"Indraprastha Gas Limited
Q3 FY '25 Earnings Conference Call"

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MANAGEMENT: **MR. KAMAL KISHORE CHATIWAL – MANAGING DIRECTOR – INDRAPRASTHA GAS LIMITED**
MR. MOHIT BHATIA – DIRECTOR, COMMERCIAL – INDRAPRASTHA GAS LIMITED
MR. MANJEET SINGH – VICE PRESIDENT, FINANCE – INDRAPRASTHA GAS LIMITED

MODERATOR: **MR. YASH NANDWANI – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Indraprastha Gas Limited Q3 FY '25 Earnings Conference Call, hosted by IIFL Capital. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yash Nandwani from IIFL Capital. Thank you, and over to you, sir.

Yash Nandwani: Thanks, Sejal. Good day, ladies and gentlemen. On behalf of IIFL Capital, I welcome you all to Indraprastha Gas Limited Third Quarter FY '25 Earnings Conference Call. Today, we are pleased to have with us the senior management team of IGL, led by Mr. Kamal Kishore Chatiwal, Managing Director; Mr. Mohit Bhatia, Director, Commercial; and Mr. Manjeet Singh, VP, Finance.

I will now hand over the floor to the management for their opening remarks, which shall be followed by a question-and-answer session. Thank you, and over to you, sir.

Kamal Kishore Chatiwal: Good afternoon, ladies and gentlemen. I'm Kamal Kishore Chatiwal, Managing Director of Indraprastha Gas Limited. On behalf of the entire IGL management, I extend a very warm welcome to all of you, and thank you for joining us for this conference call. Your continued support and confidence in our company drive us to achieve greater milestones.

This quarter has been particularly challenging in terms of gas sourcing front. On October 16, there was a significant reduction in APM gas supply by approximately 1.08 MMSCMD, followed by another cut of around 0.8 MMSCMD in November. As a result, our total available APM gas reduced from 5.11 MMSCMD to 3.23 MMSCMD, posing a challenge for future gas procurement. However, IGL has been proactively addressing this issue.

We have successfully secured additional gas volumes at competitive price from our existing suppliers and the details are as follows. First is the additional volume of 1 MMSCMD of gas linked to Henry Hub Index for a period of 5 years. Second, company has added another 0.65 MMSCMD of gas, initially linked to Henry Hub and later shifting to Brent crude with the volume increasing to 1 MMSCMD over time.

Both these agreements are competitive in the current market with gas price of these additional volumes remaining within INR38 to INR40 per SCM. Recently, with effect from 16th of January 2025, our domestic gas allocation has also been partially restored, bringing back approximately 1 MMSCMD out of 1.88 MMSCMD reduction that was made earlier in Q3.

Further an additional 0.5 MMSCMD from new well gas has also been allocated to IGL, and that would be from 1st of February, strengthening our total gas portfolio for the future. With these measures in place, IGL now has more than 9 MMSCMD of gas available, making us future-ready.

The major performance highlights for the quarter are as follows. On the sales front, we achieved an average sales volume of 9.11 MMSCMD this quarter, reflecting a 7% Y-o-Y growth. And if we see the bifurcation in the segment-wise, CNG segment has grown by 6% and PNG segment has achieved double-digit growth of 12%.

And within PNG, the industrial segment has seen an impressive 16% growth, while domestic PNG has grown by 17%. The commercial segment grew by 10%. Notably, we recently crossed 1 million mark in industrial sales, a significant milestone for our company. Looking ahead, we expect to exit this financial year at 9.5 MMSCMD and anticipate that we'll be reaching in 1 year's time 10.5 MMSCMD.

In our new geographical areas, we have witnessed strong double-digit Y-o-Y growth. While Delhi NCR has showed a growth of more than 5%, the outside GAs have shown an overall growth of more than 30% in both CNG and PNG segment. With this strong growth trajectory, IGL remains committed to expansion, sustainability and delivering long-term value to its stakeholders.

Now I would like to invite our Director, Commercial, Shri Mohit Bhatiaji, to share his insights on our financial performance.

Mohit Bhatia: Thank you, Mr. Chatiwal. Good afternoon, ladies and gentlemen. I am Mohit Bhatia, Director, Commercial at Indraprastha Gas Limited. Thank you all for taking the time to join us today. I hope you had the opportunity to review our Q3 financial results, which were released yesterday on 27th of January '25.

I take this opportunity to highlight our key financial and operational achievements for this quarter. As you are aware, the sales volume grew from 780 million standard cubic meter to 830 million standard cubic meter, registering a marking of around 7% Q-on-Q increase in growth. The CNG sales rose by 6% from 6.33 million per day to 6.7 million. And the total CNG sales in Q3 stood at 616 million standard cubic meter. As we registered good growth in Delhi NCR, our GAs also registered almost 30% plus growth in CNG.

We have also witnessed an increase of CNG vehicle population with an average addition of 17,100 new and retrofitted compared to around 14,700 vehicles in the previous quarter, reflecting a 16% growth. On the PNG front, our domestic PNG sales increased by 7% year-on-year basis -- 17%, I repeat. Commercial PNG growth was around 10% year-on-year basis and industrial PNG growth is 16%.

