"Indraprastha Gas Limited

Q2 FY'25 Earnings Conference Call"

October 29, 2024

MANAGEMENT: **MR. KAMAL KISHORE CHATIWAL – MANAGING DIRECTOR – INDRAPRASTHA GAS LIMITED**
MR. MOHIT BHATIA – DIRECTOR COMMERCIAL – INDRAPRASTHA GAS LIMITED
MR. SANJAY KUMAR – CHIEF FINANCIAL OFFICER -- INDRAPRASTHA GAS LIMITED
MR. MANJEET SINGH – VICE PRESIDENT, FINANCE – INDRAPRASTHA GAS LIMITED

MODERATOR: **MR. NITIN TIWARI – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Indraprastha Gas Limited Q2 FY '25 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchstone phone. Please note that this conference is being recorded.

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

Nitin Tiwari: Thanks, Nikita. Good day, ladies and gentlemen. Best wishes in advance for Deepavali to everyone. On behalf of PhillipCapital India Limited, I welcome everyone to Indraprastha Gas Limited Second Quarter FY '25 Earnings Call. Today, we have the pleasure of having with us from the management team of IGL, Director Commercial, Mr. Mohit Bhatia; CFO, Mr. Sanjay Kumar; and VP Finance, Manjeet Gulati.

I will now hand over the floor to the management for their opening remarks, which shall followed by a question-and-answer session. Over to you, sir.

Mohit Bhatia: Good afternoon. So first of all, in advance best wishes and happy Diwali and happy prosperous new year to all of you, ladies and gentlemen. So I am Mohit Bhatia, Director Commercial of Indraprastha Gas, and I welcome you on behalf of IGL management for taking out time and attending the Q2 earnings call for FY '25. Our Managing Director is not in the office as some preoccupation also. So mostly, he may join later on.

As you know, IGL is one of the leading CGD companies in India and is present in 4 states and 11 geographical areas. We have a good mix of now matured and emerging CGD geographical areas, which has been providing us both with challenges and as well as the opportunities. In the terms of infrastructure development, I'm pleased to inform that our now steel network is almost 2,200-plus kilometres and the MDP network is almost touching 26,000 kilometres, which provides natural gas to more than 28 lakh households as well as around 5,000 industrial customers and around 6,300 commercial customers.

So now IGL is operating for more than 884 CNG stations and serving to 2 million vehicles per day. In fact, this time, first time, we have crossed the landmark of 2 million vehicles per day also.

Secondly, during this festive season, once again before I proceed, I wish you all a very happy and process Diwali. Now I'd like to appraise you about some of the major business and financial updates for the quarter 2. We have recently yesterday only declared our financial results for quarter 2 yesterday on 28 of October.

So first and foremost, I would like to inform that IGL has -- in first time, they have crossed a landmark of 9 million sales per day, and in the last quarter, we have averaged out around 9.03 million of standard cubic meters of sales per day. The CNG volumes have grown year-on-year basis by 9% from 6.25 million per day to 6.78 million. And the total sales during Q2 was 623 million metric cubic meters of the sales. There has been an average addition of around 15,740 new and retrofitted CNG vehicles on a month-over-month basis on an average over around 14,350, resulting in an increase of almost 10% in the CNG vehicular population.

As far as PNG volumes are concerned, PNG gas volumes other than the natural gas sales to some of the entities, we have also delivered a PNG growth of 12% year-on-year basis. And breaking it down, if we see, so 12% is on the domestic front; whereas 13% increase in the commercial front; and a very healthy 11% growth, particularly in the industrial segment also, demonstrating the increase in adoption of PNG across all these segments, whether now it is PNG or CNG.

We are also focusing on volume growth in sales volume and are planning to achieve our sales target of 9.5 million per day for this year and already clocked 9.03 million during the current financial year. The company is putting a lot of effort in new GAs for increasing the sales. And now the volumes have started coming up good in other GAs also.

Regarding the financial highlights for the Q2 year-on-year are summarized as: There has been an increase in 7% in the turnover. And now during this quarter 2, we have achieved all-time highest the turnover crossing INR4,000 crores landmark. It is now INR4,070 crores. The EBITDA is INR536 crores, and profit before tax was INR564 crores.

There has been a reduction in EBITDA and PAT mainly due to increase in the input cost of the gas as compared to the same quarter of the last year. Recently, during the month of October, there has been almost a reduction of almost 20% in the allocation of the APM gas by the authorities, and this will have an impact on the profitability during the year and has already been informed to all the investors through a filing in the Stock Exchange.

