GAIL (India) Limited

"GAIL (India) Limited Q3 FY25 Earnings Conference Call"

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GAIL (India) Limited

MANAGEMENT: **MR. RAKESH KUMAR JAIN – DIRECTOR (FINANCE), GAIL (INDIA) LIMITED & OTHER SENIOR EXECUTIVES**

MODERATOR: **GAGAN DIXIT – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to GAIL (India) Limited Q3 and FY '25 Earnings Conference Call hosted by Elara Securities India Private Limited.

As a reminder, all participant 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, 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. Gagan Dixit from Elara Securities. Thank you, and over to you, sir.

Gagan Dixit: Yes, thank you. A warm welcome to everyone to discuss GAIL (India) Limited Q3 FY '25 result.

It is our pleasure to be able to bring to you the management of GAIL (India) Limited led by Sri. R. K. Jain, who is Director Finance and other senior executives of the company.

So, with these words, I would now hand over the conference to the GAIL (India) Limited management. Over to you, sir.

Rakesh Kumar Jain: Yes, thank you, Gagan. My dear friends from investors and analysts' community, a very good afternoon to all of you to this Earning Call for result of Q3 Financial Year '25.

At the outset, I thank you all for attending the earning call and would briefly touch upon the major highlights. I feel proud to share that GAIL has registered highest ever quarterly and 9 months PBT and PAT. In comparison to the corresponding period of 9 months, PBT and PAT registered a stellar growth of 39%, stood at Rs 12,123 crores and Rs. 9,263 crores respectively. This is on account of robust physical performance by almost all major segments and an exceptional income of US$285 million, which amounts to Rs. 2,440 crore as compared to the similar period last year.

I feel happy to inform our investors that company has declared an interim dividend at the rate of 65% of face value of shares for the Financial Year '24-'25 that is Rs. 6.5 per share.

On a standalone basis, GAIL has registered a gross turnover of Rs. 34,912 crore, profit before tax of Rs. 5,029 crore and PAT of Rs. 3,867 crore in Q3 Financial Year 2025.

On a consolidated basis during Q3 Financial Year '25, the turnover, PBT and PAT stood at Rs. 36,887 crore and Rs. 5,272 crore and Rs. 4,082 crore respectively.

I will take you through the major financial highlights.

GAIL's gross turnover registered a growth of 6% and stood at Rs. 34,912 crore in Q3 Financial Year '25 as against 32,814 crore in Q2 Financial Year '25. The PBT and PAT during the quarter rose substantially by 46% and 45% respectively to Rs. 5,029 crore and Rs 3,867 crores as against Rs. 3,453 crore and Rs. 2,672 crore in Q2 Financial Year '25 respectively. This includes a receipt of an exceptional income of Rs. 2,440 crore from SAFE Marketing and Trading Singapore as settlement towards withdrawal of arbitration proceedings.

On consolidated basis, the turnover registered a growth of 9% and stood at Rs. 36,887 crore in Q3 Financial Year '25 as against Rs. 33,861 crore in Q2 Financial Year '25. The PBT made a growth of 52% and was at 5,272 crore in Q3 Financial Year '25 as against 3,470 crore in Q2 Financial Year '25. PAT also followed the trend and registered a growth of 52% and stood at Rs. 4,082 crore in Q3 Financial Year '25 as against 2,694 crore in Q2 Financial Year '25.

I will take you through now through physical performance of Q3 as compared to Q2 Financial Year 2025.

The gas marketing volume during Q3 Financial Year '25 was 103.46 MMSCMD as against 96.60 MMSCMD in Q2 Financial Year '25. During the quarter, 37 LNG cargoes were imported, making it a total of 107 cargoes during 9 months as against 101 during April to December in '23-'24.

Natural gas transmission volume decreased by 4% to 125.93 MMSCMD in Q3 as against 130.63 MMSCMD in Q2 Financial Year '25. The decrease is due to reduced offtake by power segment almost 3 MMSCMD and shipper's volume 1 MMSCMD. The average capacity utilization stood at 60%, approximate 60%.

Polymer production was 216 TMT as against 234 TMT in Q2. Capacity utilization for the quarter stood at 106% of its name plate capacity. LHC production was 283 TMT as against 252 TMT in the previous quarter. Capacity utilization stood at 79%. The LPG transmission throughput stood at 1,157 TMT as against 1,124 TMT in the previous quarter. The capacity utilization was 100% during the quarter.

About CGD, GAIL is having direct authorization of 6 GAs and has an infrastructure of 195 CNG stations and 3,53,000 DPNG connections. During the quarter, approximately 5,000 new DPNG connections were added. The physical volume remained at 0.36 MMSCMD during the quarter. In the next two years, GAIL targets to add around 80 new CNG stations and around 1,20,000 new DPNG connections.

Now I will take you through GAIL Gas Limited, which is a 100% subsidiary of GAIL. The performance of GAIL Gas Limited, during the current quarter, turnover was down by 3% and stood at Rs. 3,043 crores as against 3,150 crore in Q2 Financial Year '25. PBT decreased by 7% and stood at Rs. 155 crore as against 167 crore in Q2 Financial Year '25, following cut in APM gas allocation. PAT was down by 8% and stood at Rs. 114 crore as against 124 crore in Q2 Financial Year '25.

During Q3 Financial Year ‘25, GAIL Gas along with JVs added 25,000 new DPNG connections and 5 CNG stations and is having an infrastructure of 10,50,000 DPNG connections and 585 CNG stations. In the next 2 years, GAIL Gas targets to add around 170 new CNG stations and around 5 lakh new DPNG connections.

