



“Adani Gas Limited Q4 FY19 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good day and welcome to the Adani Gas Limited Q4 FY19 Earnings Conference Call. We have with us on the call today Mr. Suresh P Manglani – CEO Adani Gas Limited, Mr. Yogiraj Navathe VP Adani Gas Limited, Mr. Preyash Jhaveri -- AGM Adani Gas Limited and Mr. Vimal Dhami Investor Relations Adani Gas 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 conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suresh P Manglani – CEO Adani Gas Limited. Thank you and over to you, sir.

Suresh P Manglani: Good afternoon ladies and gentlemen and thank you for participating with Analyst call. Today Adani Gas Board of Directors met and have approved Q4 2018-2019 Results as well as for the full year 18-19 financial year results. I am happy that board has commended the strong physical and financial performance both for Q4 19 and FY2019. During the Quarter 4 2019, overall volume grew by 9%, operating EBITDA grew by 52% to Rs140 crores and profit after tax has increased by 77% to Rs. 76 crores this was for the Quarter 4 and for the full year 2019 overall volume grew by 13% double digit growth operating EBITDA grew by 25% to Rs. 455 crores and profit after tax has increased by 39% to Rs. 229 crores and this is after the effect of exceptional item because of the demerger Rs. 28 crores prior to exceptional item the profit after tax was 257 crores.

Now let me give you little more detail about the quarterly and yearly result. For the Quarter 4 of FY19 our CNG volume grew by 14% and pipe gas volume by 5%. Overall volume for this quarter was 9% as I stated earlier. The volume was 141 MMSCM as against 129 MMSCM in the corresponding period last year. Revenue from operation during this quarter rose by 25% to Rs. 494 crores as against previous quarter corresponding year was 395 crores. Operating EBITDA grew by 52% as I stated earlier to 140 crores. Operating EBITDA Margins were healthy at 30% profit after tax as I already informed you it was 76 crores. For the full year the CNG volume grew by 12% and PNG by 14%. Overall growth was 13% to 541 million standard cubic meter as against 479 MMSCM in FY2018. The revenue from operation during the FY2018-2019 grew by 32% to Rs. 1823 crores as against previous year 1,385 crores. Operating EBITDA also grew by 25% to Rs. 455 crores versus previous year 365 crores. The Operating EBITDA margins were healthy at 25%, PAT has increased 39% as I informed you earlier.

On the infrastructure side now our customer reach has 3,80,000 customers till March 19 and on the CNG front now we have 82 CNG stations. So, if you see the results there has been a strong performance so we believe physical and financial results both were Q4 19 and for financial year 2019 they reflect growth in operating performance across various segments PNG, CNG and geographies. The operations are running well with a large customer base at 5 geographical areas now instead of 4 earlier at Gujarat, Haryana and Utter Pradesh. We have JV with IOC and put together both Adani Gas and JV has 38 geographical areas and these 38 geographical areas comprises of 71 districts 68 towns spread over 15 states and today we have 13 areas

which have been operationalized put together both JV as well as AGL. Also, board has taken the decision on dividend. So this was the first year of performance after we got listed in November 2018. The board review the CAPEX cycle which is required to be put in the next couple of years what is investment required, but at the same time the board also took into view of a strong physical and financial performance for the financial year 2018-19 and have recommended maiden dividend of 25% to its shareholders which now will go to the AGM and finally declared.

At Adani Gas we have always been saying that we are committed to adopt best health safety and environment practices and enriching customer services will be always our priority. We continue to focus on collect the business opportunities with value enhancing profile to deliver on our growth plans. Thank you very much now if you have any questions which I can take.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nilesh Ghuge from HDFC Securities. Please go ahead.

Nilesh Ghuge: Sir my question is on balance sheet if you look at the standalone balance sheet under financial assets the last year loans were about 1,000 crores this year there is no such item, so can you elaborate on this?

Suresh P Manglani: See you must have seen our annual accounts which we will now also the report which we have submitted there was a business combination structuring which took place during this financial year whereby there was a demerger of Adani Gas and there was an Adani Gas holding limited company which got merged with AGL, so with these restructuring you are seeing the restated results.

Nilesh Ghuge: So, what kind of loan it was in FY18?

Suresh P Manglani: Actually it was related to 1,000 crores Non-Convertible debenture issued by AGHL and same has got repaid by merging that entity into the AGL after that reinstatement has been done.

