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Sandeep Kumar Gupta - CMD of Gas Authority of India Limited
Rakesh Kumar Jain - Director of Finance
Sashi Menon - Executive Director of Finance
Kaviraj - Executive Director of Marketing - Shipping & LNG
Praveer Agrawal - Chief General Manager of Marketing

ANALYSTS: Ramesh - Nirmal Bang
Vivekanand - Ambit
Nitin - YES Securities
Yogesh - Dolat Capital
Vishnu - Spark Capital

Presentation

Jaideep Goswami: Good afternoon. Welcome guests and top most management of Gas Authority of India Limited. After the Q4 and annual result, this is the Analyst Meet hosted by Gas Authority of India Limited and ICICI Securities. I'm very pleased to give a brief introduction of the management.

Before that, I'm Jaideep Goswami, Head of Institutional Equity of ICICI Securities. And very happy to introduce the top management of Gas Authority present at the dais. Mr. Sandeep Kumar Gupta, CMD of Gas Authority of India Limited, India's leading natural gas company with diversified interests across the natural gas value chain of trading, transmission, LPG production and transmission, LNG regassification, petrochemicals, city gas, E&P et cetera. Mr. Gupta is also Chairman of Standing Conference Of Public Enterprises, SCOPE and Apex professional organization representing the central government public enterprises. Before joining GAIL in October '22, Mr. Gupta held the position of Director of Finance since August 2019 on the Board of Indian Oil Corporation Limited.

As Director of Finance, he was in charge of F&A, Treasury, Pricing, International Trade Optimization, Information Systems, Corporate Affairs, Legal and Risk Management. Mr. Gupta is a fellow of the Institute of Chartered Accountants of India and has received prestigious individual recognition such as CA CFO, Large Corporate Manufacturing and Infrastructure category in January 2021 by ICAI and adjudged among Top 30 CFOs in India by startuplanes.com. in May 2022. He has wide experience of over 34 years in oil and gas industry. Please welcome Mr. Sandeep Gupta.

We also have with us Rakesh Kumar Jain, Director Finance GAIL, Rakesh Kumar Jain is a Cost and Management Accountant by profession. He has rich and varied experience of around 31 years of working in oil and gas sector and regulator. Prior to his appointment as Director Finance, Shri Jain held the position of Executive Director F&A HOD in GAIL. Additionally, Shri. Jain holds the position of Chairman in Indraprastha Gas Limited and Bengal Gas Company Limited and as Director in GAIL Gas Limited, GAIL Global USA, Inc., GAIL Global USA LNG LLC.

Earlier, he was on the Board of Ratnagiri Gas and Power Private Limited, RGPPL and Bhagyanagar Gas Limited, BGL. As Executive Director F&A HOD, he headed Corporate Finance and was actively involved in mobilization of funds from domestic and international markets, major investment decisions in various infrastructure projects. He has also been actively involved in Investor Relations and interactions with analysts fraternity. He has also worked in almost all business verticals of GAIL including GAIL's largest petrochemical plant at Pata.

He has major contribution in formulation of LNG, RLNG sourcing and sales policy and hedging policy to mitigate the risk as well as hedging of the underlying assets. Shri Jain has worked in the areas of treasury including forex risk management, capital budgeting, corporate budgets, corporate accounts, finalization of long-term international LNG and gas agreements, pricing, liquefication and regassification, terminal service agreement, mergers and acquisitions, taxation and regulatory aspects.

Besides serving a long tenure at GAIL, he was on deputation to Petroleum and Natural Gas Regulatory Board PNGRB as Joint Director, Commercial and Finance. During his stint at PNGRB, he was actively engaged in the review of tariff regulations, conceptualization of unified tariff, authorization of CGD 9th and 10th bidding rounds, finance functions, et cetera. Please welcome Mr. Jain.

We have with us Mr. Sashi Menon, ED F&A profile. Shri Sashi Menon joined GAIL Limited in the year 1992. He possesses enriched experience over three decades in the oil and gas sector. He is Head of Finance & Accounts Department of GAIL. He is virtuoso in key functions of F&A department such as corporate treasury, corporate taxation, central accounts, management accounting, sale and embedded functions of finance related to business development and marketing.

He is key person and pioneer in implementing various centralization and digitization initiatives like centralization of gas invoicing, vendor payment process through VIM, employee payments like medical and impressed and swift integration and robotic process automation. Please welcome Mr. Sashi Menon.

We have with us also Mr. Kaviraj heading LNG and Shipping portfolio of GAIL. Mr. Kaviraj is an engineering and business graduate. He has a vast experience of over 30 years in the natural gas space and has contributed in the evolution of the Indian gas sector. He is known for bringing operational efficiencies in GAIL's LNG portfolio management with different optimization structure, which helped GAIL establishing a footprint in global LNG industry. Please welcome Mr. Kaviraj.

So, with this brief introduction, I have a high pleasure to hand over the podium to Mr. Gupta to give his initial remarks and formally start the investor interaction. So, over to you sir.

Sandeep Kumar Gupta: Thank you, Mr. Jaideep Goswami from ICICI Securities, my colleagues from GAIL(India) Limited and dear friends from investors and analysts community. Good afternoon and very warm welcome from GAIL(India) Limited to this Investor and Analyst Meet 2023. We are very thankful to all of you for attending this meet in such large numbers.

As communicated from time-to-time by earning calls and in various meetings, that in view of the geopolitical situation and the testing business scenario, the financial year '22, '23 was a challenging year. On account of the various measures taken during the year, GAIL has been able to protect its profitability to a significant level and going forward we are into a better situation as compared to the one during the year gone by.

The results for the quarter and the year ending 31st March, '23 have been declared yesterday on 18th May, '23. For financial year '23, GAIL achieved highest ever gross turnover of Rs. 1,43,976 crores which is an increase of 57% over previous year. And as you would know, we have crossed the Rs. 1 Lakh mark for the first time in the history of the company. Though PBT stood at Rs. 6,584 crore and PAT at Rs. 5,302 crore, which is less than the corresponding -- less than the previous year.

On a consolidated basis, GAIL clocked a turnover of Rs. 1,45,531 crore in financial year '23 versus Rs. 92,636 crore in previous year, PBT is down at Rs. 7,256 crore and PAT is down at Rs. 5,616 crore. During the year, company has declared an interim dividend of Rs. 4 per share amounting to Rs. 2,630 crore, which works out to a payout ratio of approximately 50%. GAIL completed buyback of approximately Rs. 5.7 crore shares at a price of Rs. 190 per share aggregating to approximately Rs. 1,083 crores and further, GAIL also issued bonus shares in the ratio of 1:2 during the last fiscal.

The total CapEx for financial year '23 is approximately Rs. 9,100 crore, mainly on pipelines, petrochemical, CGD projects, operational CapEx, equity contribution, et cetera. The company has also embarked into alternate energies like green hydrogen, renewables, and biofuel projects which are of national importance and would enable GAIL to be future ready for energy transition.

Now, I come to the performance highlights for periods and for certain verticals. First financial highlights for this quarter versus the immediately preceding quarter, GAIL's gross turnover stood at Rs. 32,684 crore in the current quarter as against Rs. 35,316 crore in Q3. The PBT during the quarter increased to Rs. 591 crore as against Rs. 223 crore during Q3, mainly due to better performance of Gas Marketing segment, increase in LHC price realization and higher dividend resets. The PAT during the quarter increased to Rs. 604 crore as against Rs. 246 crore in Q3, mainly for the reasons mentioned for PBT.

