GAIL (India) Limited

"GAIL (India) Limited Q1 FY25 Earnings Conference Call"

July 31, 2024

GAIL (India) Limited

MOTILAL OSWAL FINANCIAL SERVICES

CHORUS CALL®

MANAGEMENT: **SHRI. R. K. JAIN – DIRECTOR (FINANCE), GAIL INDIA LIMITED**

MODERATOR: **MR. ABHISHEK NIGAM – MOTILAL OSWAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to the GAIL Limited Q1 FY25 Earnings Conference Call.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Nigam. Thank you, and over to you, sir.

Abhishek Nigam: Thank you, Shejal. Thank you everyone for taking your time for GAIL's 1st Quarter FY25 Results call. We have with us from the Management, Shri R K Jain – Director (Finance) of the Company, along with other members of the Senior Management of GAIL.

And now without any further delay, I will hand over the management for opening remarks. Over to you, sir.

Rakesh Kumar Jain: Thank you, Abhishek. A very good morning to you. My colleagues present here. Dear friends from the Investors and Analyst Community, once again good morning and very warm welcome to GAIL's earning call for Q1 '25. At the outset, I thank you all of you to attending this Earning Call. It gives me immense pleasure to share with you that GAIL received nil comments from CAG for financial statement for the Financial Year '2023-24 and this is 15th year in row.

GAIL has advanced its Net Zero Carbon Emission target for scope one and scope two emissions to 2035 from an earlier stated target of 2040. GAIL's Result for Quarter ended 30th June 2024 has been declared yesterday. I would briefly touch upon the major highlights for the quarter and then certainly we can open the session for question and answer.

Financial highlights:

Gas turnover increased by 4% to Rs. 33,627 crore in Q1 FY25 as against Rs. 32,250 crore in Q4 FY24. And this is mainly due to robust physical performance in gas transmission segment, increased natural gas marketing volume in domestic market and higher natural gas prices. Profit before tax increased to Rs. 3,642 crore as against Rs. 2,842 crore in Q4 Financial Year '24 and this is up by 28% and is mainly due to increased transmission volume and better gas trading margins. The profit after tax during the quarter increased to Rs. 2,724 crore as against Rs. 2,177 crore in Q4 FY24. Again there is increase of 25%.

On comparative quarter basis, GAIL clocked turnover of Rs. 33,626 crore as against Rs. 32,138 crore in corresponding period of the last year, an increase of 5% mainly on account of increase in gas transmission volume and natural gas prices. Both PBT and PAT increased by 93% to Rs. 3,642 crore and Rs. 2,724 crore as against Rs. 1,889 crore and Rs. 1,412 crore respectively and reasons are same.

Physical performance during the Q1 Financial Year '25 as against Q4 Financial Year '24:

Gas marketing volume during the quarter was 99.47 MMSCMD. It is almost flat if you compare with the previous quarter, it was 99.90 MMSCMD. Overall volume as I said is flat, however, there was an increase of 5 MMSCMD of volume in domestic market and this growth is mainly driven by power. Natural gas transmission volume was 131.79 MMSCMD in Q1 FY25 as against 123.65 MMSCMD in Q4 FY24. The average capacity utilization was 63%. Polymer production was down by 86 TMT to 162 TMT in Q1 FY25 as against 248 TMT in previous quarter due to annual turnaround which normal phenomena in our case we normally take annual turnaround during the period of April every year. LHC production was 216 TMT as against 265 TMT in previous quarter. The decrease is also due to annual turnaround activity at Pata, C2C3 Vijaipur and Gandhar units. LPG transmission was 1065 TMT as against 1114 TMT in previous quarter. The capacity utilization was 93% during the quarter.

Consolidated Financials for Q1 FY25 as compared to Q4 FY24:

The consolidated turnover in Q1 FY25 stood at Rs. 34,822 crores as against Rs. 32,833 crores in Q4 FY24 which is up by 6%. The profit before tax in Q1 FY25 stood at Rs. 4114 crore as against Rs. 3099 crore in Q4 FY24. This is again up by 33%. The profit after tax is Rs. 3183 crore versus Rs. 2469 crore in Q4 FY24, up by 29%. As you know, GAIL also have 6 CGDs along its Jagdishpur-Haldia pipeline. We have an infrastructure of under those CGDs, 189 CNG stations and 3.4 lakh DPNG connections. During Q1 FY25, 700 new DPNG connections were added. The physical volume is 0.3 MMSCMD during the quarter. In the next two years, GAIL targets to add around 80 new CNG stations and around 1,20,000 new DPNG connections.