In fact, in the month of December, particularly, we crossed an average of 1 million of industrial sales, all-time highest in industrial segment for IGL. With this continued focus on our volume growth, we are very confident of achieving 9.5 million of exit sales target for this current financial year '24-'25. And the company is also investing heavily in new GAs to enhance the sales volumes.

Financial performance and infrastructure development. I would like to just share out here that the gross turnover was INR4,130 crores, a 6% growth quarter-over-quarter. The EBITDA was INR363 crores. It was down by 36% year-on-year, primarily due to higher gas input costs, but a lot of mitigation has been already done. The profit after tax, PAT was INR285 crores for this quarter as compared to INR392 crores for the quarter 3 of the last year.

On infrastructure front, IGL has already developed a 2,280 kilometers of steel pipeline network and 26,000-plus kilometers of MDP network, and we are now providing our natural gas to almost 2.9 -- touching almost 3 million lakh customers, 5,000-plus industrial customers and 6,600 commercial customers.

So IGL is now operating at 899 CNG stations, serving almost over 2 million of vehicles daily. On our future outlook and diversification, apart from our organic growth, IGL is actively exploring diversification opportunities and inorganic acquisitions for future expansion. With secured gas supply now, we remain confident of achieving 9.5 million of gas this year as exit and maintaining an EBITDA in future in the range of around INR7 to INR8 per SCM annually.

So with this, I conclude and the floor is open for the Q&A session.

Moderator: The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: Just on the last bit, in fact, what Commercial Head sir said about the EBITDA guidance of INR7 to INR8. If I look at the cost of the new gas sources that was mentioned, just wanted your sense of how much of price increase will be required at this point of time to go from this INR4.3 to, let's say, INR7 of EBITDA? And what kind of timeline are we looking at to sort of gradually restore margins to these levels?

Kamal Kishore Chatiwal: I think, if you see, the 50% of our domestic gas has been restored. So whatever impact was there, so that has got reduced by almost 50%. If we have INR2 increase per kg, then I think -- INR2 per SCM rather, then I think that should take care of us reaching back to around INR7 to INR8 range.

Probal Sen: Right. Sir, forgive me, but that would be probably for this year. The way that gas output is going, do we actually believe that the gas allocation would now remain on this absolute figure? So therefore, whatever volume increases that we see will have to be met through alternate sources. And therefore, the cost of gas on a blended basis will keep on increasing as we go along?

Kamal Kishore Chatiwal: Our belief is that the domestic gas production per se will not go down. So that will remain -- rather increase. Only thing is that the nomenclature that new well gas, whatever APM cut would be there would be replaced by new well gas, which is around 20% costlier than the APM. So...

Probal Sen: So on an average, blended gas cost -- sorry, sir, go ahead.

Kamal Kishore Chatiwal: Yes, yes. So what I would say is that the total, we'd say APM and new well gas, if we take it as, say, today, we have 4.26. So that, I think, would continue to remain in this range only.

Probal Sen: Right. So is it fair to, therefore, assume, sir, that around a 5% blended increase in gas costs can easily be passed on an annualized basis, because the cost of everything keeps going up. Is that how we are looking to sort of keep improving?

Kamal Kishore Chatiwal: So the weightage of that is only, you can say, 20% or so. So 70% to 80% would again be APM. And we believe that given that now ONGC has also appointed a technical service provider, I think the production, especially keeping the fact that CGD is the priority sector. So that we believe that this value would remain.

Probal Sen: Got it, sir. The second question, if I may, sir, was on the 17,100 plus number mentioned of new vehicles and retrofit. I just wanted to understand, sir, the demand from commercial vehicles, if it is there in and around the NCR, is that reported under the commercial segment? Or does that -- I mean, that would still form part of the CNG segment? Is it possible to, therefore, put a number on what percentage it is of total sales today?

Kamal Kishore Chatiwal: Actually, there was a huge increase from the private commercial -- private vehicle space in the CNG segment in Delhi NCR that we saw, especially in the month of Diwali. There was a huge increase. So we had around 24,000 conversion in the month of October and majorly contributed by the PV segment, passenger vehicle segment. And the commercial, again, continues because of the GRAP-IV that you -- GRAP operation in the Delhi NCR region. It's not only in Delhi, but it's the entire NCR that is covered. So that has also accelerated the conversion, I would say.

Mohit Bhatia:: In fact, just to add, regarding this April to November, if I recall, there was a substantial growth in addition of CNG vehicles, particularly by 46%.

Kamal Kishore Chatiwal: We see the continued growth in commercial space also due to GRAP and environmental concern basically.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: Congratulations for the good set of numbers. Sir, as you mentioned in the initial remarks that you are confident to achieve 9.5 MMSCMD exit sales volume in FY '25. So could you please share what is the current sales volume? Because as per our calculations, it suggests you require closer to 7% kind of sequential volume growth, then only you can achieve the 9.5 MMSCMD from the current level of 9.11 MMSCMD. Could you please throw some light what will lead to the 9.5 MMSCMD exit sales volume in FY '25?

