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“Gail India Limited
Q3 FY2021 Earnings Conference Call”

February 10, 2021



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**ANALYST: MR. ROHIT AHUJA, HEAD OF RESEARCH AND OIL AND GAS
ANALYST - BOB CAPITAL MARKETS LIMITED**

**MANAGEMENT: MR. A K TIWARI - DIRECTOR (FINANCE) – GAIL INDIA
LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2021 Earnings Conference Call of GAIL India hosted by BOB Capital Markets 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Ahuja, Head of Research and Oil and Gas Analyst at BOB Capital Markets. Thank you and over to you Sir!

Rohit Ahuja: Good evening everyone. Welcome to GAIL’s Q3 FY2021 conference call. On behalf of BOB Capital Markets, it is a pleasure to host the management. From the management we have, Mr. A. K. Tiwari, Director, Finance and other Senior Management. I hand over the floor to Mr. Tiwari to take this forward.

A.K. Tiwari: Thank you Mr. Rohit. My dear friends from investor fraternity. A good afternoon to all and welcome to GAIL’s Q3 FY2021 earning call. We have declared the results of the Q3 of the current fiscal year today and I am sure that you must be happy with the overall performance of the company.

Before I get into the financials, I am pleased to inform you that GAIL had emerged as a winner in the Investor Relations Award 2020 under the category of ESG Disclosures. The award has been given by IR Society in collaboration with BSE and KPMG India based on the various parameters including feedback from buy side and sell side. I thank all the investors in reposing their faith and confidence in the transparency and disclosures of GAIL.

This award is a testimony of GAIL’s effort in maintaining and improving its investor’s relations. We will continue with our endeavor to make our IR program one of the best in the industry. I once again thank all the investors on behalf of GAIL. I would like to inform that GAIL has also received the Prestigious Golden Peacock Award for Excellence in Corporate Governance for the Year 2020. This reward we are going to receive today at 5 pm.

I am also happy to share with you that the much awaited Kochi-Mangaluru section of KKMBPL was commissioned in November and was dedicated to the nation by Honorable Prime Minister in January 2021. With this we have started supply of 0.8 MMSCMD of gas to Mangaluru Chemicals and Fertilizers. Further the 348 km Dobhi–Durgapur section of JHBDPL up to Matix Fertiliser has also been completed and dedicated to the nation on February 7, 2021. The pipeline will help revival of HURL Sindri Fertiliser Plant and will supply gas to Matix Fertiliser Plant in Durgapur. This also supports CNG and PNG supplies to 10 districts at Chatra, Palamu, Koderma, Giridih, Dhanbad, Bokaro, Hazaribagh and Deoghar in Jharkhand and Paschim Bardhaman, Purba Bardhaman in West Bengal.



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The gas supplied to Matix plant for commissioning is likely to start in March and plant is likely to be on full load by April 2021 leading to gas supply of 2.47 MMSCMD. The gas-in at HURL Gorakpur plant has started and the pre-commissioning activities are in progress. The gas supply will go up to 0.5 MMSCMD by March 2021 and likely to double by September 2021. The other plants namely Barauni and Sindri, the pre-commissioning activities are likely to start in February-March 2021 and commissioning by November 2021.

In one of the previous concalls, some investors had suggested that the GAIL should go for buyback of shares. You are already aware that GAIL has announced buyback at the rate of Rs.150 per share with a total buyback size of 1046 Crores. In addition, GAIL has also declared interim dividend of Rs.2.5 per share in January 2021.

Now let me give a brief insight of the company's performance for the quarter. The physical performance of the company during the quarter has improved in all segments. The COVID impact which was seen in Q1 had started to recover in Q2 and now in Q3, the impact on physical performance has been fully neutralized. All plants have attained normalcy and operating at optimum capacity utilization. There were no major shutdowns of any plants and pipelines during the quarter. In fact, the petrochemical plant and LPG transmission pipelines are operating at more than 100% capacity.

