GAIL (India) Limited

Q2 FY '25 Earnings Conference Call

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MODERATOR: MR. NITIN TIWARI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to GAIL (India) Limited Q2 FY '25 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participants line 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 any assistance during the conference call, you may please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Tiwari from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Nitin Tiwari: Thank you, Shifa. Good day, ladies and gentlemen. On behalf of PhillipCapital (India) Limited, I welcome everyone to GAIL (India) Limited's second quarter FY '25 earnings call. Today we have the pleasure of having with us the senior management team of GAIL led by Director of Finance, Sri. RK Jain.

I will now hand over the floor to the management for their opening remarks which shall be followed by a question-and-answer session. Over to you, sir.

Rakesh Jain: Thank you, Nitin. Thank you very much. My dear friends from investors and analysts community good morning to and warm welcome to you for this earning call for Q2 financial year '25. At the outset I thank you all for attending this earning call and would briefly touch upon the major highlights.

And I'm happy to inform you that GAIL has registered highest ever PBT and PAT of ₹ 7,095 crore and ₹ 5,396 crore for first half in financial year '25. And this is mainly driven by strong marketing margins, increase in transmission volumes and better pet-chem performance. On a stand-alone basis in Q2 financial year '25 GAIL has reported gross turnover of ₹ 32,814 crores, PBT of ₹ 3,453 crore and PAT of ₹ 2,672 crores.

On a consolidated basis in Q2 financial year '25 GAIL clocked a turnover of ₹ 33,861 crores, PBT of ₹ 3,470 crores and PAT of ₹ 2,694 crores. GAIL's gross turnover stood at ₹ 32,814 crores in Q2 financial year '25 as against ₹ 33,627 crore in Q1 financial year '25. The PBT during this quarter stood at ₹ 3,453 crores as against ₹ 3,642 crores in Q1 financial year '25. PAT during the quarter stood at ₹ 2,672 crores as against ₹ 2,724 crores in Q1 financial year '25.

Consolidated turnover in Q2 financial year '25 stood at ₹ 33,861 crores versus ₹ 34,753 crores in Q1 financial year '25. PBT in Q2 financial year '25 stood at ₹ 3,470 crores as against ₹ 4,114 crores in Q1 financial year '25. PAT in Q2 financial year '25 stood at ₹ 2,694 crores as against ₹ 3,183 crores in Q1 financial year '25.

The gas marketing volume sold during Q2 financial year '25 was 96.60 MMSCMD as against 99.47 MMSCMD in Q1 financial year '25. The decrease is mainly on account of reduced gas consumption by power sector due to prolonged monsoon and reduced average temperature. Natural gas transmission volume was almost flat at 130.63 MMSCMD in Q2 as against 131.79 MMSCMD in Q1 financial year '25. The average capacity utilization stood at 62%.

Polymer production was 234 TMT as against 162 TMT in Q1. Capacity utilization for the quarter was 116%. LHC production was 252 TMT as against 216 TMT in previous quarter. The capacity utilization stood at 71%. LPG transmission throughput stood at 1,124 TMT as against 1,065 TMT in previous quarter. The capacity utilization was 98% during the quarter.

GAIL CGD, GAIL is having the infrastructure of 194 CNG stations and 3,48,000 DPNG connections in the six geographical areas authorized to GAIL. During the quarter 3,765 new DPNG connections were added. The physical volume remained at 0.38 MMSCMD during the quarter. The share of APM and RLNG in the physical volume is around 0.23 MMSCMD and 0.15 MMSCMD respectively.

In the next two years GAIL targets to add around 80 new CNG stations and around 1,20,000 new DPNG connections.

GAIL Gas Limited. Turnover was up by 5% at ₹ 3,150 crores as against ₹ 2,987 crore in Q1 financial year '25. The increase is mainly on account of 8% increase in sales volume from CNG segment, 15% from industrial segment and bulk trading segment by 5%. PBT stood at ₹167 crore as against ₹ 149 crore in Q1 financial year '25, an increase of 12%. PAT stood at ₹124 crore as against ₹ 110 crore in Q1 financial year '25, up by 13%.

During Q2 financial year '25 GAIL Gas along with its JV added 26,795 new DPNG connections and 8 new CNG stations and is having infrastructure of ~10,30,000 DPNG connections and 580 CNG stations.

