"Indraprastha Gas Limited Q3 FY24 Earnings Conference Call"

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MODERATOR: **MR. RAMESH S – NIRMAL BANG EQUITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call for Indraprastha Gas Limited hosted by Nirmal Bang Equities Private 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 call, please signal an operator by pressing "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramesh from Nirmal Bang Equities. Over to you, sir.

Ramesh S: Good evening. It gives me great pleasure to welcome you all on behalf of Nirmal Bang Equities for this 3Q FY24 Earnings Call with the Management of Indraprastha Gas.

The Company is represented by Shri. Kamal Kishore Chatiwal – Managing Director; Shri. Pawan Kumar – Director, Commercial; Shri. Sanjay Kumar – Chief Financial Officer; and Shri. Manjeet Singh Gulati – Chief General Manager, Finance.

May I request the management to give their "Opening Comments", and then we shall throw the floor open for questions. Over to you, sir.

Kamal Kishore Chatiwal: A very good afternoon to all of you. I welcome you all and thank you for joining IGL's Quarterly Earnings Call for Q3 FY 23-24.

I am Kamal Kishore Chatiwal – Managing Director, Indraprastha Gas Limited. I am joined by my colleagues, Shri. Pawan Kumar – Director (Commercial); Shri. Sanjay Kumar – CFO; and Shri. Manjeet Singh Gulati – CGM (F&A).

IGL has declared its Q3 Financial Results on 25th of January. The major highlights for the Quarter are as follows:

PAT has increased from Rs. 278 crores to Rs. 392 crores year on year, with a growth of 41%. Sales volume stood at 8.48 MMSCMD, a growth of 4% year on year; EBITDA of Rs. 564 crores, with a growth of 32% year on year; PBT of Rs. 516 crores, with a growth of 32% year on year. There is a 2% growth in volumes in sequential terms, and there is a decline in EBITDA per SCM from 8.6 in Q2 to 7.23 in the current Quarter. The main reason is due to a decrease in the APM allocation for the priority sector in the current Quarter.

The conversion of vehicles continues to be in the range of 16,000 vehicles per month. We are already touching the 9 million MMSCMD sales mark on some days and are expecting that we will exit the year with Q4 average sales at around 9 million. Approximately 16 new stations are expected to be commissioned during the last Quarter of 2023-24.

The Company is also focusing on LNG and CBG to improve volume and profitability. We have already started working on mitigating the risk of impact of EV on CNG sales volume by putting our focus in a big way on interstate bus transport and LNG for long haul transportation. We are optimistic that IGL will continue to grow in volume terms in future.

Further, we are also looking in the area of renewables for diversification in addition to the LNG stations as stated above. We are also planning to set up a small scale LNG plant in our GA to utilize the idle capacity of CNG stations. This will be the first such pilot in the country where CNG will be used to convert to LNG. This will help us in making LNG available for the stations being set up by the Company and also far from the port cities of Dahej, Ennore, or Kochi. So, this will be in the heartland.

Now, I would like to invite our Director – Commercial, to give his opening remarks.

Pawan Kumar: My name is Pawan Kumar. I welcome you all in this Earning Call for Q3 FY24 and thank you all for taking time out of your busy schedule and attending today's call.

Regarding the major highlights for this Quarter:

The gross profit per SCM has increased from Rs. 11.34 per SCM in Q3 last year to Rs. 12.95 per SCM in Q3 this year, which is a growth of 14% on a year-on-year basis. The EBITDA per SCM has shown a robust growth of 26% year-on-year basis and is Rs. 7.23 per SCM in the last Quarter.

For the CNG segment, year-on-year growth was recorded at 2%, with the average sales being 6.3 million metric standard cubic meters per day as compared to 6.07 during the previous year. The PNG segment has also witnessed double digit volume growth in the domestic and commercial segments in Q3; however, the industrial segment has lagged behind due to the price of alternate fuels. We are rationalizing our pricing policy to address this issue, and we expect that in future the industrial sales will also pick up. We are focusing on more areas for the increase in volume growth and planning to set up 10 LNG stations in the near future, as we see the potential in LNG to replace long haul vehicles currently running on diesel.

