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**“GAIL India Limited
Q1 FY2020 Earnings Conference Call”**

August 09, 2019



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



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Moderator: Ladies and gentlemen, good day and welcome to GAIL India Q1 FY2020 Earnings Conference Call hosted by HDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you and over to you Sir!

Nilesh Ghuge: Thank you Aman. Good evening everyone and welcome to Q1 FY2020 Earnings Call of GAIL. We have the management of GAIL represented by Mr. A.K. Tiwari, Director (Finance) and other senior executives. I now hand over to the management for their initial comments. Over to you Sir!

A.K. Tiwari: Good evening Nilesh, I am A.K. Tiwari, DF from GAIL. I would like to share some of the brief highlights and then we will discuss on the questions which are there from the investors, so again good evening to all. The physical and financial performance of the quarter ended June 2019 is already with you and the same has also been made available on the GAIL website. I presume that all of you have gone through the same. However, for the benefit of audience, let me reiterate the following few highlights for Q1 FY2020.

I would like to first share the physical highlights then the financial highlights. The gas marketing volume has decreased by 1.87 MMSCMD mainly due to decrease in the domestic gas sales, which is 4.14 MMSCMD and increase in the RLNG sales by 2.27 MMSCMD. There have been major shutdown at the customers and mainly fertilizers like CFCL; IFFCO Aonla, Phulpur; NFL, NFL Bathinda; KRIBHCO, which has impacted the supply as well as the gas marketing and sales. Overall transmission volume has decreased by 3.74 MMSCMD mainly due to above reasons for major shutdown at the customers' end. The capacity utilization of NG Pipeline has been 51% in comparison to the 53%, which was in Q4 FY2019 and the polymer production has further decreased by 68 TMT in comparison with the Q4 mainly due to shutdown for preventive maintenance and gas regeneration job, but I would like to mention here that post shutdown the plant is running fine and we have made record production of 78 TMT in the month of July 2019, which is the highest. The LHC production has decreased by 36 TMT due to shutdown at Pata, Vaghodia, Gandhar and C2/C3 plant at Vijaipur. There is decrease in LPG transmission volume by 196 TMT mainly due to Shutdown at Cavern in Vishakhapatnam and capacity augmentation job at JLPL.



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Now I would like to highlight the financial highlights for FY2020. The gross sales for Q1 FY2020 is Rs.18276 Crores versus Rs.18707 Crores decreased by 2% mainly due to decrease in the petchem sale by 77 TMT, rupee appreciation, decrease in LHC sales, etc. However, the PBT for Q1 FY2020 is Rs.1981 Crores versus Rs.1740 Crores in Q4 FY2019, which is increase of around 14%. The PAT for Q1 FY2020 is Rs.1288 Crores versus Rs.1122 Crores in Q4 FY2019, which has increase of 15%.

Now the increase in the profitability is mainly due to profit in gas marketing segment has increased by Rs.258 Crores. I think the segmental profit and PBT is already available with you. In the gas marketing segment, Rs.258 Crores is due to better realization on tradable volume and the profit in NG transmission has increased by Rs.90 Crores mainly due to increase in the weighted average tariff realization. The loss in petchem segment has increased by Rs.202 Crores mainly due to decrease in the petrochemical production, sales quantity, increase in the weighted average cost of input, which is partly offset by decrease in the chemical consumption, repair and maintenance, etc. The profit in LHC segment has increased by Rs.95 Crores mainly due to increase in the average LHC price realization, which is 5200 per metric tonne in comparison with the last quarter. The profit in LPG transmission segment has decreased by Rs.33 Crores mainly due to decrease in the LPG transmission quantity and the profit in the other segments has increased by Rs.61 Crores mainly due to increase in the E&P revenue, increase in the wind power revenue, etc.

The capex during the quarter is Rs.877 Crores mainly due to, on account of the pipelines. I would like to share that the tariff revision order for HVJ, HVJ upgraded, Mumbai region, KG basin has been ordered, which are effective from July 1, 2019 and the commissioning at the KKBMPK Kochi-Koottanad pipeline is already on there, so commissioning is going on in a phased manner. The Urja Ganga project is also as per our schedule and we have reached up to Dhobi, Patna. Gas has been charged in CGDs there like Varanasi, Patna, Cuttack and Bhubaneswar. We have already started our CGD sales, PNG, CNG so these are the few highlights, which I wanted to share with you. Now I will request for any questions you have with the participants. Thank you very much.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Rohit Ahuja from BOB Capital Markets. Please go ahead.