The gas marketing stood at 95.62 MMSCMD in Q3 FY2021 as against 88.6 MMSCMD in Q2 FY2021, an increase of 8%. The gas transmission stood at 110.35 MMSCMD in Q3 FY2021 as against 106.44 MMSCMD in Q2 FY2021, an increase of 4%. The capacity utilization increased to 54% as against 52% in Q2 FY2021.

The polymer production stood at 233TMT in Q3 FY2021 as against 221TMT in Q2 FY2021, an increase of 6%. The capacity utilization increased to 114% as against 108% in Q2 FY2021. So, we can say that PATA plant is fully stabilized and running more than 100% capacity. Similarly the polymer sales has increased to 231TMT in Q3 FY2021 as against 224TMT in Q2 FY2021 increase of 3%.

The LHC sale stood at 319TMT in Q3 FY2021 as against 297TMT in Q2 FY2021, up by 8% and the capacity utilization in the current quarter is 88% as against 81% in Q2 FY2021. Similarly, the LPG transmission stood at 1088TMT in Q3 FY2021 as against 1058TMT in Q2 FY2021, an increase of 3%. The capacity utilization was 114% as against 111% in Q2 FY2021.

Now, I would like to give the financial highlights: GAIL achieved gross turnover of Rs. 15,386 Crores in the current quarter as against Rs.13,611 Crores in Q2 FY2021. There is an increase of 13% mainly due to improvements in physical performance across all segments, increase in price of RNLG



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and increase in petchem price which increased by appx Rs. 8,000 per metric ton. PBT stood at Rs. 1,868 Crores in Q2 as against Rs.1,551 Crores in Q2 FY2021 increase of 20% mainly due to better physical performance, higher price realization of the petrochemicals. GAIL registered a PAT of Rs.1,487 Crores in Q2 FY2021 as against Rs. 1,239 Crores in previous quarter clocking an increase of 20%.

On a nine-month basis, for the period from April to December 2020, the turnover declined by 24% to 41,057 Crores, PBT declined by 30% to 3,774 Crores and PAT declined by 17% to Rs. 2,983 Crores mainly due to having the impact of lockdowns, pandemic, in Q1.

Now let me give you some details of the segment wise profitability. In LPG transmission segment, volume and revenue has improved, the PBT is 977 Crores in Q3 FY2021 as against 1009 Crores. As I have already told in petrochemical segment, the PBT increased to 423 Crores in Q2 FY2021 as against 170 Crores in previous quarter. In LHC segment the PBT has marginally improved to 283 Crores in the current quarter as against 280 Crores. In natural gas trading segment, the loss narrowed to 74 Crores in Q3 as against the loss of 365 Crores in Q2. So, on account of the better price realization, in domestic market and increase in the crude and spot markets, we have been able to have the better margins in gas trading segment.

During the quarter, GAIL received 23 LNG cargoes from US either from Sabine pass or from DCP as against 20 cargoes in Q2 FY2021. Total 64 cargoes received up to Q3 FY2021. Out of these during the quarter 11 cargoes were sold in the overseas market and rest is brought to India either directly or through destination swap. The total 26 cargoes were sold outside India up to Q3 FY2021.

If you see the GAIL Gas performance during the quarter, the revenue from operation of GAIL gas was 1,058 Crores as against 951 Crores, increase of 11%. Similarly the PBT increased to 87 Crores as against 61 Crores. The CGD sector has shown a very sharp recovery from Q2 onwards after suffering a major setback in Q1. The total gas sales by GAIL gas increased to 4.9 MMSCMD in Q3, as against 4.7 MMSCMD in Q2.

As regards the capex, this quarter GAIL achieved capex of 1,739 Crores as against 1530 Crores in Q2. Total capex in up to Q3 is 3670 Crores as against the plan of 6600 Crores and we are going to achieve this total capex of around 6600 Crores in this year.