In addition to this, we are working on conversions of dumpers and commercial trucks in our GAs so that they can switch over from diesel to CNG to add a new segment to increase the CNG sales.

On the infrastructure front:

We have commissioned 27 CNG stations so far and we have added around 2.7 lakh domestic connections and around 1,000 industrial and commercial connections in 9 months during the current year. The Capex incurred during the year till December is Rs. 824 crores. This was the brief highlight about Q3.

Once again, I thank you all for taking part in this and sparing your precious time for joining this call. The floor is now open for the question & answer session.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have our first question from the line of Nitin Sharma from M. C. Pro Research. Please go ahead.

Nitin Sharma: Two questions. How much was the APM allocation in the Quarter and can you please provide the breakup of different sourcing of gas; HPHT, non-APM, spot, plus term. And then I have a followup.

Kamal Kishore Chatiwal: Total allocation has been around 78% domestic APM and non-APM and 4% was HPHT; that makes it around 82%. And around 17% was term contracts of RLNG and small volumes spot on IEX also.

Nitin Sharma: Secondly, can you just help us understand how do you see APM allocation coming over the medium term?

Kamal Kishore Chatiwal: Over the medium term, we expect the APM allocation to go down further. Although in the 4th Quarter from 1st of January, there has been a slight improvement in APM allocation. We got an additional 1,20,000 more from 1st of January. But over the medium term, we feel that as more and more GAs will get commissioned and domestic production is not keeping pace with that, the allocation is going to go down slightly and we will have to make up with, I think, either the spot or the HPHT volumes.

Nitin Sharma: And if I can squeeze another small question, that would be, where do you see weakened conversions rising from here? This Quarter itself, it was around 15,000. Is there any possibility for some price cut at the retail level that could augment the vehicle conversions, something that could happen? What's your view on that?

Kamal Kishore Chatiwal: Actually, we are focusing on our new GAs as well as the satellite towns of Delhi. In some of the GAs, we have in fact reduced the prices. For example, Rewari, we have reduced the prices by Rs. 3. And in other GAs, say Kanpur, Muzaffarnagar, Karnal, Kaithal, Banda, Mahoba, or Ajmer GA, we have not increased the prices to make them more competitive. In spite of a decline in APM allocation, we have not increased the prices. There, we are seeing that the conversions are picking up in those GAs. As also in Rewari, we are seeing that the conversions are picking up.

Moderator: We have our next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Recently you talked about adjusting the pricing in some of the GAs, which is helping to pick up the vehicle conversion growth. How do you see that? How could you accelerate or what are the other steps that needed to accelerate the growth in the other GAs, and what could be the potential growth that we can achieve over the next 2-3 years outside Delhi?

Kamal Kishore Chatiwal: One of the areas that they have identified is the dumpers that are used for construction for ferrying construction material, sand, marble, etc., and especially those areas where the daily transportation is within a limited area, say 50 km to 100 km, there we feel that if we can convert that this will be good additional volume because the numbers are huge. If I take an example of Banda-Mahoba-Chitrakoot, in that GA, we have around 6,000 dumpers being used daily. If we can convert a fraction of that, say 10%, 15%, or 20% in the next 1 year, then the volume growth will be huge because each dumper consumes around 80 to 100 kg per day. To make that possible, we are now converting 2-3 dumpers to demonstrate to the operators there that they will get what is the advantage of conversion to CNG. To demonstrate the proof of concept, we are converting some of the dumpers and showing it to them. That strategy we will adopt in other GAs also wherever these dumper numbers are there. In addition to that, also LNG maybe in the commercial segment or in the bus segment; that is another area that we will be looking at in addition to the long haul transportation that in any way we are focusing on LNG.