Rohit Ahuja:

Thanks for the opportunity. Sir three, four questions, first on tariff Sir, the tariff that we got for HVJ and some pipelines were far lower than what we had initially submitted, can you clarify are we contesting this tariff in the appellate?



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- A.K. Tiwari:** No, we are not contesting the tariff.
- Rohit Ahuja:** Okay so any particular reason why and what is the effect on the overall tariff from July 1, 2019, are we seeing an increase or it is going to be flattish?
- A.K. Tiwari:** It will be almost neutral and we are not contesting and whatever the data and details we have submitted to the PNGRB, it will be a healthy part of the tariff for HVJ so this is okay from our side.
- Rohit Ahuja:** Okay. Sir secondly, from Petronet LNG, we got the data that their incremental capacity of 2.5 at Dahej is operating at close to 100% so that is roughly about 10 MMSCMD increase so do we see those volumes entering our pipeline network and what sort of quantum can we expect from that?
- A.K. Tiwari:** You see, their capacity which has been augmented from 15 to 17.5 MMTPA. So we have long-term tie-up as well wherever we are having the LNG, we will process there itself as well as the other LNG terminals wherever required so that capacity they have augmented. We will utilize wherever the opportunity comes.
- Rohit Ahuja:** So apparently, usually traditionally we have seen about 70% to 80% of Petronet's overall volume flow resulted through pipelines. Can we assume the same to be maintained?
- A.K. Tiwari:** Yes. Sanjay you want to add something.
- Sanjay:** The additional volume that is coming from Petronet is about 9 million cubic meters per day and we are getting that quantity. We are getting whatever is there and our ratios are maintained. In fact the ratio that GAIL is getting gas in last quarter is actually more than what it used to be earlier.
- Rohit Ahuja:** So that is interesting Sir. Sir thirdly on marketing business earnings we saw a very good level of earnings around Rs.860 Crores earnings from there.
- A. K. Tiwari:** Yes, please.
- Rohit Ahuja:** That is driven mostly from low spot LNG prices that has got you such a good margin?
- A. K. Tiwari:** No, it is mix of that, some of the hedging we have done on the long-term contracts. It is basically the difference between the purchase price and sales price so wherever required we have hedged and the better margin we have got it from the HH volume, which we have



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traded and the difference between this Brent price as well as the HH prices are there so that is the combination of that.

Moderator: Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

Bhavin Gandhi: Thank you for taking my questions Sir. Sir can we have the split of the gas trading volumes as to how much was U.S. LNG, how much was medium and spot-term contracts and domestic gas?

A. K. Tiwari: Mix of the total LNG contracts you are talking about?

Bhavin Gandhi: No, the gas trading volumes, 97 MMSCMD can we have the split?

A. K. Tiwari: Yes. We have this 97 is comprised of our domestic is around, yes, 84.

Sanjay: And 12.5 outside India.

A. K. Tiwari: No, you are talking about the outside sale or it is the sourcing number?

Bhavin Gandhi: Both so if you can help us with both the numbers, please?

A. K. Tiwari: So APM gas is around 43 MMSCMD and then we have this RLNG is 21, 22 and the total domestic is 84.11.

Sanjay: International is 12.5.

A. K. Tiwari: International sale is 12.44 so total is 96.55.

Bhavin Gandhi: And Sir how much of U.S. LNG was sold in India?

A. K. Tiwari: How much cargo has been sold in India?

Sanjay: 5.5 million cubic meters has been sold in India, 12.5 million cubic meters have been sold outside India.

Bhavin Gandhi: Sir, sequentially, the sales have declined, is it, U.S. LNG sales in India from fourth quarter to this quarter have they declined?