I will take you through project performance. Mumbai-Nagpur-Jharsuguda pipeline work is under progress and the entire pipeline is anticipated to be completed progressively by June '25. Jagdishpur-Haldia-Bokaro-Dhamra pipeline, this pipeline is having length of 3,289 kilometers, 2,896 kilometers has been commissioned and remaining part is expected to be completed progressively by March '25. Kochi-Koottanad-Bangalore-Mangalore pipeline, this pipeline is 901 kilometer pipeline. 579 kilometer has been commissioned and remaining part is expected to be completed progressively by March '25. Srikakulam-Angul pipeline, work is under progress and this pipeline is of 421 kilometer. Work is under progress and likely to be completed by June '25. Gurdaspur-Jammu pipeline, this pipeline is 160 kilometer. Work is under progress and is expected to be completed by July '26.

Dhamra-Haldia pipeline, this pipeline is of 253 kilometer, 154 kilometer has been completed and remaining part, this is basically West Bengal section, is expected to be completed progressively by March '25.

Petrochemical projects, PDH-PP at Usar, capacity of this plant is 500 KTPA, project cost is ₹11,256 crore. Mechanical completion is scheduled by April '25 and project is expected to be commissioned by October 2025. Currently the progress of project is 75%. PP at Pata having capacity of 60 KTPA. Project cost is ₹ 1,299 crore having target mechanical completion date of December 2024 and current progress of project is 91%.

GMPL, that is Gail Mangalore Petrochemicals Ltd, having licensed capacity of 1,250 KTPA and approximate project cost is ₹ 4,200 crore having scheduled completion date of June '25.

Capex incurred during Q2 FY'25 is ₹ 1,885 crore and this is mainly on pipeline, CGD projects, net zero renewables, operational capex and others.

Now I will take you through the segment-wise outlook for short to medium term. Gas Marketing business continues to demonstrate enduring performance and as informed in our earlier earning calls and investors meet, GAIL will be able to earn at least ₹ 4,500 crore of marketing margin from this segment in financial year '24-'25. Out of this, we have already earned Gas Marketing margin of ₹ 3,287 crore in first half of financial year 2025, which is approximately 73% of this year's annual Gas Marketing margin guidance. The same will be again reviewed for further guidance and revised during the result of Q3 financial year 2025.

Gas transmission volume for FY 24-'25 is expected to be 130 MMSCMD. Average gas transmission volume for H1 stood at 131.21 MMSCMD, which is in line with the guidance given to you. Further, during next two to three years, transmission volume is expected to increase by around approximate 10 to 12 MMSCMD on year-on-year basis.

Polymer production stood at 396 TMT in first half financial year '25. This segment has returned to profitability in first half '25 with a PBT of ₹ 116 crore against a loss of ₹ 461 crore in first half of financial year '24. We expect to make reasonable profit before tax from this segment in financial '24-'25. We further plan to optimize our sourcing to increase the bottom line of petrochemical business.

LHC production stood at 468 TMT in first half '25. During the year, production is estimated to be at the same level as was in financial year '24. Also to protect the margin in LHC segment, GAIL is time to time hedging its LPG prices, that is, propane and butane. I think this is all from my side regarding the overview of performance and projects. The management of the company is available and would be able to clarify on any questions that you have.

I now hand over to you, Nitin. Thank you.

Moderator: Thank you so much, sir. We will begin the question-and-answer session. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Thank you for the opportunity, sir. The first question was a little bit of a clarification. You mentioned in your opening briefing that trading volumes decline is due to the reduced gas consumption by power sector. However, if we look at the transmission volumes, they have remained broadly flat.

I just wanted to understand, sir, on a very basic level, how should we basically then look at the mix between transmission and trading volumes, which seems to be sort of reducing, if I look at the last few quarter trend? So, in terms of building in numbers, even if transmission is at 130, trading volumes can actually fluctuate between 96 to 98, depending on which segments we are supplying to, sir?

Rakesh Jain: Thank you, Probal. Actually, our marketing volume share has gone down by 3 million, whereas the transmission volume remains almost flat, though it is down by almost 1 million if we compare quarter-to-quarter and there are two factors why the transmission volume almost remained flat, maybe 1 million down and marketing volume has gone down. The fact is that in Q1, power sector consumes significant amount of gas because of the weather conditions and in Q2 because of monsoon, it has gone down. That is the major reason and why transmission volume remains almost same and marketing volume came down because of this reason. And second, that in Q2 we did not supply to power, whereas our plant at Pata was on the stream, which was not there in Q1.

Probal Sen: Okay, so, basically, sir, the transmission volume remaining flat meant that 2 MMSCMD or 3 MMSCMD went to either internal consumption or sectors where we don't actually get any marketing margin.

Rakesh Jain: The marketers have because we were short of volume and we could not get the EPMC bid, which comes regularly because we were not having volume. So, we though participated during those bidding process, but based on our prices, which, if we were to source, we could not wear those volumes. So, that is the reason that marketing volume was not available to us has gone to others. That is another reason.