But we are looking at very positively through various options, particularly for gas sourcing, and have made some arrangements by tying up for some of the near -- gas in the near future. So company is exploring all the gas sourcing options and are in discussions with various gas suppliers to meet our short-term as well as medium-term and the long-term demand.

In addition to that, company is also focusing on LNG and CBG to improve the volumes as well as the profitability. The company will keep on exploring strategic inorganic opportunities across India in CGD industry to accelerate our expansion, focusing on our core business as well as we have some other areas for investments under its -- our diversification initiative. So this will not only enable us in strengthening our market position while delivering sustainable returns for our shareholders.

Now I would like and request invite our -- Sanjay Kumar, Mr. Sanjay Kumar, our CFO IGL, to give his opening remarks.

Sanjay Kumar: Yes. Good afternoon, everybody. I'm Sanjay Kumar, CFO IGL. A warm welcome to all of you. We are happy to hold this earnings call on a very auspicious day of Dhanteras. So hopefully, the next year augurs well for everybody. Director Commercial has already elaborated on the various parameters. I would like to briefly tell you about the performance during the quarter as compared to Q1.

So we had a growth of 6% quarter-on-quarter. Our sale during the current quarter stood at 9.03 million cubic meter per day, which was 8.64 million cubic meter per day during the Q1 of the current financial year. Gross turnover saw an increase of -- growth of 5%, and EBITDA was down mainly because of the increased gas cost by 9%, approximately 9%. It was INR582 crores in Q1. This quarter, we closed at INR536 crores. And in terms of PAT, INR431 crores is the number for the current quarter. Last quarter, it was INR401 crores, so a slight increase on quarter-on-quarter basis.

I would like -- also like to highlight that the company has achieved highest ever sales per day during the quarter that's gone by, 52,9 crores lakh kg per day. And in the month of October also, we are seeing this increasing trend continuing. And happy to inform you that 1 -- a single day sale of 55 lakh kg has also been achieved during this month. So going forward, we hope that the sales volume continue to grow.

Further, I'd like to highlight that the overall sales over -- last year, there was an increase of 9%, mainly contributed by 7% growth in Delhi NCR and 29% growth in newer geographical areas. As far as our associates are concerned, they -- particularly MNGL is doing pretty well. Their volume growth is around 16%, 17% year-on-year. And now they are selling 1.68 million cubic meters of gas per day. Our other associate, CUGL, Central U.P. Gas Limited is having a flat volume. And during the quarter, we have accounted for income -- from income of approximately INR80 crores from MNGL and around INR8 crores from CUGL. So that is as far as the associates are concerned.

So now we would also like to advise that we have declared a dividend of INR5.5 per share, which is based on half year payout of approximately 45%.

So with this, we'll close the opening remark and open the floor to a Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: A very happy Diwali and a prosperous new year in advance to all of you. I had a couple of questions. One, you mentioned in the initial briefing that 9.5 MMSCMD is the target for this year. When we say that, do we mean that we hope to reach an exit rate of 9.5 MMSCMD for FY '25? And if so, what can we build in as an average volume target for FY '26 on this run rate? That's my first question.

Mohit Bhatia: Okay. So question by question we go, is it okay?

Probal Sen: Yes, sir. Absolutely.

Mohit Bhatia: Yes. So absolutely right, We have a target of 9.5 million per day. And if we see the Q2 average, we have returned around 9.03. So we are hopeful of touching in the balance period of the half year of around 9.5 million. There are certain reasons for that. The way our -- in particularly CNG sales is growing. And not only in Delhi, Delhi is barring DTC, it is growing at 8%. Whereas the best part is the Noida, Ghaziabad as well as the outside GAs, they are growing at around 17% to 18%. So we are very confident that things will go in our favour.

And secondly, on the industrial front also, you'll appreciate that now we are clocking almost 1.1 million of industrial and commercial sales per day. So growing at an average of 10% to 11%. And PNG domestic is also because we have almost done around 1 lakh plus connections in last 6 months, and we have a goal of around 2 lakhs in the balance part of the year. So we are very positive to touch and maybe average of also 9.5 million.

Probal Sen: Sir, if I may expand a bit on the question. What do you -- I mean, given the reality of this APM allocation reduction, is it fair to assume that there will be some price correction upwards needed? And if so, will it dent our volume momentum to any extent? So how are we looking to basically balance this over the next 12 to 18 months?

Mohit Bhatia: Okay. So we were anticipating this. This would have been -- this would have come up. See, first of all, we are into very, very serious thoughts about the price hike. We had some discussions also. And based on the -- during the festive season, Diwali time and all just on the viewing of the sentiment of the customers and all, so at this juncture, we have not increased. But sooner, I think there will be some hike in the prices as we anticipate.