I will now take you through the status of ongoing projects. Pipeline projects, majority of the pipeline projects viz. Mumbai-Nagpur-Jharsuguda pipeline, Jagdishpur-Haldia-Bokaro-Dhamra pipeline, Kochi-Koottanad-Bangalore-Mangalore pipeline and Srikakulam-Angul pipeline are scheduled to be completed in coming financial year that is '25-'26, whereas Gurdaspur-Jammu pipeline is scheduled to be completed in financial year '26-'27.

Petrochemical projects, majority of the petrochemical projects viz. 60 KTA Polypropylene at Pata and 500 KTA polypropylene at Usar, 1,250 KTA PTA at GMPL are scheduled to be commissioned in coming financial year.

Indradhanush Gas Grid Limited, IGGL's first phase schedule to be completed in Financial Year ‘25-'26, whereas Phase 2 and Phase 3 are scheduled to be completed in Financial Year ‘26-'27.

Brief about CAPEX. The CAPEX for Q3 Financial Year ‘25 is approximate Rs. 2,122 crores, and this CAPEX is mainly on pipeline around 400 crores, petrochemicals around 750 crores, CGD project around 40 crores, operational CAPEX and other projects 770 crores, equity contribution around 130 crores.

Now I will take you through the segmental outlook for short-to-medium term. In gas marketing, in 9 months ended December 31st, 2024, GAIL has achieved a physical volume of 99.84 MMSCMD and has earned marketing margin of 6,128 crores from this segment. This 6,128 crores includes 2,440 crores that is one-off, as I shared, with respect to settlement of arbitration case with SEFE.

We maintain the guidance of earning Rs. 4,500 of gas marketing margin in current financial year excluding the exceptional income of 2,440 crores. We expect this total number to be around 7,000 crore including the exceptional income in Financial Year ‘24-'25.

I further wish to inform our friends from analyst community that as part of a group of three Indian oil and gas PSUs, GAIL has entered into a non-binding MoU with Argentina State-owned oil and gas company, YPF. The MoU covers the collaboration in exploration and production of hydrocarbon and critical minerals. Argentina is home to the world's second largest shale gas reserve and carries potential of development, which may become a significant source of LNG for India in future.

Gas transmission volume for '24-'25 is expected to be in the range of 129 to 130 MMSCMD. Average gas transmission volume for 9 months stood at 129.44 MMSCMD. Further, during next

2 to 3 years, transmission volume is expected to increase by 10 MMSCMD on year-on-year basis.

Polymer production stood at 612 TMT in 9 months for Financial Year '25. The segment has remained profitable in 9 months for Financial Year '25 with a PBT of 121 crores as against loss of 399 crores in the corresponding period during last financial year. Plant is currently running at more than 100% capacity and we are targeting measures to enhance operational efficiency for sustainability.

LHC production stood at 751 TMT in 9 months financial year as against 730 TMT in 9 months for Financial Year '24. Vide order dated 31st December 2024, MOPNG has ordered a cut in APM gas allocation to GAIL for LPG production. Due to this cut, we expect a drop of approximate 75 TMT in LPG production in Q4 Financial Year '25.

That's all from my side regarding the overview of the performance and projects. The management of the company is available, and we would be glad to clarify on any questions that you may have. Over to you, Gagan.

Moderator: Thank you very much, sir. We will now begin the question and answer session. Anyone who wish to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Participants are requested to limit their questions to two per participants and can come back in the queue if they have more further questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Thank you for the opportunity, sir. Good evening. First was on the trading business, sir. This quarter, in terms of volumes, it seems the relative correlation between trading and transmission is a bit different where transmission has reduced but trading volumes have actually increased quite sharply. So, how should we actually look at this correlation going forward, you know, for, let's say, the year next year? You know, if we look at, let's say, 140 odd MMSCMD around average for FY '26 for transmission, what would you build in for trading? Just wanted to get your sense of that.

Rakesh Kumar Jain: Actually, trading volume in this quarter has significantly increased because of the international sale. Almost 9 MMSCMD has come from there. So, there is no significant deviation as in transmission and marketing. It is going in a similar way. I think that is the disconnect which I should have explained that is creating confusion. So, 9 MMSCMD has come from international sales.

Probal Sen: Got it. Okay. So, then the second question was, if we take out the one-time income of the settlement, which I presume is sitting obviously as you mentioned in the trading EBIT, then the trading EBIT for this quarter seems to have dropped very sharply on a Q-o-Q level or on a Y-o-Y level. Can you just take us through what has happened in terms of margins in this quarter?

Rakesh Kumar Jain: Yes, very right. This quarter we had earned 400 plus crore, to be precise, 417 crore out of this trading business. The major reasons are two, three. One reason is that during this quarter, the prices of crude started falling. And what has happened because of that, we have a contract which has a nine months' average on sourcing side and on sales side, three months' average.

So, it is immediately impacting because the recovery is on three months basis and payment for sourcing is on nine months basis. So, going forward, we will start getting the plus on account of an average changes because overall it sets up, but immediately it has impacted. That is one reason it is around Rs. 200 crore plus that has given an impact.

Second, during this quarter, the HH prices were a bit higher as compared to the previous quarter. So, our margin between the sales side, which is on crude and HH, which is unhedged. Normally we are hedging to a great extent and the volumes which were unhedged has also impacted.