So far as the project performance is concerned, the-gas in of Ramagundam Fertilizers and Chemicals has started and commissioning activities are in progress. Presently RFCL draws gas to the level of 1 MMSCMD and which is likely to go up to 2 MMSCMD by March 2021.



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On the Pradhan Mantri Urja Ganga Pipeline, the total commitment as on date is over 14,500 Crores and actual capex till date is around 10,700 Crores. We have received capital grants from the government regularly upto date the total capital grant received is 4084 Crores as against the total grant of 5,176 Crores.

The status of the various pipeline projects are

Vijaipur-Auraiya is expected to be commissioned by March 2021,

Sultanpur- Jhajjar-Hissar and Haridwar-Rishikesh-Dehradun Pipeline is expected to be again commissioned by April-May 2021.

Dhamra Angul section of JHBDPL by December 2021,

Bokaro Angul by December 2021,

Durgapur-Haldia by December 2021,

Barauni Guwahati Pipeline by December 2021. So, we are on track to complete all the pipeline projects as per schedule.

Srikakulam Angul Pipeline which is having 700 km with an investment of 2700 Crores we are expecting to complete by July 2022. Dhamra Haldia Section 240 km with an investment of 1200 Crores we are expecting to complete by November 2022. Mumbai Jharsuguda pipeline 1755 km with an investment of 7800 Crores we are expecting to complete by May 2023.

Gas pipeline infrastructure in Northeastern states which is 1650 km at a project cost of 9300 Crores in progress with every material and all procurement are being done, so that is also on track. After commissioning of HURL plant RHCL and completion of connectivity to Matix which has started, sale ell in the domestic market will increase by approximately 11 MMSCMD.

On the CGD front, GAIL is supplying gas to all 6 CGDs with infrastructure of 49 CNG stations and approximately 1 lakh CNG connections, the present flow is increasing day by day with the commissioning and the CNG stations.

The operations of this plant has been our priority so we have actually zero major reportable incident during last four consecutive years and there is no such major reportable accidents which are there.



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We have given the brief introduction on the financial results and the major highlights of the company. We would be happy to clarify on any points that you may have. Over to you, Rohit, please! Thank you very much.

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

Probal Sen: Thank you for the opportunity Sir. Just on the broader guidance you obviously gave us a flavour of how demand across sectors is picking up, but for transmission volumes, assuming that there is another couple of MMSCMD increase in Q4 if we exit at around 120-odd MMSCMD, what sort of volume guidance can we look forward to for FY2022?

A.K. Tiwari: I have given the projections. If the volumes of sale increase transmission will also increase. So that way it will be up. We cannot give any fixed number at this moment. So many infrastructures which have been created and we are trying to have their consumption base and transmission will increase. CNGs are coming or the base of the pipelines is increasing, so growth will be there. It will not be more than 5% to 7% my perception is there. Out of the transmission volumes which are at present.

Probal Sen: That range is good enough. Second question was with regard to the petrochemical segment. Obviously the segment has done very well in this quarter well ahead of what most of us were looking. Is it possible to break up the EBIT improvement or the EBITDA improvement that happened in the segment in terms of how much is due to pricing and how much is due to volumes?

A.K. Tiwari: Both are contributing, but as the production is going to be more than 100% and we expect that it will be not less than 110% so that way our fixed cost absorption will be there. And yes the prices, we do not have much control but we expect that prices are going to be stable and increase further also, so we expect that in the petrochemical segment, we are going to have better margins and if some details are required we will give you separately.

Probal Sen: One last question if I may, on the US or rather international gas trading segment, in January of course spot LNG prices in Asia have reached record level. So, is it fair to assume that Q4 one has already seen the losses narrow, for that marketing, from the previous quarter? Can we expect the numbers to return to let us say profitable given the Asia price trends that we are seeing so far?

A.K. Tiwari: We are also quite hopeful.

Probal Sen: Thank you so much for your time. I will come back if I have more questions. All the best.