As you know, we have GAIL Gas as our 100% subsidy. Now I will take you through the GAIL Gas financial highlights for Q1 and also their plan for next two years. Gross turnover stood at Rs. 2987 crores as against Rs. 2853 crores in Q4 FY24, an increase of 5% and this is mainly on account of increase in revenue from CNG segment by 4% and bulk trading segment by 7%. Profit before tax stood at Rs. 149 crore as against Rs. 121 crore in Q4 FY24 and there is an increase of 23%. Profit after tax stood at Rs. 110 crore as against Rs. 92 crore in Q4 FY24, increased by 20%. The physical volume increased to 7.11 MMSCMD in Q1 FY25, increase of 3% from Q4 FY24 which is mainly on account of increase in CNG sales by 14% and bulk trading by 4%.

During Q1 FY25, GAIL Gas along with JV subsidiaries had added 27,467 new DPNG connections and 2 CNG stations having infrastructure of 10,03,000 DPNG connections. In the next two years, GAIL Gas targets to add 170 new CNG stations and around 5,00,000 new DPNG connections.

Now I will take you through the project performance:

As you know, the Mumbai-Nagpur-Jharsuguda pipeline we are laying is a length of 1755 km. Activities for laying this pipeline are in full swing and we expect this pipeline to be completed during current financial year. Regarding Jagdishpur-Haldia-Bokara-Dhamra Pipeline, 2986 km has already been laid out of 3289 km and the remaining part is expected to be completed progressively by March '25. Srikakulam-Angul main pipeline, this is 421 km pipeline, work is under progress for mainline and spur line and 320 km is already completed and rest of the pipeline is expected to be completed during current financial year. Gurdaspur-Jammu Natural Gas Pipeline, this pipeline is having a length of 160 km likely to be completed by July 26. Other projects PDH-PP at Usar, capacity is 500 KTPA. Project cost is Rs. 11,256 crore. Mechanical completion is expected by April 25 and we expect commercial production by October 25. Till date progress is 69.5%. Polypropylene plant at Pata, capacity is 60 KTPA, project cost is Rs. 1299 crore and expected to be completed during current financial year. And project progress is 87.4%. IPA at Usar, capacity is 50 KTPA, project cost is Rs. 530 crore. Completion date is 24 months after licenser selection. Currently we are in the process of selecting the licenser.

We have acquired JBF Petrochemicals. Now we call it as GAIL Mangalore Petrochemicals. Capacity of this plant is 1250 KTPA. Project cost is Rs. 4200 crore. We expect it to be completed by June 25. With respect to CAPEX during Q1 FY25, we have incurred CAPEX of Rs. 1,659 crore and this CAPEX is mainly on pipeline around Rs. 500 crore, Petrochem again around Rs. 500 crore, CGD projects Rs. 30 crore and operational CAPEX on others is around Rs. 400 crore. Estimated future CAPEX for Financial Year '2024-25 is Rs. 11,450 crore including the equity contributions and 2025-26 is Rs. 10,129 crore again including the equity contributions.

Now I will take you through the segmental outlook:

As you know that we have marketed almost 100 MMSCMD of volume in the Q1 FY25 and we have been giving guidance to you that this year we expect to grow by approximately 5%, we are on that course. We have also given you the guidance regarding the marketing margin for the full financial year. We have said that whatever situation comes, we are expected to earn around Rs. 4,000 to Rs. 4,500 crore of marketing margin. We have given the kind of range to you this time. And we are on the course of achieving those targets. In Q1 FY25, we have already earned almost Rs. 1,994 crore of marketing margin from this segment. And we expect to surpass the current target given to you Rs. 4,000 to Rs. 4,500 crore. And for guidance purpose, you may consider now Rs. 4500 crore as a minimum target for this financial year.

Gas transmission volume, we have been giving guidance for almost 3 years and we are on course. The guidance we have given for this financial year that we will transmit gas marketing around 130 to 132 MMSCMD volume. You can see from the physical performance of Q1 we have transported almost 132 MMSCMD, to be precise 131.79 MMSCMD.

With respect to outlook for '25-26 and '26-27, maybe coming two to three years, we expect to grow our transmission volume by 10 to 12 MMSCMD. Polymer production stood at 162 TMT as against 248 TMT in previous quarter. And as I explained to you, this is mainly due to normal plant shutdown, which we take normally in April, and this year also we took in April. We are expecting an upside in this segment here on. As you know, the price are almost stabilized. The natural gas prices are also softened. We expect to earn, when we close this financial year, a reasonable amount of profit from this segment during FY25. Liquid hydrocarbon production stood at 216 TMT in Q1, and we have posted a PBT of Rs. 229 crore. The production is lower side in comparison to 265 TMT in Q4 FY25. Again this is primarily due to turnaround activity in Pata. The production level has been regularized since May 24 and we are course of achieving our capacities as we did in last year and maybe more than that both for petrochemicals and LHC. That's all from my side regarding the overview of performance and projects. The management of the company is available now with you.