Third, we have marketed volume more than the volume which we have sourced. Normally, we do in order to take care of, to avoid the risk of take or pay because normally in an international contract is 100% take or pay, whereas in downstream contract, it is 80, 90% take or pay level.

So, we normally sign contract more than the source volume. So, this quarter what has happened, the most of the customers were drawing and in order to fulfill those demands, we sourced spot cargo, which were higher than the marketing price, which one-off situations sometimes happen and sometimes we gain out of this also because when the spot prices are lower, we tend to gain.

So, this has happened during this quarter and these two, three reasons have reduced our marketing margin in the last quarter, that is Q3. And this is also, you can say, not a normal situation (17:30). That's how it has come down.

Probal Sen: So, if I were to quantify this, sir, you mentioned 200 odd crores for the first reason, which was basically the mismatch in contract terms. For the other two reasons also, it would be somewhere in 200, 300 crore each. So, that's caused the 800 crores to 900 crore drop.

Rakesh Kumar Jain: More than that. For other two reasons, it is more than that, around 600 crore.

Probal Sen: 600 crore each for each reason, is it?

Rakesh Kumar Jain: No, 200 crore for first reason, that is nine months' average versus three months' average and the HH volume around 150 crore because of increase in price and then fulfilled our commitment by sourcing because in this year, we have short of volume. '26 onwards we have lot of volume. So, we have fulfilled our commitment in downstream by sourcing spot being unfortunately was higher during this quarter, which led to 600 crore. So, all these reasons have led to more than Rs. 900 crore of drop.

Probal Sen: Understood. Right, sir. That was my first. If I can take in one last question, how should we then look at, you have given guidance of 4,500 crore which is obviously going to be net this year, net of one-off. For next year also should we work with somewhere around this number or can it improve once these changes are mobilized?

Rakesh Kumar Jain: No, we have been maintaining next year's number. Rather we have in earlier Earning Calls given that the marketing margin will remain in this range only for next year as well.

Probal Sen: So, around 4,500 minimum base case we should build in is what you are saying.

Rakesh Kumar Jain: Let us not put the word minimum at this stage, but we will be around 4,500 crore.

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

Moderator: Thank you. We have our next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Yes, thank you so much for the opportunity. My first is if you can also talk about any long-term PPAs that you are looking to tie up at this stage to reduce this kind of marketing volatility?

Rakesh Kumar Jain: Already we have tied up actually, you know, as international market is tied during 2025. So, in order to meet those shortage of volume, we have signed 0.75 MMTPA that is one cargo per month from April onwards at a very good rate. So, that is one contract we have signed. So, we have mitigated those shortage on immediate basis. It means April onwards we have one cargo extra available during every month. Second, 26 onwards we have signed contract for 1.53 MMTPA amounting to 1.5 cargo per month. So, if you add both, in 26, we have 2.5 cargo additional, and this year we have from April onwards one cargo per month.

Puneet Gulati: Okay. So, the loss that you incurred was 450 crore because of a shortage of volume. That should go away from next year onwards.

Rakesh Kumar Jain: That is what I explained and not 450. We have lost 600 crore because of this because we as a responsible organization continue to fulfill our commitment. We could have put the cuts, but we did not do that because we know that this is a temporary phenomena one-off case. Lot of time we gained out of it also because sometimes spots are significantly lower than the contracted price. That time we gain, but this time unfortunate situation, the prices are higher. So, this is one-off kind of situation.

Puneet Gulati: So, just to conclude on this from my perspective, do you think volatility in marketing will pay or because of your hedging policies it should reduce from here on?

Rakesh Kumar Jain: It is already reduced. You see last 3 years, we have been continuously giving you guidance and we are overshooting the guidance. We gave the guidance for '22-'23 for 3,000 crore. We met in spite of geopolitical situations. We gave guidance of initially 4,000 and 4,500 crores and ended up with 6,000 crore last financial year. This financial year, we gave the guidance of 4,000 to 4,500 crore until Quarter 2. In Quarter 2, we said that we will be earning 4,500 crore. I am maintaining that.

Puneet Gulati: Understood. That's helpful. And secondly, you know, there has been this trend of rising spot prices. Do you foresee a risk of your transmission volume on account of that? The growth that you are predicting of 10 million cubic meters for FY '26?

Rakesh Kumar Jain: No, we do not see any risk of transmission volume because nobody puts their plant on a spot price basis. Spot is only to mitigate the immediate need or one-off kind of situations or sometimes power plant consumes. So, normally the transmission volume does not get impacted because plant contracts for which plants which are coming along new pipelines. For a longer period, they continue to take volumes. So, therefore, we do not see any risk in terms of capacity utilization. We have been saying and last time we said that our volume will increase around 10, which are nearing to 10. And again, we have given guidance for 10 MMSCMD for the coming two years. We are hopeful that that will happen.

Puneet Gulati: Okay. And lastly on this SEFE, while you recovered 2,440 crores, how much, in your view, did you lose by them not supplying or have you been able to recover the entire loss that you made in during those quarters?

Rakesh Kumar Jain: Settlement is like a marriage. You don't lose or gain. So, we have done what we thought is best in interest of our organization, both the organizations.

Puneet Gulati: Understood. That's helpful. Thank you so much. All the best.

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

Amit Murarka: Yes, hi, good evening. So, just wanted to understand, like, from which customers did you see a fall in transmission volume in third quarter?

Rakesh Kumar Jain: Power, mainly power, 3 MMSCMD.

Amit Murarka: Okay, and other, anyone else as well? Because I think it's a drop of almost six, almost.