Probal Sen: Got it. Okay. And sir, the second question I had was with respect to the petrochemicals, obviously we have seen a good recovery in terms of volumes. Just wanted to understand that what kind of run rate should we be looking at for the second half. Are we confident we can maintain basically this 220 and 230 TMT on a quarterly basis, sir for the next couple of quarters?

Rakesh Jain: Yes. We have in our guidance also shared that and now I continue to maintain that this year we will be producing at net-weight capacity of Pata, which is 810, we will be reaching around that level, so the run rate will continue to be maintained.

Probal Sen: Right. Last question, sir, if I may. The overall capex guidance you mentioned, ₹ 1,885 crores done in Q2, can we get a sense of overall capex done in H1 and H2 guidance?

Rakesh Jain: Capex, you are talking?

Probal Sen: Yes, sir.

Rakesh Jain: Capex, we have planned to incur around ₹ 8,000 crore to ₹ 9,000 crore of capital expenditure during this year. So, we will be maintaining the current rate of capex, maybe bit higher than current rate because in second half always the capex will be more than first half, which is great. So, we will be end up around ₹ 8,000 crore to ₹ 9,000 crore when we end this financial year.

Probal Sen: Got it, sir. I'll come back if I have more questions. Thank you so much for your time.

Moderator: Thank you so much. We have next question. From the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: Yes. Hi. Thanks for the opportunity. So, first question is on Gas Marketing segment. So, I know that you've guided for a full year of about ₹ 4,500 crores?

Rakesh Jain: Bit louder, Amit. A bit louder. I'm facing problem of getting your question.

Amit Murarka: Yes, sure. So, I was saying first question, is the Gas Trading segment, so wanted to understand like what's the reason for the drop in the contribution EBITDA and EBIT contribution from the segment in Q2 versus Q1?

Rakesh Jain: Actually, Q2 is a normative return. Q1 was bit higher. I will put it differently. We have given guidance for ₹ 4,500 crore on yearly basis. If you see Q2, it was around ₹ 1,200 crores. So, Q1 was higher than normative guidance and why it was higher because we marketed, there are two, three reasons if you want to know specifically. Once we marketed almost 3 million volume more that is one.

Second, the arbitrage available between the upstream contract, that is the Henry Hub and downstream contract, that is crude-linked contract. If you see crude prices during quarter one was higher as compared to quarter two, Henry Hub price were lower as compared to quarter two. So therefore, those arbitrage which were available in Q1 has introduced to some extent. These are the two primary reasons for our marketing margin reduction as compared to Q1, but we continue to maintain our guidance of ₹ 4,500 crore.

Amit Murarka: Sure. Is that the only reason? The lower spread between, let's say, the crude-linked LNG and Henry Hub LNG? Is there some other factor in Q1 as well. Is there any other factor beyond this? Because the fall is about almost 30%, 35% on a Q-o-Q basis. So, is that the only reason that the spread reduced between Henry Hub and crude?

Rakesh Jain: There are two more reasons if you want to know that. Third is, as I said during questions by another participant that in Q1 we were having volumes for marketing. Q2, we sourced the volume to fulfill our commitment. There was some shortage of volume and those volumes did not give those margins which were available in Q1. We sourced the spot cargoes. And fourth reason is a reason that our one of the upstream contract has got nine months average and downstream contract has got three months average. So three months average gives us less return as sourcing will be paid higher but over a period of time it gets settled.

Amit Murarka: Sure. Got it. On capex I thought like in the last call I think the guidance was for about ₹ 11,500 crores for FY '25. So are you guiding it lower now? I mean…

Rakesh Jain: No, no it is not lower. I was a bit conservative when I was explaining ₹ 9,000 crore. It may even touch ₹ 10,000 crore plus. So we will be touching that.

Amit Murarka: Okay. And also any update on the transmission tariff revision that you said that PNGRB would soon decide upon?

Rakesh Jain: We have submitted our tariff petitions to regulator and it's almost more than one and a half month when we submitted. We expect the regulator to process our tariff petition because there is a process of analyzing, analysis by them then making a public consultation document, having public comment and then analyzing and then making the tariff order. We hope that this tariff will be available as an approved tariff by March 31st and expected to be applied from 1st April. That's our current estimate.

Amit Murarka: Got it. Thanks a lot. Yes.

Moderator: Thank you so much, sir. We have next question from the line of Sachin Mehta from Dymon Asia. Please go ahead.

Sachin Mehta: Sir, I basically wanted to get your guidance on the pet chem project that we are expanding on the capex side and the rationale behind doing this to justify the kind of ROC because I think even if you look at the mean margins that you would be making there would be a significant dilution on the ROC. So if you can guide something on this.

