries if they want to run their operation, they will have to switch to the fuel which is mandated. So this is what will happen and they will do it sooner or later, NGT is now working on looking at the polluted levels as across the geographical area. What my view would be that there is no auction once the judicial comes. Then what happens Supreme Court lifted the coal back and then now industries are using coal and they are still promoting them, requesting them perusing them, giving them the benefit of the coal, we hope that we will be able to peruse some volume at least from there.
- Moderator:** Thank you. The next question is from the line of Mayur Matani from ICICI Securities. Please go ahead.
- Mayur Matani:** Can you share the revenue break up between the CNG and the pipe natural gas segment?
- Parag Pariki:** Yes. Largely if you look at between the CNG and the PNG business today, we are at a split of about 50%-50%. So that is how our breakup in terms of our revenue is coming as far as the two businesses are concerned. Within of course, if you wish to understand a little more I can give you a break up. But largely a 50-50 backup as far as the two businesses are concerned. Within that, if you want to further break up between domestic and CNI then for nine monthly basis, industrial of course, you know will fall from a bulk of this while commercial and domestic will be smaller components.
- Mayur Matani:** Right. And sir, what is the CAPEX guidance for the current year and the next year?
- Parag Parikh :** We are not giving any guidance as far as numbers are concerned. But where we are one is our existing for GA, which are continuing to give us enhanced performance. And we are at the cusp of now executing and building newer GA where smaller volumes, in fact very small at this juncture. Just about 4% is coming from the new GA but that we will be to take sizable shape as we move forward.
- Mayur Matani:** Okay. But ballpark basis what we have earlier guided the CAPEX of Rs. 8,000 crores over the next five years. So, you maintain the same will continue on an annual basis or the CAPEX will be front end?
- Suresh Manglani:** Rs 8,000 Crs of CAPEX is actually over a period of eight years, not five years. And in fact it is not front ended, in the initial one or two years it is actually low. Then it starts picking-up. So we will start seeing initial signs of picking up of this CAPEX in the upcoming financial year.

- Moderator:** Thank you. There is a follow-up question, which is from the line of Yogesh Patil from Reliance Securities. Please go ahead.
- Yogesh Patil:** Sir, there is one case pending in a Gujarat High Court regarding a ban on a fuel oil. So it is supposed that goes in favor of a ban on fuel oil then what would be the implication first of all answer what kind of volume uptick you are expecting on the PNG side industrial side in at least Gujarat region? So on that side. And secondly, suppose NGT takes a cursive action or a strict actions against the polluting units in Gujarat. So what kind of volume growth Do, do you see in the next one year to two years form that angle?
- Suresh Manglani:** See, Yogesh, I will only put it this way that you know Adani Gas infrastructure is today available in every nook and corner of Ahmadabad. The have been similar in Faridabad. Once, there are any favorable order at least for Adani Gas stand point of view, be rest assured that we will fully exploit and ensure that we quickly respond to the requirement of industries. Now, as far as the volume is concerned I am saying it has to be significant volume of industry pollutants. Fuels Oil are stopped, there will be significant, giving the number may not be appropriate at this juncture led does even occur. We will again anyway will be having a calls and we will definitely give you all the details.
- Yogesh Patil:** Okay. And sir, one more clarification I needed on the side of LPG fuel. Again, I am coming back to the point, which we already discussed, but just wanted to clarify one point from your end LPG fuel is a replacement for the PNG industry. So, do you see any kind of upgrade from the site of LPG where the prices of crude are falling LPG cracks are also low. So, do you see any kind of a trade to PNG industrial fuel supplies from the side of LPG fuel?
- Suresh Manglani:** What I was telling you is that LPG is being used currently buy all homes, mostly in urban areas. And also rural trough Ujwala. All commercial, the whichever restaurants, you go and eat the food, it will be definitely on LPG and LPG and many industries. So they are existing consumers using LPG since it is available in a portable form. So, they are using the LPG bottles. What our business is that we when we lay the infrastructure, we make sure that we reach to those demand areas and give the pipe gas supply to the people, which assures them no more cylinders space to be occupied, no more cylinders to be refilled in time and again. And we give them a continuous 24 by 7 supply of a piped gas. So it comes as a convenience, I do not know whether you are using piped gas or not, where you are you are calling for where? Yogesh, if I may ask you?
- Yogesh Patil:** Yes, it is Mumbai.
- Suresh Manglani:** You must a Mahanagar Gas customer.
- Yogesh Patil:** Yes, it is more comfortable and safety.
- Suresh Manglani:** Yes. So your life may not have troubled you and you may have never seen the LPG price now.