Now, physical performance for current quarter versus previous quarter. Gas marketing volume is stood at 96.46 million standard cubic metres per day in current quarter that is Q4 of '23 as against 89.89 million in the previous quarter. Natural gas transmission volume stood at 108.23 million standard cubic metres per day in current quarter that is Q4 as against 103.74 in previous quarter. And the capacity utilization of our pipelines was approximately 53%. Polymer production is stood at 147 TMT as against 68 TMT in Q3. The production increased in view of operations of plant at full load starting from the month of March '23. LHC production stood at 232 TMT as against 247 TMT in Q3. The capacity utilization was 66%. LPG transmission is stood at 1,079 TMT as against 1,101 TMT in Q3 and the capacity utilization was at 113%.

Consolidated financials, Q4 versus Q3. Consolidated turnover in current quarter stood at Rs. 33,086 crore versus Rs. 35,870 crore in the previous quarter. The PBT in the current quarter is Rs. 689 crore versus Rs. 662 crore in Q3. The PAT is Rs. 634 crore versus Rs. 414 crore in Q3. GAIL CGD business, GAIL is having infrastructure of 153 CNG stations and approximately 2,62,000 DPNG connections.

During the financial year '22, '23 34 new CNG stations and around 61,000 new domestic PNG connections were added. The physical volume supplied is approximately 0.24 million standard cubic metres per day during the year. The next two years, GAIL targets to add over 100 new CNG stations and 2 lakh new DPNG connections.

Coming to GAIL Gas Limited, which is our wholly owned subsidiary. During the current financial year '22, '23 gross turnover stood at Rs. 10,524 crore as against Rs. 6,853 crore in '21, '22, mainly due to increase in volume and average sales prices. PBT increased to Rs. 400 crore in current year as against Rs. 383 crore in '21, '22. PAT increased to Rs. 297 crore as against Rs. 283 crore in previous fiscal. The physical volume during the year remained flat at approximately 5.70 million cubic metres per day.

During financial year '22, '23, 117 new CNG stations and approximately 87,000 new DPNG connections were added out of which 40 CNG stations have been added at Bangalore location. GAIL Gas along with its JVs and subsidiaries has infrastructure of 8.66 lakhs DPNG connections and 456 CNG stations out of which Bangalore contributes 109 CNG stations and approximately 2,60,000 DPNG connections as on 31st March, 23.

During the current quarter, gross turnover of GAIL Gas is stood at Rs. 2,522 crore as against Rs. 2,623 crore in Q3. PBT stood at Rs. 90 crore as against Rs. 112 crore in Q3. PAT is stood at Rs. 67 crore as against Rs. 87 crore in Q3.

The physical volume during the quarter remained flat at 5.75 million standard cubic metres per day. During Q4, 98 new CNG stations and 47,800 new DPNG connections were added. In project performance, Mumbai, Nagpur, Jharsuguda pipeline construction activities are moving in full swing and Mumbai, Nagpur section of approximately 698 kilometres is expected to be completed by December '23, that is by end of this year itself.

Jagdishpur-Haldia and Bokaro-Dhamra pipeline of 2,378 kilometres out of total pipeline length of 3,291 kilometres has been commissioned and remaining part is expected to be progressively completed by June '24. Srikakulam to Angul main line of length 423 kilometres is likely to be completed by March '24. PDH-PP plant at Usar, the tendering activities for all major items have been completed and site activities are in full swing. The mechanical completion of the project is slated in April '25. PP plant at Pata is also likely to be completed, mechanical completion to be completed by July '24.

Now coming to segmental outlook. First, natural gas transmission. Transmission volume is expected to increase from 107 million standard cubic metres per day in financial year '22, '23 to approximately 118 million standard cubic metres in '23, '24. Further, higher fuel costs in FY '23 is unlikely to continue in financial year '24 due to softening of prices. Expected upside in transmission margin due to same is approximately Rs. 1,500 crore.

You may be aware that PNGRB has approved the tariff for GAIL's integrated pipeline network at Rs. 58.61 per MBG and this revision itself is also likely to give us incremental profits of Rs. 1,500 crore. Company has submitted integrated tariff of Rs. 68.55 per MBG to PNGRB against, which the regulator has approved this Rs. 58.61 and company has submitted a review petition for the moderation done by PNGRB in the tariff order and it is expected that they will take our review petition in due course of time.

Under gas marketing. Despite various challenges, GAIL has been able to clock the gas marketing profits of approximately Rs. 3,000 crore during financial year '23 and it is expected that GAIL will be able to earn profits in this segment in the range of approximately Rs. 3,500 crore in financial year '23, '24.

Under polymer. In view of softening of LNG prices we expect to run our Pata Petrochemicals plant at full load and have good margins in financial year '23, '24 considering the current LNG prices.

Under LHC, on account of acceptance of recommendation of Kirit Parikh panel, where ceiling rate of $6.5 per MBG for the gas from legacy or old fields has been fixed, there will be a positive impact on LHC segment to the tune of approximately Rs. 1,100 crore per annum.

And currently LHC prices are around Rs. 50,000 per metric ton, which are on suppressed side and as compared to average price of Rs. 60,000 per metric ton and hence we also expect an increase of about Rs. 90 crore to Rs. 100 crore in this segment going forward.

I end my highlights here and hand over back to Mr. Goswami. Thank you very much.

Jaideep Goswami: We can open the floor now.

Sandeep Kumar Gupta: Sorry. So there is going to be a presentation by Mr. Shashi Menon, our ED Finance and also by Mr. Praveer Agrawal, our CGM Marketing.

Shashi Menon: Thank you, sir. Good afternoon, ladies and gentlemen. I'll take you through this presentation. This is our safe harbour statement, our company mission and vision statement. Our mission is enhanced quality of life through clean energy and beyond. Vision is be the leader in natural gas value chain and beyond with global presence creating value for stakeholders with environmental responsibilities. This would be the layout of the presentation.

So this is the company overview. This would be a snapshot of the major business portfolio. Starting with gas transmission and marketing. We have about 15,400 kilometres of pipeline networks across the country, long-term portfolio of 15 MMTPA. Petrochemicals, we have 18% domestic market shares. Our Pata plant has got a capacity of 800 KTA and 280 KTA at BCPL. LPG and liquid hydrocarbons, we got five processing plants across India, 1.4 MMTPA of capacity, 4.55 MMTPA of LPG transmission capacity.

Our E&P profile is we have presence in 13 blocks and presence in U.S. and Myanmar. Renewable energies, we have got 118 megawatt of wind power capacity, 13.8 megawatt of solar power capacities. Our city gas distribution considering GAIL and its subsidiaries, we have got 67 GAs out of the total 295 GAs.

This is our global presence. We have presence in USA through our GGUI and GGUL where we have presence in the shale gas and the tolling agreement, presence in Egypt and the retail gas business there. We have 100% subsidiary in Singapore in the LNG trading hub. We have E&P presence in Myanmar through the A1, A3 block, in China through the China Gas, and we also have a presence in the Bharat Energy office in Russia.

This is a snapshot of a sustainability development. GAIL has set a target of achieving net-zero status by 2040 for the Scope 1 and Scope 2 emissions that is reaching 100% by for Scope 1 and Scope 2 by 2040 and 35% on Scope 3 emissions by 2040, keeping the baseline as 2021. GAIL was accorded Green Ribbon Champions by CNBC, Network 18. The award recognizes GAIL's initiative and projects across sustainability, afforestation, waste management, renewables and more.