Rakesh Jain: Which petrochemical project you are talking about?

Sachin Mehta: The pet chem expansion.

Rakesh Jain: Sorry.

Sachin Mehta: The pet chem expansion project.

Rakesh Jain: So if you are talking about the PDH-PP at Usar, so this project we conceived way back in '18, '19 and I explained that this is likely to be commissioned mechanically by April and also the commercial production by October. Actually there are various reasons. We do not have PP in our slate. We currently produce PE. We want to also have PP.

Second, this is not natural gas-based production. This will be based on propane. So I have been continuously giving this information that there is an excellent correlation, good correlation between propane as a feedstock and polypropylene as an output. When we analyze this, and it continues to remain same even today, we are getting -- and we are getting more than our hurdle rate. And that's the reason.

Third reason is that you know that our country is growing maybe at the rate of around 7%. and the polymer demand is also going in similar range. Therefore, the demand side there is no problem. The cracked margin side also there is no issue because it is propane versus polypropylene.

And third, it will help us in marketing because we do not have polypropylene in our basket.

Sachin Mehta: But we are also looking to expand our Pata capacity as well, right?

Rakesh Jain: No, we are not expanding Pata capacity. What we are doing, two things we are doing. A small capacity addition in terms of polypropylene that is 60 KTA we are putting. And the reason for the same is that we have polypropylene available from Pata. Currently we are marketing that. In order to utilize and make better use of polypropylene, we envisage the PP plant at Pata which is a very small capacity plant, 60 KTA at a capex of ₹ 1,299 crore. That's the reason we are putting.

Second, expansion is not an expansion. What we have said, we are laying a line. The pipeline from Vijaipur to Pata plant for carrying C2/C3. What is currently happening? We are extracting C2/C3 at Vijaipur, mixing in natural gas, again we are extracting at Pata. This actually results in 10% loss. In order to capture that loss, we are putting that line and that is rather efficiency and improvement. And those capex would give us better return than the current capital expenditure. These two things we are doing at Pata. There is no third thing.

Sachin Mehta: Okay. Sure. Sure.

Moderator: Thank you so much, sir. We have next question from the line of Puneet from HSBC. Please go ahead.

Puneet: Yes. Thank you so much and congratulations. My first question is are there any new pipeline projects that you envisage? Because I think other than Gurdaspur-Jammu, you'll be pretty much done with the projects by June to October 2025. Anything new in the pipeline yet?

Rakesh Jain: Yes. We are working on that. Rather we have been expecting that regulator either will authorize directly or through bidding process we do not know. But the pipelines which are authorized to other entities and having cancelled by the regulator, we expect that those pipelines either will be authorized directly or maybe through bidding route. Those pipelines may come up in future, very soon we expect. And those are the pipelines we expect to be in our fold.

Puneet: Understood. And is it possible to get a breakup of the other income for this quarter?

Rakesh Jain: Other income.

Puneet: Yes.

Rakesh Jain: Hold on. Other other income includes the interest income of ₹ 241 crores. The sale of steam which we are producing at Gandhar, around ₹ 52 crore. BCPL, the product which we are marketing, those commissions, sale of scrap. That's how the other income includes. Dividend income of ₹ 364 crore.

Puneet: Yes. Okay.

Rakesh Jain: Right? And the interest from customers on delayed payment, interest on loans which we have given to our joint venture subsidiaries which is ₹ 163 crore and customers delayed payment is ₹ 51 crore. These are broad things I have explained to you.

Puneet: That's very helpful. Thank you so much. And lastly if you can just update on what is still stopping you from updating your marketing business guidance? You're already 73% plus there -- nearly there, ₹ 3,700 crore plus. So why not increase it this quarter?

Rakesh Jain: Yes. As I said that we are on course of meeting the guidance of ₹ 4,500 crore. As you already know that almost 73% we achieved. And we only have completed two quarters. So right now I will say that we are on the course of meeting our guidance. In respect of revision in guidance, as we did in last year, we will come to you in third quarter.

Puneet: Third quarter. Okay, fine. That's all for me. Thank you so much and all the best.

Moderator: Thank you so much. We have next question from the line of Maulik Patel from Equirus. Please go ahead.

Maulik Patel: Yes. So thanks for the opportunity. Just a couple of things. One, on this recent government notification where they reduced allocation APM allocations to the CGD sector. Your thoughts on that? What kind of outlook one could have for the GAIL Gas which is your subsidiary? And second is that where do you see the gas consumption in the country in next one year or so?

