GAIL (India) Limited

"GAIL India Limited
Q2 FY2024 Earnings Conference Call"

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GAIL (India) Limited

IIFL SECURITIES

CHORUS CALL®

ANALYST: **MR. HARSHAVARDHAN DOLE – IIFL SECURITIES LIMITED**

MANAGEMENT: **SHRI RAKESH KUMAR JAIN - DIRECTOR FINANCE - GAIL INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the GAIL India Limited Q2 FY2024 earnings conference call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshavardhan Dole from IIFL Securities Limited.

Harshavardhan Dole: Greetings everyone. On behalf of IIFL Securities I welcome you all for GAIL 2Q FY2024 earnings call to discuss the results in detail and share the performance outlook. Today we have the management team of GAIL led by Shri Rakesh Kumar Jain, Director Finance and other senior executives. I request Director Finance GAIL to make opening remark subsequent to which the floor will be opened for Q&A. Over to you Sir?

R. K. Jain: Thank you Mr. Harsha from IIFL Securities. My colleague's, dear friends from investors and analyst community a very good afternoon to all of you and welcome to this earning call for Q2 FY2024. At the outset, I thank you all for attending this earning call. I would briefly touch upon the major highlights for this quarter and then we can have an open session for your questions.

GAIL results for quarter ended 30th September 2023 have been declared today. Gross turnover for the quarter stood at Rs.31728 Crores. Profit before tax stood at Rs.3130 Crores and there is an increase of 66% over this previous quarter and if you talk of profit after tax, profit after tax stood at Rs.2405 Crores and here also an increase of 70% over previous quarter. If we talk on consolidated basis, GAIL clocked a turnover of Rs.32952 Crores in Q2 FY2024 as against Rs.32755 Crores in previous quarter hence a marginal lap up by 1%. Profit before tax is up by 37% to Rs.3138 Crores as against 2283 Crores and profit after tax is up by 36% to Rs.2444 Crores as against 1792 Crores. The capital expenditure for Q2 FY2024 is Rs.2462 Crores and this capital expenditure is mainly on pipelines, petrochemical, city gas distribution project, operational capex, Others, and equity contribution. Now I would like to share performance highlights of Q2 FY2024. GAIL gross turnover stood at Rs.31728 Crores in Q2 FY2024 as against Rs.32138 Crores in Q1 FY2024, there is a marginal increase 1% and basically there is a mix of issues. There is a decrease in gas volume and decrease in natural gas price and LPG price these are the reason for a minor decrease. The profit before tax during the quarter increased to Rs.3130 Crores as against Rs.1899 Crores in Q1. As I told you there is an upside of 66% and this upside is mainly on account of better gas trading margins, increasing natural gas transmission volume, decrease in fuel cost and natural gas compression. If you remember last quarter we said there is a one off because we were caring the inventory of last year, the higher cost purchase inventory which we booked in Q1 as well.

For that there is a dividend income in this quarter Rs.270 Crores. Normally we do not receive dividend in Q1 and it starts coming from Q2. The profit after tax during the quarter increased to 2405 Crores as 1412 Crores and here also increase of 70%. Physical performance for the current quarter as against previous quarter, total gas marketing volume was 96.96 MMSCMD almost 97 MMSCMD in Q2 as against 98.84 MMSCMD in Q1 FY2024. As decrease in volume, almost 2 million volume has gone down due to decrease in overseas volume now what is happening there is a increase demand in domestic market so the international trade which we used to do has gone down by almost 5 MMSCMD and there is increase in demand in domestic market so that was around 3 MMSCMD so there is a net of impact of 2 MMSCMD but good sign is that there is a demand increase in domestic market. Natural gas transmission volume increased by 4 MMSCMD to 120.31 MMSCMD in Q2 as against 116.33 MMSCMD in Q1. If you talk of average pipeline capacity utilization, the pipeline capacity utilization was 58% in the Q2 FY2024 and the reason are same, there is increase in demand in domestic market therefore pipeline utilization has also gone up. Polymer production is almost flat 160 TMT in Q2 as against 164 TMT in Q1 and our capacity utilization was approximate 79%. Liquid hydrocarbon production was also almost flat 238 TMT as against 243 TMT in previous quarter and capacity utilization was 67%. LPG transmission was 1114 TMT as against 1073 TMT in previous quarter and here capacity utilization was 97%. Now consolidated financial number, the consolidated turnover in current quarter stood at Rs.32952 Crores versus Rs.32755 Crores in Q1. Profit before tax in current quarter is 3138 Crores as against 2283 Crores in Q1. PAT is Rs.2444 Crores versus 1792 Crores in Q1.

