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**“GAIL (India) Limited Q3 FY 2017
Earnings Conference Call”**

February 10, 2017



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ALONG WITH OTHER SENIOR OFFICIALS**



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Moderator: Good day ladies and gentlemen, and very warm welcome to the Q3 FY2017 Results call of GAIL hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhaval Joshi, Research Analyst of Emkay Global. Thank you and over to you Sir!

Dhaval Joshi: Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today Mr. Subir Purkayastha, Director (Finance) along with other senior officers. Without wasting any further time I would now hand over to Mr. Purkayastha for his opening remarks. Over to you Sir!

Subir Purkayastha: Good afternoon, everybody. As I was mentioning that this quarter has been good performance so far as GAIL is concerned and it is for the second time in this year on a quarter-on-quarter basis we have improved the financial performance. This has been backed on the basis of robust physical performance and in spite of the fact that so far as the prices are concerned, the prices have been lower in this quarter in almost all the segments as compared to the previous quarters, particularly the petrochemical and the liquid hydrocarbon prices are concerned. But as you must have noticed despite all this, Company has recorded a quarter-on-quarter increase in profit of 6%. The turnover has been muted of 2% that is mainly on account of the fact that the APM price had lowered in this particular quarter as compared to the previous quarters and also the lower realization in the prices of the petrochemical polymers. So, this is in short very quickly I would like to just convey the financial performance of this Company. Without taking much time, I would now request if you could proceed with your questions. My colleagues from finance, marketing both polymer and the gas sector, join me here. So, we would be happy to take your questions here and now after.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question is from the line of Amit Rastogi from IDFC Securities. Please go ahead.

Amit Rustagi: This is Amit Rustagi from IDFC. And Sir, congratulations for the wonderful results. I have a question regarding the petrochemicals division that among 152 million tons which we have specified, could we get a break-up that how much has come from the new unit and



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how much has come from the old Pata plant and then what is the current status of petrochemicals division for the current quarter?

- Subir Purkayastha:** The production share of Pata-1 is 117000 tons and that of PC2 is 35000 tons.
- Amit Rustagi:** Okay. The new one is still at 35,000 tons. And so what is the current status of the Pata new unit?
- Subir Purkayastha:** Pata new unit in this quarter, it will be certainly much, much better than what has been recorded in the third quarter.
- Amit Rustagi:** Okay. Just if you can let us know in terms of percentage utilization, that will be great?
- Subir Purkayastha:** Percentage capacity utilization rate is 80% plus at this point of time
- Amit Rustagi:** Okay. So, you are saying 80% utilization for the current quarter?
- Subir Purkayastha:** That is the current rate that we are clocking so far as PC2 is concerned.
- Amit Rustagi:** Okay. And Sir, in the transmission business we have done 102 MMSCMD transmission volume. Sir, can we get a breakup of LNG and domestic gas? And if you can give us some sectorial breakup on that, which sectors were the key consumers in this quarter, LNG versus domestic?
- Subir Purkayastha:** So, domestic is about 48 MMSCMD and the rest is RLNG.
- Amit Rustagi:** And Sir, sectorial?
- Subir Purkayastha:** You are talking about the transmission volume. Domestic gas is 53 MMSCMD.
- Amit Rustagi:** Okay. Out of 102 MMSCMD. And sir, sectorial breakup?
- Subir Purkayastha:** Sectorial breakup of 82.79 MMSCMD. Fertilizer is 27 MMSCMD, power is 23 MMSCMD, City gas distribution is 16 MMSCMD, and others are 15 MMSCMD.
- Amit Rustagi:** Others are a big number so any other?
- Subir Purkayastha:** Others include internal consumptions and other than these three sectors.



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- Amit Rustagi:** Thanks a lot Sir.
- Moderator:** Thank you. We will take the next question from the line of Aditya Gupta from Narnolia Securities. Please go ahead.
- Aditya Gupta:** Thank you for taking my question. Sir, I want to know about the capex guidance and tax rate for FY2018?
- Subir Purkayastha:** Capex is about Rs.3200 Crores. I have not understood tax rate further, what does it mean?
- Aditya Gupta:** Sir, what is the tax guidance for FY2018?
- Subir Purkayastha:** What do you mean by tax guidance, corporate tax rate? There is no change in the corporate tax rate. Was there anything in your mind? When you asked this question, what exactly is in your mind?
- Aditya Gupta:** Sir, I want to know that is there any change in tax guidance or not?
- Subir Purkayastha:** No, there are no tax rate changes.
- Moderator:** Thank you. We will take the next question from the line of Badrinath Srinivasan from Credit Suisse. Please go ahead.
- Badrinath Srinivasan:** Thank you for taking my question. First on the Jagdishpur Haldia; if you could just help us with how much has been the capex spend, what is the current status, and does the timelines remain the same? And the second question is that given what has happened with the LNG prices, if you could give us any color in terms of the demand scenario in any sectors where there has been no pushback in terms of LNG offtake? Thank you, Sir.
- Subir Purkayastha:** On the capex side, our target for this year is close to Rs.1000 Crores. So, we hope to achieve that kind of target during this financial year. And what was your next question?
- Badrinath Srinivasan:** Sir, firstly on the Jagdishpur Haldia, if the timelines remain the same and if the capex is spent so far?
- Subir Purkayastha:** The timeline is that it is split into two parts. One is from Phulpur to Dobhi along with branch lines going to Patna and Gorakhpur and Barauni, that is December 2018. And the balance part connecting to Dhamra as well as going right up to Haldia is December 2020.



