"Indraprastha Gas Limited

Q3 FY '26 Earnings Conference Call"

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MODERATOR: **MR. VARATHARAJAN – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Indraprastha Gas Limited Q3 FY '26 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant 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 call, please signal an operator by pressing star, then zero on your touch-tone phone.

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

Varatharajan: Thank you, Seema. A very good evening. I would like to extend a very warm welcome to all the participants and the top management of Indraprastha Gas Limited who are on this call. I'd like to especially welcome Mr. Kamal Kishore Chatiwal, Managing Director; Mr. Mohit Bhatia, Director, Commercial; Mr. Sanjay Kumar, CFO; Mr. Manjeet Singh, VP, Finance.

I'll hand over the floor to Mr. Kamal Kishore Chatiwal for their initial remarks.

Kamal Kishore Chatiwal: Good evening, ladies and gentlemen. As we enter the final quarter of financial year, I am pleased to connect and welcome you all to discuss IGL's performance for quarter 3 FY '25-'26. I am Kamal Kishore Chatiwal, Managing Director of Indraprastha Gas Limited, and I sincerely thank all our shareholders, analysts, stakeholders for your continued trust and engagement. I'm delighted to present the operational and financial performance of Indraprastha Gas Limited. for the quarter ended December 31, 2025.

I will begin by outlining our progress in volume growth and network expansion during this period. The operational highlights are as follows. This quarter demonstrates steady operational execution and improving margin visibility as we continue to consolidate our leadership position in India's city gas distribution sector, operating across 12 geographical areas spanning 4 states, IGL serves a growing and diversified customer base through robust and scalable infrastructure.

Over the course of the year, we have significantly expanded our footprint. Our steel pipeline network now extends over 2,500 kilometers, while our MDP network has reached approximately 29,200 kilometers. This infrastructure enables us to supply natural gas to more than 32.75 lakh households, approximately 5,400 industrial customers and around 7,400 commercial establishments.

We have added and commissioned 45 CNG stations till now during the year, further strengthening access and convenience for our vehicular customers. Regulatory developments during the quarter, 2 major regulatory recalibrations occurred that have a very positive structural implication for the city gas distribution sector, particularly for IGL.

First is the replacement of the 15% value-added tax with a 2% central sales tax on domestic gas sourced from Gujarat effective December 2025. While the immediate financial impact was moderated by elevated gas input prices and currency fluctuations, this change will have a positive impact on gas costs going forward.

The second was the rationalization of the gas transmission framework through the introduction of 2-zone tariff regime, replacing the previous 3 zone structure. Effective January 1, 2026, PNGRB has revised its tariff regulation, reducing pipeline transmission tariff zones from 3 to 2.

For the CGD sector, Zone 1 applies universally to CNG and PNG domestic segment regardless of the delivery point distance from the source.

IGL will benefit significantly from this change as our geographical areas previously fell under Zone 2 and Zone 3 and will now be classified under Zone 1 tariff. For Industrial and Commercial segment, Zone 2 tariff will be applicable across our I&C portfolio.

Let me now turn to our financial performance for the third quarter of FY '25-'26. The company recorded a 3% year-on-year growth in total sales volume with the CNG segment growing 3% and PNG segment growing 5%. Despite lower offtake from DTC and DIMTS fleets consequent to their phased migration towards electric mobility, the CNG segment demonstrated resilient performance.

Adjusted for these institutional volumes, the segment delivered growth of approximately 10% underscoring sustained demand across the wider vehicular ecosystem. In the PNG segment, volumes increased to 2.5 million standard cubic meters per day from 2.41 SCM per day year-on-year, indicating steady traction across all sub-segments. This growth is underpinned by consistent customer additions and stable demand across user categories.

This concludes my remarks, and I would now like to invite our Director, Commercial, Shri Mohit Bhatia-ji, to share his comments.

Mohit Bhatia: Thank you, Managing Director, Shri Chatiwal-ji. Very good evening to everyone. I'm Mohit Bhatia, Director, Commercial at Indraprastha Gas, and I extend a warm welcome to all our investors, fund managers and analysts joining us today. I hope you have had the opportunity to review our financial results for the quarter.

Let me give you the quarter overview. This quarter presented a mixed landscape for the CGD sector. While we benefited from the 2 major positive regulatory changes as appraised by our Managing Director, we have also experienced volatility in gas costs and adverse forex impacts on procurement expenses.

Additionally, there has been changes in the legal landscape. The New Labour Code became effective 21st November '25. Although these rules are yet to be notified, we have made provisions of around INR28 crores in the current quarter as a onetime impact. Excluding these provisions, our EBITDA would have been around INR500 crores.