Moderator: Thank you. The next question is from the line of Nafisa Gupta from Bank of America. Please go ahead.



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Nafisa Gupta: Sir, my question is on the cost in the LPG and other liquid hydrocarbon segment, any reason why this shot up?

A.K. Tiwari: I am not getting. Would you please come again? I could not get what you are asking?

Nafisa Gupta: About this cost in the LPG and other liquid hydrocarbon segment, they have been significantly up in this quarter any particular reason why?

A.K. Tiwari: Prices are there and the production is good, and a good utilization, all these factors have contributed. Prices are up by around Rs.3000.

Nafisa Gupta: Sir, if you could just repeat the number of LNG cargoes that we have imported in this quarter?

A.K. Tiwari: I have already discussed the number?

Nafisa Gupta: Cumulative for FY2021 how many have you achieved in the first nine months?

A.K. Tiwari: The number of cargoes from US if we see, this quarter out of 23 cargoes 11 cargoes were only sold internationally and 12 cargoes were exported to India.

Nafisa Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Avadhoot Sabnis from InCred Capital. Please go ahead.

Avadhoot Sabnis: I have a question that if you look at the LPG and hydrocarbon segment I am comparing the numbers in the first quarter versus the second quarter. If you look at revenues, there is increase in revenues in the first quarter related to second quarter, revenues that we get from volumes as well as the pricing. If we look at profits, EBIT, it is substantially flat 280 Crores to 283 Crores flat on a quarter-on-quarter basis despite the fact that the segment would consume APM gas, that will drop substantially on a quarter-to-quarter basis, so if you could explain us to why the profitability is flat despite increase in revenue and likely decrease in cost?

A.K. Tiwari: You are talking about the LPG segment, LHC segment?

Avadhoot Sabnis: Yes.

A.K. Tiwari: See, detail analysis I cannot give you because there are mix of transactions which are there, but three factors have contributed, one is the price, second is good production levels and third is our sales has also contributed to this. So, all these factors which are there, if you want to have a particular details



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and all these things, then we can provide separately. These are the mix of the transactions which are there. Actually what do you want to know?

Avadhoot Sabnis: Very simple Sir, as you said, revenue, production whatever, volume and price is captured in the revenue number?

A.K. Tiwari: On a very rough calculation, we can say that 83 Crores are on account of the price, and the cost of input was also up, so that had contributed negative 38 Crores and there was certain quantity variance that has also contributed by around 33 Crores. Detail we can provide if you want separately also.

Avadhoot Sabnis: My next question relates to the Reliance Gas from KG. They have put out two tenders one for pipes and one for 7.5 that is also on the public domain and we now know who the customers are for the entire 12.5 MMSCMD. Now given the customers are known, could you give us some clarity on how much of the 12.5 to come on your network?

A.K. Tiwari: Your point is correct Sir.

Company Speaker: See, what we have got is about 2 MMSCMD from Reliance KG gas, together it is between 1 and 2 MMSCMD that we have bought. Now how much of it will flow into GAIL's network that will depend on the buyers of those volumes. Some of that volume is bought by some Gujarat based plants so they will have the option to take the gas directly from east, west to GSPC network. So, all of it may not really flow into our pipeline network.

Avadhoot Sabnis: I get that Sir. I am asking how much is certain. If we are using non-network, but including your volumes, how much is certain to come on your network.

A.K. Tiwari: I have told you, our volume is about less than 2 and more than 1 MMSCMD, out of this 12.5 which will definitely flow into our network.

Avadhoot Sabnis: Thank you Sir. Just last question on petchem, from the Q4 is there any plant shutdown or can we expect same level of volumes that was seen in the Q3?

A.K. Tiwari: There was no plant shutdown. Same level of production was there in Q2, Q3.

Avadhoot Sabnis: No, I am asking for Q4. Is there any shutdowns?

A.K. Tiwari: There is no planned plant shutdown.

Avadhoot Sabnis: Thank you so much.