Kirtan Mehta: Would you also be considering giving some of the incentives for the conversion for thesrs? Would there be a possibility to consider them? We have seen this kind of scheme being launched in Maharashtra with some initial signs of success. So, is there a possibility of replicating in the northern area as well?

Kamal Kishore Chatiwal: Yes, that will be a possibility. But before that, we need to have the infrastructure in place. If we have the scheme and we don't have the infrastructure, that's another area that we are focusing to make big CNG stations where all these dumpers…. because they will be needing a lot more space for filling and all. So, we are going for some big stations in these areas and it will be synchronized with the scheme. The scheme would be needed, but before that, the infrastructure would be needed.

Kirtan Mehta: You also talked about adjusting the industrial pricing scheme to incentivize their usage. What are the thoughts and the considerations?

Pawan Kumar: Basically, our pricing policy has been designed for monopoly. In the CNG and domestic market, we are a monopoly. But as far as the industries are concerned, we are not a monopoly because other alternative fuels which are competing with our gas are present. So, we are making our pricing policy flexible in line with the other companies, where we can offer a customer-specific price based on the volumes because the need of the hour is the growth. And hardly any additional charges are incurred on supplying these clusters because they are already connected and they suddenly switch it off, the supply they stop taking. So, we can reduce our S&D charges and we can reduce our margins there, but certainly we can maximize the volume. So, the policy will be customer specific so that the volume can be brought to the fold.

Kirtan Mehta: Is there a possibility to give a minimum discount to the alternative fuel scheme as well?

Pawan Kumar: Yes, we are looking from all the angles because the need of the hour is volume.

Kamal Kishore Chatiwal: Just to supplement the question, I think it will not be a fixed discount kind of a thing. But while pricing our products, that will be one thing that we will be keeping in mind.

Moderator: We have our next question from the Line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Sorry you had to repeat this. I could not catch the first answer completely. You said that APM allocation had fallen to about 78%, about 4% came through HPHT sources, and the balance would have come from essentially spot LNG. I just wanted to get a sense, again, of what does our overall sourcing mix looks like to be. What sort of term contracts do we have in place? How much of HPHT do we have in place in terms of contracts?

Kamal Kishore Chatiwal: I will again repeat that 82% is from APM and HPHT, 17% is from RLNG from term contracts that we have; long-term and medium-term contracts. That is based on Henry Hub linked as well as Brent linked and JKM linked also. And small volumes of around 60,000 or so during the Quarter, we sourced from spot through IEX.

Probal Sen: Sir, just to understand, if I can just ask a follow-up; this Quarter if you see, the margin of course has grown on a YoY basis, but the margin decline that has happened on a QoQ basis. That is entirely attributable, therefore, to the reduction in APM allocation plus what you mentioned that you did hold the prices and changed in some of the non-Delhi areas and the reduction in prices in Diwali. That's how we should look at it? That's the reason for the margin dip on a QoQ basis?

Kamal Kishore Chatiwal: Yes, that is the major factor that APM has gone down by around 9% to be precise, from 87% to 78%. In addition to that, we had a one-off, I think, dividend income also. That's an impact in PAT that around Rs. 72 crores of dividend income was there. That is the impact on the PAT, not on EBITDA.

Probal Sen: Where did we receive that dividend from?

Kamal Kishore Chatiwal: The dividend from our associates MNGL and CUGL, Rs. 72 crores.

Probal Sen: Last question, sir. Any volume guidance you would like to hazard? I know it is very difficult given the uncertainty, but as of now for FY25, any percentage volume guidance we are giving in terms of what we expect?

Kamal Kishore Chatiwal: For FY25, we will be targeting 10 million.

Probal Sen: Average volume throughout the year you are targeting 10 MMSCMD?

Pawan Kumar: That will be closing FY25 at ten MMSCMD.

Probal Sen: So, exit rate of 10 MMSCMD is what we are targeting, right?