We would be glad to clarify any questions that you may have. Now I hand over to you, Abhishek.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Yes, thank you so much, and congratulations on great numbers. My first question is on the gas transmission volume. We've already touched 132 MMSCMD now. Are you expecting some bit of reduction in the current quarter given that the power demand from the gas station might slow down a bit, or are you still seeing the same number flow through and in which case is there an upside to your 132 million cubic meters guidance for Fiscal '25?

Rakesh Kumar Jain: There is no upside as of now we are communicating. We maintained our guidance of 130 to 132 MMSCMD on whole year basis.

Puneet: And currently it is still running at 132 or has it come down?

Rakesh Kumar Jain: As on date you are talking to me, we are on average 131 for four months.

Puneet: For four months. Okay, that's very helpful. Secondly, on the marketing side, you're almost halfway through the guidance and now you're guiding for 4,500 to be lower end. What should one assume the higher end of the guidance given the current hedging that you would have done so far?

Rakesh Kumar Jain: As you know, we have been giving guidance for minimum. And there is a reason for that because in order to maintain that, we take a lot of positions in the market. We also do a lot of optimization activities in terms of swaps, shipping swaps. And whatever we have been able to lock as of now, the guidance is based on that. That's why we say it's a minimum guidance. And I can always say at this point of time, we are going to achieve the minimum guidance and we will revise our guidance based on the results of Q2, during Q2 results earning call.

Puneet: Okay, that's very helpful. And lastly, on your marketing volume increase that you're guiding for 5 MMSCMD, can you talk about what customers are you looking at?

Rakesh Kumar Jain: One is a normal growth in the country which you have been witnessing, everybody is witnessing that gas market growth is there. A normal growth which comes from city gas distribution, almost 4-5 MMSCMD volume is growing. We expect that at least 2 MMSCMD which is our market share, I am not giving any upside on that, though we have ability to even surpass that. So, we expect at least 2 MMSCMD may come from there. Second, there is a sea change in the power demand. Last year, we saw there was a demand from power, but this year significantly it has come up. And we expect the demand to continue, at least to meet the peaking demand, there is a change. So, that's another thing. Third, as we are laying the pipeline, commissioning the pipeline, the customers along those pipelines, maybe city gas distribution customers, maybe small consumers are coming up. That is third thing. Fourth, the fertilizer plants which were commissioned during last year did not take the volume on an average basis to the extent they could have taken. That will come up. So, we expect overall there should be a demand. I am talking on domestic market, at least that will grow and we continue to play in international market as we have been doing for various regions.

Moderator: Thank you. The next question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: This was with respect to the polymer shutdown. Can I get a sense of how many days the shutdown was for and what is the current run rate of petrochemicals that we are seeing in Q2 so far?

Rakesh Kumar Jain: Shutdown was almost for a period of one month, 30 days, 28 to 30 days, to be precise. And if you talk of a current rate on a proportionate basis is 105%.

Probal Sen: I'm sorry, sir, what does that mean, proportionate bases?

Rakesh Kumar Jain: Means if we delete the month of April, and then we work out the proportion for three months on pro rata basis, we are running at a rate of 105%. It means we are going to achieve our capacity of 810 KTA. Rather, we target to surpass that.

Probal Sen: Okay, so despite the shutdown and one month not being there in terms of production, we still expect to somehow get to that 800,000 to 810,000.

Rakesh Kumar Jain: This is a part of the design of plant, right? So, it's not a unique activity we are carrying out, so that is already factored in. So, we expect to not only touch our capacity, but we expect to surpass that.

Probal Sen: Understood sir. So, the other thing is the guidance that was given in your briefing when you mentioned transmission volumes of 10 to 12 MMSCMD. That was for basically every year we expect to add that or the collective addition by FY26 on FY24 base?

Rakesh Kumar Jain: '24-25, we have given 130 to 132. '25-26, we have already given 140 to 142. Now we have ability to give you even '26-27, we expect that again to increase around by 10 MMSCMD.

Probal Sen: Understood. One last small question if I may with respect to Dabhol's breakwater facility in your project update, apologies if I did not get that, any update on the timelines and progress on that part?