The market dynamics following the rationalization of the GST rates, the GST 2.0, and particularly on CNG vehicles was reduced from 28% to 18%, resulting in a phenomenal increased vehicle conversions, which have risen -- which have raised from average of 21,000 to 26,000 per month. We expect this momentum to continue in the near future.

Further, the company is aggressively pursuing the growth in new geographical areas. And now the new geographical areas, the incremental volume is contributing to almost 57% that is outside Delhi and NCR. The quarter 3 FY '25-'26 financial performance, the key highlights are first, volume performance.

The total volume -- the total sales for the quarter reached 867 million SCM, up from 838 million SCM in the same period last year, reflecting a 3% year-on-year growth. Overall, average daily sales volume was 9.43 million SCM compared to 9.11 million SCM per day in Q3 financial year '24-'25. On the CNG segment, the CNG segment continued to perform strongly with average daily sales exceeding 50 lakh kgs per day, equivalent to 6.93 million SCM, representing a 3% growth in terms of SCM terms and a growth of 5% in terms of kg terms.

Excluding the DTC volumes in Delhi, CNG sales grew by 10%, underscoring robust underlying demand with DTC fleet transitions expected to have minimal impact going forward, the CNG segment is well positioned for sustained growth. In the PNG segment, the PNG segment also demonstrated growth with average daily sales of around 2.5 million SCM per day, up from 2.41 million SCM in the corresponding last quarter -- quarter for the last year, representing a growth of 5%.

However, the domestic PNG sales growth was around 8%, along with commercial PNG growth of 8%. However, the industrial demand was subdued a little bit. On the revenue and the profitability, total revenue for this quarter stood at INR4,465 crores, making an average 8% year-on-year increase, driven by volume growth and steady operational execution across segments.

EBITDA stood at INR473 crores compared to INR360 crores in Q3 of last year, reflecting 31% growth and 7% sequential growth compared to INR443 crores in previous quarter. The profit after tax PAT for Q3 stood at INR358 crores as compared to INR285 crores in the corresponding quarter of the previous year, demonstrating a robust growth of 25% in PAT.

So that concludes our opening remarks, and we would like to open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Yogesh Patil from Dolat Capital.

Yogesh Patil: A few questions from my side. How many DTC buses phase out during the quarter 3? And now what is the CNG consumption volume of DTC buses?

Mohit Bhatia: So like if I can share you for quarter 3, so the sales have come down. It was around 80,000 kgs per day in October, then further tapered to around 54,000 kgs in November. And December, it was left to around 22,000 kgs per day. So now almost only below, I think, 100 buses are left out, and we -- what we have been made to understand from DTC, I think by March, this DTC volume will be almost 0.

Yogesh Patil: Okay. Fair enough. Sir, second question related to unit EBITDA margins or EBITDA margin guidance. We have been giving an INR7 per SCM kind of EBITDA margin guidance. Now we have posted INR5.4 per SCM in this quarter. What will be the parameters or the things which will boost up the EBITDA margins from the current level of INR5.4 to the INR7? Any broader idea if you could give us?

Kamal Kishore Chatiwal: Yes, 2, 3 things. First is the transmission tariff. So the total impact, if you know, for the entire sector was around 1,000 crores. And out of that, IGL share was INR330 crores. Now we have passed on some of the benefit to the consumers, but we are still left with INR260 crores. So that should translate to approximately INR0.75 per SCM. Okay. That is one.

Second is as the Gujarat VAT was implemented only in December, so we could realize only the part. So that impact is around INR0.20, INR0.25. Third is the Labour Code that was implemented. So we had to make certain provisions. That is a onetime provision.

Going forward, it may not be that high. So that is around INR0.30 extra. So combined all this, we are seeing that we should be near to 7% going forward. And if required any adjustment in prices. The long-term guidance remains that 7% to 8% is our target range. We were expecting the transmission tariff to be notified much earlier than it was notified because they send the communication in July. PNGRB communication was in July.

And we deferred because we don't want to basically make the RSP of our CNG product volatile. So we want to keep it constant. So we deferred the price increase or anything like that. So that was the reason that there was delay. But now going forward, we expect that this should come -- these benefits should come. And automatically, it should be near to 7% based on the current prices.

Yogesh Patil: Now you suggested INR0.75 per unit kind of benefits from the unified tariff rationalization. Out of that, how much we have already passed on to the customer in terms of the...

Kamal Kishore Chatiwal: This is after passing off. This is the benefit what is left. So INR1 something was there. So now what is left is INR0.75.