Pawan Kumar: Yes.

Moderator: We have our next question from the line of Maulik Patel from Equirus Capital. Please go ahead.

Maulik Patel: Sir, on the sourcing side, as one expects that APM allocation will continue to go down in the coming years, what will be the optimal kind of the breakup in sourcing you would like to see from mix of long-term LNGs, spot, and HPHT?

Kamal Kishore Chatiwal: Our effort would be that whatever volume decline we see in APM allocation, we try to make up with CBG volumes also because we have LOI for 20 CBG plants. Out of that, only five have been commissioned. In addition to that, we are ourselves setting up 10 CBG plants. The plants that we will be setting would be of slightly bigger capacities. In volume terms if you say, we will be targeting somewhere around 2 lakh volumes from our CBG plants and maybe another 2 lakhs from the outside parties. So, 3-4 lakh volume is going to come. Out of that, only 10,000 odd has come. So, whatever decline is there in APM, we will try to first make up with the CBG because that is the cheapest available gas presently; even 10% to 15% cheaper than APM. So, that would be our target. And in our GAs, our consumptions are such that we will be able to absorb those volumes in our network. That is one area. In addition to that, now that the spot prices have softened a bit, we expect that lucrative contracts would be available because our long-term contract is expiring in 2028. So, anything comes up for renewal now that the prices of spot gas have softened, we expect some good contracts to be available for the long term.

Maulik Patel: Sir, on the CBG side, what we understand is that it's extremely difficult and challenging to ramp up the volume in the CBG because of the unavailability of the feedstock. Basically, we do not have a consistent supply of feedstock from the market and the markets are not big enough or probably it carries, then the logistic costs are very high. Is it the right assessment?

Kamal Kishore Chatiwal: Partially you are correct in your assessment. But if you have a good technology provider and in a few days, you will hear an announcement from our side on the plants. There we are very selective in choosing the technology partners. And whatever technical hitches are there – I understand that there are quality issues that CO_2 percentages in BIS standards and methane percentages, the impurity levels are slightly higher as compared to CNG or PNG requirements in BIS standards. Our effort will be to make it as close to or even better the present quality of CNG and PNG. For that, this will be a preferred source for all the CGD companies. That we will be demonstrating. And in a few days, we will be announcing those 10 plants. One is already under construction and nine more we will be announcing. And the sourcing of raw material for all these plants will not be constrained because there will be a variety of sources starting from pressed mud or agri waste or MSW waste. All those will be there. In a few days, there'll be an announcement regarding the same.

Maulik Patel: How many Quarters it will take to ramp up to this 0.4 MMSCMD, 3 to 4 lakh kind of volume from the CBG, and what kind of timeline are you expecting?

Kamal Kishore Chatiwal: Normally, it takes around 8 months to 1 year time to build a plant. Our plants, a few of them, will come up in June-July, but the rest others would be by the last Quarter of FY25.

Maulik Patel: Sir, I missed the initial remarks. Did you give any breakup between your Delhi volumes of the CNG or non-Delhi volumes in your opening remarks?

Kamal Kishore Chatiwal: Around 63% of volumes are from Delhi and 37% is non-Delhi.

Maulik Patel: What could have been the growth between these 2 segments, Delhi and non-Delhi, compared to the previous year?

Kamal Kishore Chatiwal: They have been growing at around 2% to 3%. It is basically absorbing the impact of DTC and DIMTS. So, we are able to just grow at 2% to 3% after absorbing that impact. The other segment is growing at 7% to 8% outside of Delhi. And the new GAs, the base is very low. If I tell you the numbers, the growth percentage, it will be very very high. It is so low that once if I tell you that they are growing at 60%, that doesn't make sense because the base is very low. But we are seeing good growth over there.

Moderator: We have our next question from the line of Vipin Goel from Mirabilis Investment. Please go ahead.