Now I will share GAIL CGD performance. As you know that GAIL is having six geographical areas directly with GAIL so in these six geographical areas we have infrastructure of 157 CNG stations 274,000 domestic PNG connections. During the current quarter, three new CNG stations and 5500 number of new DPNG connections were added. Physical volume was 0.3 MMSCMD and in terms of our future plan for CGD we target to add in GAIL, I am repeating in GAIL six geographical area 100 new CNG stations and almost 2 lakh new DPNG connection I will also take you through the GAIL gas performance. Gross turnover stood at Rs.2745 Crores as against 2192 Crores in Q1 FY2024 increase of 25% mainly on account of increase in bulk trading quantity by 47% and CNG quantity by 7%. PBT has gone down. I will explain the reason. PBT has gone down to Rs.57 Crores as against Rs.102 Crores and there is one off. Actually all the employees from GAIL are on deputation to GAIL gas and in terms of recent Supreme Court decision GST is required to be levied for the service provided by GAIL in terms of manpower supply to

GAIL gas so we booked Rs.76 Crores of GST implication till 31st March 2023 and for Q1 Rs.4 Crores so this is one of which has happened during this quarter. Profit after tax stood at Rs.42 Crores as against Rs.76 Crores and there is a decrease of 45% and the reason are same. Physical volume increases to 6.55 MMSCMD in Q2 FY2024 increase of 25% mainly on account of as I said bulk trading quantity 47% increase in bulk trading and CNG quantity by 7%. During current quarter 18,799 new DPNG connections were added and six new CNG stations were also added. GAIL gas along with its JV, subsidiaries has infrastructure of almost 8.9 lakh DPNG connections and 462 CNG stations. We have another subsidiary Bengal Gas, as on 30th September 2023 Bengal Gas is having 12 CNG stations approximate 215 km of pipeline and 8000 number of domestic CNG connections.

I will take you through the project performance. Mumbai Nagpur Jharsuguda pipeline, this pipeline is of 1755 km long pipeline, activities are in full swing and first section Mumbai Nagpur Jharsuguda of this pipeline which is of almost 698 km we expect it to be completed by June 2024. Regarding Jagdishpur-Haldia Bokaro-Dhamra pipeline, this pipeline length is of 3289 km out of the same 2922 km of pipeline have already been commissioned and remaining part is expected to be completed progressively by June 2024. Srikakulam to Angul mainline length is 420 km and likely to be completed by the end of this calendar year. Gurdaspur Jammu natural gas pipeline having a length of 160 km likely to be completed by July 2026. As you know this pipeline has recently been authorized to GAIL so pre-project activities and the project related activities have started. Dhamra Haldia pipeline Orissa portion of length of 150 km is expected to be completed by the end of this calendar year. The other projects PDH-PP Usar as you know the capacity of this project is 500 ktpa, project cost is 11,256 and we expect this project to be completed by April 2025, 60 ktpa PP Pata projects have started. Project cost is almost Rs.1300 Crores. We expect this project to be completed by July 2024. IPA at Usar capacity is 50 ktpa project cost is 530 Crores completion we expect by December 2025. As you also that GAIL has acquired JBF petrochemicals now it is known as GAIL Mangalore Petrochemicals Limited capacity is 1250 ktpa project cost is 4200 Crores. The activities related to the commissioning of project completion date are on and completion date is by March 2025.

