"Indraprastha Gas Limited

Q1 FY'25 Earnings Conference Call"

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MODERATOR: **MR. HARSH DOLE – IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Indraprastha Gas Limited Q1 FY '25 Conference Call, hosted by IIFL Securities. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harsh Dole from IIFL Securities Limited. Thank you, and over to you.

Harsh Dole: Thanks, moderator. Greetings, everyone. On behalf of IIFL Securities, I welcome you all for the first quarter FY '25 Earnings Call of Indraprastha Gas. To discuss the performance of the quarter and share the operational outlook, we have the senior management team of the company. I'm pleased to introduce MD IGL, Mr. Kamal Kishore Chatiwal; Director Commercial; Mr. Mohit Bhatia; and VP Finance, Mr. Manjeet Singh. I'd request the management to make the opening remarks. Subsequent to which, the call will be open for Q&A. Over to you, Manjeetji.

Kamal Kishore Chatiwal: Thank you. Welcome ladies and gentlemen. I'm Kamal Kishore Chatiwal, Managing Director of IGL. A very warm welcome to all of you in the quarter 1 FY '25 earnings call of IGL. To start with, thank you all for taking out time and attending the call. To give you a brief background of IGL for some of you, who may be new joining to this call, IGL is one of the leading CGD company in India. The company is currently operating in 11 geographical areas spread across 4 states.

We have a good mix of mature and emerging GAs, which has provided us both challenges and opportunities. In terms of infrastructure development, we have developed steel pipeline network of more than 2,100 kilometers and DP network of approximately 24,500 kilometers, which provides natural gas to more than 27 lakh households, close to 5,000 industrial customers, 6,100 commercial customers. IGL operates more than 882 CNG stations serving approximately 20 lakh vehicles.

Now speaking about the sales volumes, CNG sales volume has increased year-on-year by 5%. This is after absorbing the decrease in CNG sales to DTC buses. The sales in Delhi is flat, which --and we have seen a double-digit growth in the outside Delhi GAs.

For P&G sales volume, our P&G sales has increased 7% year-on-year. Further breaking it down, we have seen a 16% increase in domestic segment sales. While our Industrial and Commercial segment sales have risen by 6%, demonstrating the increased adoption of P&G gas as a reliable and efficient energy source. Approximately an addition of about 16,000 new and retrofitted --vehicles per month is being witnessed during current quarter, as against an average of about 13,500 during the corresponding quarter of previous year.

We are taking initiatives in industrial and commercial sectors to increase the sales in the sector and will focus on this segment to contribute in volume growth. When we divide this into state-wide sales year-on-year increase in overall sales is like this. Increase of sales in Delhi is 1%. In UP, it's 14%, Haryana, 12%; and Rajasthan, it is exceeding 100%. And 1 of the factors is that base is small there.

There is a 1% decrease in sales in sequential quarters as the quarter 1 is generally a subdued quarter, where sales volume are generally low as schools remain closed, due to summer vacation and school buses bans are not flying. Further, there is a decrease in P&G demand due to movement of household for vacations outside Delhi and also heat requirement is lesser in Q1 as compared to Q4.

This was my opening remarks. And now I request our Director, Commercial, to give his opening remarks.

Mohit Bhatia: Thank you, Mr. Chatiwal. So good afternoon, everyone. I am Mohit Bhatia, Director Commercial of Indraprastha Gas Limited, and welcome all our investors, fund houses and analysts to participate in today's call. I presume that you would have gone through our financials, which were reported on 24th of this month. So let me share the highlights of our financial performance for Q1, and we are pleased to report that our sales volume for Q1 was 786 million standard meter cube, which was up by 5% year-over-year on the first quarter, which accounts to 8.64 million of sales per day vis-a-vis if we compare with last quarter, it was 8.2. So the growth of around 0.44 million per day.

Secondly, the revenue was INR3,877 crores, which is almost 4% higher than the previous year. Coming to the EBITDA, it was INR582 crores. It was down by 9% over last year, mainly on account of the reduction in the CNG sales prices during the month of March. However, there is an increase of 11% on a sequential basis. So the profit after the tax that is the PAT was INR401 crores during the Q1 as compared to the last year of INR438 crores.

Despite decline in DTC CNG sales, there is an overall -- in the CNG sales volume by 5% on the year-on-year basis, which suggests a growing preference for CNG vehicles among the consumers. The trend reinforced our optimism about the long-term potential of the CNG market and positions our continued growth. In addition to that, I want to highlight specifically that we are seeing a promising development in the 2-wheeler market. Particularly, we all know that Bajaj Motors has recently introduced CNG Power 2 vehicle bikes.

And TVS has also shown keen interest in the similar offerings, it is coming up. So with this, we expect that this trend is going to have a significant increase in the CNG sales in future, particularly. And we, as IGL is geared for the -- putting up the infrastructure for the 2-wheeler segment, and we are confident to benefit from this shift as a leading player in this market. So with this, I once again welcome all of you for the open session for the Q&A.

Moderator: The first question is from the line of Probal Sen from ICICI Securities.

Probal Sen: Yes. I had a couple of questions. Firstly, it has been mentioned by MD sir earlier as well that you're targeting about 9.5 MMSCMD of volume by the end of this year. Just wanted to clarify that the 9.5% is essentially the exit rate that is being targeted by the end of the year? Or is that the average volume you expect to reach by the fourth quarter? Just to get some clarity on that.

