“GAIL (India) Limited Q2 FY23 Earnings Conference Call”

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MANAGEMENT: SHRI. RAKESH KUMAR JAIN – DIRECTOR (FINANCE)
MODERATOR: MR. NITIN TIWARI – YES SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to GAIL (India) Limited Q2 FY23 earnings conference call hosted by Yes Securities Limited.

As a reminder, all the participants' 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 the operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Tiwari from Yes Securities Limited. Thank you and over to you, sir.

Nitin Tiwari: Good day ladies and gentlemen. On behalf of Yes Securities, I welcome everyone to GAIL (India) Limited second quarter FY23 Earnings Call. We have the pleasure of having with us the senior management team of GAIL led by the Director (Finance) – Shri. Rakesh Kumar Jain. I will now hand over the call to Mr. Jain for his opening remarks, which shall be followed by a question & answer session. Over to you, sir.

Rakesh Kumar Jain: Thank you Mr. Nitin. Good afternoon to you and to all the investors and analyst community connected with this conference call for GAIL's earnings for Q2 & H1 FY '22-23. The fiscal and financial performance for the quarter ended September '22 is already with you and the same has also been made available in the GAIL's website.

As you are aware that there have been supply disruptions from GMTS under the contract from the end of May '22 and GMTS has not delivered 13 numbers of scheduled LNG cargoes till September 2022 during the financial year '23. In total, 17 cargos till date – 13 in Q2 and till date 17. Subsequently, GAIL has taken up various measures to maintain reliable and sustainable supply to its downstream LNG customers by reducing its own internal consumption, procurement of additional volume through spot market, and imposing suitable curtailment of supplies.

Moving onto the financial highlights:

GAIL achieved gross turnover of Rs. 38,440 crores in the current quarter as against Rs. 37,536 crores in Q1 financial year '22-'23. This is a marginal increase by approximately 2%, mainly due to higher natural gas prices. The increase could have been more but has been offset by decrease in the LHC prices, which is approximately Rs. 12,000 per metric ton and approximately Rs. 10,000 per metric ton for petrochemical prices.

Profit before tax for Q2 decreased to Rs. 1,876 crores in the current quarter as against Rs. 3,894 crores in Q1 financial year '22-'23. Actually, this is down by 52% – in terms of amount, Rs. 2,018 crores – and this is mainly due to decrease in gas marketing spreads, lower petrochemical and LHC price realizations, and increase in fuel expenses in natural gas transmission due to deallocation of domestic gas of 0.45 MMSCMD from gas transmission segment with effect from 16th of August 2022 onwards, which was partly offset by increase in other income mainly dividend income in this quarter, Rs. 568 crores.

Profit after tax decreased to Rs. 1,537 crores as against Rs. 2,915 crores in the quarter 1 of financial year '22-'23, and this is down by approximately 47%. On a half yearly basis, GAIL achieved a turnover of Rs. 75,976 crores as against Rs. 38,829 crores in the first half of last financial year, i.e., '21-'22. This is an increase of approximately 96%, and this increase is mainly on account of increase in natural gas prices – both domestic and RLNG – and higher price realization in petrochemicals and liquid hydrocarbon segment. There is a marginal increase in profit before tax, i.e., by 1%, to Rs. 5,770 crores as against Rs. 5,736 crores in the corresponding half year. Profit after tax has remained almost flat, i.e., Rs. 4,452 crores for the half year as against Rs. 4,393 crores in the corresponding half year.

Coming back to the segmental performance for the current quarter as against the previous quarter, i.e., Q2 financial year '23 versus Q1 financial year '23:

Gas marketing volume stood at 92.54 MMSCMD in the current quarter as against 100.84 MMSCMD in the previous quarter. The decrease in volume is due to lower RLNG sales and overseas sales.

The natural gas transmission stood at 107.71 MMSCMD in the current quarter as against 109.47 MMSCMD in the previous quarter. If you talk of capacity utilization, it is almost 52% capacity utilization. Polymer production stood at 95 TMT as against 132 TMT in the last quarter. The production has decreased due to lower availability of feed stock on account of supply disruptions from GMTS.

LHC production stood at 228 TMT as against 227 TMT in the previous quarter. The capacity utilization was 63%. LPG transmission was 1,100 TMT as against 1,055 TMT in the previous quarter. The capacity utilization was at 115%.