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Badrinath Srinivasan: And the second one was given what has happened with LNG prices, the rise in prices, could you just help us with any color in terms of sectors which are taking less or any pushback in terms of the LNG offtake, Sir?

Subir Purkayastha: If you see the volume growth in the marketing, there has been a volume growth in this quarter as well. So, there has not been any major pushback because of the rise in the spot prices. Because of the increase in spot prices, has it impacted our marketing volumes, it has not. It has not impacted. In fact we have seen a growth in terms of volume in this quarter as compared to the previous quarter. PSDF scheme has not fully been utilized, that's another thing. But there is not a pushback as such.

Badrinath Srinivasan: Thank you.

Moderator: Thank you. We will take the next question from the line of Rakesh Sethia from Morgan Stanley. Please go ahead.

Rakesh Sethia: Thank you Sir. Congratulations for a very great set of numbers. First, on the US LNG contracts if we have been able to place more volumes in the market, any timeline changes in terms of when the volumes will start coming to India? And secondly, Sir, in terms of your capex plan, if you could highlight what's going to be for the next couple of years and how we should think about capex?

Subir Purkayastha: On the US Gas volume, volumes are expected in the first quarter of the next calendar year. We have tied up this volume with various customers both in fertilizer, power, and industrial sector and we are reasonably confident that we should be able to handle the volume by and large as and when it starts coming to India. We also are having contingency plans and other mechanism by which the volume mitigation can be done particularly in the year 2018. So at this point of time, I can give you only flavor that we are reasonably much more confident as compared to what we would have been six months or a year back, things look much better now. So, we are confident that we should be able to sell this gas. So, we are selling close to about 34 million cubic meters of gas RLNG as of today. Out of that, only 17 million cubic meters is tied up on a long-term basis.

So, we have a good support coming in from other areas where currently we are selling close to 16 million cubic meters of gas per day. So, our effort in the past couple of months has been to convert all these consumers who have been serviced through short-term or mid-term contracts to substitute that by the long-term contracts whether it is Henry Hub or any other



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formula. So, that is the overall confidence that I would like to give to the analysts. Coming to the question of capex in the next couple of years. Yes, because of the Jagdishpur Haldia pipeline, we are expecting that in 2017-2018 our expenditure would be about Rs.3200 Crores as I said earlier. Subsequent to that, in 2018-2019 the expenditure is likely to spike so it could be double that amount close to Rs.7000 odd Crores. So for the next two years, it should be around a figure of Rs.10000 Crores.

Rakesh Sethia:

One more question, if I may, about how the management is thinking about the overall gas demand in the country. This year has been great in terms of price supported and industrial volumes also picked up. But getting into 2017 and probably 2018, which are the sectors you guys think will pick up in terms of volume pickup and how we should think about GAIL's volume particularly both on transmission and trading side to shape up in the next 12 to 24 months?

Subir Purkayastha:

With the PSDF scheme not getting an extension so we are not seeing any major growth in the next two years. We foresee major growth coming in once the fertilizer plants, which are aligned with the Jagdishpur Haldia pipeline, comes up. Then there are other fertilizer units in the south as well as in the northern part of India, which are likely to come up. So, these are the two major sorts of anchor customers. It's very difficult to make a comment so far as the power sector is concerned. But we are quite bullish and are very sanguine with respect to the growth that we have seen in the last couple of quarters. Regarding the growth in the CGD sector, we have seen approximately 1.5 million cubic meters of gas per day increase in the CGD sector. So we foresee that in the couple of years following from this year, CGD sector would take the lead so far as the demand pickup is concerned. The major anchor customers, the major spurts are likely to come when these major anchor customers they are hooked on to this pipeline system.

Rakesh Sethia:

In terms of your internal target, if you could share with us the transmission volumes of currently about 103 MMSCMD which we did in last quarter. How should we think about getting into 2017 and 2018? Should we expect like a big 10 MMSCMD, 15 MMSCMD sort of growth or it is going to be much more muted? If you could highlight anything on that front would be?

