

GAIL (India) Limited

Investor and Analyst Meet

June 10, 2021

– **Mr. Harshavardhan Dole, IIFL**

- Ladies and gentlemen, greetings. I welcome you all on behalf of IIFL for GAIL India's Investor and Analyst Meet. To discuss the company's performance for the year gone by and share the performance outlook, today we have the entire functional board of GAIL represented by Shri Manoj Jain – CMD; Shri A. K. Tiwari – Director (Finance); Shri E. S. Ranganathan – Director (Marketing); Shri M. V. Iyer – Director (Business Development). The flow of events for today is as follows. First, I would request Shri Manoj Jain – CMD, GAIL to give an opening remark, subsequent to which there will be a brief presentation by Shri A. K. Tiwari – Director (Finance) sharing the financial highlights and then the floor will be open for Q&A thereafter. Without much of a delay, I hand the floor to Shri Manoj Jain – CMD, GAIL. Over to you sir.

– **Shri Manoj Jain – CMD, GAIL**

- Thank you, Mr. Harsh. My dear friends from investor and analyst community, Mr. Harsh Dole from IIFL and my colleague directors, a very good afternoon to all of you. I hope that you and your families are keeping safe from the impact of second wave of COVID. As you all know, yesterday we have declared financial results for the financial year 2021 and the standalone turnover, PBT, and PAT stood at 56,529 crores, 6,386 crores and 4,890 crores respectively. Details on the financial will be shared by Shri Tiwari Sir, our Director (Finance). And I would like to just briefly touch on the main activities which GAIL has undertaken in the last financial year and how we have contributed towards the society in these pandemic times.
- GAIL runs its various flagship programs under CSR like GAIL Ujjwal, which is education centric, GAIL Kaushal which is a skill initiative, GAIL Arogya which is health and sanitization. The total spending of GAIL on the CSR project in 2021 was Rs. 145 crores. In its battle against the COVID-19 pandemic GAIL took various initiatives including contribution of Rs. 50 crores to PM Cares Fund by the company and Rs. 3.5 crores by GAILs employees. For the projects worth 30 crores undertaken towards alleviation of COVID-19 by providing medical equipment to hospitals, setting up of 12 PSA oxygen plants, oxygen cylinders, oxygen concentrators. During these times though it was tough to move in the field, but still the GAIL team took this challenge and during the year we have two major inaugurations and completion of major sections of pipeline. One of which was the Kochi to Mangalore section of 450 kilometers which was rightly inaugurated considering the importance to the nation by Honorable Prime Minister on 5th of January 2021. The second project was Dobhi to Durgapur pipeline section of 350 kilometers which was also dedicated by the Honorable Prime Minister on 7th of February 2021. In addition, we have also

commissioned 175 kilometers of Vijaipur Auraiya pipeline during the last year and we have also connected the tie-in connectivity for ONGC Magnum gas, which has been now supplying gas to the southern region in Tamil Nadu. Total around 1000 kilometers length of pipeline projects were commissioned during the 2021 year. As of now, currently we are executing total 71 projects, big and small at an estimated cost of 47,500 crores. During the past year we have lowered the pipeline which is a significant parameter knowing the progress of around 937 kilometers of gas pipeline. We are also focusing on development of national gas grid with around 8 pipeline projects of total length of around 7,500 kilometers and a cost of around 36,400 crores which are under execution. Similarly, we are also working on two projects, and they are under progress worth Rs. 10,000 crores, one of which is expansion in the Pata for 60,000 tons polypropylene plant. And another is a new plant of 500,000 tons per annum EDH PP petrochemical plant at Usar.

- On the City Gas front, GAIL group of companies have made domestic PNG connection of 10.10 lakhs which is highest ever done by our group and also it is almost 80% of the total national progress which was done in the DPNG section. Similarly, on the CNG stations front, our group companies totally have made 341 new CNG stations which is 33% of the total CNG stations made in India. Apart from this, we are also in the current year focusing on new business opportunities wherein under the aegis of MoPNGGAIL's management has given a thrust to expand into the area of compressed biogas, ethanol 1G refinery and renewable energy. And GAIL is undertaking several initiatives to diversify in these areas. Under the compressed biogas projects, we have already signed an agreement with the Ranchi Municipal Corporation and will be laying a plant from municipal solid waste to natural gas. And the license agreement is for 22 years. Similarly, we are also looking at some other cities in this regard from municipal solid waste to compress natural gas.
- We have also started an expression of interest to seek partners for ethanol refinery so that we can also be part of ethanol blending program of the government of India, which is now a new lucrative area which has been opened by government for all the players. Similarly, we are also looking at various organic and inorganic opportunities in the renewable energy business for which also we intend this year to bid for many of the organic opportunities. And as you all know, we have already an MOU with BHEL, so along with BHEL's partnership we will be bidding for those opportunities.
- With this I will end here, and I will request our Director Finance to kindly share the details of the financial results which we have declared yesterday. Thank you.
- **Shri A. K. Tiwari – Director (Finance), GAIL**
- Thank you very much, sir. Respected Chairman, Director Marketing, Director BD, OICs and HODs from various sites of GAIL, Mr. Harsh Dole from IIFL and my dear friends from investors and analyst community connected through WebEx, a very good afternoon and welcome to GAIL's Analysts and Investors Meet to share the FY21 results. I would like to thank you all for taking out your precious time and showing keen interest in the result and performance outlook of GAIL.

- Last year, when we had our analysts and investors meet virtually due to the outbreak of the COVID-19 pandemic, we were very hopeful that the things will normalize and this year we would be able to meet you personally and have the analyst meet at Mumbai. In fact, things had started to improve, but then second wave of COVID came in. I hope that you and your families are keeping safe from the impact of second wave of the pandemic. GAIL has also taken a host of measures to support its employees and society to combat COVID-19. The company is consistently working in tandem with the objective of government of India towards economic development and achieving Atmanirbhar Bharat mission.
- We have declared the results of fourth quarter and the year 2021 yesterday. Before getting into the results, I would like to share with you some of the highlights and achievements for the year 2021. GAIL, in the month of March 2021 has successfully concluded its maiden buyback of 6.98 crores share at the rate of Rs. 150 per share amounting to Rs. 1046 crores corresponding to 2.5% of the net worth. GAIL has paid total interim dividend of Rs. 2,238 crores at the rate of Rs. 5% during FY2021. GAIL has received nil comment from CAG for accounts 2019-2020 and this is the 11th year in row. GAIL has owned second position under the category manufacturing public mega and GAIL Jamnagar Loni pipeline owned first position under category transportation and logistics in 17th National Award for Excellence in cost management 2019 organized by the Institute of Cost Accountants of India. GAIL emerged as a winner in the Investor Relations towards 2020 under the category of ESG Disclosures. This award is a testimony of GAIL's efforts in maintaining and improving its investor relations. We will continue with our endeavour to make our IR program one of the best in the industry. GAIL has also received the prestigious Golden Peacock Award for Excellence in Corporate Governance for the year 2020. GAIL has applied for the settlement of Direct Tax dispute of 21 years under Vivad se Vishwas scheme. And the department has accepted GAIL's application for all 21 years and this has resulted in reduction in the contingent liability to the tune of 2000 crores.
- I would like to inform you further that GAIL has taken various measures to reduce its financing cost which resulted in reducing the effective long-term borrowing cost to 5.2% in March 21 from 7.94% in 2019. As our chairman has already informed about the...
- **Mr. Harshavardhan Dole, IIFL**
- Ladies and gentlemen, there seems to be some technical issue, just bear with me for some time.
- **Shri A. K. Tiwari – Director (Finance), GAIL**
- ...and the quarter ending 31st March 2021. The COVID impact of the physical performance was mainly seen in Q1 and from Q2 onwards the physical operation of the company has started improving. However, due to loss of production and sales in the earlier part of the year, the physical performance of the company in FY21 is lower as compared to 2020, which is marginal.