Now I will take up consolidated financials of Q2 versus Q1 financial year '23:

The consolidated turnover in the current quarter stood at Rs. 38,674 crores versus Rs. 37,901 crores in the previous quarter. This is also up approximately by 2%. PBT in the current quarter is Rs. 1,675 crores versus Rs. 4,230 crores in Q1 financial year '23. This is down by approximately 60%.

The profit after tax is Rs. 1,315 crores versus Rs. 3,253 crores in Q1 financial year '23. Again, this is down by approximately 60%. On a half yearly basis if I talk about consolidated results, the consolidated turnover in H1 '23 stood at Rs. 76,575 crores versus Rs. 39,290 crores in the previous corresponding period, and this is up by approximately 95%. The profit before tax for financial year '23 stood at Rs. 5,905 crores versus Rs. 6,268 crores in H1 2022. This is down by approximately 6%. The PAT is Rs. 4,568 crores in the first half of the current financial year, i.e., '22-'23, versus Rs. 5,021 crores in H1 of last year, i.e., '21-'22, down by 9%.

Now, about GAIL CGD business:

GAIL is having the infrastructure of 123 CNG stations and 2.27 lakh DPNG connections during the financial year '22-'23, till September I'm talking. Three new CNG stations and around 25,500 new DPNG connections were added. In the next 2 years, we have a target to add around 100 new CNG stations and 2.50 lakh new DPNG connections.

Now, about GAIL Gas that is another 100% subsidiary of GAIL City Gas Distribution:

During the current quarter, the gross turnover stood at Rs. 2,716 crores as against Rs. 2,663 crores in Q1 financial year '22-'23, an increase of 2%, mainly due to increase in average sales price. The profit before tax was reported at Rs. 101 crores in the current quarter as against Rs. 97 crores in the previous quarter. The profit after tax has declined marginally to Rs. 71 crores as against Rs. 72 crores in the previous quarter. The physical volume during the quarter stood at 5.5 MMSCMD as against 6 MMSCMD.

GAIL Gas along with its JV subsidiary has infrastructure of 8 lakh DPNG connections and 348 CNG stations. During Q2 financial year '22-'23, seven new CNG stations and 11,104 new DPNG connections were added. During April to September '22, nine new CNG stations and 32,488 new DPNG connections were added.

In terms of capital expenditure:

GAIL achieved a capital expenditure of Rs. 3,967 crores during the first half of the current financial year. And this capital expenditure is mainly on pipelines, petrochemicals, CGD projects, operational Capex, equity contribution, and E&P. We have planned to spend approximately Rs. 7,500 crores in the current financial year on similar areas – pipelines, petrochemicals, CGD, Equity etc, that means we have already incurred more than 50% by the end of the first half of the current financial year.

Project performance during this quarter:

GAIL has commissioned Jamshedpur spur-line having a length of 123 kilometers, Ranchi spur-line having a length of 4.6 kilometers under the Pradhan Mantri Urja-Ganga project on 12th September 2022. This will facilitate gas supplies shortly from the grid to the City Gas Distribution Network of Jamshedpur and Ranchi.

Now let me share with you about our acquisition of JBF petrochemicals Limited:

GAIL has been declared as a successful resolution applicant by the Committee of Creditors for acquiring JBF Petrochemicals Limited through corporate insolvency resolution process and received affirmative vote of 100% of the members of CoC by value and GAIL's plan has been submitted to NCLT for approval.

That's all from my side regarding the overview of the performance and project performance. The management of the company is now available and will be glad to clarify any questions that you may have.

Now I hand over to you, Mr. Tiwari.

Moderator: Ladies and gentlemen, we will now begin with the question & answer session. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Sir, three questions from my side. One, you obviously mentioned about the decrease in gas marketing spreads for this quarter. If you can share a little bit about what kind of reduction you saw? Because if we look at the basic differential between spot LNG prices and Henry Hub, that decline doesn't quite sort of explain the extent of decline we have seen in our profits. So, is there something we are missing? Is there a lag in terms of those prices? Or were there specific cargoes that were redirected in this quarter that has led to the decline in gas trading profits? That was my first question, sir.

Rakesh Kumar Jain: There is no single reason for the reduction in gas marketing spread. First, if we compare with Q1 of this financial year, it is a significant fall. But in Q1 of this financial year, we have seen a significant growth in the marketing spread because of the marketing condition we had at that point of time. And secondly, there was no supply disruption in Q1 and prices of LNG and RLNG were significantly higher. If we compare with Q1, certainly you will find a significant fall. But nevertheless, there is a fall. So, the reason for fall is, if we talk in terms of normal circumstances, are 2-3 reasons which actually are contributing to this fall.