Subir Purkayastha:

As I said that in the next two years, we do not foresee the kind of growth that we have seen in this particular financial year. I doubt whether we will see 10% growth. It will be maybe 5% somewhere around that or maybe you can take as a general assumption a 5% growth. And I think it will be very difficult to presume that we will have two years running of 10%



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growth in the volume looking at the scene. Of course if something happens on the PSDF scheme if the power sector opens up, then of course it's a totally different matter.

Moderator: Thank you. We will take the next question from the line of Aishwarya Agarwal from Reliance Mutual Fund. Please go ahead.

Aishwarya Agarwal: Thank you very much Sir. Great set of numbers. Sir, just want to understand why this power scheme is not getting extended because these plants are running at very low capacity utilization?

Subir Purkayastha: Even when the scheme was formulated, this scheme was approved by the cabinet only for two years. Of course we are making our pitch to get the scheme extended. We understand that even the lenders who have been tied up with all these standard power plants are also making a pitch for the extension of the scheme. The scheme has not been a resounding success, but at the same time it has been a reasonable success I would say. So in that scheme of things provided certain tweaking of the scheme is done, I think it will be a great benefit to not only say for a company like GAIL, which will be supplying or transmitting that; but also for the power sector and the banking sector as a whole who would stand to benefit from the scheme.

So we are certainly advocating and making all the noises at the right places, but we have to wait and watch how things can pan out. We have I would say 50:50 chance that this scheme maybe extended. So, the period is also very short between now and the end of this financial year so we have to see that how things can move forward. Interesting to share that the ministry has asked for our comments so we have been giving our comments so as the other ministries also must be giving their comments with respect to the continuation of the scheme. So from that perspective, things are tangent; but until and unless, as I said, it really translates into an order sort of a thing, we have to wait till that time.

Aishwarya Agarwal: What kind of volume are we carrying now under this scheme and what was our peak volume under this scheme?

Subir Purkayastha: Peak volume was about 8 million last year, but this year it has been around 5 million.

Aishwarya Agarwal: Okay. And now the reduction in volume is coming because of the government is not giving support or is it more because the demand of the power itself is not there? What is the issue?



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- Subir Purkayastha:** Actually for all this, the power companies who have bid, there have bid on the basis that they will be getting the demand from the DISCOM companies. So, maybe they are not getting the sort of demand from the DISCOMs particularly in the south therefore although they have bid and they have been successfully selected also to receive the PSDF scheme, but until and unless there is actually a demand coming in from the DISCOMs, they would not be in a position to take this gas. So, that is where the big constraint is. So, that particular aspect why they have not been able to get the demand is something, but also this should be looked into while extending the PSDF scheme.
- Aishwarya Agarwal:** So that means despite lower demand, you people are supplying 5 million ton of gas to them. And at best even if it gets renewed, you will get 5 million ton is the way we should look at it?
- Subir Purkayastha:** This is the volume that they are carrying. Say for example in this particular half year between October to March, the total demand is about close to 8 billion plus cubic meters of gas per day, but the actual withdrawal is currently around 5 million cubic meters of gas per day. So, the 3 million cubic meters of gas per day is basically mainly because they have not got the demand from their DISCOMS.
- Aishwarya Agarwal:** And Sir, one more question. How is our Ratnagiri LNG terminal operating? What kind of utilization is there?
- Subir Purkayastha:** Ratnagiri has been operating since last financial year from the month of November 2015. Barring this period of the monsoon period in this financial year, it has operated till April and maybe starts of May and this again has restarted from the month of September 2016. It is receiving cargoes; so far we have received about 13 cargoes in this financial year. So, we expect that another two to three cargoes are likely to come into this terminal by the end of this financial year.
- Moderator:** Thank you. We will take the next question from the line of Pinakin Parekh from JP Morgan. Please go ahead.
- Pinakin Parekh:** In a question earlier on the potential growth for transmission volumes, you said that 5% is something that one should work for the next two years. Does this 5% assume the extension of the power scheme? And if that scheme were to not be extended, then can we still expect 5% volume growth in FY2018 versus FY2017?



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Subir Purkayastha: I am expecting that this PSDF scheme may continue. Without that, the percentage could be slightly lower?

Pinakin Parekh: And Sir, my second question is again earlier to a response on US contracts, you had said that 50% of the offtake is on short-term purchases, which you are trying to migrate those consumers to the US contracts, the pricing index could be discussed later. If we were to do that, would that mean that the gas trading segment earnings that we are seeing could potentially reduce from here because a larger part of your consumers would then be migrated towards this index contracts and hence on spot basis the amount of gas that GAIL would need to purchase would reduce materially?