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- Sanjay:** Yes, because of shutdown and other things we have told that these are the basic reasons for that in my opening remarks so these are the overall reasons for the total trading and we are hopeful that it will be better in this quarter.
- Bhavin Gandhi:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Probal Sen from Centrum Broking Limited. Please go ahead.
- Probal Sen:** Thanks for the opportunity. I have two questions. One with respect to the petrochemical segment there seems to be a sharp increase in the gas costs or rather the overall costs for the segment on a per unit basis is that solely because of the fact that sales volumes or production volumes have gone down sharply or have the effective gas costs also gone up for the segment in this quarter?
- A. K. Tiwari:** It is mainly because of the decreased production, which has factored the fixed cost added more the primary reason is that only because the production was less so fixed cost has been distributed on the produced quantity that was there.
- Probal Sen:** Got it Sir and as you mentioned that from July onwards we are now at an accelerated run rate of even more than 200 million tonnes per quarter?
- A. K. Tiwari:** Yes, we have already catch up plans to have 100% capacity utilization for the petrochemical so that we are going to achieve.
- Probal Sen:** Okay and Sir the second question was with respect to the LPG realizations. If I look at the international prices prevalent for India they were at probably around \$450 a tonne if I am not mistaken whereas our effective price is coming in at significantly higher than that any reason why that premium on Asian countries has gone up, Sir, this quarter for us?
- A. K. Tiwari:** I think it is international determined prices are there so this quarter we had Rs.5000 increase in per tonne overall that is the main reason.
- Probal Sen:** So are we saying that international prices have gone up by Rs.5000 a tonne or so, Sir, Q-o-Q?
- A. K. Tiwari:** Yes.



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- Probal Sen:** Okay then I have the wrong numbers Sir. Fair enough thank you for the clarification. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Sujit Lodha from Birla Sun Life. Please go ahead.
- Sujit Lodha:** The first thing, Sir, the quarter-on-quarter drop of about 4 MMSCMD how much of that we could be ascribed to the shutdown in fertilizer plant?
- A. K. Tiwari:** Can you speak loudly, please, Sir?
- Sujit Lodha:** Hello. Can you hear me now, Sir?
- A. K. Tiwari:** Yes, it is okay.
- Sujit Lodha:** Sir, the quarter-on-quarter drop in transmission volume of roughly about 4 MMSCMD how much of that could be ascribed to the shutdown in fertilizer plants?
- A. K. Tiwari:** Mainly is around 4 MMSCMD on account of the shutdown in the fertilizer plants mainly contributes that only.
- Sujit Lodha:** So Sir you are saying that those fertilizer plants were shutdown throughout the quarter and it was not like for the...?
- A. K. Tiwari:** No, it was all throughout the quarter they were not shutdown, but reasonable days we have got shut down, some were 25 days, some were 26 days, some were 27 days, like that.
- Sujit Lodha:** And that is why we were down by 4 MMSCMD.
- A. K. Tiwari:** That is the main reason.
- Sujit Lodha:** Sir, so will it be fine to assume that your first quarter volume will jump back to the fourth quarter levels plus you will get some incremental volumes on the Petronet extra terminal is it fair to assume that?
- A. K. Tiwari:** Yes.
- Sanjay:** Already we have started getting higher volumes.



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Sujit Lodha: Okay and my second question was in terms of petchem just a followup from the previous question the gas cost can you share what proportion of S1 gas have you used in ONGC and what would you be the values, how does that move quarter-on-quarter in petchem?

A. K. Tiwari: In fact, there is no fixed allocation for the petrochemical gas. Whatever the best available for the petrochemical we are allocating. There is no such standard allocation that is there could be from that and so there the cost of production should be least so whatever the market available, whatever the best available sources are there, we are there.

Sujit Lodha: So there is no fixed benchmark, which we can gauge before the quarter that it will be linked to a certain price. If the spot prices are going down does not necessarily mean that the petchem gas costs will go down?

A. K. Tiwari: No, it may go down depending upon the sourcing which are there, but primarily effect is on the prices, which are there and sales profitability because you know the price of the petchem in comparison with the 2018-2019 quarter it is down so these are the many reasons for the sales profitability.

Sujit Lodha: My last question would be when you see the blended tariff or the transmission tariff for this quarter they have jumped like 3.5% to 4% quarter-on-quarter because your volumes have gone down by 4 MMSCMD, but your revenue is more or less flatish so is there anything to do with any take-or-pay or any tariff revision or anything of that sort has happened during this quarter or it is all normalized there is nothing to read about it?

A. K. Tiwari: No, tariff revision is always effective from April 1, 2019.

Sujit Lodha: Yes, it is effective from July 1, 2019.

A. K. Tiwari: So the tariff revision, which has been done, will be effective from July only so this quarter we are going to have effect of that.