Vipin Goel: Sir, just 1 question. You stated that about 82% was the APM and then the last part was a term contact, 17%. Basically, the 17%, what would be the volumes? And then, if you could just tell us about the contracts, the total volume that has been contracted? About 2.2 is what I remember from the last conversation. You can just revise that number.

Kamal Kishore Chatiwal: Now that 2.2 number we have increased it to 2.35. After taking internal consumption and technical losses into consideration, the total sourcing is around 2.35. This includes HPHT volumes also. So, 2.35 you can say is mid term and long term. Mid term is 1.77 and 0.58 is long term.

Vipin Goel: On the pricing of these two – the mid term and the long term – average pricing?

Kamal Kishore Chatiwal: Mid term would be linked to Henry Hub. So, that's 115% of Henry Hub plus some constant of say 5.5 to 5.6; those kind of volumes. So, landed would be somewhere around \$13 to \$14.

Vipin Goel: With this CBG kind of ramping up and APM going down, would we stand by with our earlier margin guidance of 7.5 to 8 or is there any change in that?

Kamal Kishore Chatiwal: That remains 7.5 to 8, would be our endeavor. And if it goes down below, then we may have to increase the prices. If it goes above, we may have to reduce the prices. But around 8, we are targeting.

Moderator: We have our next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Just a question on volume. In the last call, you had mentioned the potential impact of the cab aggregator policy as about 15% to 20%, but you said that you are still evaluating it. So, the first question was, would you still stick by that guidance or has that changed?

Kamal Kishore Chatiwal: We stand by the guidance of exiting the year FY25 at around 10. Right now, the cab aggregator is basically the incremental volumes, the conversions to taxis, that will have an impact on the new additions. But the present impact is of DTC, i.e., converting to electric. During the 9 months, we have seen around 950 buses being converted. So, you can say around 40% DTC conversions have already taken place. And we have absorbed that impact. In fact, we have grown slightly in Delhi due to that, 2% to 3% growth, whereas the private vehicle growth has been very robust. At around 8% to 10% growth is there in the private vehicle segment.

Amit Murarka: But I am still wondering like exit FY25 versus exit FY24 is 11% growth versus the recent 3-4 Quarters have been only 3% to 4% volume growth. So, where will that additional 7% to 8% growth come by, particularly when we expect slowdown in the cab aggregator volume?

Kamal Kishore Chatiwal: If you know the CGD sector, for the full year if we had planned some stations, the last Quarter is where commissioning of all the stations comes up. So, in this Quarter, we will be commissioning close to 60 CNG stations. Some of them are in new GAs, some of them in the existing GA of Delhi and NCR area. Once those come into stream, we feel that the volume growth would be there because right now we are seeing every month when we analyze, there are days of the weeks when we are already crossing 9 million. So, it's a question of the average because on weekends, our sales go downs. Maybe we may have to think about some weekend discount or something like that to ramp up the sales on those 2 days. Otherwise, we feel that nine should be consistent and once these 60 odd stations come online, then also, we feel that we should exit around 9.

Amit Murarka: Just one last question on OpEx. Actually in the last 4 to 5 years, your OpEx has been consistently going up – I believe it's because of the new GAs. But is there any breakup of EBITDA like how we gave you a break up of volume? Is there any breakup of EBITDA also that you can share between Delhi, non-Delhi, or say for the new GAs?

Sanjay Kumar: We do not show the breakup of EBITDA as such. Internally, we evaluate each GA-wise performance. At this point of time, it will be difficult to compare other GAs which are in nascent stage and the majority of the profit comes from Delhi NCR region basically because the volume is lesser in the new GAs. And presently the pricing policy which we are maintaining there, that is aimed towards the growth of business and future opportunities rather than profitability. Barring one or two GAs, all our GAs are profitable at this point of time. That's what we can share at this point of time with you. Seeing EBITDA level for each GA will be a little premature at this point of time.

