



Mahanagar Gas Limited
Q1 FY 2025 Earnings Conference Call
July 26, 2024

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 MR. SANJAY SHENDE – DEPUTY MANAGING DIRECTOR
 MR. RAJESH PATEL – CHIEF FINANCIAL OFFICER
 MR. RAJESH WAGLE – SENIOR VICE PRESIDENT, MARKETING
MODERATOR: **MR. NITIN TIWARI – PHILLIPCAPITAL (INDIA) PRIVATE**
 LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Mahanagar Gas Limited Q1 FY '25 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited.

As a reminder, all the participants' line 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 “*” then “0” on your touch tone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Nitin Tiwari from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Nitin Tiwari: Good evening, ladies and gentlemen. On behalf of PhillipCapital (India) Private Limited, I welcome everyone to first quarter FY '25 Earnings Call of Mahanagar Gas Limited.

We have the pleasure of having with us today the senior management team from MGL represented by Mr. Ashu Shinghal – Managing Director; Mr. Sanjay Shende – Deputy Managing Director; Mr. Rajesh Patel – Chief Financial Officer; and Mr. Rajesh Wagle – Senior Vice President, Marketing.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in the nature, and we believe that expectations contained in the statement are reasonable. However, these statements involve a number of risks and uncertainties that may lead to different results. We urge you to consider that quarterly numbers are not a reflection of long-term trends or indications of the full year results. And this should not be attempted to be extrapolated or interpolated into full-year numbers.

With that, I will now hand over the call to management. Over to you, sir.

Ashu Singhal: A very good afternoon to all of you. Thank you, Nitin, for organizing this. So, good afternoon to all the investors on this earnings call of Mahanagar Gas Limited for the first quarter of the Financial Year '24-'25. I would like to thank you all for attending our Earnings Call.

MGL continued to create CGD infrastructure across its business segments in the licensed areas. During the quarter, 35,544 domestic households were connected, and thus we have established connectivity for nearly 2.53 million households. We have laid 85.51 kilometer of steel and PE pipelines, taking the total length to over 7,054 kilometers. We have added 2 CNG stations during this quarter, and with this we have 348 stations as on 30th June, '24. We also have added 104 industrial and commercial customers during this quarter, and therefore as on 30th June, we have 4,845 industrial and commercial customers.

In respect of our Raigad GA, we have connected 80,854 domestic households and 47 CNG stations, which are currently under operation. During the quarter, we have laid 8 kilometers of pipeline in Raigad, thereby taking the total length of pipeline to 424 kilometer in Raigad.



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With respect to Unison Enviro Private Limited, a wholly owned subsidiary of MGL, the company has added 1 CNG station during this quarter and has a total of 57 CNG stations as on 30th June. During the quarter, 341 domestic households were connected, and cumulative household connections are 27,339 and UEPL has 57 industrial and commercial customers as on 30th June.

Overall, average gas sales for Q1 of the current year compared to the corresponding Q1 of the previous years has increased to 3.858 mmcmd from 3.412, which is an increase of 13.1%. Compared to Q1 of the current year compared to corresponding Q1 in previous year, sales volume in case of CNG has increased from 2.481 to 2.772 mmcmd, which is an increase of 11.7%. Sales volume for the domestic PNG has increased from 0.496 to 0.547 mmcmd, which is an increase of 10.4%.

In the case of industrial and commercial sales, commercial sales volume has increased from 0.435 to 0.539 mmcmd, which is an increase of 23.8%. During the quarter, we achieved overall average sales of 3.585 mmcmd as against 3.779 in the previous quarter, which is an increase of 2.1%. The current quarter volume consists of CNG volume of 2.772 and domestic PNG volume of 0.547, while 0.539 mmcmd of gas has been supplied to industrial and commercial segments.

Compared to the previous quarter, sales volume in the case of CNG has increased from 2.666 to 2.772 mmcmd, which is an increase of 4.01%. However, in the case of industrial and commercial, sales volume has marginally decreased from 0.55 to 0.539 mmcmd, with a decrease of 2.13%. The sales for domestic PNG have marginally decreased from 0.563 to 0.547 mmcmd, which is a decrease of 2.8%. As per our past trend, it is observed that generally PNG volumes remain same or little lower maybe due to school vacations and other seasonal reasons.

Current quarter EBITDA is Rs. 418 crores compared to the previous quarter EBITDA of Rs. 394 crores. EBITDA margin is 26.33% for the current quarter as compared to the previous quarter of EBITDA margin of 25.13%. Net profit after tax is Rs. 285 crores for the quarter as compared to Rs. 265 crores in the previous quarter, an increase of 7.4%.

Coming to UEPL, Unison Enviro Private limited. During the quarter, they have achieved an overall average sales volume of 0.168 mmcmd as against 0.146 mmcmd in the previous quarter, which is an increase of 14.51%. Current quarter volume consists of CNG volume of 0.165 mmcmd and PNG volume of 0.01 mmcmd. Therefore, MGL as a consolidated entity has achieved total sales volume for the quarter of 4.026 mmcmd.