Kamal Kishore Chatiwal: Actually, we were growing very strong in the third quarter. The initial 15 days were very, very strong before this cut. Now what happened after the cut was that we had to source this 2 million gas immediately from the market. And unfortunately, during that period, the spot prices were very, very high, around $14, $15 per MMBTU. So whatever sourcing we were doing was at a very high level. I mean, which was not, I think, sustainable for us to pass on immediately. So we had to reduce deliberately the growth in some of the GAs just to cater to our existing customers.

So seeing that kind of volumes, because 55 lakh kg was the number that we touched during that October month. And subsequently, we brought it up below 50. So we are confident that 7%, 8% growth in these 3 months is very much possible and the 15, 20 days when we have restored our original supplies, so again, we are back to those levels, which we were achieving before the supply cut.

Yogesh Patil: So the current sales volumes are much, much closer to the 9.5 MMSCMD. Is that a correct understanding, sir?

Kamal Kishore Chatiwal: Yes, yes. That is correct.

Yogesh Patil: Okay. And sir, if you could provide some volume growth guidance for FY '26 and '27, if possible?

Kamal Kishore Chatiwal: You see '26, because the visibility is there in the existing -- in case we are able to acquire 1 or 2 GAs more, so then that will change. But the current scenario, I think 1 million, 10% to 11% growth, we are clearly seeing, especially given that our new GAs are also now adding to that. So I think 1 million we will be adding in the next 2 years, every year, 1 million each.

Yogesh Patil: And lastly, on...

Mohit Bhatia: Yes, sorry, just to add, see, if we dissect it on segment-wise also, see, currently, our GAs are also growing around 30% on a handsome double digit and contributing to almost 1/3 of the share, plus Delhi NCR also is growing. In fact, NCR is growing very good, around 12% to 13%. So this is on the CNG segment.

But particularly, if you see PNG, we are adding almost 3 lakh customers year-on-year basis, which almost is contributing to a growth of 15%, 16% in domestic PNG. And apart from that, industrial and commercial, we are also adding around 1,200 customers year-on-year basis. So that is also amounting to around 10% to 12%. So I find it very confident that we can easily grow on the numbers.

Yogesh Patil: And lastly, sir, if you could share the gas sourcing details for only CNG right now, and how it will change considering your new gas sourcing contracts in medium term? If you could throw some light on this?

Kamal Kishore Chatiwal: Actually, right now, we are getting -- roughly 51% is APM allocation, which is the firm allocation. In addition to that, some new well gas plus HPHT would be another 15% to 20%, we feel that given that 0.5% has been allocated. So 7%, 8% kind of value would come from there. And rest 40% would be sourced from RLNG, for which we have -- the existing contracts are -- we feel that we will be able to sell at those levels. And I think it is very attractive that we can sell with the existing products.

Moderator: The next question is from the line of Pratyush Kamal from InCred Equities.

Pratyush Kamal: So sir, one question which I have is regarding your current tax structure, because there has been a lot of noise about bringing natural gas into the GST regime. So how does the current tax structure looks like currently in natural gas? So you get the gas from GAIL. So does it attract additional VAT? And do you get any input credit for that? Because since I think it would be interest rate transfer, you might not be getting that. So what's your comment on this aspect?

Kamal Kishore Chatiwal: I think the major challenge for the entire sector is the 15% Gujarat VAT that is liability on any gas that lands in Gujarat. So this includes the imported RLNG as well as the domestic APM gas, because it lands at Hazira where the purification, etcetera, is being done. So the 15% is, I think, a big number. So that is the major cause of concern. Once the gas is in GST, so that will be a big relief for the sector.

Additionally, every state has a different kind of VAT structure. And the main challenge is in states like UP, where the input is 10%, and you don't get input credit on the output, and output is at 12.5% VAT. In addition to that, the excise of 14% remains. So these are the major tax structures. Plus in case we are sourcing, I mean, in high seas, then the 2% GST is applicable.

Pratyush Kamal: Understood, sir. And just to clarify this, so the 15% is being paid by the GAIL when we gets the gas from Petronet. And when the GAIL gives you the gas, then you'll have to pay additional 2% VAT because of this interstate transfer. Am I correct? Or is there something different?

Kamal Kishore Chatiwal: Yes, that is correct. That is correct.

Pratyush Kamal: Okay. Okay. So now sir, post IGL, when it goes to customer, what are the different VAT which are put on CNG and PNG for Delhi specifically? And what's the additional cost which is involved in the compression? And is it included in GST, because then you might be getting the input credit for that GST which you would have put in into the compression, right? So like what's your take on that?

Kamal Kishore Chatiwal: I think I will ask Manjeet to clarify this.

Manjeet Singh: In Delhi, there is no VAT as on date on sales of CNG. Even there's no VAT on purchase of natural gas used for CNG. Regarding your second question on GST, right now, the compression charges what we are paying, we are paying GST on the services that we are using, for which we are not getting any input credit, because CNG is still not under the GST regime. So once the GST comes into picture on natural gas, we'll get the benefit of all the GST we are paying on our input for compression and other activities.