Sujit Lodha: I am saying this quarter also, there has been some up, so when we calculate the number, the tariff looks higher, so is there anything which could be acceptable or it is just a normal thing, which there is no explanation as such?

A. K. Tiwari: It is normal only. Whatever the volume will increase it will have incremental, but there is no ship-or-pay.

Sujit Lodha: Thank you so much.



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- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** First question is regarding do you have any provisions in the natural gas transmission segment?
- A. K. Tiwari:** Provision means?
- Sabri Hazarika:** In the sense that your revenue has remained more or less same quarter-on-quarter, but your EBIT has gone up significantly, so were there any one-offs or anything in the other expense or anywhere?
- A. K. Tiwari:** In the transmission there is no such one-off in this quarter.
- Sabri Hazarika:** There are no such one-offs?
- A. K. Tiwari:** There is no such one-off, it is only effect of the price revision only which are there earlier nothing else.
- Sabri Hazarika:** Secondly in terms of the policy scenario, are you hearing anything in terms of standard power plants or GST for gas sector anything of that sort or even allocation of like new deepwater gas, which is coming up from KG basin?
- A. K. Tiwari:** So far as the standard power plant revival is concerned, talks are going on with the ministry and we are hopeful that something would be done based on the earlier policy, so these are there.
- Sabri Hazarika:** Okay and what about GST for gas?
- A. K. Tiwari:** We are quite hopeful it will come and I think now the government will be focusing on this GST inclusion. Major agenda might have been completed, so they may be focusing now on this so I am quite hopeful that this will come up.
- Sabri Hazarika:** And lastly about the new gas, which is coming from RIL and ONGC as well as some of the smaller sources like Cairn Rajasthan ramp up, so are you looking at sourcing those volumes for marketing or anything of that sort?
- A. K. Tiwari:** That will be on the competitive price. So we will eye on that also whenever the opportunity comes.



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- Sabri Hazarika:** But nothing, no allocation has been fixed to any sector, right?
- A. K. Tiwari:** No, that is not allocated volume that is competitive volume. You have to bid for that.
- Sabri Hazarika:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.
- Pinakin Parekh:** Just two questions on the gas trading segment. Sir, my first question is that, just to understand the relationship between the gas trading segment and the petchem segment, whatever gas is sourced by the trading segment whether it is a U.S. contract or non-U.S. contract and supplied to the petchem segment effectively there would be a transfer pricing at market prices and the profitability on the trading segment will stand with the trading segment earnings while petchem segment will show the market price of cost would that understanding be clear?
- A. K. Tiwari:** Yes, your understanding is a little bit I would like to share for that, that there is no relation between your U.S. volume sourcing as well as the petchem. Whatever the best opportunity least cost is there we are allocating and we are pushing for the petchem. So per se, U.S. volume is not only identified, we have other sources also like S1, like other, sometimes spot also, wherever the opportunity comes so that way we are sourcing for the petchem.
- Pinakin Parekh:** Understood. Sir, just to carry forward on the trading segment, the gas trading EBITDA increased sharply on a quarter-on-quarter basis even lowered the discount of the spot LNG prices versus the implied Asia-landed Henry Hub price is actually widened. Now this implies that GAIL is benefiting from the hedging it did last year. So for the remainder of the year F2020 and F2021, Sir, across your Henry Hub portfolio how much of your volumes have you hedged and how much is still open?
- A. K. Tiwari:** Sir, we cannot give you the exact number, but the total for this year, for FY2020, we have already sufficient amount cargos have been hedged and going further also for the next one year or so most of the cargos have been hedged wherever required and booked wherever required. So it is a dynamic situation. We cannot give you any specific number for that because it all depends upon the market, it depends about the opportunity, it depends upon the prices, which plays between the Brent as well as between the Henry Hub, so all these scenarios we are looking forward and as you have noticed from our experience that from the last two years we have increased or we have taken various measures to derisk these volumes, U.S. volume, etc., as the result shows it is so that way we are progressing Sir.