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- Moderator:** Thank you. The next question is from the line of Amit from UBS. Please go ahead.
- Amit:** Thanks for giving me the opportunity and for a wonderful set of numbers. Sir, my first question relates to the utilization of Urja Ganga Pipeline. So, you have mentioned about 11 MMSCMD volume could you give us a broad breakup that what set of consumers like each fertilizer plant is going to consume over the next six months because I think, you mentioned from September we would reach around 11 MMSCMD on that network.
- A.K. Tiwari:** On the rough we can say that Ramagundam will take around 2 MMSCMD, HURL Gorakhpur, HURL Barauni and Sindri each will take around 1.9 MMSCMD, Matix Fertiliser again 1.5 MMSCMD from RNLG will be there and then CBM gas should be there, put together in this is 2.47 MMSCMD and these are the numbers and then some CGDs will be coming put together are coming to around 11 MMSCMD.
- Amit:** But my actual understanding that some of these fertiliser plants like Barauni, Sindri and Gorakhpur they may not be fully ramped up by September 2021. So, do you expect that these fertiliser plants would be fully ramped up by September 2021, in the next six months?
- A.K. Tiwari:** Our estimate is by December it will be fully ramped up. That indication we have given, but chronologically they will start for Gorakhpur 0.5 MMSCMD and then ramp up to 1.89 or so. Similarly Sindri also will come up, Barauni we are also expecting their plant. So, Gorakhpur is already under pre-commissioning stage so that we can expect. Matix I have already told that plant is ready. The commissioning activities have started because the plant was shut down for a long period, but we have reached, our gas has reached there, as soon as they want, they will take it. So, I think in the coming one year or so, this 11 or 12 MMSCMD is getting very optimistic number and it will come.
- Amit:** What is tariff of Urja Ganga, what is your broader tariff for Urja Ganga Project?
- A.K. Tiwari:** They have given a tariff of around Rs.64 or so per mmbtu up to phase I. They have not declared for phase II so it will be declared and then we will inform you.
- Amit:** Sir, my second question relates to how many LNG cargoes, like this year, if we see you are bringing almost 50% of the cargoes from US to India and 50% cargoes are disposed off internationally. Now how do we see this ratio getting changed over the next two years. So, what is the outlook for FY2022 and what is the outlook for FY2023?
- A.K. Tiwari:** See as the consumption in the country will increase the sale in the international markets will be less day by day. So, these RNLG will be consumed by these fertilizer plants and other areas also, other industries also, so it will come out, this will come down.



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- Company Speaker:** May be by the end of December 2022 we will start getting the entire volume in India, very likely. If these plants come up in time as before, then in 2023 there will not be any volume which will be selling in international market.
- A.K. Tiwari:** Unless there are opportunities.
- Company Speaker:** Unless there are arbitrage opportunities we will not.
- Amit:** Sir, just last question from my side, what is the expectation on InVIT. So which pipelines we would be transferring for the InVIT because Finance Minister also announced in the budget that GAIL's some of the pipelines would be monetized over the next one or two years?
- A.K. Tiwari:** Yes, the announcement is from the last 10 days have passed and InVIT is a very complex lease transaction. So, we cannot specifically tell, which pipelines will go, whatever you are seeing in the market, we are also seeing in the market. From commercial point of view, we are evaluating and then we will inform, suitably because there is a mechanism of informing by GAIL we will inform to SEBI, we will inform so many other, so we will inform at appropriate time. We are also assessing what could be the best way of doing the InVIT transaction.
- Amit:** Thank you Sir. Best of luck.
- Moderator:** Thank you. The next question is from the line of Manish Jain from GormalOne. Please go ahead.
- Manish Jain:** We wanted to know the payback period for the capex that GAIL is making over the next five years? Basically what is the IRR that you expect on this capex and the second related one is from your current pipeline in kilometers this capex of five years will take you to what level of pipeline in kilometers?
- A.K. Tiwari:** So far your first question is there, 12% IRR is the critical figure which is given by PNGRB so our expectation is 12% IRR, but actually we cannot give you any number because every pipeline has different scenario, volume, tariff, and prices. So, we cannot give any exact number of the pipeline which we are laying but we express that as soon as our volumes are increasing, our bottomline will also increase and we cannot give any number at present as we do not know the tariff scenario of JHBDPL pipeline. You know that KKB MPL Kochi pipeline volume utilization. So these things will ramp up and the industry when they start consuming, but we are very sure that the bottomline will increase and for that number cannot be given at present.
- Manish Jain:** Of the length of the pipeline, GAIL currently has 12800 kilometers and other 5000 km is expected in another four, five years timeframe. So, we will have 18000 to 19000 km lined in the next three, four decades?