GAIL(India) got an A grade rating for being India's most sustainable companies among the most sustainable companies in 2022 by Business World Magazine. GAIL ranks first among PSUs in Climate Leadership Report of 2022 by Futurescape and Economic Times Edge.

GAIL embarked upon journey of adopting Sustainability Factory GreenCo rating. In the last three years, six GAIL sites have achieved silver rating. GAIL is included in the FDSE4Good Index Series for the 6th time in a row affirming company's strong commitments towards ESG practices in the oil and gas sector.

This is our shareholding pattern, President of India 51.52%, FPIs 16.28%, ONGC 4.97%, mutual funds have 8.38%, LIC has got 7.86% and others around 8.5%. Market capitalization as on 31st March stands at Rs. 69,203 crores.

This is our CSR Initiatives. We are proud of our CSR Initiatives under the Hriday umbrella and our CSR ranges from health and sanitation, education, skill development, hospital extension, CNG boats in Varanasi and many more. We expensed Rs. 173.37 crores in this financial which is 2.1% of the average profits of the past three financials.

Let me get into the performance highlights. These are the major highlights for FY '22, '23. GAIL turnover surpassed Rs. 1 trillion first time in the history of the company. We implemented the SPARSH and SARATHI platform for the Vendor Invoice Management. Received NIL comments from CAG for accounts of '21, '22 that is 13th year in a row.

GAIL was awarded the Bronze Shield by SAFA under Power & Energy categories for best presented Annual Report. GAIL has been declared winner for Gold Trophy under the Non-Deemed Corporate above Rs. 5,000 crores turnover category in TIOL National Taxation Award 2022. GAIL paid interim dividend at the rate of 40% of paid up capital for FY '23 amounting to Rs. 2,600 crores and completed buyback up to 5.7 crore shares at the rate of Rs. 190 per share. Company has also issued bonus shares of one for every two held.

GAIL also raised INR bonds in December '22 to the tune of Rs. 1,575 crores at a very competitive rate of 7.34% per annum.

Continuing with the major highlights. Honourable Supreme Court dismissed SLP filed by Gujarat Sales Tax Department against demand of sales tax and interest thereon to the tune of Rs. 5,000 crores for treating NG transmission as inter sales instead of the branch transfer. We also signed a Unilateral Advance Pricing Agreement at the rate of 8.5% with CBDT for LNG imports from U.S. GAIL acquired 26% stake in LNG Japonica vessel of Mitsui OSK Lines, Japan.

NCLT approved resolution plan for acquisition of JBF Petrochemicals Limited. Credit rating of GAIL, the domestic credit rating has a AAA with stable outlook, international rating of Baa3 with Stable Outlook from Moody's and BBB- with Stable outlook Fitch, these are equivalent to the sovereign rating of India.

Now, going forward to the physical performance. Gas volumes that is the transmission volume stood at 107. In FY '23 gas marketing 95. To the right is the gas marketing mix and gas transmission mix. 42% of the pie is towards APM/non-APM and RLNG is towards 19%, spot is 6%, mid-term 19%, and overseas sales stood at 12%. The gas transmission mix is also reflected to the right of it. Petrochemical sales stood at 399 TMT. Liquid hydrocarbon sales 929. LPG transmission 4,335.

This is the natural gas sector wise supply FY '22 compared with FY '23. Just to give you a sense of the market. 12% of our marketing volumes have been sold overseas. After the remaining 44% has been sourced from domestic sources, 44% from RLNG and Spot and our anchor customers are the Fertilizers, Power & CGD business, about 15% goes to others. Others include steel, refineries, sponge iron, petrochemicals and GAIL's own internal consumption.

This is the financial performance standalone. Turnover Rs. 1,43,976 crores, gross margin stands at Rs. 9,384 crores. Profit before tax at Rs. 6,584 crores. Profit after tax Rs. 5,302 crores.

We also would like to share with you the one-offs of this financials. Gas Transmission segment, I'm taking it as segment wise. Transmission segment deallocation of domestic gas for compressor fuel Rs. 800 crores. Refund of transmission charges of IPCL Rs. 70 crores. Gas handling loss and maintenance use gas Rs. 150 crores.

Provision for KKMBPL is Rs. 110 crores, totalling to Rs. 1,130 crores of one-offs from the transmission vertical.

Gas Marketing segment, we have inventory loss booked in quarter three and inventory losses booked in quarter four, totalling to Rs. 1,330 crores. Other segments one-off was provisioned for TAPI Pipeline at stood at Rs. 55 crores. These were the negative one-offs, totalling to Rs. 2,500 crores. Against this we had positive one-offs also refund of CST from Gujarat sales tax at Rs. 70 crores. Revision of provision of E&P Mahar block A 3 Rs. 50 crores. So the net impact one-off is Rs. 2,395 crores.

This is the balance sheet snapshot capital employed stood at Rs. 71,544 crores. Net worth Rs. 50,860 crores and loan outstanding of Rs. 9,807 crores.

Key financial ratios PAT to net worth at 10%, return on capital employed 10%, debt to equity at 0.22, share prices at Rs. 105, earnings per share Rs. 8, and market capitalization at Rs. 69,203 crores. This is the financial performance on a consolidated basis. Turnover FY '23 Rs. 1,45,531 crores, gross margins at Rs. 10,325 crores, profit before tax Rs. 7,256 crores and profit after tax Rs. 5,616 crores.

This is the revenue reconciliation on consolidated basis FY '23 after netting off the eliminations, it stood at Rs. 1,45,875 crores. PAT reconciliation on a consolidated basis FY '23 considering GAIL, its subsidiaries and associated stood at Rs. 5,616 crores.

This is the capital expenditure profile for FY 2023 and the projection for 2024, the CapEx stood at Rs. 9,100 crores in this financial most of the major part of the CapEx is towards pipeline 53%, petrochemicals is around 15%, equity participation is around 12%, E&P 3% and operational CapEx is at 15%. The projection is for CapEx next year is Rs. 10,200 crores and similar profile pipeline 40%, we see a bit of tapering there. Then Petrochemicals Rs. 1,800 crores, equity and investments will be at 32%.

The next is actual CapEx and capital commitment in major projects up to 31st March, '23. I'll just go through the pipeline wise. Phulpur Dobhi pipeline, JHBDPL 1. This is commissioned and actual CapEx up to 31 March is Rs. 3,000 crores. Dhamra-Angul expected commissioning 30th June. Dobhi-Durgapur pipeline is commissioned. Bokaro-Angul again commissioned with actual CapEx up to Rs. 2,552 crores, Durgapur-Haldia expected commissioning is 30 June '24. Barauni Guwahati 31st October, 2023 Dhamra-Haldia 30th June, 2024 KKBMPL Phase II, that is 30th November 2024 and Srikakulam-Angul 31 December 2024 and Mumbai-Nagpur-Jharsuguda 31st October, '24.

Major Petrochemical projects, PDH-PP Usar is expected to be completed -- mechanically completed by April 2025. And the CapEx is incurred till 31st March is Rs. 1,300 crores, polypropylene project of Pata is 60 KTA project is expected to be mechanically completed by July '24. And we have a CapEx of Rs. 358 crores as of 31st March '23.

Now, Mr. Praveer, my colleague will take you through the industry outlook. Thank you so much.