First is, as I have shared in opening remarks that GMTS has stopped supply In Q1, they supplied some cargoes. But from July onwards, they have stopped supply. This supply forms a significant portion if we talk of RLNG of gas portfolio of GAIL that is 20%. If we talk of the overall portfolio, it's around 20%. And if we talk of in terms of volume, it is around 9 MMSCMD, 8.5 to 9 MMSCMD.

So, what GAIL did GAIL was continuing to supply until we started making cuts to our customers from 16th of July. We gradually actually started cutting, but 16th of July, we started cutting and we brought down the fertilizer supplies to take-or-pay level. That is one thing which has reduced our marketing spread. Second, as a measure to balance sustainable operations, we also started applying these cuts to other customers at varying take-or-pay level which varies 50%, 60%, 70%. So, in terms of volumes you have seen, we have gone down. That is one reason. Second, we as a company are committed to honor our contracts. So, even though Gazprom was not supplying the volumes, but in order to fulfill our contractual commitments, we continued to source gas and supply to our customers. And you know the market, what is the market in Q2. Market was significantly different than the price under the long-term contract. That is the second reason which led to a decrease in our marketing spread. And these are the 2 major factors which have contributed to reduction in our marketing spread.

Probal Sen: The next question I had was with respect to the polymer output. Again, the lower supplies continues to sort of contribute to lower output from this segment. Just wanted your sense of how we should look at the second half of the year, sir? Is there any way that we can actually at least improve the output? Or given the ground realities right now, we can expect sort of somewhere in that 100 to 110 TMT range for at least the polymer business until our supply situation is resolved? How should we look at it, sir?

Rakesh Kumar Jain: This segment is an area of concern for us as well. If you see, if we have reduced the supply cuts to our downstream customers, as a prudent operator, we also thought let us also reduce our internal consumption to petrochemical plants so that we are able to sustain pipeline operation and able to supply, if I say, proportionately to almost all the users including internal consumers. That's how we started reducing our production at Pata Petrochemical. Second thing which led to reduction in Pata Petrochemical is that…. The sustainability of operations for a longer period on the spot gas is difficult. We actually curtailed our operations at Pata during the second quarter of this financial year.

Coming on to your expectations, how we will do in quarter 2 or maybe quarter 3 or coming, yes, we are reviewing this situation constantly. And what we find that market has improved at least for the moment significantly. I'm talking of current moment because LNG price, when I am talking to you, it may have changed. Market currently supports that we at least start our productions to a better level. So, if you talk in terms of 100 to 110, we also expect that we ramp up to that level at least in this quarter, and we are actually taking all measures including sourcing of cheaper gas from domestic and international markets so that we have production at that desired level.

Probal Sen: Last question, if I may, sir. On the JBF acquisition, what kind of timelines are we looking at? Is it too early in the status to be talking about numbers right now? And if you can give us any sense of what kind of investment will be required from our side apart from whatever is available in terms of debt?

Rakesh Kumar Jain: JBF Petrochemicals, it's a legal process now. The matter is with the NCLT, so difficult to predict any legal process with timeline. But as a GAIL, I can expect that it may take 3 months to maybe more, 6 months' time, for conclusion of that process. Then, we are parallelly working on various actions so that we are able to reduce our timeline for making this project operational. If everything goes fine, we expect that we will commission the plant within 24 months and it will start production. So if I assume – I'm already using the word assume – if March '23 is the timeline when we actually get this whole legal processes cleared, from there, you can assume that 2 years will be sufficient to do this.

Probal Sen: So, somewhere in FY26, we will start operations, give or take a few months, sir?

Rakesh Kumar Jain: Not '26, '25.

Probal Sen: Okay, got it, sir.

Rakesh Kumar Jain: Coming back to your question with respect to investment, we expect that around Rs. 1,800 crores to Rs. 2,000 crores. This is actually an estimate we made at the time of when we were working for this project. But actual will be maybe significantly less or around the investment which will help enable us to make this plant operational.

Moderator: The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Just a few followups on the petrochemical side as well as how you're kind of managing the gas trading side. Can you just give us out of the 8.5 to 9 MMSCMD, how much volume that you got impacted? How much of that you had to make up by sourcing LNG on a spot basis? And how much were you able to kind of reduce your volumes towards the petrochemical plant? That's my first question.