Now I would like to also share our future outlook for gas marketing, gas transmission, so from gas marketing business as you know is showing robust performance. This is quite visible from the volume ramp up and margins in the marketing activities. This gives us confidence as informed earlier there is various calls, meetings with investors and analysts whatever happens we said in analyst call also during this year annual analyst call in at Bombay whatever happens we will be able to earn at least Rs.3500 Crores. of gas marketing margin and now it is evident from the H1 2024 results by H1 we have already earned Rs.2700 Crores so we will be meeting this target and not only we will be surpassing this target. In terms of the future outlook of gas marketing let me share with you, we expect at least to earn Rs.4000 Crores as a marketing margin next financial year, as we said regarding 2023-2024 now we have estimated that next year we will earn at least Rs.4000 Crores. Gas transmission volume for 2023-2024 is expected to be 120 MMSCMD, we have been telling you and sharing in various earning calls, various analyst meets interactions that last year volume was 107. We will end up this financial year with an average volume of 120 and we also expect to exit at the rate of 123 to 124. This year we are expecting an increase of almost 13 million on an average basis and when we add by almost 16 million exit will be higher by 16 million. Polymer production as I shared stood at 160 TMT as against 164 TMT in last quarter. This quarter, I am talking of Q2, we have been able to reduce losses in petrochemical segment by optimizing / minimizing the cost of input gas for petrochemical plant. In H2 of FY2023-2024 we plan to further optimize our sourcing and aimed to close the year if not break even nearer to breakeven level. Further starting next financial year we have to normalize our petrochemical operations with a positive bottom line. Liquid hydrocarbon production stood at 481 TMT in H1 FY2024 and during the year production is estimated at the same previous year production level of almost 930 to 950, also to protect the margin segment as we shared in various earning calls we also started taking positions in financial market and we are doing maybe in a smaller way hedging of LPG prices. I think I have tried to cover up Q2 financial and H1 financial results and also the reasons for various increase, decrease, and changes in profitability and also future outlook from my side. Now I will hand over back to you Harsha for opening the session.

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

Probal Sen: Thank you for the opportunity Sir. Congratulations on strong set of numbers I have a couple of questions, one with respect to the LPG and petrochemical prices which have been subdued over the last couple of quarters now we have obviously seen Asia propane prices starting to recover from the last few months just wanted to understand that when should we expect to see the impact of the slightly better LPG prices or propane prices in our numbers does Q3 so far look much stronger compared to Q2 and similarly in terms of petrochemicals there is an element of oversupply in the near term that is developing because of additional commissioning of HMELs plant and other capacities coming on stream as well so how are we looking at the pricing scenario given that we are also making significant investments in adding to our petrochemical capacities in the next three to four years just these two questions and the last question was with respect to the trading run rate I know you have often said this before that predicting a run rate is very difficult but what sort of EBITDA run rate should we work with for the second half given that the number this quarter has definitely beaten the expectations.

R. K. Jain: Thank you. I think your question largely on the LPG and petrochemical prices. Yes, the LPG prices in Q2 are really abnormally low. I must say it is a rare occasion that it was low for Q2 which we have also not witnessed in past, but it has started moving up and we expect significantly better performance during remaining part of the financial year. With respect to questions of petrochemical yes the prices of petrochemicals are under tremendous pressure. We are also witnessing those pressures but this is beyond our control. The market price will be what market is nobody can control on the market but when we have an ability to source the gas at the cheapest and best optimal price for petrochemical plant which we have been doing and the result for Q2 is the testimony of that that we have been able to reduce our losses to a great extent. What we expect in coming quarter or remaining part of the financial year that we will be able to source gas or provide gas to our petrochemical plant at a price which gives significant change to the financials for petrochemical plant, thank you.

Probal Sen: I was asking Sir if a follow up in terms of petrochemical volumes then can we expect a gradual pickup in terms of volume run rate for the next few quarters.

R. K. Jain: Yes if you see that this quarter of course we were almost at the same level at what we were at Q1 if you see anyway is better because it is a festive season and during this particular quarter anyway demand picks up so that will be one positive point and second positive point is that since we are able to source now a reasonably good price gas so we have an ability to produce more and sell more and maybe in terms of pricing we may be competitive because we will have more leverage to do that so I think we will try to pick up and enhance our production in remaining half of the financial year.

Probal Sen: Understood Sir thank you that is all for me. I will come back in the queue. Thank you for your time.

Moderator: Thank you. The next question is from the line of Nitin Tiwari from Philip Capital. Please go ahead.