Praveer Agrawal: Good afternoon, ladies and gentlemen. I'm Praveer Agrawal, Chief General Manager of Marketing from GAIL. So I'll be taking you through the industry outlook. So if we talk about global energy scenario and its evolving narrative, so last year 2023 was shaped by several factors, including COVID-19 pandemic and geopolitical tensions. There was and is some looming threat of recession, supply chain challenges, continuing shift towards renewable energy sources. These were some of the factors.

The energy transition has continued. Many governments seek alternatives to volatile energy commodities. So what is happening is that the economic competitiveness of key clean energy technologies are improving the time and global renewable energy capacity has also increased by 9.6% last year. So almost half of the new capacity was added in Asia, wind and solar power accounted for almost 90% of the net additions.

Last year was a year where oil rose well above USD 100 per barrel in mid-2022. Coal prices also hit record levels. Gas markets were at the epi-center of the global energy turmoil as Russia cut down supplies to Europe and we had seen global prices of spot purchase of even $70 per MMBtu. In 2022, the LNG market saw a great deal of term contracting activity. Almost 52 LNG SPAs signed with a tenure of 10 years or longer in '22.

So now what see that though the developed countries will become more efficient going forward, developing countries, which represent 80% of the world's population will use more energy as they pursue better living standards. Brazil, China, India, Indonesia, Mexico and South Africa together consume more than one-third of the world's energy, which is expected to rise to 40%.

With demand growing as energy needs expand, Asia presents the opportunity to grow the LNG market as natural gas can be used to replace coal and wood to reduce the emission. Share of gas in developed market may decline as these countries scramble to meet net zero goals.

It is going to increase in the developing world as their net zero targets are bit far in terms of timeline. So what happens is that the developed countries maybe using more efficient methods and renewable energy more and while the developing world will be using more of gas.

And so while lower-emission sources may play important roles, natural gas will remain a significant part of the energy mix for decades, reinforcing the need of continued investment. Key to gas growth will be in maintaining an affordable, resilient supply that is sustainable for the planet.

To continuing a bit further in global energy consumption, we find that India natural gas basket is still at 6.32%, while it is in China it is 8.65%. The world average is 24.42%. So there is good enough scope in that part. The renewables have also started catching up and our renewables are almost 5% of the energy mix.

Now Indian energy scenario, we come to that. The target of net zero for India is by 2070, while for our organization we have took it up for 2040. Energy demand in India is growing rapidly with major implications for the global energy market. India has seen its energy demand increasing rapidly. The country continues to urbanize development of manufacturing sector is another factor.

India has made remarkable progress in providing access to electricity and clean cooking fuel. We implemented a range of energy market reforms and integrating a high share of renewable energy sources into the grid.

India's continued reliance of imported fuel creates vulnerabilities. Price cycles and volatility is one issue and possible disruptions to supply is another issue.

So if we look at the bigger picture, India is among the top 14 gas consuming countries globally, and we consume around 62.2 BCM, while U.S. consumes almost more than 15x more than 12x, 13x than what we consume.

Next, the natural gas consumption in India is presently almost 165 MMSCMD and we see that currently fertilizer sector accounts for the major share of the consumption in the country. However, growing at a CAGR of 12%, consumption of CGD sector is expected to increase significantly in the coming years.

Now, we look at it from another perspective. We find that it is said that by 2030, our GDP is estimated to increase to USD 7 trillion. And if Government of India also has a target, we know that they targeted that gas should reach up to 15% of the PE mix, while the world average was around 24%. So this results at a whooping CAGR of 25%.

If we take the impact of both the things, because it is expected that if the economy grows, then the energy needs grow at least as much. India's current policies focus on fuel switching through promotion of natural gas. So if you see smart cities and all, they're talking about switching to natural gas in some of the cities, which where the pollution is little high. We are talking about converting various industries also on natural gas.

Implementation of unified tariff which has happened recently, it will expand India's gas penetration, especially in East India, because now the tariff is unified. So if the distance is more than 1,200 kilometre, the tariff remains same. So those places which were far away they will be getting benefit from this.

India also recently linked Domestic Natural Gas pricing with crude oil prices and there was significant decrease in prices of PNG for households and CNG for transport, you might have noticed that. Now such reforms will help expand the consumption of natural gas and contribute to achievement of target of emission reduction and net zero.

Increased availability of domestic gas including HPHT has aided in import reduction. Even today a bid is going on for almost six MMSCMD of new HPHT gas production, and this has reduced the dependency of Indian gas sector from 48.4% to 44.2%.

So this is about gas infrastructure in India, One Nation-One Grid. The authorized pipelines are already 33,527 kilometre and out of them, 21,888 kilometre pipelines are already operating. So we in such that the national gas grid length of 35,000 plus kilometre, next four, five kilometres.

This is about a very important key area of City Gas Distribution, in this map of India, if you see the green part, so that is the area which has been already allocated to various CGD entities. And up to 11th round, 11th if we include 11th A round also, so 295 geographical areas have been allocated to various entities. And it has almost covered 88% of country's area. And it covers almost 98% of country's population.

And we expect CAGR as I said, around 12% in coming years from this area. Already there are almost more than 5,000 CNG stations and more than 1 crore DPNG connections. And this has played an important role in clean fuel reaching to various households because as many LPG connections have been shifted from cities to rural areas.

Now, this is about Petrochemical business outlook. India's per capita consumption of plastic is just 12 kg versus China per capita consumption of 82 kg. So and world average per capita consumption of plastic is around 38 kg, while U.S. consumption is as high as 93 kg per capita. So, although in India we believe more in reuse of things and reduce we use three hours. But then still there is a huge scope of increase in consumption of plastic. India's per capita consumption is by the way one of the lowest in India and future polymer demand growth is estimated to be at least 6% to 7% per annum.

Major highlights of GAIL's Petrochemical business. We cover sold 645 KTA of polymers, 399 KTA by GAIL, and 246 KTA by BCPL. PC capacity enhancement under progress, 500 KTA PDH-PP plant at Usar, and 60 KTA PP plant at Pata. SAS based mobile app implemented to analyse different key parameters metrics of PC marketing.

So growth drivers coupled with capacity addition will result in growth in top-line as well as bottom-line for GAIL(India) going forward.

And this is the last slide for me. So about net zero, GAIL has put net zero target of 2040 and 3 gigawatt RE by 2030, 100% reduction of Scope 1 and Scope 2 by 2040, and 35% emission reduction of Scope 3 by 2040. So these are our targets.

In compressed biogas space, we are doing very well, GAIL is supporting almost 400 CBG plants, 334 LOIs have been given for 1,835 tons per day of CBG issued. The GAIL's pilot 5 tons per day CBG plant in Ranchi is under construction. CBG project in Bengaluru is under approval. Apart from this, we are there in almost complete value chain of CBG. We also have one CBG, CGD synchronization scheme through, which we have almost garnered more than 50% market share of CBG in India.

Regarding hydrogen, already blending of Green Hydrogen is being done in Indore MP. Study by EIL on impact of H2 blending is being done and setting up of 10 megawatt electrolyser for production of hydrogen in Vijaipur.

GAIL has also done acquisition. GAIL resolution plan has been approved already by NCLT vide order dated 13.03.23 for acquisition of JBFPL. And GAIL acquired 26% equity in LNG Japonica vessel of Mitsui.

So that's all for me. Thank you.