- To talk about the polymer production, it stood against the tide and despite the disruption in the production and supplies in the earlier part of Q1, GAIL not only surpassed last year's level, but also exceeded 100% capacity utilization on a full-year basis. This is an excellent performance by the petrochemical plant. Gas marketing stood at 89.2 MMSCMD in FY21 and the GAIL natural gas transmission stood at 104.2 MMSCMD in FY21. The capacity utilization decreased to 51% in comparison to FY20, which was 53%. The polymer production stood at 813 TMT in FY21, and this is the highest ever production achieved by our petrochemical plant. So, this was the physical highlights.
- Now I will give you the financial highlights. GAIL achieved gross turnover of 56,529 crores in the current year as against Rs. 71,730 crores in FY20. There is a decline of 21% mainly due to the decline in the natural gas marketing and transmission volume, lower LSC quantity, and lower prices of natural gas. PBT stood at 6,386 crores in FY21 as against 7,943 crores in FY20, which is decrease of 20% and PAT was 4,890 crores in FY21 as against 6,621 crores in the previous year. These are mainly due to the lower gas marketing spread and various other factors taken together. Things have improved in the current scenario now, and GAIL marketing segment has improved progressively in Q3 and Q4. So far as the quarterly performance are concerned GAIL clocked a turnover of Rs. 15,472 crores in Q4 in current year as against 15,386 crores in Q3 FY21 increase of approx. 1%. But the PBT stood at 2,612 crores in Q4 FY21 as against 1,868 crores in Q3FY21, increase of approx. 40%. Mainly due to the higher price realization in the petrochemical LSC which has contributed 10,000 per metric ton. GAIL registered a PAT of Rs. 1,908 crores in Q4 FY21 as against 1,487 crores in Q3 FY21. So far as the consolidated financial results are concerned the turnover stood at 57,208, PBT 7,725 crores and PAT 6,136 crores. During the year GAIL sourced and handled 119 LNG cargos out of which 83 cargos were sourced from US and total 35 cargos were sold in the international market and remaining were brought to India. On CGD front GAIL is supplying gas to all 6 CGDs with infrastructure of 78 CNG stations and having 1,30,000 approx. PNG connections. Cumulative CAPEX spent on GAIL CGD 750 crores. So far as GAIL gas performance are concerned the turnover stood at 4,015 crores and PBT 213 crores and PAT 157 crores. GAIL along with JVs and subsidiaries have added 87 new CNG stations and nearly 1,87,000 of PNG connections.
- Just to give an overview of the BCPL, our subsidiary at Assam, the plant has operated 106% of its capacity. And during the year the revenue from operation was 2,903 crores and the gross margin 1,427 crores. Net worth of the company is 2073. So, the BCPL plant at Assam is now stabilized.
- NTPC and GAIL, I would like to tell about the Konkan LNG, NTPC and GAIL has executed share swapping agreement, both sharing share swapping agreement. GAIL's equity shareholding in KLL as increased to 92.15%. And KLL also has the cash profit of around 120 crores. We have also awarded the job of breakwater and that is under execution. So far as the CAPEX is concerned, this year GAIL achieved CAPEX of approx. 7,000 crores mainly on pipeline equity contribution, operational CAPEX. And we have a plan of this year 2021-2022 around 7,000 crores, 2022-2023 approx. 12,000 crores and next year to that is around 9,000 crores. As our chairman has already highlighted about the project, I would just give an overview of that. On the

Pradhan Mantri Urja Ganga the total commitment of that is around 14,700 crores and the actual CAPEX is 11,300 crores. We have been receiving the capital grant from the government regularly and till date the total capital grant we have received is around 4,487 crores. As a part of national grid, gas grid strategy that total, GAIL along with JV is executable pipeline to the extent of 7,500 kilometers, having the total CAPEX of around 37,000 crores.

- Just to give a brief of the pipeline Srikakulam-Angul pipeline 744kilometers 2,700 crores completion by July 2022. Dhamra-Haldia 253 kilometers investment of 1,200 crores completion by November 2022. Mumbai-Jharsuguda 1,755 kilometers 7,800 crores completion by May 2023. And like that we are also executing all the projects which are on hand. The work on this pipeline is progressing at good pace. ROW allotment from Maharashtra State Road Development corporation for 700 kilometers for Mumbai-Jharsuguda, Mumbai-Nagpur pipeline has also been received and we are on the fast track. These pipelines will not only help to complete the national gas grid and bring the Northeast in the pipeline network of the country, but also help in achieving the government of India's target to increase the national gas share in the energy basket to 15%.
- In addition, GAIL is executing PP project at Pata and Usar, total cost of which is around 10,000 crores. So far as the safety are concerned, we have zero major reportable accident happened during the last four years, and we are also monitoring and keeping all our SSC performance and all our installations are working safely. GAIL has taken various digital initiatives like introduction of the digital worker for its robotic process automation, digitization of contactor invoicing processing, digitization of the employees' payment, etc. So, this has given a boost to the digital yatra.
- That was a brief introduction on the financial result and highlights of the company. GAIL Chairman and the management team is present here and would be happy to clarify on any points that you may have. Over to you sir.
- **Mr. Harshavardhan Dole, IIFL**
- Sir, thank you for a very detailed presentation. I would open the floor for the Q&A. I would request the participants to raise hands. I will unmute the participants in the sequence, and they can prefer to turn on the camera if they wish to and ask the question. First question is from Amit Rustagi. Amit, please go ahead.
- **Mr. Amit Rustagi**
- Thanks, Harsh. Sir, good afternoon to the management of GAIL. Sir, I have two questions. One is relating to your renewable energy push. So, could you elaborate the CAPEX plan on the 400 megawatts solar and biogas? What is the CAPEX outlay which we are thinking over next one or two years and over next four to five years? That's my first question.
- **Shri Manoj Jain – CMD, GAIL**

- Thank you. Regarding compressed biogas, the initial plant which we have already ordered, and the work has started, that is a small one and around 30 crores is the CAPEX outlay for that and that will be the first sample for 5 tons per day. And we are expecting that in this year itself we will award another CBG plant which will be at the CAPEX of around 50 to 60 crores. And then based on the progress with the various municipal corporations, we can further do it, but that is not a constraint. Similarly, we are also executing the CBG plants where we are arranging the marketing agreement with the manufacturer of the CBG, and these will be the private entrepreneurs and our City Gas companies will be buying that natural gas from those entrepreneurs. And GAIL will be implementing a synchronization scheme of this natural gas which is produced from CBG with City Gas which is being brought through the domestic gas. So, we will be mixing and synchronizing both the gases and supplying to the individual CDG companies. So, that will not be any CAPEX related one, but it will be a mostly expansion of the gas-based economy. On the renewable side, our targets are that we would like to be 1 gigawatt solar and wind both together or any other renewable part in next three to four years. And towards that we are doing both inorganic and organic efforts and accordingly with 1 gigawatt I expect we have got around 4 to 5000 crores of rupees which we can do Capex on that part. So that also is not a constraint and as you know our debt equity ratio is very low, so arranging money is not a problem. If we get good projects we can even exceed this target.
- **Mr. Amit Rustagi**
- Okay, thank you, sir, my second question relates to the pipeline Capex which we are doing, so we have now big expansion plans in the pipeline segment. Could you guide us for the volume expansion also, because for the last 4 years the transmission volumes of the company are flat and probably if we look at the India landscape, we have lost market share to the other transmission companies in the country.
- **Shri Manoj Jain – CMD, GAIL**
- From the transmission front I think the market share remains static, you are right, but we have not lost on the market share on the transmission front. As a whole the country's consumption has remained static because largely because of the Covid impact last year, and first quarter was almost a wash out for city gas companies. So there used to be a very big demand which we could not cater because the vehicles did not run at least in the first quarter. So this year onwards we are expecting reasonable growth and we can expect that CBT sector alone will give a 6 to 8% growth in the near future. And overall in the pipeline segment we are looking at a growth of 7 to 8% at least for the next 3 years, and then there will be further jump on this growth and new fertilizer plants as well as new refineries will be added in the transmission segment and when the natural gas in the next four years also will be completed and the total network will be around 34,000, then definitely the numbers are bound to increase even more than 6 to 8% growth.
- **Mr. Amit Rustagi**