Rakesh Kumar Jain: Actually Dabhol as we said during last earning calls should have been commissioned for all weather terminal before this monsoon. But because of some issue, there we could not complete before this monsoon. But now activities are on course, we have sorted out the issue as there was issue of way to take brick movers through the site and now we have resolved that issue. So, after this monsoon, we will be able to complete and this year after this monsoon it will be an all-weather terminal.

Probal Sen: Next year we should not expect the stoppage that happens for four months.

Rakesh Kumar Jain: Actually, this was unanticipated, there was some issue with local people so that has been sorted out now.

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

Yogesh Patil: Sir, gas transmission volume has increased close to 8 MMSCMD on quarter-on-quarter. Can you give us idea how much of this was from the gas power plant? As per our knowledge, you are directly supplying a gas to the gas power plant. So, you will have a better idea on that side?

Rakesh Kumar Jain: Around 4 to 5 MMSCMD for quarter.

Yogesh Patil: And that is still sustaining in the month of July?

Rakesh Kumar Jain: Gas power plant is one thing which has come up, but there are fertilizer plants which were under shutdown during quarter one. Had those plants been running, we would have even crossed 132. So, we are still maintaining a 131-run rate that I said in answer to one of the questions raised by another participant.

Yogesh Patil: Yes, I have second question. In the last call you mentioned that there is no APM gas allocation to the gas transmission segment and despite that your gas cost has declined sequentially, I mean quarter-on-quarter. Any thoughts on this side sir?

Rakesh Kumar Jain: This was supposed to be decline. We also said during those earning calls that the allocation for APM gas was reduced all of sudden in gradual manner from 16th August 2022, if I remember correctly and then gradually it was reduced by the end of March '23, the allocation was totally stopped, is that right? So, it was totally stopped. So, since it was done all of sudden, so we were around that period was geopolitical situations were not favorable for gas price. So, during that period, we were required to purchase a high price gas in order to operate and maintain our pipeline. And slowly gas prices have started softening. So, certainly quarter-on-quarter that impact which we faced during '22-23 started coming down and now we are almost at a normal level of gas prices for the purpose of consumption in compressors.

Yogesh Patil: Sir, recently the PNGRB has revised upward the LPG pipeline tariffs. Just wanted to understand the impact on the LPG business on the game and if you could also share rupees per ton increase in LPG transmission tariffs would be helpful?

Rakesh Kumar Jain: The impact on GAIL is around Rs. 120 to Rs. 140 crore on profit of GAIL, the profit before tax.

Yogesh Patil: 120 crore?

Rakesh Kumar Jain: Rs. 120 to Rs. 140 crore on annual basis. Since this is being implemented on 1st August, this will be proportionate for this year and on annual basis I have given the figure around Rs. 120 crore you can take. Regarding your question how much it will increase, it will increase by 3.4%. The amount of tariff increase by PNGRB, we believe that it will increase the cost per ton by 3.4%.

Yogesh Patil: Okay, and the last question from my side on the petrochemicals. Could you please share the cost of a gas used for the petrochemicals and outlook for the petrochemical business in FY25-26 on the utilization level mostly?

Rakesh Kumar Jain: Actually cost of gas sharing is a very difficult one because it's not that we give a particular gas to the petrochemical plant. We have ability to source various gases at various point of time. Whatever cheapest gas available will try to source and give to petrochemical plant. So, it's not a thing which is very kind of always that prices will be there. But regarding your question of profitability, I will not be able to give you a number but I can give you one confidence that this year we are going to earn a reasonably good profit from petrochemical business. And Q1 results are showing that in spite being, we were not operating for one month. We are almost breakeven. We have a loss of Rs. 42 crore, almost breakeven. So, we will be now here on, we will be picking up, and at the end of the year, we have reasonably good profit.

Moderator: Thank you. The next question is from the line of Nitin Tiwari from Phillip Capital. Please go ahead.

Nitin Tiwari: So, my question is related to your gas trading segment. So, while we did see an increase in the gas transmission side, our gas trading volumes are rather flat and the operating profit increases largely driven by margin. So, my question basically had two parts to this. How should we look at the gas trading volume number going forward? Like, while you're guiding for a 5 MMSCMD increase, it has to happen in this quarter and what would be contributing that increase going ahead and also in the years to come. And secondly, like on the gas trading margin side, how do we see this gas trading margin number because I suppose there are a few contracts which have fixed margins, but few contracts have open margins. So, what is a broad range where we can probably look at this margin if we have to look at it in per unit terms? So, that would be my first question, sir.