Jaideep Goswami: We can start the Q&A sir. Any questions from the audience we can start. This gentleman.

Question-and-Answer Session

Unidentified Analyst: Sir, first and foremost you have delivered an all-encompassing presentation. Each and every aspect of the gas related energy security has been brought to the notice and to the forefront. Three things came to my mind, you are having 13 E&P blocks. Are we hopeful of reducing our dependence on international sourcing of gas, once we find our own gas? Because we are subject to international prices, price fluctuations of gas when we source it? And second, even supplies are erratic to say the least. Would like to have your thoughts on the same.

Sandeep Kumar Gupta: I heard you wanted to ask three questions.

Unidentified Analyst: Yeah.

Sandeep Kumar Gupta: So next two also you are asking?

Unidentified Analyst: No, it's included in all these.

Sandeep Kumar Gupta: Okay. Yeah we have presence in these E&P blocks, but the domestic gas availability, these blocks I believe how many are domestic and how many are international? 11 are domestic, but immediately these may not come to production stage. So as of now, immediately speaking, in fact domestic gas, mental is with ONGC oil and certain private companies. And -- but what we are committed to is that we will meet the requirement of the country in terms of requirement of gas. So whatever is the shortfall in consumption versus the domestic production, that mental is with us and we will make that gas available to the country for its consumption.

Unidentified Analyst: Sir, in view of this, you have to import the gas. And import of gas is basically on spot prices. There is no future and forward contracts so that we can freeze the price as well as the quantity, which we require over a protracted period?

Sandeep Kumar Gupta: So for that we have long-term contracts. Though again, those are formula based only and the prices can fluctuate, but not to a wide range. We have a very handsome portfolio of 14 million ton across four geographies that provides a great amount of flexibility, that is almost 50% of our total volumes. And we are trying to increase those long-term contracts also. We are in discussion with various entities.

Unidentified Analyst: Yes.

Sandeep Kumar Gupta: And hopefully some more contracts will be able to line up.

Unidentified Analyst: And the third thing was you have laid a heavy pipeline network for gas distribution. Your presentation said, it is capacity utilization of this pipeline network is 53%?

Sandeep Kumar Gupta: Yeah, yeah. Any pipeline, when it is laid, it has to be futuristic, like you create infrastructure for cities, highways. Similarly, pipelines cannot be changed within a short span of time. So there is always overcapacity, which is created in creating an infrastructure. So in some period, there definitely will be underutilization. But the capacities have been envisaged considering the futuristic consumption of gas in the country.

Unidentified Analyst: Sir going forward, the capacity utilization will progressively in a calibrated manner go up?

Sandeep Kumar Gupta: Yeah, definitely, definitely.

Unidentified Analyst: Thank you and all the best.

Ramesh: Good evening. I'm S. Ramesh from Nirmal Bang. So this is with reference to the guidance on gas transmission and in gas marketing EBITDA. So if we can get some sense in terms of how much of your gas transmission profits you are expecting next year is based on the growth and volumes. Similarly for the gas marketing, profit expectation of Rs. 3,500 crores, how much is going to be driven by the increase in volumes? And is there any improvement in the margins you're expecting there? If you can shed your thoughts on that, it'll be grateful.

Sandeep Kumar Gupta: Yeah. In gas marketing we are expecting an upside of about 8% to 9% and in transmission approximately over 108, another 10% going forward for '23, '24. And these volumes plus the revision in the integrated tariff for transmission will account for the guidance given for increase in the profits from these verticals.

Ramesh: Okay, so in transmission, when you're looking at this increase in the transmission margins, will the entire one-off impact of the shortage of APM gas be eliminated over FY '24 and when it will actually start showing in the numbers? Will it happen from first quarter itself or will it come with a lag?

Sandeep Kumar Gupta: Since the integrated tariff have been revised effective 1st of April, the additional impact of about Rs. 1,500 crores. The positive impact of Rs. 1, 500 crores will start flowing from 1st of April itself. The increase in the transmission and marketing will be a gradual increase over the period of this fiscal.

Ramesh: Yeah. Okay, so one last thought. On the Petrochemical business, can you give us some idea about the spreads you're earning on your gas cost as it stands today and what is the kind of spread you are expecting based on your expansion plans in Polypropylene? Because right now there is over capacity, weak demand, and the spreads are at 10-year lows. So like to understand what is the kind of spread you're earning, because for Naphtha crackers we get the number. So for gas crackers, slightly difficult. So if you can give us some sense on the current spreads on your current gas cost per ton and what is the underlying expectation on future spreads based on which you are planning your polypropylene expansion?

Sandeep Kumar Gupta: No, we have already approved those projects and in fact the construction is on and any such projection is not based on any short-term views on the futuristic prices. Petrochemical is a cyclical business where the prices touch a peak or trough at almost five to seven years. So perhaps this particular period is a period where the prices are at their lows, but we hope that going forward, we will have good periods in Petrochemical profits also. Are you interested in a specific realization for this period?

Ramesh: We can make out the realization. We are trying to get a sense in terms of what is the spread pattern in terms of the margin you are earning on the realization and the cost of gas?

Sandeep Kumar Gupta: This period was definitely adverse, where the prices are also low and the gas prices were high. So definitely this period the margins were very low. But would you like to give any number?

Rakesh Kumar Jain: No. One thing as Chairman sir has already clarified. It is difficult to give any number. But what we can say that we had actually lost in last financial year, but this year we will be actually having margin. That means we will not be having any loss and we'll be in positives. That's what we can say at this stage.

Ramesh: Okay, if I might squeeze in one last thought. So in terms of your overall expectation for future ROC. Would you expect the improvement in ROC to come from gas transmission, gas marketing? Or do you see incremental upside from, say, the commodity business like petrochemicals and LPG and hydrocarbons also? So where do you see the levers for improving ROC, say in the next one or two years?

Sandeep Kumar Gupta: No, in fact, as compared to the current year that is '22, '23, we are seeing an upside in every vertical of our business, be it trading, be it transmission, be it petrochemicals or LHC, because this particular year was very adverse for all the segments.

Now, definitely the upside will come in the segments of trading or transmission by virtue of the growth. And similarly, Petrochemical plant, which operated at lower levels because of the high gas prices, will not be there in the future period. So again, because of the growth and the natural gas prices, we will have the profits in that segment also. Similarly, LPG prices were also not very strong in this period and we are seeing positives on that front also in the LHC segment going forward.

Ramesh: Thank you very much and all the best.

Unidentified Analyst: Hello. Sir, one question on the transmission aspect. So the total one-off for FY '23 were around Rs. 1,100 crores for transmission. How much was that in Q4 of '23?

Rakesh Kumar Jain: Q4 we had almost Rs. 730 crore.

Unidentified Analyst: This is mainly high cost inventory, so anything likely to move up to Q1?

Rakesh Kumar Jain: There are not only high cost inventory, there are essentially two, three, four regions. One is high cost fuel consumption. Second, we have made a provision of Rs. 100 plus crores KKMBPL pipeline, because we changed the route. Earlier we are laying through field and now we have changed through highway. So that investment we have made provision. Rs. 150 crore, we have transmission loss. Normally it happens, but this time we accounted for in Q4, and Rs. 70 crores is one case of IPCL versus GAIL of old transmission, which we have provided for. So apart from Rs. 400 crores, there are Rs. 300 plus crores, these are the regions.