- So this means we should see 9 to 10 MMCMD volume growth over next every year from here, so we are at 108-109 right now. So for next year should we expect 119 to 120?
- **Shri Manoj Jain – CMD, GAIL**
- Last year was 104, so definitely 114-115 we should expect and if there is no further disruption then it could be better also. But in the month of April we have seen till mid of May there was some 10 to 15% reduction but now it has been made up and we are back on track. And if you look from today or yesterday it is around 110 in GAIL's pipelines, it is already going.
- **Mr. Amit Rustagi**
- Okay, thank you sir, and best of luck. Thank you, Harsh.
- **Mr. Harshvardhan – IIFL**
- So next is Probol Sen, Probol, please go ahead.
- **Mr. Probol Sen**
- Am I audible?
- **Mr. Harshvardhan – IIFL**
- Yes, please.
- **Mr. Probol Sen**
- Good afternoon, sir, thank you for the opportunity. I have two questions, one was with respect to this quarter and basically the outlook in terms of Petchem what sort of realizations are we actually seeing, I mean what's the outlook that we see in terms of further improvement in pricing, is that a possibility, number one. And secondly since we have already achieved a very strong utilization already in FY21, without the expansion projects that was just spoken about, is it possible to push utilization even further from current facilities or we will have to wait for the new additions to come through for any volume increase beyond the 813 odd that you have already done in FY21, that's my first question.
- **Shri Manoj Jain – CMD, GAIL**
- Yeah, as far as the Petchem numbers are there as you rightly said the capacities are almost to the full, both VCPL is operating at 107% and PATA is also operating at 103%. So without the new capacities, there will not be any significant change in the capacities of both the plants. As far as the pricing part is concerned we are seeing a substantially stable pricing regime now, and which as compared to previous year it was better in Q4, and in Q1 also it is slightly down but it is slightly better than last year's numbers. But Q1 numbers will be slightly lower because we have taken shut down in our Tata plant in the month of mid-April to May end, and so probably the

numbers in this quarter will be lower but then once the plants are coming back by 15th June both the plants will be on full load so then our numbers are going to be similar to the previous year and in toto this 810- 815 is feasible.

– **Mr. Probol Sen**

– Okay, and the 2nd question I have was with respect to the Capex Tiwariji already gave a fair detail in terms of at least 3 of the pipelines that are on the anvil which is Srika-Angul, Dhamra-Haldiya and Mumbai-Jharsuguda, but if I add up the Capex of the 3 that was mentioned, sir, that is around 10,000 odd crores. So this 37,000 crores Capex that's been mentioned that is inclusive of any pending Capex on the eastern grid or any projects we are missing, sir?

– **Shri Manoj Jain – CMD, GAIL**

– Yeah there are, there are major projects new projects you rightly said these are the 3 new major projects. One is Mumbai-Nagpur, another is Srikakul-Angul and third is Dhamra-Haldia; these are the 3 new and entire Capex is, their entire Capex has been considered. For the Jagdishpur-Haldia this 36,000 includes the Capex which have been done already so that 11,000 which we have done it is included of that. Apart from this we have got Kochi-Kottanad this Tamil Nadu section is balance, there another 1000 crore capex is there and then we have got Sultanpur-Jhajjar-Hisar pipeline, Haridwar-Rishikesh-Dehradun pipeline, then Vijaypur-Oriya balance portion, we've got the major pipeline and then small connectivity pipelines are also there. So total including what already has been spent, these total projects together account for this 37,000.

– **Shri A.K. Tiwari – Director [Finance] GAIL**

– In addition to that around 10,000 crores of the petro chemical plant which are there in Hisar and our Pata plant is there, so 10,000 crores more will be there.

– **Shri Manoj Jain – CMD, GAIL**

– Total will be around 47,000.

– **Mr. Probol Sen**

– Yeah, I was asking for the 36,000 crore only, sir, just only Pet Chem the 10,000 crore, one last question if I may, what are the time lines for completion that we are looking at for both the projects.

– **Shri Manoj Jain – CMD, GAIL**

– If we are looking at the time line then it's '23 – '24, so I think if remember it correctly it is June '23, September '23 is the target date for completion of the project then another 2-3 months for commissioning so by maybe end of '23 or maybe January '24 or so.

– **Mr. Probol Sen**

– That's for both the Pata as well as Usar, sir?

- **Shri Manoj Jain – CMD, GAIL**
- Yeah, as on date we have all the licences are in place and the basic design and engineering part is almost at the final stages of finishing and some of the enabling contracts have been awarded. So there is substantial progress as our DF also told next year's Capex largely consist of these 2 projects.
- **Mr. Probol Sen**
- Got it, thank you, sir, I'll come back if I have some more questions, thank you for your time.
- **Shri Manoj Jain – CMD, GAIL**
- Thanks.
- **Mr. Harshvardhan Dole - IIFL**
- So next question we have from Rakesh Sethia, Rakesh, please go ahead.
- **Mr. Rakesh Sethia**
- Hi, thank you, Manoj sir, thank you, Tiwari sir, for this opportunity. I have 2 questions, first one is on the InvIt. I believe there was a comment in media where our company seems to be considering of putting 2 pipelines in the InvIt structure so if you can share the thought process around the same how will that help the company. And are you expecting that before the InvIt happened, are there any reforms either on the price or if it is required before the InvIT connection be brought to the market. And the second question was on the petro chemical Capex so the timeline is '23-24; is the Finstock availability being taken care of especially for the PDH plant for which I believe there is a large Capex being considered.
- **Shri Manoj Jain – CMD, GAIL**
- Usar plant will be running on imported propane for which the propane is available in the market and we are making a tie up for that which is on the, no long term tie ups are required but we are already doing along with the other OMCs we can look for that, imported propane is the feed stock. For the Pata projects whatever is coming out of the Pata, the propylene that will be used for converting it to polypropylene. Regarding InvIT part as yesterday also we informed that as announced in the budget, two of our pipelines will be market tested for InvIT and for which we have sent our proposal to our ministry. And then once we get the necessary approvals then we will start working on that and we expect that no significant changes in the regulatory and other this thing are required. But some of the approvals definitely will be required from the regulators like CNGRB and all direct X this thing and also SEBI and all those. But those are the routine approvals which we expect that once we are ready should come.
- **Mr. Rakesh Sethia**
- If you can share which are these pipelines, if it is possible?