There's a recent launch of CNG two-wheeler with Bajaj on 5th July, and also there has been announcement by TVF for introducing CNG scooters around first half of 2025. It has opened up new set of customers for CGD companies, and MGL sees it as another volume growth opportunity considering the large number of two wheelers in the country. And we are gearing up to cater to this segment.

With this I conclude and would now like to open the floor for questions. Thank you very much.



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- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.
- Probal Sen:** Good evening, sir. A couple of questions. Number one, what was the percentage of priority sector allocation for this quarter? And any sense you can give us in terms of what that number would be for the rest of the year?
- Management:** Current quarter APM allocation for the priority sector, that is CNG and domestic put together, was in the range of around 69%. And I think the previous quarter was around 73% - 74%. As respect to going forward I think we'll have to wait and watch how does it move. Last few quarters it has been reduced but let us see that the trend may get stabilized or may reduce slightly.
- Probal Sen:** So, sir, just extrapolating, this obviously means that our share of term LNG and spot LNG will continue to increase, assuming this because our volumes are also going up and the rate of decrease is fairly sharp the last few quarters. So, in terms of margins then, is Q1 run rate basically something that we should be sustaining? Or is there some scope for improvement, particularly spot LNG prices remain at the moderate levels that we have been seeing for the last few months?
- Management:** So, I think as you have seen in the last year also, quarter-on-quarter we have been adding HPHT as and when there is a decrease in the APM allocation. And our endeavor will be that blended cost for priority sector remains in this range. And I think if you see my Q1 results, we have been able to maintain or marginally improve.
- Also, we have signed term contracts where we may be able to use it for priority in case the indexes remain lower. And yes, if the spot also remains in the current range or goes down, we are hopeful that we will be able to maintain the gas cost, subject to, yes, APM allocation going down marginally or remaining same, not drastically going down. I think other factors like exchange rate also needs to be monitored. So, as of now we are confident that more or less gas cost will remain in this range.
- Overall I think it is a comfortable position whatever guidance we have been giving in the past Rs. 10 to 12 per SCM EBITDA, we are hopeful that we will be able to achieve that for the year.
- Probal Sen:** Got it. The last question, if I may, if you can give, given the very strong volume growth numbers we have been seeing in the last couple of quarters, guidance obviously has been raised in a way by the management anyways to about 7% plus. Should we still hold on to that? And if you can kindly also give Unison what kind of growth should be there, given the relatively smaller base for at least '25 and '26, any indication, sir?
- Management:** Our CAGR volume guidance remains the same, I mean, slightly more than 6% - 7%. Quarter-on-quarter it can vary, we can have some strong quarters, some weak quarters. But directionally, we do not see any change. Of course, it is still a improvement from our last many years' average which has been maybe 5%, 6%. From there we are moving up, definitely.



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- Management:** UEPL is, I mean, small volume, so we have seen a growth of around 14% as compared to the last quarter. But we expect that the volume growth in Unison will continue to happen because we have taken several steps after we have taken over the company. And the results will be visible during this financial year as well as coming few more years. So, we think that the volume base is small, but the growth rate will be more than 10% on year-on-year basis for at least few years to come in Unison, or maybe slightly more than that.
- Management:** You will see quarter-on-quarter 14%, with I think already almost 56 stations in place. And we endeavor to put more stations. You will see minimum double-digit growth, higher double-digit growth.
- Probal Sen:** So, mid-teens is what we should be working with, sir, roughly, on an annualized basis?
- Management:** Yes, mid-teens.
- Moderator:** Thank you. The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.
- Yogesh Patil:** Congratulations for the great set of numbers. Sir, wanted to know about, considering the strong CNG volume growth, we wanted to know the CNG vehicle addition details during the quarter. And do you have any updates on the CNG buses addition by the MSRTC?
- Management:** Yes. During the quarter, roughly 20,800 odd vehicles were added on to CNG. This is compared to, let's say, 20,100 in the last quarter of last year. And MSRTC added about 90 buses during the quarter.
- Yogesh Patil:** Sir, can we get a little bit break up on the passenger vehicle, commercial vehicle, auto rickshaws, on these 20,800 CNG vehicle addition details?
- Management:** About 14,200 odd would be private cars, taxis, etc. Roughly 5,000 would be three wheelers. And the really small commercial vehicles, means the Tata Ace, Maruti Super Carry types will be about 1,200, 1,300. The remaining will be medium heavy commercial vehicles and buses. In buses, MSRTC's contribution was 90, BEST's contribution was 59.
- Yogesh Patil:** Sir the second question is related to your capital expenditure plans for FY '25. How many new CNG stations additions or upgradations are expected in FY '25? And what was the CAPEX during the quarter?
- Management:** During the quarter, we have incurred CAPEX in the range of around Rs. 250 crores. And with stations, we are going to add; we have set up a shift target around more than 50 stations we expect to add this financial year in MGL alone, and maybe another 25 stations will be added in Unison Enviro. So, in total maybe around 75 stations will be added in the overall numbers, 350 + 57 of Unison, and another 75 will be added for this financial year. CNG stations.