But nevertheless, I think there is a growing demand and the trend on the natural gas. And if we compare particularly with diesel or petrol, we have a good elbow room still to enhance and keep the motivation level of the existing and the prospective customers to continue with the CNG volumes.

Probal Sen: Okay. And sir, the second question was with respect to capex plans for the next year or so. If we can get a sense, broken down into what we are looking to spend on Delhi-NCR and what we are looking to spend in the other areas, whatever breakup you can give us.

Mohit Bhatia: Yes, yes. So we have a target of around INR1,700 crores of capex for this financial year. And almost, during the first half, we have incurred around INR500 crores already incurred. First half is a little bit slow because of finalization of some CNG stations and all -- and the other things get a little bit lag over during the first Q, Q1. So now we are really geared up and taking it.

So we have planned for INR1,700 crores to capex for this year. It will happen. Primarily, it will be like maybe around 45% to 55% in Delhi NCR and around 45% in the other GAs.

Probal Sen: Understood. Sir, last question, if I may. Any changes you want to make? You had earlier informally, I think, given a rough EBITDA guidance that you would want to stay in the INR7 to INR7.5 per SCM kind of a range. In view of the changing cost mix and everything else? Are we still confident that we can maintain in this range going forward?

Mohit Bhatia: So that's the call, but we are definitely -- our aspiration is to maintain between INR6 to INR7. And for H1, it is already in that line, almost INR6.7. But there is a stress definitely on the EBITDA because of the APM cuts and the price revisions and all. But we are really looking into very, very positively on identifying some better gas sourcing measures and look forward to maintain in this range, particularly around INR6 to INR7 per SCM.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: What one can assume the total volume for the next year FY '26 period? Any guidance from your side?

Mohit Bhatia: See, if we tell about this year, particularly '24-'25, so we have a target of 3,400 MMSCMD for the entire year, and we had some plans for coming years. So I think at an average of around 8% to 10% will be growing year-on-year basis in terms of absolute volumes of all these segments.

Yogesh Patil: So basically, our guidance is mostly on the 9.5 MMSCMD exit for FY '25. So can we build the 8% to 10% growth for the FY '26 exit?

Mohit Bhatia: So we look forward for that. We look forward for that.

Yogesh Patil: Okay. So sir, second question, what is the share of new well gas in the overall gas mix now? And if possible, if you could share the gas sourcing mix mostly on the non-APM side, it would be helpful.

Mohit Bhatia: So first, I'll respond to your second query. The thing is like now the non-APM share is like we have some long-term contracts. So almost 2.5 million. We have the RLNG; in particularly around 1.4 to 1.5 is Henry Hub based; and the balance around -- 0.85 to 1 is on the Brent-linked. So as such, as on date, APM and RLNG market driven is around 50%-50%.

So now coming to the newer things, so as and when the ONGC and from the GAIL, it is coming up the opportunity. So we are also participating and let's see how we get it. So you want to refer...

Sanjay Kumar: So in addition to what Director Commercial just informed, we have a total contracted quantity of 3.12 million, out of which 2.5 million is RLNG and around 5.6% is HPHT gas. So that is the overall contracted quantity. And with the reduction in APM, which is around 1 million cubic meter per day for us, that is the additional quantity which we are trying to source from different alternatives and best possible way we are trying to manage.

So in the month of November, we have arranged. And for a longer tenure basis, we'll have to work out the other modalities and whether we want to go for term LNG or not. That cause, we are in the process of evaluating and taking decision on that. so that will also we'll have -- that factor will also have to be taken into the pricing decision, which we will have to make. So that is it as far as the sourcing is concerned.

Given that all the CGD companies, there is a cut. So the demand, of course, is going to be higher in the market. But we are trying our level best to achieve the best -- or the least possible cost for sourcing the remaining wantages.

Yogesh Patil: Sir, last question related to recent changes in the APM allocation and related policy. So as per our understanding, the Ministry of Petroleum and Natural Gas has recognized ONGC's 4

MMSCMD gas as new well gas. Is there any application from the side of Oil India Limited to DGH or MoPNG which is seeking to recognize existing APM gas as a new well gas? Basically, we are just taking the possibility of any big size incremental cuts in the APM allocation. The same happened with ONGC. Any replica can happen with the Oil India Limited also?

Sanjay Kumar: New well gas is something where -- for the present situation, I'll say that there is a very miniscule quantity which has come into the -- for probably bidding or for allocation. We would also be representing that new well gas should be allocated in the same ratio as APM because it is the same domestically produced gas. As far as the conversion of existing wells to new well is concerned, it's difficult to say what is transpiring between the producers.