- **Shri Manoj Jain – CMD, GAIL**
- Probably at this stage we will not be sharing but once we get the approvals then those two will be frozen.
- **Mr. Rakesh Sethia**
- Okay, understood. On the PDH project would it be possible for you to share some of the economics considering it is based on import of propane converting into polypropylene and probably will be selling whether in the domestic markets or exports, if you could share how the economics is working for this particular project or how lucrative this project has appeared to be for the management.
- **Shri Manoj Jain – CMD, GAIL**
- This PDH PP is the first plant which GAIL is installing in the country on this technology. It is propane dehydration unit and from that propylene we will be making polypropylene. And as of now and what we have seen it is a robust model where the crack available is a robust crack and it gives returns much above our threshold rate.
- **Mr. Rakesh Sethia**
- Thank you, sir.
- **Mr. Harshvardhan Dole – IIFL**
- Sir, there is a question in the chat box, I will read that out for you. It has come from Mr. Parth Parekh. What is the outlook on gas marketing margins in FY22 and what is the transmission volume CAGR that you are eyeing over the next three years.
- **Shri Manoj Jain – CMD, GAIL**
- Can you speak a little louder about the second question?
- **Mr. Harshvardhan Dole – IIFL**
- So what is the transmission gas volume CAGR that you are eyeing in the next 3 to 5 years, that's the second part?
- **Shri Manoj Jain – CMD, GAIL**
- Regarding the gas transmission volumes I already responded, 6 to 8% is the CAGR, it is expected. And after 3 years it is going to increase further from this number. And regarding the first it was marketing...
- **Mr. Harshvardhan Dole – IIFL**
- Outlook on marketing margins in FY22.
- **Shri Manoj Jain – CMD, GAIL**

- Yeah, marketing margins as we all know are the factor of the international prices, definitely it is very difficult to predict them. But as we know as of now the futures available we feel that that will be much better than the year of '20-21.
- **Mr. Harshvardhan Dole – IIFL**
- So thank you. Next we have Vidyadhar Ginde. Vidyadhar, just unmute your line and go ahead.
- **Mr. Vidyadhar Ginde**
- Yeah, it is unmuted, can you hear me? So my first question was on the gas marketing side. So if you could give us some color on how much volumes you have already tied up for FY22 and FY23. And another related thing is that for example in the first year when you started LNG imports from the US in FY19, on some volumes you had already booked it at no-profit-no-loss in the earlier years, is there something of that sort which has happened, because we come from a very bad environment at some stage in the last year to gradual significant improvement. So have you locked in some volumes when margins were there is no profit no loss or the profit were much lower than it would be at today's futures.
- **Shri Manoj Jain – CMD, GAIL**
- Regarding the demand part which you said as DF has already said that the contracts are already in place worth 11-12 MMCMD he has already explained about the 3 fertilizer plants plus Matix plus RFCL. And we expect that at least out of these 6, 3 plants will be coming this year online and 3 maybe next year. So that's the number which we are looking at this year and next year for the major consumer. Apart from that we are also looking at few 5 to 6 MMCMD of additional demand from the some of the expansions, at the same time some of the expansions of pipelines and the new areas where the gas will reach. On the transmission side also we are looking at the numbers from some of the refineries which we will have to see how the tie ups take place.
- **Mr. Vidyadhar Ginde**
- Sir, my question was more on the marketing margin side as to given that we have had prices for oil as well as spot LNG from very low levels going up to much higher levels now. Have you locked in, at what stage have you locked in margins? What's the kind of outlook one might expect in FY 22-23 and what proportion of FY22-23 US LNG volumes you have tied up already.
- **Shri Manoj Jain – CMD, GAIL**
- FY22 I can say around 80% we have tied up and 20% we have deliberately kept open to take advantage of the price variation for trading purpose and also looking to the upcoming consumers. Most of the volumes which are coming to India we have tied up with positive buyers only so that should not be a problem. In FY23 we have got US volume around more than 50% has already been tied up and remaining also some of the volumes have been tied up but the price is not fixed, and remaining 30 to 35%

definitely as we go ahead we will be tying up. But overall if you look then it will be slightly lesser than 20% of the total volume of LNG which is coming from our portfolio.

– **Mr. Vidyadhar Ginde**

– So would you have record gas marketing EBITDA in the current or next year even better than the first year when US LNG came in given where the futures are trading today and in fact for the last few months oil prices have been elevated and so have futures been. So is there a decent probability that either FY22 or FY23 could have record EBITDA?

– **Shri Manoj Jain – CMD, GAIL**

– I cannot just, because I have not calculated the numbers so record word may not be correct, but yes, one is that from last year it will be much better. Number 2, as you know that some of the volumes we have tied up earlier also, so those volumes may not touch today what prices we are seeing. But definitely what we have tied up in the last 2-3 months those will give us good margins. So from that perspective this year we expect it to be a very good year, but record word I may not be able to confirm as of now.

– **Shri A.K. Tiwari – Director [Finance], GAIL**

– Vidyadharji, just to give you a perspective, we have with the current prices which are there as well as with the consumption which will be there in the country in the coming period with the fertilizer and others. We can assure that there will be better margins going ahead.

– **Mr. Vidyadhar Ginde**

– Lastly just how much of your volumes LNG volumes are likely to be sold in the outside market and how much in the current year and how much likely in the next year.

– **Shri A.K. Tiwari – Director [Finance], GAIL**

– This year we have sold around 35 cargos in the international market, these will slowly be tapering down when the consumption in the country will increase. So that way it will be in the consumption in the country more, and there will be some strategic sale in the international market depending upon the cargos as well as the market. So that we cannot give you any specific numbers at this stage but these are the strategies as we have explained to you a number of times.

– **Shri Manoj Jain – CMD, GAIL**

– Actually in addition we will have more cargos also this year because our portfolio will also increase. So it is not that we are looking just diversion from international to domestic, but number of cargos will also increase.

– **Mr. Vidyadhar Ginde**

- Thanks a lot, sir, that's it from me.
- **Mr. Harshvardhan Dole - IIFL**
- So while I take the next participant, we have a question in the chat box that comes from Kunal Agarwal, his question is, Gas transmission margins were very strong in 4Q which probably were also due to surging LNG prices due to Texas Freeze can you share some insights on what was the positive carrier margins due to surge in gas prices.
- **Shri Manoj Jain – CMD, GAIL**
- I think if I understood it correctly, primarily they are asking about marketing margins on the gas.
- **Mr. Harshwardhan Dole - IIFL**
- That's right.
- **Shri Manoj Jain – CMD, GAIL**
- As I explained in the previous question also, primarily it is going to be better than last year, but many of our Indian consumers we have fixed marketing margins and whatever is the price is the pass through, so there we will get the fixed marketing margin and some of the areas where we sell in spot or also short term and midterm we will have better margins in India. Similarly for whatever we sell in international market if you look at the present, crude price as well as the HH number, so we expect that in this period what we are selling they will get better margins. But at the same time whatever we have already fixed in previous years for this year, the margins are already locked.
- **Mr. Harshvardhan Dole - IIFL**
- Got it, sir, thank you. Next we have Nafeesa Gupta, Nafeesa, go ahead please.
- **Ms. Nafeesa Gupta**
- Thank you, can you hear me, am I audible?
- **Mr. Harshvardhan Dole - IIFL**
- Yes, please go ahead.
- **Ms. Nafeesa Gupta**
- Good afternoon, sir, sir my question is on the status of the Urja Ganga pipeline, so are we on track on Section 2 and 3 being completed by December '21. And related to that could you also give a detailed offtake of the fertilizer plant currently and are we seeing any kind of reduction due to higher LNG prices there.
- **Shri Manoj Jain – CMD, GAIL**
- Can you just repeat a little louder, I couldn't get the first question?