Yogesh Patil: And the last, sir, just gas sourcing breakup, if you could provide in MMSCMD terms from each source, that would be helpful?

Kamal Kishore Chatiwal: Sanjay will...

Sanjay Kumar: So if you see our overall procurement was 9.75 MMSCMD out of that APM was 3.38 MMSCMD. NWC was 0.57 million cubic meters per day. HPST was around 0.5 and RLNG -- rest was RLNG around 3.3. In percentage terms, if I say, domestic was around 43%, NWG 7%, HPST 6% and 42% for RLNG.

Moderator: We take the next question from the line of Nitin Tiwari from PhillipCapital India.

Nitin Tiwari: Sir, my question was related to your guidance for volume for this year and for next year. So in the previous call, you had indicated that we'll be exiting this year at about 10 MMSCMD. So do we maintain that guidance in terms of like exiting this year at 10 MMSCMD because I think in the 9 months so far, we are at 9.43 MMSCMD after 9 months. So that would be my first. And second question was again on volume. So if you can give us a breakup of like sales across our NCT, NCR and new geographies and also the growth -- respective growth rates in those regions?

Kamal Kishore Chatiwal: Yes, we maintain the guidance that, as you know, the CGD sector, the last quarter is the best sector. The quarter 4 of any year, you pick up any year, that is the best sector. Until now, we have performed -- the average has been 9.43 MMSCMD, but we have been constantly going above 10 million per day. The draw from all the sellers is exceeding 10 million. So we will be exiting the quarter at 10 million that we are confident. And the breakup that you have asked...

Mohit Bhatia: So the breakup for the current year, 9.43 MMSCMD which breakup you wanted to know. So Delhi is contributing to around 5.43 MMSCMD. This is CNG plus PNG, around 56%. Noida, Ghaziabad is contributing to 2.24 MMSCMD per day, around 23%. And the other the newer GS, we can say, around 13% to 14%, 1.26 MMSCMD per day and the NG is 0.5. MMSCMD So the breakup of 9.43 MMSCMD is...

Nitin Tiwari: And sir, the respective growth rates in these areas in this quarter?

Mohit Bhatia: Yes. So Delhi, as you know, it is almost flat, you can say half to 1%. Noida, Ghaziabad is growing at around 6.2%, whereas the outside or the new GS is contributing to almost 17% growth.

Nitin Tiwari: Okay, sir. And sir, if I may just like to ask a follow-up question on the volume that you mentioned in terms of guidance. So sir, in the previous quarter, I think the DTC volumes were about at like 30,000 kgs per day, whereas the numbers that you indicated for this quarter indicate a higher average contribution from DTC at about 50,000 kgs per day. So in fact, DTC has contributed more in this quarter than it did in the September quarter, right? So then how do we see this number...

Mohit Bhatia: Yes, yes. I got it. See, the September, there was a dip. It was definitely less. Then 2 months, October and November, I think there some buses were not flying and they rolled it back. And then finally, it got shunted out. But December volume, it was around 20,000, 22,000. And further, as I mentioned earlier also, hardly less than 100 buses are left out. And what we have been made to understand from DTC, they will be phasing it out entirely by March '26.

Nitin Tiwari: So sir, actually, what I wanted to understand is that in September, our total CNG volume was higher despite a lower contribution from DTC. In this December quarter, our DTC contribution went up sequentially, but our overall CNG volume went down?

Kamal Kishore Chatiwal: Yes, yes. Actually, in this quarter, in Delhi, as you know, the GRAP implementation was there. The schools were shut down for a few days. I mean this time, the pollution was really bad. So schools, the buses were off the roads. So those were the major impacts due to this, the quarter 3 was slightly other than the DTC also, the buses volumes were down. But now that the weather has improved, the GRAP have been lifted, so we are at normal now.

Sanjay Kumar: Nitin, I'll reiterate the numbers for DTC. Q2, we had an average sale of 40,000. And this quarter, the average sale was around 6,000. We earlier mentioned about 50,000. It is actually 6,000. Other portion, which is -- that was also 150,000 last quarter. This quarter, it is 130,000.

Moderator: We take the next question from the line of Hardik Solanki from ICICI Securities.

Hardik Solanki: As you mentioned that you will maintain a volume guidance. Can you just help us what will be the volume growth for next 2 to 3 years, GA-wise, if you can just break down Delhi and non-Delhi?

Kamal Kishore Chatiwal: Actually, our guidance has been that every year, we will be adding 1 million, so 9 million to 10 million. And next 2 years, I think 1 million each in the next 2 years. And majority of that would come -- I mean, Delhi will continue at 8% to 10% after -- once the impact of DTC is away. So 8% to 10% would be the NCR zone and outside would be 17% to 18%.