Unidentified Analyst: Sure. Thank you sir. So any such one-off expected for Q1 or Q2 going forward, because for transmission the loss was surprising in a quarter?

Rakesh Kumar Jain: That's right. We are not expecting anything else, because high price issue we have taken care by sourcing the domestic gas permeating the field consumption requirement and others were actually not a routine kind of things like provision and all these things.

Unidentified Analyst: Sir and on the gas consumption, which is internally consumed mainly for transmission, pet-chem. So can you have the numbers at least annually? For how much, if you want to bridge the gap between revenues and EBIT at least it can have impact data on the GP level for the segment. So how much is gas cost in the transmission business in rupees or volume whatever you can give?

Rakesh Kumar Jain: That we can do. So we'll work out and give you. You want that.

Unidentified Analyst: On the CapEx part, the pipeline networks over the years has increased, but the MMSCMD is not taken pace in the same level as Chairman mentioned about that it takes, it's according to account of demand from future years. So any upside we see in the volume now we are expecting from 107 to 118 for '24. Structurally, do we see a certain CAGR of 2%, 3% going forward or it will be still a long short?

Sandeep Kumar Gupta: Definitely, this volume increase which we are talking about for this year, this is in respect to the pipelines which are existing and the pipelines which will get commissioned in this particular period. But then going forward we'll have new pipelines which it will get commissioned, which is Mumbai-Nagpur, Jabalpur-Jharsuguda pipeline. And also KKBMPL pipeline will be connected to Bangalore. So these volumes, these are sent us where the consumption is good. And so definitely we can expect a growth in the following years also.

Rakesh Kumar Jain: Let me add one more thing to what Chairman said. The 53% capacity utilization of 52% is based on the individual pipelines, which is the tariff regime as on today. Now, from 1st April '23, the tariff regime has changed. The pipeline which transport volume from one pipeline to other pipeline will not have the additional capacity, which will be considered in the upstream pipeline capacity. Therefore the total capacity has gone down and in a sense the capacity utilization will improve. So that capacity utilization if what Chairman said that we expect 118 MMSCMD of gas to be transported and the capacity considered by PNG are around 170. So that capacity utilization will be around 60%, 65% you can work out for yourself.

Unidentified Analyst: Okay, sir. One last question on the again transmission, the volume was good for Q4, but there is a drop in the revenue per MMBtu. So can you please explain on that? On the Transmission segment, the per unit revenue of an MMBtu on the Transmission segment. So there seems to be a slight drop in that.

Rakesh Kumar Jain: In Q4?

Unidentified Analyst: Yeah.

Rakesh Kumar Jain: We'll analyse and give you, but one of the reason is that Rs. 70 crore revenue we have knocked off for the provision made for IPCL. And there may be some more reason we'll work out and give.

Unidentified Analyst: Okay, thank you. That's all. Thank you.

Vivekanand: Hi, this is Vivekanand from Ambit. I have two questions. One is a follow-up on the previous participants query. So the slide mentions deallocation of domestic gas for compressor fuel as a one-off. You have mentioned an amount of Rs. 800 crore in the Transmission segment. Why should we see this as a one-off given that you are no longer going to get domestic gas for compressor fuel for your transmission operations?

And secondly, a related question on the one-offs, the inventory loss that you have booked now for two successive quarters, is there any more high cost inventory that is there in the balance sheet that is yet to be impaired in the first quarter? Thank you.

Rakesh Kumar Jain: Thank you. So, for two reasons the fuel consumption there will not be one-offs. One that the cut in allocation for domestic gas was sudden and it has happened on 16th from 16 August, 2022. So you know that at that time the prices of LNG were at its peak and we didn't have any other gas. Therefore, we need to source highest price gas that was a $41 per MMBtu.

Therefore, we were to book the differentials for APM gas price versus the actual price, which is not the case today, because now we can plan for ourselves because we know that the cuts have taken place and that's what we have done and we have the gas available for booking. So those kind of differences does not exist.

And second reason is that whatever extra cost we have booked, we have already represented to PNGRB for considering those costs. And PNGRB, even without our representation, its tariff order has said that extra cost will be at HPHT price. So these gas prices are anyway available through tariff view, which PNGRB is already considering. So that's how we expect that we say that these are not one-offs.

Second, with respect to inventory loss, again, the inventory when we bought the prices were at peak and then all of a sudden the prices start dropping. Now, those inventories we have already valued at a lower price or market price is lower than the cost price. Therefore, we don't expect this to happen in subsequent quarters.

Nitin: Hi sir, good evening. This is Nitin from YES Securities. Sir my question is also related to the system use gas. So basically, we had seen de-allocation in the last quarter again. So my question is with relation to the opening remarks, that where you alluded that the tariff has been appealed for again. And there's a difference between what PNGRB has given to you and what you had asked for. So when you have filed an appeal, is that appeal for revising the price only or also includes basically a provision for revision in the quantity?

Because right now, like now whatever allocation you have for compressor gas can go down further, right? So when you want a revised tariff, you would want it revised for the quantity as well and also the price, or you have just right now filed only for pricing?

Rakesh Kumar Jain: Actually, the quantity revision is not in the scope of PNGRB. The Government of India has allocated us the APM gas for the purpose of consumption of fuel in GTGs. So that's not the case. But with respect to our review petition, it is the price which PNGRB has considered in its tariff order is $3.61 per MMBtu, which is not even the APM price. So we have filed the review petition to consider the right price for future projections and actual price for the gas we purchase for meeting the urgent or emergency requirement on account of gas allocation cut by government.

Nitin: Sir I understand that, I mean the price of 3.6, that PNGRB has considered that's for a quantity of APM gas, right? There's an assumption of quantity as well as price, right. So when we are now in May, like the quantity that you have with you is certainly lower than what PNGRB had considered in their tariff order. So I'm asking that how is that going to get factored in going ahead?

And secondly, related to that, only if suppose your sourcing is not on HPHT but on LNG, so would you also be compensated for the price of LNG no matter what the price is?

Rakesh Kumar Jain: The PNGRB actually has considered the price of APM, not even APM $3.61. And since we have represented, we expect that PNGRB will consider, there is no doubt about that because regulatory position is very clear that they have to give actual or normative price. And which is the case with respect to HPHT gas price also, that PNGRB has said in its tariff order that they will give HPHT gas price for meeting the differential requirement. We have also sourced the gas in alignment with that.

But even if it is higher, even if we require to source the LNG, we have to only demonstrate that we have purchased through transparent mechanism, because law position is very clear. There is nothing in law which says HPHT gas price. It's tariff order like they have considered 3.61. They have said that they will consider HPHT, but this is not in line with the law, though we are hopeful that we will be able to source the HPHT gas price.

But even in case for any shortfall hypothetically that is allowed in terms of the regulations.

Nitin: Understood, sir. And lastly, sir, for LPG and LHC, are we getting all the quantity that we require in form of APM or we are sourcing any LNG over there for production of LPG and LHC?

Rakesh Kumar Jain: So we are getting the allocation of 1.75 for LPG and LHC and we are producing based on the allocation only.

Nitin: Understood, sir. And sir, lastly again, so in terms of tariff revision timelines, so what is the standard timeline right now for normalization of actual cost? I mean, for factoring of actual cost operating costs in tariff orders?