Subir Purkayastha: Yes, to some extent you are right. Our effort has now been to provide stability to our customers. We have seen the sort of volatility in the spot prices, which had attracted the customers earlier to go for spot kind of prices, but we have in recent past seen huge spikes. So, our advice to the customers and discussions with them is that it would be in the long-term interest of either party to go into a long-term contract and have price stability. So to that extent, you're right because the volatility in the spreads would reduce and therefore we can see more robust income coming from the steady marketing margin. But on the trading gain side, there could be some reduction.

Pinakin Parekh: Thank you.

Moderator: Thank you. We will take the next question from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Sir, this input tax credit reversal by the Government of Gujarat, how much it has impacted our profitability in the petchem segment or the LPG segment?

Subir Purkayastha: I do not have the sectorial benefit; it is close to about Rs.10 Crores.

Maulik Patel: So, the impact on the profitability was Rs.10 Crores negatively?

Subir Purkayastha: Yes.

Maulik Patel: That is on which segment, sir, both the combined?

Subir Purkayastha: Combined.



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- Maulik Patel:** Is it fair to assume that for the full quarter it will be around INR30 crores or so?
- Subir Purkayastha:** Yes. If there is no change in the notification of the Gujarat Government, it will be another Rs.30-odd Crores.
- Maulik Patel:** But even I think I was under the impression that in petchem we do the CST billing, right?
- Subir Purkayastha:** Now whether it is CST or stock transfer or whatever, the total tax implication is 15%.
- Maulik Patel:** Okay. So even if directly buy at through the IOC or BPCL because they have offices in Delhi and Mumbai; but even then with CST we have to pay 15% for the LNG.
- Subir Purkayastha:** Yes. Any sales from Gujarat irrespective of the nature of the sale, it is 15%.
- Maulik Patel:** Okay. But this now will be offset against the government's decision to reduce the import duty on LNG by 2.5%, right? So that benefit we will accrue in our petchem segment.
- Subir Purkayastha:** Yes. This does not need any rocket science to understand, you are right.
- Maulik Patel:** Sir, the second question is as you said that we understand that already Gurgaon volume has started in this month, we start selling there. So, can you just tell us about the color? How is the ramp up in the Gurgaon volume for the offtakers?
- Subir Purkayastha:** The total contracted volume is about 1.4 million tons, of which we have only 30% there which is about 0.4 million tons for the full year.
- Maulik Patel:** Okay. And we can mix with some other volume is there in the market?
- Subir Purkayastha:** Yes, this is a very small volume in the overall portfolio of GAIL, should not be immediate concern.
- Maulik Patel:** So, the last question is on the tariff side. As we understand that for the various pipelines, the petition has been pending into the APTEL and other platforms. What is update on that? And how many of the pipelines of PNG have yet to come out with the final tariff order?
- Subir Purkayastha:** My colleague, Mr. Sashi Menon will respond to this query, Sir?



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- Sashi Menon:** See out of the 13 pipelines that we have the final tariff for six pipelines have come and the remaining seven lines are on provisional basis.
- Maulik Patel:** And Sir, is there are any significant like the main pipeline is HVJ GREP and these two pipelines, when we can expect any tariff on that two pipeline?
- Sashi Menon:** That would be difficult to comment on because it would depend on PNGRB and the process is going on so difficult to predict the timelines.
- Maulik Patel:** Sir, the understanding is there in the market there is only one member at the PNGRB currently and they require minimum three members of quorum to give any tariff order. Is that correct understanding, sir?
- Subir Purkayastha:** Yes, there is only one member currently and they understand that to give a declaration, there has to be more number of members available because it goes to vote perhaps for the quorum, there is some requirement of the quorum. So, which is deficient at this point of time.
- Maulik Patel:** But is there any progress of appointing new members on the Board?
- Subir Purkayastha:** I have no idea of this.
- Moderator:** Thank you. We will take the next question from the line of Amit Shah from BNP Paribas. Please go ahead.
- Amit Shah:** When you gave the transmission breakup of 102 MMSCMD, you said around 15 MMSCMD was from others so is this sustainable? Do you see that in this quarter also because in spite of higher LNG prices, the transmission volume was fairly strong? So you see that this 15 MMSCMD others is sustainable going into the fourth quarter?
- Subir Purkayastha:** Yes, very much. I will hand over this question to my colleague, Gajendra Singh; he will be able to give his views on this.
- Gajendra Singh:** Normally on the transmission side, if you see the other tippers are there who also carry their volume and they also have the access to our all customers through our pipeline. So, we see that is going to be there. The numbers, which we have given for transmission those other tippers number, it is going to stick to that number.