Rakesh Jain: Because there is some issue of clarity of voice, if I understood you, the impact of the reduction in gas allocation, the impact on subsidiary and also if you are on GAIL.

Maulik Patel: Yes.

Rakesh Jain: So GAIL Gas, we expect the impact of ₹ 16 crore per month. Right. And for GAIL around ₹ 6 crore. But GAIL as a company has an opportunity. Sorry, I have been corrected. ₹ 16 crore per quarter for GAIL Gas and ₹ 6 crore per quarter for GAIL. GAIL, as a company has an opportunity now to source and market more and more volume in terms of LNG to meet those demands which have come up because of de-allocation. So, we are very, very positive in terms of GAIL and company.

Maulik Patel: And do you think that in the future, there will be less and less gas which will divert from the CNG sector from within the CGD and will go to the other sectors? From a policy perspective, because what we understand that there was already a 3 MMSCMD reduction in the last one year or so to the CNG sector and this additional 4 MMCMD has come. So what's your thought? Will the government make CNG a much more a market-driven business compared to where they get a significant cheaper gas to the APM allocation?

Rakesh Jain: So, this is very difficult for me to answer what will happen in the future. History suggest that in view of increased consumption by city gas distribution, expansion of geographic areas, certainly, history suggests that this allocation may come down.

Maulik Patel: And you have raised the prices in your GAIL Gas, the CNG prices or the price revision is yet to be taken?

Rakesh Jain: So, this call will be taken by GAIL Gas. They are analyzing it. Certainly, there is an impact, but during the course they will certainly review their prices. And considering the customers demand how it will be going to impact, they will take action. But as on date, the price revision has to take place.

Maulik Patel: And just last question. What's the outlook on the spot LNG, given that there are like this spot LNG. It's been very steady at $13 per MMBTU for the last couple of months and the inventory levels in Europe are at a relatively higher level, but the price is not coming down. What's your thought overall on the spot LNG price, which you expect in 2025?

Rakesh Jain: Actually, this is abnormal situation. Normally, you find that spot prices except the Ukraine war situation or geopolitical situation remains lower. Currently, the spot prices are a bit higher than normally it used to be. We expect these spot prices to come down. But all this is in future.

Maulik Patel: Okay, thanks.

Moderator: Thank you so much. We will proceed with the next question, which is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Good morning, sir. Few questions. Firstly, on the opex side, it shows that there is some increasing transmission opex. So, was there any particular sector during the quarter?

Rakesh Jain: The opex in transmission has increased because of increase in fuel consumption during this quarter.

Sabri Hazarika: And this was because of?

Rakesh Jain: Increase in fuel consumption in compression.

Sabri Hazarika: Okay. And this is going to remain like this or they can be declined?

Rakesh Jain: Actually, more or less when volume increases, certainly the levels of what we have seen recently will likely to be maintained, whereby bit plus minus. But that's not an area of concern because in terms of regulatory provisions, we are going to get back.

Sabri Hazarika: Okay. Fine. Second is, you mentioned that there were some shortfall in gas sourcing, due to which you have to rely on spot gas and gas marketing volumes are also down. So, any particular long-term LNG contract where this shortfall happened or is it the mix of everything?

Rakesh Jain: Actually, scheduling of cargo sometime happens in such a way that you feel that you don't get particular cargo in particular quarter, one or two cargo short, but this is largely not from long term contract. As I explained basically, we regularly source from spot market, almost you see our 10% to 15% volume of LNG is from spot market. We continue to source and we participate in various bidding, which come particularly for fertilizer sector that is larger one.

As I said earlier also because the spot prices were higher, we did not source or when we source, we wanted to source, it was not actually meeting our marketing margin or kind of arbitrage were not available. So, this particular situation has happened in Q2. And we continue to, of course, take the sourcing from spot market. So, this Q2, there are two reasons. One, the allocation of cargo based on scheduling and secondly, we did not source the spot because the prices were higher.

Sabri Hazarika: Right, sir, I got it. Two more questions.

Moderator: Sorry for interrupting, sir. I would request you to rejoin the queue for more questions.

Sabri Hazarika: Okay. Thank you.

Moderator: Thank you so much. We will proceed with the next question which is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Sir, thank you for doing the call. Just a question in terms of your capex spending around the pet chem expansion on the PET side. Can you just give us an update of how much has that been completed? What's left in spending on that?

Rakesh Jain: Okay. So, as I said in opening remarks, actually our major petrochemical projects is PDH-PP Usar and we have project cost of ₹ 11,256 crores. The project currently progress is 75%. So, you can assume that around 25%, that is around ₹ 3,000 crore is spending to be incurred on capex for petrochemicals.

Mayank Maheshwari: Okay.