Rakesh Kumar Jain: On an average basis, we are not receiving 8.5 to 9 MMSCMD gas from Gazprom. So, we have been able to reduce around 2.7 to fertilizer plants, around similar levels to other customers, and then depending on the time – because we ran the Pata plant at full capacity, then we ramped down to 30%, 40%, so it is varying for Pata plant – we reduced around 3 MMSCMD for Pata plant if we talk on an average basis for the last 1 to 2 months. That's how we actually mitigated our shortfall from Gazprom. But this has happened not in a day. Actually, this has happened at different points of time. Like I said, we curtailed supply for fertilizer plants from 16th July. So that time, we were supplying full. For those intermittent periods, we sourced LNG cargoes, around 1 to 1.5 cargoes in this quarter. Around 1 to 1.5 cargoes, we sourced from the international market to mitigate the shortfall even after taking all those measures.

Mayank Maheshwari: Is that a number that you will have to now source regularly for the next few quarters on the spot basis?

Rakesh Kumar Jain: Yes, we require LNG. We may have to source maybe 1 to 2 cargoes per quarter, but this situation is so dynamic. There are 2-3 factors which drive that. First is that whether to source LNG because we are significantly sourcing gas now from domestic market also including IGX. So, to that extent, we source. Second, we don't know sometimes customers also go for shutdowns that enables us not to source the gas. Yes, still we may require to source the gas. But the numbers will be difficult to say whether it will be 1 cargo or 2 cargoes. But certainly, we will be requiring some gas from international market LNG.

Mayank Maheshwari: Sir, my second question was more related to the petrochemical side, both in terms of the strategy and the thinking process around the JBF acquisition as well as then you talked about the petrochemical current operations. When you are kind of thinking about the current prices for petrochemicals, at what level of LNG are you comfortable to ramp that utilization rates up? Because I'm just trying to think you are trying to maximize the volume per molecule. So, where are you kind of seeing the level at which you can see higher profitability on the spot LNG price basis?

Rakesh Kumar Jain: First, I will answer JBF. GAIL is in the business of petrochemicals since 1999. Almost we are there for 23 years, and we have been very successful as far as the production and marketing is concerned. There is a good amount of customer base and a lot of satisfaction among the customers. So, we thought we should leverage our ability on this kind of a project and that's how we chose to acquire this project. This is actually in terms of synergy with our business and also, if you say, for diversification a little bit. This is our thinking about JBF. What was your second part of this question?

Mayank Maheshwari: Sir, I was just thinking more from a perspective of the existing petrochemical capacity itself. How are you kind of thinking about at what levels of LNG will you be comfortable in ramping the utilization rates up?

Rakesh Kumar Jain: It is difficult to say what are the petrochemical prices because the sustainable level…. are 2 factors. One is, what is the market price of petrochemicals. It is also significantly changing time to time. We have seen even in this year, 1,25,000 to 1,27,000. We are now seeing around the level of 1,15,000. This is one factor which determines the level at which we will be able to sustain. If I give you any number which actually will be depending on the prices.

Mayank Maheshwari: But at least today, you are comfortable to ramp it up. That's the way we should think about it?

Rakesh Kumar Jain: No, today we are operating it because of 2 things. Yes, we are comfortable because we could source the gas from domestic market, and being a portfolio holder, we are able to source gas for our petrochemical plant. Yes, we are comfortable at a certain level because if more gas is available, we will ramp up, but we are still not ramping up to our full capacity.

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

Sabri Hazarika: Sir, I have two questions. Firstly, as of today, what is the petrochemical utilization? Is it operating at 40% to 45% or it is different from that?

Rakesh Kumar Jain: 30% to 40%.

Sabri Hazarika: It is at around 40% right now, right?

Rakesh Kumar Jain: Yes.

Sabri Hazarika: Second question I think I missed out when you spoke in the opening remarks regarding the diversion of your internal consumption gas to the CGD sector, I guess. What exactly was the dynamics? How much were you consuming internally? And how much of it was diverted to the CGD sector? And can it happen going forward again because CGD demand is growing? Could there be more diversion to this CGD mix? That's my second question.

Rakesh Kumar Jain: With effect from 16th August, our allocation for internal consumption for use as a fuel gas for HVJ pipeline has been reduced by 0.45 MMSCMD in order to supply or back up the requirement of CGD. That's the situation. And what was the second part of your question?