Rakesh Kumar Jain: So, our overall number remained flat as compared to Q4 24 and Q1 ‘25. We are almost flat. But one thing I actually shared last time, but let me give once again. Those numbers of Q4 includes 10 MMSCMD of volumes we marketed in international market. In view of increased demand in the domestic market, we brought those volumes to India. Now in fact in the domestic market where we have more delta available in terms of margin, volume already has increased to 95. And I also said during the answer to one of the questions that we continue to be there in the international market to do various optimization and from there that volume increase will come. So, 4 to 5 MMSCMD or 5 MMSCMD increase which I said is available already and the further increase if you have to see is coming from power as explained, is coming from city gas distribution, the fertilizer plants which did not take the volumes full volume last year, they have their sales contract with us, purchase and sales contract with us and the normal growth which is coming up along the pipeline which are being commissioned. So, we expect 5 MMSCMD of volume should be achievable and let us see we are on the course as on date and in terms of marketing margin, I have already given the guidance that in last analyst meet, we said Rs. 4000 to Rs. 4500 crore. We are given band. Now we are saying minimum Rs. 4500 crore we will earn during this year. And we will revise our guidance based on the progress in another three months during Q2 Financial Year ‘25.

Nitin Tiwari: So, sir, if I understood this right, I mean, your gas trading mix is changing with more overseas sales, now turning towards India, so you're selling that volume within India and that is also leading you to earn better margins. That's what it is. So, is that the right interpretation?

Rakesh Kumar Jain: Yes. You are right.

Nitin Tiwari: What I was actually asking in per unit terms was that if we calculate your gas trading margin on per unit of gas sales, it comes to about 70 cents per MMBTU. So, that is what I was asking that how do we look at this number? I mean like, you know, is it like going to be at this?

Rakesh Kumar Jain: Actually, you should not calculate this 70 cents. Leave it on us. Because we have the ability to change 70 cents to $2. We have ability to make it $2.5. Last month's closing price for Henry Hub was $1.90 per MMBTU. The Henry Hub price sometime reaches $3. We do the paper trading. We take the benefit of arbitrage. If you maintain 70 cents on average side, it looks good, but let us do that and we'll give you the result.

Nitin Tiwari: Sure, sir. And so my second question is related to your Petchem segment. So, like the way you've given a guidance for gas trading, would it be possible for you to share some guidance in terms of what kind of profitability we can expect from this segment in this year and next year when your other capacities would also get commissioned? Maybe if you can give us some color over there?

Rakesh Kumar Jain: Actually I said in answer to earlier participant question, we may not be able to give any number. At this point, I will be sharing that we will be earning a reasonably good profit because Q1 result if you compare with the corresponding year of last year, you can work out. It is far better where we lost significantly last year's Q1 and primarily reason was the gas price. The polymer price remained at this level only if you compare last year versus this year, but we are able to source cheaper gas, as I said, in answer to one of the questions, your question only with respect to gas marketing margin. We have ability to provide the cheaper gas through various sources, including the paper trading we are doing even for petrochemicals. We continue to maintain our guidance that this year will end with a reasonably good market.

Nitin Tiwari: Understood sir. Just that, like you know, I wanted to understand if the current situation continues, that then if you will be able to help us with some number, but it is fine. I mean if you're not interested for the number currently. That would be all from my end.

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

Sabri Hazarika: Yes, so, sir, I have a couple of questions. Firstly on the marketing side, we are almost at Rs. 8,000 crore kind of run rate versus Rs. 4,500 crores that you have locked in. So, I was just wondering, was there any inventory gain impact also, which was there in Q1?

Rakesh Kumar Jain: No inventory gain.

Sabri Hazarika: No inventory gain? And secondly, on the pipeline, it was previously taken up by another participant also. So, you said that gas cost is like continuing to decline due to which the pipeline.

Rakesh Kumar Jain: I have not said. I said it has now stabilized almost it will be range bound. I said it declined because of the reasons of geopolitical situations, all of sudden reduction of APM gas and finally it was totally stopped. So, it continued to decline. Now we feel that it will be in this range only.

Sabri Hazarika: I mean in terms of anything specific to the domestic market like there's been some news of Andhra Pradesh cutting VAT and other things, anything that also contributed to the lower OPEX for the pipeline business?

Rakesh Kumar Jain: Actually it helps because gas is just a commodity. We are suffering from this variations of taxes, certainly it is helping. And it particularly helps not only to the gas marketeer like us, but city gas distribution companies are benefited most by it and when they get benefited, we certainly get benefited. Because city gas distribution companies were paying higher input cost, higher taxes and therefore their competition with the alternative fuel was becoming difficult. So, now they have started progressing well because of this VAT cut and then if they benefit, we also benefit because ultimately we are the flagship company in gas marketing.