Moderator: Thank you so much, sir. The next question is from the line of Saurabh Handa from Citigroup. Please go ahead, sir.

Saurabh Handa: Yes. Thank you for the opportunity. I had two questions. Firstly, on the tariff filing, is this a part of your regular tariff filing? And when can we expect the public consultation process to begin?

Rakesh Jain: It's part of regular tariff filing. Actually, it's very difficult for me to comment on the regulator's working when they will come up. But based on our past experiences, we can expect that maybe by December they can come up for public consultation.

Saurabh Handa: Okay, sir. And just my second question. On your City Gas investments, whether they are at the standalone entity or in GAIL Gas? Is there any thought process to look at restructuring these streamline these investments?

Rakesh Jain: As a company about GAIL Gas has not yet taken any call for restructuring of GAIL Gas. This is in our mind, but nothing concrete I can share with you right now.

Saurabh Handa: Okay. Nothing at the parent level or the various JVs as well?

Rakesh Jain: So also, we are looking for listing one or two JVs, which we are in the process and once we move forward and we take a call, we'll come back to you, but that we are certainly working and we are in a good stage.

Saurabh Handa: Okay, so when can we expect an update on this, please?

Rakesh Jain: Q3.

Saurabh Handa: Okay. Thank you so much.

Moderator: Thank you so much, sir. We have next question from the line of Vikash Jain from CLSA. Please go ahead.

Vikash Jain: Thanks for taking my questions. Just firstly on depreciation, what has made it come down so much Q-o-Q suddenly from there?

Rakesh Jain: Yes. Vikash, depreciation, actually, there are, in Q1, we had one-time depreciation. Like, as you know that Pata Petrochemical was under shutdown for annual plant maintenance. So, whatever expenditure we do on plant maintenance and we actually have to book in terms of the accounting standard along with the plant lives. The plant life has for Pata one had already been completed or almost completed, so we have to book one go, those expenditure.

Second, similar expenditure has happened for pipeline maintenance. That is around ₹ 99 crore-₹ 100 crore. And thirdly, one of the ships we leased, completed its leasing period and that also goes to depreciation. So these all three factors have led to reduction in depreciation. So, if you are interested in figures, Pata ₹ 41 crore, over-hauling at Hazira ₹ 99 crore, ship off-hire ₹ 69 crore. So, these three elements totals up to ₹ 234 crore, which were one time in Q1.

Vikash Jain: So, ongoing, this should be the rate other than the capitalizations which are pending? So, I mean for FY '25, what is the kind of depreciation number that we are looking at, given the pending capitalizations that we are talking about?

Rakesh Jain: Around ₹ 3,600 crore.

Vikash Jain: Around ₹ 3,600 crores, which is going to be lower than FY '25, you mean?

Rakesh Jain: No.

Vikash Jain: Okay. Sorry, sir. No, sorry. It was even lower. That was correct. You said ₹ 6 crore was the impact due to this gas allocation change for GAIL, that is coming from where? If I may understand that.

Rakesh Jain: I said ₹ 6 crore per quarter for GAIL. What is your question in this regard?

Vikash Jain: That is coming from where, sir?

Rakesh Jain: Six CGDs.

Vikash Jain: Okay. The ones which are sitting in GAIL?

Rakesh Jain: Yes.

Vikash Jain: Okay. And just similarly, like depreciation, the capitalization of interest, what level is it currently and what will that be expensing increase that we see as some of these pipelines get capitalized? The increase in interest expenses.

Rakesh Jain: Vikash, we immediately do not have that figure, and certainly, we'll communicate you offline.

Vikash Jain: Okay, thank you so much, sir.

Moderator: Thank you so much. We have next question from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Thanks for taking my questions and congratulations for the good set of numbers, sir. I have two questions. Sir, my question is related to recent LNG purchase contracts of close 2 MMTPA. Majority of them will start in January 2026. We wanted to understand the pricing part of the LNG. Is it a Brent link or any other index link? And if it is Brent link, is it a cheaper than the Qatar LNG? And considering this new LNG suppliers, do you want to give us the EBITDA guidance for the FY '26-'27 period? That would be helpful.

Rakesh Jain: So first, there is a correction. We have sourced 1.53 MMTPA from two sources, which would have also informed for public domain, one from VITOL and second from ADNOC. And second, these are crude link contract. Third, certainly, you can take it this contract is cheaper than the current contracts. Right. And regarding the EBITDA guidance for '26-'27, we come back, we have not worked out.

Yogesh Patil: Okay. And the last, related to petrochemical. Majority of these petrochemical expansions will be mechanically ready in the next one year, but on the practical terms, commissioning, stabilization, and the actual profit from these incremental petrochemical capacity when one can expect the profitability out of these new incremental capacities and any in-house estimates if you have, you can share about the profitability of these new petrochemical plant.

