



**“Adani Gas Limited Q1 FY '21 Earnings Conference
Call hosted by IIFL Securities Limited”**

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**MODERATOR: MR. HARSHAVARDHAN DOLE, IIFL SECURITIES
LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Adani Gas Limited Q1 FY '21 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshavardhan Dole from IIFL Securities. Thank you and over to you, Sir.

Harshavardhan Dole: Thank you moderator. Hello everyone, on behalf of IIFL Securities, I Welcome you all for the first quarter earnings call of Adani Gas. To discuss the numbers in detail and share the outlook on company's strategy to performance, we have the Senior Management team of the company with us today represented by Mr. Suresh Manglani who is the CEO and Mr. Parag Parikh who is the CFO. First, I would request the Senior Management to make an opening remark subsequent to which we can make the floor open for Q&A. Now without much of a delay, I would like to hand over the call to the Senior Management. Over to you, Sir.

Suresh Manglani: Thank you, Harsh, for introduction. Good Morning to all of you. Hope all of you and your families are staying safe and taking due care. 21st continues to be an integral part of all actions at Adani Gas. At Adani Gas, we have demonstrated once again safe operation even during these testing times of a lockdown and timely adoption to the new normal. Adani Gas is constantly improving the safety processes and has carried out 1000+ man hours of HSE training remotely to the teams in this period which exhibits our commitment towards safe operations and project execution. While all of us are experiencing the impact of pandemic COVID-19 around us started since middle of March 2020, the good news is that we are seeing positive outcomes of the efforts of Central and State Governments in continuously reviewing the unfolding situation on unlocking of livelihood and economic activities. Currently, we are under unlock Phase 3 and we hope to see more and more such efforts with economic activity bouncing back to its full potential level benefiting businesses. Adani Gas has continued its uninterrupted supply of piped gas and compressed natural gas across all its geographical areas right from lockdown one to unlock three along with continuity of our operations and emergency services on 24 x 7 basis. In addition, we have significantly enhanced digital solutions to allow our consumers to stay safe at home. While we are back in offices, many of our team members are also working and supporting from their homes ensuring better productivity.

Let me now come to the main agenda of this call. The Board of Directors of Adani Gas met yesterday and has approved the financial results for the first quarter FY '21. Despite the continued and complete lockdown of 69 days and partial lockdown of 22 days in this quarter, the combined volume of piped gas and CNG stood at 64 million metric standard cubic meters, which were around 47% of a Q1 FY '20 level. The EBITDA for the Q1 FY '20 was INR 86 crores and profit before tax was 63 crores. The percentage of EBITDA was 59% as compared to corresponding quarter in the previous financial year and PBT was at 51% as compared to the corresponding quarter of previous year. Let me now declare the results in more detail. In the first quarter of FY '21, overall volume as I stated was 64 million standard cubic meters as against 137 million of a corresponding quarter of previous year which had a complete normal operation.

During Q1 FY '21, revenue from operations was at 207 crores versus 479 crores of the quarter in the previous year. Our EBITDA was 86 crores versus 146 crores in the Q1 FY '21. Profit after tax for Q1 FY '21 was 46 crores against 79 crores in Q1 FY '20. Out of the 15 geographical areas, we have already commenced our operations in nine geographical areas which were awarded to us in ninth and tenth round. All the five geographical areas in Gujarat State are now operational. The project-related activities have now commenced which were from March lockdown onwards were seized. From June first week onwards, the project activities have commenced, and we hope that soon all the activities will come back to the normal or better pace as it was before COVID. Adani Gas is also pleased to apprise that we have provided free CNG to large number of vehicles in Ahmedabad who were catering to the emergencies. Similarly, we have provided free piped gas to Gurudwar in Faridabad. We also donated Rs. 5 crores to PM CARES fund. I am confident that with the continued support from all stakeholders, our Adani Gas deal, the journey ahead will be much more exciting and successful. We would like to acknowledge the role played by our shareholders, customers, dealers, suppliers, employees, investors, business partners, media, and are thankful for their trust and continued support. Thank you very much.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Manikantha Garre from Axis Capital. Please go ahead.

Manikantha Garre: Good Morning all Sir and hope you are all safe and sound, couple of questions from my side, Sir, first one to start with you have given the percentage volume recovery month wise in Q1 April 23% , May 43%, and June 74%, may I check how July is panning out by you, that will be my first question? I have been trying to find out how many CNG vehicles are there in your targeted geographical areas and how do you see them ramping up and if you can give the split of this vehicle in terms of three wheelers, CVs, and buses if that is available, that is my second question? Third question is if you can update us on the status of the open access policy and some minimum of program relaxations that you are seeking from....

Suresh Manglani: Thank you. Before I come to the July, I will also update you that you have seen in investor's presentation there has been a very good ramp up of the volume from April to June and if you see the exit volume as on June 30th, our exit volume was 1.25 million standard cubic meters as compared to previous exit before COVID was 1.6 and just to give you an update where are we in July, I would update you that in July we are around 85% to 90% level there. In the North side, we are actually close to 95%, in Gujarat side we are around 90%, so we are bouncing back almost fully, and we hope that by this month end or maybe another couple of weeks, we should be at the pre-COVID level.

Your second question was how many vehicles are operating, vehicles are otherwise normally nowadays CNG has spread so much in India across all geographies that you have so much of a transient vehicle floating through your geographical area so on an average we have around two lakh vehicles which we are feeding from our outlets and we are seeing a good conversions happening because we also see large players like Maruti and many other car manufacturers focusing on CNG as part of their manufacturing plants, so we hope that number of conversions

are going to be increasing and Adani Gas as we are expanding our footprints in all 19 geographical areas, we are also developing several plans to boost the conversion of CNG in each of our geographical area through several marketing interventions.

The third your question was about open access, open access is currently with the regulator, you know that they had notified the draft regulation, we all have participated, we have given our comments and regulator is currently drafting the final regulations on open access as well as the larger issue which they have to be dealing with is the tariff fixation for the existing CGDs, so they are currently working, this is what is our update and we look forward what regulations are going to be coming and how they are going to be unfolding the open access, so that is the call with the regulator apparently.

Fourth, your question was MWP relaxation part is that the moment pandemic happened, Adani Gas as a responsible CGD company which has committed MWP for each of our geographical area has apprised the regulator about the impact of a pandemic and has sought reasonable extension of the MWP as well as the marketing exclusivity extension because this two go parallel, so both the components we have made a representation to the regulator. We have along with several other CGD companies have been engaging with the regulator. Regulator is considering our request and they are also looking at the current situation of pandemic which is still continuing, so their view is that currently lead their pandemic taper down and then they will take a final view of giving the extension, but we hope there will be a reasonably good extension with consultative approach between the regulator and the industry.

Manikantha Garre:

Sure Sir, if I can just follow up on this couple of questions here on the same set of questions, to the second question you mentioned that large players like Maruti and other car manufacturers are focusing on CNG and you are saying many vehicles being sold by them, wanted to understand from you how aggressive are they in launching CNG vehicles, do you get any sense from them that this much percentage of the market that they would like to take it to for the CNG vehicles, do you get that kind of percentage?

Suresh Manglani:

Our discussions with OEMs suggest us there is a very good preference and priorities being given by the car manufacturers because they are seeing interest of the consumers to go for an CNG greener fuel, reason is very simple, the earlier couple of years back before 2018 I would say in particular, the perception of everyone and maybe to large extent it was a factual position was that CNG is a localized fuel, it means if you are in a Mumbai you can operate in CNG but you cannot go out of Mumbai. If you are in Ahmedabad you can operate on CNG you cannot go out of Ahmedabad, but after 2018 that perception or the factual position has changed because now 406 districts in this country are under CGD development and large number of geographical areas have opened up, now you can travel from Jaipur to Mumbai on a CNG, you can travel from South to Ahmedabad in CNG, so large number of corridors have developed, so that has started spurring the demand and desire of the people to opt for CNG, two reasons, one is a good economics which is coming accruing from the CNG adoption. Second is the contribution to the pollution and encouragement which is being done by the Government and State authorities for going for CNG plus almost all CGD participants are also providing several marketing

intervention to boost the conversion of a CNG, so this is where I think will give you sufficient update that there is a good momentum on CNG conversion.

Parag Parikh:

I may add in, Manikantha, I think the consumption of diesel on one hand with all the BS6 adoption is continually moving down. The rising prices of alternative fuels of petrol and diesel on one hand and the overall falling price of gas has also made the segment attractive for people to convert, so this economics and to add the marketing interventions of the industry players we do believe and hope that there will be an increasing trend of conversion into CGD.

Manikantha Garre:

One last question Sir, thank you for that and Sir, in the timeline for these final regulations on open access policy, sorry if you have already answered that?

Suresh Manglani:

Actually as I said to you this is with the regulator now. Regulator is formulating final policy, they are also finalizing the draft regulation or tariff fixation for the CGD entities who are going to be put on an open access, because you are aware what will happen is if there is an open access, let us say in any particular geographical area, third-party like you can come in and ask for transmitting your gas through our network, so what should be the tariff and that is regulated for existing entity because that existing geographical areas were not in the bided out category. In the bidding with ninth and tenth round or several other round which we did, we have already quoted the tariff, so their regulator is not going to play the role on a tariff fixation but for the existing GA which were not put under the bidding, regulator also has to come out with the regulation on how to fix the tariff, so we are waiting for those two regulations to be notified by the regulator. There will be some industry consultation, so some time it will take, it is a very, very important issue for regulator, for consumer, for industry, I think this is being done with lot of care, so that everyone's interest is taken care of.

Moderator:

Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar:

Sir, great job during these times of pandemic, so I had one question in terms of the short term and one from a slightly more medium and longer term, we have seen an increase in our gross margins over the last few quarters and especially in the last quarter, given where the gas prices are do you think these are sustainable at least in the ... I was saying the increase in gross margins that we have seen in this quarter, are they sustainable in the next foreseeable future? Second one was what I wanted to understand from a longer term perspective let us say over two-three years, what is the CAPEX that we are looking in and what is the volume growth let us say we are targeting over the three years given the fact that we have got so many new GAs and everything else getting rolled out, so if you can give us some perspective on that side?

Suresh Manglani:

Thank you Ashish for participating in the call, you know you are absolutely right, the gross margin is quite healthy and it is growing for last couple of quarters and we have also given a good gross margin even in this pandemic quarter because there are couple of reasons which have contributed to the gross margin before I come to the sustainability part. Our gas sourcing strategy has certainly helped us a lot, we are not doing any long-term sourcing so that any expensive

LNG is not in our books, so we are actually almost related to the market though we have some mid-term kind of strategy which we do on gas sourcing, so overall our combination of the contraction the strategy which we follow on gas sourcing has reaped good benefit to us. Second is our being a private entity as well as very watchful on our cost, pandemic again give us an opportunity to look at every component of our cost, so we went on optimizing the cost, and the third was we have also seen that increasing of the alternate fuel pricing which is happening, so it has given us some scope to adjust to some extent some pricing where we felt that the market is able to absorb and our marketing interventions through schemes etc. will work on converging of the CNG, so put together various component have certainly helped us in giving a good gross margin. We actually hope to continue with these continued strategy of all three components to try and sustain the gross margin, but as we expand to the newer geographical areas, what our strategy would be that we will be focusing more on a volume enhancement, while if there is a need for us to bring some intervention on a gross margin, we will do that, but in absolute terms you will see a much better gross margin there because volumes will go up and maybe in a percentage you may see slight adjustment of a gross margin, but overall we hope to deliver a very good healthy gross margin, this is where I will live it to Parag to give response to your second question on CAPEX the estimation for the next couple of years.

Parag Parikh:

Thanks for joining the call, I think on the CAPEX front as you are aware while our existing operating GAs have reasonably reached a mature stage, there is a very small incremental CAPEX which is required to be incurred on the operating licenses. Having said that, the 15 licenses that we have been awarded in the recent times 15 number, this requires a CAPEX of almost close to 5500 crores over the next five years. that we are looking at. If I were to sort of simplify it over the next three years, it should constitute somewhere around 50% to 60% of this number as the CAPEX cycle.

Moderator:

Thank you. The next question is from the line of Varatharajan Sivasankaran from Systematix. Please go ahead.

Varatharajan S.:

How do you see the incremental monthly addition or conversion rate happening in your current GAs and secondly like you know we have a subsequent breakup in terms of volumes and in the new GAs which you are rolling out the surveys is industrial PNG a significant component, how big approximate net revenue you expect that overall demand as part of your overall estimation of demand is concerned in those case?

Suresh Manglani:

Thank you Mr. Varatharajan for participating, in terms of the number of conversions I had already responded in the previous question that we are seeing a good conversion happening. As I was saying today now CNG slowly, slowly is becoming like countrywide fuel because 406 districts are developing the CGD network and CNG stations, so now each CGD entity or the geographical area is also getting benefit of floating or transient vehicles, so conversion across the country are increasing. Today, we have close to 4 million vehicles which are operating, you saw couple of months back it was almost 3.2 million, so there is a very good growth happening across CNG conversion regularly and we hope to see this momentum going up significantly, because now on a regular basis you are seeing CNG stations getting converted across the

country, not only in Adani Gas in almost all CGD industries, so conversion is going to be boosting up in the times to come and that is needed for all of us also to sustain our volume, so that is the one part. Second part was you were asking about the new GA industrial PNG, as I said in the nine geographical areas out of the 15 which we have made operational in the new GA largely it is a CNG operation because the pipeline infrastructure development is going on in full swing. What we need is also a city gas station for where we get the supply from a transmission company of a gas, so you will see in the next couple of quarters we will be continuously giving those news as well that we will be going on commissioning the city gas station and then the piped gas operation also will start, but one of the geographical area, Palwal closer to the Faridabad has a good amount of PNG supply to industries as well. I will request Parag to give you further details on that question.

Parag Parikh:

Just to give you a perspective I think from a composition of our volumes today almost close to about +60% in this quarter has been a volume of PNG while about 38% is on the CNG. Our normal composition is towards a 50:50 with PNG slightly being higher and this composition if you see in the lockdown quarter has been lower due to the CNG vehicles plying less on the road. Within the overall composition of existing to the newer geographical licenses, almost +90% volume is coming from our existing licenses while there is a small single digit number which is moving towards the newer GAs, which contributes today only about 7% to be more precise and as we start building in the new licenses, you will see this composition mix change and I am also adding to what we spoke about also the margins, as we enter any new territories we will be doing marketing interventions, our strategy would be to have an early adoption on the CNG vehicles plus of course once the city gas stations are ready then we will really get ourselves for the PNG, so that is how we should see both in terms of composition mix and how it will move towards a more balanced portfolio coming back to around 50:50 over the following quarters.

Varatharajan S.:

I have one more question if I can slip it in, I saw some news about you trying to acquire petrol and diesel distribution license, so how do you see that fitting into your overall strategy?

Suresh Manglani:

As we have been saying in earlier quarters also, when we did partnership with the Total in October 2019, the stated vision is that we will also be developing fuel retailing stations in the future, so there is a company which has been incorporated called Total Adani Fuel Marketing Company and that company will now be working on developing the fuel dealing business of the Adani Gas on behalf of both the partners.

Moderator:

Thank you. The next question is from the line of Rohit Ahuja from BOB Capital Markets. Please go ahead.

Rohit Ahuja:

Sir, thanks for the opportunity and thanks for a very comprehensive presentation that you have put up, I see your GAs are spread across the country and you have shared earlier your five-year and 10-year plan, just wanted to understand the key enablers for your plans in this environment barring the COVID impact, we have spread across the country like all the four corners of the country your GAs are stretched, so are you banking on the pipeline network of GAIL to be operational across or you see already there is a good availability of gas in terms of LNG visible

and you do not see any supply-side issue from gas from a perspective of long-term or do you see a PNGRB policy that is more supportive for your plans for expanding into all this GAs?

Suresh Manglani:

Thank you Rohit, I think you have been a veteran, you do lot of research on oil and gas, I keep reading your reports, so I am sure you will have lot of insight on what we do and what other companies are doing. As far as your question what the enablers are, I would say it is a combination of everything what you stated. We are in 19 geographical areas, four as Parag has been saying are existing geographical areas which are quite matured infrastructure development. The remaining 15 geographical areas, couple of geographical area for example South, Tirupur, Cuddalore, East Balasore, Bhadrak, even Udaipur they do not have pipeline connectivity or Porbandar also is away from a pipeline connectivity, but if you see the way we are working while on all other geographical area we are laying trunk pipeline. Our strategy is stated that we will try and accelerate backbone pipeline infrastructure laying much before MWP that is what is our stated intent and we are trying our best that we are laying backbone pipeline infrastructure almost in all geographical areas. In couple of geographical areas, we are in fact crossed MWP for even the second year, so our aim is that we do complete backbone infrastructure at the earliest, so that we can spread an online CNG stations, give a piped gas to industries, large commercials and also fulfill the aspirations of the homes for piped gas.

In the large number of areas which are closer to pipeline, that work is going on in full swing and we hope to give you good news in the couple of coming quarters. In the areas which I stated where the pipeline connectivity is quite far, visibility is happening now, development will start working, Adani Gas actually has taken a lead to set up small-scale LNG plants in all those geographical areas. We have already procured the land, the contractors are in place, orders have been done, deliveries have started happening now because COVID has impacted it, so in all geographical areas we hope to be there with piped gas and CNG quite soon, this is our aim. Pandemic has posed a challenge, but we have been working even during this pandemic to ensure that whenever situation unfolds normal, our teams or contractors are available there to start the work at much accelerated pace than the way we do pre-COVID, so that should give you satisfaction that company management is on-the-job, teams are working and waiting for normalcy to come and wherever authorities are supporting, environment is there even today when I am speaking to you lot of work is going on across the geographical areas.

Rohit Ahuja:

Sir, how dependent are you on the LNG terminals operation especially on the East coast and would that be a major trigger for your expansion on the east side of the country, Northeast and East side?

Suresh Manglani:

The good part Rohit, you know better than actually us we know because you are having a 360-degree view, the good part is that we are seeing a large number of RLNG terminals getting developed. Even Ennore is there which is having sufficient supply for us to give us at Tirupur and Cuddalore. We have Kochi which can cater us to even the Cuddalore, we had multiple the energy terminal is others, AG&P terminal is coming in Karaikal that also will be helpful, so we will have actually multiple LNG terminal helping us to get a competitive LNG supply actually, so that is another important development for us on almost all geographical areas. You will see

wherever we require LNG, we have good options available and currently for couple of quarters or I would say two to three years ahead we see softer pricing, excess supply of LNG as well as availability of a good RLNG terminals across all geographical area, so we are not seeing that as a constraint for us rather we are seeing that infrastructure being an enabler for us to in fact develop on a strategy to intervene through RLNG wherever we are not able to bring the gas through pipeline.

Rohit Ahuja: That is small-scale LNG Sir is that a small storage terminal you setup in the location and that becomes like a hub and spoke model where supply for the local area?

Suresh Manglani: Yes, that is what we are doing it, we are doing it already five small-scale LNG terminal order we already placed and those are going to be coming shortly, it is going to be imported, so there is some challenge on this equipment supply coming here, supply chain logistic issue is being sorted out, but we have five locations identified where orders have been placed. We have now identified two more location where we are evaluating the viability aspect etc. so that we can set up seven small-scale terminals in our geographical area, so the future of a CGD largely is going to be mix of the supply through pipelines and supply through small-scale LNG terminals to ensure that you exploit full potential of the geographical area in the most economical way.

Rohit Ahuja: How much do these costs?

Suresh Manglani: It will vary on various combination of factors, the size of the plant, how much we are going to be sizing what kind of an standby arrangement depending on each company's policy, for example, I do not want to see any dry out, so even if it costs me couple of crores more I will go for it because supply of security and assurance and reliability of our reputation is more important than saving Rs. 1 or 2, 3 crores, , so several components will factor the cost, so that will depend which location we are doing it, what is the capacity we want to build, how much horizon we are keeping, is it for two years, three years or five years, so all those factors will help us to decide and design the plant size and the cost part.

Rohit Ahuja: Sir, lastly on regulations, PNGRB, now there were lot of talks going on that someone like GAIL can easily setup the stations on the highways which are falling on the highway and the main trunk highways even though it becomes part of a GA that has been awarded to some other companies, any clarity on that Sir like what does the regulation now clearly say as far as the setting up of CNG stations goes?

Suresh Manglani: The CNG station, I do not see there is any dispute or two opinions in the country, I think including GAIL or including PNGRB everyone has a consensus in interpretation of regulation that CNG and a piped gas up to 50,000 cubic meters supplied to one customer at one plant is actually with a CGD company up to the marketing exclusivity continues. There is no ambiguity in that, but I think what you are referring to is the recent circular by the PNGRB about setting up of LNG terminal stations, so there PNGRB has very clearly, they have removed the ambiguity, they are saying it is only for liquefied natural gas not LCNG or LPNG, so you cannot setup an LNG station and convert to CNG and supply it in that area and then regulator also has

stated that this LNG station can be set up even in the authorized area of a CGD company, so that is the issue which we are all working and reviewing with that regulator. The clarifications are being sought by CGD industries because all along you know the view within the CGD industries and CGD company like ours was that any type of natural gas whether it is a liquefied or a compressed or piped actually the marketing exclusivity grants that right to CGD company alone, but now regulator has made that clarification the liquefied natural gases is not part of the, only for transportation fuel not for industries or commercial customers, so that we are working on that front to see whether how do we take this issue forward, but coming to you that GAIL is going to set up so would be the case for everyone to like us a large conglomerate of Adani and Total actually would be more benefited if you see that we will have entire country available to us now set up an LNG station which otherwise is available to only authorized entities, so tomorrow if that finally position is clear, Adani Gas also can setup LNG stations anywhere in the country, so that benefit is there for all players including GAIL.

Rohit Ahuja:

So Sir would not oil marketing companies like HP, IOC also have an advantage because there was this earlier order from the oil ministry which said that all stations can also sell LNG or CNG or petrol and diesel at the same outlet and would not that also be a conflict wherein all the petrol pumps more than 50,000 station network of OMCs can potentially start selling CNG or LNG from their outlets?

Suresh Manglani:

That is what I said, you are referring to the new license regime which has been announced by the Government of India for setting up of fuel retail outlets, there it is a mandatory requirement it is not that you can do, it is a mandatory requirement that within three years there has to be an alternate fuel arrangement to be made in addition to MSHSD so you need to bring in CNG, LPG, LNG, EV, at every station, so as I said to you all of us we can take the benefit of that part where we can all setup CNG station, oil marketing companies also are in that position of setting up LNG station, so each one is going to be evaluating the viability of locations which they have and we will have a benefit of being large conglomerate to also take that benefit from our side, so I think...

Rohit Ahuja:

A JV with IOC will also help you Sir in this regard because they have more than 26,000 outlets across country?

Suresh Manglani:

That definitely will benefit us and that will benefit even IOCL as well because at the end of the day you can set up a business but you also need a partner to make sure that there is synergy brought in for that, so we do this dispensing of CNG and PNG, so that benefit will definitely be there for both the partners, Rohit.

Moderator:

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

Sabri Hazarika:

Good afternoon Sir, thank you for the opportunity, I had just one question, if I divide the GAs between Tier-1 and others, what would be the ballpark cost for setting up a CNG outlet, laying one kilometer of pipeline and connecting one domestic PNG customer?

Suresh Manglani: Mr. Hazarika thank you first of all for participating and asking, it is very simplification of everything what you are looking at from our side, let us say one kilometer of pipeline which geography, which territory, which diameter, what pressure we need to lay the pipeline. One customer PNG is an apartment, it is in a bungalow, it is raw house, how far from nearest point again there will be a question, so these questions would be, we need to only look at a very specifically at a particular point, it will be difficult to say CNG station, mother station, daughter booster station, alone daughter station, co-locator station, one compressor, two compressor, too many dispenser, how many dispenser, so with canopy-without canopy, there would be so many combinations of a cost which needs to be worked out, it will be difficult to say CNG station will cost X or one kilometer of pipeline will cost Y and a PNG customer connection will cost Z, so my request would be you can talk to us off-line if you have any particular specific query, we can respond to you but giving a specific number for this generic questions would be difficult for us.

Moderator: Thank you. The next question is from the line of Kishan Mundhra from Systematix Group. Please go ahead.

Kishan Mundhra: Thank you for the opportunity Sir, I have two questions, firstly on the cost front I see that you have done significant savings on the cost front, so I just wanted to understand how much of your cost is like variable cost and fixed cost and what are the improvements that you have done and how much of it do you expect to retain? Second question would be on your IOC as JV front, Sir how are things looking there particularly on the volume front, do you see the volumes ramping up just like you have seen in your own GA?

Suresh Manglani: Your question one is cost optimization, in fact we responded in the previous question this question was asked to us and we did say that there are couple of components of not only gas sourcing cost as well as the operational cost. We have been continuously working to optimize it and we could achieve that benefit even during pandemic period, so that whether we will be able to sustain, the intention is to sustain but at the same time as I stated earlier our intent is to broad base our volume as the first priority, so the volume enhancement further would be whether existing geographical area or a new geographical area would be the first priority and to achieve those volume broad basing if we need to adjust our gross margin which needs to have some cost upfront because every geographical area you understand because you all covering this sector. Any new area will go through a ramp up cycle, initial cost would be little higher because throughputs will start developing so we are prepared for those cycle to be passed through, so if there is a need for us to do some adjustments on a gross margin to bring the volume, to bring ecosystem in the new geographical area, Adani Gas will adopt that ecosystem. The second part was your IOAGPL, IOAGPL volumes are actually increasing continuously and this year itself volumes has significantly increased as is stated in our presentation as well.

Parag Parikh: Just to complement, I think IOAGPL volumes are continuing to ramp up, so we hope to see that volumes coming up. Of course the pandemic of this quarter has left everything to a lockdown but if one has to see IOAGPL, IOAGPL is at an initial growth phase and it is yet in the process of building its CAPEX cycle and its licenses, so we are trying moving forward we should also see growth coming out there similar to Adani Gas over time. It has also 19 such licenses and the

overall CAPEX program also for them is in a similar number, so it is a large sort of entity where we are there as investor and we are hoping to see the benefits of even IOAGPL numbers coming in times to come, so that is where we would see IOAGPL. Coming back I think onto the earlier question of in terms of improvement of margins, I think what we have already addressed as a private player we obviously are continuing to see how we can keep minimizing our costs and the current scenario has only accentuated the requirement of keeping costs at bay and the efficiency on the gas sourcing portfolio has also enabled us to enjoy the margins, but as we said I think broad basing our volumes especially newer licenses, newer areas, creating awareness of CNG into some of these regions will become more and more important for us, and therefore, if it requires incurring cost, marketing business development cost or even attracting customers in terms of lowering down the prices, we may adopt some of the strategies to build our volumes.

- Kishan Mundhra:** Sir, just one clarification, is it safe to assume that your IOC JV volumes are back to like 90%-95% level?
- Parag Parikh:** If you are referring from a comparison perspective no, for the reported quarter, we would have still been towards about 50% to 60% of our volume.
- Suresh Manglani:** July volumes have come back to around 85% to 90% in IOAGPL as well.
- Moderator:** Thank you. The next question is from the line of Yogesh Patil from Reliance Securities. Please go ahead.
- Yogesh Patil:** Thanks for taking my question, I have two questions, first question is from the side of Sir, your operating expense are close to Rs. 6.9 per SCM in per unit format, however, we see into your historical OPEX is less than Rs. 4 per SCM, so what would be the guidance for the operating expenses per unit for the next nine months, this is my first question? Second question is related to your gas pipeline assets, which are supplying gas to CNG stations inside a geographical area which you have won, what is the current utilization rate for this gas pipelines and if you could give us the CNG station's utilization level if possible, so these are my two questions?
- Parag Parikh:** As I said firstly from the operating expenses perspective as we mentioned that one is in terms of things like gas sourcing which is to some extent linked to volume, and therefore, whether call it pre-COVID or post-COVID, it is largely variable and moving aligned with our sales. Having said that, as far as the other operating expenses and costs are concerned, there are some which are more fixed in nature, and therefore, you would see slightly a higher number compared to the earlier quarters, so you should see that this is again averaged out over a period of time as we see volumes increase, so that is the answer to the first question. Can you repeat the second question?
- Yogesh Patil:** My second question is related to your gas pipeline assets which are supplying gas to CNG station inside a geographical area which you have won and operating, so what is the current utilization rate for the gas pipelines and if you could give us the CNG stations utilization levels if possible from your side?

Suresh Manglani: Yogesh, I think you cover this sector very well, you have been asking this question from me several times, I have been saying to all the investors that we develop a pipeline for a combined purpose of a CNG and piped gas, number one. Number two, you develop a pipeline not for today, you develop a pipeline for future security of the supply, so to see how much percentage utilization of CNG is there would not be actually a right indicator even for you actually, the right indicator would be that what is our throughputs which are happening, so the sales volume which you are seeing and the margins which are becoming will give you a good indication the health of the performance of the company. Is there any specific thing in your mind, certainly we can work with you on offline so that we give you all the information which are required to satisfy your queries?

Moderator: Thank you. The next question is from the line of Harshavardhan Dole from IIFL Securities. Please go ahead.

Harshavardhan Dole: Thank you, I am actually asking questions on behalf of few investors who were unable to log onto the call for some prior engagements, essentially the questions are on gas supply policy by the Government. Now, theoretically as and when PNGRB introduces common carrier in the city gas distribution network, the question is essentially do you expect the incumbent to pass on their quota of APM gas to whosoever wants to come and avail open access, that was the part of the first question? Second part was essentially are you anticipating any changes in gas supply policy itself whereby priority which is given to the city gas distribution is basically rearranged and basically priority either given to fertilizer or even standard power plants and since now CGD is as you said has moved from intracity to intercity fuel it can adjust to market pricing? Third question was basically pertaining to when do you think gas can be included under the ambit of GST, so these were the three broad questions?