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- Yogesh Patil:** Sir, APM gas allocation sites, you mentioned that it was close to 69% during the quarter for FY '25, what is the current APM gas allocation run rate, any ballpark figure you can share, if possible?
- Management:** I said 69%. Currently also it is in the same range.
- Yogesh Patil:** Sir, just a few hours back we attended the IGL call and they mentioned that they are getting a 62% APM gas allocation for the priority segment. So, the difference in APM gas allocation is due to the CNG volume growth or any other reason? And just wanted to get some clarity on that.
- Management:** I think maybe there is a difference in the manner in which the percentage is worked out. Either it could be total volume versus priority, or it could be they are allocating first whole priority to domestic, balance available they may be comparing with the CNG. And that percentage that could be there. What I am telling you is total APM versus total priority gas sold, that is domestic plus CNG put together, that is 69%. So, I do not know in what manner the percentage is worked out or what is the base with which APM allocation is being compared.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.
- S. Ramesh:** Basically on Unison Enviro, based on the volumes you have achieved so far, what is the kind of top line you have booked this quarter? And how do you see the EBITDA per SCM for the quarter and for the coming quarters in FY '25? And how do you see that improving, say, in FY '26?
- Management:** In terms of volumes, it was roughly 153 lakh SCM or 0.17 mmscmd, which is already touched upon in the call. In terms of value revenue, it is roughly Rs. 88 crores for the quarter Q1 of this year, as against Rs. 82 crores in the last quarter.
- S. Ramesh:** So, in terms of the earnings, EBITDA or EBITDA for SCM, can you give us some insight?
- Management:** EBITDA is more or less in similar range as MGL. Not sharing the exact number because there are certain costs which are specific to this Q1 and we taking over, so not very right way to compare it. But I will tell you, gross margins are also more or less in the similar range. Their prices are higher and their costs are a little bit higher. So, they are also in the range of or little more than in MGL, maybe Rs. 1 more than MGL in terms of EBITDA margin.
- S. Ramesh:** Just trying to get a sense, since you have shown the consolidated results, is the contribution from Unison profit break even or a loss in your consolidating the result?
- Management:** So, I think as we have been informing you in the earlier calls also, UEPL as such is breaking even at EBITDA level, there is a cash profit. And for the quarter, there was a PAT of roughly Rs. 10 crores. However, when you see on consolidated basis, there are some notional entries that keeps on coming, so you will not get the correct picture, at least on the Quarter 1. When you see our annual report, maybe you will be able to get more information on the details on an annual level basis for UEPL.



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S. Ramesh: Understood. So, now if you look at your core business in terms of the Y-o-Y trend, when do you see the Y-o-Y trend reversing to growth? Will it happen in the second-half, or will you see that happen by FY '26? But last year was admittedly a very high base, so given the current run rate in conversions and potential for any improvement in EBITDA margins, with the Rs. 1.5 increase in prices, should we expect the earnings trajectory to improve on a Y-o-Y basis to positive growth by second-half or next year?

Management: Are you referring to volume growth this quarter?

S. Ramesh: I am talking about earnings growth. See, because if you look at your results, they're down, right, Y-o-Y its down. So, from an investors' perspective, you are doing the right things in terms of adding vehicles and showing growth in volumes. So, the question is, based on the current run rate in volume growth and the kind of pricing power and the ability to manage the gas cost, what is your sense in terms of when you will be able to show growth at EBITDA and PAT level over the next say four to eight quarters? Would it happen in the second-half? Should we expect that to happen in FY '26? What is the current expectation?

Management: I think there are a lot of factors on which this depends. First of all, the volume growth is there, which is visible compared to the corresponding quarter last year. If you consider that there is a seasonality in Q1 always, so we expect that there will be better growth in Q2 and Q3. We have also taken a price increase, as you may be aware, in the month of July of Rs. 1.5, so our endeavor is to maintain margin in line with the gas cost available to us.

And with volume growth going up, there will be reduction in the Opex per SCM as well. So, if we are able to achieve maybe more than 6% to 7% volume growth, we see that absolute EBITDA will also grow. Maybe it may take three to four quarters for absolute EBITDA to start crossing the current or the past year levels. Because as we have been saying that in the past year our margins were quite high, and the EBITDA achieved is slightly higher than the normal performance in the year. And after that there has been a decrease in APM allocation, and we have been trying to manage that gas cost.