Rakesh Kumar Jain: No, the reduction is almost 4 million. 3 million has come from power. And one more unfortunate event has happened. One of the pipeline which was laid by GSPL, not GSPL, the GSPL group, GIGL pipeline to IOCL, that has been authorized by PNGRB. That has taken away some of our volumes.

Amit Murarka: So that would then be a permanent shift, right, I believe?

Rakesh Kumar Jain: Yes, I will not be able to say at this stage because we have challenged that.

Amit Murarka: Okay. And so, generally, what is the outlook you give, like, segment-wise outlook as well? So, what is the outlook for Q4 and for '26, if you can provide?

Rakesh Kumar Jain: Q4, which outlook you are asking the marketing?

Amit Murarka: And the customer wise outlook. No, transmission customer-wise outlook you gave, right, power, fertilizer. So, if you could just provide what is the outlook for those segments?

Rakesh Kumar Jain: So, we expect that we will continue to transport around 129 or to 130 MMSCMD, which will make the yearly average also around that level, which I said in my opening remarks that we expect on a yearly basis 129 to 130 and which actually nine months average is 129.45 around that level. So, we continue to expect that we will be doing this in this quarter around that level.

Amit Murarka: Sure. Also, is there any progress on the discussion with the PNGRB on the transmission tariff revision?

Rakesh Kumar Jain: Actually, PNGRB is doing a lot many things. One, our tariff petition, they are processing but bit slow. Anyway, that benefit is available to us and the more they are delaying, the more tariff increase will happen on net present value basis. PNGRB has also set up a committee, industry committee to review the tariff mechanism to address the issues raised by various transporters which will also benefit to this transmission company. Recently they have held the committee with industry. So, all these things will give a lot of positives, and we are expecting that to happen in next financial year.

Amit Murarka: Okay. Next financial year, but by H1, H2, what will be the expectation now?

Rakesh Kumar Jain: H1, H2, next financial year?

Amit Murarka: No, I mean, by when next financial year, you mean towards the end of next financial year or would you think that come earlier?

Rakesh Kumar Jain: I give based on the understanding for PNGRB. So, I gave the date last con call around 1st April. So, it is becoming difficult for me to, because I am also taking guidance from them or I am taking the information from them. So, currently I maintain the first quarter they should come out with the tariff order.

Amit Murarka: Okay. Understood. Sure. And lastly, what was the input gas cost for petrochemicals?

Rakesh Kumar Jain: You can say around $10.

Amit Murarka: Okay, sure. I will come back in the queue.

Moderator: Thank you. We have our next question from the line of Sabri Hazarika from Emkay Global Financial Services. Please go ahead.

Sabri Hazarika: Yes, so, firstly on this LPG APM allocation cut, so you would be cutting volumes, right, rather than running the plant in LNG?

Rakesh Kumar Jain: No, LNG doesn't make sense for us to run the plant. So, whatever APM allocation currently we are running the plant based on the current allocation. But being a portfolio player, we have the ability to source time-to-time LNG which is affordable to LPG plants. So, immediately it is not available. We are hopeful that we will be able to source the LNG which is actually making sense for us to run the plant at the level which has been designed or which we are running. So, not immediate basis, but certainly beyond that we will be looking for the LNG at that affordable price.

Sabri Hazarika: Okay, and what could be your targeted EBITDA? For this segment, I mean, do you have a target EBITDA or target earnings run rate based on which you would be taking a call on the LNG prices prevailing?

Rakesh Kumar Jain: LNG, I will come back specifically may be offline to this question. I am not ready with the answer.

Sabri Hazarika: Okay, sir. Secondly, on the petrochemical front, how do you see FY '26 in terms of like, would you be like at a breakeven level or at a profitability level? How do you see FY '26 and specially on the back of the new plants also coming up?

Rakesh Kumar Jain: Yes, so firstly about Pata. Pata, we expect that these prices are at the rock-bottom level. Currently prices are around Rs. 88,000 per metric ton and these prices are at this level for quite some time. So, we believe that this is the price level which is at least going to be maintained and there can be upside. So, the issue is that how cheap gas we are able to give to Pata plant.

Recently, HH price were being higher, so we could not earn the profit what we would have thought a quarter back. So, whatever we have earned in 9 months, we feel that next financial year we will be better off because prices we do not believe that it will go down. It may go up, but HH prices and the gas prices will soften. Therefore, this will increase good profit margin for Pata Petrochemicals, and we expect it will do better than this year.

With respect to the PDH/PP plant, which is coming up, it is not an LNG or gas-based plant. It is a propane-based plant. So, we have already tied up propane for long-term contract for 15 years. And propane and PDH/PP we have said that polypropylene has got a good correlation, and we expect that we will earn a good margin on sustainable level at PDH/PP.

Sabri Hazarika: Okay, sir. Fair enough. And just one small question about IGGL. You mentioned that Phase-1 would be ready in FY '26. So, by Phase-1, what do you mean by, I mean, it could be like all the three different routes on the Phase-1. I mean, what kind of volume, especially for lines like Barauni-Guwahati and all you were expecting from this?

Rakesh Kumar Jain: Do you have any formation? So, we will come back. You can just post this question. We will provide the details.

Sabri Hazarika: Sure, sir. Thank you so much, and all the best.

Moderator: Thank you. We have our next question from the line of Varatharajan from Antique Limited. Please go ahead.