Pratyush Kamal: And PNG...

Manjeet Singh: PNG, that is taxed at 5% right now. The input VAT is also 5%, but that is convertible. So net impact is a 5% tax on output side that we pay.

Pratyush Kamal: Understood. And sir, what's the formula of the Henry Hub and Brent-linked contracts which you have made?

Kamal Kishore Chatiwal: The formula, I think it is a commercial arrangement between mutual parties. So that would be difficult to share. But it is very, very attractive as compared to the industry. That is all we can say.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So just wanted to check like has the drag from DTC buses now stopped? Or is that still impacting your numbers in Delhi?

Kamal Kishore Chatiwal: No, it is still under progress. So what we can say is 9 months, this has impacted the sales. Otherwise, we would have grown -- Delhi was almost flat, maybe 3% growth. But otherwise, if you leave aside the DTC, it has grown by 6%. So impact is still being felt. I think 40% buses are still there.

Amit Murarka: Right. And also, I missed the comment on price hike. I think you mentioned the INR2 per SCM is needed to maybe go back to the INR7 to INR8 range. But like what is the thought process now on kind of making these price adjustments? Like is it basically the election factor? Or is there anything else? If you could just throw some light on that?

Kamal Kishore Chatiwal: Actually, we balance both the growth as well as the margin. So what I would say is that because the sourcing was so sudden, so we had to source and then adjustment, because we don't want to shock the customer into believing that this fuel is not very reliable fuel. So that's the dilemma for us and Delhi being the largest market. And so any response from our side has to be very calculated. So we'll take a call. And we have taken some price hikes other than Delhi to the extent of INR4 in some of the GAs.

Amit Murarka: Right. No, I understand for December, but now I think the sourcing is more or less now clear and maybe stabilized. So I believe you'll have a good sense of your cost structure now. So just wanted to understand like when do you think you can go back to that INR7 plus margin range now?

Kamal Kishore Chatiwal: I think in this quarter, we are hopeful that we'll be in that range.

Amit Murarka: In Q4, you mean?

Kamal Kishore Chatiwal: Q4.

Amit Murarka: Okay. Sure. And also on the capex for next year, will it be in the INR13,000 crores range?

Kamal Kishore Chatiwal: Yes, it will be in the INR13,000 crores to INR15,000 crores, because we are looking at some of the diversification initiatives also. So if they materialize in this quarter, then I think it may even exceed INR13,000 crores to INR15,000 crores that we have projected.

Amit Murarka: Okay. And out of the total CNG stations, how many are in Delhi right now?

Kamal Kishore Chatiwal: Delhi is around 500. We have around 400 petrol/diesel dispensing stations and 500 is CNG.

Amit Murarka: No, no. What I meant was, in Delhi, how many stations are there out of the total about 900 that you have?

Kamal Kishore Chatiwal: In Delhi, there are 400 stations which are petrol/diesel stations, and 500 is the number for CNG. Out of our 900, 500 is in Delhi.

Manjeet Singh: So we have more stations than the petrol pumps.

Kamal Kishore Chatiwal: What I'm saying is Delhi has more CNG stations than petrol and diesel.

Moderator: The next question is from the line of Nitin Tiwari from PhillipCapital.

Nitin Tiwari: So sir, actually, you've touched on the gas sourcing in bits and pieces in your introductory remarks. But just to put things in perspective, can you help us in terms of like putting a like-for-like comparison between third quarter and now in terms of what are the sources of gas that we have and what we had in third quarter and the volume that we are getting from those sources?

And also additionally, if you can give us a breakup of LNG contracts you have? Because I suppose you already had a couple of LNG contracts which were long term in nature in the third quarter as well. I mean, have you contracted anything on top of that? And like whether that's Henry or Brent linked? So just a couple of details on that. That would be my first question.

Kamal Kishore Chatiwal: See, if we look at company-wide, rather than breaking into -- you are aware that CNG is 51% and PNG is 105%. But if you look at the company-wide, out of 9.11%, approximately 47% of that is APM new well gas -- APM as well as non-APM new well gas. So you can say 47%, that is 4.26 MMSCMD. That is available. And balance RLNG, that makes up around 9.1%.

Nitin Tiwari: This is for the third quarter?

Kamal Kishore Chatiwal: Yes. This is for the current portfolio as of now.

Nitin Tiwari: All right. 47% and 53% is the breakup. All right. And this has now -- this allocation has increased. The 47% has now increased. That's what has happened?

Kamal Kishore Chatiwal: This is after the increase, because before the increase, we were getting 3.23. Now that has increased to 4.23. 1 million has increased. So 10% has increased. And from 37%, 38%, the CNG has gone to 51%. So company-wide, if you see, you can say 47%, 48% is APM, non-APM, as well as the new well gas. New well gas is the same, but the pricing is different, slightly higher. And HPHT is -- now if we include HPHT also, so you can say that roughly 50-50 is our mix, that 50% is domestic gas, because HPHT anyway is domestic gas. So 50% is imported.