Kamal Kishore Chatiwal: Actually, last year, we closed it at around 8.73. And the first quarter is 8.64. And if you look at the previous year, it was at 8.2. From 8.2, we are at 8.64. Normally, the fourth quarter is the highest because of the winter and also the number of stations we have planned that's commissioned by that time. So we are targeting 9.5 -- exiting the fourth quarter at 9.5.

Probal Sen: Understood, sir, perfectly. Just a follow-up to that. In terms of achieving that, how much of a role will be moderation in LNG prices play in the sense that if there is once again a spike in LNG, given the constantly decreasing allocation of priority gas, is that sort of -- any sort of downside risk to our expectations? You -- this guidance is building in that uncertainty over the next year…

Kamal Kishore Chatiwal: That uncertainty we have already built in, in the sense that if you look at our EBITDA for SCM guidance that is INR7 to INR8-8.5 levels and we are at INR6 -- INR7.6. Just before the end of the quarter, we were able to pass on INR1 increase to the customers. So I believe that will be -- next quarter will be more than INR8. So we are in the comfortable range.

So any adverse impact as far as LNG is concerned, so I think we have some cushion to absorb that. So that is fostering in that any increase unless there is a war like Ukraine/Russia there was a sudden spike up to $40, $50 per MMSCMD. Barring that, the price minor fluctuation, 10%, 15%, is factored in.

Probal Sen: Understood. Sir, last 2 questions from my side. If we can quantify -- and I apologize if you've already said this, but the absolute volume today out of the 8.6 that we did this quarter, UP, Haryana and Rajasthan would be what percentage of this volume roughly?

Kamal Kishore Chatiwal: You see, Delhi is now at 70%. Earlier, it was at 73%. Delhi is 70% and other than Delhi is 30%. So they are increasing their share. And if you look at state-wise, so Haryana -- UP is 2.14, Delhi is 5.26, Haryana is 0.66 and Rajasthan is 0.1.

Probal Sen: Got it, sir. And sir, last question from my side. For FY '26, therefore, given the exit rate of 9.5, what kind of growth rate can we sort of expect given that the full impact of at least the EV conversion would already be in the system, whatever buses and all our remaining would probably have gone to you. So starting -- I mean, for FY '26, then what sort of run rate should we be building in from a volume perspective?

Kamal Kishore Chatiwal: Actually, our target is 10% to 12% growth. And now our LNG business has also started contributing. Last year, one of our stations got commissioned and it is currently doing 4,000, 5,000 kg per day. So -- and this -- we have planned 5 to 6 more stations, including 1 exclusive station for Concur. So we expect those volumes to also come in. In addition to that, our strategy is -- the Board is recently approved in that the LNG station number is even higher in the next 5, 6 years, that's around 100.

So that coupled with any green logistics requirement in the country. We are of the opinion that, that sector is currently at the nasal stage. And by '26 -- by FY '26, so that should contribute significantly. And whatever threat is there from EV would be, I think, more than negative, and so we see 10% to 12% growth in the next 5 to 6 years.

Management: So just to supplement what Mr. Chatiwal just mentioned. See, as I said in the opening listing also that Bajaj Motors has already launched 2-wheeler and this segment is going to come up well. Around 30,000 bikes will be on the roads from maybe -- it has already started and it will be further strengthened. So if this type of the 2-wheeler segment picks up, we also look forward for a substantial increase in the sales volume.

Moderator: The next question is from the line of Soumaya V from Avendus Stock.

Soumaya V: Sir, you did mention volume breakup GA wise. Would it be possible to share volume breakup based on vehicles, cabs, autos, buses?

Kamal Kishore Chatiwal: You see, I can give you the rough numbers that 40% is passenger vehicle segment, then 40% is commercial segment and 20% is buses.

Soumaya V: So it would be possible to bring private cabs and autos also within this?

Kamal Kishore Chatiwal: 40%, what I said was the private vehicles.

Soumaya V: Cabs and auto specifically?

Kamal Kishore Chatiwal: Now, I will give you the breakup. Buses at 18%, private cars 42% and taxes at 13%, autos at 10% and light goods vehicle is at 18% and other mandatory vehicles at 40%.

Soumaya V: So this is at a consolidated level, all GAs put together, our total CNG breakout?

Kamal Kishore Chatiwal: Yes, all GAs.

Soumaya V: Understood, sir. Sir, also, if you could quantify the impact of DTC buses in this quarter? And is it by and large, over what should we expect for the rest of the year? And also, I think there was thousand-odd buses -- CNG buses that were supposed to get an extension in, I think, June. So any update on that front?

Kamal Kishore Chatiwal: You see, last year in '23, it was at 3.1 lakhs. The DTC volumes was at 3.1, which last year was 2.54 and it has been reduced to 1.5.

Soumaya V: So what do we expect for rest of the year, sir. This 1.5 would be maintained or it will...

Kamal Kishore Chatiwal: No, no. By '26, we have made it clear earlier also in next 2 to 3 years We expect the volumes from DTC to go over because that is the stated policy of Delhi government.

Soumaya V: Got it. Sir, 1 last question. What would be the APM mix current quarter?

Kamal Kishore Chatiwal: See, APM is at 62% and 38% is RLNG.

Soumaya V: So this is for Q1 '25?

Kamal Kishore Chatiwal: Q1.

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

Yogesh Patil: Congratulations for the good set of numbers. Sir, we wanted to understand, despite INR2.5 per kg cut in the CNG prices in the second week of March, your CNG net realization per unit has been largely at the same level. So is it because of the geography-wise CNG mix, which is at changing in favor of higher CNG price realization?