Nitin Tiwari: Good evening Sir, thanks for the opportunity. Sir my questions also relates to the petrochemical segment just wanted to understand that why we have not been able to wrap up our production after the decline we saw last year because of high gas prices so gas prices are more or less normalized, the LPG prices are not as high but our utilization levels continue to be low on the petrochemical side and secondly if you can help us with the breakup of the cash cost in terms of what percentage would be the cost of gas and what percentage would be the operating cost so just wanted to understand that.

R. K. Jain: You are right that the input gas prices have significantly cut down if you compare with the last financial year but if you see in terms of petrochemical prices, the average price has gone down by at least Rs.20,000 per metric tonne if you compare with last financial year which is a matter of concern for us, but beyond control so as I was answering for the questions for the participant before you that the controllable thing to some extent we have is we have ability being one of the largest gas player in the country to source significantly good priced gas to petrochemical plant and that is what we have been doing. Q2 is the testament that we have been able to reduce the losses and in second half we will continue to do that and in terms of capacity utilization we will be ramping up our production in remaining half of the financial year and in first half why we could not do because there was lot of pressure on prices and inventory hold up was there. Market wise actually depressed market in Q1 and also to some extent in Q2 so market was also not picking up, inventory holding up was there. Now at least to a large extent that situation is over it is not fully over so we hope that this current financial second half will be better off as compared to first half.

Nitin Tiwari: Sure Sir and a breakup of the operating cash cost in terms of what percentage would be the cost of gas and what percentage will be operating cost.

R. K. Jain: It will be worked out from the financials but we will be able to give you offline I do not have that data available readily we will be sharing to the extent we can.

Nitin Tiwari: Are we also holding up any inventories. I mean is there a difficulty in pushing the product in the market as far as petrochemicals are concerned or we do not have any inventories at our end.

R. K. Jain: We have inventory. Good amount of inventory we have but we do not have inventory like we had in Q1. Some inventory you have to maintain but this time we have inventory of 45 to 50,000 metric tonne, but this inventory has significantly come down which was higher in Q1 and even in some part of Q2 so inventory holding is reducing slow by slow, market is picking up, prices suddenly are pressured but demand market is picking up.

Nitin Tiwari: Sure Sir thank you so much. I will get back in the queue. Thanks for all the answers.

Moderator: Thank you. The next question is from the line of Amit from UBS. Please go ahead.

Amit: Sir good afternoon. My question relates to the city gas distribution businesses which we have so we have three formats where we have few city gas licenses under GAIL. We have few joint ventures and then we have listed investments like IGL and Mahanagar Gas, sir do we have any plan for any value creation in these businesses by integration, reverse merger or any other modes going forward in the next one or two years from here.

R. K. Jain: Yes Amit actually we are regularly discussing at various levels about your question whether to reverse merger or whether to shift the geographical area which we have in GAIL gas and then we list GAIL gas certainly this in our mind. We are discussing on a regular basis but it is difficult to give a timeline but certainly I can say at that point of time we are discussing and once we take this call we will come back to you but this is in our radar.

Amit: Okay Sir and do we have any other view on merging this JBF plant with us so that we have better integration with the existing petrochemical facilities and do you see any economic sense of cost or other benefits for merger of these entities which are currently separately into other entities.

R. K. Jain: We have this issues in our hand not only JBF we are also thinking about KLL. We are regularly discussing this. We have a certain timeline in our mind, we are taking the action in this regard that should we merge this JBF and also at some point of time KLL to GAIL.

Amit: Okay and Sir last one just on the dividend or the buyback so we have come back very strongly with a very strong profit numbers and as you mentioned second half is also looking promising and next year is also looking promising so any plans for any buyback or a good dividend payout for the shareholders.

R. K. Jain: This is a board call. It is very difficult for me to give anything but you can historically see us what is our payout ratio. We have been giving dividend of 45% payout ratio is 45 to 50% and that is our track record and you can vouch for yourself and I think GAIL as a company is rewarding to its shareholders and as management thought will continue to do so any number for me giving the number will not be fair and I cannot give because it is a board call. Regarding buyback we have done buyback for almost consecutive two financial years. At the moment nothing is in our mind but anyway because again it is a board call we will come back to you once board decides to do something.