Sabri Hazarika: Right sir, got it. And sir, secondly regarding this new Petchem project in Madhya Pradesh, so any details you would want to give on that?

Rakesh Kumar Jain: I don't have any detail. I only saw, we gave clarification to SEBI based on some paper news that as a commercial organization, we continue to look for various opportunities where we should invest our money. And this can be one of the areas, but no decision yet has been taken on putting petrochemical at Madhya Pradesh or any other Pradesh.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Coming back to the gas transmission OPEX, basically, against the volume growth of 6%-7% during the quarter-on-quarter, we are seeing the gross margin increase of 23%. Would you be able to highlight the specific driver which has helped increase in gross margin?

Rakesh Kumar Jain: You are talking of gas transmission?

Kirtan Mehta: Gas transmission business, yes.

Rakesh Kumar Jain: 7% you yourself said a volume increase. Second, what happens when there is a change in genres that also helps because weighted average tariff changes. Third, during Quarter 4 we accounted for additional depreciation. Because of that, we took a decision based on the opinion of ICICI that we were keeping 5% of accounts. Then we now took a call that we will not keep any value. That decision was taken last financial year, last quarter we had accounted for more depreciation that is now normalized from this quarter onwards. And one more the gas price for internal consumption which is one of the participants asked that is continued to decline, now it is stabilized. So, that is also factoring into all these factors are helping for increased profit. There is a decrease of depreciation Rs. 100 crore, fuel expenses Rs. 86 crore and some provisions were made in last financial year Q4, Rs. 36 crore, all these factors have helped us.

Kirtan Mehta: The second question was about the 10 to 12 MMSCMD in the group that we are guiding for FY26 and 27 in the transmission volume. What is the market share that we are assuming?

Rakesh Kumar Jain: 70%, pipeline business you cannot assume any market share, our existence is for 70% infrastructure and because this is a monopoly. Pipeline transmission is a monopoly, wherever you adjust, you continue to have those market shares. So, we have almost 70% infrastructure share, so we continue to maintain those shares.

Kirtan Mehta: The country demand would grow by 15-16 MMSCMD and we will get 70% of that as a transmission model. That's the assumption?

Rakesh Kumar Jain: Yes, maybe more than that. More pipelines will come. If they come, either we put or some other, I'm giving this based on current infrastructure, what we have or what we are laying.

Kirtan Mehta: In terms of the project update, would you also be able to share on Bangalore Kochi pipeline, the last leg that is remaining? What's the target date?

Rakesh Kumar Jain: We are on course, and we expect to complete it by this financial year.

Kirtan Mehta: Sure sir, one more question in terms of APM gas availability, what we hear is around 69% so how do we see the availability of the APM gas changing? Do you have any inputs on that?

Rakesh Kumar Jain: APM gas for what? CGD. It will continue to decline because the market is growing, CGD is one of the growing sectors. It is the only sector which is growing with a double digit after one of the major consumer of gas after fertilizers. So, if CGDs are growing, certainly it will continue to decline. 69% may further come down.

Kirtan Mehta: From the supply side, we are not seeing issues. So, it's only basically because of the demand increase, the proportionate allocation will come down. Is that the way to look at it?

Rakesh Kumar Jain: Demand will continue to increase. The APM allocation may come down. When demand increases, availability is limited. Certainly it is likely to come down.

Moderator: Thank you. The next question is from the line of Ajay Jain from Makarand Investments. Please go ahead.

Ajay Jain: So, my query is basically on segment gas marketing. You have thrown some light on it. But if we compare quarter-to-quarter, we are not able to foresee what would be your profitability in that. Can you give us some guidance on how to calculate going ahead about your purchases in this gas marketing? Is it long-term basis or is it spot which you import or is it linked with the international prices when you purchase it and how is it done, sir? If you could give us a little idea so that we can calculate because what we see..

Rakesh Kumar Jain: I have given more than a little idea that we will earn more than 45, at least Rs. 4500 crores.

Ajay Jain: Yes, that you have already given sir. Just let me continue on this sir. So, there is so much variation. So, is the international prices linked to what you import gas from US and other places? Is it on a long term basis that you have a contract and how is the price determined sir? The reason behind it is I'm an investor. I just want to understand the business of how it is done, what is the profitability that comes because every time a quarter result comes, the figures are so variant. I can give you examples like quarter one and quarter two, I mean Quarter 4, you had Rs. 1600 crores profit reflecting in that. And in quarter 1, we are having Rs. 2285 crores profit reflecting in this. Now, how is this worked out, sir? Because we are not able to see it through. Even if you compare it year-on-year, we are not able to see through. How is this calculated? I mean, at least some idea if we get, how is the company performing? Before you give out the results, if we could be able to do that, it would do well, sir. Because the company is good. You're doing a very nice job. But we are not able to understand the business exactly how this is done. So, if you could throw some color on it to really help us.