Kamal Kishore Chatiwal: So actually, if you look at this net of tax INR2.5 amounts to around INR1.77 per kg. But we affected this from first week of March. So you can say that the fourth quarter, around 2/3 impact was there in fourth quarter -- or rather 1/3 was there in the fourth quarter and the full impact was there in the first quarter. So net-net, if you see INR1.77 net of tax if you see, it will be even lesser than that if we reduced 14% also from that. And -- terms, it is slightly lower -- even lower. So -- but in kg terms, that is the impact.

If you look at the impact, last year, we did EBITDA per SCM level, if you look at that, we did 6.58 per SCM in quarter 4, and that has improved to 7.4. Right, now this improvement has been because of 2 reasons. One is that there is some bit of operational efficiency that we have brought in, including reduction in gas lots. Second is gas sourcing -- there has been some improvement in gas sourcing. So our cost of gas has also gone down.

Yogesh Patil: Okay. Sir, if you could share the capital expenditures for the first quarter and the guidance for FY '25?

Kamal Kishore Chatiwal: See, we have a capex of INR1,700 crores to INR1,800 for the entire quarter -- for the entire year. And for the first quarter, it is at INR297 crores as against INR202 crores in the previous year.

Yogesh Patil: Okay. And last from my side. As you mentioned, the LNG business has started, what would be the margins on the LNG business in terms of rupees per SCM. Are it better than...

Kamal Kishore Chatiwal: They are better than CNG because there is -- the excise duty component is not there in LNG and the selling price being the same -- almost the same. So there is a better margins in LNG business, especially in GAs, which are closer to the shore.

I mean, the transportation cost is lesser if you are closer to shore.

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

Sabri Hazarika: Sir, just to clarify, you mentioned that DTC was 3.1 MMSCMD earlier, which fell to 2.5 in Q1 of FY '24, and that is 1.5 MMSCMD in this quarter. Is that right?

Kamal Kishore Chatiwal: Yes, yes. So actually, that is in KG terms, 3.1.

Sabri Hazarika: That's million kgs?

Kamal Kishore Chatiwal: It's per data. 3.1 lakh per day kg.

Sabri Hazarika: Okay. Lakh kg per day? Okay sir. So this is the kind of fall, which has happened in the last 2, 3 years. And -- Okay. And secondly...

Kamal Kishore Chatiwal: I would say that 3% to 4% is balanced. So that will slowly go away in the next maybe 2 to 3 years. And the reason why that is not suddenly is because some of their electric tenders, what we believe is that they have brought out the bus tender. So that has, I think, failed. They do not get the bidders. So that was the reason.

Sabri Hazarika: Okay, sir. And is there any impact of this whole DTC share going down on the realization? Because from what I could understand, you gave some sort of like discount to DTC. So the price there is lesser. So there has been also a contributing factor behind margin expansion for the company?

Kamal Kishore Chatiwal: That is also 1 of the factors that in the sense that the discount is closer to INR5 per. And it is in lieu of the stations that -- I mean, they gave us the land to set up stations. And we give them a bulk -- and also the bulk discount there, because they are a bulk customer as also the state undertaking. So that was the reason. So that going away, that is a positive impact on the realization front.

Sabri Hazarika: Right, sir. Second question is on your gas costs. So despite the sourcing efficiency and also, we had seen some of the benchmarks basically going up and your location also going down. But is there anything specific behind gas cost actually remaining pretty stable or even down Q-on-Q?

Kamal Kishore Chatiwal: One of the reason is that you've got throughout the year, some opportunity where the spot comes down. So we utilized 1 such opportunity to source a 5.5 million -- point -- close to flat gas in that duration. So that was 1 of the factors because all other rest of the contracts, we have long-term contracts, and we have linked 50% to 60% and balance Brent and JCC linked, JKM linked. So those are the mix of our contracts. Most of them are long term -- long and medium term. So that was the 578% window so we could utilize that.

Sabri Hazarika: 500,000 standard cubic meter per day?

Kamal Kishore Chatiwal: SCMD.

Sabri Hazarika: And sir, last question, what was your CNG volume in KG terms?

Kamal Kishore Chatiwal: CNG volume in KG terms? So almost at a daily level, if we say that it was around 47 lakhs, you can say, in the last quarter.

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

Kirtan Mehta: Thank you for this opportunity. In terms of the gas purchase, you shared that we have a 38% RLNG mix. Would we be able to split that mix in to be domestically what we buy is HPST and what is basically contracted and is possible?

Kamal Kishore Chatiwal: There was actually 0.4 of HPHT into that, that we got when we got some of the sport through -- other these things, and however, balances to our short-term and med-term contract that we have.

Kirtan Mehta: Right. And would it be also possible to quantify what is our average gas transportation cost for us?

Kamal Kishore Chatiwal: Actually, we are into Zone 2 tariff. Most of this is in Zone 2 tariffs. So prudently, that is -- the APM is at 79% plus 12% GST, APM, non-APM is at 79 and ceiling price is -- comes into zone 3 so that is 114.52 plus 12%. And rest other long-term spot, everything is at zone 2 type that is 79 per MMBTU.

Kirtan Mehta: Understood, sir. You also mentioned about the latest plan for the LNG station. Currently, it's doing 4,000 to 5,000 kg, what would be the potential for each LNG station, how much they can do, depending on the numbers...

Kamal Kishore Chatiwal: We believe they can go up to 20,000, if they are on the -- I mean they have the vehicle population is also there, and they are strategically located. So 20,000, they should do easily.

Kirtan Mehta: And in terms of the Concur LNG station that we spoke about, what could be the potential for the same?