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- A.K. Tiwari:** Yes.
- Manish Jain:** Thank you. I will join back the queue.
- Moderator:** Thank you. Next question is from the line of Mayank T from Morgan Stanley. Please go ahead.
- Mayank T:** Thanks for the call Sir. I had just one question. This was regarding the point you mentioned earlier in your opening remarks on six to seven pipelines that will be completed by end of 2021. How much do you think will be the volumes that we can potentially expect in 2022 from these pipelines?
- A.K. Tiwari:** I have already given the number about the pipelines which is under and in process of commissioning that is MMSCMD but other pipelines which are there, Srikakulam, Dhamra-Angul, Mumbai-Jharsuguda, these pipelines and Barauni-Guwahati, so we have estimated the numbers, but that number again depends upon the industries which will consume. We can expect the growth as I have already told 5% to 7% that can be expected, whatever the current level is there, that we are also assuming that the volume upside will be there, and we are quite hopeful with the coming cities, which are coming up, CNGs, which are coming up, and LNGs which are there, connected with our main pipeline, which are there, there the industries will consume. So there would be upside on the volume. That much I can say.
- Mayank T:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vidhyadhar Ginde from ICICI Securities. Please go ahead.
- Vidhyadhar Ginde:** Thank you. My question is on the gas trading marketing part. So, how much of your US LNG cargoes are fully tied up for FY2022 and I presume that given the current conditions all of them are tied up profitably without either breakeven or profitably.
- Company Speaker:** For this FY2022 we are almost fully tied up. Either we have sold those volumes or whatever is left we intent to bring the entire volume to India.
- Vidhyadhar Ginde:** So, for FY2022 entire volume is tied up, and maybe 1% or 2% is that is there that is all?
- Company Speaker:** That I cannot say because every transaction is executed at different prices so, I cannot tell you offhand profitably or at loss, but it is likely to be marginally profitable only.
- Vidhyadhar Ginde:** Marginally profitable or are you confident that from if not Q4 this year, but at least next year given the condition that oil prices remain where they are?



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- Company Speaker:** Whatever is brought to India that is anyway profitable because that international volume is transferred to domestic market and especially that crude running above 60 it is always profitable, so now what remains is international sales, in the international sales it is likely to be marginally profitable overall.
- Vidyadhar Ginde:** What proportion of your volumes next year will be international and how much domestic?
- Company Speaker:** Last year also we have sold about between 40 and 45 cargoes, 2 to 2.5 MMTPA so this year also it will be around 2 or maybe slightly less.
- Vidyadhar Ginde:** Two outside India.
- A.K. Tiwari:** Yes. Figures cannot be given; it depends upon the consumption in the country as the fertilizer plants will ramp up, so we will be consuming more and more so it will slow down slowly and gradually.
- Company Speaker:** It will be less than previous year definitely.
- Vidyadhar Ginde:** See, what I was trying to understand is the impression one has is that last year, there are some volumes given the very low spot LNG prices and then the oil price collapse some volumes were tied up a loss and we were hoping for opportunities at a later stage, with spot LNG because we can hedge or something and so it will not probably hedge it was uncovered volumes, on that front, are things substantially better next year and so next year most of the quarters as thing stand, we are likely to gain in the black?
- A.K. Tiwari:** Next year we are quite hopeful that we will be not being in loss. It will be good.
- Vidyadhar Ginde:** It will be very good, similar to earlier years.
- A.K. Tiwari:** Yes, maybe.
- Vidyadhar Ginde:** FY2019-2020 similar that kind of?
- A.K. Tiwari:** Yes, we expect that way, but it depends again if the prices which are there.
- Vidyadhar Ginde:** But our understanding is that you use hedging to sort of lock yourself in, so it must improve?
- A.K. Tiwari:** Hedging is also one of the instruments. We have to predict the prices and many times hedging may not be profitable also. So there are many, many scenarios which are there, hedging is one of the mitigation measures which we have taken and domestic market consumers we have tied up, , but we cannot tell you margins.



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- Vidyadhar Ginde:** Given that none of the volumes which we are trying to sell in India, there is a delay or something happening, I am assuming that everybody takes volumes as expected, in that case it should be?
- A.K. Tiwari:** Yes. We expect that.
- Vidyadhar Ginde:** One last question, you have this number of EBIT, which you have disclosed which in standalone on the gas trading front is 73 Crores, 74 Crores and then it is 157 Crores in consolidated so how does that, I think, even in earlier quarters, the consolidated number was higher.
- A.K. Tiwari:** I am not getting.
- Vidyadhar Ginde:** Your gas trading EBIT is disclosed both in standalone earnings and consolidated earnings. Consolidated gas trading EBIT loss is larger. It is about 157 to 158 Crores compared to 73 Crores EBIT losses in standalone. Can you just tell us what is it, is it the Singapore entity or somebody the loss incurred by that?
- A.K. Tiwari:** No. I will come back to you with the numbers. I will come back separately and give you the answer. Let me find out the calculation.
- Vidyadhar Ginde:** Q4 are we reasonably confident of being in the black, because there we are in the midst of the quarters.
- A.K. Tiwari:** Yes.
- Vidyadhar Ginde:** It will not just be in the black, but we will do quite well.
- A.K. Tiwari:** Yes. We will do.
- Vidyadhar Ginde:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** Good afternoon. I have got two, three clarifications. Sir, you mentioned that 11 MMSCMD you are expecting in the next one year, so this 11 includes Sindri and Barauni fertiliser plant as well?
- A.K. Tiwari:** Yes.
- Sabri Hazarika:** Second clarification is the Barauni-Guwahati pipeline will also be ready by December 2021?



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- A.K. Tiwari:** Barauni-Guwahati will be December 2021, you are right. The work is progressing well.
- Sabri Hazarika:** Third clarification is that this LPG EBIT that you have reported has remained 280 Crores in both Q2 as well as Q3, despite the fact that APM gas prices have corrected and our gas and international LPG prices have gone up. So, was there any one-off anything on that front in Q3?
- A K Tiwari:** Yes. There is no one-off. It is slight increase in the quantity also in Q2 to Q3.
- Sabri Hazarika:** Your process rate has gone up significantly QOQ, between Q2 and Q3. In fact it was flat, any reason behind that?
- A K Tiwari:** The price is there and some adjustments what you say in the average cost of the input, which has given negative.
- Sabri Hazarika:** Some prior period adjustments on cost?
- A K Tiwari:** Nothing. No such one off is there.
- Sabri Hazarika:** I just had one question. This is relating to the transport system operator, which the Finance Minister announced. Now it is very well in the news flows, but there is a lack of clarity in terms of what will be the nature of this agency? So, would it help us or the entire national grid in the country including GSPL and Reliance pipelines or whether it would be taking commercial interest in this pipeline or it will just be operator, meaning, with just operational power anything on that, any clarity on that?
- A K Tiwari:** This is a new concept of the government which has been announced in the budget and so for our understanding goes some operator will be there, who will oversee. See, our pipelines which are there at present, are operating around 13000 km of the pipeline and this is to take interest of the customers and it is clearly written in the budget that indiscriminate access to pipeline. So just to inform you that we have already one portal where the third party can book their capacity and you know that the capacity utilization of the pipeline at present is around 50% and most of the pipeline are under utilised. Through that portal, one can put their volume from where they want and tariff is already declared by the PNGRB. So, what the basic concept goes is for as an operator, as some third party oversees, they will regulate and they will oversee that capacity is booked pipeline hydraulics are there and so many other factors, which are required, I think some transport service operator will be there and they will charge some money, we understand, but total details will come up from the ministry and we can share. It is just a formation which they will visualize and then it will be done. We expect that the total pipeline should come in not only the GAIL pipelines GSPC and other pipelines which are there, that will be part of the TSO and one can book their capacity based on the availability of the pipeline from one corner to another corner. So, it is we cannot give much detail at this moment because it is very recent announcement. As soon as something comes up, we will share it.