Moderator: The next question is from the line of Sabri Hazika from Emkay Global.

Sabri Hazika: So firstly, on clarification, you mentioned that the Gujarat VAT implementation was from December only not before that and INR0.20, INR0.25 per SCM is still pending to be realized. Is that right?

Kamal Kishore Chatiwal: I mean for only December quarter, we could realize in the last quarter. So if the whole year impact is there, so that should be the benefit.

Sabri Hazika: No. I mean, Q-o-Q, you are saying another INR0.20, INR0.25 would get added to the gross margin, right?

Kamal Kishore Chatiwal: Yes, yes. Yes.

Sabri Hazika: Okay. And second is on the DTC, 40,000 kg -- what was -- I couldn't get that part, which Nitin was asking?

Sanjay Kumar: The DTC sales for this quarter was 5,000 kg, 6,000 kg-- around 6,000 kg average per day.

Sabri Hazika: And last quarter?

Sanjay Kumar: Last quarter, this number was -- 40,000 kg.

Sabri Hazika: Falling from 40,000 kg to 6,000 kg quarter-on-quarter?

Sanjay Kumar: Yes.

Sabri Hazika: Okay. And 150 to 130 was of?

Sanjay Kumar: That was DIMTS.

Sabri Hazika: Okay. That was DIMTS from Q2 to Q3. So DIMTS is still at 130...

Sanjay Kumar: DIMTS is still at 130... So DTC and DIMT, they used to comprise around 8% to 10% of our sales. Now that number remains around 4%. This year used to be 6%, 7%. Now it is at around 1%, not even 1%.

Sabri Hazika: DTC plus DIMTS?

Sanjay Kumar: Yes.

Sabri Hazika: And DIMTS will also keep gradually declining, right?

Kamal Kishore Chatiwal: DIMTS is a slightly longer period for the transition because primarily the mandate is for DTC to convert and DIMTS is basically on operators who have the vehicles with the Delhi integrated transport model. So they are the outside operators. So they have a longer tenure basically because those buses which have been put up, they will run for 8 to 10 years.

Sanjay Kumar: They are basically contract buses which run on contract basis. They are private party buses run on contract basis.

Sabri Hazika: And a few bookkeeping questions. So 9 months -- I mean, what is the CNG station base and capex for 9 months?

Kamal Kishore Chatiwal: It's around -- CNG or PNG?

Sabri Hazika: CNG station, what you said...

Kamal Kishore Chatiwal: Actually till now up to 9 months is around INR190 crores.

Sabri Hazika: INR190 crores...

Kamal Kishore Chatiwal: INR116 crores. Sorry, PNG is INR190 crores. Steel network is INR190 crores and CNG is INR116 crores. MDP is INR560 crores -- so total, we have spent around INR847 crores in 9 months.

Sabri Hazika: Okay. That is the total -- and what is the CNG station base right now?

Mohit Bhatia: So almost 975 stations by -- you can say, 973 to be specific as on end of 31st of January, you can say.

Sanjay Kumar: Around 55, 60 buses have been closed -- stations have been closed, which were run by DTC. So that number you can reduce around 925 locations are operative.

Sabri Hazika: Right. Right. And last question, what would be CUGL, MNGL volume for this quarter as well as last year same quarter?

Kamal Kishore Chatiwal: MNGL is 1.99 million -- Last year, it was 1.7 million. 1.7 million to almost 2 million. And CUGL last year, it was 0.33 million. This year, it is 0.34 million. They have a growth of around 3%.

Sabri Hazika: Okay. And there was dividends from CUGL and MNGL in Q3, right?

Sanjay Kumar: Q3, we had dividend from MNGL, INR40 crores.

Sabri Hazika: INR40 crores. And Q2 also, there were dividends, right?

Sanjay Kumar: Q2, we had final dividend of INR67 crores, around INR58 crores from MNGL and INR9 crores from CUGL.

Moderator: The next question is from the line of Vivek Gupta from Novus Capital.

Vivek Gupta: I just had a question -- a forward-looking question. In the future, when LNG prices come down and the demand for commercial increases, would you have to put up more infrastructure or within the existing infrastructure, you will be able to expand increased volumes?

Kamal Kishore Chatiwal: No. Actually, if you see the current state of queuing in Delhi NCR, it is still a cause of worry, and we need to put up more stations because the moment we provide more convenience, more people will be attracted to convert to CNG. Now although the queuing time has reduced drastically from earlier, say, half an hour to now 5, 6 minutes, but our vision is to make it queue less. I mean there should be no queue at stations.