Kamal Kishore Chatiwal: They have around 100 vehicles initially. So I would assume that every second day they fill, so that filling is 400. So even 50 fill or 1/4 of those vehicles get filled every day, so that will be 10,000. So that is under construction and we are hopeful that by March -- I mean, by the end of the year, that should be operational.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So when you talk about these vehicle conversion numbers going up from 13,500 to 16,000, that's not showing up in the kind of growth that you've reported for CNG and this has been a challenge in the last 2, 3 years. You have been reporting numbers, but there doesn't seem to be any direct linkage in terms of the growth percentage in CNG consumption compared to the vehicle addition. So when do you see that actual CNG vehicles -- CNG sales growth fully synchronizing with the vehicle additions?

Kamal Kishore Chatiwal: So I think some of the impact could not be visible due to the DTC volumes going down. And I'm hopeful that in next quarter, in quarter 2, you will see a significant increase in CNG volumes.

S. Ramesh: When you say significant, what will be the percentage growth Y-o-Y?

Kamal Kishore Chatiwal: I mean it should be around 8% to 10%.

S. Ramesh: 8% to 10%. And secondly, if you look at the LNG vehicle strategy, the LNG fuel sales strategy. So in terms of the return on capital employed, how would it compare with the current return on capital cloud on the CNG business so because if you were to get about 5% additional growth from LNG. You need about 100 stations according to my rough calculations. So would your

Concur stations actually be priority in terms of the visible addition to LNG stations and is that going to be incrementally growing faster than CNG sales? And in terms of ROCE based on the per station and expenditure, would it be comparable or higher than the ROCE you got on the current CNG?

Kamal Kishore Chatiwal: You see It has a potential of higher ROCE just because the volume -- I mean, per station would definitely be higher. And regarding Concur, this is more of a captive kind of thing. It is between the bilateral arrangement, you can say, where there 60 stations all over India, we have an MOU to convert those to LNG, but they are also -- as and when they pick up pace, we will set up stations.

Currently, we are focusing on 2 stations, 1 in Greater Noida and other is in Bengaluru. So that is there. But in case there is an uptick in, say, the heavy and medium commercial vehicle segment across India, if there are vehicles, so we get feelers that yes, there is a demand for green logistics especially from a cement and FMCG players and MNC players that too because back home, there is pressure there.

So we see a great future for the LNG business and ROCE definitely would be better because current taxation is favorable to set up an LNG station. And the cost, more or less, a big CNG station and LNG station, 10% to 20% cost is higher, but the net realization is higher in LNG.

S. Ramesh: So if you look at the next 2 years, the growth will be still driven by the existing CNG and P&G sales. So should we look at LNG adding to a growth from '27?

Kamal Kishore Chatiwal: So we will be setting up 6 stations -- 5 to 6 stations this year. And one station that's set up because it is in a location Ajmer. And that too, it's not on golden quadrilateral, but on the other highway. So there 4,000 to 5,000, it is doing. So that's a good number for that station. And in case 5 to 6 more come up, so they will be equivalent to the other big CNG stations that we have. So 20,000 one station selling would be a good volume.

Right now, our strategy is to put up in our GA. So there, it will be a mix of both LNG and CNG also. So easily, we can target 20,000.

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

Devang Patel: Yes, sir, I wanted to understand there will be detects beyond the current year given that CBG plants -- bank pending, plus you maintained 2-wheeler infra, some initiations and LNG stations. So all put together, what could our capex be?

Kamal Kishore Chatiwal: Yes. So that's fine. I think we have already a plan for 10 CBG plant for this year, and we are looking for the JV mode also. And one of the CBG plant at Narela, it is already in construction with the 100 metric ton MSW feedstock, which we'll be generating around 4 to 5 tons per day. And 9 another in the pipeline, and we are looking forward with some land challenges, but it is coming up. So this, we are looking into it.

And regarding the capex thing, so 1 CBG plant capex around INR30 crores to INR35 crores. So for 10, it will be around INR300 crores, INR350-odd crores. So this type of some strategy planning we already have lined up.

Devang Patel: And this indication of blending or more of CBG, will there be...

Kamal Kishore Chatiwal: Your voice is not audible, if it can be a little bit louder.

Moderator: Devang, can you repeat your question again?

Devang Patel: On continuing basis, what kind of blending targets would we like to reach for CBG?

Kamal Kishore Chatiwal: The government has some plans for -- in the coming years, around 5% of the blending. But as on that, because it all depends upon the production and the quality, in terms of purity of CBG. So still, a lot of things are going on. So the blending -- the plants is there. But today, as on date, it is not that high -- the volumes are not that high.

Management: So I would just add to that, that the 5% lending mandate is there, so that is by 2030, progressively going from 1% to 5%. So we plan to reach that 5% by 1 or 2 years in advance of whatever is the mandate. So that is our plan. The 5% of whatever volumes we are doing would be CBG.

That is our target in the next 3 years. Rather than 5 years, it will be in 3 years.

Devang Patel: Okay. And for 2-wheelers, you indicated that you will need to set up separate filling stations or infra or that will be subsumed in the current infrastructure?

Kamal Kishore Chatiwal: No, no. So what we meant was separate dispensing -- dispenser for that. I mean you have a car dispenser and then you have a separate dispenser within the same station for 2 wheelers.

Devang Patel: Okay. Sir, last, if you're putting 100 LNG stations and on your current base of 800, 900 stations, could LNG volumes contribute 10% of your total volumes once you have all these in place in 5 years from now?