Sabri Hazarika: This is out of how much?

Rakesh Kumar Jain: 1.55 was the total allocation, it has been reduced to 1.10.

Sabri Hazarika: And going ahead, if the CGD demand is going up, say second, third, fourth quarter, it goes even further, since we don't have that much of APM gas, is there a possibility that this remaining 1.1 will also go down to 0?

Rakesh Kumar Jain: Anything can happen. It is not correct on my part to speculate anything because there are some domestic gas available, which can also come up to the system, which are not currently coming up because of the lack of connectivity with the pipeline. It depends on dynamics. There may be a possibility, I'm not denying, but I cannot say so.

Sabri Hazarika: And just a followup on this that your average tariff realization has actually gone up during Q2 versus Q1. Was it some sort of a pass-through of this or is it a natural increase?

Rakesh Kumar Jain: No, it's not a pass-through. Our volumes are gradually increasing on the Jagdishpur-Haldia pipeline. The Jagdishpur-Haldia pipeline, even with phase 1 tariff is significantly higher than any of the pipelines' tariff. So, when the volume supply is increasing to the Jagdishpur-Haldia pipeline, it will lead to an increase in weighted average tariff realization. It is not due to any pass-on of fuel consumption and all that. That benefit we will be getting subsequently when PNGRB revises the tariff, but currently it is not because of that.

Sabri Hazarika: Your transmission volumes have also not fallen that much, considering the fall in marketing volumes. Why this deviation?

Rakesh Kumar Jain: Certainly, the other suppliers have supplied to consumers using our pipeline because they continue to supply. This disruption is in our supply side, not on the supply side with other shippers. So, had that not been there, our volume would have been 117.

Sabri Hazarika: You are saying some other sources have made up for what has been the….

Rakesh Kumar Jain: Not made up. Let me put it different way. Because our supply disruptions are there for upstream, it has gone down by 8 million. Others continue to supply because there is no such challenge at least to our knowledge with other suppliers domestically.

Moderator: The next question is from the line of Varatharajan from Antique Limited. Please go ahead.

Varatharajan: My question was on the deallocation of domestic gas. What is the gas which is filling in for the deallocated volume? Is it LNG at this point in time?

Rakesh Kumar Jain: It's RLNG.

Varatharajan: And it is likely to remain RLNG or do you think even we will be able to bring in some other source?

Rakesh Kumar Jain: It is likely to be RLNG unless we are able to source some market-driven price gas from domestic sources. Till that time, it is RLNG.

Varatharajan: On the tariff part, you mentioned when the tariff revision happens, we will get compensated. When do you think that is likely to happen?

Rakesh Kumar Jain: In terms of tariff regulations, the fuel cost is pass-through. And the tariff revision because this is pertaining to HVJ, tariff was last revised in June 2019. In terms of tariff order, it is supposed to be revised now. We are in the process of submitting the tariff to PNGRB. Normally, they take 3 to 6 months. We expect that to be available maybe by beginning calendar year or maybe financial year.

Varatharajan: You were talking about GAIL Gas volume of 5.5 MMSCMD. Out of which, how much was CNG?

Rakesh Kumar Jain: Sorry, I don't have a readily available answer what is the CNG, but we can offline answer you.

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

Kirtan Mehta: You referred about sort of resorting to additional sourcing from domestic market including IGX. What sort of quantum are you sourcing from this?

Rakesh Kumar Jain: Let me answer you this way that it cannot be a certain quantum because it is based on, first, availability at IGX – how much gas is available at IGX. But in the recent past, we have sourced a good amount of RLNG or gas, maybe 25 to 30 million during this last 1 month only.

Kirtan Mehta: Could you clarify the units, sir?

Rakesh Kumar Jain: Unit means totality. I am not talking MMSCMD. I am talking in terms of quantum.

Kirtan Mehta: In terms of the CapEx plan for the H2, which are the key pipelines which will get commissioned during the second half of the year?

Rakesh Kumar Jain: Primarily, the Jagdishpur-Haldia pipeline, some of the lags of the Jagdishpur-Haldia pipeline will be commissioned and majorly Dhamra-Angul.

Kirtan Mehta: From the CapEx portion, which are the other major deliverables which would come through in the second half of the year?

Rakesh Kumar Jain: It is mainly on pipeline only this year.