- Yogesh Patil:** Not at all.
- Suresh Manglani:** See what happens is you get used to this convenience and at the same time companies do take care that we are not going out of way. So there will be a competitiveness around it. As I was telling you there is no threat per se. In fact we have replaced LPG and people are looking forward to pipe gas to come to their homes or commercials. So, we look at this an opportunity. Wherever there is a LPG, we go and do the market and developed the market for piped gas. So you basically from understanding, if you are developing any business case, if a CGD is coming, it is negative for LPG not for piped gas.
- Yogesh Patil:** Thanks a lot, sir. Thanks a lot for clarifying a lot of questions.
- Suresh Manglani:** No, you ask more questions, it will be replying to others on this call because this call is being heard by many more people. So maybe you are taking lead, but a similar question can be in other people's mind also. So please carry on if you want to ask more questions.
- Yogesh Patil:** Yes. One more forward guidance question from your side. What would be the EBITDA per SCM, you are targeting for next one to two year by considering the ultra-soft spot LNG prices. I mean that all in....
- Suresh Manglani:** No, I am saying my colleague Parag will respond to you, he is the CFO for the Company. Let us see he will satisfy you
- Parag Parikh:** No, I think Yogesh, clearly obviously as an entity we are very agile and given our agility and we are keeping a very, very close tab and close watch on how like what moments of gas prices are moving. This certainly enables us to continue to keep improving as far as C&I consumers are concerned and profitability over that. Obviously, as far as other segments are concerned, we are largely in line with whatever APM gas reduction is there and we are looking at passing on as far as the gas reduction is concerned out there. While there is no specific number or guidance that I can give you, but I think if you see how an AGL will look at maybe even 12 months down the line will be very, very different. On one hand, today traditionally you have been used to seeing these four GAs of which I would say while we are continuing to sweat our assets, reasonably mature markets as far as Ahmadabad and Faridabad are concerned. And to top that now, we are looking at newer GA areas where the ecosystem is being built. So, you will see the balance sheet a year down the line with obviously larger CAPEX coming in. The strategy of the organization is to obviously look at faster monetization in terms of CNG while build a longer-term revenue as far as CNG is concerned. So that is how we should approach but as far as margins are concerned in the shorter time frame, they will be more guided by the profitability of the CNG over PNG, which will be in the longer term.
- Yogesh Patil:** Sir, one small last question related to again, R-Cluster gas prices. Sir, are you still confident that the R-Cluster gas at your gate or at your consumer gate will be cheaper as compared to this spot LNG prices whenever you will consume? Because in the current price scenario, it looks like that

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if we want to consume our gas from the East coast of gas to the West coast, there is a transportation cost around \$1 per MMBtu. And that looks like that there will be an opportunity loss to make better margins on our spot LNG practice as compared to the R-Cluster gas. That is what first impression goes, could repeat...

Suresh Manglani: I think, Yogesh, you are actually correct from if you see it from their point of view. But let me also clarify to you, when you take a R-Cluster gas you transport it. But when you take our RLNG you pay a regas charges. So, there is a slight difference between what he paid transportation almost \$1 or so. But here you pay \$0.90, so there is a very little difference of a transportation cost versus the price we got it. So I would say that still we believe the competitive price which we have got it, we will have a competitiveness still. And today, when I see spot prices versus RLNG, R-Cluster, we are still better off. And we hope to see let us see the how the market behaves, and we will keep you posted on the next call when we have in the next quarter. Because still we will be drawing it is some more time down the line. So definitely we still believe that as on today's forward curve, it is better off.

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

Manikantha Garre: You just mentioned that Ahmadabad and Faridabad are reasonably mature markets for you. What would be your penetration in this geographical area, sir, in each of the segments, if we can do that detail?

Suresh Manglani: I am handing over the call to my colleague Mr. Navathe, who is our Regional Head for this area.

Yogiraj Navathe: Penetration, if you speak about domestic connections then in Ahmadabad, we are almost at 45% almost as our penetration is concerned.