Kamal Kishore Chatiwal: Actually, we were targeting, say, around 20% to 25% coming from those 100 stations because the per station volume would be higher. Say, current our CNG per station volume is around 6,000, so LNG would be doing, say, 10,000 average. So with that, we target around, say, 18% to 20%, even more than that should come from LNG.

Devang Patel: And all these 100 will be within our existing areas or you can use -- current years?

Kamal Kishore Chatiwal: No, no. 8 to 10, we have planned in our existing year as of now, but those hundreds are not limited to our -- they are pan India. Because as you know, LNG for setting up LNG station, you don't require any license. I mean you can go to other GAs and set up there.

Devang Patel: Okay. Sir, on the industrial side, are we taking any -- in volume growth. We had a better growth in Q4 that's come off in Q1. So are we looking at discounts or any other -- growth.

Kamal Kishore Chatiwal: I think now this Q1, we have touched around 0.8 8 million of industrial sales per day, whereas there is a growth of around 6% to 7% with the last quarter. And we are also looking on a special pricing also because it is a little bit competitive with the alternate fuels. So some formula-based linked to the our sourcing. We are looking into that, and we have also identified some of the industrial pockets, particularly in -- area, Gurugram area and Greater Noida and Ghaziabad. And we're trying to target those areas for picking up the industrial volumes.

Moderator: The next question is from the line of Pratush Kamal from Ingrid Capital.

Pratush Kamal: I have 2 basic questions that I want to put forward regarding this result. First would be, I wanted to know that what is the bifurcation of the sourcing cost when you talk about APM HTPT and RLNG -- average RLNG. So per SCM, what is the cost you are getting sourced from ATM HTPT and RLNG.

And second would be, again, about long-term renegotiation of the contract. So I think that the current contract, which you'll be -- you might be having with the Brent would be, let's say, 14% of this group. And so Henry Hub, it might be 5.5 plus 1.15 into Henry Hub prices, right? So is there any possibility of the renegotiation when is the contract ending and if were what could the probable formula be for these renegotiations in the long-term contract.

Kamal Kishore Chatiwal: There is the possibility -- I mean, I will just answer the last question and Director Commercial will answer the balance one. I would say the is the possibility of renegotiation in the sense that we can do a time swap of that. That the Qatar contract is the costliest contract as of now because of the 15% VAT. And in the future deal that has been done, the Gujarat VAT is not there because the deal is happening in Qatar.

Okay. The transfer of the asset is happening -- molecule is happening in Qatar. So that 15% is not there. So we are looking at the option of doing a time swap that whatever volumes we have here, we swap it to the -- that contract -- the new contract. And then this quantity that we have swapped, with other available contracts. That is the option that we are adopting.

And regarding the other landed costs now, that is commercial.

Management: So like the APM and non-APM thing, which we are getting at around 38% or so. So it is the -- landed cost is around INR27 crores to INR28 per HTM, whereas on the RLNG contract, like we had some advantages, and that is why the results are also like that. On the medium-term contracts, particularly the Henry Hub and all, we are getting around INR34 to INR35 per SCM and the long-term initial contract is around INR50 per SCM.

Pratush Kamal: Just a quick question regarding the same that. What is the formula for that SCM. So I know that the brand is 12%, 15%. Henry Hub 1.5 and 2 -- 5.5 something. And what is the formula for the JKM in that case for your long-term contracts? And how -- what is the composition of the JKM in the total RLNG?

Management: So it is around 30% is the LNG and around 62%, 63%, we are getting APM as on date.

Pratush Kamal: In the 38%, what is the composition of this JKM contract?

Kamal Kishore Chatiwal: JKM would be 5% to 7%.

Pratush Kamal: And what is the formula which you have in this JKM contract?

Kamal Kishore Chatiwal: I think we will get back to you. It is around 13% of the -- 12.75 plus some constant so approximately 13% of the slope.

Moderator: The next question is from the line of Chirag from Keynote Capital.

Chirag: Sir, my first question is related to the operational efficiency that we were talking about compared to Q4 FY '24. I just want to know what was the onetime -- apart from onetime and other incentive expenses, what was the actual leverage that we have come to play off based on SCM?

Kamal Kishore Chatiwal: One is that the other things that we can do. Now what we have done is the reduction in, say, gas loss percentages is 1 factor, then service contracts -- the optimization of service contracts and the power costs. That is also 1 of the factors. And going forward, we are looking at replacing the power with the green power that is also sitting in our net 0 strategy also.

So we will be replacing our existing power with the green power that not only gives us the net 0 credit, but also it will reduce the power and fuel cost drastically. So this operational efficiency measures will continue in the next quarter also. And we may see a good improvement in quarter 2 also.

Chirag: Okay. So with this operating leverage and increase in sales in CNG, can I expect that in the next quarter itself, you can see the EBITDA per SCM going about from 7.4 to like 7.8 or 8?

Kamal Kishore Chatiwal: We are targeting much more closer to 8 or rather in excess of 8.

Chirag: Okay. What is the capacity expansion plan for the FY '25?

Kamal Kishore Chatiwal: See, we are setting up 90 CNG stations. So our current compression capacity is, say, around 120 kg. So it will add another, say, 10% to 15% of compression capacity. So 10, 12 lakh kg additional would be there, in terms of compression capacity.

Number of stations would be 90, and I would simply say that 50% of that would be slightly bigger stations. In the sense that there is a wide range, what you call a station. So starting from 1 or 2 dispensers, it can go to 10 expenses. So our target is to set up -- station. So that per station, the volume and efficiency is higher.

And in terms of numbers, I've told that 90 CNG stations and 327,000 domestic connections, 2,000-odd industrial commercial connections and 3,000 kilometers of MDP pipeline.