Suresh Manglani: Harsh, thank you very much raising these issues either on your behalf or on behalf of the investors whosoever has been asking, very important question I would say and all related to the policy. APM quota to be passed onto the new incumbent who would like to be participant of an open access is a very larger issue which also would be coming up when regulator is taking a view on open access. As I said, one is developing the open access code for a CGD company to operate, regulator also if you see the regulations, regulator is going to take care of interest of not only the consumers, the third party participant as well as the CGD entity itself, so that is the way balancing has to be done by the regulator and then regulator will have to work with the Government to see this participant who is coming in whether he will get the APM gas or no, this issue is still yet to be addressed by the policymakers, as CGD participants it is difficult for us to comment what policymaker would decide, but I would only say that should suffice the purpose that once the open access is laid out and the intent is for promoting open access, I think environment will get developed for an open access by the regulator as well as the Government, so that would suffice the purpose that Government and regulators, CGD entities will all work to see that real open access is then provided to the customer, so a lot of issues are yet to be sorted out because this is an very, very important aspect for any sector, this is a major reform, so this will take some time and it will go through this evaluation cycle as every reform has gone through,

so it will take time for the open access to finally get settled, so let us see first the open access code and the tariff fixation regulations.

Second was any change we are hoping in APM policy, the larger issue which we need to all understand is that what is the purpose being served by CGD company and what is the intent of the Government, you saw Government has provided 8 crores LPG connections in *Ujjwala* and that gives us all of us an intent of the Government that they would like to provide LPG connection and now piped gas connection to every home in the country. You also see how the CGD areas have been configured when they are authorized. Now, it is no more a city gas distribution actually as it used to be called, it is a regional gas distribution. One geographical area combines three, four, five districts actually including urban and rural, so the Government regulatory intent is clearly laid out that they would like to spread CGD across the country, so the larger public interest is involved, so to my mind because the APM gas supply is very limited to 25%-26% even today to CGD companies. Government would in our view and we hope that continues that Government would continue to provide APM gas for CNG which is serving a very, very large purpose of bringing cleaner fuel in the country and piped gas to homes, so you see Adani Gas is converting several hundreds of homes in rural areas and we get so much of a pleasure and pride when I visit those areas, when I see people have converted from wood to the gas or cow dung fuel to the gas, we feel very happy when we see the smile on their faces, so I think I am sure same thing must be happening in the governments mind, so to my mind APM gas would continue to serve the larger purpose, it is not a very significant proportion even today's 25%-26%, so our view is that they should continue because it is serving the larger interest.

Third was GST, I think all of us have been seeking this on a yesterday basis, every debate which happens, every open house which happens either with the Government or roundtable discussions which happens or regulator or any authorities which are concerned with GST, I think this issue is raised by all of us, all the CGD industry, oil and gas companies that petroleum products should be brought under the GST and we hope natural gas would be the first category to get if not altogether to be brought under GST and we are hoping sooner the better because this will bring not only one cost optimization, it will bring lot of simplification for industry as well as to ensure that our industrial customers today who are otherwise getting cost of a VAT will get at least the benefit of set up of a GST.

Moderator: Thank you. As we have no further questions, I now hand the conference back to Mr. Harshavardhan Dole for closing comments.

Harshavardhan Dole: Finally, I like to thank the Management on behalf of IIFL for giving us an opportunity to host you to investors after one-to call. The interaction has been very insightful and has given a good perspective on your scale of operation and how rapidly they are scaling up. Thank you very much again. I request you to make any final remarks in case you would like to make, Sir.

Suresh Manglani: I would like to thank IIFL for organizing, this is our first organized call in that sense with the investors, earlier we used to do but this bringing in agency I think I must thank Parag and Bala to bring in IIFL to coordinate this call with investors which has been very helpful for us, thank you

and thank you all the participants who have participated, whether they asked the question or did not ask the question, for us participation is more important so that we can disseminate all the information which are sought by the investor's community. Thank you very much.

Parag Parikh:

Thank you Harsh, thank you IIFL, and thank you all the investors for joining our quarter earnings call. As we mentioned, this is our maiden debut in terms of having an external support of investment banker who has initiated and taken the call, so thank you very much everybody.

Moderator:

Thank you very much. On behalf of IIFL Securities Limited, that concludes the conference. Thank you for joining us, Ladies and Gentlemen, you may now disconnect your lines.