But I think next 2, 3 months, we'll have to wait and watch how much quantity towards that. At this moment, as you are already aware, 4 million quantity is something which is -- which has moved from APM to new well gas. So presently, I think it is already a booth, right?

Mohit Bhatia: So just wanted to add this HPHT gas is also likely to come maybe in a couple of months, by February. We believe that from February onwards, it will be available additional.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global Financial Service. Please go ahead.

Sabri Hazarika: Good afternoon and congratulations on good volume numbers. So firstly, a clarification. You mentioned 54.92 lakh kg. So that was the highest sale recorded during that -- during this Q2, right? Or was it some sort of average?

Mohit Bhatia: 52.94 lakh kg was the highest 1-day sale, which we achieved during Q2. 55 lakh kg is what we achieved during October. So I was giving -- I was just giving a sense of how the sales volumes are moving.

Sabri Hazarika: Okay. And in terms of average sales for Q2, how much was it? During -- in Q2?

Mohit Bhatia: 9.03 million cubic meters per day. CMD, we were basically highlighting that we have achieved that highest sales. So CMD average was 48.12 lakhs per day.

Sabri Hazarika: 48.12 lakhs, right? So that was the average for Q2.

Mohit Bhatia: That was for the Q2.

Sabri Hazarika: Right. Secondly, regarding your LNG business. So what is the outlook? I mean currently, you have one station, right? So this volume is from that just one station alone. Is that right?

Mohit Bhatia: Yes, yes, absolutely. So we have one station at Ajmer. So currently, we are selling around 10,000 kgs from that per day. And we are going ahead with three LNG stations. We plan to commission it by the end of this financial year. maybe one at Dadri and Noida and one at Rewari. So the construction is also going on, and we are hopefully to commission it by end of this financial year. So at the Dadri that one is at the CONCOR .

Sabri Hazarika: Right. And this is like in the EBITDA per SCM is same only, right, versus CNG business?

Sanjay Kumar: Yes. So considering the cost, the transportation cost and the taxes which the different structure excise duty is not there on LNG, so considering all these factors, profitability remains same.

Sabri Hazarika: Okay. And what is the final price for the LNG in that area?

Mohit Bhatia: As of now, we are selling both at the same price.

Sabri Hazarika: Okay. But there is no excise. So definitely the margin structure...

Mohit Bhatia: It's 82.94.

Sanjay Kumar: So excise is not there. You are absolutely correct. So that we have certain enhanced margins on that.

Sabri Hazarika: INR82.94 per kg, that's the rate, right?

Sanjay Kumar: Yes, correct.

Sabri Hazarika: Okay, sir. And...

Sanjay Kumar: Duty probably is offset by the transportation cost which we have to incur for transporting it through tankers.

Sabri Hazarika: Right, sir. And regarding our 3-, 4-year plan on this LNG business, what is your outlook? I mean 3, you said by the end of this fiscal. But say, in the next 3 years, how much you are planning to aim? Because I think in some media reports, I think it was quoted that you've got a very aggressive plan for LNG.

Mohit Bhatia: We have aggressive plans. So we -- as far for around 50 LNG stations in next 3 to 5 years. And we -- and you must be aware that the government has also given a boost they are planning to allocate around 0.5 million of gas on LNG from the APM listing. So government is also looking from that angle, and we also, as far, to take it forward in next 3 to 5 years.

Sanjay Kumar: Just to add, the pace of the investment in LNG will be -- as and when we are increasing the station, we'll see the ecosystem how it is developing. And based on that, we'll pace our number of stations.

Sabri Hazarika: And this is like INR8 crores to INR10 crores per station, assuming that 10,000 to 20,000 kg you are able to sell?

Mohit Bhatia: Yes. Approximately INR10 crores per station.

Moderator: The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Congratulations on very strong growth numbers. You mentioned that we have a good differential to diesel and petrol. Would you highlight current differentials in Delhi as well as the current differential to diesel in the new GAs?

Sanjay Kumar: Yes. So currently, diesel is at INR86, I'm talking about Delhi. And we are selling at INR75 per kg. So there is a difference of approximately INR11. And if we compare it with petrol, it is INR95, INR96 per litre. And if we talk about operational efficiency, put together operational efficiency and pricing, it gives a benefit -- economic benefit of operating a CNG vehicle at around 40%, 45%.

Kirtan Mehta: And how does this change outside Delhi?

Sanjay Kumar: Outside Delhi, for our GA, it still remains around 35% to 40%.

Kirtan Mehta: 35% to 40% is in case of petrol, correct? What would be in case of diesel?