Chirag: So roughly, can I say about INR1,000 crores to INR1,200 crores?

Management: So just to add what Mr. Chatiwal said. See, we have the capex plan of INR1,700 crores to INR1,800 crores for this year. And out of which, in Q1, we have already spent INR297 crores, roughly INR300 crores.

Chirag: Okay. So in this INR1,700, INR1,800 includes that INR300, INR350 crores of CBG plant rate?

Kamal Kishore Chatiwal: No. INR350 crores is the total cost, but the equity portion would be slightly less than that. And most of the plant will not be 100% IGL loan. We will be the off-taker of that. The 100% uptake will be IGL, but the plant owner would be 50-50 JV mode kind of a thing. And that too in debt equity. So you can safely assume that if we look at 60-40, so 20% of that cost would be ideal cost.

Moderator: The next question is from the line of Varatharajan from -- Sivasankaran from Antique Capital.

Varatharajan: On this 90 stations, can you give a breakup in terms of delivers others?

Management: See, Delhi, we have plan of around 10 to 12. And balance outside Delhi in our GAs.

Varatharajan: Fair enough. And have any of the DTC outlets have been close to the...

Kamal Kishore Chatiwal: No. With regard to DTC outlets, what Director Commercial just said, that is in 90, but some of the outlets, I'm happy to share that we have got confirmation from DTC at 6 of their closed stations, where the dispensing has closed for DTC buses, they will be now giving us additional space over there to set up a hybrid station where private vehicles can also fill. So it will be on the outer side of those stations, and we have done the feasibility and everything.

And then we approach them with a request because our infrastructure is already there. The only thing is we need some space to develop the private vehicle differencing facility. So that 6 sites we have got.

Varatharajan: So in this line, I have to understand correctly, will be kind of relocating those dispensing units and compressors to the outside of the area so that you can serve other customers. Is that how it works or...

Kamal Kishore Chatiwal: Compressor area may not be relocated -- compressor part may not be relocated, but the dispensing -- because it was earlier designed for DTC bus dispensing. So that slight remodification and then some approach for the general public over there. And then they can distance and come out of that.

Varatharajan: Any write-offs on foresee on account of this?

Management: Can you repeat the question, please?

Varatharajan: Any write-offs we expect on account of the some of the assets you might have intend?

Kamal Kishore Chatiwal: Very, very minor, very minor. Not very significant.

Varatharajan: And finally, on this EV policy implementation, how do you monitor the progress and if you have any update?

Management: You're talking about EVs?

Varatharajan: EV policy, yes. How do you see the progress? And how we can look at the...

Kamal Kishore Chatiwal: Currently, the new vehicle, when we speak to Ola, Uber because they are -- they say that they are not falling into that category of -- it is more applicable to aggregators who have vehicle more than 25. So they are more of a, I mean, platform, they say. That is the understanding. But our understanding is that it is applicable only to new vehicle addition, even if it is understood that way, coming from new vehicles after, say, 3 to 4 years down the line. So that would be on -- new vehicles would be on electric.

And by that time, the growth or the performance of EVs will also be available to everybody to assess the situation. So we are hopeful that in case we are able to keep our prices at the current levels so EVs would find it difficult to complete. Because MGL has done a study for Pune Municipal corporation, where they could find that the CNG buses are more economical than electric by, say, 15% to 20% over a life cycle. So they, in fact, canceled a tender of electric and then switch to CNG buses.

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

Vishnu Kumar: So just wanted to understand the incremental cost for the -- of delivery for new GA, let's say, the incremental compression from other area or the transportation cost, generally, what is the extra delivery cost? And is there any increase or decrease over the last 1, 2 years in this?

Kamal Kishore Chatiwal: You see typically, the cost -- additional cost of -- in case it is not an online station is INR10 to INR12 per kg. In case we are bidding that through a cascade so that is the typical cost. So in case we do it online, immediately, we save INR10 to INR12.

Vishnu Kumar: Got it. So here, within this, how much would be, let's say, the compression bit and what you be position, sir?

Kamal Kishore Chatiwal: The majority of that is in transportation because compression, you get only INR2 to INR3 is the compression and balance is the transportation. That includes the vehicle and everything.

Vishnu Kumar: Got it. But do we compress for other CGB net because we also understand for the -- at the net -- at the delta there are some locations where we probably take some others and some locations, others can probably take from us. And there is an additional spread that we possibly may gain or lose depending on the net quantum. So trying to understand on that.

Kamal Kishore Chatiwal: Yes, we are doing it for -- as and when request is made, for example, we are doing for AGL for the GA that we are doing and then for, I think, CNG also we are doing. So it starts somewhere around INR11.7 per kg.

Vishnu Kumar: Okay. I mean -- so at the net, we will be gaining, sir, because we'll also be using the -- I'm guessing you don't use any compression from others?

Kamal Kishore Chatiwal: No, no, no. That is with our compression facility. So the INR11.7 is entirely the compression cost that we charge for delivering them a compressed gas.

Vishnu Kumar: Understood, sir. What will be this particular revenue or revenue that we probably would have got sir?

Kamal Kishore Chatiwal: Not very significant. I mean we don't count that as a revenue source, is not very significant.

Management: Stock management by the company -- till the time, they have their own competition capacity. So it's a limited volume out there.