Nitin Tiwari: So 47% APM and non-APM, 3% HPHT. Now when we come to LNG, so what is the breakup of LNG in terms of volume and, I mean, like contracts in terms of index linking. So how much of the volume is Henry Hub, how much is...

Kamal Kishore Chatiwal: Presently, 2/3 is Henry Hub linked and 1/3 is combined JCC, Brent -- or rather Brent is slightly more. Brent, JCC, JKM, all those. So 2/3 is linked to Henry Hub gas-linked and then 1/3 is oil-linked.

Nitin Tiwari: And you mentioned that like there is a contract that you have changed from Henry Hub to Brent. Why would that be?

Kamal Kishore Chatiwal: No, no, it is not changed. It is basically 5-year contract. So initial 2 years would be on Henry Hub. And going -- from '27 onwards, that will switch to Brent. So it was a mixed kind of a thing.

Nitin Tiwari: Understood. So 1 MMSCMD actually that you mentioned at the beginning, that is a new contract that we have signed over and above what we had in third quarter?

Kamal Kishore Chatiwal: Yes. And the second contract also is a new contract. So since we already have a portfolio of Henry Hub-linked gas and our Brent-linked contract, long-term RasGas contract is expiring in '27. So that is why we are switching to some of the Brent. So yes, the mix is -- of the 50% RLNG, the mix is 50-50.

Nitin Tiwari: Understood, sir. Great. And sir, secondly, on basically gas sales, if you can just help us with the breakup of sales in percentage terms between NCT, then NCR, and other GAs, and what was their respective growth numbers? And I would just like -- a question, like an additional number to that, I mean, just for clarification. So the bulk sales that we are doing, for which you are supplying APM gas to Haryana gas, all of that APM supply is still coming as APM, or there also like there has been a shift in terms of APM plus NWG or something like that? That would be all for me.

Kamal Kishore Chatiwal: So there has been no shift in that gas, because it is basically court monitored -- or rather court mandated. So there has been no change in that, number one. Second is that 67%, 68% is our Delhi and around -- only the Delhi figure is that. Around 15-odd percent is -- or rather close to 20% -- if I include Gurgaon also, close to 20% would be the NCR regions and balance 12% would be outside NCR.

Nitin Tiwari: Right. And Delhi grew at 3% and NCR at 7%, you mean to say?

Kamal Kishore Chatiwal: NCR growing at around 15% and outside Delhi NCR is around 30%.

Nitin Tiwari: 30%.

Mohit Bhatia: So Delhi, inclusive of, if we say -- if we take DTC thing also, Delhi is growing at around 2%. But if we offset DTC volume, then it is growing at around 6% to 7%.

Moderator: The next question is from the line of Varatharajan Sivasankaran from Antique Stock Broking.

Varatharajan S.: Sir, on the APM allocation part, have you been given any kind of an assurance of no future cuts? Or do we expect some more round of cuts as and when the next review happens, which I believe is for [inaudible 0:34:10].

Kamal Kishore Chatiwal: Actually, we have received just the communication that this is our new allocation. Now I don't know whether anybody can give an assurance kind of a thing. So it will be very difficult for anybody, because it is dependent on the domestic production from those fields. We all know that the production over time tends to go down, unless we have some intervention. We don't have any such communication that it will not go down.

Varatharajan S.: On the new well gas, how much are we getting today? And is it being allocated on a proportionate basis? Or is it a different basis?

Kamal Kishore Chatiwal: It is now on the proportionate basis, because in between what they have done was they have invited expression of interest. But now that has been done away with, and they will be allocating based on proportion of their consumption.

Mohit Bhatia: We are likely to get 25%.

Kamal Kishore Chatiwal: And 25% -- any gas, because of our consumption of CNG -- and this is basically going to priority sector, CNG transport. And since our share is around 25%, so we expect to get around 25% of NWG.

Varatharajan S.: So as of now, are you getting the 25% or is it lower?

Kamal Kishore Chatiwal: Yes, the new communication that has come from the 16th, that would be applicable. We will be getting that.

Varatharajan S.: In which case, the new contracts you entered, would they become sort of surplus volume or redundant?

Kamal Kishore Chatiwal: No, no. They will not become redundant, but because they are very competitive, so they are basically lower than some of the existing contracts. So what we can think of doing is, I mean, trading those excess volumes on the exchange.

Varatharajan S.: And my last question, sir, like the non-Delhi GAs you are saying are growing currently at what rate, sir?

Kamal Kishore Chatiwal: 30%.

Varatharajan S.: 30%. Okay.

Kamal Kishore Chatiwal: Outside Delhi NCR, they are growing at 30%.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So just to understand some of the operating details of the APM gas and the new well gas. So whatever you mentioned in terms of the increase in APM gas allocation from 3.23 to 4.23, that is still at the APM gas ceiling price, right?

Kamal Kishore Chatiwal: Yes, that is at ceiling price.

S. Ramesh: Yes. And secondly, when you talk about the new well gas price, ONGC is eligible for 20% premium on that 10% slope based formula. So do you have to pay that slope-based formula plus that 20% premium?