Amit: Sure Sir thank you and wish you all the best and a happy Diwali to the entire team.

Moderator: Thank you. The next question is from the line of Ramesh from Nirmal Bang Equities please go ahead.

Ramesh: So if you are looking at your core gas business both transmission and marketing how do you explain the kind of strong margins in gas marketing because about Rs.1.8 per cubic meter if you do calculation and what is the kind of visibility you have in terms of the unit margin so assuming a certain marketing volume what is the kind of predictability we can assess for the marketing segment.

R. K. Jain: See if I understood you, you asked two questions one is the historical what are the reason how we have been able to earn so much and what is the predictability right.

Ramesh: Yes.

R. K. Jain: So with respect to your question how we have been able to do that and one more dimension I will add that we have been now predicting also what kind of marketing margin we will earn in coming years. We have portfolio of 14 MMTPA of energy in our pool and major part of this portfolio we have sold on back to back, when I say back to back, back to back index not the margin part of it and some part of it we have kept open for ourselves, second thing which I will tell you we have now FOB contract which is a significant portion of our portfolio almost you can say 5.8 billion tonne and when we have FOB based contract with us we have ability to reduce transportation charges through various mechanisms. One of the mechanism is destination swap wherein we swap our cargos which are available at United States with the cargo which are required to bring to India and in this particular quarter let me give you data, we have been able to reduce our cost of gas by a dollar which straight away goes to my profit as compared to Q1. Second whatever portfolio we have kept open we have ability to financially have those which we have been sharing with you and we have continuously taking positions in financial market and are able to not only maintain our profits but are able to take advantage of the market situation and increase our marketing margin. While we want to remain competitive in the gas marketing segment, but these various measures have been able to provide good dividend to us and that is how we have been able to perform better that is one thing. Regarding future I said in answer to questions by one of the participants and let me give with the historical data. Now for last two years we have been predicting our marketing margin. We said last year 2023 whatever situation happens we will earn at least Rs.3000 Crores. Last year's analyst in May we said this year whatever situation happens we earn at least Rs.3500 Crores and we have demonstrated that even in the worst kind of situation of Ukraine war last year and I also said in the answer to the question by one of the participant that next year we expect that at least we should earn marketing margin of Rs.4000 Crores and whatever we have been saying you can vouch for yourself. We are able to not only achieve but do better in our performance that is the future visibility about marketing gas.

Ramesh: Okay as a followup question in terms of the gas transmission volume particularly in the JHBDPL pipeline where are we in terms of the completion of the entire JHBDPL pipeline and when do you see that ramp up to the full capacity utilization say in the next two to three years.

R. K. Jain: So in terms of completion I said in opening remark that this pipeline we expect to be commissioned by 2024 fully progressively last leg will be completed by June 2024. In terms of capacity utilization this pipeline is one of the significantly highest utilized pipeline because we expect at least 7 to 10 million volumes from refineries along the pipeline, the city gas distribution in additional and this pipeline is also cater to northeast including NRL Refinery. We are in discussion with various consumers to take the gas along this pipeline so whatever portion we have commissioned it is getting largely utilized and we expect this pipeline to be utilized. This is one of the highest utilized pipeline at this point I can say so.

Ramesh: You made a reference to the cost in the gas used in the gas compressors for your transmission business what would be the savings you would have achieved in the second quarter and first half and is that something one can expect to sustain in future.

R. K. Jain: It is not saving actually there was one off in Q1 because we were carrying the costly gas inventory in our portfolio which we purchased last year. It was more than Rs.200 Crores of extra cost we booked during Q1 which is not there in Q2 because now we know for sure that our allocation has been reduced so we have been sourcing this gas from domestic market which is significantly cheaper as compared to the last year's price which were hit by Ukraine war so if again to summarize to answer your question last quarter we booked more than Rs.200 Crores extra cost to fuel which is not there in this quarter.

Ramesh: If I may just ask a last question, in terms of your discussion with the regulator you were talking about getting back some of the cost you incurred last year in terms of additional cost for the imported LNG for your compressor how is that progressing is there any visibility in the getting that refund from the regulator this year or next year.