Varatharajan: Thank you for the opportunity. So, on this LPG front so far whatever we are getting in terms of APM was completely stopped or are we still getting a new volume?

Rakesh Kumar Jain: No, we are getting, only 0.63 MMSCMD has been reduced. So, it is not complete stoppage.

Varatharajan: So, totally how much are we getting?

Rakesh Kumar Jain: We were getting 1.75. Out of that, 0.62 has been reduced. So, 1.13 is available.

Varatharajan: And was there a this thing, like this is only half of the order which was actually put out in January, so the second half also could be cut? Is that how this?

Rakesh Kumar Jain: I am not getting very clearly to you.

Varatharajan: No, the 0.63 was half of what they originally posted. They said, like, you know, in phases they will do a particular volume. So, this 0.63 is half of it or like, you know, it is 100%.

Rakesh Kumar Jain: One-third.

Varatharajan: One-third, okay. And secondly, can you explain that 9 months versus 3 months thing which you mentioned on the trading side on the volume side, where we had to make that 9 months payment and how does it work on an ongoing basis?

Rakesh Kumar Jain: Actually, I am not getting very clearly to you. Can you please either audio, you have to be very near to, I don't know why I am not getting you clearly.

Varatharajan: Sure. Just a second. Is this better?

Rakesh Kumar Jain: Yes.

Varatharajan: So, this, like, you know, nine months, what you are referring to in terms of the payment, if you can explain how that mechanism works and like, is it an ongoing arrangement that we will continue to have a nine month versus just a 3-month discrepancy?

Rakesh Kumar Jain: Actually, we have an upstream contract where crude price is based on nine months, nine months' average. Right? And downstream this market is on three months' average. So, when the crude price falls, so immediate three months' average, which we bill to customer is lower. So, our realization goes down, but our purchase price is on nine months, that is higher. But it actually sets up over a period of time because the price is on rolling basis. We are able to recover whatever we are losing currently. So, that's how it works.

Varatharajan: Yes, we understand that, sir. Would it be possible to give us like, you know, what volume is in this particular bracket under this contract?

Rakesh Kumar Jain: So, you can assume that around 10 million.

Varatharajan: 10 million cubic meters per day.

Rakesh Kumar Jain: 10 MMSCMD, yes. 10 to 11.

Varatharajan: Thanks a lot, sir. I will come back on the queue.

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

S. Ramesh: Good evening, and thank you very much. Just the thoughts on gas marketing, when you talk about this crude-linked sourcing and sale price and the Henry Hub-based contracts, given the volatility in crude price, now if you were to assume crude prices will decline, how will that impact your delta in the BRENT-linked contracts? Because if your three-month average is going to continue to fall, will that not be negative for the margins on this 10 million cubic meters per day? And similarly, if Henry Hub prices keep going up, wouldn't that also be a challenge in terms of being able to pass it on on the unhedged portion? What are your thoughts on that?

Rakesh Kumar Jain: Actually, largely Henry Hub contracts, we have tied up on back-to-back basis. Even if Henry Hub prices increases, we will be able to pass on to customers. So, that does not impact us significantly. Even in my detailed analysis, which I explained to one of our friend, who asked the question, it was only 74 crore, 70-80 crore, which impacted us. So, it does not impact us.

Secondly, we do not expect Henry Hub price to be such a level continuously. Henry Hub was also $1.65, $2, $1.9 for quite some time, but all of sudden recently it has increased and now it has started showing different trend. So, even in the worst of time, it was impacting for the very, very miniscule volume, which we have not signed on back-to-back basis.

S. Ramesh: And what about the crude prices? If they were to decline, how would that impact this, you know, lag between nine months sourcing and three-month average price?

Rakesh Kumar Jain: It doesn't impact us on yearly basis. Almost we get a square of, because on rolling basis, our sourcing start cheaper because initially if three months we build at a lower rate, and sourcing is higher later, that higher prices goes out from the nine months and we also start getting at cheaper rate. So, therefore, we are able to recover. So, on a rolling basis, it doesn't impact us.

S. Ramesh: Okay. Any inventory loss in the gas marketing segment in this quarter? And similarly, any inventory loss in petrochemicals?

Rakesh Kumar Jain: No, no.

S. Ramesh: Okay. Finally, on the CGD gas allocation and the new well gas, we understand that the APM gas is going to see a natural 7% decline that will be replaced by new well gas. So, what is the kind of line of sight or visibility that the industry has in terms of the volume of new well gas that will be available for City Gas Distribution to break up for the 7% decline?

Rakesh Kumar Jain: Hello.

S. Ramesh: Hello.

Rakesh Kumar Jain: Can you come back specifically? I am not able to understand.

S. Ramesh: Yes. So, basically, we understand from Mahanagar gas that there is a proposal to reduce the APM gas allocation further by 7% every year based on the natural decline of the APM gas production, and that is likely to be replaced by the new well gas from ONGC. So, now the question is to what extent will the new well gas production go up to replace this 7% decline as expected in the APM gas?

Rakesh Kumar Jain: I think this is better that you ask ONGC because how much production will increase, I am not in a position to answer you.

S. Ramesh: Okay. Right, sir. I will come back in the queue. Thank you very much.

Moderator: Thank you. We have our next question from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari: Good evening, sir. My first question was related to the marketing side of the business. In terms of volumes for next year considering the deallocation of gas for City Gas, do you think GAIL will be able to kind of take market share in terms of marketing next year considering the requirements for City Gas on even LNG now?