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- Amit Shah:** So, would it be fair to say that worst case for FY2018, you will still do 102 MMSCMD?
- Gajendra Singh:** Currently it is running at 102 MMSCMD and that will continue. That is what we said because whatever at this price, the customers who are taking this volume, I don't see any reason it will go down except if this PSDF scheme which is currently going on and which is valid up to March this year. If it gets continued and secondly with some amendments because it requires slightly some changes, if it goes that way, then perhaps it may go up further.
- Amit Shah:** And if it does not get, then this still 102 MMSCMD will hold or that can be lower?
- Gajendra Singh:** I think it will go up to 101 MMSCMD and 102 MMSCMD will remain because maybe the other sectors like Mr. Subir has already told that in CGD sector incremental growth every year we see that 1.5 MMSCMD to 2 MMSCMD. So that way we see, that will continue.
- Amit Shah:** So even if this power scheme is not renewed, you not really see incremental concern. The concern is more on the growth rather than the existing volume?
- Subir Purkayastha:** Yes.
- Amit Shah:** Okay. How much was the volume then and what was the implied tariff for this quarter if you can share?
- Subir Purkayastha:** Weighted average tariff as per our calculation for this quarter was ~Rs.1100.
- Amit Shah:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.
- Vidyadhar Ginde:** One question on Pata, if you could give us the breakup of the nine month petchem production between Pata-1 and Pata-2 and some guidance for FY18 and FY19 for Pata-2.
- Subir Purkayastha:** Of the total production for the nine months, 92,000 tons is from Pata-2 and the rest 335 odd tons from Pata-1.
- Vidyadhar Ginde:** This is the nine month number?



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- Subir Purkayastha:** Yes.
- Vidyadhar Ginde:** What about guidance for FY2018-FY2019.
- Subir Purkayastha:** Certainly as I mentioned earlier this quarter, we clocked around 35,000 tons so it will be definitely higher than that particular number.
- Vidyadhar Ginde:** I am asking about next financial year?
- Subir Purkayastha:** Next financial year is certainly around both put together; we will have about 90% average capacity utilization.
- Vidyadhar Ginde:** For 90% of your 800,000 tons? And 2019 should be 100%?
- Subir Purkayastha:** Yes. This is what we would target for.
- Vidyadhar Ginde:** Okay. Secondly, how much volumes have you done on PSDF scheme in current year, how much you are likely to do for the full year?
- Subir Purkayastha:** As I mentioned earlier, it is close to 5 million cubic meters per day.
- Vidyadhar Ginde:** And lastly, what is the status on the Kochi-Mangalore pipeline?
- Subir Purkayastha:** Kochi-Mangalore pipeline. Actually section one of that pipeline system construction work is already on. We plan to award the balance sections in the next month or so within a month's period or so. So, this is where we are placed at this point of time.
- Vidyadhar Ginde:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Arya Sen from Jefferies. Please go ahead.
- Arya Sen:** Good evening Sir. Just wanted to follow up on the Kochi-Mangalore pipeline. So, there were ROU issues in two districts I believe so have those been resolved or what is the status on that?
- Subir Purkayastha:** To a large extent they have been resolved. We are getting much more support from the administration at the local level now. There is better appreciation with respect to be setting



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up this gas pipeline through that particular area. Yes, sometimes some challenges are there, but the situation is much better now as compared to the last year or back.

Arya Sen: And Sir, you said that section one is under construction and you plan to award the balance sections. So, how many sections are there?

Subir Purkayastha: There are altogether four sections.

Arya Sen: Okay. And by when do you plan to award the balance sections?

Subir Purkayastha: As I said, in the next 30 days or so or maybe earlier than that there is a possibility that we would award.

Arya Sen: And that includes the two districts where there are ROU issues?

Subir Purkayastha: Yes, of course.

Arya Sen: That is all from my side. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Rohit Ahuja from Religare. Please go ahead.

Rohit Ahuja: Thanks for the opportunity. Sir, on the petrochemicals Pata, you said you are currently at 80% utilization out of 800,000 tons?

Subir Purkayastha: The current rate is about 80%.

Rohit Ahuja: Secondly, what is the average cost of gas in petrochemicals currently?

Subir Purkayastha: Average cost of gas? I do not have these figures right away with me.

Rohit Ahuja: But most of it will be LNG?

Subir Purkayastha: Yes, mostly it is LNG.

Rohit Ahuja: Mostly it's LNG? And you have the flexibility to take either RasGas volume or spot depending on how the cost is?



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Subir Purkayastha: Yes, of course. Our efforts have been to source the cheapest possible gas, which is there in our basket for this particular plant.

Rohit Ahuja: Sir, thirdly on LPG transmission, we have seen volumes moving up quite sharply over the last few quarters.

Subir Purkayastha: Rohit, can you be a bit louder?

Rohit Ahuja: On LPG transmission, the volumes are quite high this time compared to what we have seen over the last few quarters. Are these volumes sustainable and can you explain the reason for the jump in volumes?