Vivek Gupta: And what about for the industry, small industry, which are the commercial segment? The volume can increase...

Kamal Kishore Chatiwal: Yes, yes, definitely. The volumes will increase there. Now even the DG set conversions for the societies because they have gone for alternate to NG also in some cases. So we are trying to capture those customers. And also the commercial transition from, say, LPG to gas, that continues. So that 10% to 11% growth would be there.

Vivek Gupta: So using the existing infrastructure or you will require more?

Sanjay Kumar: So for PNG, industrial and commercial, we are already -- we have already reached all the industrial and commercial hubs. So probably will not require that much capex to reaching those customers. Given the price reduction of international LNG prices, probably we'll be able to sell more and growth is something which we can expect.

Vivek Gupta: So that will affect margins positively?

Sanjay Kumar: Yes.

Moderator: The next question is from the line of Maulik Patel from Equirus.

Maulik Patel Sir, any specific reason that growth in NCR was very like -- it's like 6%. It used to be around 11%, 12% kind of on a run rate what we have seen in the past. Any specific reason for this kind of a number?

Mohit Bhatia: See, you are right. I think you are right, last few quarters, we were looking at around 10% to 11%. So because this GRAP effect is there in NCR also and -- this time, I think you are aware that due to some high pollution issues and all the schools were closed.

So we also envisaged a little bit tapered growth in Ghaziabad or Noida area. But the number of vehicles which are getting added in particularly passenger car segment, we are confident to bounce back on the similar numbers.

Maulik Patel Okay. And sir, when you say that the 10 MMSCMD will be the exit rate, I mean, do you think that it will be for that particular month, you will exit at around 10 or that quarter, you will exit around -- the average will be around 10 MMSCMD?

Kamal Kishore Chatiwal: I think the average 10 for the quarter, what we are suggesting is that in the March month, it should be at 10 entire month should be at 10. So that is the exit rate because for the quarter, we are now at 9.4, 9.5 numbers. And going forward, this month, we are touching 10. And March, the complete March should be above 10.

So the average for the month because 2, 3 days for the holidays and other reasons, the sales are less on those 2, 3 days. 5, 6 days, we are doing above 10, but on Sundays, the number of vehicles are less. So that brings down the rate. But going forward, in March, we will be at 10 -- above 10 for the whole month.

Maulik Patel Okay. And sir, the last question. Sir, what was the DTC volume in the base quarter? I think you mentioned that average for this quarter was something around 50,000 kg per day. That's what the average for the Q3. What that number was in the base quarter?

Mohit Bhatia: We stand corrected, it is 5,000 kgs per day for this quarter. And for the last quarter of the previous -- previous year, the same quarter, it was around 1.5 lakhs per kg.

Moderator: We take the next question from the line of Probal Sen from ICICI Securities.

Probal Sen: Yes. Sir, just with respect to the guidance that you just mentioned in terms of volumes, where the target is to essentially add about 1 million sums per day every year, just wanted to understand what will be the sourcing strategy?

What kind of contracts are we sort of in the market for -- whether are we looking at only Brent-link in the view of recent Henry Hub strength? Or are we still looking at a diversified kind of a sourcing space? Just understand -- trying to understand the readiness to meet this kind of higher volume target from a sourcing perspective.

Kamal Kishore Chatiwal: Yes. Going forward, we anticipate that right now, 42%, 43% is RLNG. It should -- it will be 50-50, 50% RLNG and 50% from domestic sources, including HPHT, new well gas and APM. And our target to all the potential shippers is -- new well gas price that is 12% of Brent. And since our major portfolio is already linked to Brent because APM, new well, HPHT are all linked to Brent.

So we -- for diversification, we will have the 50%. I think it will be 50-50 from Henry Hub and Brent. But if we get some good deals on Henry Hub, then I think we are open to that. But our guidance to them has been that 12% of Brent should be the landed price for us.

Probal Sen: Got it, sir. And sir, I'm sorry if you have answered this earlier, I joined a bit late. But can you refresh your guidance for capex for '27 and '28, if you can break it down in terms of NCR and outside NCR as well?

Mohit Bhatia: See, our core business capex, we have plans for around INR1,250 crores for this financial year, out of which we have already spent in 9 months, INR847 crores. And the breakup in terms of like if we say Delhi, so Delhi is almost around 45% we have spent and UP part is almost, say, you can say 30% to 35%. And Haryana is around 10%, you can say. So it is like that.

Probal Sen: And sir, for '27 also, can -- we can expect a similar kind of a level?