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

S. Ramesh: The first thought is, if you look at your gas transmission segment, is there any loss you are booking in any of the sections already commissioned in JHBDPL? And when do you expect the JHBDPL project to start generating EBIT positive?

Rakesh Kumar Jain: JHBDPL tariff is not negative. Let me give a total perspective about JHBDPL. JHBDPL pipeline, we envisage a CapEx of around Rs. 15,000 crores. And if we consider net of grant – I am giving a round-off figure – it is Rs. 10,000 crores. Currently, the tariff for JHBDPL has been worked out by PNGRB based on almost Rs. 1,800 crores; if we talk of net of grant, around Rs. 1,500 crores or so. And that tariff is almost Rs. 65 per MMBtu. The tariff which has been notified by PNGRB is only for phase 1. Based on the capital expenditure, net of grant is around Rs. 1,500 crores. If we see that way, then we are significantly in a good position, we are not negative or positive. And the CapEx we have already incurred, which is for the phase 2 and beyond, that tariff will come any time from now, and that will be determined based on time value of money since that has not yet been given by PNGRB though we have incurred the CapEx. If we see that way, that tariff will be available to us in maybe next year. So, it's not even negative if we consider those CapEx. If we consider total CapEx without considering commensurate tariffs, certainly, you can say we may be negative, but we are not because that tariff has to come considering the CapEx incurred in prior periods, maybe next year.

S. Ramesh: If I were just to take this discussion further, when the entire JHBDPL is in operation, when do you expect that, and what is the kind of volume you can handle, say, from FY24 or '25? And what is the kind of ballpark incremental EBIT we should expect, say, per SCM or in rupees crores? If you can give us some sense of that, it will be useful.

Rakesh Kumar Jain: I don't have readily EBIT available. But yes, I can give 2 things that this is 16 MMSCMD pipeline and we also got it expanded to 23 million if we consider Dhamra, Panipat, and Haldia. This pipeline will be almost fully utilized if we talk of 2 years from today because we have anchor customers available for this pipeline and we will be able to utilize it. And as we convert into PNGRB regulation and the pipeline, even if we utilize 75%, we will be having 12% post tax return.

S. Ramesh: And the second thought is, on the gas marketing, we heard that you had to buy spot gas at about $40. So, have you incurred any loss on any lot of gas you have procured from the spot market in the last quarter? And what is the current profitability run rate for gas trading segment based on the current Henry Hub and spot prices?

Rakesh Kumar Jain: I did not say that we bought at $40. I don't know where from you heard.

S. Ramesh: This is a press report, yes.

Rakesh Kumar Jain: No, I don't know what press report. We had purchased LNG from spot market. I said 1 to 1.5 cargoes last quarter we purchased and we are likely to purchase a similar quantum in the next quarter. This sourcing we are doing in order to fulfill our commitments in the downstream market. The loss or the figure you are trying to know that what kind of impact we may have, the impact will be at what price we are able to source because it's so dynamic. Nowadays, the LNG in international market is available for $21-25 ranging depending at what time you go to market. So, the loss will be based on that. Suppose it further comes down, there may not be a loss. If it goes up, there may be loss. So, it is very difficult to quantify. But we only will buy to fulfill our commitments in the downstream market and that to the ballpark number of 1 to 1.5 cargoes per quarter.

Moderator: The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Sir, any update you have with respect to the Kirit Parikh Committee?

Rakesh Kumar Jain: No, we don't have any update. We are also waiting like you.

Maulik Patel: Sir, in case the government or the Kirit Parikh Committee reduced the APM gas price from the current level of $8.5 to $8.6, you will see a significant benefit in your transmission and also on your LPG business, right? Is the assessment correct?

Rakesh Kumar Jain: Actually, not on transmission business because, as I shared, it's more or less pass-through. But yes, on LPG, we will be benefitted.

Maulik Patel: Sir, as you mentioned earlier also with the earlier questions that the tariff of the pipelines are likely to come up. And what we understand is that PNGRB is busy finalizing the changes in the tariff framework. When is that likely to come? In the next couple of months, is it possible that the new tariff framework will come?

Rakesh Kumar Jain: I am also guessing like you. Based on my meeting and understanding from them, the changes in tariff regulation may come this month.

Maulik Patel: Sir, last question. With respect to the demand perspective, you mentioned that the spot LNG has now come down to $20 to $25 per MMBtu, right? And which was very high in the previous months. Do you see improvement in demand from the customers, particularly from the refining customers, which have switched back to the liquid in the last couple of months?