Sanjay Kumar: Diesel is something -- I think it's not more or less same. But diesel, generally, our vehicles are -- in Delhi, basically commercial vehicles are not allowed to be registered in diesel. At this one, unless it is a BS6 and the upfront cost is more. So from that perspective, for outside GAs, if we see the penetration also vis-a-vis diesel, it is CNG, which is taking the lead.

Mohit Bhatia: If you want, I can share you the prices of UP as well as Haryana just for your comfort. So Petrol is UP 94.65. And diesel is 87.82, and whereas CNG is 79.70. So barring that, this mileage advantage is also there. So it turns out to be around 40% in terms of petrol and around 20%, 22% in terms of diesel.

Kirtan Mehta: Second question was, last time you had shared the growth numbers across different states, how the CNG volume growth is doing? Would you be able to share the similar numbers this quarter as well?

Mohit Bhatia: Sure. See, as I mentioned in my opening remarks also, see, UP, if we bifurcate particularly into NCR, Gautam Buddha Nagar, we are growing at around 11%. Ghaziabad, Hapur side, we are growing at around 20%. Whereas other parts of the UP, it is almost around 40% also and the volumes are also that way. So at an average, it is around 40%. Haryana, in particular, Rewari, we are growing at around 21%. And Gurugram around 12%. And Kaithal and Karnal also had a range of 29% to 30%; and Ajmer because of the less volumes and all, it's growing at around 95%.

Kirtan Mehta: And in terms of the INR6 to INR7 for maintaining that sort of price range probably will have to take price hike of at least INR2 to INR3 per kg. So would that then impact the growth?

Mohit Bhatia: So I think somebody asked earlier also. So we don't anticipate that there will be a much deceleration in terms of growth because still there is a lot of elbow room as well as compared to diesel petrol vis-a-vis CNG. So around INR2 to INR3 hike will not put any deceleration on the growth of the CNG in particular.

Sanjay Kumar: Just to add more, if you're talking about the reduction, how much price increase it warrants, that is around INR5 in Delhi and around INR5.5 to INR6 in other states. So that's the kind of impact it warrants to maintain the same level of EBITDA, that increase is required. So we are evaluating, and we'll take a call based on the decisions which we take on a longer-term basis for sourcing.

Kirtan Mehta: When we calculate this price impact, this is by assuming that it will be replaced with HPHT, right? Or are we assuming the replacement with the RLNG?

Sanjay Kumar: For the time being, we have basically -- sourced for November, that is through our RLNG -- short-term RLNG tendering, which we had done, we have -- we are in the process of finalizing and some quantity we have bought through IGX. For longer tender, we are still evaluating all the options, and we'll take a call on that. HPHT, as and when it comes, will, of course, be taking that. But I think at this point of time, in short term, there is nothing which is going to come. Probably next January or February, something is about to come. along with new well gas also. So we'll evaluate at that point of time, and we'll take a suitable call.

Kirtan Mehta: Is there any possibility of reduction in excise duty rates to offset some of the impact? Would the government be open to consider that?

Mohit Bhatia: So government, we had, in fact, given some suggestions and had some meetings also, government has called. So they are looking at into all possibilities for the reduction in the excise duty as well as putting into the GST regime also. So things are going on. Because government is also very keen from putting the energy basket natural gas to 6% to 15%. So hopefully, things will be positive. It will happen. Something should happen.

Sanjay Kumar: Our wish is that it is removed or reduced. And hopefully, I think immediately, even if nothing comes immediately, I think the budget is also only 2, 3 months away. So probably something might come during that. That's our hope.

Moderator: The next question is from the line of E.A. Sundaram from Buglerock Capital.

E.A. Sundaram: I have two questions. First is actually a request as a long-term shareholder. You definitely would have observed that there's recently been another round of apprehension around IGL stock price, and this is regarding the reduced APM gas allocation. And the real fear is that the rising gas prices would adversely affect the company's profitability prospects.

Now I know that it's difficult for you to give projections about the future how the margins would move and all that. But my suggestion is we can talk of the past and how such situations have been handled by IGL. This is not the first time gas prices are sharply going up. It has been done many times in the past, and I'm sure it will happen in the future also.

For example, I remember in 2010, the APM gas costs went up from $1.79 per MMBtu to $4.2 per MMBtu, sharp, more than doubling of price. So at that time also, IGL was able to pass on the price increase and the volumes did not suffer as much. So my suggestion, gentlemen, is that you please put in a presentation in your own website giving past data. You don't have to give any future projections. You just give past data of how the gas prices have moved in the past, how you supported -- how you protected your spreads and how the volumes did not fall.

If such a presentation is put on your website, it will ease the apprehension of the investment community. That is my first question.