Mohit Bhatia: So our aspiration or our targets are like that only to around INR1,200 crores to INR1,500 crores in the core segment.

Sanjay Kumar: Actually, we will be adding the diversification capex, BD capex, that will be other than the core business. So that INR500 crores to INR800 crores, that will be separate, I mean, into renewables, into CPG, into LNG Infra. So those will be separate. This is only for the core of CNG and PNG.

Probal Sen: And will they start to reflect from '27 onwards? Or is that slightly longer than that...

Sanjay Kumar: I think from '27, they should start reflecting because the JV formation and subsequently, the cash costs and all will take some time. So from '27 onwards, they should start reflecting.

Probal Sen: So on an overall basis, sir, then somewhere between INR1,600 crores to INR1,700 crores is a reasonable number to assume for the overall capex for '27. It that a fair...

Sanjay Kumar: INR2000 crores you can say. INR1,200 crores, INR1,300 crores and INR600 crores, INR700 crores diversification.

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

Devang Patel: Sir, in your comments earlier, you mentioned we got benefit of reduction in sales tax, but you also faced headwinds from higher gas costs and forex. Could you break down this impact or how it impacted our gas cost, which seems to be down by INR0.90 quarter-on-quarter?

Sanjay Kumar: So if you see our exchange rate has gone from, say, around INR86, INR87 to INR90, INR91. So around 7% to 8% rupee devaluation is there, which is -- which has resulted in around INR2, INR2.5 increase in gas cost, which was partly offset by the Gujarat VAT reduction, which happened during the last quarter.

So our gas cost per SCM, if you see that is more or less remain same, only INR50 to INR60 reduction is there. Had the rupee devaluation not been there, our gas cost would have been much lower and EBITDA margin would have been much higher.

Devang Patel: Just on the CENVAT, could you quantify what is the benefit we get?

Sanjay Kumar: I don't remember exactly, but that's a total impact.

Kamal Kishore Chatiwal: The total impact that we assessed at that time was around INR0.35 to INR0.40 per SCM.

Devang Patel: And did you get this for the full quarter or only December?

Kamal Kishore Chatiwal: Actually, the benefit we got only for the December month. But for this quarter, it will be for full 3 months.

Devang Patel: Okay. Understood. Sir, could you give an update on the tender process in the Middle East that you are participating in?

Kamal Kishore Chatiwal: Yes, we have qualified for Stage 1, and we have been given the tender for Phase 2. So there, I think we are in the process and bid submission is April '23. So we'll be participating in that, and it looks a very good opportunity, in the sense that it is a very planned kind of a thing that with CGS is only at a 500-meter distance and the industrial cities are planned.

Gas prices there are much more competitive as compared to alternate fuels. So there is a natural push for the switch as well as the government push will also be there. And each industrial city in our assessment is going forward would be around 1.5 million. So we are looking at 4 now. So 6 million total is the long-term sales potential there.

Devang Patel: Sir, and since you submitted the bids, could you give a ballpark estimate of what kind of capex is?

Kamal Kishore Chatiwal: Right now, the bid has to be submitted by April '26 -- 23rd April '26, the bid submission date is there. So the capex calculation is still going on.

Devang Patel: Okay, sir. And on the captive power plant that you are planning, is there any progress there?

Kamal Kishore Chatiwal: Actually, the JV with Rajasthan is taking some time that in the sense that the land allocation because it is being transferred to the other agency to the other JV partner company. So that is taking time. In the meantime, for our operational efficiency and other things, we are coming out with a 200-megawatt tender.

So that will be through tender route and whoever has got the land and the connectivity, CTU connectivity. So that is the precondition and they can participate and then we will evaluate that. So that is also in the progress. It should come out in next -- within next month or so.

Moderator: The next question is from the line of Vikas Jain from CLSA.

Vikas Jain: Sir, for simplicity, if you were to look at volume growth that you have reported this quarter, ex of the changes that we have seen for DTC buses, what would that number have been? I know you've shared a few numbers and like a little lost on that. But if you were to just take out the DTC and ex of that, what would the volume growth be either CNG or overall volume growth?

Kamal Kishore Chatiwal: Overall, would be around 9.6 in that case -- 9.87.

Vikas Jain: So, CNG would be 9.87?

Kamal Kishore Chatiwal: Overall would be -- 9.43 is the overall. You can say around from 150, we have down to 6,000. So that is the change. 150 is in kgs. So it will be around from 2 to say, 10. So you can add 0.2 to that, so 9.63.

Vikas Jain: Okay. So yes, 9.63 versus 9.1, right?

Kamal Kishore Chatiwal: Yes, yes. 9.1 exactly.