So, considering the APM allocation available at this stage compared to what we got in the last year, last year almost 90% APM was available. So, presuming that APM allocation remains where it is, volume growth accrues in the manner in which it is accruing now, we are able to do better physical infrastructure laying down in UEPL as well as in MGL, which will certainly add volumes. And we are hopeful that we will be able to take from here on the EBITDA level and cross maybe the best in the past.

S. Ramesh: If I may squeeze one more question, in terms of the LCV additions, when do you see that show some improvement? And when you see that delivering in terms of increase in the growth rate for CNG sales?



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- Management:** If you see, small commercial vehicles have been getting added quarter-on-quarter quite well, more than 1,000 at least every quarter. And currently we have more than 12,000 odd small commercial vehicles, tempos and RTVS are also almost 16,000, both put together we are almost 28,000 odd. And the truck number is also increasing. If you notice, even BEST buses have come back this quarter 59, and 90 MSRTC buses.
- Management:** One point we would like to add about the commercial goods vehicles is that, whatever reports in media we are seeing on that segment, the commercial vehicle additions across fuels is lagging slightly. I do not know if it's because of the economy or what, but however, we are still attempting to claw out a larger market share for CNG out of whatever comes new in the market. So, we have developed traction, and we are hoping that the numbers will improve from here on.
- S. Ramesh:** And any concern on the increase in the growth rate of hybrid vehicles? Technically, is that going to be a kind of a deterrent for incremental growth in vehicles?
- Management:** In short, maybe that doesn't move the needle, hybrid vehicles, the number is too small right now.
- Management:** It is not going to have any impact as of now because the overall volumes are much heavy and the volume of potential to get petrol vehicles or the diesel vehicle on CNG side is much, much more. So, it's not that EVs or hybrid vehicles are going to make any impact as of now.
- Moderator:** Thank you very much. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** Congratulations on the good numbers. So, just two questions. Firstly, on the LNG you've given the revenue, but what is the current unit economics of the LNG station? So, you've got 1 right now, so how much was the sales and what was the margin profile? And what are your plans for LNG for the next one year as well as for the next three, four years?
- Management:** I think within MGL, this is 1 station, because after this station we have entered into joint venture with Baidyanath LNG and more new stations we'll be taking up under that JV. Coming to your question on the volume of LNG in MGL, that Savroli station, we were selling around 3,000 in the last quarter. Currently, it is almost more than 4,100 kgs a day. That is the volume.
- Sabri Hazarika:** And what is the maximum potential for this?
- Management:** The tank is 20-ton capacity, so typically we have to make some volume already in the tank, maximum we can go up to 12 tons, 13 tons per day.
- Sabri Hazarika:** And the EBITDA margin profile is better than CNG or it is similar?
- Management:** So, today we are seeding the market, so EBITDA margins cannot be better.



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- Management:** Right now it is just for making sure that we get the proper contract, and every ecosystem is in place, so we are seeding the market. So, it cannot be compared with the established market like CNG.
- Sabri Hazarika:** And secondly, regarding this open access, it is completely done for good right now or is there anything? Like there was this document which came in PNGRB that they have put it on hold. So, is there anything there or it is like completely off the radar at the moment?
- Management:** There are few many things in it. One is that infrastructure exclusivity is there for which we have sought extension from PNGRB, and we are expecting that it will be processed and given to us. Because there's a precedence and provisions in the regulation to give 10 year block extension on the request.
- Regarding the marketing exclusivity, there have been several developments like guiding principle they have been repealed by PNGRB. 54 notices which they have issued to different entities have also been repealed. Now, again, the guiding principles are under subjudice plus batch matter related to its marketing exclusivity, and infrastructure exclusivity is also under sub judice being debated in the court. So, we do not want to comment on it, maybe after the court's decision. Till the time court decides, there is a stay order on both these things for any coercive actions to be taken against us. So, we think our interests are protected till the time judicial decision comes.
- Moderator:** Thank you. The next question is from the line of Rajesh Aynor from Athena Investment. Please go ahead.
- Rajesh Aynor:** Sir, can you please shed some more light on the volume growth which we have achieved in the last two quarters? Sir, the trajectory seems to be moving upwards, what exactly has been the reason? Are these reasons sort of sustainable? Why I am asking is because despite this, you are still guiding for around 5% to 6% kind of growth for the future years. So, some more color on that will be helpful.
- Management:** Look, the volume growth, look at the last two quarters, has primarily been driven by CNG. In fact, if you look at our domestic household or DPNG numbers or I&C numbers have actually decreased slightly. So, on an overall basis, we are not changing our outlook. And again, it's not 5% to 6%, it's more than 6% is what we have been saying, 6% - 7% at least. And again quarter-on-quarter, commenting on exactly why some volume went up 2% higher, why something went down 1% is very difficult to quantify in retail business, we do not have information at that level of granularity. Yes, vehicle additions have been strong. More commercial vehicles have been adding, whose per capita contribution is higher. And all that we can say is there are more vehicles on the road, more CNG vehicles on the road, we have crossed 10 lakhs now and they must be running either how much ever they used to run, or slightly more for this volume contribution.
- Moderator:** Thank you very much. The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.