Subir Purkayastha: This volume looks very sustainable because Kandla import terminal was shut for a long, long time. It is now backing into operations and therefore we hope that this kind of volume should continue and particularly in view of the fact that there is a demand for LPG growing in the hinterland. So, this pipeline should find its higher capacity utilization as a result of this. I will ask Mr. Manchanda to give any further information on this.

A.K. Manchanda: The present capacity is 2.5 million tons fully utilized and it will be utilized in the next year also. We are also expanding this line to 3.25 million tons by the next year-end either December 2017 or by March 2018. In fact there is a huge deficit in the northern region and the LPG growth in the western to northern region. So in fact even we'll be able to reach next year also much higher volume than what we have seen this year.

Rohit Ahuja: So, this can increase beyond 1 million tons? If you are on 914,000 tons?

Subir Purkayastha: The design capacity will increase by 0.75 million tons, but that increase will happen by the end of the next financial year March 2018. So next year the sort of volume that we have seen, we assume that this should continue. The increase will happen from 2018-2019 when the expansion is completed.

Rohit Ahuja: And the tariff realization would continue to be at the current levels what we have done this quarter?

Subir Purkayastha: Yes.



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- Rohit Ahuja:** Sir, lastly on the court case that is going on against the PNGRB on the pipeline tariff and questioning PNGRB authority, I believe the High Court hearings have been completed. So, any timeline when can we expect a decision on that?
- Subir Purkayastha:** We cannot give any timeline nor can we ask the judge to give any timeline because that would be contempt of court so it's very difficult to answer that question.
- Rohit Ahuja:** But by March, April, by end of the financial year can we expect anything on this?
- Subir Purkayastha:** Very difficult. Court in India, very difficult to answer that question.
- Rohit Ahuja:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Sabri Hazarika from Phillip Capital. Please go ahead.
- Sabri Hazarika:** The first one is what is the number of cargoes done in Dabhol from October up till now?
- Subir Purkayastha:** I will request my colleague, Mr. Jana to give. Between October and now, how many cargoes have come? Eight cargoes.
- Sabri Hazarika:** Eight cargoes have come from October till now?
- Subir Purkayastha:** Yes.
- Sabri Hazarika:** Okay. And this run rate will continue or do you think you'll be diverting more to some other terminals?
- Subir Purkayastha:** The terminal is available till the first week of May so depending upon the need; these cargoes will be brought into this particular terminal.
- Sabri Hazarika:** Another two to three cargoes are expected to be brought?
- Subir Purkayastha:** Yes. By the financial year, another two to three cargoes are expected.
- Sabri Hazarika:** Okay. And second question is on the City Gas Distribution. Now that the growth is very high in CGD, are you seeing any transfer of APM gas from the fertilizer and power sector to the CGD sector as per the revised priority sector list?



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- Subir Purkayastha:** I do not know. I will request my colleague, Mr. Manoj Jain, to answer this. It's very difficult because this is something in the domain of the Ministry of Petroleum, but nevertheless I will request my colleague to respond to your question.
- Sabri Hazarika:** During the last quarter for some part of the quarter, we had with the guidance of ministry some volume diverted from power to City Gas. However, that all depends on the availability of domestic gas if in case it increases, then those cuts may not be required in future. And in case the domestic availability does not increase, then probably we'll seek guidance from Ministry for further cuts.
- Subir Purkayastha:** In that case, is the power sector taking more LNG because of this or are they like cutting their PLFs?
- Sabri Hazarika:** The entire demand does not get replaced.
- Subir Purkayastha:** The power sector per se is not taking any LNG. Whatever power sector is taking is mainly the APM. Very few RLNG, which is under the PSDF scheme that may be taken by the power sector. Other than that, non-PSDF imported RLNG I think is virtually nil.
- Sabri Hazarika:** Okay. Operating cost in the petrochemical segment seems to have declined QoQ in Q3. So was that because of the optimal gas mix or has there been any change from Qatar LNG to spot LNG something of that sort?
- Subir Purkayastha:** That is one reason. And secondly, as we are getting more and more stabilized in our operations so the per unit consumption of gas also has reduced because we were in the scheme at the time when the plant was not stabilized so our per unit consumption of gas was high. So, we have tried to bring it down with optimization and stabilization of the plant operation. So, we expect that it should go some more down. We will keep a watch on that and try to see how we can reduce our operating cost going forward.
- Sabri Hazarika:** So, it is using around 5 MMSCMD to 6 MMSCMD of gas currently?
- Subir Purkayastha:** Yes, around that.
- Moderator:** Thank you. We will take the next question from the line of Manish Kumar from HSBC. Please go ahead.