Vikas Jain: That's a 6% growth, right?

Sanjay Kumar: See, we are talking in kg terms. If I tell you the last year number, overall CNG sales was 47.55 lakh kg. If I remove the DTC and DIMTS sales, it is 44.14 lakh kg. Current year, our total sale was 50.01 lakh kg per day. If I remove the DTC and DIMTS sale, it is 48.63.

From 44.14 lakh kg to 48.63 lakh kg per day of sales, which is an increase of 4.49 lakh kg per day which is 10.17% of CNG sales. So 10.17% is the growth for CNG segment, if we exclude DTC and DIMTS.

Vikas Jain: So DTC now for all practical purposes, of course, it might be still impacting the base for...

Sanjay Kumar: 5,000 is the number in the current quarter. So Q4 -- sorry, Q3 of next year will be the period when you will not see any impact of DTC sales going down. DIMTS might still be having some impact there. But probably this 1.32 lakh kg sales of DIMTS, which we had in this quarter, probably next 2, 3 years, I think it is going to be there. And then probably it will go down.

Vikas Jain: Sorry, you mean that 1.32 lakh kg sale is going to...

Sanjay Kumar: This should continue next 2, 3 years. That's what the...

Vikas Jain: That kind of a level -- at roughly at that kind of level, not -- no major decline. Okay. So the bigger part of the decline, which was impacting headline growth is now done?

Mohit Bhatia: Yes, it is almost done. And whatever is left by Q4, it will be almost 0 that we can...

Sanjay Kumar: Drag, which is there, that will be there for maybe next 2 to 3 quarters probably. Q3 of '27 is when we'll not see any drag and the normal growth will reflect in the overall number.

Vikas Jain: Okay. And so sir, so that is where you get the confidence that from here on, you'd roughly be adding -- growing at about 10%?

Kamal Kishore Chatiwal: Yes. Yes.

Vikas Jain: And just to understand, so you did explain that there are these -- the 2, 3 elements with which margin should be higher. So based on that, roughly INR1 plus should be higher gross margin for the next -- for this quarter, this coming -- this quarter where we are in based on those -- you said INR0.75 net plus about INR0.25 from Gujarat. And I think there was one more thing, right?

Kamal Kishore Chatiwal: Labor code implementation one time INR0.30 -- that will be -- I mean INR0.25 that will come from there. So INR1.25 you may say.

Vikas Jain: Okay. So that you think is broadly the run rate that we are dealing with right now?

Kamal Kishore Chatiwal: Yes. Plus in case we are able to add CVG. So that -- as you are aware, the CVG excise duty exemption has come. So that -- I mean, it depends on us now that how we are able to ramp up our CVG in our network.

Vikas Jain: Okay. So -- but would that be very material immediately? No, I mean, it will take some time for us?

Kamal Kishore Chatiwal: Immediately, I mean, it will take 1 year or so to be going from 1% to 5%. So 5% to 10%, if we are able to do that will have a material impact.

Vikas Jain: Okay. And in terms of your sourcing, you're confident that most of it -- you would not have to depend so much on LNG. I mean most of it will come from new well gas is what you think?

Kamal Kishore Chatiwal: No. 50%, we said going forward...

Vikas Jain: Yes.

Kamal Kishore Chatiwal: Incremental also, the 50% anyway, we have to be sourcing from, say, 0.5 million every year, we'll be adding.

Vikas Jain: Okay.

Sanjay Kumar: So next year, I think some HPHT gas is also coming in, which we will get apart from NWG. HPHT gas is getting freed up. I think that will also come to market.

Kamal Kishore Chatiwal: So 50%, we are expecting that we will have to source additionally.

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

Nitin Tiwari: Just wanted to understand what percentage of your gas sourcing is the Gujarat VAT applicable, the Gujarat VAT this season?

Kamal Kishore Chatiwal: 43% the APM...

Nitin Tiwari: It's only applicable to the APM, not to LNG, right? Which is...

Sanjay Kumar: LNG also. 7% is -- so you can say 50% of the gas.

Nitin Tiwari: 50% of the gas, okay.

Sanjay Kumar: APM and NWG.

Nitin Tiwari: Right, sir. And secondly, sir, you indicated the DTC volume for the base quarters. So if you can also indicate the DIMTS volume for the base quarter as well as for the second quarter?

Sanjay Kumar: I'll tell you the DTC and DIMTS volume again. For the current quarter, DTC volume was 5,000 kg per day. DIMTS volume was 1.32 lakh kg per day.

Nitin Tiwari: 1.32 lakh, okay.

Sanjay Kumar: The previous quarter, DTC volume was 44,000 kg per day, and DIMTS volume 1.47 lakh kg per day.