Moderator: We have our next question from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Sir, now almost 4 months are over after the implementation of Delhi EV policy for the cab aggregators. What is your observation on the taxis or cab additions for the last 3-4 months? And have you noticed any decline in the CNG cabs or taxi addition in the last 3-4 months?

Kamal Kishore Chatiwal: As of now, we have not noticed any significant decrease in the number of cabs and taxis which are being registered. Rather, the total number of vehicle population is around 15,000. And as the new variants are coming up from the OEMs, we expect that the number of vehicles are going to increase.

Yogesh Patil: Out of that 15,000 vehicles per month addition, what would be the taxis or cabs addition monthly basis?

Sanjay Kumar: If you talk about breakup of conversion, approximately 7,000 is private cars and around 5,500 is commercial vehicles which includes taxis, goods carriers, and three-wheelers, and around 3,000 is retrofitments. That's the broad breakup: 6,000 plus 6,000 plus 3,000. And the specific impact if you are asking about the aggregator policy on the sales of taxis and three-wheelers, I think it's only 2 months data which is there. To meaningfully take out any trend, I think let us wait for one more Quarter and then we will be able to answer this.

Yogesh Patil: The last question from my side. Sir, we wanted to understand, are you able to capture the net CNG vehicle additions? More than 15 years old CNG vehicles getting replaced by the new CNG vehicles is just a replacement to the old ones? This type of vehicle addition will not be a CNG volume growth driver. So, my question is, do we have any net vehicle addition data which will reflect the real picture of the CNG volume growth in the coming days? Are we tracking or do we have any kind of database track?

Sanjay Kumar: If you ask this, I this there is no scientific way because there is no data which is coming from the.

Kamal Kishore Chatiwal: Actually, the data that we track is from the RTO, the number of vehicles getting registered and the number of CNG vehicles already registered. In case, after 15 years, a vehicle is getting deregistered, that number will go down. The number of CNG vehicles will go down, and there will be no net addition. We track the data from RTO.

Moderator: We have our next question from the line of Nitin Tiwari from PhillipCapital. Please go ahead.

Nitin Tiwari: Sir, my first question is related to infrastructure spend. Can you help us in terms of what is the mix of spend between the city of Delhi and outside Delhi for this year and as well as like as far as our forecast is concerned? How much percentage are you trending in Delhi and what percentage are you spending outside?

Pawan Kumar: For the 9 months, we have spent a total of Rs. 859 crores during the first 3 Quarters of the current year, and Delhi makes up of around Rs. 400 crores. Our GAs in UP is around Rs. 300 crores and Haryana and Rajasthan are around Rs. 150 crores. That's the broad breakup.

Nitin Tiwari: Sir, any update in terms of your conversations with the Rajasthan and UP governments for conversion of interstate transport buses?

Kamal Kishore Chatiwal: Yes, we had a discussion not only with Rajasthan and Haryana, UP also we had a discussion and Uttarakhand also. UP has agreed to deploy 60 buses, Uttarakhand around 45, Rajasthan has agreed to start a pilot with 20 buses. They will be converting 20 buses from Ajmer depot and then going up to Delhi. And then, talks with Haryana are also in progress.

Nitin Tiwari: Sir, lastly, any guidance that you can give us in terms of DTC buses? What is the number if we look at DTC and DIMTS combined? And how can we look at this number by the end of FY25? Are we expecting any more retirement of CNG buses and addition of EVs?

Kamal Kishore Chatiwal: DTC around 3,200 buses are there, so almost 40% of them have converted to EV. And the target is that by FY25, all of them will be converting. DIMTS as such, there is no policy there that they will have to convert. But whatever old vehicles are getting retired – they have already retired 500; so the total number is around 3,900 or so. Five hundred have retired. Those numbers will go down slightly, but only the DTC numbers would be converting to EV.

Moderator: We will move on to the next question. We have our next question from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain: I just want to understand, you said that Delhi is about how much? 60 how much percent of this current volumes? The 3Q volume, how much is Delhi?