Rakesh Kumar Jain: Yes, actually you said the right question. We have been able to guide up for five years contract for a significant amount in the last two months, and going forward if gas is cut for CGD, we will continue to tap that market.

Mayank Maheshwari: So, sir, a follow-up on that considering the requirements are reasonably big over the next three to five years, correct, I am not talking about this next year. How are you kind of thinking about tying it up in terms of sourcing of volumes as well? Does that mean that you will have to kind of now be a bit more aggressive next year in tying up another 5-10 year volumes?

Rakesh Kumar Jain: Yes, we are already scouting for additional volume. As I explained to another question that just a month back we tied up around 0.75 MMTPA. We have already tied up almost a year back for 1.53 MMTPA from different, different sources, and we are already in the market to scout for more volume to meet the increasing demand not only from City Gas Distribution, from other sectors which are coming along our pipelines.

Mayank Maheshwari: And sir, on the basis of what your conversations are, are people more inclined to use Henry Hub contracts back-to-back or oil-linked contracts or do you want to mix half-half kind of a thing with that kind of long-term sourcing?

Rakesh Kumar Jain: Actually, we have mixed kind of demands. When Henry Hub was around $2 to $3, lot of demand was on Henry Hub basis and when Henry Hub starts going down, people again start thinking about crude. So, it's a period in which you sign the contract.

People have very, very short vision. When Henry Hub is down, lot of demand comes from Henry Hub. When Henry Hub starts increasing, they look for crude. It depends on which time you are signing the contract.

I remember 5 years back nobody used to talk about Henry Hub and now 3 months back a lot of people were demanding Henry Hub. And in fact, we have tied up, as I said, all the volumes of Henry Hub. We do not have any extra volume. So, it depends basically at which point of time people are coming to source the gas from us.

Mayank Maheshwari: Fair enough, sir. And sir, last question was on Dabhol. Any update and progress on Dabhol?

Rakesh Kumar Jain: Dabhol will be completed by March 25.

Mayank Maheshwari: So, the test cargoes are in or coming up now?

Rakesh Kumar Jain: Sorry?

Mayank Maheshwari: So for the capacity, are you started kind of testing, commissioning in terms of the breakwater etcetera?

Rakesh Kumar Jain: No, that's what I am telling. The breakwater work will be completed by March 25. We have already prepared ourselves to take the approvals from Marine and we expect that after March, by May, we will have the approvals from the authorities to bring the ship during Monsoon and until April, May, we are anyway able to bring cargoes at Dabhol. So, what we believe that here onwards the Dabhol is a full weather terminal.

Mayank Maheshwari: Got it, sir. Very clear. Thank you.

Moderator: Thank you. We have our next question from the line of Kirtan Mehta from Baroda BNP Paribas. Please go ahead. The next question is from the line of Kirtan Mehta from BNP Paribas. Please go ahead.

Kirtan Mehta: Am I audible, sir?

Moderator: Yes, sir. Please go ahead.

Rakesh Kumar Jain: Yes.

Kirtan Mehta: Yes. First question was about marketing. How much of the volume in the marketing segment which we are sourcing on HH basis but selling on crude basis? Would there be certain volume on that basis?

Rakesh Kumar Jain: So, nowadays we are almost buying on HH and selling on HH. There is no specific, most of the volume barring some volume which is very, very small volume which we have ourselves kept it open. Otherwise, we have signed on back-to-back index.

Kirtan Mehta: Right, sir. Second question was about the APM gas allocation for the City Gas Distribution factor. We believe in January around 2 MMSCMD allocation was offered higher on the APM gas business to City Gas Distribution factor. Against this, around 1.3 MMSCMD volume was reduced for both GAIL and ONGC. Could you explain us where was the difference of 0.7 MMSCMD which was made available to the City Gas Distribution factor?

Rakesh Kumar Jain: I am not aware from where 0.7 came. Any of you know? No. I don't have any update or clue about it.

Kirtan Mehta: And when would the next allocation be revised? Would it be in February, middle of February that the next revision will take place?

Rakesh Kumar Jain: It is quarterly revised I understand from my colleagues.

Kirtan Mehta: Right, sir. The last question was about, you mentioned about the GIGL pipeline volume taking over some of the IOCL volume. Would you be able to indicate the quantum that has flown there and what would be grounds for challenging this?

Rakesh Kumar Jain: Actually, we already had a pipeline which was connected and this pipeline (GIGL) as per PNGRB order I am telling you was laid unauthorizedly. However, PNGRB has authorized this by putting some penalty. So, the challenge is that the infrastructure, which was already there, contracted volumes were there, so if you allow that other pipeline to be laid, having the existing pipeline, that is not correct. That is what our view is.

Kirtan Mehta: And how much of the volume is being challenged here? What would be the volume which will have an impact because of this?

Rakesh Kumar Jain: So, I can tell you the volume may be more or less capacity of pipeline is around 9.5 to 10 million. Currently, the volume flow was very less, 3 to 4 to 5 billion. So, the capacity was more. So, impact immediate has come from 4 to 5 million. Sorry, I have corrected, 1.5.

Kirtan Mehta: Sure, sir. Thanks for this clarification and all the best.

Moderator: Thank you. A reminder to all participants to please restrict yourself to two questions per participant. May you have follow-up questions, we request you to rejoin the queue. The next question is from the line of Mehul Panjwani from 40 Cents. Please go ahead.

Mehul Panjwani: Hello, sir. Good evening.

Rakesh Kumar Jain: Good evening.