Mohit Bhatia: So I appreciate your concern, and your suggestion is well taken and noted. I think it's a wonderful suggestion to give a comfort to the investors. So very rightly, you said that in the past also similar situations have occurred during 2010 also. And then this geopolitical issues, the war issues and all, and current also, it is like that. So good thing is that IGL has a very, very diversified and a large basket of gas sourcing portfolio. So our dependency is not there on one particular contract or so. So we have a diversified this thing and we are quite mindful of this.

And I agree and appreciate that these type of situations do occur. So for that, we have certain plans, and we are aggressively looking after in some long-term sourcing fresh ones also.

Secondly, on the price hike, I have already mentioned that due to some sentiment, festive and all, we are into strong discussions at appropriate levels for increase the price and passing on to the customers. But that is not going to impact our expansions or the volumetric growth because still, vis-a-vis alternate fuels, we have a good elbow room. And the conversions are happening very aggressively, whether it is on the CNG front, whether it is on the domestic front or whether it is on the industrial and commercial front also. So I think we'll be able to navigate through well.

E.A. Sundaram: Yes. I'm sure you will. I'm just requesting that in order to make our position clear. One additional slide in your presentation giving the history of gas cost per SCM and your selling price per SCM. If you can give that, that will ease some of the apprehensions that the investment community has.

Mohit Bhatia: Sure. So we will look into it and your suggestion, well taken and noted.

E.A. Sundaram: Good. My second question, sir, is I would like to know what steps the company is taking to develop the geographical area of Gurugram, which has been partially allocated to IGL already. Now I know that the other parts of Gurugram are disputed and therefore, sub judice, and you may not wish to comment on that. But my question is, what development steps are you taking to develop the CNG and PNG infrastructure in the areas of Gurugram already allocated to IGL and not under dispute?

Mohit Bhatia: So very well, I think you have already mentioned in your answer -- in your question also that it is sub judice and under dispute and all. So difficult to comment at this stage. We are looking at -- on some of the options, how to proceed on that.

E.A. Sundaram: No, no, no. So I'm not talking about the ones that are under dispute. I'm talking of the 1/3 area which is not under dispute. So I want to know what the company is doing to develop that particular area.

Mohit Bhatia: So that, we are already into it, and we're developing that. That is not an issue. And maybe some here and there, but it is very much in the radar and taking it forward.

Sanjay Kumar: I would also like to add that if you see our volume numbers, sales volumes, Gurugram has shown a growth of 20% year-on-year. So that basically tells you about our expansion plans which are already taking place in that geographical area. Whatever best is possible, that we are already doing.

E.A. Sundaram: Yes. And I hope the steps are being taken from both parties sides to solve this dispute as early as possible because it is too important for the company.

Mohit Bhatia: Yes, yes, sure. Noted. So I just pause at this juncture. CEO, our Managing Director, have also joined. So welcome -- on behalf of IGL management, welcome, Mr. Chatiwal. So he has also joined just now.

E.A. Sundaram: Good afternoon.

Kamal Kishore Chatiwal: Good afternoon to everybody.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So first, I wanted to understand about the mandatory that EV norm for cab fleet. So I believe the registration has been made mandatory and the policy has been rolled out. So I just wanted to get a sense about what is your feeler that you're getting. Like I think it's been 4 or 5 months since the registration has started. Could you just speak on that a bit?

Sanjay Kumar: You were asking about registration of EVs?

Amit Murarka: Yes, the mandatory registration of all cab fleet operators.

Sanjay Kumar: Yes. Okay. So this policy is already there for almost a year, and we have not seen any significant fall in our penetration. Rather it has gone up. Last year, I think the penetration for CNG vehicles across 4-wheelers and 3-wheelers was approximately 24% -- 24%, 25%. Now it is around 27%, 28%. So there is no meaningful impact of that policy, which we can -- which is visible at this point of time. The timeline is '25 -- that 5% vehicle -- 5% of the fleet has to be converted and gradually, it goes up to 100%. But at this point of time, we are not seeing any adverse impact on CNG assets. So we'll have to wait and watch to...

Amit Murarka: Could you -- so this is the overall rate, I believe. Could you speak more specifically about the cab fleet operators' segment? I mean, how are you seeing that segment behave in response to the policy? Because I believe that the registration has been mandatory and even fines are being levied for those who have not registered under the policy.

Kamal Kishore Chatiwal: Yes. You're right that registration is not mandatory. But this policy is for new vehicle addition, already the vehicles which are flying on the roads. They have still some years to go before their expiry. So they will continue. And in case of new additions; so that will be like that. So that's why we are not seeing too much of conversion to electric at this moment other than the Delhi

Transport Corporation. The private vehicles additions are definitely there. but the existing numbers continue to be with us.