Nilesh Ghuge: Sir my next question is on the CAPEX what are our plan in FY20 the CAPEX guidance for FY20?

Suresh P Manglani: We have drawn the plan for the next couple of years and this is what we have submitted in our bids as well as the potential of those geographical areas. For the next Financial year 19-20 our CAPEX will be close to 900 to 1,000 crores put together all the 4 GA's as well as new geographical area of Adani Gas Limited.

Moderator: The next question is from the line of Nirav Shah from GeeCee Investments. Please go ahead.

- Nirav Shah:** You mentioned the CAPEX of 900 to 1,000 crores for your standalone basis, can you just briefly share the numbers for the JV and how much equity would you like to put in for FY20 as well 21 because we have a decent geographical areas over there?.
- Suresh P Manglani:** See for the IOAGPL currently the plan which we have drawn is roughly we will be investing in Capex of Rs 8000 Cr for the next five years and FY20 you will see around Rs. 1,500 crores CAPEX for the ninth and tenth round in the IOAGPL.
- Nilesh Ghuge:** For FY20 how much?
- Suresh P Manglani:** 1,500 crores roughly for the ninth and tenth round and for the existing around 700 crores roughly close to 2,000 crores plus will be CAPEX for IOAGPL in FY20.
- Nilesh Ghuge:** And any equity would AGL will be investing in this?
- Suresh P Manglani:** There will be equity of around Rs. 300 to Rs. 400 crores which AGL will be investing
- Nilesh Ghuge:** And how much have you put in as on date?
- Suresh P Manglani:** As on date 185.50 crores.
- Nilesh Ghuge:** And just second question on the numbers front we are seeing sharp increase in the gross margin per SCM from Rs. 11 odd to Rs. 13, but the mix is largely same on the CNG, PNG front, so any particular reason why it has expanded and is it sustainable?
- Suresh P Manglani:** See our margin is overall is around Rs. 11.18 so we have been giving earlier last time if you had attended our investors call, we have been seeing around Rs. 10.5 is the margin which we are sustaining. So, we see this financial year is Rs. 11.18
- Nilesh Ghuge:** I am talking more specifically on the Q4 numbers?
- Suresh P Manglani:** There was some pass through of the transportation cost which we got increased from our transporter company. So, that is the reason this margin you are seeing gross margin coming at Rs. 12.5 We expect to maintain about Rs. 10.5 to 11.5 in this quarter.
- Nilesh Ghuge:** So, we stick to our guidance of the normalized run rate.
- Suresh P Manglani:** Yes.
- Nilesh Ghuge:** And sir just final question what is the net debt on AGL?
- Suresh P Manglani:** The debt currently is 395 crores. The net debt will be roughly at Rs. 235 crores. We also have given ICD of Rs 360 Cr which we can be utilized towards Equity for New GA Project.

- Moderator:** The next question is from the line of Rohit Ahuja from Bank of Baroda Capital Market. Please go ahead.
- Rohit Ahuja:** Can you give me a breakup of your PNG volumes among industrial, commercial, domestic and others?
- Suresh P Manglani:** So, you want for your financial year I will give it to you?
- Rohit Ahuja:** Yes, both financial year and the Quarter 4?
- Suresh P Manglani:** I am sure everybody likes this number to note so because these are statistical number. So, CNG is 276 MMSCM and PNG is 264 MMSCM this is for full financial year so put together is 541 MMSCM. This is what I announced and if you see the previous year CNG was at 247 MMSCM and PNG was at 230 MMSCM and the Q4 if I may give you is 72 MMSCM CNG and 69 MMSCM is PNG which is put together 141 MMSCM.
- Rohit Ahuja:** And can you give a breakup of PNG among industrial, commercial and domestic?
- Suresh P Manglani:** See out of this the industrial PNG will be roughly 38% of overall total, commercial will be 3% and domestic is 8% and the CNG is 51%. So, this is the breakup of total volume and you will be able to get a full exact number.
- Rohit Ahuja:** So, you think 13%, 3% and the rest is all commercial?
- Suresh P Manglani:** 38% is PNG Industrial, 8% is PNG domestic and 3% is PNG commercial and CNG 51% .
- Rohit Ahuja:** And sir can you share about your plans going forward at least give a rating for some feasibility study for the CAPEX plan and overall how do you plan to lay out the CNG stations across the GA's could you elaborate over there?
- Suresh P Manglani:** Briefly what I would briefly state is that we are actually taking actions on all front including what you have knowledge about the study which was going on. So, those studies have been now being completed and we are discussing the final outcome of those studies. The actions on financial closure, the actions on land procurement, action on order placement on many places is going on. For example, if you see one area Palwal we already opened two CNG station already, some more areas we are going to be doing early monetization and we have also planned the pipeline laying in almost all areas. So, net-net is that almost all activities are in full swing we are working on the expansion plan for all these 13 geographical areas and two areas which are the tenth round will be commencing over the next four to six weeks we achieve those targets as well. So, currently we are working on various front whether it is a permission because of the there was some delay on the permission, but now we have seen the permission started pouring in and very soon you will also hear some news in this month itself commencement of work in couple of areas.