Mehul Panjwani: Thank you so much for the elaborate explanation on the performance of GAIL. I have one question. You have mentioned that there is an impact which is going to be squared off by the fourth quarter. Is that for the entire 900 crores which you mentioned, or it is for a partial amount? I mean, if you can elaborate, explain that.

Rakesh Kumar Jain: First, I have never said that it is going to be squared off in next quarter. I said over a period of almost a year, it gets squared off because a contract which is sourcing contract, upstream contract on 9-month average and downstream is 3-month average. So, it can never be squared off in a quarter, but it starts going from this quarter onwards.

Mehul Panjwani: Okay. So, can I say that it will start happening from Q4 of FY '25 and it will end somewhere in Q3 of FY '25?

Rakesh Kumar Jain: Yes, whatever we have not been able to recover during last quarter, we will be able to recover at least next year. It will start going down from this quarter and will recover next year.

Mehul Panjwani: And sir, is it impacting the entire 900 crores is because of this impact or?

Rakesh Kumar Jain: No, no, this entire 900 crore is not on that account. I specified three parts. One is the 200 crores is on this account.

Mehul Panjwani: Okay. And what are the, sorry, if you can elaborate a little bit on the other.

Rakesh Kumar Jain: Other we fulfilled our commitment in downstream by sourcing some spot cargoes because normally we oversold the volume than the source volume in order to take care of the issues of take or pay 100% take or pay in upstream versus downstream 90%. And whenever shortfall happens, we actually source through spot. Sometimes spot prices goes lower, sometime higher. This time, unfortunately, higher. Normally we are able to source around that price or lower than that price. So, that was the reason.

Mehul Panjwani: Okay, sir. So, now this you are saying that you sold more than what you could source, or I mean, I am not yet gather what is exactly that, but is it because of government regulations or is it just a business proposition?

Rakesh Kumar Jain: No, you will be guided. Don't worry about it. What I am telling, the upstream contract are 100% take or pay, right? Downstream are either 80% or 90%. It means downstream customer has a contractual obligation to take lesser than the upstream contract.

Suppose in a situation the downstream contract take lesser, where we sell the 10% or 15% volume? In order to mitigate those obligations, we actually tie up for those 10, 15% more. Sometimes the situation happens that customer takes 100%, more than 100%. It means around the tie up quantity, 110%. And we fulfill those requirements through spot sourcing. So that doesn't happen every time. That is first statement. Second, the spot prices have largely given us benefit always that we were able to source cheaper gas to fulfill those increased obligations. For this time, in Q2, Q3, spot prices are a bit higher.

Mehul Panjwani: Okay. Yes, sir, one more question is on tariff revision. You mentioned that somewhere in next financial year, we can expect tariff revision, right? So, what is the current tariff? And what was the tariff revision? When was the last tariff revision which happened? And how much was the tariff revision?

Rakesh Kumar Jain: Tariff revision happened with effect from 1st April 2023, right?

Mehul Panjwani: Okay.

Rakesh Kumar Jain: And next question is what?

Mehul Panjwani: Yes. And how much was the tariff revision?

Rakesh Kumar Jain: Current tariff is Rs. 59 per MMBTU, between Rs. 58.60 to be precise.

Mehul Panjwani: Okay. And what is the logic? I mean, is there logic which is used for revising the tariff or what is determined, or it's completely depending on the Board, the PNGRB?

Rakesh Kumar Jain: Sorry.

Mehul Panjwani: Does the tariff revision happen based on some rationale or it is just compared? It depends on the PNGRB.

Rakesh Kumar Jain: No, it happens on rationale. PNGRB had asked us from tariff petition. We filed in August 24. They are reviewing. Now they have to do public consultation and issue the tariff order, right? And the tariff order last time made, they moderated around more than Rs. 10 from the tariff applications we submitted and largely on account of gas price, Rs. 7 per MMBTU approximate. They considered the gas price of $3.61 for internal consumption in compressor which is not even an APM price. But tariff order itself is, you will be getting at least HPHT price. So, there is a significant amount of under-recovery available. We have submitted our tariff based on the price which was indicated in the tariff order and the tariff order processing normally is done in 6 months, but this has been delayed. But we expect in the next quarter, the first quarter of next financial year should come.

Mehul Panjwani: So, sir, what was the price which we have quoted in the documents?

Moderator: Sorry to interrupt, sir. May we please request you to rejoin the queue?

Mehul Panjwani: Sorry, sir, this is a follow-up question. I am asking the question in more detail. Sir, if you can please clarify, how much is the tariff you have quoted for revision?

Rakesh Kumar Jain: So, we have submitted Rs. 78 per MMBTU as against current tariff of Rs. 58.60.

Mehul Panjwani: Okay, sir, last question. When is the record date for dividend?

Rakesh Kumar Jain: I think 7th of next month.

Mehul Panjwani: Okay, sir. Thank you so much. I will join the queue again. Thank you.

Moderator: Thank you. We have our next question from the line of Santanu Saikia from Indian Petrol. Please go ahead.

Santanu Saikia: Hello, hi. I was just wondering that instead of the production of LPG, didn't the government offer you a subsidy like with the petroleum companies, a subsidy which can be paid to you if you continue your production at LNG prices?

Rakesh Kumar Jain: There is no proposal or there is no information to us.

Santanu Saikia: So, I mean, if you are informed that you will be subsidized to the amount, would you continue your production?

Rakesh Kumar Jain: This is all hypothesis. This is all hypothesis. We will do it when it comes.

Santanu Saikia: Thank you.