Nitin Tiwari: Sorry, that was not clear. Please say that again.

Sanjay Kumar: 1.44 lakh kg for DTC, 1.47 lakhs is huge.

Nitin Tiwari: Okay. And the base...

Sanjay Kumar: And the base quarter was DTC was 1.55 lakh and DIMTS was 1.85 lakh.

Moderator: We take the next question from the line of Somaiah from Avendus Spark.

Somaiah: Sir, one clarification. So in this quarter, we said 50% is RLNG. Within this can you give a breakup in terms of spot and Henry Hub and Brent-link contracts?

Sanjay Kumar: So broadly, spot was not there that you can -- spot is nil. Some quantity we had bought from IGX, which is generally the HPHT gas available -- available there. So IGX, we bought maybe 1% or 2% of the total requirement. And apart from that, our Henry Hub and Brent-linked contract, RLNG contracts are in the ratio of around 60% to 40%. Out of the total RLNG, around 40% is Brent-linked and around 60% is Henry Hub.

Somaiah: Got it, sir. And also, we have a bit of flexibility in terms of the entry of contract. I mean, in case of the cost -- we do have, so we can push it depending on in case we feel Brent is relatively lower. So we have the flexibility?

Sanjay Kumar: Yes, yes, it is there.

Somaiah: Got it, sir. Sir, also the next couple of years capex, so you did mention about the trajectory there. So in terms of CNG station additions, what we plan to put within this, how much goes into the pipeline, so broadly? And what kind of volume contribution maybe over the next 2, 3 years, this can contribute the capex that we are spending over the next couple of years?

Mohit Bhatia: So roughly around 80 to 100 CNG stations we are targeting year-over-year for maybe roughly next 3 years to 5 years. So out of the total capex, almost you can say 40% to 45% will go on the CNG and balance will be on the steel pipeline network as well as the MDP. So it will be like that.

And as mentioned earlier, the total overall incremental volume, we are anticipating 1 million to add year-on-year. So out of this, around you can say, 65% to 70% will come from CNG and around maybe 30%, 35% may be from the PNG, both industrial, commercial and PNG.

Sanjay Kumar: Number of stations -- 100 stations per annum average selling 6,000 kg per station, it will be around 6 lakh kg, which translates to around 0.8 million cubic meters per day of sales, 100 stations. 0.8 million is the number, which you can add from CNG and PNG is growing at around 12%, 15%, depending upon the industrial volume is dependent upon prices growth also. So both put together, 1 million is something which is very achievable.

Somaiah: Sir, this 100 stations between the GAs, I mean, Delhi, NCR and other newer GAs, how would this...

Mohit Bhatia: See, you can see it all depends. We have the target for 100 -- 80 to 100, and we are sorting for land in Delhi also, as MD also mentioned for the queuing part. And we are also anticipating the DTC old stations, hybrid and all, they are also offering these sites in Delhi. So if -- what we expect if it goes on, so almost, say, 25% to 30%, we should get in Delhi also. And otherwise, mostly, it will be outside GAs and somewhat in Ghaziabad and NCR part also.

Somaiah: Okay, sir. So one last question. So in terms of opportunities for getting into the other GAs or inorganic for in general, in terms of the recent MWPs and what are the opportunity set, sir? Is there a chance for a consolidation in the industry in the next couple of years because of some bit of aggressive bidding on the MWP side? Is there an opportunity set that's still available? And then how are we looking at it?

Kamal Kishore Chatiwal: Actually, this is a regulated license kind of a business. So here, unless some regulations are modified and facilitated for these mergers and acquisition, it will be very difficult because all those GAs will be carrying huge penalties, and that will deter the potential buyers. And unless something is thought on those lines, but how do we make it possible.

Something similar to, say, NCLT mechanism or something like that is thought of that with those kind of penalties, it will be difficult for them to sell it also. Because they are right now in negative -- valuations are in negative zone. So that, I think, is a potential bottleneck for M&A. But we are -- we see that going forward, if we have to achieve the kind of growth, the mergers have to take place with smaller entities going day by day will find it difficult because the sourcing is now becoming a very, very critical aspect.

And those who are able to source will give the benefit to the consumers. So that is our assessment of the situation because players are there who are ready to bid for those M&A activities, but the field is not right, the penalties and other things, they will have to inherit those also.

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

Sanjay Kumar: Yes. Thank you all the investors for participating in the earnings call of IGL. Thank you, Mr. Varatharajan and Antique Stock Broking. We will meet again in the month of April or May with a better set of results. Thank you so much.

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.