Amit Murarka: Sure. And any hiccup in the implementation or any issues that you're seeing on this policy front?

Kamal Kishore Chatiwal: So we are not seeing, but there is not much enthusiasm about this policy among the cab aggregators and others.

Amit Murarka: Do they have an alternative way out? Because when you say that there's no enthusiasm, I mean, do they option to kind of not be part of this policy? I mean, maybe the fourth year, which is why I think is like that, but is there any option out of the policy?

Kamal Kishore Chatiwal: Because charging infra is not there. So that is one constraint that they are seeing. And of course, the upfront cost is also there. If you see the number of petrol, diesel, CNG, EV vehicle additions in the January to August, the 6, 7 months of the calendar year, the CNG vehicles have shown a growth of around 4%, Whereas EV is around 7%. So that's the all India picture. So we are seeing good numbers of vehicle additions in CNG also. Yes, there will definitely be addition of EV 6% to 7%, 10% vehicles, new vehicles would come in EV. But the other segments continue to grow.

Sanjay Kumar: In addition if you see, there are 2, 3 factors which will impact the growth of EV vehicles. One is that this policy is specifically brought by the government of Delhi. And the NCR region has a much wider vehicle population, which contributes to the aggregator fleet overall. So that is one, which might have their -- which might have its own impact on the conversion numbers.

Another is if you see the model of -- or the operating model of these cab aggregators, Ola and Uber mainly, it is -- these vehicles are owned by the drivers. And if you ask a driver to buy a vehicle, which costs INR12 lakh or INR11 lakh versus a CNG vehicle which he buy for maybe INR6 lakh or INR7 lakhs, that's too much an ask for a driver to take it on -- take that burden on himself. So unless they change the model, it will be -- from a financial perspective or from an economic perspective, it will be difficult for...

Kamal Kishore Chatiwal: Anyways, from the company's perspective, we are not seeing a huge impact. We are not able to see any impact of that policy on our existing sales. Maybe the future growth that was there, 10%, 11%, that may be slightly impacted.

Amit Murarka: Okay. sure. And also just on the Henry Hub contract, you mentioned that you have a Henry Hub linked contract. Beyond -- what is really the formula of that contract, like; Henry Hub plus, what is the constant?

Kamal Kishore Chatiwal: Actually, that is the commercial agreement within two mutually agreed. So we'll not be able to share that.

Moderator: The next question is from the line of Nirmal Gore from Aditya Birla Life AMC.

Nirmal Gore: First of all, wishing you all a very happy Diwali, I have two questions. First is on the line of our APM gas reallocation and second one is on line of price hike. So you mentioned about interactions going on with the Ministry of Petroleum and Natural Gas. So just wanted to understand what's the government's rationale behind this sudden decline -- sudden decline of 20% towards CGDs. That's my first question. And the second one is, so historically, after the price hike. how have...

Moderator: I may request that you return to the question queue for follow-up question as there are several participants waiting for their turn. You can ask only one question.

Sanjay Kumar: Just to clarify, we never said that we are in discussion with MoPNG.

Kamal Kishore Chatiwal: Actually I would clarify on the issue. The domestic fields, they are depleting every year at the rate of 6% to 7%. For the past couple of years, the ministry has not passed on that decrease to the CGD entities being the first priority sector. Now there has been a thinking that whatever the accumulation of the past has been there. So slight allocation can be passed on to other players also in addition to CGD. So that's why this cut was there, that from 3 million to 4 million cut was there.

So that is -- basically, you can say it happened all of a sudden because it was an accumulation of the past a few percentages here and there. So those got accumulated and the result was this. Going forward, we don't see such drastic cuts. And gradually, we are preparing ourselves for maybe going forward, the allocation going down further, but at a slower pace. But structurally within the sector, there is -- structurally, there is no issue in the sense that growth continues to be very, very strong. And yes, sourcing at this point is an issue. But in another 2 to 3 months, we see it easing out.

And as soon as we get some favourable contracts, the softening of global contracts, so all of us can tie up the long-term contracts. And then -- and we are hopeful that, that will be near to the whatever is the APM price at that time. So structurally, we don't see any problem in the sector.

Nirmal Gore: Okay. Okay. Understood. And just -- so you mentioned about historically, such prices have been hiked and the volumes have been absorbed. I just wanted to get a sense of how the industrial customers and nonindustrial customers have reacted to such price hikes historically. If you can give us a sense of that.