R. K. Jain: So before giving answer to your question first let me just get you a recap. The regulator has allowed us gas price of $3.61 per MMBTU for consumption in compression fuel which is non-existence price because this is not even APM price. Last year in this situation when all of sudden the allocation was cut we used significantly higher price even during this year the domestic price is almost $10, $11 depending on the time so this deficit we have demanded from the regulator through tariff increase for which we filed the petition immediately after issuance of tariff order. This review petition has been listed for hearing in November. We expect that regulator will take a call on immediate basis because we also during discussions to them we said that if you delay it has an impact on NPV basis, our tariff will further increase so in the larger interest of everybody this should be taken up on priority basis so that we get our desired return and get back the money which incurred and it does not impact the interest of consumer as well.

Ramesh: Thank you very much Sir and wish you all the best.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Markets, please go ahead.

Kirtan Mehta: Thank you Sir for this opportunity. Would you be able to share light on how do you see your gas transmission and marketing value ramp up into FY2025 would you be able to give some colour on this.

R. K. Jain: Sure, we expect our marketing volume to go up by at least 6 to 7% next year and transmission volume which I said that we will end up by 120 on an average basis this year is likely to increase by 12 MMSCMD in FY2025 that means we will be having an average transmission volume of 120-130.

Kirtan Mehta: Could you also sort of give a bit more colour in terms of where do we see this volume growth coming from?

R. K. Jain: So this volume largely you see the consumption of gas in domestic market is increasing. We have an infrastructure which caters to 70% of the countries gas requirement so first volume which is very, very visible to everybody comes from city gas distribution which has a double digit increase of almost 12%, 4 to 5 million volume increase is there even if on crude basis you take 70% 3 million comes to our transportation perspective. As I said in another answer to another question that there are refineries along Jagdishpur Haldia pipeline. Dhamra terminal has already commissioned. There are various off takers at Dhamra terminal. They have booked the capacity wherever they take the volume the pipeline belongs to GAIL 7 to 10 billion volumes likely to come from there. There are various steel plants. There are various other refineries and there is another upcoming pipeline which GAIL is constructing going to be commissioned so all these likely to bring these volumes to our fold and that is how we will reach 130.

Kirtan Mehta: Thanks for this colour. One followup question on the gas marketing margin where we are sort of continuously increasing our predictability from 3000 Crores to 3500 to 4000 Crores is this primarily sort of improvement coming from our ability to reduce the cost of gas from the destinations or are there any other levers that are at play because volume per se has remained more or less same so where are we actually seeing this increase coming from.

R. K. Jain: Actually on optics basis volume has remained same but I said that we used to market this gas in international market in view of less demand in domestic market, now almost all the volumes which we used to sell in international market is to domestic market and we when we market in domestic market there is a more ability to earn margin because international market we were selling under some kind of situation where we source and there were no demand so that is one second we are also in the market to source at least 1 MMTP of LNG every year for coming five to six years that is another addition which is going to happen and even if on average basis you add the margin that will come. Third, and I also shared in one of the questions that we have ability to optimize the cost because when you bring the cargos from United States there is certain cost of tariff say 2.5 just I am using a number and even if you are able to reduce $1 that is another addition to our margin without impacting the customer. Actually it is also increasing our competitiveness and we are able to earn more margin. We have charter ships through which we are able to do one more transaction that is DSDS which means through those ships we sell the cargos in international market to the destination in Europe and we purchase through those shifts for bringing the molecule to India. All those actions we have taken and we have demonstrated in last few years since the United States volume started flowing to India in 2018. In five years we have developed lot many solutions to reduce the cost, to increase the marketing margin either to market in international market or through increase in sales in domestic market and also as our chairman made this statement a few months back we are in the international market for sourcing of energy which will also add to our portfolio and increase the profitability.

Kirtan Mehta: Thanks for this colour. Are we able to drive the MMTPA volume for this year so would our portfolio be increasing by 1 million tonne extra this year.

R. K. Jain: So we are in discussion with various suppliers so when we conclude we will come back to you but we are we are discussing with various suppliers and I can say that we will be in a position to say so very soon to you.

Kirtan Mehta: Thank you.