Kamal Kishore Chatiwal: Yes, the price of APM gas other than the ceiling is intimated by PPAC on a monthly basis. So currently, that is at 7.3%.

S. Ramesh: Yes, that's a 10% slope, but ONGC is entitled to get 20% premium on that. So in terms of the pricing of the gas sold by ONGC, the question is whether it's just at that 10% slope or there is a markup of 20% you have to pay as gas cost for the new well gas?

Kamal Kishore Chatiwal: 20% markup is applicable.

S. Ramesh: Okay. Second thing is, can you give us the volume in MMSCMD from the new GAs as of third quarter and what you are doing now in fourth quarter? Is that possible?

Mohit Bhatia: See, our new GAs, and particularly, if we just aggregate Delhi NCR thing, around CNG, the volume is around 0.6 million to 0.7 million per day. And domestic front, it is around 2 lakhs. And industrial and commercial, it's picking up. So that needs to be further enhanced.

S. Ramesh: And can you give us the CNG number for third quarter? What was the run rate in new GAs?

Mohit Bhatia: CNG numbers for?

Kamal Kishore Chatiwal: Third quarter.

S. Ramesh: For the new GAs in 3Q?

Mohit Bhatia: So it is around 0.6 to 0.7 only.

S. Ramesh: Okay. Now in terms of the capex in new GAs and the recovery of interest...

Mohit Bhatia: So this was for the third quarter only, which is growing by around 30%.

S. Ramesh: On a quarter-on-quarter basis?

Mohit Bhatia: On quarter-over-quarter, last year.

Kamal Kishore Chatiwal: Yearly basis.

Mohit Bhatia: Yearly basis, year-on-year basis.

S. Ramesh: Okay. Okay. So if you're looking at the capex what we have already done in the new GAs and whatever is pending, in terms of the recovery of interest and depreciation, when do you see that happen at PBT level, at what volume, and what is the timeline for that to be positive at PBT level for the new GAs?

Kamal Kishore Chatiwal: Most of the GAs have come positive other than 1 or 2 with this price hike. I think, except for the very new GA of Banda, Mahoba, Chitrakoot, the other GAs are more or less at breakeven level. Only the depreciation is slightly higher even considering that they are now coming into positive.

S. Ramesh: So can you give us some sense of what will be the increase in interest and depreciations over the next 2 years from what you have reported as of now for year-to-date?

Kamal Kishore Chatiwal: See, interest in any case is almost 0. Depreciation is one that is there.

Manjeet Singh: So, INR120 crores depreciation we have reported in this quarter. So this is growing almost year-on-year basis 10%, so INR135 crores, INR140 crores we can expect next year same time.

S. Ramesh: For third quarter, okay. And last part, so in terms of the LNG retailing and compressed biogas initiatives and the gas meter initiative, can you give us some sense of where these initiatives are going? When do you expect to make some investments and see some commercial results from these projects?

Kamal Kishore Chatiwal: You see the gas meter is under almost now the installation is nearing. So by April end, so the production will be starting there. I mean it is in advanced stage, I can say. LNG, one of the stations is under commissioning -- or has been commissioned, and the sales are very encouraging there. Every day, they are selling around 10,000 [inaudible 0:40:57] per SCM. So that is the kind of sale. And 3 more stations, LNG stations, 2 in NCR, in Rewari, they are in advanced stage of construction. And one is exclusively for CONCOR, and that will be used for their internal vehicle movement.

CBG is also picking up that -- our own plant, we have 10 plants. I mean, 5, 6, we have acquired the land, and the job is under progress there. So we expect that in another 5, 6 months, one of the units would get commissioned. And subsequently, every 2, 3 months, we'll see commissioning of the others. So 10 plants for which we have planned, they are in an advanced stage in the sense that we have now got land in those 10 locations. In addition to that, the third-party or the LOI holders of our CBG units, so that is also progressing very well. And in our Muzaffarnagar and Noida, Greater Noida, Hapur, these GAs, we are getting the supplies from CBG.

S. Ramesh: So if I may squeeze in a last question on the CBG business. What is the final capex to do and what is the kind of volume of CBG can source and what price?

Kamal Kishore Chatiwal: In the capex sense, it is on a JV mode, and that too debt/equity, so company level capex will not be very, very high. Because right now only INR50 crores kind of numbers is there. But the benefit is that this is the cheapest gas that is available. I mean, 10% cheaper than the APM also, blended cost, I would say. But the challenge remains the land availability.

Technology is not an issue, only the land availability and the feedstock. So those are the key challenges which are making the growth slightly more challenging. But we expect to ramp it up now that we have got land in some of the cases. So the capex totally would not be in excess of INR200 crores, INR300 crores.

Moderator: The next question is from the line of Apurva Sharma from Helios Capital.

Apurva Sharma: Yes. I just wanted to understand what are the steps that have been taken by the company to resolve issues regarding in the remaining parts of Gurgaon. We understand the pricing was the main issue between IGM and other parties. So I just wanted your thoughts given the importance.