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- Manish Kumar:** My question is related to the US volume. What is the exact start date for that volume or are you obligated to take some volume this year as well or does it all start from 2018?
- Subir Purkayastha:** It will start supplying from January 2018.
- Manish Kumar:** So, there is no volume even a small quantity, which you need to take this year at least?
- Subir Purkayastha:** No. This year we are not taking any volume.
- Moderator:** Thank you. We will take the next question from the line of Amit Rustagi from IDFC Securities. Please go ahead.
- Probal Sen:** This is Probal here. Just a follow-up question on the US contract sales. From January 2018 can we get a sense of the schedule in terms of how many or how much volumes will start flowing from Jan from the Cheniere plant and when does the Dominion Cove contracts start to apply?
- Manoj Jain:** Like the total volume tied up like Henry Hub volume is 5.8 million tons, out of which 1 million tons is already tied up. So I think that volume will not come here in India, but remaining we are targeting that that will start flowing from January 2018.
- Probal Sen:** So, all of that for 4.8 million tons will start coming at once? Both those contracts are operational from both the terminals?
- Manoj Jain:** Yes, both the terminal. One will be from January, another will be from March.
- Probal Sen:** Okay. And sir, just I missed that you just mentioned the amount of gas that was roughly being used by the petchem segment. Can you just repeat that number?
- Subir Purkayastha:** Sorry, come again?
- Probal Sen:** The volume of gas that is being used by the petrochemical segment?
- Subir Purkayastha:** 5 MMSCMD to 6 MMSCMD as we said sometime back.
- Probal Sen:** That is all from my side. Thank you very much.



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Moderator: Thank you. We will take the next question from the line of Gagan Dixit from Elara Capital. Please go ahead.

Gagan Dixit: Regarding this petrochemical segment, I observed that there is the realization of 10% on quarter-on-quarter basis. At the same time there's a 7% increase in the sales volume also over the previous quarter, but still there is a contraction in the EBIT. So, is it just because of the stabilization issues of the new plant or might be possibly you get the more spot LNG and you have less RasGas?

Subir Purkayastha: No, I am not been able to get your question properly. Can you please repeat that question?

Gagan Dixit: In this quarter if I calculate on the rupees per metric ton basis, this unit realization on the petrochemical has improved by 10% quarter-on-quarter. At the same time there is the growth of the 7% volume also in the petchem sales side, but still you witnessed a contraction in the EBIT side. So, is it just because of the stabilization of the new plant issues or other than that you get less RasGas or more spot LNG might be for this quarter? So, just want to clarify on that.

Subir Purkayastha: What you are saying is that on the EBITDA side, there has been a contraction. On a quarter-on-quarter, there has been a foreign polymer realization of about 4%. The prices have been lower by 4% as compared to the previous quarter.

Gagan Dixit: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Maggie Sun from Hermes Investment. Please go ahead.

Maggie Sun: The first question I want to ask is what is the volume of gas transmission guidance for FY18 and FY19? How do you see the import tax drop for the LNG would help to grow this volume? And my second question is why there is a drop in natural gas trading operating profit margin? Do you expect the trend will continue?

Subir Purkayastha: Question is that in the transmission volume, what the likely estimate is for FY18 and FY19, what sort of guidance. We have answered this question earlier to a previous question where we have said that in the next two years we don't see such 10% growth, which we have seen in this particular year. This major growth will come only when there are major anchor customers coming into the pipeline system, which may take at least more than two years from now. So in the interim period, the growth that we foresee to come in is mainly from



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the CGD sector where we have seen some good amount of growth year-on-year basis in the last couple of quarters. So, my response to your question is that the growth will be quite muted. As I said, close to about 5% with the support of PSDF. If the PSDF scheme does not happen so growth will be slightly still muted below 5%. So far as your question on the trading volume is concerned.

Maggie Sun:

Any volume growth benefiting from the import tax cut for the LNG?

Subir Purkayastha:

There has been. You are talking about the reduction in the customs duty? So, that is welcome. In fact we were expecting 5% reduction; we have got 50% of that. It is a welcome step. But it is not sufficient to generate that kind of enthusiasm to quickly move it to the LNG as such. Yes, it is beneficial. It reduces the cost to the customers, but not something of that huge impact which will immediately incentivize or excite the customers to move on to RLNG.

Maggie Sun:

Okay. And why there is a drop in the natural gas trading operating profit margin and do you expect that trend will continue?

Subir Purkayastha:

The trading margin has been muted lower as compared to the previous quarter. It has been mainly because we have seen the recent spike in the spot prices. So, the margin of course have come into pressure because of the higher spot prices prevailing particularly in the month of December and which continued in January. So it has definitely put a pressure on the trading margins that we get on selling of spot cargoes in the market.

Maggie Sun:

And my last question is you mentioned about there is a contingency plan for the US contracts. Can you elaborate a bit more about that? What kind of approach would you take and why would you say you are confident to sell those volumes?