Rakesh Kumar Jain: Certainly. Ours is a price-sensitive market. Any dip in the price will certainly bring at least new demand. Even existing demand may also increase, but certainly, it enables us to bring new demand.

Maulik Patel: At what level do you expect the refinery segment to come back to the gas of the LNG market? At what price?

Management: The refinery even at this current price, they are slightly softer prices and it's not making sense what I understand for the refinery sector. And for any purpose plant, it takes time to plan to switch over from one fuel to another fuel, whereas the current phenomenon needs to be seen how long it continues.

Maulik Patel: Sir, the last question. When do you expect this breakwater facility at Dabhol will be completed?

Rakesh Kumar Jain: We expect next year terminal to full-weather terminal. Completely,. This was the last season when we could not have the advantage of having full weather. March '23 if you talk of timeline.

Moderator: The next question is from the line of Kishan Mundhra from Antique Research. Please go ahead.

Kishan Mundhra: Sir, there is some 12 MMSCMD of high-pressure high-temperature gas from RIL that is supposed to come for bidding. 1) Sir, would you be looking to bid aggressively on that given that your Gazprom volumes are not coming in? 2) Will you also be bidding, let us say, on behalf of smaller CGD companies because they may find it difficult to bid on their own?

Rakesh Kumar Jain: Second portion I will reply first. Unless somebody approaches us, how can I bid on others' behalf. As a marketeer, certainly, I will bid. But if I have to bid on somebody's behalf, they have to come to me and we can always look for that. But coming back to the first question; yes, as a major gas marketeer of the company, we always look for sourcing the gas at a competitive price which is acceptable to the domestic customers; we will certainly do that.

Moderator: The next question is from the line of Somaiah from Spark Capital. Please go ahead.

Somaiah V: This 1 to 1.5 cargoes that we have sourced, the end prices for these cargoes would either have been oil linked or gas linked. So, is it fair to understand that these cargoes being procured from the spot and so would have been a loss-making proposition. Is that the right understanding?

Rakesh Kumar Jain: Yes, if you really see only financials, you can say so, but it's not. Because of that, we are buying; no entrepreneur will do that. It is to fulfill our commitment. Because of disruptions in Gazprom supply, we are sourcing the gas to only fulfill those shortfalls which are required to fulfill our contractual commitments. So, it varies depending on the shortfalls we have, and in order to meet that shortfall, we will be certainly sourcing. And to the extent there is a difference in the long-term prices and the price at which we source, there will be profit or loss.

Somaiah V: Just a followup on this. We said we had cut 2.7 to fertilizer and 2.7 to other customers, which means this 5.4 is not part of take-or-pay. So, we are okay cutting it without having any payments that need to be made from our side for cutting this 5.4. Is that the right understanding?

Rakesh Kumar Jain: It is right understanding. Rather, if you have gone through the contract, there is a level below the take-or-pay that is supplier pay. We are not operating for major customers with supplier pay. So, there is no question of any penalty at take-or-pay level. That is our contractual commitment.

Somaiah V: Just one last question, sir. In terms of volume ramp-up for Urja-Ganga, in terms of fertilizer plants, what is the status? And overall, next couple of years, how do you see volume being ramped up in the Urja-Ganga pipeline? If you can give an MMSCMD number, it should be helpful.

Management: For Urja-Ganga now, there are 4 fertilizer plants. Matix has already been running since last more than a year and Gorakhpur has got commissioned more than 6 months ago. Barauni and Sindri are almost on the verge of getting commissioned. They will be expecting commissioning in December month. With this, we have 4 fertilizer plants almost now ramped up. If we add up all these fertilizer volumes, they will be around 7.5 MMSCMD of RLNG plus other smaller customers and CGD players will make it finally by the next financial year in the range of 9 to 10 MMSCMD.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Rakesh Kumar Jain: I think we were able to answer most of the questions. But one question which I said I will be answering offline. The question asked was what is the CNG sales as a part of total sales by GAIL Gas. Out of almost 5.5, 0.5 MMSCMD CNG sales by GAIL Gas. That question was unanswered. I think we were able to answer most of the questions. If any of the participants has got some more questions which they could not ask or they may have, they can contact our Investor Relations team. We'll be happy to answer those questions. Thank you.

Moderator: Ladies and gentlemen, on behalf of Yes Securities Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines.