



GAIL (India) Limited

Q4 & FY20 Investors and Analysts Meet-2020 via web conference

25th June 2020 (Thursday) at 10:30 (IST).

CORPORATE PARTICIPANTS

Manoj Jain *GAIL (India) Limited - Chairman & Managing Director*
P.K.Gupta *GAIL (India) Limited - Director (HR)*
Anjani Kumar Tiwari *GAIL (India) Limited - Director (Finance)*
E.S.Ranganathan *GAIL (India) Limited - ED (Marketing)*

MODERATORS

Ashish Maheshwari *Antique Stockbroking Ltd., Research Division*
Nitin Tiwari *Antique Stockbroking Ltd., Research Division*

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Good morning, ladies and gentlemen. On the half of Antique Stock Broking, I welcome everyone to GAIL (India) Limited Annual Investor and Analyst Meet. I hope everyone is healthy and doing well. Today, we have the pleasure of having with us the senior management team from GAIL to discuss the business development and earnings of the year gone by. We shall start the session with management commentary, which shall be followed by Q&A. The presentation with respect to today's event has been uploaded on GAIL's website. I will now hand over the call to Mr. Ashish Maheshwari, Head of Antique Stock Broking, to make opening comments and introduce the management. Over to you, sir.

Ashish Maheshwari

Good morning, ladies and gentlemen. It's a pleasure to have all of you here with us this morning. It was the worst of times, and also it was the best of times. The current environment only makes me remember this quote by Dickens: "However, it always prods the pioneer in us towards what is increasingly called as a new normal." GAIL, as a matter of fact, has been a pioneer in developing the natural gas infrastructure, the natural gas market in India, and also the new normal of holding annual investor meetings.

Today, we have the pleasure and the honor of having with us, the very people who are at the helm of this dynamic organization. So -- please allow me to introduce Shri Manoj Jain, CMD of GAIL, a Mechanical Engineer and a thorough business leader with over 34 years of experience with GAIL (India) Limited in the areas of Marketing, Business Development, Projects and Operations Management. Shri P.K. Gupta, Director of Human Resources, a Mechanical Engineer again with 36 years of rich and diverse experience across the oil and gas sector, particularly in project execution, along with operations, maintenance of natural gas and pipelines, gas processing units, city gas distributions, besides, of course, Human Resources. Shri A.K. Tiwari, Director of Finance, a Cost Accountant by profession, who has a rich experience, over 37 years in the areas of corporate finance, taxation, treasury and capital budgeting. He's also played a defining role in implementation of the under construction Urja Ganga pipeline. Mr. Tiwari is also actively involved in drafting and implementations of GAIL strategy 2030, towards diversification and its implementation plan. Needless to say, Mr. Tiwari also has a major role in various digitalization initiatives being taken by the company.

Ladies and gentlemen, we are also joined by Mr. E.S. Ranganathan, who will be taking over as Director (Marketing) -- who will be heading the marketing initiatives going ahead for GAIL.

With this, I hand over the floor for the management for their opening remarks.

Manoj Jain GAIL (India) Limited - Chairman & MD

Good morning, everyone. As introduced by the team of Mr. Ashish and Nitin, I would just like to share again with you that now we are joined by Mr. Ranganathan. He is an instrumentation engineer and he has been in the GAIL since beginning, and he'll be joining up on superannuation of Mr. Gajendra Singh on 1st of July, and he will be with us as Director (Marketing). And as already introduced, Mr. P K Gupta and Mr. Tiwari are also here with us.

So with this first, I'll request that our Director (Finance) will give a brief of financial highlights and major events. And then I'll touch upon the -- some of the areas, and then we can open up for questions and answers.

Anjani Kumar Tiwari, GAIL (India) Limited - Director (Finance)

Thank you, sir. Thank you very much. Respected Chairman, Director (HR), designated Director (Marketing) Shri E.S. Ranganathan, OIC, HODs from various sites and my dear friends from investor and analyst community connected through Webex. A very good morning to everybody, and welcome to GAIL's earning call FY '19-'20 results. I hope you and your families are keeping safe amid this pandemic. I would like to thank you all for taking your precious time and showing keen interest in the result and performance outlook of GAIL.

Traditionally, we have ensured to meet you personally at Mumbai for the analysts' and investors' meet immediately after the annual and quarterly result. However, due to COVID-19 pandemic and subsequent safeguards being taken by the government and the company, we have chosen to conduct the meeting virtually instead of traditional meeting at Mumbai.

We have already declared the annual and Q4 FY '20 result yesterday, and the same is also available on GAIL website. I am sure you would have gone through the same.

We have also hosted the investors' presentation on our website, and we hope that it would be helpful to you to get some insight into industry outlook and performance of the company.

The physical performance of the company was steady during FY '20. Gas marketing stood at 96.26 MMSCMD. The gas transmission stood at 108.37 MMSCMD with capacity utilization of 53%. Polymer production stood at 788 TMT with capacity utilization of 97%.

The domestic market share of GAIL in polymer is around 18%, including the marketing of BCPL. The LHC production stood at 1,266 TMT and with a capacity utilization of 89%. The LPG transmission stood at 3,909 TMT with capacity utilization of -- more than 100%, - around 102%.

I am happy to inform you that during FY '20, total 120 cargoes, including 90 cargoes from U.S., have been procured, out of which 46 cargoes were sold overseas and the remaining cargoes were brought to India, which is 74 cargoes.

I'm happy to inform that during this pandemic, GAIL has taken various digital initiatives, including e-measurement, which helped to meet the payment commitment towards its suppliers and contactors, including MSMEs during the lockdown.

Now I would like to give you the major financial highlights. GAIL achieved gross turnover of INR 71,730 crores against INR 74,808 crores in FY '19. There is a decrease of 4%, mainly due to lower price of petrochemicals, LHC & Natural gas. The petrochemical price reduced by INR 16,000 per metric ton & LHC by INR 4,000 per metric ton.

PBT stood at INR 7,943 crores in FY '20 as against INR 9,085 crores in FY '19. There is a decrease of 30%, mainly due to lower prices of petrochemicals, LHC and gas marketing spread.

GAIL registered PAT of INR 6,621 crores in FY '20, increase of 10% from previous year of INR 6,026 crore due to adoption of lower corporate Income Tax in the current year.

We have opted for Vivad se Vishwas scheme, under which 44 income tax cases of 21 financial years starting from 1996-'97 to 2006-'07 have been settled. I would like to inform you that during the last 15 days, the department has settled around [old] 5-year cases of around INR 25 crores and we have got the refund of that.

We have made a provision of INR 918 crores under the scheme, resulting into reduction in the contingent liability of INR 1,900 crores. The net worth of the company stood at INR 41,854 crores and capital employed INR 52,431 crores.

The debt equity ratio of the company stand at 0.09x, which indicates that the company's ability to leverage its balance sheet to meet its future CapEx.

On consolidated basis, GAIL's turnover stood at INR 72,414 crores as against INR 75,912 crores in FY '19. The PBT increased to INR 10,429 crores in FY '20 as against INR 9,831 crores in FY '20.

PAT increased to INR 9,422 crores in FY '20 in comparison to INR 6,546 crores in FY '19. The GAIL's JVs and subsidiaries have performed reasonably well. The group companies, mainly IGL, MGL, GAIL Gas, PLL, BCPL added to the group company's consolidated profit. This is to further inform that the government has approved the transfer of administrative control of [Brahmaputra Cracker and Polymer Limited] from Department of Chemicals and Petrochemicals to the Ministry of Petroleum and Natural Gas and also approved the feedstock subsidy of INR 4,600 crores for 15 years. The accounting of subsidy of INR 2,350 crores resulted in the increased consolidated PAT. I'm happy to inform you that BCPL plant is operating at its full capacity.

Against the authorized capital of [INR 5,000 crores] the paid up capital of GAIL is INR 4,510 crores, of which the government of India's holds 51.76% and the foreign portfolio investors hold ~16.2% share in the company besides other shareholders.

GAIL declared a total dividend of INR 6.4 per share, amounting to INR 2,886 crore for the financial year 2019-'20, which has already been paid in the month of February '20.

GAIL has been receiving capital grant for its Jagdishpur-Haldia & Bokaro-Dhamra Pipeline project regularly from the Government and till date, the capital grant of INR 3,609 crores has been received out of the total approved grant of INR 5,176 crores.

I am happy to inform you that the GAIL received nil comment for the year '18-'19 from CAG for the -- 10th consecutive year in a row.

Six cities awarded directly to GAIL that is Jamshedpur, Ranchi, Bhubaneswar, Cuttack, Varanasi and Patna have all become operational and 41 CNG stations have been completed so far.

During the year, GAIL has taken a loan of INR 4,350 crores, mainly to meet its pipeline CapEx and the loan outstanding as on date is INR 5,257 crores. I'm happy to inform that the GAIL has retained domestic rating of AAA and international rating of BAA3 negative outlook by Moody's and BBB minus negative outlook by Fitch which is equivalent to India's sovereign rating.

Management is taking all possible efforts to maintain, improve the profitability, while continuing to maintain its operations safe and sustainable.

We have launched the company-wide initiative 'cost efficiency to boost the margin', targeting to optimize cost and to improve the operational efficiency.

I would like to touch upon the GAIL Gas performance. The turnover and profitability of GAIL Gas Limited has improved significantly and during the year FY '20, achieved a turnover of INR 5,144 crores and PBT of INR 203 crores.

The PAT almost doubled to INR 156 crores from INR 81 crores in comparison to FY '19.

GAIL Gas, along with its JVs, added 81 new CNG stations and more than 1,50,000 new Domestic PNG connections..

This year, GAIL did CapEx of INR 6,100 crores, of which major share has been spent on various pipelines. In the next 2 years, we estimate to have a CapEx of around of INR 5,000 crores and INR 9,000 crores, respectively, mainly on pipeline and also investment in equity, Petchem and CGD.

Now I would like to give you the brief outlook of the company. In addition, I would like to give you a brief outlook of the industry. Share of natural gas, as you know, in India's energy mix is 6.2% as against the world average of 24%. The Government of India has a target to increase the share of natural gas to 15% by 2030 and has taken various initiatives. The initiatives which have been taken by the Government of India are: completion of the National Gas Grid, North East Gas Grid, building of LNG import facilities, marketing and pricing freedom, development of CGD network, promoting bio CNG, gas trading exchange, etc.

Further in the Union Budget 2020, the Finance Minister had announced for laying of National Gas Grid by expanding the pipeline length to 27,000 kilometers. The total pipeline infrastructure in the country is around 17,500 kilometers i.e. 12,500 kilometers by GAIL and around 5,000 kilometers by other entities. Aligning with the government objective, GAIL and its JVs are building pipeline for around 8,400 kilometers and around 8,600 kilometers further is being undertaken by other entities.

The CapEx of Urja Ganga project achieved till date is INR 9,600 crores and the commitment we have made is around INR 13,500 crores.

Major new pipeline project undertaken by GAIL and GAIL JVs are: Srikakulam-Angul pipeline 700 kilometers with investment of INR 3,000 crores with a completion period of 36 months; Mumbai Jharsuguda pipeline, 1,705 kilometers, investment of INR 7,800 crores, completion period 36 months; Dhamra-Haldia revision in Paradip spur line 240 kilometers, investment of INR 1,200 crores, completion period 2 years; gas pipeline infrastructure in North East for over 1,650 kilometers at project cost of around INR 9,300 crores.

Further, in order to develop the CGD network, during the year, GAIL along with subsidiary, JV, has added over 300 new CNG stations and over 9.5 lakhs domestic new connections.

As you know that the GAIL has suggested to PNGRB for determination of the unified tariff for all the pipelines. Under the mechanism, a single tariff would be applicable for all the customers and would provide level playing field and enable the reach of the gas to far flung areas of the country. PNGRB is actively considering GAIL's proposal.

As you are aware that the DoT has raised demand of INR 1.83 lakh crore. The Supreme Court has given the direction to DoT for withdrawal of the claim.

GAIL took various initiatives on sustainability and environment. And this was the brief from my side on the financial results as well as the other points. I once again thank all the participants for their time.

Now, I request our Chairman to share his views and provide you an insight into the future outlook of the company. Thank you. Thank you very much.

Manoj Jain GAIL (India) Limited -Chairman & MD

Thank you, Tiwari, sir. Good morning, again, everyone. You heard our Director of Finance and probably he has covered all the financial highlights and the activities which GAIL is undertaking. I would like to supplement on 2 accounts: one is about the impact of COVID on the company's performance and how we see it looking forward.

Primarily, in the April, there were some impact, and our gas sales reduced up to 30%. But after the opening started from 20th of April, in a graded manner, our demand is also improving. And almost we are near to the near-normal demand, except for CNG. The CNG is related to the vehicle movement and as we all know that there are restrictions on vehicle movement still at many of the places, and people are preferring to remaining indoors. So, the demand of CNG sector is in the range of 50%.

However, the total demand is at 90% now and we expect that in next 1 to 2 months' time, the CNG demand will also be very close to normals. So from the gas business perspective, we expect that the -- our business in around down 2 months' time will reach towards normality.

On the Petchem side, we had to shut down our plant for around 3 weeks in the month of April due to the logistic movement and the demand reduction. But since then, the demand has picked up and now the plant is running at 100% now.

On the LPG plant and liquid hydrocarbon plants and other operations, they were more or less normal even during that April month also

because these come under the category of essential services and we have been able to maintain all our services regularly, and the operations were normal in the respect of a liquid hydrocarbon, including LPG production.

So on operations aspect, now we see brighter days ahead that, yes, normalcy will soon return. Maybe in 2 months' time, we'll be almost completely normal, including CNG also. That is our expectation.

If we look from the demand from the new customers. Definitely, there is some effect on this, but we feel that some of our consumers who are ready to take gas are -- they were in ready state even by the time this COVID started. So once our pipelines, especially in South and Eastern India start connecting those consumers, we see some of the demand to be readily available for the pipeline business.

So from that aspect also, as of now, we don't have significant worries, but yes, for small industries, there has been some setback, and then they are coming back again. So maybe some delay might be there, but we expect them to come back once the pipeline reaches and the benefit of low-priced gas is available to them.

On account of projects' progress, yes, there were some significant impact during the month of April. And then later, we started our projects and now work on all the running projects have started. Though it is not in full swing, but we have restored to a large extent the progress which was there before the COVID, but there are some restrictions of working because of social distancing and the local containment area-related issues. So the progress has not come up to the full extent. But slowly, slowly it is picking up, and we feel that with this picking up taking place, maybe in a few months, again, these projects also will reach to normal speed, and we'll try to pick up for the lost time also, so that our projects remain in time.

Specifically, on the Kochi-Mangaluru pipeline section, that section work has fully started, and we are almost in the last stage of completing that section. And we expect that by July, the gas will reach to Mangalore and where the industries are already waiting for this gas to reach and the gas supplies will start in July.

On the Urja -- Pradhan Mantri Urja Ganga, our construction work has started on all fronts. And barring the some areas of West Bengal and some forest issues, we are expecting that the work is progressing as per our schedule, and we will be able to commission a large portion by December '20 and remaining some portion, maybe by March '21.

For the Barauni-Guwahati section also, our progress has started. And as of now, we feel that we'll be able to maintain the progress and make up for the lost time and our original schedule of December '21 we'll be able to maintain.

Apart from this, on the city gas aspect also from GAIL's CGD as well as GAIL Gas geographical area, the work has been started in almost all the areas. But definitely because of this impact and also monsoon which is coming, the progress in the next 2, 3 months will not be that significant or that fast speed. But after the monsoon is over, we feel that all the works and progress on all the CNG and PNG will be in full swing.

And as you all know that GAIL and its subsidiary have been the major players in domestic connections as well as CNG stations. Last year, more than 90% of total connections were made by GAIL and its JVs and subsidiaries. And on the CNG station also more than 60% to 65% CNG stations were made by GAIL and its JVs. So, we continue to remain a large player in this area, and we plan to expand our footprints into CGD areas on a fast basis also.