Rakesh Jain: So, PDH-PP is the only big project, let us not talk of PP, which is very small. PDH-PP is expected to be commissioned in '25, that is, FY '26. The profitability from this project will start from '26-'27. We do not expect any profit in the year one, right? And the level of profitability, we will come back.

Yogesh Patil: Okay. And on the JBF side, sir, which we acquired and now renovating the projects on that side?

Rakesh Jain: JBF, as I said, that it is likely to be commissioned in June '25. So again, first year we should not expect much things to happen. Next year onwards we'll be having profit and again we'll come back because let us discuss about as we reach closure to the commissioning, because considering the market situations at that point of time, it is better to give any guidance when we are having some kind of maturity about it.

Yogesh Patil: So, the major profitability can be expected post second half of FY '27 only. Is that a correct understanding?

Rakesh Jain: Yes, because there will be a lot of things happen in '26-'27. Not only we will be commissioning our one of the biggest plant of 500 KTPA that is one, the GMPL is second and third, already we have sourced 1.53 MMTPA. The marketing will increase. Fourth, we have already given guidance that our transmission volume will increase from 10 million, almost. Fourth this will happen.

And fifth, we are in the midst of looking for additional sourcing, which we have already said in various communications that we have target to source 7 MMTPA of LNG, at least by 2030. And already we have sourced 1.53 MMTPA and in phases we'll continue to add up to our existing volume. All these will certainly help us or add to our bottom line.

Yogesh Patil: Thanks a lot, sir.

Moderator: Thank you so much. We have next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Hello. Thank you for this opportunity, sir. One clarification on the petrochemical business. What was our gas sourcing cost for the petrochemical during Q1 and Q2?

Rakesh Jain: Okay. Just hold, we will tell you. So, Q1 and Q2. Q1 around 8.5, approximate 8.5 and Q2, around 9.

Kirtan Mehta: Right, sir. And one more question was on the marketing division. Over past six months, if we look at the global market, we have seen spot LNG prices tightening, whereas we have seen the oil price expectation coming down for FY '26. So, what sort of impact would it have on our marketing business for FY '26? The change in this external environment?

Rakesh Jain: Actually, our marketing margin as we are moving forward are getting stabilized. Whatever long-term sourcing we had done, we have marketed now. On same index, back to back, mostly. So, the marketing margin is going to get stabilized. So therefore, any change in spot price does not impact or not likely to impact our marketing margins. The marketing margin will actually will go up for two reasons.

One, our actual portfolio will increase. The demand in country is increasing. Second, the spot prices at current level are not likely to remain. You can vouch for yourself. Historically, the spot prices do not remain for a longer period at this level and we almost market 10% our portfolio on spot. So, that I will provide arbitrage or we'll be able to take care of the opportunities available in spot market.

So now to sum up, our marketing margin has more stabilized will move forward with more and more sourcing. The spot prices, which are currently not helping, will help when the spot price is normalized.

Kirtan Mehta: Thank you, sir. Just one more follow up on the same. So, out of the ₹ 4,500 crore guidance for this year, how much percentage of the profit is attributable to the back to back contract?

Rakesh Jain: So, this detail we can share with you, but it's not right now available. But you can assume that now we almost have contracted back to back. Maybe I'm giving only a ballpark number. Maybe 80% - 85% almost we have done back to back. 75% - 80%.

Kirtan Mehta: That is on the volume front. But out of the profit guidance of INR4,500 crore, how much upside is attributable to the non-back-to-back contract? Where we had sort of a lower HH versus the arbitrage profits that have come from the tighter crude oil prices or other way around, the way we explained earlier in Q1.

Rakesh Jain: Remaining 20%. I said, 75% - 80% is back-to-back. The remaining is actually giving us those arbitrage based on market situations.

Kirtan Mehta: Fine, sir. Thanks for this color.

Moderator: Thank you so much. We have next question from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: Good morning, and thank you very much and wish you the best of season's greetings. So, dwelling again on Gas Marketing segment. So, is it fair to understand that now that you have placed all the gas you have sourced, how is the gas sourcing and the bidding balance for this quarter? Are you back to normal? Balance between what you're sourcing and able to place.

And in terms of the volume, what is the kind of number we should assume for the second half compared to what you have done in the first half in terms of MMSCMD. And when do you think we'll see some growth, because last year you had mentioned that you expect about 5 million cubic meters per day of growth in gas marketing. So what is the kind of growth we could assume, say, in FY '26 and '27 in gas marketing?