Rakesh Kumar Jain: Actually, the law position is that PNGRB will review its tariff every three years. But law also says that in case of any change in the parameter, significant change in the parameter, either PNGRB on its own, that is Suo Moto basis, or based on the request of entity, they will revise. So in this case, since there was a change in parameter, because what PNGRB had considered and what it was actually they should have considered, we represented. But with respect to timeline, it is very difficult for us as an entity to predict that they will do today, tomorrow, or they will take three to six months whatever.

What we can do, we will follow-up with them and expect that they will do sooner.

Nitin: Sure sir. Thank you, sir.

Sandeep Kumar Gupta: But the delay does not affect us.

Rakesh Kumar Jain: Yeah. And yes, Chairman has rightly pointed out that even if delay is there because this is the tariff is calculated based on DCF model which considered the net present value of expenditure incurred and that is grossed up at the rate of 16% that to provide 12% post tax return.

Yogesh: Yeah. Thanks sir. Yogesh here from Dolat Capital. So question is related to again the gas demand. The CMD sir said that gas transmission volume will go up from 108 to 118 in FY '24. So apart from CGD, where do you see a gas demand? So it can lead to a gas transmission volume of 118? Secondly, what is the current status of these fertilizer plants, how much they are consuming and how much additional consumption can be done in FY '24?

Rakesh Kumar Jain: Yeah. So in morning also Chairman sir said that the gas marketing volume is likely to increase by 7% to 8%. Your question is essentially from where it will come. So, as you know that HURL has plant at Barauni and Sindri. Those plant were commissioned almost at the end of this Q4 of financial year '22, '23. And we'll have consumption of more than four MMSCMD. And we have marketing rights to them almost 90%, so the major volume come from there.

Second, as you know that CGD is growing every year with the CAGR in double-digit. So almost 3 million to 4 million volume comes from there. And then even on ballpark basis, you consider 70%, 60%, 70% share around 2 million to 3 million will come from there. So 7 million I'm telling even if we consider that there are no consumer going to come up.

Third, we put last year supply cuts to fertilizers, we also put supply cuts to other consumers to fertilizer at take or pay level and also to other consumer at supply pay level, which are also significant. Since we have started restarted supplying to them, those volumes have already come back. So these are the actually given numbers, which I have said and even if we consider those given numbers, the 7% to 8% growth is available in terms of marketing.

Yogesh: Okay. And the next question is regarding gas transmission and petrochemical. So gas transmission as of now getting 0.6 MMSCMD kind of APM gas allocation. So will it sustain? I mean, that is the basic question. And if it is not going to sustain, are you going to see fixed prices for the gas, which will give us a guidance that prices for the gas compressors will be used so that at least we can forecast the things according to that.

And the same for the Petrochemical segment also. So in the last year for '23, we have observed because of higher LNG prices, we were not able to operate that segment at 100% level. So why don't you enter into the long-term contract for the same two things, same two businesses?

Sandeep Kumar Gupta: First, on transmission, we do not expect that there will be further cuts of domestic gas for that. But even if that happens and we are to source high priced gas for that, as Jain sir has already explained that as per regulations, that true-up of the actual costs will happen in the next revisions. So it does not affect us really.

As far as petrochemicals is concerned, there is no domestic gas allocation for that. And in any case, we have to source our own gas, this period the gas was unviable and that is why there are losses. But with prices having normalized to a great extent, now the availability of viable gas is there per se, but yes, we are trying for lining up long-term contracts also to service our petrochemical plants.

Yogesh: Okay, thanks. Thanks a lot sir.

Vishnu: Sir Vishnu from Spark Capital. Following-up on the previous question, so as of now for pet-chem, **we don't have an** internal long-term arrangement. It is at the spot basis. If you don't have any gas, we will resort the spot. Is that beyond understanding?

Sandeep Kumar Gupta: No. Now we have an internal arrangement also where almost a certain price will be allocated for petrochemicals also to have a certainty of the profitability of that vertical. And as asked by the previous speaker also and I replied that we are also trying to source long-term gas, or at least midterm gas to service our petrochemical plant.

Vishnu: So whenever you sign new contracts, then you will fix a long-term with the pet chem?

Sandeep Kumar Gupta: Yes. Yes.

Vishnu: A few questions on all the segments I have. So firstly on your gas transmission, the new reporting basis we have about 10 odd volumes which is interconnected volume. So when the new reporting happens from 1st of -- I mean the June quarter. We'll still continue to report 110 kind of volumes or we'll eliminate the 10 volumes of interconnected and report. How do we go about it?

Rakesh Kumar Jain: So the numbers we have given is already knocked off only the single number. We are not double counted.

Vishnu: Okay. And second sir, on the gas marketing, we have kind of highlighted Rs. 3,500 crores. If you could help us understand like how much would be the -- I mean in this number would you call that 100% this -- I mean irrespective commodity swings, we will get X amount let's say if a commodity swing happens then probably a certain amount can swing. So is there a fixed marketing, because we were told that most of the volumes is now 100% contracted. So I understand there are multiple differences in this year.

One, we have a fixed marketing margin. One, we have a HHS to oil difference. So if you could help us understand at least in a proportion terms that out of 3,500, 2,000 odd crores at least will be static. Anything that you can help us understand?

Rakesh Kumar Jain: Yeah. So as you know that we have portfolio apart from APM gas, we have portfolio 14 MMTPA of gas and the RLNG, which we are sourcing from 2005, 2004 from Qatar, 4.5 plus 0.3 we sourced in 2015. All is back to back. So there is no risk of pricing there. And Henry Hub gas, that is 5.8 MMTPA gas. We have already marketed more than 8 MMSCMD of gas out of the 5.8, which amounts to 20 million on same index with a margin. The margin varies from contract-to-contract. We have ability, rather we had ability when we marketed this to have a handsome margin in that. Remaining gas, because we have also Gazprom gas and also United States gas, which we have not marketed.

We have sold the gas at a contract of crude linked, lot of gas we have sold at crude linked. And in order to mitigate the risk, we have already done basis swaps and that is a continuous process we are doing to mitigate the risk. So based on these factors, of course we have some open gas, which we are able to take the benefit of arbitrage in the international market as well as the spot gas in the country like fertilizer EPCM bidding.

So largely we have marketed either on the same index with certain margin or if we have marketed on different decks. We have taken risk mitigation measures through swaps. So we have worked out based on that and based on that, where Chairman has said that Rs. 3,500 crores will earn, it's our estimate that we should not go down below Rs. 3,500 crores irrespective of the circumstances.

Vishnu: Sir, you said out of the Henry Hub gas that you're getting 20 MMSCMD, eight is directly sold in…

Rakesh Kumar Jain: Eight plus.

Vishnu: Eight plus and the rest is on oil?

Rakesh Kumar Jain: No, I have not said that. I have said that remaining gas out of that and Gazprom gas. We have sold lot of gas on a crude linked formula. So crude linked formula means we have different contract. The Ras Gas contract and the Gazprom both have different formula. So we have sold at a certain crude linked formula, and in order to mitigate the risk of Henry Hub, we converted the formula to crude link through basis swap. And since this time there is a lot of margin where we are swapping. So we have mitigated the risk and also added certain delta to that.

And some of the gas is still we have open gas, which we are able to market in international market considering the arbitrage level and also in the domestic market. I have said that.

Vishnu: Got it sir. Last one from my side is -- we saw the project CapEx that you had. Earlier calls also you were saying that more or less, our pipeline investments will probably, will not be at the pace at which we were doing. So is that right? And also we saw one presentation where you had looks like new pipelines have at least is being proposed completely on the Eastern Corridor starting from the north to the south. So will the pipeline CapEx again go up compared to what at least the ones that we are currently having?