Kamal Kishore Chatiwal: Actually, pricing is not the main issue. There was no talk of pricing. Since it is a sub judice matter, so I think it will not be fair on our part to comment on anything. And as you are aware, the case is in appeal and the technical member there is yet to be appointed due to which there is some delay.

Mohit Bhatia: Yes, that's better. I think matter is already sub judice, and it will be difficult for us to comment right now.

Apurva Sharma: Okay. Another thing is, around 1/3 area of total GA of Gurgaon, right, IGL has. So what has been the expansion in both CNG and PNG that has been done at the company in this territory, which is not...?

Kamal Kishore Chatiwal: Growth there is very, very encouraging in the sense that we are now selling close to around 2.5 lakh in CNG. And whatever target was given to us in terms of minimum work program, so that we have already completed for the domestic connection. So whatever -- the area was a little challenging also, but the CNG sales -- for CNG, that is the advantage that wherever you set up, the cars can come there. But for industrial and domestic, that is the challenge that it has to be in your area. So Gurgaon GA, we are seeing a very good growth.

Apurva Sharma: Okay. So what has been committed has already been done?

Kamal Kishore Chatiwal: Yes.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Just a clarification, sir. So when we sell CNG on our station, sir, what is the tax that we incur?

Kamal Kishore Chatiwal: What is the question? Can you repeat that?

Madhur Rathi: Sir, I wanted to understand when we sell CNG at our stations, what is the tax that we need to pay to the government or what is the tax that we need to add to our pricing to sell it to the end consumer?

Kamal Kishore Chatiwal: So actually, we sell it at maximum or rather the retail price. Now what the retail price includes is a component of excise duty of 14%. And after that, there is a component state-wise of VAT, value added tax. So that ranges from 0% in Delhi to 12.5% in UP.

Madhur Rathi: Okay. So 14% plus whatever addition related to a particular state. Is that understanding correct?

Kamal Kishore Chatiwal: Yes, yes, correct.

Madhur Rathi: Okay. And sir, just a final question from my side. Sir, what we see is the number of private vehicles as well as electric bus -- sir, the vehicles that use more gas are going out of -- are getting less frequent there. So EV adoption is getting faster as well as -- so CNG adoption is getting -- the vehicle addition is happening, but it's happening more on the personal vehicle side. So the vehicles that are consuming less are getting added, but the vehicles that are consuming more are not getting added. So I wanted to understand your views on that.

Kamal Kishore Chatiwal: That is the correct understanding. What I would say is that there is a pickup of 17,000 conversion, okay? But if we compare with, say, EV or CNG or petrol and diesel, so these are the 4 category of fuel, then I would say that CNG, as Director of Commercial has said, is growing at around 46%, which is the fastest among the fuel categories.

Mohit Bhatia: And EV, the data show that EV has been growing by around 4% to 5%, and that too only in the premium segment, whereas in the passenger commercial vehicle, the normal category and all, I think CNG is growing fastly and around 46%.

Moderator: The next question is from the line of Gaurav from KCM Corporation.

Gaurav: So I have 2 questions. First is, you have mentioned the total CNG stations, right, 892. In that, there is a bifurcation of IGL, DTC, OMC, and DODO. So what exactly it is, can you just tell that?

Manjeet Singh: What is the question?

Kamal Kishore Chatiwal: 40% -- you can say that 41% is IGL stations; 5% is DTC, DIMTS, Railways; and 54% is OMC and DODO.

Gaurav: So what exactly is DODO?

Kamal Kishore Chatiwal: Dealer-owned-dealer-operated. I mean, our own dealers.

Gaurav: Okay. Okay. Got it. And the other point I want to ask is, as Indraprastha has started with the pipe long route CNG buses with the type 4 cylinders as a pilot project. So any update on that pilot project? Are we going to use type 4 CNG cylinders in the buses or even we are including in the cascade transportations and all?

Kamal Kishore Chatiwal: So actually, the type 4 cylinders in cascade are already being deployed. Now this was more of a demonstration project, and this has been successfully demonstrated. So Uttarakhand, Delhi to Dehradun, they were plying and filling from Delhi and coming back to Delhi with one fill. So that has been successfully tested. Now the only challenge is that the state government -- I mean, since it was a demonstration, so IGL has demonstrated that. But going forward, the expectation is that the IGL should fund those. So that becomes a challenge that instead of the state governments funding that, so that is the challenge in that.

Gaurav: Okay. And what about the cascades when we are transporting to the CNG stations?

Kamal Kishore Chatiwal: Cascades, we are deploying, and this is very helpful for long routes, because the volume is more in one fill. Instead of the conventional 450 kg, we take around 900 kg, 950 kg in one fill.

So if it is a long route kind of a thing, so instead of transportation, you transport a larger volume. So they are being deployed for long routes. But for smaller routes, they are -- I mean, the economics doesn't work out for smaller routes. So we are also deploying for longer routes.

Gaurav: Okay. So is there any determined range that above 100 kilometers if we are transporting, then we should use type 4?

Kamal Kishore Chatiwal: Yes, 100 is a good enough number. And moreover, this is only a short-term arrangement. I mean, 2 to 3 years, when the GA is just starting. So our effort is -- because the transportation through this mode is the costliest, because INR4 to INR5 additional cost is incurred on that. So effort is that after 2 to 3 years, we should try to cut it down and make the stations online.