Moderator: Thank you so much. The next question is from the line of Varatharajan from Antique Limited, please go ahead.

Varatharajan: So 2Q what I understand is that there has been a significant contribution in terms of volumes from the power sector due to the peak power demand so this is a number which may not be sustained over the next few quarters so what is your guidance on that.

R. K. Jain: My guidance I already shared with you.

Varatharajan: So that includes the volume going away or you are confident that volume will also stay.

R. K. Jain: Actually this is not unique situation in this quarter that power sector has demanded some volume and therefore our marketing volume has increased, it is a annual phenomena which happens and this year is one of them and we will continue to market the volume which we are marketing in quarters and we expect not only to maintain because anyway pipelines are getting commissioned, molecules are reaching to the farther end of the hinterland so new demands is also coming CGDs are getting commissioned so it is not the power sector, yes power sector has taken some volume in Q2 but even Q3 they have taken.

Varatharajan: Secondly on the Gazprom volumes would have normalized by now regarding the volumes which you have not delivered has there been any kind of a progress or proceeding how you are going to resolve that issue.

R. K. Jain: So we have taken up this issue of volume not delivered through legal route and we are engaged for resolution of that that issue for the volume we have not got.

Varatharajan: Is there a possibility that they will deliver those volumes now.

R. K. Jain: Because you cannot say what will happen to those things so we expect everything to be what we wish but let us see how it happens. We will only gain, we will not loss.

Varatharajan: Fair enough Sir and lastly on GAIL gas what is the CNG and domestic PNG volume out of the 6.5 million.

R. K. Jain: We will give you. We do not have break up of that.

Varatharajan: Not a problem Sir. I will catch that later.

Moderator: Thank you. The next question is from the line of Shashi Ranjan. Please go ahead.

Shashi Ranjan: Thank you Sir. Thank you for the opportunity. Can you just throw some colour on the Vijapur plant in MP for 10 megawatt of electrolysis plant that was set up how is the progress going on.

R. K. Jain: Yes the construction activities are going on and we expect that plant to be commissioned by the end of this financial year.

Shashi Ranjan: That is great Sir it is on time and can just help me at what price hydrogen is being produced in view of the mandatory use of the green hydrogen for fertilizer cum refineries is that price at which we are producing acceptable for these refineries and fertilizer companies.

R. K. Jain: Actually yes we expect that but the purpose of this plant is what? This is almost you can say we want to do a pilot project, why we want to do, energy transition is taking place. We are in a gas business. We know the gas has a longer life than other fossil fuels but can we be complacent in order to make ourselves future ready we are putting this plant. There are customers for this hydrogen. They are approaching us; price may be an issue but if regulation comes that may also not be issued but in order to take care of future readiness we are going ahead with the pilot project is 10-megawatt PEM technology-based plant we see this accordingly.

Shashi Ranjan: Thank you Sir last question in the last financial year we had seen one off around 320 Crores last quarter, first quarter this financial year we have seen one off of around 334 Crores and this quarter also it is around 80 Crores so being an investor being a trusted investor of Gas Authority of India Limited it takes me lot of courage to hold the shares when one offs are those high and so frequent so what are the measures being taken so these one off does not come up and even if it comes up it is very negligible that is my last question.

R. K. Jain: Which one off you are referring when you are raising this number can you share.

Shashi Ranjan: I do not have the breakup of the one off that that has happened but in the last investor meet 1200 Crores of one off was there and in last quarter there was one off around 1333 Crores.

R. K. Jain: Got it. Last year on 16th August 2022 I am giving a specific date, actually we had allocation of 1.55 MMSCMD of gas for use in our compressors in order to meet the increased demand of CGD, Government of India started deallocating that gas that is one statement, second when this deallocation started happening you know where was market. The market of LNG was at one point of time around $100 in that bad market we were to source the gas at $40 per MMBTU of our compressor station so that one off actually one off in a lifetime, it cannot be a one off or a routine one off second even if that one off has happened you as an investor know that in terms of regulatory provisions this is allowed , third it is delayed but on net present value basis total 1200 Crores will be available through revision of tariffs not be concerned we have already filed the petition with PNGRB. We are regularly following up. There is hearing in November. We expect some positive things to happen.