Kamal Kishore Chatiwal: Industrial and Commercial segment, in any case, is 100% RLNG-dependent. It is not -- there is no APM allocation for those two sectors. So they were anyway linked to the market. And there, the pricing there is very, very competitive as compared to the alternate fuels. As far as domestic PNG is concerned, we continue to get 105% of our allocation. So that -- there is no change in that. Only change has been in the CNG segment, where this reduction has been there.

So going forward, we see that all the states as well as the center is also rationalizing. There's a discussion about excise duty rationalization. Sales are acting on the bad part. So all the state governments are very active on that front. So we see that going forward, taxation would also be favourable. Any impact of reduction of these APM allocation would be offset by rationalization of taxes.

Moderator: The next question is from the line of Vishnu Kumar A.S. from Avendus Spark.

Vishnu Kumar A.S. Directionally, we seem to have multiple concerns that, I mean, as you've been highlighting in the call that either gas -- from the gas side, we are seeing structural problems. And EV also seems to be some sort of a threat. So for the survivability or the long-term prospects of the industry, what is it that we are currently in dialogue with the government in terms of, let's say, the gas supply or, I mean, taxation or in terms of the investments, just to this aspect, if you could help us understand what can government realistically help us over the next 1 year, 1.5 years, where we can -- it will be a support for the industry? We've heard about GST coming, but it's not really played out. What can realistically something that we can expect from the government?

Kamal Kishore Chatiwal: You see, we are in discussion with government for rationalization of taxes only. The GST is a difficult thing that we understand if it is happening, that is very good for the sector. But in case, that is little distant away, then we see rationalization of excise duty which we feel is slightly on the higher side, then VAT of certain states are very, very high. So we see rationalization in those states.

Third is GST on the LNG fleet vehicles or CNG vehicles or the equipments used for CNG and LNG, PNG, all this attract -- presently attract around 28% GST. So that rationalization of that, maybe EV is at 5%, so maybe in between some values, say, 12%, 14%, something like that. So these are the issues which we are in discussion with government. As far as the sourcing of gas is concerned, that is -- individual company is doing that. And that is there because of our portfolio, we are able to source some of the good quality gas at a reasonable price.

Second is with respect to product pricing, there again, the competition is with the alternate fuel. So we have to remain competitive to increase conversion. So that is also not dependent on the government. So with the government only, there are a few issues of taxation we are in discussion as well as -- because the allocation in any case is a given thing that if the fields are going down, if the APM fields are going down, so that is going to go down. But the consumption in the country is going up. So we had to find new ways of sourcing gas, maybe some Henry Hub-linked or Brent-linked or other indexes linked gases. So that is for the company to decide.

As far as the threat of EV is concerned, yes, we agree that EV numbers will go up. But there is no existential threat in the sense that CNG is growing at a much faster pace as compared to all other fuels. In fact, we see degrowth in petrol and diesel segment and a good amount of growth in CNG. EV is also growing, no doubt. But the growth in this sector is there. And if we see the growth of the country or the segment or the transportation segment, particularly the private vehicle segment, there is huge growth we see going forward in 4-wheeler segments, especially. And now with 2-wheeler also, there is a CNG variant. One OEM has already -- Bajaj has already come out, and others are also coming up shortly in 2-wheeler segment.

So rather there is a threat of CNG in 2-wheeler also now. So we don't see the -- it has a existential threat. Yes, they will also continue to grow, and we will also continue to grow.

Vishnu Kumar A.S. Sir, one connected question only on the same. Until the government cuts any taxation for us, will we settle for a lower margin per unit? Because if you raise prices and at least in newer areas, the spread -- absolute spread has come down for us. Rather, it is only INR10, which is not really the normal of INR20 plus. So will we settle for a lower margin until you get something from the government? Or you will aspire margin over volume?

Kamal Kishore Chatiwal: So you see we are on the lookout for some long-term contracts. In case we are able to source gas at a cheaper price or closer to the APM, then the margins again will go back to those levels. In addition to that, the price breaks are also always on the cards. So depending on the sentiment, we will take a call on that.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Nitin Tiwari for closing comments. Please go ahead, sir.

Nitin Tiwari: Thanks, Nikita, and thank you, everyone, for being on this call. Due to paucity of time, that was the last question. So if you couldn't ask the questions, we are really sorry for that. Please send across your questions to us or put them to the management directly, and they'll be answering the same. And wish you all a very happy Diwali once again.

Kamal Kishore Chatiwal: Thank you, and wish all of you a happy Dhanteras and happy Diwali and coming festive season. Thank you all.

Sanjay Kumar: Thank you so much. Thank you, Nitin. Thank you PhillipCapital. Thank you.

Mohit Bhatia: Thank you.

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