Kamal Kishore Chatiwal: 63%.

Vikas Jain: So, that's about 8.5 MMSCMD was the volume of that about 5.3 is what Delhi is. Now, from 8.5, you are talking of ending FY25, i.e., in 5 Quarters at about 10 MMSCMD. That's roughly about 18% increase. And this 5.3 with more DTC buses getting retired into EV, that you are saying currently is growing at 2% to 3%. That is unlikely to pick up, right? So, if you have an extra 1.5 to come from, we are basically banking on the other 3 MMSCMD or so adding to giving a 30% to 35% growth in the next 5 Quarters. Is that how we are thinking of things?

Kamal Kishore Chatiwal: Delhi also, we are focusing more on the industrial and commercial segments. That is one segment, the industrial segment, where we see a lot of potential. And in the commercial segment, recently there has been a ban on the usage of diesel gensets. So, we have got a lot of requests for conversion of diesel gensets to gas. That is another area. Second is the domestic PNG segment where we have the connections, but the billing part is taking time because the last mile connectivity is still undergoing. We are adding 2 lakh connections every year in Delhi. These are the 3 segments that will make up. In addition to that, the CNG infrastructure, we are increasing the dispensing capacity to ease the queue situation. Once that improves, we expect that more and more vehicle conversions would be there.

Vikas Jain: Simply put, sir, you said that currently Delhi on a net basis after adjusting for the loss from DTC is growing by about 3%, right?

Kamal Kishore Chatiwal: Yes.

Vikas Jain: This, in the next 5 Quarters, do you expect that this number, 3%, could be significantly higher because there will be more loss, right? More DTC buses will get converted incrementally.

Kamal Kishore Chatiwal: No, what we are saying is that once there is a mandate of CAQ where they have said that the interstate buses entering Delhi, they need to be either CNG or EV or Euro VI compliant buses. Right now, they don't have Euro VI compliant but CNG they can easily convert to. That is one segment where whatever loss is there and those volumes will…. The depot for filling up the stations would be in Delhi. One of the filling stations would be in Delhi exclusively for them. These are the kind of strategies that we feel would make up. In addition to that, we are also looking at conversion of dumpers in other GAs. Those are the big volume vehicles. Just to give an example, previously also I gave the example of Banda-Mahoba-Chitrakoot where we are targeting 6,000 dumpers. Even if we are able to convert 50% of them, that will make up for the loss of our DTC volumes. To make that possible, we are demonstrating by converting a few dumpers. We are putting up a big CNG station to make the filling experience more joyful, plus the economic advantage would be passed on to them.

Vikas Jain: And sir, this 8.5 number in 3Q, is this something which is now looking much better or it's in that vicinity only, as we have got into January and all of that?

Kamal Kishore Chatiwal: 8.5, we expect that the last Quarter we will be ending at around 9.

Vikas Jain: So, the average for 4Q could be 9, almost?

Kamal Kishore Chatiwal: Almost 9.

Vikas Jain: Just one final thing. The allocation that you gave for domestic gas of 78%, 4%, HPHT, etc., that is for all of your volume or that is for domestic PNG and CNG only?

Kamal Kishore Chatiwal: The allocation is only for CNG and domestic PNG.

Moderator: We have our next question from the line of Devang Patel from Sameeksha Capital. Please go ahead.

Devang Patel: Sir, we had taken some pricing increases in Q3. Are we on track to come back our EBITDA over 8 per SCM?

Kamal Kishore Chatiwal: We will be nearing around 8 because we are also focusing on increasing the volumes. So, we don't want to increase the prices. We will keep the prices to a moderate level so that conversions don't get affected. But at the same time, the margin we are targeting is around 7.5 to 8.

Devang Patel: Sir, just to clarify, how many DTC buses are remaining for conversion now, in the absolute number?

Kamal Kishore Chatiwal: Close to around 1,800 or so.