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- Pinakin Parekh:** Understood and Sir then to carry forward, is this quarter's EBITDA sustainable at Rs.861 Crores in the marketing segment?
- A.K. Tiwari:** I cannot give you any specific number, Sir, but please be rest assured that we will be doing better in the future.
- Pinakin Parekh:** Understood. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Amit Rustagi from UBS Securities. Please go ahead.
- Amit Rustagi:** Could you elaborate how we are dividing or splitting the gain as it has been already mentioned in parliament as well as in the various forums by the relevant authorities so what is the process we are going to apply and how is it going to be splitted?
- A.K. Tiwari:** As you have read in the newspaper, we are also reading the newspaper. We have no such agenda for splitting or something like that. Many news are coming so do not go by the news, if something will be there we will inform you through the stock exchange at the right time.
- Amit Rustagi:** Yes, but Sir there was a statement made by the honorable minister in the parliament where he mentioned the name of our company and he said that specific arrangements have been made to split the company and marketing and transmission, so without work being progressed can they make a statement in parliament like this?
- A.K. Tiwari:** I cannot comment on the statement, but we do not have any official report.
- Amit Rustagi:** Okay and Sir second thing if we look at our transmission volumes, so in India, last four years the transmission volumes or the total consumption of gas has increased by around 34 MMSCMD. In FY2016 the total gas demand was around 127 and this year we are ranging around 160, so 34 MMSCMD increase, but if I see our transmission volumes that has gone up from 92 MMSCMD to only 105 MMSCMD, so are we losing market share to the regional players or the regional pipeline network massively in terms of the transmission business, what could be the reason that someone mentioned about 73% of share, so I think our share in the total consumption has declined from 73% to 69% now, broadly only 12 MMSCMD increase in our volumes versus the total 34 MMSCMD increase in the gas consumption in India, so the other players have got around 22 MMSCMD volumes?



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- A.K. Tiwari:** If you see from the last four, five quarters and if you compare now the total volume has decreased in comparison with that, but our sales more or less remains the same and due to the stressed power plant and others, which was there and low consumption in other sector this has impacted, but going forward, in the CGD and other segments, we are hopeful that this is going to increase further where new CGDs are coming and new opportunities are coming, new fertilizer plant and the Urja Ganga are coming. So going forward in the next year onwards we are going to have more volume in transmission as well as trading.
- Amit Rustagi:** Sir, how it is still possible that, overall, we are seeing that 34 MMSCMD increase in the gas consumption in the country at the country level and the overall volume has not increased in last maybe four or five quarters also, this quarter also on a total basis the gas demand has gone up while overall volumes have declined?
- Sanjay:** Some of the volume, we do not transport but we sell directly so that volume is not accounted for in the shipping or the transportation element that is being shown to you number one. Number two this quarter there were a lot of shutdowns so the effective volume was lower. Next quarter you will see the incremental growth, which is happening and let me tell you we have not lost our share, in fact, it would have only grown and in the end of next quarter you will see.
- Amit Rustagi:** And so maybe, like we are not able to match the data what you are saying.
- A.K. Tiwari:** I request sometime you come down.
- Sanjay:** Come down and talk separately we will discuss.
- A.K. Tiwari:** We will satisfy you whatever the queries are there with the facts and figures.
- Amit Rustagi:** Yes. Sure Sir and Sir just my last question, can you repeat the volumes of the gas marketing again that how this 97 MMSCMD volumes broke up?
- Sanjay:** 12 million is overseas volumes, 85 million is domestic sales.
- Moderator:** Thank you Mr. Rustagi. The next question is from the line of Amit Shah from BNP Paribas. Please go ahead.
- Amit Shah:** Just one question. Sir, are there any other shutdowns in the petchem plant for the rest of this year or over the next 12 months?



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- A.K. Tiwari:** No, there is no likelihood of any shutdown.
- Amit Shah:** So the shutdown this time was it planned or was it unplanned?
- A.K. Tiwari:** It was mostly planned.
- Amit Shah:** Okay and on the gas trading business, at what crude price are the hedges in place or is there something like that, that you can say, last time I remember you have mentioned that until \$55 of crude there is no real concern or something to that effect?
- A.K. Tiwari:** So there is a correlation between the Brent as well as the hedges. We have to see the incremental where it is going. So it depends what is the price of the hedges, what is the price of the Brent and that way we are taking the forward and wherever required we are hedging so that way we are very cautious and we have a team working for this. We are watching on a daily basis what is the movement, what would be the forward, what would be the volume, where the volume is going to be. So all these scenarios are on daily basis. We cannot give you any number or any scenario for these things, but the result shows as you have seen that whatever the steps has been taken it has given a good profitability in the gas trading.
- Amit Shah:** No, absolutely. Last three quarters the numbers have been reasonably stable to surprising positively. I know you cannot comment on the numbers, but would it be fair to say that depending on what you have done so far with the gas trading business it is unlikely that on a Q-on-Q basis we suddenly see a 70% decline in profits or something dramatic like that, will that something you can comment on or something like that is possible?
- A.K. Tiwari:** I cannot comment that also, but we are very cautious and we are trying to have better realization, better spreads, better bottomline, all these things, we are very cautious. We are taking steps for that, but any generic comment I cannot give you on that.
- Moderator:** Thank you. That is from the line of Sanjay Mookim from Bank of America Merrill Lynch. Please go ahead.
- Sanjay Mookim:** I have a couple of questions. Could you help reconcile the operating profit difference between the consolidated accounts and the standalone account because most of it seems to be in the unallocated part, could you give us some light on where the difference comes from?
- A.K. Tiwari:** You want the reconciliation between the consolidated as well as...