- **Ms. Nafeesa Gupta**
- Sir, my question is on this status of the section 2 and 3 of Urja Ganga pipeline which is to be completed by December '21 so are we on track for completion by December '21 and also the detailed off take by the fertilizer plants which we are seeing currently. Is there any reduction due to the increase in the LNG prices, are we seeing some stress there.
- **Shri Manoj Jain – CMD, GAIL**
- The first one is that we are on track for December'21 for all the sections except from Durgapur to Haldia where we expect some delays due to some ROI related issues in West Bengal part and remaining of the sections we are on track for December '21. But as of now if we look at Durgapur-Haldia section, no significant consumers are available on this section. So from the capacity utilization wise it will not be affecting in this year at least significantly. Regarding the secondary part, the fertilizer part there is no stress, in fact fertilizers are running at more than the 100% capacity most of the fertilizers, and we expect that the same trend of better utilization of fertilizer plants will continue. And our gas, wherever we have contracts, they are taking in full measures.
- **Ms. Nafeesa Gupta**
- Sir, could you, is it possible to give a breakup of the off take by the fertilizer plant.
- **Shri Manoj Jain – CMD, GAIL**
- Breakup wise the new pipeline if you remember there are three HURL plants, Gorakhpur has started already taking for commissioning and we expect that by July or August they will start their final commissioning and they will come in full load by August/September. For the second plant of Barauni and then Sindri, there are minor some delays and maybe we expect that for the commissioning part they will start taking this in this calendar year of '21, and then later on they will go for commissioning. And on the Matix plant they are almost pre-commissioning they are doing, and maybe they expect in a month's time, the commissioning activities will be over and then maybe after that in the month of July they can start drawing gas in a significant number and then slowly ramp up to full capacity. I mean this is about the Jagdishpur-Haldia part, and on the southern part already MCFL has started drawing and the MRPL and OMPL are also slightly drawing and they will also further increase their drawl on the southern part.
- **Ms. Nafeesa Gupta**
- Thank you, sir, and, sir, if I may in this quarter the LPG volumes were lower and what is the status on that currently, any color on that?
- **Shri Manoj Jain – CMD, GAIL**
- Yeah, LPG production is, actually our capacity is limited and we are running to full capacity and secondly we are also dependent on the quality of gas which we receive in terms of richness of propane and butane from the domestic gas. So there is some

minor fluctuation which takes place. And this Q1 there might be some reduction in the production number because of some lean gas which we received in the intervening period. However, largely this will be a variance of 10 to 15% sort of.

– **Ms. Nafeesa Gupta**

– Got it, sir, thank you.

– **Mr. Harshvardhan Dole - IIFL**

– Next we have Mayank Maheshwari, Mayank, please go ahead.

– **Mr. Mayank Maheshwari**

– Thank you, sir, for your time today and the presentation. Just a couple of questions, sir, first and foremost from a bigger picture perspective, government has been focusing a lot on hydrogen based CNG and hydrogen as a fuel as well. You talked about ethanol, you talked about renewables. Is there a plan around hydrogen as well from a GAIL perspective over the more medium term?

– **Shri Manoj Jain – CMD, GAIL**

– Yeah that is definitely it is there and it is also being pushed by our ministry also and we are primarily looking at injection of hydrogen into the city gas networks, whether it is feasible and to what extent it can be done. So the technical pilots we are looking at now. So it will take some time to establish those technical pilots and then probably improve upon that. But as you know that IGL in Delhi already HCNG is there at one CNG station from where at least 50 buses are already running on that HCNG where the IOCS technology is being used for the hydrogen generation and then it is mixed with the CNG and those buses are running exclusively as a pilot project. And similarly we are also looking at how we can use the green hydrogen by producing from the renewable sources and then utilizing it and producing hydrogen and then utilizing along with mixing with the natural gas. So these are all at the pilot stage. So definitely as you rightly said medium term there may be something which will be coming.

– **Mr. Mayank Maheshwari**

– Sir, just as a follow up on this one was in terms of your new infrastructure that you are developing, is it fair to say that you are looking at making it hydrogen ready?

– **Mr. Harshvardhan Dole – IIFL**

– Mayank, can you repeat your question, couldn't hear you well.

– **Mr. Mayank Maheshwari**

– Sir, just as a follow up on the hydrogen question, is it fair to say for the new infrastructure that you are developing is it hydrogen ready in terms of your new pipeline, etc?

– **Shri Manoj Jain – CMD, GAIL**

- It is too early to confirm that because it will need several approvals from regulatory authorities, and also we have to test it. And once we do the pilot testing and then submit our results to regulatory authorities then probably it will be confirmed that yes, we can do that. So we will look from that aspect, but maybe it will take some time.
- **Mr. Mayank Maheshwari**
- Thank you.
- **Mr. Harshvardhan Dole - IIFL**
- Next we have S. Ramesh, Ramesh, please go ahead.
- **Mr. S. Ramesh**
- If you look at the Kochi Mangalore pipeline there was a temporary hook up, so what is the status of the Kochi-Mangalore pipeline, is the final configuration done there. And can you share with us the plans for the Kochi-Bangalore pipeline when it will be completed.
- **Shri Manoj Jain – CMD, GAIL**
- The work on final hook up is in progress and already pilot and everything is done and final stages we are doing, but since monsoon has arrived so I am expecting that by October or so we should be in a position to finish it if the monsoon interrupts, otherwise maybe in a month's time we can finish it. That is about that. And remaining part of Tamil Nadu we are pursuing with the Tamil Nadu state government and we are moving ahead but although the speed is not what we expected but we are slowly, slowly progressing towards Tamil Nadu, and Coimbatore we expect to connect very soon. And all the pipes have been ordered and they are at site, contracts are in place, so that should not be a problem. We are depending on the progress of opening up of right-of-way, the progress will take place, so the exact timing will be difficult to tell. But if we get the approvals in time and the ROE opening, then maybe in the in next 18 months, we can complete the Tamil Nadu section also 12 to 18 months or so, depending on the progress.
- **Mr. S Ramesh**
- So if I understood you correctly, you are talking about the Kochi-Kuttanad-Bangalore pipeline being completed in 18 months, and that Kochi-Mangalore stretch which was initially hooked up with a temporary lane that is now getting completion, sometime during the next two quarters. Is that correct?
- **Shri Manoj Jain - CMD, GAIL**
- Yeah, that is correct.
- **Mr. S Ramesh**

- The second thought is, if you look at GAIL Gas, while on the top line you have been performing okay, the bottom line margins are in that 3-4% range. So when do you see GAIL Gas reaching financial performance in terms of margins and returns Manav Gas or Indraprastha Gas. Is there any constraint in terms of scalability of the markets, or do you need to make any additional investments? What is the challenge there?

- **Shri Manoj Jain - CMD, GAIL**

- As such there is no significant challenge and we expect to improve. Only, there are two aspects; one is that we are spending lot on CAPEX in the new GS. As you know new GS take at least 2-3 years to become profitable. So that is one area. Second is the area Bangalore. Bangalore has not come up the way we expected initial 4-5 years. But, once Bangalore, at least the state buses or the major vehicles pick up, then it can come up very fast. That is where we have to make effort. Infrastructure is almost ready in Bangalore. Now we have to create the demand. And maybe in this year, we are just profit neutral in Bangalore, and the coming year we expect that it will turn into a profitable city and then the progress should be faster.