Suresh Manglani: See, Manikantha, I will tell you, Navathe will give you more factual position. But let me just tell you a little more on a macro level. See how you look at penetration? If you see penetration for say Ahmadabad will have 13 lakh homes and we have 4 lakhs. So if you this trade will be one-third. But now you look at it how many are technically feasible, because at the end of the day you get a gas supply at least, right piped gas. So, our technical teams do a surveys and make sure that how many customers are actually feasible to take the gas, right? So they accordingly, what Mr. Navathe was saying that they have 40 to 50 or maybe in some geographical area in the circles will have even 60% - 70%. So to respond to you we have achieved a good penetration, but there is good potential which we need to still sweat, and we are going to sweat it. In the growth market Faridabad, Khurja, of course, Khurja is more industrial, there is no more commercial there and there are some small homes which we already supplying but there are more homes left we will do that and Ahmadabad. So Ahmadabad each of the segments, commercial, industrial our aim, a team aim is that we must reach to every home who is feasible

should take a piped gas. So if that is a vision there is a s potential left to be achieved and we will achieve it.

Manikantha Garre: Understood. I was just looking at from the angle if there is any scope to further double our volumes in Ahmadabad and Faridabad, given you said that they are reasonably mature markets.

Suresh Manglani: So see, that is what I am saying there are many dynamics will work from your previous colleague had more knowledge about NGT ban is going to be coming, High Court order is likely to come for FO ban. So many dynamics which would come and then the volume can still go up. So we hope that there will be a continuous growth, which we have been delivering, we will continue to deliver to the market in future as well.

Manikantha Garre: Thank you. I have couple of more questions. So I understand NGT order is going to help the industrial customers. But from the CNG and domestic PNG, I still believe penetration is more important, is not it, sir?

Suresh Manglani: See, that is what I am seeing every home would like to have a piped gas and CGD would like to connect every home. So there is a complete matching of the requirement. So we are putting all our efforts to ensure that we increase our penetration to all feasible piped gas connection homes. Similarly on CNG if you see the way we are developing our ecosystem, continuously, we are increasing our number of stations. Also on the new geographical area, as I was saying in my previous commit that while steel pipeline has being laid, we have already identified which are the co-located stations where we will set up CNG. So that immediately we take a tap off and supply. Similarly, we have already issued more than 21 dealer, own dealer operated letter of intent for dealers to start working on the development of Greenfield stations. So Adani Gas is working on all fronts. And while we are also not going to wait to RO become online, we will be developing daughter booster stations. So, that is where I was saying again to the other colleagues that we are working on all fronts possibly wherever our strategy is that CNG soonest possible we are doing it. Similarly steel pipe we are laying with a lot of pace and speed , we will be updating you all in the next quarter. There are steel in almost all geographical areas now work has started. So we are developing ecosystem this will benefit us as well as other CGDs because overall we will also get benefit of other CGD ecosystem. Overall country is heading for a good CGD ecosystem.

Manikantha Garre: Understood, sir. And I have like two to three more questions, if I can check with you.

Suresh Manglani: Please, ask.

Manikantha Garre: Sir, will it be possible for you to give a split of CNG stations now between self-owned, DODO and any co-located, you have with OMCs?

Suresh Manglani: See, largely it is a very COLO but very significant numbers in our system volume wise it is around 50-50 volume which we achieve from our CODO and DODO versus COLO-RO and

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numbers are significant even COLO, DODO as compared to the industry numbers mostly people are doing COLO but we are doing COLO, DODO as well as the CODO-RO which was earlier we had set up.

Manikantha Garre: I am sorry, a little misunderstanding.

Suresh Manglani: I am saying we as we said, volume is 50 - 50. 50% coming from co-located, 50% coming from DODO and CODO-RO, company-owned and dealer-owned stations.

Manikantha Garre: Got it, sir. And my question would be, if you can give us any status update on the open access policy. If I guess you would be also part of our discussions with PNG under inertia of PNG?

Suresh Manglani: See, you are aware that PNGRB has concluded the process of consultation. And now they are working to develop that regulations and then we need to hear from the PNGRB on whether they will seek comments. But yes, the process of open access they have comment, they are looking at whole codifying the regulations. So let us wait, when it is going to happen. As I said last time, also there is some more time left, because a lot of work which has to be completed by PNGRB on codifying the regulations.

Manikantha Garre: Understood, sir. Would it be possible to give any time lines that you think that they will take?

Suresh Manglani: It is in the scope of a regulatory body. It will not be appropriate for an entity to prescribe the time line. They will have to do the codification of work and lot of other work which they will prepare for industry for a CGD for going for an open access. So, I think let us have a little patience. Let us see what regulator comes out.

Manikantha Garre: Sure, sir. Another question that I have here sir, lately we have seen couple of articles where our Oil Minister has advocated LNG usage in MHCVs or business, especially the state transport busses, if at all include golden quadrilateral, etc. How should we see this thrust LNG now obviously, there is a thrust on natural gas usage, earlier it was CNG and PNG now. I see that there is some thrust coming in the LNG angle also, how should we look at it as an opportunity for CGDs, your thoughts here, sir.

Suresh Manglani: It is an opportunity because in our geographical area, this LNG will be done by us. So it is an opportunity for us, and it is a good that government is promoting and the long haul trucks which are otherwise on a regional or a long haul buses, these are the normal target segment which will go for an LNG auto fuel. It will provide us an opportunity to sell them as well in addition to the normal busses and the normal four vehicles. We look forward to serving the two new segment of the customers through LNG route. We will look forward.

Manikantha Garre: So that LNG station if at all that will be established on those highways will be 100% owned by you.

- Suresh Manglani:** You see, as I was saying there are several models of setting up a CNG station. Similarly, there will be opportunities for us as well as our partners to sole co-own as well as or co-locate the LNG station. So, there are more these are the commercial models. But ultimately yes this will be part of our business whether it will be co-located LNG station, whether it be a DODO LNG station, whether it will be PNG plus CNG, these are the things we will work as the ecosystem will start developing.
- Manikantha Garre:** Understood. Last question for my side, sir, if I can squeeze me.
- Suresh Manglani:** No, you please ask as many questions as you want to ask as, I would say please focus on the Q3 results that will be better, so that everyone gets benefited. But you ask your questions. no problem.
- Manikantha Garre:** Okay, sir. Sir, the steel pipelines you said you have accelerated implementing, laying more steel pipeline would it be possible to give where are these order going to, is to foreign players or Indian players? How do we track the tenders? That is my point of view, sir.
- Suresh Manglani:** See, if you track our performance and that is why we are giving you performance. So we are saying, definitely we take the full benefit of a market, India is an open market now. We do like that the order should go to the domestic players and it just does put pressure on them to be competitive. So, we take the benefit of a competition, I would say, and we have an open tender, so we definitely get to all the players who are eligible to give us steel price and place the order who is the lowest at the landed cost.
- Moderator:** Thank you. The next question is from the line of Nitin Tiwari from Antique. Please go ahead.
- Nitin Tiwari:** It is very small one. So what is the status of marketing exclusivity in terms of RGS? That is one? And secondly, I want to understand that, what is the status of basically a CNG station with respect to network infrastructure? Is it considered a part of network infrastructure for regulatory purposes or it is not considered a part of network infra?
- Suresh Manglani:** See, what is your name, please?
- Nitin Tiwari:** Nitin Tiwari.
- Suresh Manglani:** Nitin, so if I may answer your second question first that whether CNG is a part of network, I am sure you must have seen the bidding the way it was done. There was steel pipeline is a part of a network. CNG was to be bid by CGD entity and there is a commitment given to the PNGRB. So, there is no ambiguity that CNG is the part of a CGD network. Regulator has clearly laid out the roadmap of bidding for a new station, if you do not set up CNG station as per the bidding done then there is a penalty to hat CGD entity for non fulfillment of the commitment .

Nitin Tiwari: So this is true for right from first to eighth and ninth and tenth round and also for infra which was like you know, it existed before PNGRB came into existence. So, the understanding is same for all geographical area?

Suresh Manglani: It tends to be saying, while the commitment in some of the GA, CNG commitment was not there for a station, but that will not take that sense because CNG was not part of a commitment, it would not stand. If you read the PNGRB, we have CNG station as a part of an Act. .

Nitin Tiwari: Okay, so it becomes a part of network infrastructure then in that case.

Suresh Manglani: It is a part of a network infra. It is a part of network infrastructure.

Nitin Tiwari: So sir, what I am confused about why I am asking this question. I will tell you. So, suppose if there is GA whose marketing exclusivity has ended, right. But the network exclusivity still exists. So if a third-party access is facilitated, so primarily then where the competition would can actually like technically come in? Is it only going to be in the industrial commercial and domestic change that is where the combination will be limited because CNG session installing must have not been allowed to them. If it is a part of network infra and it is covered under network exclusivity,

Suresh Manglani: See, today we should read whatever material is available. So we have PNGRB Act, we have regulations and we have a license giving to us, and all are web hosted. On website these are available, when you read all this cumulatively you would conclude that the CNG station is part of a CGD business, this is number one. Number two, as CGD entity whether prior existing or a post existing has infrastructure exclusivity, Gujarat Gas also has Adani Gas also has, Mahanagar Gas also has. So, there is an infrastructure exclusivity with is for 25 years and expendable for 10 years at a time. Right? And that if you read the regulations and law, you can infer that if you are complying with the safety standard or regulations, and if it is the extension which will come through and which is what is happening also and we expect that is the way to happen. So there is an infrastructure exclusivity CGD entity. So this is the position as of now. Open access regulations we believe, and we are quite hopeful will align to this law of the land regulation and act and this will allow entity of a CGD being part of CGD network, CNG being part of engineering part, the exclusivity will continue to be with us. Now, if you want to let us say set up a CNG station, you need to take a compression capacity from me only. For a dispenser you can set up because that is a shop but compression it will be with us. So there is a complete business will remain with us only. This is the what today I am just telling you what is the current regulations Act and the license say.

Nitin Tiwari: So, sir help me understand this a little better. So, in terms of pipeline capacity, one needs to pay a tariff., which will be determined by PNGRB or I mean like whatever the case would be. But how would you like, offer compression capacity? What will be the basis of charging in terms of

again, would there be a tariff which will be determined by regulator or is it going to be a mutual like transaction basis?

Suresh Manglani: That is what I am saying to. It has been bided by entities at what compression charge we will charge when the open access come It is a part of the bidding. And the second part was your exclusivity part.

Nitin Tiwari: Right.

Suresh Manglani: I think, you must have forgotten because the replay was little detailed. But first question was about exclusivity. The status I am saying today we have exclusivity. CGDs, our all the geographical areas are continuing to enjoy the exclusivity.

Nitin Tiwari: So I am asking about the marketing and in infra both so of course, infra exclusivity would be there but is marketing exclusivity also there in all the deals that you are operating? The older ones the mature ones, what is the status over there?

Suresh Manglani: It is still there, marketing will be continues to be with us.

Nitin Tiwari: So in case of Ahmadabad when does the exclusivity end actually, the marketing exclusivity.

Suresh Manglani: No, it is not, actually the way it ends, the way regulation functions is that once you change the marketing exclusivity period expires, it is not automatic somebody becomes open access.

Nitin Tiwari: The GAs has to be notified by the regulator, right.

Suresh Manglani: There is a process of declaring. So I think there the process has yet to come in for any geographical area in the country.

Nitin Tiwari: Right But the period, I mean, I am asking from the perspective of period. So in terms of period has the exclusivity periods...

Suresh Manglani: If the regulations are codified, we will continue to have open access. Sorry. Inclusivity, sorry.

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

Yogesh Patil: Sir, my question is, again, focusing on your CNG segment and your CNG growth. So I am trying to figure out the CNG volume growth from the existing areas, mostly in Gujarat region. So in our latest news flow, we read that Gujarat State Transport Corporation are going to add around thousand CNG buses. And is there any update on that side? And if that buses will be added, how much CNG volume growth, do you see from that side? Basically, I am trying to calculate what

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would be the daily basis consumption of that newly added CNG buses from this add of this Gujarat State Transport Corporation?

Suresh Manglani: See, again, now, it has to be seen, but what is plying route? Is it plying in a day within local Gujarat, if Ahmadabad it is plying then full benefit will come to us. Let us say it is plying Ahmadabad to someplace, but originating from Ahmadabad, again the fuel will come to us. So we need to see how the routes are planned. These buses are where these are deployed, but on a macro level, you are developing a model you should have some good assumption that there will be a good upside for us as our other CGD, which are existing in Gujarat because everyone will get benefited.

Yogesh Patil: Okay. And sir, any update how much bus buses they have added or what is the timeline that in which they will add the thousand busses, any update on that side.

Suresh Manglani: No. See, what we have latest update was that GSRTC and both are working on significant number of buses, but they have to follow the process. We hope in the next year we will a lot of buses coming, and we will get some, because if they will place order then retrofitting will happen is going to take time. But we hope it will start coming in from in the next financial year. And there will be some benefit to us as well.