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- Sanjay Mookim:** Yes, EBIT.
- A.K. Tiwari:** Yes, that is in front of us. The GAIL is Rs.1288 Crores and the consolidated is Rs.1501 Crores that is there and on various subsidiaries and JVs, which are there we have plus minus, so that way we have reconciled that.
- Sanjay Mookim:** Of course Sir I was trying to figure out if there are any one or two major drivers of the additional gain you have on consolidation maybe gas is one, but that explains only Rs.50 Crores?
- A.K. Tiwari:** That is MGL and PLL, which are there, which has affected and BCPL also minus, is there, IGL is also Rs.54 Crores. That way we have complete reconciliation. If you like we can share this.
- Sanjay Mookim:** No Sir, I was trying to get to if you any E&P-related gains here?
- A.K. Tiwari:** No. E&P is in our standalone.
- Sanjay Mookim:** Okay. Alright. Sir second question is just a general question. Do you have any sort of one-offs in this quarter not just in the transmission segment, but across the business?
- A.K. Tiwari:** No, we do not have any one-offs. We do not have any major one-offs. Small things may be there I cannot say, but there are no such major one-offs.
- Sanjay Mookim:** Okay, Sir and lastly could you give us an update on the phases of the Urja Ganga pipeline where are we and when can we expect them to commission?
- Sanjay:** Yes, so for Urja Ganga, as you know that we have already completed up to Patna and the rest of the Dhamra-Angul is already progressing. Dobhi-Durgapur, Bokaro-Angul and Durgapur-Haldia, these are progressively having a good physical progress of around more than 70% and we are hoping to complete by December 2020. So far as the Barauni-Guwahati is concerned, the physical progress is around 26% and as per our schedule we are also going to complete by December 2021. So we are as per our schedule. There is no such delay in this Urja Ganga project.
- Moderator:** Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.



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- Vishnu Kumar:** In terms of the gas trading division, the hedging gains that you book, is it possible that you transferred 10 MMSCMD of volumes you have been sold, but you book more than the actual volumes that you transported?
- A.K. Tiwari:** No. I will tell you the hedging rule. Whatever the settlement is done in this quarter, which we have hedged earlier that is accounted in our books. These are difference between the purchase and sale.
- Vishnu Kumar:** So every hedging gain is booked is backed by delivery?
- A.K. Tiwari:** Yes. It is the actual sale input. Whatever you are hedging they are added to actual gain, which are there.
- Vishnu Kumar:** Okay Sir and next just if you could explain the net movement in cash flow hedges as of 2019 the quarter was about Rs.510 Crores negative now it is Rs.200 Crores, if you could just explain the movement there?
- A.K. Tiwari:** Which one?
- Vishnu Kumar:** In OCI, other comprehensive income, there is one line item called net movement in cash flow hedges gain and loss, so between quarter-on-quarter if I say the quarter ended March 2019 it is minus Rs.510 Crores now it has moved to minus Rs.204 Crores so if you could just explain the movement there?
- A.K. Tiwari:** It is simply because of the share price of ONGC. The main effect is on that only. That OCI you are talking about is mainly on account of the difference between the price movement of ONGC.
- Moderator:** Thank you. The next question is from the line of Vidyadhar Ginde from ICICI Securities. Please go ahead.
- Vidyadhar Ginde:** My question was if gas comes under GST then what kind of benefit would there be for GAIL, if any, in a full year?
- A.K. Tiwari:** See, GAIL is not going to have any incremental benefit for that.
- Vidyadhar Ginde:** What I am saying is in petchem because if you get credit will it within the past, I think I was told about Rs.200 million to Rs.2 billion would be the benefit kind of thing?