Devang Patel: As you are saying, all the 1,800 you expect to convert by the end of FY25?

Kamal Kishore Chatiwal: FY25 or FY26, I think 1-1/2 to 2 years, that is the time they have given us.

Devang Patel: Sir, the CapEx that we are doing now is lower than what we had guided to in earlier Quarters. So, for next year, what kind of ramp up in CapEx are we looking at?

Kamal Kishore Chatiwal: Next year also, we will be doing around Rs. 1,400 crores to Rs. 1,500 crores. And there are 2 segments that we will be focusing on; one is the CBG segment and another would be the LNG segment – so setting up of LNG stations and putting up CBG plants. But overall CapEx would remain in these 2 areas. In case of any opportunity where there is an acquisition opportunity, that amount is separate. It's not included in this.

Devang Patel: CBG and LNG itself would be how much of this Rs. 1,400 crores to Rs. 1,500 crores?

Kamal Kishore Chatiwal: Overall total may be around 20% of that.

Devang Patel: Sir, just to clarify on what you said earlier on the discounts for C&I customers, do we not give any incentives or discounts for large volume buyers?

Sanjay Kumar: As we have confirmed that, not for commercial but for industrial customers, we are making this policy because the volume is large and we will be offering the customer-specific prices so that they can switch over from alternative fuel to gas.

Devang Patel: In the near term, do you expect that volume from industrial customers to go up because alternative fuel prices have also gone up?

Kamal Kishore Chatiwal: Yes, we are expecting the volumes of industrial; rather, we are targeting those volumes. We see that as an opportunity. Industrial and commercial are the 2 segments that we are focusing aggressively on because we feel we can increase volumes there.

Moderator: We have our next question from the line of Mr. Ramesh from Nirmal Bang. Please go ahead.

Ramesh S: Before I express my vote of thanks and pass it to the management for closing comments, I just wanted your thoughts on 2 aspects. One is, in the industrial segment, how have the margins moved compared to the blended margins in 3Q? Because, you would have got some benefit from the higher alternative fuel prices. And do you see the margins being sustained at these levels? Since you are discussing some price adjustments, is there any risk of the margins in industrial declining? And what is the kind of volume growth that is required to make that up?

Kamal Kishore Chatiwal: Margin may decline a little, but the overall profitability will be maintained by the volume. We might earn a little less per SCM, but the volume will be multifold. So, the overall profitability will be maintained.

Ramesh S: If you look beyond FY25, say '26 and '27, based on all the additional infrastructure you are setting up, the additional availability of biogas, the initiatives in CBG and LNG, and the full-scale operation of all the new CNG stations both in Delhi and outside Delhi, can we talk about the volume growth going up from the current 4% to 6% or 7%. Is it possible after '25?

Kamal Kishore Chatiwal: In fact, we are targeting 1 million additions every year, and we have huge plans for that because we have very vast GAs where we are putting a lot of money in infrastructure. And our experience is that once the infrastructure is there, then the conversions take place and the people convert to CNG due to the price advantage. Also, we have seen that all the arterial roads which are going out of Delhi to the neighboring states, most of the roads are covered by our GAs. As soon as we put our own stations there, the sales increases multifold; like in Hapur where we selling around 10,000 kg to 14,000 kg per day through OMC outlets, after putting our stations, the sales is around 54,000 kg per day within 2 months. And we have planned a huge infrastructure investment. We are already laying pipelines up to the boundary of our GAs so that the people who are going outside our GAs, they can fill their tank from our station because our prices are the most competitive prices.

Ramesh S: Let me thank the management for being kind enough to do this earnings call. And I also thank all the participants for joining the call and asking some very interesting questions. Let me hand over the call to the management for closing comments. And then we can close the call. Over to you.

Kamal Kishore Chatiwal: I once again thank all the participants for participating in this earnings call. And especially I also thank Mr. Nirmal Bang and Ramesh and I hope to see you in the next Earnings Call.

Moderator: On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.