Moderator: Thank you. We have received one more question in the queue now, from the line of Bhavin Gandhi from Batlivala and Karani Securities. Please go ahead.

Bhavin Gandhi: Sir, I joined the call a little late. I do not know whether this has been commented on. But if you can also update us on the ongoing court case with on the Ahmadabad district with Gujarat Gas?

Suresh Manglani: Which one?

Bhavin Gandhi: The Ahmadabad court case, the Ahmadabad district the GA, which has been contested.

Suresh Manglani: Outer Ahmadabad, you are saying.

Bhavin Gandhi: Yes, sir.

Suresh Manglani: Outer Ahmadabad case is in Supreme Court. It is now in the Supreme Court, so we are pursuing that matter with both the parties and we need to see when the hearings starts and matter get concluded.

Bhavin Gandhi: Okay. And sir, just on the sourcing side on the LNG, if you can comment what is the company strategy going forward?

Suresh Manglani: We have been in the last quarter, also we stated that we have a sourcing strategy in place where we take the benefit of both spot and term. We have a diversified portfolio, we start building a

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portfolio. But we do not have any long-term LNG contracts. So, this softening of the prices extra will not affect us. Because rather it will be beneficiary we have a short-term LNG procurement process, it is a good flexibility of us taking a spot LNG applicative So, I was saying the current softening, which will take some more times to get the actual impact coming in, but this will be beneficial for us as well. So it will be beneficial for end consumers.

Bhavin Gandhi: Sure. And just one final question. Sir, if you can just give us some the income outlook for five years out, how should we looking at in terms of volumes and the mix within the various segment?

Parag Parikh: Yes. Bhavin, so If you see our current composition, our current composition is about 50% - 50%, which is between CNG and PNG. And moving forward both in terms of geographies and more so in terms of how we are seeing volume getting built up, clearly CNG monetization is faster as compared to PNG. And therefore, in the near term future, every incremental volume that you see, while you know PNG actually has been giving us good growth in terms of percentage basis, all said and done it will have a lower base as we move forward. But, clearly the near term is see CNG volumes getting added further. So the 50-50 number that I m referring to should we get skewed towards the end, at least for the next two years to three years. For this while, I do not want to give a number, but clearly you should see this heading towards 60%. So that as far as the near-term is concerned. In the long-run, things may again change because by which we will have a more stronger domestic clientele. And when you look at on the longer term basis, all said and done PNG is a very, very sticky customer. So for that matter, once you have a PNG connection at home, rarely one will end up replacing and going back to the convention fuel. So to that extent, when you look at say about a 10 year - 15 year horizon, that is the time when you will see again, PNG numbers building very, very strongly. So that is how you should look at it have the volume ramp up. Faster CNG growth in the near-term and that is how even our thought process has been in the newer GA, we want to try and set up as fast as possible in terms of growth from CNG stations. The fact that, the government has gone ahead and appointed almost now close to 140 odd licenses over a year of time is helping to build an ecosystem for every player.

Bhavin Gandhi: Sure. Sir, would you be able to share some targets in terms of total throughput that we are looking out for let us say three years to five years out?

Parag Parikh: I am afraid, we are not giving any number at this juncture a little early in the cycle of the organization to give these numbers.

Bhavin Gandhi: Sure. And just one final thing, sir, in terms of what does Total bring to the table? I mean, how is the relationship there? What will they be bringing to the table?

Suresh Manglani: So total of course, as you know, is a globally large player, it is there across different spectrums as far as the energy sector is concerned. While on one hand they are they are on the renewable on the other hand, they are the second largest LNG supplier in the world. So it is a well-diversified oil and gas player and it does the sees potential and growth as far as the nation is

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concerned. And within that they felt that they wanted to partner with a group like Adani, which can leverage both the local strength the existing platform, which is there of 19 plus 19 licenses of Adani Gas. So that is how we have seen, the partnership turning out. Obviously, any large world class player will bring its own best of luck practices, better governance, discipline, etc., etc. All that can only further help be organization. But synergistically, I think this is where we are seeing. Obviously, tomorrow, we all know it is an LNG player. And it can also have some supply type synergies. But at this juncture the idea is to more see it as a partnership into the CGD space.

Moderator: We have the management line now connected, again. Sir, we do not have any questions in the queue.

Suresh Manglani: So, thank you very much everyone for participating. Thanks a lot.

Management: Thank you. Thank you very much. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Adani Gas, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.