Moderator: Thank you. We have our next question from the line of Somaiya V from Avendus Spark. Please go ahead.

Somaiya V: Sir, thanks for the opportunity. I hope I am audible. Sir, the first question is downstream. You said there is a mismatch or a higher demand this time around. If you can just quantify the volumes there, it will be helpful.

Rakesh Kumar Jain: Sorry.

Somaiya V: Sir, you said in the downstream there is a higher demand, so where you had to source spot cargoes. So, what would have been that volume in MMSCMD, if you can just give that number, the mismatch number?

Rakesh Kumar Jain: Last quarter?

Somaiya V: Yes, sir, Q3.

Rakesh Kumar Jain: Just hold on. Around 2 MMSCMD for the last quarter.

Somaiya V: So, basically 2 MMSCMD, we had to procure from spot to meet that extra demand that came from downstream?

Rakesh Kumar Jain: Yes.

Somaiya V: Got it, sir. And also, these were mostly sold on Henry Hub or BRENT, whatever we sourced on spot?

Rakesh Kumar Jain: No, we have not linked to customer when sourcing because we have marketed in all the indexes wherever the sources.

Somaiya V: No, I am looking for what the customer ended up paying for the source. They ended up paying on Henry Hub or they ended up paying based on BRENT-linked contracts?

Rakesh Kumar Jain: That's what I am telling. Both type of customers were there. We supplied spot cargoes wherever the shortage was there. It is for both kind of contract.

Somaiya V: Okay, sir. Sir, also we used to earlier say, you know, wherever there is basis risk between oil and gas or gas and oil in terms of sourcing to the point that we sell, we used to hedge. What is the quantum of hedging that we probably have given that we are giving a, you know, outlook for next year in terms of what we can expect in terms of EBITDA? What is the quantum of hedging that we have and for how long we have hedged and what kind of spreads if you can give, that would help.

Rakesh Kumar Jain: Yes. So, spread, I have already said it is around Rs. 4,500 crore for next financial year. Regarding hedging, I already said that we have tied up most of the volume on back-to-back basis. Therefore, the requirement of hedging for covering the basis risk has gone down.

Somaiya V: Understood, sir. So, any minimal number that if you can give around hedging, that also will be helpful. And also, in Q3, any quantum that you can give on hedging gains?

Rakesh Kumar Jain: Sorry.

Somaiya V: In Q3, was there any hedging gains, any quantum that you can give?

Rakesh Kumar Jain: So, we will give you. Right now, I do not have that information. We will give you. Just come offline. We will give you.

Somaiya V: Okay, sir. Thanks.

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

Yogesh Patil: Thanks for taking my question, sir. Sir, you are guiding us 10 MMSCMD volume growth in a gas transmission segment for a period of FY '26 over FY '25. So, from where this gas will come, if you could provide some clarity or breakup on which sectors will be the gas consumers on your pipeline network?

Rakesh Kumar Jain: Certainly. So, CGD off-take, we expect 2 to 3 MMSCMD will increase because CGD is growing at the rate of around 12%. Even if 4 million volume increases in CGD sector, we have almost 70% pipeline infrastructure in the country. So, CGD, we expect 3 MMSCMD volume will come from CGD. 1 million volume with progressive ramp-up will come from NRL. The pipeline, the refinery which is along IGGL and source is our Jagdishpur-Haldia-Dhamra pipeline. The incremental increase in refinery of IOCL around 12 MMSCMD in total, Paradip 3.75, Haldia 2.8, Barauni 2.6, Guwahati 0.6, Bongaigaon 2.2. Further, we are also putting our pipeline like Mumbai-Nagpur-Jharsuguda and Srikakulam-Angul, which are going to be commissioned. Their volume will also come.

Yogesh Patil: Thanks a lot, sir.

Moderator: Thank you. We have our next question from the line of Vikash Jain from CLSA. Please go ahead.

Vikash Jain: Thanks for taking my question. Rakeshji, if you could explain of your current volumes, what is the share which comes from refinery and petchem? Because these are very price-sensitive customers. What is the percentage share of the current transmission volumes which comes from there, please?

Rakesh Kumar Jain: Transmission volume, just hold on, if we have. Vikashji, we will give you. Actually, I have only marketing slide about break-up but not the transmission slide.

Vikash Jain: If you could give the marketing share as well, sir.

Rakesh Kumar Jain: Yes, certainly. Meanwhile, my colleague had given me the transmission volume break-up, which you were asking for. Let me give total break-up. Fertilizer around 41% share, CGD around 25% share, power 7%, oil and refineries 9%, and then internal consumption is around 6%, steel 2%, and others 11%.

Vikash Jain: Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. And I now hand the conference over to Mr. Gagan Dixit from Elara Securities for closing remarks. Over to you, sir.

Gagan Dixit: Yes, thanks to all the participants. Special thanks to the GAIL (India) Management for sharing their views on the company's Quarter 3 performance. We take this opportunity to thank Sri. R. K. Jain and his team once again. Would you like to make any closing comments, sir?

Rakesh Kumar Jain: Yes, thank you very much, and hopefully we have been able to respond to your most of the questions. I remember one or two questions we could not answer immediately. And the participants can ask us offline. We will be able to respond. And if you have any more questions, which you could not ask, please come back. We will be able to respond to you. Thank you very much.

Moderator: Thank you.

Anjana Sanjeeva: You can mail your questions to irc@gail.co.in

Moderator: Thank you. On behalf of GAIL (India) Limited and Elara Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.