Vishnu Kumar: Got it, sir. Sir, trying to understand the margin delta here because as we move away as our incremental volumes come from the newer geographies, which have a higher costing for us. And at the same time, we obviously need to get to scale only then we'll probably put a pipeline that I understand. So how will our margin journey be here because we also understand that LNG share is going to go. CBG also, my guess, is that the cost is higher. So incrementally, our costing side, we have more line items that is going to go up and the volume side also -- the incrementally, the volumes are going to come at marginally lower volume -- sorry, lower margin.

So how does the net play out for us, which means that probably in the medium term, maybe 7% to 8% also we should be probably looking at a lower end? Or what is the driver that is possibly going to help us counter this issue?

Kamal Kishore Chatiwal: You see typically, in a CGB entity, they start the seeding activity first. when start seeding through the daughter booster more through the cascade so you have an additional cost of INR10 crores to INR12. Now that is the strategy for IGL also that we started the seeding activity first. And parallelly we started laying the steel structure to make it online. And slowly now, we are in the process of converting those daughter booster to online stations.

So rather in our -- the cost will come down, not increase because as we make them more online, as we lay the infrastructure connects the pipelines and the cost will come down, in fact. So we are expecting that going forward in the next 2 to 3 years, our -- this daughter booster would reduce drastically. And the cost to us would go down to that extent.

Management: Currently 7.4% includes the contribution from GAs also, which their volume is going to increase substantially. So we expect that going forward, the per unit margin will keep on increasing with increase in sales volume. There were a lot of capex already been done in the new GAs, and we hope that we'll get realization very soon on that.

Vishnu Kumar: Got it. Sir, any LCNG you are planning so that, that also reduces because I'm guessing pipeline is not going to solve problems across all the markets because volumes might be thin. So any LCNG route that you're adopting to reduce this cost?

Management: So fine. I think we have already lined up for 2 LCNG stations in terms of small-scale LNG stations for this year, one in Delhi and one in -- somewhere in UP, Noida side.

Kamal Kishore Chatiwal: The pipeline is not feasible. Say, for example, in one of GAs -- Udaipur area, so that's a slightly rocky area where laying the pipeline is costing. I mean, the route would become a lengthy route and the cost of laying pipeline goes up. So in those GAs, our strategy is to feed it to LNG mode. And there, we would be setting up LNG stations to cater to domestic as well as the CNG requirement also.

Vishnu Kumar: Got it, sir. And sir mentioned in 1 of the earlier questions that you will be directly changing the source from India to Qatar, whether whereby you'll be saying 15% of VAT. Could you just explain that a little bit more?

Kamal Kishore Chatiwal: No, no. Actually, we will not be -- the new Qatar contract, which PLL has signed, the existing one, the delivery is at Dahej, therefore, it attracts it to 15% VAT -- Gujarat VAT. Okay. Now the new contract, they will be taking delivery in Qatar. So that PLL will be changing hands in Qatar. So that 15% could not be applicable because the sale has happened somewhere, and they will be bringing in the Dahej. So that -- all this is being done by GAIL and PLL. We have our contract with GAIL.

So that we are looking at doing a time swap so that whatever volume we have in the existing contracts, we switch it to the next contract and then make up that volume through other contracts.

Vishnu Kumar: But when you take delivery at the end of the day, you still take delivery, I'd say, Delhi, where probably -- I mean, GAIL will not require to doing branch transfer, let's say, at Gujarat and then do it at Delhi to you, this 15% will not be applicable for you under the VAT?

Kamal Kishore Chatiwal: No, in that case -- if we are able to do a time square, then it will not be applicable because we will be then switching to some other contracts where central GST is -- 2% central GST there. So those contracts will be switching.

Vishnu Kumar: Got it, sir. And finally, on CBG, what will be our cost thing that when we mix it and you've just mentioned that in 3 years, we'll get to 5%. What will be the cost to us for CBG?

Kamal Kishore Chatiwal: CBG would be the cheapest gas available in the country in the sense that there is no transportation involved. There is less GST, only 5%. Tax-wise, no transportation. So we are expecting the landed cost to be somewhere around even 10% to 12% cheaper than the APM. So INR25 crores to INR26 per SCM.

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

Nitin Tiwari: My question is related to the media news, which was there in doing around about reduction in excise duty. So what in European are the possibilities? Do you think there is a case for reduction or removal of excise duty in CNG that is the first question, sir.

Management: So I think we also had the inputs that some in the budget, it will be taken. But then we believe that there is some homework left and the regulator as well as the ministry is working on that, and it may come up in future also.

Nitin Tiwari: But we feel that there is a case with a fit for removal of excise, but because excise was implemented as the gas is getting compressed. So that's the processing of that. So what is now that has changed, that is leading the government to review their -- the same of imposing excise on CNG?

Management: So some inputs have gone into it because still they are working as a Ministry as well as a regulatory because we understand still it is into the manufacturing process, the CNG and excise should be there or not. So still debatable but we have also given some inputs and let's see how it comes out because the government has to take the decision on that.

Nitin Tiwari: Sure, sir. sir, continuing on the previous question where you were explaining about the time swap. So that is still not clear to me. When you say time, so basically, you are switching your current volumes for more uptake in future. That's what you're doing?

Kamal Kishore Chatiwal: No, no, time swap means what -- suppose I have contracted, say, 100 units in this contract -- X contract, time switch it to Y contract, which is starting from '28 to 10 years down the line, so '28 to '38. So this volume to '28, right?

Nitin Tiwari: But what to the volume that...

Kamal Kishore Chatiwal: This 100 that I have switched, there is a vacuum here of 100, that I make up, let's say, I have 5, 6 other contracts. So I can make up with other contracts.