Rakesh Jain: Actually marketing margin guidance, we have given on annualized basis and we have reached 73% of that. For two quarters, we expect to continue to earn a reasonably good margin. But if you want to have guidance, we will give in Q3, not right now, which I have been maintaining. But we expect that our guidance of ₹ 4,500 crore is likely to exceed. We do not want to give any number right now.

S. Ramesh: I'm not asking about the margin specifically. Since you mentioned that the reason for the lower margin second quarter was because there was an imbalance between what you could source and place. I'm just -- I am trying to understand whether you are back to normal sourcing and placement on a back-to-back basis this quarter. And secondly, what is the kind of growth one can expect in marketing volumes in the second half and, say, over FY '26, '27.

Rakesh Jain: Actually. This guidance also we have given, we expect that this year we should get 5 million volume growth this year and we continue to have similar growth in coming one to two years.

S. Ramesh: Okay. And second thing is, if you look at your --

Moderator: Sir, I would request you to rejoin the queue and have more participants on line.

S. Ramesh: Just one last one. On the debt, if you look at the current debt, where do you see the debt getting finalized once all the projects are capitalized? And what is the average interest rate on the debt?

Rakesh Jain: So debts are likely to remain around same range, maybe ₹ 1,000 crore to ₹ 2,000 crore more from current level. The interest rate, if you want to know, around 7.5% to 7.6%.

S. Ramesh: Thank you very much and wish you all the best.

Rakesh Jain: Thank you.

Moderator: Thank you. Next question we have is from the line of Tarang Agrawal from Old Bridge. Please go ahead.

Tarang Agrawal: Okay. Sir, just referring to the previous participant's question on your gas sourcing from ADNOC and Vitol, you said that your new contracts are crude linked and they are cheaper. Sir, would the cost be cheaper in terms of the slope or would there be any other factors which would be determining the better procurement of the gas? And number two, how cheaper would these contracts be in context of your current contracts?

Rakesh Jain: Actually, I will not be able to answer you this specifically. I can only say these contracts are cheaper and I can give you a rough number maybe $0.50 to $1 or maybe more if we see both the contracts. But specific may not be desirable or I should not.

Tarang Agrawal: Okay, sir, maybe not specific, but just wanted to get the cost differential predominantly emanates from the slope, right, the agreed upon slope? Or there could be other factors also which could drive the differential cost?

Rakesh Jain: When you source crude linked contract certainly slopes comes into picture.

Tarang Agrawal: Okay. And the number when you speak about $0.5 or $1 or whatever that number is --

Rakesh Jain: This is for our satisfaction because you're asking, it may be around $1 or $0.50. Let us not discuss because it goes up to formula which we will not be able to share.

Tarang Agrawal: Sure. Okay. Thank you, sir.

Moderator: Thank you so much. The next question is from the line of Kishan Mundhra from DAM Capital. Please go ahead.

Kishan Mundhra: Hi, sir. Two questions from my end. So, firstly you were exploring setting up a 1.5 million tonne cracker in Madhya Pradesh. So is there any development on that front? Have you finalized anything?

Rakesh Jain: Sorry. You come back again, please.

Kishan Mundhra: Sir, there were news articles --

Rakesh Jain: Okay. Okay. I got you. Got your point. So I have been answering this question in last earning call also, sir, that we as a commercial organization evaluate all the possibility of investment, which commercially suits to us. Currently we are evaluating lot of opportunities, including the ethane cracker. Regarding decision, we have not yet taken any decision.

Kishan Mundhra: Okay, understood. Sir, second question is, on the Dabhol breakwater, what is the progress on that front? When do we expect it to be completed? And once completed, sir, what is the expected utilization that we can expect?

Rakesh Jain: So Dabhol terminal, we will be full weather terminal next monsoon. The job is going on. There was some issues in between. Now the job has started and we expect to be completed by February. Right? And as far as utilization is concerned, we will be able to utilize fully because currently we are sourcing cargoes and bringing to other terminals. So when we have our terminal, we'll certainly be able to utilize to its capacity.

Kishan Mundhra: Okay. Understood. Thank you, sir.

Moderator: Thank you so much. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to management for closing comments.

Rakesh Jain: Thank you very much. And we thank to participants from our investors and analyst community for their wholehearted support to GAIL and participating in such a number, asking lot of questions. I know there was a time constraint. Some of the participants could not have asked or did not get the opportunity to ask questions. But we, as GAIL are always available to answer you all the pending questions or some of the queries we could not answer offline. Thank you very much.

Moderator: On behalf of PhillipCapital India Private Limited, that concludes this conference. Participants may disconnect your lines. Thank you for joining us.