- **Mr. S. Ramesh**

- Just, one more thought. So if you look at your overall investments on the gas pipelines, when do you see the aggregate capacity utilization reaching the normative level of 75%? At that level, I would presume you will be able to improve your returns on your transmission business to the normative to 12%. So when do we see that happen? Because today it is only about 53%, which is evident in the ROE in the pipeline business which is close to 10%.

- **Shri Manoj Jain - CMD, GAIL**

- I think, it is around 4-5 years from now, definitely we should be in a position to see. As I told you in the beginning also we are expecting a growth of 6-8% for the next 3 years and then a better growth. So from that perspective also if you look, then to reach to a 75% sort of number, it should be 4-5 years depending on the major customers, how they are on track, or they are the delayed. Primarily there are three sectors, one in the CGD sectors. Many of the CGDs have come up so we expect that, already 2 years have passed so next 3 years they should pick up significantly. And most of them are connected on our pipelines. Second is the refinery sector. Most of the refinery are undergoing for the conversion to the gas based manufacturing or gas based areas. And the third one is the, even some of the PET cans are also coming along with the refinery. There also gas requirements will be there. And apart from this, the fertilizer plants are definitely going to come in next 2-3 years, all of them. So from that perspective, this 75 number should be achievable in the next 4-5 years.

- **Mr. S. Ramesh**

- Okay. Just one last thought. Can you share with us any inventory gains we may have had in the gas marketing business in the Q4 of FY21?

- **Shri Manoj Jain - CMD, GAIL**

- I think the domestic prices are almost unchanged, so there is no change in the inventory valuations. So, as such might be there, but it will be only 1 or 2 or 10 crores, a very small number, if it is.
- **Mr. S Ramesh**

- Okay. Thank you very much and wish you all the best, sir. Thank you.

- **Mr. Harshavardhan Dole, IIFL**

- So, while I take the next question, there are a few interesting questions in the chat box. One is a question from Mr. Prasanth Vaidya. Is there any plan to list GAIL Gas on the exchange list? And if so, what are the timelines?

- **Shri Manoj Jain - CMD, GAIL**

- As such, there is no finalized plan to list GAIL Gas, as of now.

- **Mr. Harshavardhan Dole, IIFL**

- Okay. Second, is basically a question from Keerthan Mehta, and his question is, could you please share your latest optic expectations from fertilizer plants, which are under execution?

- **Shri Manoj Jain - CMD, GAIL**

- Yeah, I think I have covered in the earlier question. I can again repeat. Gorakhpur is one of the HULL plant which has started drawing for commissioning purposes, and we expect that by August-September they may come on full load. For Barauni and Sindri they will start drawing gas for commissioning purpose by the end of this 21, and then later on, they can come up with full load 3-4 months or so. And, Ramagundam has already started drawing almost full. There was some setback in between so now again it will come up. Matix, as I already explained that they are in the pre-commissioning stage and maybe by July end they will be in a position to draw to a significant number.

- **Mr. Harshavardhan Dole, IIFL**

- Thank you, sir. So we take the next question from Jatin K. Jatin, go ahead. Your line is unmute.

- **Mr. Jatin K**
- Hello sir. Thank you for taking my question. My question is regarding CNG stations in Bangalore, which we are doing an agreement with Confidence Petroleum. So I wanted to know what are the gas pricing in terms, in terms of as in what price gas will be supplied to them? And what is our expectation on volume?
- **Shri Manoj Jain - CMD, GAIL**
- Probably an exact number, it will be difficult to give, but the Director Marketing will touch upon the thing. And for the consumer, the ultimate selling price will be same. But regarding the agreement, our Director Marketing will give some details.
- **Shri E. S. Ranganathan – Director (Marketing), GAIL**
- Yeah. As he said, the selling price of CNG is fixed for the whole of the city, that will be same. Plus this is a dealer-owned-dealer operated model so there we have a specific commission system. So we will be paying a commission to them per kg basis. And then gas, our gas will be sold by him and then we will collect the revenue from there
- **Mr. Jatin K**
- And sir that commission would be around Rs. 10 per unit or it would be a deal? Any numbers you would like to comment on that?
- **Shri E. S. Ranganathan – Director (Marketing), GAIL**
- Oh, I can't say right now, it varies. It varies from station to station also, depending on the location.
- **Mr. Jatin K**
- And any expectations on volumes side around those stations?
- **Shri E. S. Ranganathan - Director (Marketing), GAIL**
- Yes, of course we expect that, some 20 stations will come online immediately and that will increase the sale by at least 1 lakh kg per day.
- **Mr. Jatin K**
- And sir, any reason for choosing Confidence and not doing this on our own end? Are we in discussion with Confidence Petroleum or any other player on more such cities?

- **Shri E. S. Ranganathan - Director (Marketing), GAIL**
- We are open to all. Actually our website has a permanent expression of interest. So anybody with land can actually apply and then we will be signing with them also provided they are not bunched together in one place.
- **Mr. Jatin K**
- Thank you and all the best.
- **Mr. Harshavardhan Dole, IIFL**
- So next we have Nitin Tiwari. Please go ahead. Your line is unmute.
- **Mr. Nitin Tiwari**
- Good afternoon, sir. And, thanks for the opportunity. So my question is related to the PET can project. So, what is the rationale behind diversifying into polypropylene and not, basically expanding capacity in the polyethylene itself in which the raw material is perhaps already there in your pipelines and you just have to expand capacity. So what is the rationale behind getting into polypropylene for which you will actually have to import raw material?
- **Shri Manoj Jain - CMD, GAIL**
- Yeah, there are two aspects. One is that the GAIL's portfolio is polyethylene heavy. We want to have a balanced portfolio for GAIL. We are both polyethylene and polypropylene. We do have portfolio and we can serve the consumer to its fullest. That is one part. Second regarding the availability of ethylene for the polyethylene. Whatever gas has got primarily, at Pata whatever is our capacity, almost to the fullest we are able to extract. So from the natural gas which is available, we are trying to call more than 90% of that. So remaining natural gas which is now coming from the Eastern coast, that is a lean gas. So that has got very low percentage of ethane. So, from that perspective, even if we go for ethylene or ethane based PET cans then also we will have to import only.
- **Mr. Nitin Tiwari**
- So, but sir in case of IRs both projects would be having similar IRs. I mean like both, like you know, had you gone for a polyethylene expansion and vis-à-vis the polypropylene project you are putting up?
- **Shri Manoj Jain - CMD, GAIL**
- Yeah. Polypropylene, this is the first new technology where exclusively we are going for polypropylene. Since it is a plant which has lesser by-products more focus on the

main product, so here IRs are good. That is why we have going for this technology. And the polyethylene with you are talking, Pata is actually we are utilizing the existing feed available from the Pata itself. That is why it is a smaller number, it is 60,000 only.

– **Mr. Nitin Tiwari**

– My second question is related to US LNG cargo. So, is the understanding right that the fertilizer plants which are coming up on the east coast and their pipeline, they have all contacted US LNG cargo. So your cargo should be getting consumed with the fertilizer plants? Are they exclusively LNG cargos or there are other gas cargos also which they have taken?