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- Kirtan Mehta:** I just wanted to check on the volume guidance that we are keeping in 6% to 7% range while we are running at 12% to 13%, and we have a good visibility on the industrial sort of doing a double-digit growth over two years. So, which is the area where we expect the normalization to come through? Or which is running at a higher than the sort of the rate which may not sustain? Any thoughts or any color on this?
- Management:** I mean, if you look at Q4 versus Q1, CNG increase is almost 4%, which is a very large number. And if you annualize that, the number is much higher. We do not think that is sustainable for a long time, so that may moderate a bit. Industrial and commercial, we repeat that we will most probably be getting double digit growth in industrial and commercial segments this year also. And domestic continues its slow and steady contribution, because the base is very high. And whatever 1 lakhs - 2 lakhs we keep adding every year but will contribute to slow and steady growth. But the CNG number this quarter was, yes, slightly, maybe higher than usual.
- Management:** Maybe we are under estimating. The point is that CNG volume is the main driver for growth. Around 70% volumes come from CNG. But it can vary quarter-on-quarter. So, this quarter has been much better as compared to Q4 of last year. Going forward, there can be some reduction. So, overall, we expect that more than 7% growth at least we will hit year-on-year.
- Kirtan Mehta:** Second question was on the cost side. So, what sort of gas transportation cost on an average? How much it is for us? How much of the gas we receive from Zone-1 and Zone-2? Is there any split available?
- Management:** Most of our gas is in Zone-1, except HPHT what we buy comes from Reliance i.e. Zone-2.
- Management:** Most of our gas i.e. APM as the things are coming at Zone-1. Some gas which we are taking from let us say KG Basin of Reliance, plus maybe some from Hazira, that will be coming under Zone-2.
- Kirtan Mehta:** Is it possible to share the delivered cost for APM and HPHT in different bucket?
- Management:** HPHT is around \$9.9 per MMBtu. And different bucket means transportation, you are saying?
- Kirtan Mehta:** Basically, delivered in terms of the Rs./SCM number, is it possible to sort of differentiate within the different buckets, how the cost vary?
- Management:** I think if you add the Zone-1 maximum, at least 80%, 90% quantity, you will be able to arrive at it, because \$6.5 is APM, HPHT is around \$10.
- Moderator:** Thank you. The next question is from the line of Gagan Dixit from Elara Securities. Please go ahead.
- Gagan Dixit:** Sir, my question is regarding, in the past basically MGL was adding 20 to 25 CNG outlet, now you are targeting almost 50 CNG outlets per annum. So, what is the change actually that you see?



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I mean, what are the easy ways you find to add to double this, something, your CNG outlets rates per annum? I think if you give some color over that.

Management:

I think several steps have been taken in last few years. We have, I mean, taken steps in trying to promote different schemes for getting the lands. Also we have been very aggressively following up with different authorities. And we have rationalized smoothened the process of issuing LOI, and execution also we are trying to promote, simplifying the processes, and several other things which we have taken maybe.

Management:

In the last few years, traditionally we used to have just a couple of models of CNG channels, one was to Oil Marketing Companies, and one was COCOs, there were very few DODOs. Now few years back we widened that ambit, and we now have almost four or five different types of offerings for partners who are willing to do business with us and open CNG stations. We now have the ability to, in case we really need a CNG station somewhere and land is available, yes, we are willing to pay close to market price for it if that's what it takes to get a strategically important CNG station.

So, in the marketplace what we are observing is, if any entrepreneur or person wants to open a fuel retail station, they are preferably coming to MGL compared to other alternative operators like OMC's or even the private fuel retailing companies. So, that has changed and that is contributing to the increase in numbers. Also of course as MD said, we are pursuing very aggressively with government and other quasi government authorities to get more and more land parcels from them. So, in the last one or two years we have got an unprecedentedly large number of these government plots.

Management:

Yes, but we are also planning ahead to see that we maintain good potential to increase more stations wherever it is possible.

Gagan Dixit:

So, I can simply assume that this this potential will continue for few years?

Management:

Yes. I mean, there are obviously certain problems and certain limitations that after a while the land availability in certain pockets would be difficult. But we are keeping some margins and we are trying to get new opportunities, new models, new way of execution. Permissions also are being expedited and so on and so forth. So, that at least some pipeline is clear that how much we can add in next few years at least.

Gagan Dixit:

And sir my second question is, I think I am following the since FY '19 actually that MGL is proactively I think has arranged the gas supply procurement, I think, you have done. I think you are the few of the CGD companies who have contacted Reliance CGD Gas also I think 8% - 8.5% rate in the initial. So, how much is that you had the overall gas supply contract, I mean, over and above also something the actual you demand that, I mean, whatever the overall supply you have the mid-term long-term contract these are available with you, sir?