- Rohit Ahuja:** So, you had earlier in the last call mentioned about an overall CAPEX plan in the range of 4,000 to 5,000 crores spread over few years besides outlook can you give us?
- Suresh P Manglani:** So, AGL plan is roughly for the next five year will be around Rs. 7,000 crores for the 13 geographical areas. As I told you tenth round, we are finalizing all the plan, for the ninth round is around Rs. 7,000 crores in the next five years which we are working on the financial closure and we hope to achieve this very soon.
- Rohit Ahuja:** So, would you be raising equity also on along with that how is the funding structure is looking at?
- Suresh P Manglani:** Normally we do by 75-25 as the debt equity front.
- Rohit Ahuja:** So, roughly 3:1 of Debt: Equity.
- Suresh P Manglani:** Yes.
- Rohit Ahuja:** And sir any plans for the IOC JV that you have finalized?
- Suresh P Manglani:** Similar plans so there will be funding for them will be 65-35 2:1. So, they have plan of around similar I think around 7,500 or 8,000 total equity for five years total is 8,000 crores and debt will be 65-35 and 35 equity portion will be 50% of ours, 17.5% will be from AGL.
- Rohit Ahuja:** So, in terms of facts what is the overall plan of laying CNG stations between AGL and IOC JV if you could clarify that and also a pipeline per kilometers for PNG you are looking to end?
- Suresh P Manglani:** So, as I said see you have already the MWP which we have committed in bids. The efforts are that but we prepone the steel pipeline lane to the extent we can looking at the potential of those geographical areas and instead of going for an 8 years we may plan to 3 to 4 years in the steel pipeline. So, in the coming year this FY20 we hope to complete minimum work program of steel pipeline plus there is no commitment on CNG as far as bids are concerned, but we will be setting up close to around 30 stations in the new geographical areas.
- Rohit Ahuja:** For what period sir?
- Suresh P Manglani:** 30 CNG stations in the Adani Gas.
- Rohit Ahuja:** And over three to four years?
- Suresh P Manglani:** Three year we will tell you the next quarter plan I think currently this number should suffice that we are working on the current financial year 19-20 and we would surely let you know the next quarters once the numbers are frozen financial closure is achieved.
- Moderator:** The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Just one question I had was more related to demand and the trends that you are seeing on both CNG and PNG side how are you kind of thinking about demand growth for FY20 and also what are the key trends even it is subjective that you are seeing in the market?

Suresh P Manglani: See currently we are seeing a good trend of a demand in the all areas particularly our plan of early monetization of geographical areas on the CNG front largely and the anchor customers on industrial side and for example Udaipur will be the commercial side. So, we are as the previous participant suggested that we have completed the study of each areas, we had done the drill down of each sector demand. So, we are now finalizing those numbers with the agencies who have worked with us. The larger you know our focus is that we start laying infrastructure and working with the large industrial customers and start developing ecosystem in those areas because for the retrofitters are available for CNG. So, we are trying to open very quickly some CNG stations in each of the areas and largely you will see us going towards the DODO model instead of the earlier COCO model. So, our strategy is that we will be having collocated CNG stations which will be the quick start. At the same time, we will develop the asset light DODO so that there is a collaborative model of the CAPEX. So, we are seeing a good trend to realize for us all the geographical areas which we have won and the surveys have been going on. We have personally been visiting those areas we have opened our offices in almost all geographical areas, teams have been deployed. So, as I said earlier work is going on in full swing, order placement for some of the items already placed or we are placing it out in the last lag of the process completion.