– **Shri Manoj Jain - CMD, GAIL**

– Actually we, as you know that we are got two contracts in US to bring LNG. One contract with Russia to bring LNG, and apart from this we have got through PLL this Australian Gorgon LNG, as well as Qatar. So if you look from this total portfolio, especially the portfolio of both the US and Russian, then this is the portfolio out of which we supply to various fertilizer plants and at different indices. So as such, there is no specific molecule of US or Russia going to a specific fertilizer plant. But our selling price and the buying price, we are trying to balance.

– **Mr. Nitin Tiwari**

– Lastly, on your city gas portfolio. So you have substantial investments in a number of city gas companies which are your subsidiaries. So, given we are considering value or locking through in weight in the pipeline business so any thoughts of unlocking value in your city gas investments as well? I mean, I think you have a portfolio almost 11 odd companies over there where if you want to do unlock value that could be substantial in nature.

– **Shri Manoj Jain - CMD, GAIL**

– Yeah, we can probably, immediately there is no firm plan. But definitely this area is where we can think in future when we need money. Actually now we have very cheap debts available. So we thought of utilizing that first. And value unlocking at right moment definitely, even if near future it comes, we will use that right moment to unlock the value.

– **Mr. Nitin Tiwari**

– Thank you so much sir for taking my questions and wish you all a lot of health and please take care of yourselves.

– **Shri Manoj Jain - CMD, GAIL**

- Thank you.
- **Mr. Harshavardhan Dole, IIFL**
- Next we have Vishnu Kumar. Vishnu, go ahead please.
- **Mr. Vishnu Kumar**
- Thank for your time. Sir, firstly wanted to understand the Urja Ganga phase two and phase three tariffs, when should we expect it? And in the meantime, how should, because we are shipping a lot of fertilizer gas there what will be the provisional tariffs that will apply?
- **Shri Manoj Jain - CMD, GAIL**
- Provisional tariff should not be a problem because we have got the CAPEX numbers so we can easily calculate and apply. And then once the final numbers come from regulator, then we can adjust to on the future a tariff number, because there are no retrospective tariff revisions. So, as such that would not be a problem. When those things come we should be able to do it.
- **Mr. Vishnu Kumar**
- What will be the rough rate that will apply?
- **Shri Manoj Jain - CMD, GAIL**
- Rate, it is very difficult to tell at this stage. But if I remember, if you look from that perspective, probably it was in the range of around, maybe in the range of in-between \$1.25 - \$1.50 or something.
- **Mr. Vishnu Kumar**
- This is including phase one, phase two and phase three, all three put together?
- **Shri Manoj Jain - CMD, GAIL**
- Yeah.
- **Mr. Vishnu Kumar**
- Understood sir. Sir, in terms of our own tariff the tax adjustment part is pending and also just wanted to understand your thoughts on unified tariffs. Obviously PNGRB,

we understand the lack of quorum. When do we expect some kind of resolution on this?

– **Shri Manoj Jain - CMD, GAIL**

– On unified tariff?

– **Mr. Vishnu Kumar**

– Yes, sir. And also your own, all the pipelines the tax adjustment for the tariff for all other pipelines.

– **Shri Manoj Jain - CMD, GAIL**

– For the unified tariff I think the date of commencement is yet to be notified. So, we actually can't pinpoint a number or a specific date when the quorum will be there and then they will have to work on that. After that, it might take few months to come into force after hearing for and working out a methodology among the different players. And, we have also submitted some of the suggestions so maybe some minor changes may also come up. So, all those things are yet to be finalized. Once the quorum come, then only this thing can be confirmed.

– **Mr. Vishnu Kumar**

– My last question is on the phase three. Have we signed, especially in the steel territory, have we signed up any contracts with any of the steel players, the Urja Ganga line phase three?

– **Shri Manoj Jain - CMD, GAIL**

– Yes, some of the MOUs and contracts we have signed. But it is not a big number like that 2 or 3 MMSCMD sort of, because their basic process is not changing. On the auxiliary side, they will be definitely to begin with, take the gas and slowly, slowly, when the gas becomes available and they are seeing the benefit, maybe they can go for expansion and all those things. At that time the more demand may come. But most of the steel plants we have either MOU or agreement for supply of gas along their pipelines.

– **Mr. Vishnu Kumar**

– Just to clarify on the Urja Ganga pipeline range. So let's say Matix fertilizer is going to receive the gas which is on phase three, phase two rather. So the total tariff will be, the HVJ line of Rs. 40 and \$1.25 of the Urja Ganga line, roughly (+) Rs. 100. Is that a right assessment?

– **Shri Manoj Jain - CMD, GAIL**

- Yeah, that is true. So long as the supplies are from there it is true.

- **Mr. Vishnu Kumar**

- Got it sir, thank you.

- **Shri Manoj Jain - CMD, GAIL**

- But the number of this 1.25, 1.5 is a provisional number. We will have to work out.

- **Mr. Vishnu Kumar**

- Got it sir, thank you.

- **Mr. Harshavardhan Dole, IIFL**

- Thanks Vishnu. So we have last two questions. We have now Venkatesh Subramanian. Venkatesh, please go ahead.

- **Mr. Venkatesh Subramanian**

- Hi sir. Good afternoon. I have two questions. So one is a follow-up question on the Confidence Petroleum thing, and that is also related to GAIL Gas. What is your vision for GAIL Gas for the next 3-5 years in terms of number of pumps or in terms of top line? Do you think this could be a very big enterprise? That is number one. Number two, the related question is on Confidence Petroleum, which is what is the economics of this when you actually give out these franchisees, how does the sharing work? We just want to calculate unit profitability sir.

- **Shri Manoj Jain - CMD, GAIL**

- Regarding the expansion plans, definitely, as we said that we have already, I think 9 more years we have recently won. So definitely GAIL Gas we are looking at significant growth and, in terms of CNG stations, definitely we are looking at least doubling the CNG stations in the next 2 years of the total CNG station we have. Even the last year when the pandemic was there we did 75 number as the Director Marketing has just confirmed. So, definitely this year, we will be doing more than that 75 numbers, definitely. And next year also numbers will be more. So that is our objective to further expand and we expect that there will be a significant growth in terms of not only CNG station, but industrial and commercial and domestic numbers also.

- And the second part about the, this is a new model which we are working out for the last one year, the dealer-owned-dealer operated and that is open to all the GS. So, definitely it is going to be a beneficial, private entrepreneurship entering into a CGD

area. And at the same time, we as the licensor of that GA will also be benefiting from expanding the footprint of natural gas.

– **Mr. Venkatesh Subramanian**

– How does the sharing work sir, in terms of between the franchisees and GAIL?

– **Shri Manoj Jain - CMD, GAIL**

– As the Director Marketing told in the earlier questions, it is a commission on per kg basis.

– **Mr. Venkatesh Subramanian**

– Okay, great. Sir, one last question, which is many years back we actually held some stake in China Gas. Do we still have some holdings there left?

– **Shri Manoj Jain - CMD, GAIL**

– Yeah, we have got holdings and that is giving a very handsome appreciation of investment.

– **Mr. Venkatesh Subramanian**

– Okay. I hope we become larger than them, sir. Thank you very much sir.

– **Shri Manoj Jain - CMD, GAIL**

– But our share percentage is very small.

– **Mr. Venkatesh Subramanian**

– On this side, yeah.

– **Shri Manoj Jain - CMD, GAIL**

– It is around 2% or so. But still the number wise in terms of Hong Kong dollars and then rupees, the investment is worth around 4,000 crores or something.