Nitin Tiwari: No, sir, that's what I get that if you don't offtake this volume, you will probably make it up with other contracts that you have, right? But you are in a contractual agreement with departing this 100 units now, given that you don't offtake this now, so would you be off taking more of it later or you would be paying take-or-pay? I mean, how does it work?

Kamal Kishore Chatiwal: No, no. We will not be paying take-or-pay. We will be just wrapping this volume to that because it is again the Qatar contract, last year's contract only.

Nitin Tiwari: So you'll be off taking more in the renewed contract is what you are seeing?

Kamal Kishore Chatiwal: Additional volumes there, the same volume with a new contract, and this will be a handy of contracts, for example. So I'm taking the volume from GAIL but contract -- and it is possible, then we will be able to, I think, make some saving in cost of gas.

Nitin Tiwari: Understood sir. And secondly, sir, on this topic only on the VAT that you're paying in Gujarat. So why is that, that -- when there is a regiment for paying the central rate of 2% in taking the sales out of state. So why are we not following that policy for saving on the cost?

Kamal Kishore Chatiwal: No, no, because we have already contracted that so we are bound by the contract. That is the reason.

Nitin Tiwari: And so, the value chain right now is that the type transfer happens to PLNG and then from PLNG to GAIL and from GAIL to IGL at Gujarat only that's where it happens? Or the sale for...

Kamal Kishore Chatiwal: Yes, IGL to GAIL is happening at Gujarat. So they'll have 15% and GAIL passes on to the other customers.

Nitin Tiwari: So the sales from GAIL to IGL also happens within Gujarat only and -- or it happens in Delhi?

Kamal Kishore Chatiwal: It happens in Delhi, but once it is -- the tax component is there, the same is passed on.

Management: Entirely other states also. So they make here, as per their policy, they make the sales from the local -- of the states. So when I buy something in Delhi, GAIL offers in Delhi, and they send it from Delhi only. They don't allow from selling from Gujarat to IGL Delhi.

Nitin Tiwari: Right. I mean if I understood this right, the sale has happened between PLNG and GAIL in Gujarat. So that's a 15% VAT component, when GAIL is transferring to you in Delhi, right? Under the new contract, the sale between PLL and GAIL won't happen in Gujarat. That is what you're saying?

Kamal Kishore Chatiwal: Yes, yes.

Nitin Tiwari: And sir, lastly, on the cost of LNG stations. So I'd like to explain that there is a cost of about INR10 to INR12 in case of daughter booster station in case of CNG. So what is the similar cost structure for an LNG station? And if you can provide that in terms of, say, compression, cooling and transportation.

Kamal Kishore Chatiwal: No, LNG, the cost of gas is even lesser than what the CNG cost is -- final CNG cost after compression. If I compare the final CNG cost after compression, and an LNG costs, LNG cost is lower -- at INR10 crores to INR12 lower. So the net realization is even better.

Nitin Tiwari: But sir, there would be some costs associated with the cooling of gas and -- I mean keeping the gas cooled and compressed, right?

Kamal Kishore Chatiwal: I think there is some disconnect because we are not cooling the gas. We are getting liquid gas -- liquefied LNG at port and transporting in liquid form only under cryogenic conditions, storing under cryogenic conditions and dispensing that under cryogenic conditions. So everywhere, it is a cryogenic operation. So that is why the equipment are slightly costlier.

But at no point, there is a change of sale.

Nitin Tiwari: That's understood, sir. I mean that's what I'm saying that like in the case of our daughter station, because you are transporting the gas, so there's a cost of transportation of INR7 to INR8 per kg is what you mentioned, right? So similarly, because LNG cannot be supplied by pipeline, you're carrying it by trucks. So what is an equivalent cost in case of LNG is what I'm asking? And plus like when you are maintaining...

Kamal Kishore Chatiwal: INR1 per 100 kilometer.

Nitin Tiwari: And one tanker is what quantity, sir?

Kamal Kishore Chatiwal: 18 tons -- 17 to 18 tons. 17,000 to 18,000 -- suppose I'm bringing from the Dahej, that is 700 kilometers so INR7, you can say.

Nitin Tiwari: All right. So one tanker of 17 to 18 tons, about INR700 is what you are paying for carrying that gas. And...

Kamal Kishore Chatiwal: Not INR700. It will be INR7 per kg. So the tanker is 17,000 to 18,000 kg into 7.

Nitin Tiwari: Sorry, sir. So this is you said INR1 per kilometer per Kg...

Moderator: Sorry to interrupt you, Mr. Nitin, due to time constraints, we will take that as last question.

Nitin Tiwari: I was just seeking a clarification. I mean that's all I'm doing is continue what...

Kamal Kishore Chatiwal: Your understanding is correct, INR1 per kg, per 100 kilometers.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Harsh Dole for the closing comments.

Harsh Dole: On behalf of IIFL Securities, I'd like to thank the management for giving us an opportunity. Also, I realize there are a couple of questions, which are unanswered. I'd request them to send an e-mail to the Investor Relations at IGL, and they'll be more than happy to take it off-line. Thank you very much for your time and attending this call. Really appreciate. Any last remarks, sir?

Management: Thank you, Harsha, for organizing this call for us. It was a wonderful experience, and we have got a lot of portions, which gives a different perspective of looking into this. And we'll keep on interacting with our investors as and when possible. We are doing it on a quarterly basis, but we're also planning to have something in between as required to share some news that we have with you. So thank you very much.

Harsh Dole: Really appreciate sir, thank you. Moderator?

Moderator: On behalf of IIFL Securities, that concludes this conference for today. Thank you for joining us, and you may now disconnect your lines.