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- Sabri Hazarika:** Thank you so much. All the best for the future.
- Moderator:** Thank you. The next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.
- S. Ramesh:** Good evening. Thank you very much. First on the petrochemical business given the increase in the LNG prices, do you see any impact on the EBITDA margins in the Q4?
- A K Tiwari:** Yes, it will be almost same. We expect that the prices will remain the same and quantity or production levels and others will be up. So, we expect that better margins.
- S. Ramesh:** Secondly on the unified tariff mechanism once that is notified, the regulator is talking about revenue neutrality for the pipeline operator. So in accounting terms when you report quarterly and annual results, do you see any reconciliation issues which will lead to some movement in your P&L and who will actually reconcile our balancing part, how do you expect that because the regulator just pays the pipeline operator and the customers have to work out the arrangement. So, how do you see the unified tariff mechanism will ensure that there is revenue neutrality and we are transportation is protected on an annual basis.
- A K Tiwari:** This is a new concept or guidelines which have come up. We have also taken up the matter. There are many regulatory parts; accounting part is there, that is not very clear, so we are taking up. As soon as this clarity will come, we will inform you.
- S. Ramesh:** One last question, now again going back to the question of the spot LNG prices increasing, do you see any negative impact on the consumption of the spot LNG in the Indian market and how do you see the growth in the natural gas volumes in the fourth quarter and in the coming quarters, overall for the market.
- A K Tiwari:** There will not be any negative impact on volume. Sales volumes will be maintained and keep growing. Besides these spot prices were up only for a month or two, January and February they have already come down substantially and likely to remain soft the level where they are presently or little softer only. So it is very unlikely to have any impact on demand.
- S. Ramesh:** One last part, in terms of the potential movement of natural gas with GST, do you feel that kind of benefiting GAIL and their transportation company and the consumers, of course you have the benefit of input tax credit and how much do you think that needs to overall savings on the cost of the gas, any workings you might have done on that?
- Company Speaker:** On GST you are asking. Now we have not done anything because things are very dynamic. It keeps changing even VAT profiles keep changing from state to state. So, we do not have any levels so how can we calculate as of now. We do not even know what is the GST level.



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- S. Ramesh:** Thank you very much Sir. I will join the queue. Thanks a lot and all the best.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I would now like to hand the conference over to Mr. Rohit Ahuja for closing comments.
- Rohit Ahuja:** Thank you all for attending this call. It was a pleasure to host GAIL management and I congratulate them again for good set of results. Wish you all the best for the future Sir. Thank you.
- A.K. Tiwari:** Thank you, Rohit. I also thank you for this concall. If any questions or if any queries are there, my team is there and I am there because in the concall some questions might not have been answered, or there maybe some clarifications, which are required, please feel free to contact us and we will inform you whatever the details are required. Thank you very much.
- Moderator:** Thank you very much. On behalf of BOB Capital Markets Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.