Gaurav: Right. So the pipeline stations will be more as compared to the daughter booster station and the daughter station?

Kamal Kishore Chatiwal: Yes. And it is a short-term arrangement only.

Moderator: Mr. Gaurav, does that answer your question?

Gaurav: Yes. But then also, I think on the mother station, one storage -- stationary cascade will be required, right? So in that, then we will be using that to cut down the cost or the economics will remain the same if we use any type of cylinder or type 4 is recommended there?

Kamal Kishore Chatiwal: For stationary cascades, we do not see any advantage of type 4. Okay? It is only advantageous in case of mobile application, being lighter, carrying capacity increases, and all those things. But if it is a stationary thing, then I think the economics are better for any cylinder, especially the type 1.

Moderator: The next follow-up question is from the line of Pratyush Kamal from InCred Equities.

Pratyush Kamal: Sir, I have just 2 questions. First is that since you talked about the sourcing 50% comes from the RLNG part. And in that 50%, 2/3 are linked to Henry Hub and 1/3 is linked to the mixture of Brent, JKM, JCC, which essentially is 33% coming from Henry Hub and about 17-odd percent is coming from the other 3 mixture. I just wanted to know the effective cost for us for these 2 separate parts. So what is the average cost per SCM which you incur when you get the gas which are linked to Henry Hub versus when you get the gas from the other 3 contracts?

Kamal Kishore Chatiwal: Actually, the prices are dynamic. So Henry Hub 2 months back was at INR2.5. Now it is at INR4. Similarly, the Brent was INR84, INR85, now it is INR71, INR72. So they keep on changing. So it will not be very fair that if I give you a number of today, tomorrow it will not change.

Mohit Bhatia: The objective was keeping this in the -- both as we need to have a diversified sort of portfolio, so that we can balance out on the various exchanges, whether it is or Henry HUB or Brent-linked and all, right?

Pratyush Kamal: Totally understandable, sir. But if the cost of Henry Hub would be, let's say, 1 year -- 1 month ago was INR2.5, then what would be the effective cost for us when you're getting the contracts which are linked to Henry Hub, versus when the cost of Brent was, let's say, INR84, what was the effective cost which we were incurring when we are getting the contracts which are linked to those things?

Kamal Kishore Chatiwal: Actually, at today's price, both of them are at similar values, INR35, INR36 per SCM kind of range.

Pratyush Kamal: Okay. The final cost, the landing cost for us, right?

Kamal Kishore Chatiwal: You can say that it is less than INR40 for both of them.

Pratyush Kamal: Understood, sir. And sir, what is the compression cost which we incur per kg?

Kamal Kishore Chatiwal: No, we don't incur any compression cost, rather -- because we have our own compressors and everything. So that is part of the opex. You can say that INR7 to INR8 is our total cost, including the compression.

Pratyush Kamal: Understood. And you don't see any GST, etcetera, for that, right, for the compression part, because that's your in-house compression system which you are using.

Kamal Kishore Chatiwal: Actually, that has been explained earlier. I think Manjeet, you can repeat that.

Manjeet Singh: See, when we go for compression, we generally go for compressors which are working, but we are taking certain services like AMC services, repairs, etcetera. For those services, we are paying GST, which is not allowed to us as a credit right now because our output is not under GST regime. So for machine as such, when we are buying as a capex, there's onetime GST, which is not allowed to us. And services that we are taking on a regular basis, we are still paying GST to the service providers, which as on date is not allowed to us.

Moderator: The next question is from the line of Devang Patel from Sameeksha Capital.

Manjeet Singh: I think we should now start closing this meeting, and this might be the last question we can take right now. So after this, we'd like to close the session.

Devang Patel: So wanted to check our thought process on our 2 associates, MNGL and CUGL. If the partner wants the company to go for an IPO, do we have an option to take over a stake in those companies? Or what does our shareholder agreement with the other partner entail?

Mohit Bhatia: See, we already have 50%, you can say, stakes in both MNGL as well as CUGL. There has been some news in the past from one of our promoter side also. In principle, approval has been given by one of the promoters for making MNGL particularly in listing. So things are going on in a favorable thing and it will move ahead. On CUGL, I think the status is same and nothing much development is there.

Kamal Kishore Chatiwal: If I may just add, 50% is with IGL and balance 50%, in case of CUGL, 25% each is with the promoters. So they don't intend to dilute. So this is not available for sale. In case of MNGL, 45% is with GAIL and BPCL, 5% is with state government. So I don't see any of the entity diluting it further. So the status will remain. In case an IPO is there, so then maybe that is a different issue altogether.

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

Manjeet Singh: Thank you very much for joining us. This was a great pleasure talking directly to you, getting insights into various different aspects of business also. So I hope that the discussion that we had with you has given some clarifications in terms of the IGL way of business and the future outlook. And we'll see you very soon next time on the same session. Thank you very much for joining.

Moderator: Thank you. On behalf of IIFL Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.