Rakesh Kumar Jain: Let me take you back three years back. We never used to give guidance on this marketing business, because this was the one mission which you are forcing people who are not able to understand. So, we started giving guidance way back in May '22. We gave that for '22-23, Rs. 3000 crores; '23-24 we said Rs. 3500 crore and now we have said Rs. 4500 crore, today I have said minimum Rs. 4500 crore and where from this guidance is coming and then I will come back to your question we have almost 14 MMTPA of contract currently operating. Out of those, Almost 4.8 MMTPA of contract we have from Middle East which is back-to-back we have certain margin. APM, we have back-to-back certain margins. Then almost 3 MMTPA of contract we have from SMTS which is crude linked contract. We have sourced on crude linked, marketed on crude linked. So, you can assume that almost fixed margin which we get. Then 5.8 MMTPA of contract we have from United States. There, we have marketed some of the gas at back-to-back index and we have good margin and that is predictable we work out based on that, remaining what we do we continue to remain in the market and we take positions like Henry Hub has gone down to 1.9. In recent past, it was 3. We continue to watch the market take positions to take the benefit of arbitrage. That is one thing which changes. Second, we do destination swaps. When molecule has to travel from United States to India, almost $2-$2.5 is a tariff. But we continue to optimize through swaps. Cargoes going from Middle East to United States. We are bringing from United States country. So, we try to swaps and optimize. It's a win-win situation for both the sellers or optimizers that we do. We also market the volume in international markets. So, when we give you guidance, we work out what we have formed up when we are giving guidance and we know that this is likely to be achieved. We do not have any doubt, but we continue to do optimization and that's how it increases. So, this is whole game if you expect that we will be able to give you guidance beyond that I can give but that market may or may not support, market may give different situations. So, we give guidance, and we continue to come back to you and revise our guidance based on those situations.

Ajay Jain: Thank you so much sir, so neatly and nicely explained sir. So, can we understand it that way that in Quarter 4 if the international price was $1.9 and in quarter one it is $2.4, that means in gas marketing you would do a good profit in it?

Rakesh Kumar Jain: Not for whole volume, for some of the volume, not for whole volume. We also market at that volume on same index, we do not have ability to earn more but where are we, we have not marketed on same index, we can take positions based on future that we continue to because it's not a subject which I can explain in a few minutes, but I have tried to give a fair idea to your questions to you, but you are not able to understand, that is why we give minimum guidance.

Ajay Jain: Can I put it on mail also if there is any further query to this regard?

Rakesh Kumar Jain: You can contact anytime.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: So, in terms of the conversations with the regulator, PNGRB, do you have any sense in terms of when you will get the compensation for the cost of LNG which you used last year, which you were saying that the regulator was considering? And do you see any risk of the regulator revisiting your integrated tariff in the foreseeable future?

Rakesh Kumar Jain: What you said? Our integrated tariff?

S. Ramesh: So, I'm just saying to understand if there is any risk of the regulator revisiting your integrated tariff and reducing it?

Rakesh Kumar Jain: Revisiting on what basis? There is a defined regulation, tariff is being worked out based on those regulations. Just because we are able to transport more volume, we are getting more revenues, can it reduce it? Because there is a defined regulatory returns which are available to us and we cannot earn more than that. We are on the course of earning that so unless the regulator says for everybody we want to reduce the return IRR that possibility if exists, then certainly it can happen otherwise no.

S. Ramesh: And on the compensation for the higher cost LNG have used in compressors last year?

Rakesh Kumar Jain: Yes, actually, we immediately after announcement of the tariff, we approached the regulator. And if we calculate based on NPV basis, Rs. 8 to Rs. 9 of reduction, because there was a reduction of around Rs. 6, but if you can calculate the NPV basis, Rs. 8 to Rs. 9 is available to us in terms of gas price, we filed an appeal. But unfortunately, lack of member legal of our appeal, I think that's what I understand could not be heard. Meanwhile, we are in the course of filing the revised transmission tariff for integrated pipeline. Our higher prices can be considered because recently other transporter's tariff was announced where they considered higher price than what we were allowed. We were allowed 3.61. Other company's tariff when they processed that the regulator has given higher price, certainly that is available to us and we hope that this will be done maybe in six months' time and if not earlier than either by the end of this financial year or maybe beginning of next financial year those are available to us on that present value basis.