– **Mr. Venkatesh Subramanian**

– Yeah, that's right. I think you divested some in 2013-2014.

– **Shri Manoj Jain - CMD, GAIL**

- After that also now it is 4000 crores.
- **Mr. Venkatesh Subramanian**
- Sir, would it be fair to ask from, I know that I am probing little bit deeper. But just to understand this franchisee model, when somebody like a Confidence is getting a franchisee for 100, if tomorrow somebody else applies for another 100, 200, 300 we are open to tie ups with most people. Is that a scalable opportunity?
- **Shri Manoj Jain - CMD, GAIL**
- As Director Marketing correctly pointed out we have to see the overall scope also. Otherwise actually, if it doesn't make businesses for us and for them both, it will not be a win-win position and then it will not be sustainable. So that is the only caveat. Otherwise we are open to anybody joining us.
- **Mr. Venkatesh Subramanian**
- All right. Thank you very much. Thanks Harsh.
- **Mr. Harshavardhan Dole, IIFL**
- All right, so next we have Manish Jain. Manish, go ahead.
- **Mr. Manish Jain**
- Yeah. Hi. I wanted to know, are you working on any carbon capture technologies and if yes, can you share insights on these technologies?
- **Shri Manoj Jain - CMD, GAIL**
- As such, we are not actually working on a research or commercial basis on any carbon capture technology as of now. Just to give you a perspective, though, we have made some studies in the past, from our petrochemical plant what is our CO2 goes into the environment can that be captured and brought back. But so far that has not materialized into an outcome with some numbers or something. But we have done some studies, not any research.
- **Mr. Manish Jain**
- And earlier you did too in hydrogen. Besides the 50X CNG buses at Delhi when and where in terms of scope and size of the project do you plan to start technical pilots?
- **Shri Manoj Jain - CMD, GAIL**

- As I said, it is through IGL it has been done with the IOCL's cooperation with the plan, which has been made near to this Rajghat–Delhi CNG station itself. And that 15 number, it is a pilot basis and then after that ARI will be checking the parts of the buses, what is the performance and all those things. Once that outcome is there then that probably pilot will be completed and then we will think of next stage.
- **Mr. Manish Jain**
- Okay. So basically, I just wanted to know, besides IGL are there any other initiatives on hydrogen that we plan to take on technical pilots?
- **Shri Manoj Jain - CMD, GAIL**
- We are also looking at some of the areas where we can, how we can inject the hydrogen into the CGD networks. That is pilot study we are working.
- **Mr. Manish Jain**
- Thank you so much sir.
- **Shri Manoj Jain - CMD, GAIL**
- Thank you.
- **Mr. Harshavardhan Dole, IIFL**
- So, I do realize we are on the clock but there are quite a few questions in the queue. With your permission, can I take the last one?
- **Shri Manoj Jain - CMD, GAIL**
- Yeah, please.
- **Mr. Harshavardhan Dole, IIFL**
- The last one is from Pinakin Parekh. Pinakin, please go ahead.
- **Mr. Pinakin Parekh**
- Basically my first question relates to the gas marketing segment. Historically, this is a business which gave an EBITDA of 600 crores a quarter in FY19, FY20 and this quarter there is 300 crores. And you mentioned about the volumes which have been already put in. So what quarter EBITDA is that the new run rate we should expect in fiscal 22, or we can go back to the (+) 600 crore EBITDA per quarter that we saw in FY 19 and 20?

- **Shri Manoj Jain - CMD, GAIL.**
- It is really a difficult question you have asked. But, I can only say, probably the actual answer will lie in between the two maybe. But that 600 number was really very-very ambitious number at that point of time. And the markets are now since in a different mode, from the perspective of the money, the spot market is not moving in tandem in long-term market. So everything is diversified. That is, spot market does not follow the long-term and the supply demand curve. It is a spot or momentous supplies which are governing that spot market. So from that perspective, those high numbers are really now difficult to achieve. But one good thing is that, both crude at this stage as well as the spot are up. So this time we expect that yes, some good numbers should come. But this, I have repeatedly been telling and again, I am just repeating that, some of the cargoes we logged earlier, those cargoes will not see these amazing numbers. So overall portfolio wise, we have to have a mix of both the safety as well as, improved gains.
- **Mr. Pinakin Parekh**
- Understood sir. My second question relates to the CPAEX plan that you have announced. Now broadly if you look at the CAPEX that GAIL will incur over F22 and F23, how much does the company fund expect to fund it via debt? Given the visibility it has on cash flows, given the visibility it has on in with monetization, how much additional debt would the company take over the next 2 years?
- **Shri A. K. Tiwari – Director (Finance), GAIL**
- Yeah, considering our internal generation, we are expecting to around 4,000-5,000 crores each year to meet the CAPEX plan. But it depends upon the margin which we have, our internal generation. So our range will be around 10,000 crores in the coming 3 years. That would be the plan.
- **Shri Manoj Jain – CMD, GAIL**
- And also if I may add, it depends on how much dividend our promoters expect. So all those things have to be taken into account.
- **Mr. Pinakin Parekh**
- Yeah, sure. So my last question, basically if I breakdown the CAPEX into three parts; one is the pipeline CAPEX, the other is basically the PET can related CAPEX, and the third is basically the CAPEX that will be done in renewables and other new businesses. Now the pipeline CAPEX comes with a broadly and assured ROE-ROC concept. The PET can CAPEX will have its own dynamics in terms of the headline commodity prices. But in terms of the renewable energy CAPEX, whether it is solar or any other thing, would that have an inbuilt assured ROE when the company is undertaking the CAPEX or the

company's profitability will be a function of how those businesses evolve and how the market evolves?

– **Shri Manoj Jain – CMD, GAIL**

– Actually in business nothing is fixed and nothing is permanent. But definitely our endeavour is that even in for the renewable side, also we are looking at assets which are most of them are having tied up output also. So from that perspective, we expect that the returns will be in a range which is near to our hurdle rate. So there should not be significant worries once we opt for an asset. And that is the reason that probably our portfolio may not grow very significantly though we would like it to grow. Because many of the other players can go much-much aggressively, but we would like to strike a balance between our vision to enter into this area, but without sacrificing on our returns.

– **Mr. Pinakin Parekh**

– Understood sir. This is very clear. And just a clarification to previous question that was asked on the tax rate, and PNGRB tariff resetting. Is it fair to assume sir that any tariffs which are reset going forward, whether it is a unified tariff, Urja Ganga tariff or the existing tariffs, would have the new corporate tax rate as one of the input variables in PNGRB's calculation?

– **Shri Manoj Jain - CMD, GAIL**

– Yes.

– **Mr. Pinakin Parekh**

– Understood. Thank you very much, sir. Thank you Harsh.

– **Mr. Harshvardhan Dole, IIFL**

– All right. Thank you, ladies and gentlemen we have absolutely run out of time. And I do realize that a lot of questions in the queue. I would request you send me an email and I will have it answered from the GAIL management, or you could write to Satish Sinha who I am sure will be able to explain the details. But on behalf of IIFL, I would like to thank the management as well as all the participants for the logging into this conference. GAIL Management, thank you very much sir for giving this opportunity to host this event. We deeply appreciate. We look forward to continue our interactions. Thank you.

– **Shri Manoj Jain - CMD, GAIL**

– Thank you very much, thank you Mr. Harsh for nicely interacting with all our stakeholders and we are very happy and we would like to thank each and every one of you who have spared your time and also given some of the learnings to us also, how we can improve upon further in future. Thank you very much.

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