

## **IGL group meeting transcript**

**Audience:** Has CNG conversions accelerated in April-May , any sense on that ?

**Management:** At this point in time , very difficult to say as its very short period since we reduced prices , so April and march numbers were more or less at the same level. Q4 vehicle conversions was around 13500-13600 , April was 13200. We have to wait for at least a month to see any visible changes.

**Audience:** How do we see CNG volume post APM price reduction and price reduction by IGL, how has the response been in terms of CNG volumes

**Management:** Volumes if you see last quarter, we sold around 8.16 mmscmd , currently we are selling 8.25 mmscmd. Full year it was 8.09 mmscmd. Currently we are at 8.3 or so. This quarter due to school holidays , it was subdued. Q2 is where we can expect some volumes. Volume guidance over a 2-year period remains same. 9-10 mmscmd.

**Audience:** 9 mmscmd in FY24 and 10 in FY25

**Management:** Yes ,with a caveat that we are selling 0.5 mmscmd to Haryana city gas and Adani in Faridabad. With the recent PNGRB letter , that quantity will leave and will come to 8.5/9.5. that 0.5 depends on how the case moves forward. Accordingly ,we have challenged the order and we will see how it pans out.

**Audience:** So, you have challenged PNGRB also. In court , already some case is going on. I'm talking about Gurugram.

**Management:** Gurugram yes , so now PNGRB has come out with an order where they have allocated some more area to us. Whatever area Haryana city gas was operating , there they have given to them. We've challenged the entire order. Depending upon the outcome of litigation, that 0.5 will move.

**Audience:** 9 and 10 includes that 0.5 ?

**Management:** Yes

**Audience:** 0.5 will be totally something gone, or we have some coverage

**Management:** So Gurugram are directly selling 0.17 mmscmd. Apart from that 0.25 we are selling to Haryana city Gas. Faridabad we are not selling anything.

**Audience:** Any GAs , are you finding tenders of buses , especially EV vs CNG , is CNG tender drying up or do you feel like you expect that to come to over time , in either New or existing GA , both are fine

**Management:** Presently , the EV tender which Delhi Govt has come out with , they had some roadblocks. They are planning to re-develop that. They did not get much response , so there were some concerns on the model which they were planning to work out . they have to procure and maintain also. They would be incurring some revenue on per km basis. DTC , drivers were concerned , that the existing DTC drivers were to be running the buses or they were to be given the freedom to choose drivers. So, there was some contention. DTC wanted existing drivers are involved. So that was one of the issues. Recoverability was another point.

**Audience:** whatever I've heard , any re-tender ?

**Management:** nothing official has come out

**Audience:** So, when you say re-tender , now there won't be any EV tender or so ?

**Management:** No, I did not say anything . Their stated plan is that they will introduce 5000 EVs in Delhi , so I think currently around 250-350. By end of this year , 1000 or something were under talks. They are coming up with additional tenders.

**Audience:** What's the total population of DTC buses in Delhi

**Management:** DTC and state transportation , around 7500-8000. Total Delhi has 30,000 buses.

**Audience:** with respect to draft that has come up on aggregators , how do you feel that . Would it kind of derail our plans?

**Management:** so draft aggregator policy , being a policy, it would have impact. Its still in draft stage and they've asked for comments with people. I don't think at this point of time , given the high cost of vehicle , it makes sense to go for EVs for the aggregator considering any financial constraint. So , if people see any value , then they can go for it. At this point of time , it will be difficult. If there is a technological advance, that will bring the cost down in a major way.

**Audience:** How many aggregators we have , total population.

**Management:** total vehicle population is around 17 lacs. Aggregator cabs , total no we have , taxis , aggregator or not , we don't know. Taxis are around 2,20,000 CNG taxis. So total CNG vehicles are 15 lacs , out of that , 7.7 is private cars , 1.72 is passenger auto and 3W , 2.2 is taxis. 27000 is buses and 3.4 lac is tempo , RTVs , commercial.

**Audience:** Aggregators , do they grow at ~10% ?

**Management:** we don't have that number. But total vehicle conversion we are talking about 13k , 5k will be commercial vehicles. Taxis and yellow number plates

**Audience:** we understand the opportunity in Faridabad is – 1 and Gurugram – 1. What about Faridabad – 2 and Gurugram – 2 , we have appealed to PNGRB. What's the basis and what are we trying to prove , why we were not authorised?

**Management:** When PNGRB came to existence , there were few provisions for licensing and allocation in difficult areas. One was CG mandated entities , IGL was there. Second , if there is no CG mandated entity , if somebody was already laying gas infra ,they would be given.