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- A.K. Tiwari:** See, this is a very hypothetical question because we cannot quantify discounts, what would be that way, but naturally the input tax credit will be there and it will indirectly impact or pass onto the customers also in terms of the tariff and other things so that quantification cannot be possible, but customer is going to be benefited overall. Suppose in the transmission line we are not getting the setup whatever the Cenvat credit is there and if that is not there then the tariff will be more that way.
- Vidyadhar Ginde:** And what about petchem?
- A.K. Tiwari:** Petchem is also...
- Vidyadhar Ginde:** Some idea, some broad idea.
- A.K. Tiwari:** That we can tell. At least our GM, Taxation, he will answer.
- Ashish:** Sir credit will be available in petchem, but it will depend on what kind of gas we are going to going use and what we are putting together there and already there is no word on that component right now also, so it will depend on which part of gases will be used and what is the price, so a number of factors are there, but certainly credit will be available.
- Vidyadhar Ginde:** Which will improve things for you compare to what it is today.
- Ashish:** Maybe.
- Vidyadhar Ginde:** And the second question was regarding this gas trading volume. I think what the number which you gave earlier, domestic RLNG, U.S. LNG sold outside India, international did not tie up to 97, so you could give a little more clarity or was there any spot LNG volumes traded and what was if it was and how much was their volume some idea if you could?
- A.K. Tiwari:** No, we do not have traded any spot LNG.
- Vidyadhar Ginde:** Okay. So well, I think the number you gave earlier was 43 MMSCMD domestic, around 21, 22 RLNG, 12.5 sold in the international market, 5.5 sold in India that ties up to about 83. So can you help us understand the balance 13, 14 MMSCMD?
- A.K. Tiwari:** Total is 96 and overseas sales are 12.44, so balance, domestic is 84...
- Sanjay:** 84.11.



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- A.K. Tiwari:** 84.11, yes.
- Vidyadhar Ginde:** Can you give us the breakup of the domestic?
- A.K. Tiwari:** APM is there. PMT is there. RLNG is 21.84. Rest is domestic only.
- Moderator:** Thank you. The next question that is from the line of Akshay Mani from Centrum Broking. Please go ahead.
- Akshay Mani:** Sir just one question. So in gas transmission segment we are seeing decrease in depreciation on a Q-on-Q basis is there any specific reason for that?
- A.K. Tiwari:** Depreciation, you are asking?
- Akshay Mani:** Yes, depreciation.
- A.K. Tiwari:** We have depreciated and we have capitalized and that has been capitalized in the books, R&M and other expenditure as per Ind-AS.
- Akshay Mani:** Sir, what is the amount there?
- A.K. Tiwari:** Rs.47 Crores.
- Akshay Mani:** Okay. This would be for which?
- A.K. Tiwari:** Can you repeat the question because there is confusion?
- Akshay Mani:** Sir, this Rs.47 Crores is for what?
- A.K. Tiwari:** This was on account of the Ind-AS and the overall in charges, repair and maintenance that was capitalized.
- Akshay Mani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manisha Porwal from Taurus Mutual Fund. Please go ahead.
- Manisha Porwal:** Sir, I just wanted to know your thoughts about the news that government is planning to phase out the gas distribution monopolies, so they were planning some rules within the next



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six months can you just share your thoughts on the same as to how it will pan out for you and other players?

A.K. Tiwari: See, first of all, I would like to clarify we are not monopolistic rather because the domestic gas, which is being produced, is allocated by the Government of India. We are purchasing the gas from the international market only on account of CGD. You are talking about the CGD?

Manisha Porwal: Yes.

A.K. Tiwari: Okay, Sorry, I could not understand. Mr. Sanjay Kumar would like to say something.

Sanjay: Yes, so in this case, what regulator has done, PNGRB has issued a concept paper through which they would like to start open access in the CGD networks. That concept paper is on their website and they have invited comments. We still think it is a very complicated matter and may not be so easy to implement, but if it happens it will help in expanding the market in the country. Just for information GAIL as a standalone player has only 6 CGD. GAIL Gas has got some 20, 30 CGD entities, licenses, but the effect will be for all of them. In fact GAIL's operations are younger ones, the old CGD entities have more to probably worry about.