Subir Purkayastha:

Why we are confident? As I said that we are currently selling close to 16 million cubic meters of gas per day to our customers. Those customers are on short-term or mid-term contract basis. So, our effort is now convincing them and many of them are getting convinced on this particular issue to convert into long-term contracts and that is where we feel that we will be able to push the Henry Hub volumes into the Indian market. We are also having other plans, contingency plans as I said before, but it would be too premature at this point of time to deliberate at length on those particular issues. But the message and the confidence that we want to repose on our analysts is that we are reasonably confident as compared to what it was the situation a year back. Our marketing team has really worked



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very hard and in the last couple of quarters they have been able to tie up a lot of contracts, build up better relations, which we think that should be able to tide over this kind of situation going forward in the next calendar year.

Maggie Sun: Thank you very much Sir.

Moderator: Thank you. We will take the next question from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.

Vidyadhar Ginde: Thank you. Just wanted to ask on these long-term contracts, which you have with your customers in India. Is there a one-on-one link with these or are some customers tied up specifically for RasGas, some for Gurgaon, and some for US or is there a potential at least for some if not all customers to sell at a blended price?

Subir Purkayastha: Gajendra, would you like to respond to this?

Gajendra Singh: We have normally like for long-term contract like RasGas and others, we do back-to-back contract. But there are other customers considering that Henry Hub volume is coming will it start flowing. So, our efforts are there that we are trying to sign the agreement with those customers with the Henry Hub volume keeping in mind.

Vidyadhar Ginde: So there may be one of the factors, which might make the US LNG viable, could be blending it with some cheaper spot LNG or some other contract? Is that a possibility?

Gajendra Singh: These are our trade secrets what we are offering to the customer. We are giving a lot of flexibility to our customer so that we want to make them confident yes, if they continue with the long-term contract, we are going to have the better price and steady price and they should not have to face the volatility of the spot price whatever goes as per the market.

Vidyadhar Ginde: Typically what kind of term for which these contracts are likely to be signed. The Director Finance has mentioned success in the last two quarters so have you already been able to tie up some contracts for the US volumes?

Gajendra Singh: Yes, we have already signed some contracts like for the long-term contracts with our customers.

Vidyadhar Ginde: Thank you.



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- Moderator:** Thank you. We will take the next question from Arya Sen from Jefferies. Please go ahead.
- Arya Sen:** Could you give the capex so far this year and what is the target for full year? And also FY18-FY19 you have given the capex number, if you could provide a split of those in terms of segment?
- Subir Purkayastha:** Bulk of the investment in capex would of course be in the pipeline segment that would be the dominant segment. The rest would be on the CGD projects. Those would be through either directly or through putting infusion into the joint venture companies and the subsidiaries that we have.
- Arya Sen:** And Sir, the capex so far this year and what is the full-year number for FY17?
- Subir Purkayastha:** Capex for this year is close to Rs.2000 Crores.
- Arya Sen:** For the full year, is it and how much have you spent so far?
- Subir Purkayastha:** How much have we spent? We have spent close to Rs.1500 Crores.
- Moderator:** Thank you. We will take the next question from the line of Abhishek Datta from Prabhudas Lilladher. Please go ahead.
- Abhishek Datta:** Just wanted to clarify just you have tied up 1 million ton of US shale contract, but there is also some 2 million ton, which you plan to swap with other offtakers. Is that correct?
- Subir Purkayastha:** Swap with other offtakers?
- Abhishek Datta:** Rather than bringing the US cargo to India, you can maybe sell to Europe and maybe divert some Middle East cargo to India?
- Subir Purkayastha:** The swapping of volumes. We are carrying the exercise of swapping of the volumes, but swapping does not reduce the volume coming into Indian market. It is only coming in from source A instead of source B. That's the only difference and possibly we can get saving on the shipping cost, but the destination of the cargoes ultimately to India does not change. The only advantage is with respect to maybe optimizing the shipping cost.
- Abhishek Datta:** So, only 1 million ton has been tied up that is for sure?



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- Subir Purkayastha:** Yes, outside India.
- Abhishek Datta:** Okay. And Sir, for this quarter the LPG earnings EBITDA was quite high at Rs.387 odd Crores. Any particular reason for that?
- Subir Purkayastha:** Which segment you are talking about?
- Abhishek Datta:** LPG and liquidate hydrocarbons.
- Subir Purkayastha:** It was mainly due to better price realization in this quarter as compared to past. There was also because our LPG segment is the domestic gas, which came down from \$3 or \$2.5. So, that was a big part of the saving in the operating cost.
- Abhishek Datta:** Thank you so much.
- Moderator:** As there are no further questions from the participants. I now hand the conference over to Mr. Dhaval Joshi from Emkay Global for closing comments.
- Dhaval Joshi:** I would like to thank the management once again for giving us in detail explanation about the results. Thank you all participants for joining the con call. Thank you.
- Subir Purkayastha:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.