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- Management:** We have already signed almost all term contracts. As you already said, Reliance was there, 0.1. Apart from that we have signed Henry Hub linked contracts. Already we had up to quarter end around 0.76. And after that also we are taking up one or two contracts. HPHT was already around 0.5 million, and we proposed to take little more again in the times to come. So, as and when our volumes are stabilizing and we are sure that we will be able to maintain the volumes, we are going and tying up with the term contracts. All these term contracts are in the range of five to six years, except one or two where it could be three years.
- Gagan Dixit:** So, they are over and above whatever your demand is, you have the some cushion, if your demand increases so you have the availability?
- Management:** Yes, if you look at the signed contract, over and above it is demand. But there is a threshold of minimum take or pay, some contracts 60, some at 80, some at 90. So, whenever I ramp down, it can meet and whenever I want to go a little more --
- Management:** Right now we have not over contracted, some shortfall and balancing is done through exchange also. So, I mean, we are almost at par with what the gas is being consumed and the contracts which have been made. Because see, as was being explained, around 69% is APM, balance shortfall in this is being met through HPHT. And for industrial and commercial we are importing LNG, I mean, taking LNG from different aggregators and suppliers. So, there is a mixed portfolio, plus we have got exchange where we do the balancing part whenever demand goes up or down and contract flexibility is also there to balance it.
- Management:** Just to add, short term marginal growth we can do on spot also. Once the spot level increases and stabilizes, we take a tranche out of that and move it to term, so spot again comes down.
- Moderator:** Thank you. The next question is from the line of Lokesh Manik from Valium Capital. Please go ahead.
- Lokesh Manik:** Sir, if you can just share details on this 4% Q-o-Q growth in CNG geography wise, which geography was the main driver for this group it would be great.
- Management:** See geography, it is I mean floating population, GA1 and 2 vehicles are moving here and there.
- Management:** I think percentage wise GA3 will be higher. That's anyway double digit, but the base is small there. GA1, GA2, we not really put that on very, very knife edge kind of this is GA1 this is GA2, because vehicles move across the border, fill from anywhere. People stay in Mumbai, travel to Thane and vice versa. It's just one expanse of the metropolitan region. But having said that, from the maybe the core city of Mumbai, volume growth is not that high. BEST is stagnant for example. In fact, last maybe one year we might have lost a few percentage points on state transport undertaking volume, which now is reversing because of MSRTC and marginally BEST.



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- Management:** Simply if you take a station situated in each geography then you have some number, but that is of not much relevance. So, if you see GA1 and GA2 wherever the stations are and I collate it, maybe it is almost equal GA1, GA2 or little more GA1 because of the traditional volumes and all that.
- Lokesh Manik:** So, incrementally, GA2 is in Unison given the volume, is that a correct assessment?
- Management:** GA3 also. GA2, GA3 and Unison. These are the new volume drivers in a way. I am saying the higher growth percentage. That will be in GA1 as well, but the percentage is lower.
- Lokesh Manik:** GA1 is saturated, I mean GA1 is matured market.
- Management:** Even the stations are being added up in GA2 and GA3, primarily. GA1, the addition of stations is slightly limited.
- Lokesh Manik:** And this commercial vehicles coming into this in the CNG format, these are more in Mumbai region, they are outside Mumbai, or they are equally distributed?
- Management:** They are distributed across our geographies. These typically run on highways, and they are also involved in last mile delivery for e-commerce and things like that.
- Moderator:** The next question is from the line of Sagar Kapadia from Prabhudas Liladhar. Please go ahead.
- Sagar Kapadia:** Sir, in the last quarter conference call you had mentioned that in Q3 FY '24, 67; and Q4 FY '24, 97, these were the medium and heavy commercial vehicles addition you are referring to, right?
- Management:** So, 67 number was actually trucks.
- Sagar Kapadia:** Yes, trucks. These were the medium and heavy trucks you were referring to, correct?
- Management:** 97 was in Q4 trucks.
- Sagar Kapadia:** Yes, these were the medium and heavy commercial vehicles. So, this quarter, how much will be the number Quarter 1 FY '25?
- Management:** Number in this quarter is 163.
- Sagar Kapadia:** So, this is an improvement, no, sir?
- Management:** Yes, good improvement.
- Sagar Kapadia:** So, can we continue for this year, at least around 150 trucks can be added every quarter?
- Management:** We are hoping so, but one thing we have to realize is the slight change taking place in this market. With the availability of factory fitted medium and heavy vehicles, quite a few transporters are shifting from the small commercial vehicle to the medium commercial vehicles. So, the small



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commercial vehicles actually have dropped from over 1,400 to about 1,250. And that delta has got picked up in the medium and heavy ranges, that will improve our overall sales volumes because medium and heavy take more per capita CNG compared to light. But then the overall number is remaining roughly the same, 20,000 – 21,000 kind of a range.

Sagar Kapadia: Okay, I understand. So, they are shifting for the bigger trucks only, so that will be beneficial to them also. And for volume front, it will be beneficial to us, although in numbers it will not be showing.

Management: Yes, correct.

Sagar Kapadia: Sir, another thing I wanted to ask you, you always refer to the CNG vehicle additions 20,000. So, these are all conversions, this 20,000 you are referring to or the new vehicles added?

Management: So, these are predominantly factory fitted OE vehicles. Retrofitment number is hardly about 900 or so out of this 20,000 – 21,000.

Sagar Kapadia: But you include in that also? In that 20,000 number you retrofit also you include it every time?

Management: Yes, roughly 20,000 factory fitted and 1,000 retrofit. Let's say 21,000 or 20,800/20,900, or whatever.

Sagar Kapadia: Got it. And so another one important thing, in MSRTC buses you always say, around last quarter we had said 300 cumulative buses, even this quarter they have added. So, in our geographical area, what is the total scope of these MSRTC buses which we can finally over a period of time they can keep converting?

Management: We are expecting another about 200-odd to come on maybe in the next two quarters or so. After that, again, we are pursuing continuously with MSRTC to bring up more and more depots on CNG and convert more buses. But let's see how it goes.

Sagar Kapadia: So, any range which you have worked out, like what is the total MSRTC buses plying in our GA area which has the scope of conversion?

Management: MSRTC has about a total fleet of about 17,000 buses. Out of which probably about 6,000-odd would be touching our GAs.

Sagar Kapadia: Okay, so that's a big number?

Management: Yes, that's a big number. And these buses run a lot of kilometers a day, so per capita consumption is almost 80-90 plus kgs per day. And they run a few lakh kilometers. I think they replace the buses in four or five years and that's how hard they drive them. Of course, the road conditions also do not help.



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- Sagar Kapadia:** These can compensate us for our dropping volume from the BEST, right?
- Management:** Yes. But if you will notice, BEST is also slightly slowly creeping back. We have added 59 buses in this quarter net additions. We are pursuing them also to adopt more CNG.
- Sagar Kapadia:** Because in media now often we hear that they are going to shift to electric, they are going to shift to electric. So, then that makes the sentiment towards the stock a bit negative for the BEST.
- Management:** Despite whatever has been happening with BEST, we are still growing at a good rate overall. And 90 plus percent of that is basically noise. If you look at the onground numbers, BEST currently only has 500, 600 odd electric vehicles. Maybe in the last one quarter or so, they have managed to add some 70, 80 more. But for a very long time, maybe two or three years, that number was stagnant in about 500 odd range.
- Sagar Kapadia:** From last two to three years only this 500 to 600 is the stagnant number of the EV?
- Management:** Yes.
- Sagar Kapadia:** So, we still have a scope in BEST also to slowly keep on increasing the CNG vehicles?
- Management:** Yes, definitely.
- Moderator:** Thank you. The next question is from the line of Somaiah V. from Avendus Park. Please go ahead.
- Somaiah V.:** I was looking for Unison in terms of next couple of years for the year FY '25 and '26, what is your expectation in terms of volume growth?
- Management:** Volume when we started was 0.13 mmscmd. Currently, we are around 0.17 mmscmd. So, we think it will grow pretty fast in at least quarter-on-quarter and year-on-year because number of stations are getting increased in these areas. And we think our guidance was that six, seven years we will cross 1 mmscmd, maybe 1.3 mmscmd.
- Somaiah V.:** So, this 6% to 7% kind of volume growth that we are expecting, I mean, I just want to understand how much Unison would be contributing and how much Raigad would be contributing?
- Management:** This is excluding standalone MGL, 6% to 7% which we have been guiding is MGL alone, excluding UEPL. UEPL is a separate number which will get added.
- Management:** Overall volume wise, in case of MGL we are having around 3.9 mmscmd. The volumes of Unison is currently 0.17 mmscmd and going forward it will be, in another six, seven years it can be crossing 1 mmscmd, so maybe 1.3 mmscmd.
- Somaiah V.:** Sir, also you mentioned in terms of profitability for Unison, you said it's more or less in line with company level numbers. So, is it because your realizations are higher in this GA when compared



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to Mumbai, that's the reason? Because I guess in terms of operating leverage it will be lower when compared to your other GAs?

Management: Currently, prices in all the GAs of Unison are higher than MGL. And maybe that is because some cost is also there may be in terms of gas transportation as well as LCV transportation, because their stations are mostly daughter booster. As and when we lay further lines, these operating costs will come down. So, their price to the customer is also higher and the gas costs and other operating costs are also higher. But at EBITDA level, more or less they are making equal margin as MGL.

Somaiah V.: And also you did mention about the two wheeler potential. Any rough thoughts, currently how you are thinking at the opportunity set? And in terms of any incremental volumes currently you are penciling in your outlook?