S. Ramesh: If I may squeeze in one more question on the ONGC's KG gas production ramp up, do you have any sense in terms of what is the kind of volume you can expect and how much of that will you be targeting to tap?

Sumit Kishore: I think ONGC has been projecting certain volumes from KG Basin, but we have been hearing from them, maybe 1 or 2 MMSCMDs in this financial year, we can expect larger volume in the next financial year, that is '25-26, maybe in the range of 5-6 MMSCMDs. But these projections have been coming from them, but they are getting delayed. That's what we have been observing.

Moderator: Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Just one question from my end in terms of gas sourcing now. Obviously you have kind of talked about reasonably well on how you think about demand. How are you seeing the sourcing strategy now going forward as you are in the market? How much could we expect crude linked contracts and we have link contracts now going forward? Is there a mix you want to kind of get to over the next 4 to 5 years?

Rakesh Kumar Jain: Actually, our intent will have mix portfolio. We have experience that helps us not only as a gas marketing company but also as a country because whenever there is a change in one basis, the other basis helps us. So, we have recently sourced 1.53 MMTPA from two suppliers that's on crude linked index and we are in the market, and we certainly will continue to maintain our mix, but bottom line is that we look for cheapest source. While we try to have mix, bottomline is first we look which will be the cheapest and certainly the cheapest should also give us a mixed kind of portfolio. That helps.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar: On the Qatar contract, is there any change in the transfer of ownership from say Dahej to directly at Qatar to reduce some costs? And if so, is there any cost savings for us and the industry?

Rakesh Kumar Jain: We are still negotiating GSPA, detailed contracts.

Vishnu Kumar: I mean, I'm asking for the existing contract itself, sir

Rakesh Kumar Jain: I am not privy to any such discussion.

Vishnu Kumar: Got it, sir. And just one question on the volume growth that you are highlighting from 132 to 152. We've been able to achieve to whatever you highlighted earlier, but from here what are the sectors that you are foreseeing when we go from 132 to 152? Any rough idea if you can help us understand?

Sumit Kishore: Most of this is going to come from the natural CGD growth which is at least 12% or even higher CAGR. Next comes the refineries along the eastern pipeline. The Jagdishpur-Haldia pipeline, already Barauni and this Paradip pipelines are getting supplies. They will ramp up and Haldia will get connected soon. After that, the two refineries along the Guwahati section of the pipeline. These refineries will be major contributors as far as transmission is concerned. Then there will be newer customers getting connected along these pipelines, which are mainly in the steel sector and the aluminium sector, the metal companies which will also be these set of customers will also be along the Srikakulam-Angul pipeline which will be getting commissioned and also some of them on the Jagdishpur-Haldia pipeline. So, these are the major set of customers otherwise there is going to be the natural growth also coming from some of the existing legacy customers.

Vishnu Kumar: On your CGD and refinery alone, what will be the absolute that you are considering sir from 132 to 152?

Sumit Kishore: The refinery segment will contribute around 8 to 10 MMSCMD out of that. And CGD will contribute another maybe 5 to 6 MMSCMD. And remaining all will be new set of customers and natural growth.

Moderator: Thank you. The last question is from the line of Sumeet Rohra from Smartsun Capital Private Limited. Please go ahead.

Sumeet Rohra: Thank you very much for a detailed presentation and congratulations on excellent results. Sir, my question is more to ask you from an investor perspective, which clearly emphasizes on as gas going ahead in the proportion of the country's growth. So, how do you see basically GAIL over a two-to-three year perspective in terms of volumes one, and secondly sir, more on profitability because that will give us investors better perspective on how we are shaping up for the next 3 to 5 years sir?

Rakesh Kumar Jain: I think for gas marketing, I have said we are likely to grow by 5% to 7%, 5% I have given for this year. Gas transmission, we have said for coming two to three years we may grow by 10 to 12 MMSCMD. So, from the perspective of growth, I have already said how we are likely to grow.

Sumeet Rohra: Yes, sir. I mean, you have, but if you can throw some perspective on financial numbers as well, it will be helpful.

Rakesh Kumar Jain: So, marketing margin, I have already given you guidance for this year, Rs. 4500 crore minimum, and next year you can assume maybe in similar range, Rs. 4500 crore to Rs. 5000 crore in same range.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Rakesh Kumar Jain: Thank you very much and it was a pleasure talking to you. Hopefully, we have tried to give answers to your questions the way you expected. In case there was some more clarification or input is required, our team in management and Investors Relations Cell is available. They will be able to answer your questions and I once again thank to you for taking interest and participating. Thank you very much.

Moderator: On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.