Shashi Ranjan: Thank you Sir. Thank you and wish you all the best for that to come and if you may allow can I go for the last question. The product that we have in the petrochemical side these are easily available being provided by the other players so do we have that much as a market where all the players can sell their product. In the petro chemical segment we have the private players also so is that market that huge that we all can have a piece of cake that is available.

R. K. Jain: It does not happen in free market. Okay it is not that everybody will decide and say let us sale for same price and particular market, it is a free market one more supplier exists in other than the domestic is the overseas supply which are significant to this country even if you for a time being assume that that is a big, big chunk which is coming and that will take place.

Shashi Ranjan: Thank you Sir. That was my last question that I had. Thank you so much wish you all the best.

Moderator: Thank you. Ladies and gentlemen for the paucity of time we take the next question as the last question. The next question is from the line of Amit Murarka from Axis Capital, please go ahead.

Amit Murarka: Hi this is Amit Murarka. On that issue of the internal feed stock gas cost or the internal system used gas for transmission while you say that you are kind of in discussion with PNGRB for review of the gas cost but is there any precedent when a single factor has been taken up for review before the 5-year review period or will this be an exception if this is done by PNGRB.

R. K. Jain: It is nothing extraordinary, first let us go to the law of the land. The regulatory provisions provides that if there significant change in the tariff computation parameter either initiation of entity or regulator on its own can look into the revision of tariff and change of gas price they consider $3.61 per MMBTU. We consumed $40 per MMBTU where continuing to use $12 almost the gas price. They also recognize in the tariff order that will be compensated. They mentioned the HPHT gas price so it is available in terms of law of land and this tariff regulation is not a very old regulation, 2008 first time tariff regulation came. They started putting the tariff orders and final tariff order started coming only 2015-2016 so it is not very old that this precedence will be available. There is no need of any precedence PNGRB has accepted our review petition, they are seized with that and we expect that in November they will some kind of review it and we also gave them flavor if you do not take these actions what will happen on NPA basis for increase in tariff.

Amit Murarka: But Sir on the other hand like what is it integrated tariff you are anyways realizing a higher tariff if I am not wrong because of the zonal distribution so any ways you are realizing higher tariff.

R. K. Jain: You are actually wrong because there is a revenue and which is realized on unified tariff basis and there is also a amount which we require to settle among ourselves when you calculated average tariff you take the revenue part of it and you do not take the amount which we are required to pay to the other transporters so if I have to give some kind of estimate even this quarter we have to pay Rs.200 Crores to other transporter, if you knock off that the numbers will not look that higher yes it may be higher or lower to some extent it will not be higher and to some extent it is income for regulatory provision because risk of zonal volume change rest with transporter so the confusion is that we are realizing very high is absolutely wrong confusion. We are we are actually realizing what is due to us.

Amit Murarka: Sure got that and for the first half could you give the number of how much you have paid back like 200 Crores you said is for Q2.

R. K. Jain: We are actually regularly settling it is a continuous process. Let me give one minute to this question because tariff is levied to customer unified basis, my entitlement is integrated since I bill based on unified basis in revenue that appears whatever difference is there it is settlement between me and other transporter that remains in payable okay but on particular day I can give you this what is pending for settlement but on a continuous basis this is happening it will not be correct but almost 200 Crores we have to settle this happens sometime we realize more, sometime they realize more, we used to settle it.

Amit Murarka: Got it. Thanks very much for the clarification.

Moderator: Thank you. Ladies and gentlemen I hand the conference over to Mr. Harshavardhan Dole for the closing comments.

Harshavardhan: Behalf of IIFL Securities I thank you GAIL management for giving us an opportunity to host the call. I also thank the participants for logging in and asking questions. I realize for paucity of time few questions have remained unanswered. I request you to send an email either to us or to GAIL investor relation team and they will do the needful. Sir any closing remarks you would like to make.

R. K. Jain: You have covered what I wanted to say that if any questions to the participants we could not answer even those can be referred back to us and certainly participants who could not ask the question we welcome them and we will be able happy to answer them. Thank you very much again for taking interest in GAIL and we will be happy to meet you, connect you and give you answers to whatever questions you have.

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