Sandeep Kumar Gupta: The pipelines which are under construction are the Srikakulam-Angul pipeline on the East Coast, the Mumbai Nagpur, Jabalpur Jharsuguda pipeline, and KKMBPL pipeline. These three major projects are going on as of now. So and these all will be completed by the end of next year, by the end of '24. So I don't know whether I could…

Vishnu: My question was after '24, '25. Again, we'll have a slew of new pipelines that you think will be required or more or less in the best opinion of yours, you believe that we are more or less done with the large CapEx in the pipeline segment?

Sandeep Kumar Gupta: No new pipeline has been sort of -- UI has been issued by PNGRB except for in the Northern India for what Gurdaspur Jammu. So that is one section where we have also submitted our interest. But besides that, no new pipeline has currently been notified or is under, perhaps thinking.

Vishnu: So CapEx intensity in this segment should come down.

Sandeep Kumar Gupta: In this segment should come down.

Vishnu: Got it sir. Thank you.

Rakesh Kumar Jain: Just to supplement and further what Chairman sir has said that in visible four years, we have good amount of CapEx on pipelines and also we have good amount of CapEx apart from pipeline of petrochemical projects. These are the two segments where we are investing in three to four years. And as you know that, we continuously search for the projects. So as we move forward, we have new areas where we invest.

Sandeep Kumar Gupta: One particular project, which I did not mention is the Indradhanush Gas Grid Limited, which is a northeast gas grid which five companies put together are doing. Our share is only 20% of that, but no large cross country pipeline perhaps would come in very near future.

Unidentified Analyst: Thank you sir.

Jaideep Goswami: Sir, we'll wrap up with one last question. It is 05:30 p.m. now. One last question.

Unidentified Analyst: I might ask a follow-up question to Mr. Jain. You referred to the swaps for the Henry Hub gas. So can you give us some sense in terms of the hedging cost? Because I saw a line item in the cash flow of MTM gain of about Rs. 100 crores. So is there any swing in your cash flows which we should be mindful about? And what will be the hedging cost?

Rakesh Kumar Jain: I'm not able to see you where?

Unidentified Analyst: I'm here.

Rakesh Kumar Jain: Yeah. There is no hedging cost. Whenever you trade in future, there will be premium and whatever we settle in, you see in the cash flow is nothing, but the call we take at what price we are locking and what actually are the physical. Ultimately, it get squared off, either you get in physical or you pay in physical. There is no cost as such. The cash flow is nothing, but for call you exchange. I think if I understood you right.

Sandeep Kumar Gupta: He may be asking about options. I don't think we are doing options.

Rakesh Kumar Jain: We are not taking options. We are only taking swaps largely we are taking swaps, if I am able to rightly answer to your question.

Unidentified Analyst: Yeah, I got it. I got the drift of it. Thanks. So in CGD, can you get some -- can you give us some sense in terms of when you expect GAIL Gas to get returns, commensurate the investments, because the returns are below par compared to other CGD companies. So what is the timeline over which you would expect to get reasonable ROC on the CGD business in the GAIL Gas subsidiary?

Sandeep Kumar Gupta: No, when you say others, I just want to know which are these others?

Unidentified Analyst: They're all listed companies. So Indraprastha Gas or Mahanagar…?

Sandeep Kumar Gupta: That is what perhaps my thinking was that Indraprastha Gas or Mahanagar Gas have matured actually. They have been operating for decades. So GAIL Gas definitely is a much, much newer entity and there will be some time before the connections expand in those areas, whether in terms of CNG or PNG. But definitely these have got good potential areas, and we hope that going forward. It takes time for maturity of such business. But we are very hopeful that definitely the growth will be there in times to come. No immediate guidance on this cannot be given.

Unidentified Analyst: Thank you very much. I appreciate that.

Jaideep Goswami: One last question from Vartha.

Unidentified Analyst: Yeah. Sir the Gazprom contract, what is the current status? We see in the newspapers that deliveries are starting and likely to continue. How does it change the entire marketing side of it? Are you going to move part of your U.S. gas back to international sale. Now that Gazprom is going to be available?

And secondly, is there any compensation which is being discussed or worked out for the shortfall which was there for the last nine, 10 months?

Kaviraj: The resumption in supply by Gazprom is not going to significantly change our position in the international market. Given the demand that has already factified, so this will only add up to the consumption in India. That is your first question. I mean, that's my answer to your first question.

And second one, compensation. Yes, we are legally fighting it out. And exactly how much it is, it's not -- we'll not be able to quantify as of now. But we are in legal mode.

Unidentified Analyst: Okay. So now that the Gazprom volume is coming, like I mean whatever guidance CMD was talking about the trading volume or trading profit growth of 7% to 8%. Does that number include already the Gazprom delivery and you're resuming like it's going to continue full-fledged or was that from a different side on the demand side?

Kaviraj: No, that included that volume as well.

Sandeep Kumar Gupta: So we were to get four cargoes per month under that contract, which we are getting now. And we are hopeful that that should continue. Last year, because of the disruption and the high prices of spot gas, that could not be made up. But now we expect that with the current ruling prices, even if there are no supplies under that contract, we will be able to source gas even at the spot prices and which will be affordable to the consumers also. So no impact on that front.

Unidentified Analyst: Fair enough sir. On the high pressure, high temperature gas, which you have acquired from KG Basin, RIL auction. Part of it I'm assuming, will go to the pipeline. What about the remaining?

The KG Basin gas which you have acquired in the auction, I'm assuming part of it will go to the pipeline compressors. How about the remaining? Where are you placing them?

Kaviraj: We'll use it in our -- I mean for our internal consumption in other processing plants as well.

Sandeep Kumar Gupta: No there is no one to one allocation. [Hindi Language] [01:28:33]. It will be available in our portfolio for any purpose, we want to use it for.

Unidentified Analyst: Sir my assumption was that given that there is a regulation on the marketing margin you can charge on that. So I thought it was supposed to be one to one so?

Sandeep Kumar Gupta: Is it supposed to be one to one? I do not know. Praveer, will you like to tell something?

Praveer Agrawal: Sir, what happens is that part of it we are buying for IC SUG pipeline. Part of it will be buying for our Pata Petrochemical Plant. Part of it actually, as a strategy, we are buying it and then we'll be allocating to various customers as and when they come. So we'll be having that as a bouquet, we'll be offering to various customers. So this gas will be available with us. So that is…

Sandeep Kumar Gupta: Yeah. So no one to one usage. It is up to us. This is available in our portfolio.

Praveer Agrawal: Yeah, marketing margin is as per the 13 January circular of MOP&NG which regulates it to, I think Rs. 16.42 per MMBtu. So that will be up my limit. But then that is also not -- it is around $0.20 in dollar terms, so that is okay. As a prudent business operator, as a marketer, we would like to have that in our portfolio for sale for other customers.

Jaideep Goswami: I don't know if it's working. So we take this opportunity to sincerely thank the top management of GAIL Authority of India Limited and all the investors who could attend this annual conference. Thank you, sir. Any final comments from your side?

Sandeep Kumar Gupta: No, only the final comment is that, this was a one-off year, '23, '24, where perhaps all kind of adversities happened and affected all business segments. But we are extremely positive about the next fiscal and hopefully we will record a very robust number going forward. Thank you very much.