Manisha Porwal: Fine Sir. Thanks. That is it from my side.

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

Nitin Tiwari: It is related to the transmission segment. Given there were shutdowns in this quarter specifically the customer side, so are there any ship-or-pay basically transactions that are booked in this quarter, which has led to increase in average tariff?

A.K. Tiwari: These were the planned shutdowns mostly.

Nitin Tiwari: Ship or pay you have booked this quarter?

A.K. Tiwari: No we did not book because these were the planned shutdowns, so as per that we have done it.

Nitin Tiwari: And Sir second question is related to the Urja Ganga project just sort of a hypothetical question and I want some clarification around, so when the Urja Ganga is fully



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commissioned and the gas is transported from say Gujarat to Haldia or towards like East India, so given we are still following the zonal tariff structure, in that case because of this application of zonal tariffs by the time it reaches, of course, the last zone of the Urja Ganga, the tariffs would be meaningfully higher, so would that lead to increase in the overall average tariff realization for us as a company because of this structure and because of the long distance of transportation is that the right understanding?

Sanjay: As you know the Phase I JHBDPL Urja Ganga tariff has been already announced and when the commissioning of the Phase II and III will be there. By that time we are hopeful that there will be a unified tariff like that because if the incremental tariff will be there then possibly there would be higher cost to the customer. So what we are expecting that there will be some unified tariff, which are on the agenda of the PNGRB and possibly we are hoping that way it will be settled.

Nitin Tiwari: So you are saying that we can have unified tariffs before December 2020?

A.K. Tiwari: I cannot give you the timeline, but we are quite hopeful that whenever the progress of this thing PNGRB itself will take their decisions because it is in the interest of the PNGRB as well as in the interest of the customers.

Sanjay: And also Sir the zonal tariff rules are very flexible, so only one-sided approach there could be other solution.

Nitin Tiwari: Thank you Sir.

Moderator: Thank you. Next question is from the line of Rohit Ahuja from BOB Capital. Please go ahead.

Rohit Ahuja: Sir, on the petrochemicals you mentioned that the lowest cost gas from whatever sources available is transferred to the petchem plant right?

A.K. Tiwari: Yes.

Rohit Ahuja: And secondly, on LPG business earnings have been good this quarter, are we using only domestic gas there or have we used any spot LNG volumes also over there?

A.K. Tiwari: In the LPG segment, mostly domestic gas is being used and in the petrochemical it is other than the domestic gas because there is no allocation for the petrochemical segment or petrochemical plant.



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- Rohit Ahuja:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Gagan Dixit from Elara Capital. Please go ahead.
- Gagan K. Dixit:** Sir, I have a query about this deepwater gas pricing, so as you know now the Reliance is also coming with the next year lots of gas and also ONGC, so they might come for the bidding of those gases, but now deepwater gas price is around \$9.3 while spot LNG is \$4, so I recall that for S1 gas when you can offer it from \$1 to \$2 discount over the deepwater price that is what we did, so now you think that it can be something \$4 to \$5 of discount more or less in line with the spot LNG?
- A.K. Tiwari:** We cannot give you any number because it is entirely different and it depends upon again the consumption and demand, which are there and so far as the spot prices are concerned these are not the price these we cannot take as a benchmark for that it is seasonal price only. So whatever the bidding will be there, demand will be there, cost will be there of the producer, that will determine the prices of this deepwater.
- Gagan K. Dixit:** Yes, but I thought at present scenario anyway it is better always in the spot LNG as compared to the deepwater price whatever the discount?
- A.K. Tiwari:** That thought we have also, but we cannot comment on that.
- Gagan K. Dixit:** Is Reliance started bidding for the gas?
- A.K. Tiwari:** I think not we have not received any such communication or such information.
- Gagan K. Dixit:** That is it from my side. Thank you.
- Moderator:** Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.
- A.K. Tiwari:** Thank you very much Mr. Nilesh and good interaction and we have tried to clarify all the points, which were there and from the management side we can only say that we are trying to maximize the top and bottom lines in a better way. Our total team is dedicated for that. So whatever the best could be there we are doing considering the market situation, considering whatever the prices are there for various types of gases we are doing hedging. We are in the process of achieving our projects which are there. So all these from the



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management, we are taking all these steps to have better presence in all the segments wherever required. So thank you very much. Thanks a lot.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of HDFC Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.