Management: Two wheeler is just launched so it will take some time for pick up in term of availability of these two wheelers on road, adoptability, the experience, the customer experience. We are anyway taking up internally that how we will address this issue of an additional business segment. So, as of now we think wherever the space is available we can allocate one dedicated dispenser for filling up these two wheelers. But going forward, as and when they increase, we will take necessary steps to make sure that they are addressed properly. The volume pickup will take some time because the per capita or per fill is very low, maybe around 2 kg is the cylinder size, so we will be filling around 1.5 kg per fill. So, the numbers to add up point to overall kitty of our vehicles will take some time to make some significant impact.

Management: Just to supplement the launch of this Bajaj motorcycle, I think over 130 motorcycles have been delivered in our geographical areas. When we are speaking to Bajaj, their projections are maybe 700 odd would add every month or so. So, when you look at the overall CNG vehicle number of 10 lakh plus and all that, we should be able to accommodate this. But as MD said, our material growth, yes, it will take a long time. But this is slow, steady, and we are expecting this market to contribute. This was never a market segment which was there in a traditional mix.

Moderator: This is a very welcome thing which we appreciate the effort taken by Bajaj and other OEs to design and then launch successfully these type of application for CNG, which is a very welcome thing for the industry.

Management: And since then there have been media reports of one or two other major two wheeler manufacturers who are talking of now introducing something similar.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: My question is, you touched upon it a while ago. See, the economics of the government transport with respect to electricity and CNG, earlier the data would have been scarce, but how do you



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perceive the economics of electric BEST bus or MSRTC bus versus a CNG bus? How is it evolving also, that will be a little helpful.

Management:

There are certain subsidies available in EV. Secondly, we have done some back of the envelope calculations on the total cost of ownership of a CNG vehicle and electric vehicle, bus particularly. Because let us say CNG bus is costing around Rs. 45 lakhs to Rs. 50 lakhs per bus. The electric bus cost is somewhere around Rs. 1.5 crores, Rs. 1.6 crores. We have done studies which show that the total cost of ownership or TCO for a CNG bus is actually lower. But there are all kinds of optics around the electric bus with 0 tailpipe emissions and nothing, somehow it's making more news and noise. The total cost of ownership of a CNG is around much less, maybe 1.5x at times.

And especially given the very, very poor financial situation of BEST, they are totally dependent on the Municipal Corporation and the State Government to fund them for these buses. So, we are expecting that there will be some limitations there also on how they can grow CV. So, they will have to look at CNG and that's our belief.

Anuj Sharma:

That's helpful. And you touched upon few numbers, but if you could just quantify. You said the cost of an electric bus with subsidy would be approximately Rs. 1.5 crores, versus a CNG bus of Rs. 40 lakhs, Rs. 45 lakhs.

Management:

Currently it is Rs. 1.6 crores to Rs. 1.8 crores per bus, electric vehicle.

Anuj Sharma:

Without subsidy or with subsidy?

Management:

With subsidy.

Anuj Sharma:

And when you elongate this on a TCO, what is the difference in a 10- and 15-year period?

Management:

TCO is typically 1.4x to 1.5x higher than the CNG, total cost of ownership basis. For buses you are saying, right?

Anuj Sharma:

Yes, sure, busses. And this economics, as the subsidy weans off or maybe comes off, this economics will become more and more lucrative to own a CNG, is that a fair assumption?

Management:

So, many assumptions. See, the numbers which we gave you were also dependent on the fuel price, CNG prices, electricity, I mean, the cost required for sourcing the electricity and charging it. So, there are certain assumptions in what they have done. So, it depends, going forward if electricity tariff comes down or if CNG prices come down or go up, then the economics gets slightly different.

Management:

The subsidy element going forward, I think what we read from media, the government is targeting Tier-2 and Tier-3 cities now.

Management:

But the bigger issue with electric vehicles is that the supply is not available, especially in the buses. The booking, like earlier the question was being asked, around 2,000 buses were ordered by BEST



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and only maybe 400, 500 are available as on date, despite two years have lapsed. So, there is a question mark on the availability of buses as well. Plus, again, Chinese buses are getting imported, or some of the batteries components are getting imported from China. There also there are certain restrictions on imports. So, going forward, we see that there are several factors which can impact overall profitability or economics and as such.

Management: Cannot say with confidence, but if you look at the current Union Budget, the FAME subsidy allocation has been reduced compared to the past. So, probably if that is some indication that maybe EV will be slowly left to the market forces. We do not know, but that is what the number shows in the Union Budget.

Management: This is despite the fact that GST on electric vehicles is 5% as compared to CNG vehicles which is attracting 28% GST.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you so much to our investors for posing and showing confidence in Mahanagar Gas, and we value that. Thank you so much for joining in today.

Moderator: On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines.

(This document has been edited for improving readability)



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