Mayank Maheshwari: Sir on the PNG side anything specific and any sector specifically that you are seeing that you think is where the bigger opportunity is coming in near terms?

Suresh P Manglani: See everyone is looking for pipe gas to come in those areas. So, when we are going we went to Udaipur and Bhilwara recently we celebrated green Udaipur day so that we just do the vibration of an ecosystem and we found everyone very receptive, people are waiting for us that Adani Gas should bring in the gas quickly. So, industrial customer in Udaipur almost all commercial customers is very enthusiastic domestic anyway all the customers are very waiting for pipe gas to come in those areas. So, you see a good trend whatever is the demand numbers which are coming. We see that those demands will we will be able to encash. In addition to that you are seeing that there is an increasing trend of petcoke banning in almost all the areas which are we are going for example in Gujarat also we saw petcoke is getting banned. So, we see that will be beneficial for CGD company the alternate fuels like pollutant fuel oil or petcoke are banned then there is a good traction for the CGD companies.

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

Sabri Hazarika: Sir I have a few questions firstly some book keeping questions one is what will be the CNG actually I logged in late so I am sure if you have already taken this up, but I wanted to know the CNG and PNG gross revenue breakup for Q4?

- Preyash Jhaveri:** Yes, we will give you even if we have given earlier it is our duty to give you again. See normally we does not provide a breakup with our segments specific because there are various segments under PNG itself also so it is not possible right now to provide that breakup, but overall revenue we can always provide and ratio will be around 47:53.
- Sabri Hazarika:** So, 47 will be CNG and 53 will be PNG.
- Suresh P Manglani:** So, Preyash has anyway given indirectly.
- Sabri Hazarika:** Secondly this IOAGPL so your gross profitability number for the quarter would be something like 1.4 crores is that right around 7 million of like that was your share of profit so is it the right way to read that?
- Suresh P Manglani:** Just one second just we are seeing the numbers of IOAGPL.
- Sabri Hazarika:** Or else you can give me the revenue EBITDA and PAT of IOAGPL?
- Suresh P Manglani:** 149 crores are the revenue for IOAGPL.
- Sabri Hazarika:** 149 crores for the full year right?
- Suresh P Manglani:** For full year and EBITDA is 31 crores.
- Sabri Hazarika:** And PBT will be how much it will be around 1 crore?
- Suresh P Manglani:** PBT is 1 crore.
- Sabri Hazarika:** Secondly about one thing which has been coming up actually is that PNG are we looking at like notifying the access code regulations and the marketing front, so any comment on that, that you would like to make?
- Suresh P Manglani:** So, difficult to make any comment because unless the whole process has to begin so the tariff has to be approved, draft has to come, stakeholder consultation will take place. There is the time given for the people to prepare for the open access. So, I think we need to see the process which gets unfold and then only we can make comments on that.
- Sabri Hazarika:** So, as of now there is no indications as such like the regulator I mean are they seeking any data not from you probably from other older players/
- Suresh P Manglani:** Difficult I can only say from our side because others we do not know actually we cannot comment on that, but from us there is not sort of a data so far.
- Sabri Hazarika:** And sir just another two more book keeping questions the first one is you mentioned that your CAPEX for like next year would be around 900 to 1,000 crores that is Adani Gas existing area CAPEX?

- Suresh P Manglani:** Existing plus new areas.
- Sabri Hazarika:** So, last year how much was the CAPEX for the full year?
- Suresh P Manglani:** Last year was 220 crores.
- Sabri Hazarika:** 220 crores in the four geographical areas mostly.
- Suresh P Manglani:** yes.
- Sabri Hazarika:** One last question what was the IOAGPL average volumes for the full year?
- Suresh P Manglani:** Average volume is 0.15 MMSCMD.
- Sabri Hazarika:** Sir amongst the areas which should be the largest contributors to IOAGPL volumes?
- Suresh P Manglani:** Chandigarh
- Moderator:** As there are no further questions from the participant I would now like to hand the conference over to Mr. Suresh P Manglani for comments.
- Suresh P Manglani:** Thank you very much for participating in the call and if you have any queries you can address we will be available to all responding to those queries. Thank you very much.
- Moderator:** Thank you very much sir. Ladies and gentlemen on behalf on Adani Gas Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.