We are challenging on that ground, and we are already having deemed authorisation being a CG mandated company. The NOC based on which other parties have started working , authority was not there with state government. The PNGRB letter is against the provisions of the act.

**Audience:** what is the potential from Faridabad is – 1 and Gurugram – 1

**Management:** Gurugram 1 – volume wise potential is low, rural areas are there. Hardly any volumes.

**Audience:** potential from Faridabad is – 2 and Gurugram – 2

**Management:** We are giving 0.25 mmscmd each. Additionally , they are buying something. With restricted infra , that's the sale that's happening. Gurugram may have potential of 0.5. Gurugram 0.25 we are selling to Haryana city gas ; 0.17 we are selling directly. Total 0.42 sale is there with existing infra, which can go to 0.75 , just a guess. There is no survey done. Faridabad, I don't know , 0.25 we are selling to them.

**Audience:** What is the potential volume from new GAs

**Management:** currently 0.5 mmscmd , potentially we can see north 75% CNG , 25% PNG is the broad mix. Delhi, Karnal, Kanpur, Ajmer and Muzaffarnagar should power volume growth in the near to medium term especially as some of these geographic areas achieve pipeline connectivity. Of the 2mmscmd volume growth expected in next 2 years, 1 / 0.4 mmscmd will likely come from Delhi / NCR respectively while the rest from new GAs.

**Audience:** in the next 1-2 quarters , probably with crude staying at current levels , petrol/diesel prices can see a cut , how are you planning to cope up against it ? If discount narrow , conversions will be difficult.

**Management:** we have been in that position, and we've reduced our prices. We can go back to square 1 , and that was around 15-20%. Then also , conversions were around 13-13500. We'll be able to at least maintain this level of conversions.

**Audience:** Any traction we are seeing on inter-city buses

**Management:** Have conducted a trial run for inter-city CNG buses on the Delhi-Dehradun sector which was successful. Company is now in discussions with various partners to scale this up.

**Audience:** what is the risk to CNG demand from electric vehicles

**Management:** We believes mass-scale EV adoption needs technological advancement to bring down costs. Total Delhi Transport Corporation (DTC) volume is 0.5mmscmd and so as such risk from electrification of DTC bus fleet continues to reduce every year. Also, Delhi has one of the biggest vehicle population in the country with 25-30% CNG penetration in key passenger vehicle categories and that base is still growing at a healthy rate.

**Audience:** what is the EBITDA/scm margin that we foresee

**Management:** 4QFY23 EBITDA/scm was Rs 6.3 and should rise to Rs 7.5/8 in the coming quarters

**Audience:** How volumes can face disruption from EVs coming into picture ? how are we planning to cope up with changing landscape

**Management:** There is little mitigant available for the EV risk over the very long run (provided technology catches up and mass-scale economics get established). As such, we are looking to leverage the EV disruption by setting up electric vehicle charging stations. As of now we have been allotted 40 sites for EV charging by the Delhi government. Typically, a fast charger costs Rs 0.35mn and land is the key cost involved. However, land allotment did not entail significant capex as the we will operate these stations on a revenue sharing model with the Delhi government.

**Audience:** what kind of traction we are witnessing on industrial volumes?

**Management:** we are positive about industrial volume growth in Delhi-NCR given LNG price differential vs propane has reduced significantly in the last few months.

**Audience:** what is your current sourcing mix, and does it include any spot LNG ?

**Management:** current gas sourcing mix, besides APM gas comprise almost wholly of long term (~2 mmscmd; linked to brent / henry hub) contracts with almost no spot LNG or HP-HT gas. Even if there is APM shortfall in the coming months, we believe long term contacts will ensure gas cost to be on the lower side (at least till demand of upto 9 mmscmd)

**Audience:** what are capex plans and how much is going to be spent on new GAs

**Management:** Total capex will be around ~Rs 1500 Cr in FY24F, ~50% will be incurred in new GAs while the remaining 50% will be allocated to Delhi-NCR region. MNGL capex in FY24F is likely to be Rs 3.5bn. Additionally, for the green hydrogen foray we have allocated capex of Rs 3bn phased out over 2-3 years. As of now, we are scouting land for this project.

**Audience:** is there any inorganic growth opportunities? do you see that happening in next 1-2 years ?

**Management:** we believe M&A activity will likely rise in the coming years as 5-year lock-in period (+ Covid extension) ends in many of the GAs where licenses were awarded in last few years.