Apart from this, we are happy to share that the Konkan LNG Limited at Dabhol, which was earlier, after demerger, facing some restructuring issues, now has been resolved largely. We have taken the equity from lenders and Konkan LNG has repaid the loan of lenders, and we have supported them in repaying their loan. And now Konkan LNG has become a subsidiary of GAIL with 69% share of GAIL. And they have also awarded the breakwater job, which was long pending. We expect that in around 2 years' time from now by August '22, we should be able to complete the breakwater works. And with that, the terminal will be working at its full capacity of 5 million tons.

And before that also, we expect that during the summer of 2022, some cargoes we may be able to bring, depending on the progress, even with the partial completion of breakwater.

These are all the -- about the operations and projects. Regarding this sustainability development, we have been included in FTSE4Good Index Series for third year in row, which is showing the commitment of GAIL on the sustainability front.

And also on CSR front, we have been doing our bit on health, sanitation, education and skill development. And last year also, we have fulfilled all our commitments and total spend on the CSR project was INR 125 crores, which was more than 2% of our profits of the last 3 years.

This year, on 2nd of April, we have contributed INR 50 crores of PM CARES Fund towards this COVID-19, and we expect to remain engaged with the government as well as the various agencies relating to COVID and other aspects with respect to health and nutrition, in line with the government's objective of reaching to the poor and marginalized people on the CSR front.

Apart from this -- from the project front, as you heard from our Director of Finance, we have received an authorization from Mumbai-Nagpur-Jharsuguda pipeline from PNGRB. And we have already last year got Srikakulam-Angul and Dhamra-Haldia sections. These 3 pipeline works, this year, we expect to kickstart those works on ground, and we are also working towards procurement of line pipes and other major long-lead items this year. So that our commitment towards this completion of National Gas Grid remains intact.

So these are my initial thoughts. And with this, we are open to your questions-and-answer, and as we come across your questions, we'll further throw highlights on our various information which you would like to have. Thank you.

Anjani Kumar Tiwari GAIL (India) Limited - Director (Finance)

Thank you, Nitin.

QUESTIONS AND ANSWERS

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

(Operator Instructions) First question is from the line of Nafeesa Gupta.

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

Sir, my question is mostly on NG trading. So we've seen good margins in this quarter. I just wanted to understand, how many of the cargoes did we buy? And how many of those did we sell abroad? And if you could also give some idea on the pricing of these cargoes sold?

Manoj Jain GAIL (India) Limited - Chairman & MD

If I understood your question correctly, you're talking about this quarter?

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

Yes, sir, this quarter.

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. In this quarter, primarily, we have been taking the allocated cargoes. And 1 or 2 cargoes, we have rescheduled depending on the demand. And as such, we have been able to manage basically because the primarily demand reduction was on account of CNG for a longer period, which was on domestic gas.

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

Sir, on the margin side, my question is that because spot prices are so low and given that domestic demand was also not very high, I just wanted to understand, like, the margins seem pretty high.

So my question is more on the pricing that on what prices were we able to sell these? If you could give some idea on that?

Manoj Jain GAIL (India) Limited - Chairman & MD

Most of our cargoes are tied up for long-term supply, so the pricing are as per the formulas, primarily on crude. And just some of the volumes we sell on month-on-month basis. There, probably, yes, margins were negative also on very small volume, but primarily our long-term tie-ups were intact and largely fertilizer and power have been able to take those volumes.

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

And sir, how many of the cargoes were sold abroad, overseas, in this quarter out of the total?

Manoj Jain GAIL (India) Limited - Chairman & MD

I think number, I can't just remember the quarterly number, I may not be having readymade. But last year, if you see, on year-on-year basis as our Director of Finance has told out of 120 cargoes, we sold 46 internationally. And this year also, probably, it is going to be in this range, maybe slightly lesser.

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

Okay, sir. And sir, my second question is on the speculations around the company split. Sir, any color on that? Anything on the tentative time lines and any guidance on that?

Manoj Jain GAIL (India) Limited - Chairman & MD

Which account?

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

On the company being split, sir, into trading and transmission segments.

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. Actually, we don't expect this to be a split. It is a 100% subsidiary model we are expecting it. Understand there is a proposal in the government which is being considered, but until the proposal is agreed, it will be only speculative to give time lines.

Nafeesa Gupta BofA Merrill Lynch, Research Division - Research Analyst

Also, sir, just a related question. So we recently had our first gas exchange in India which was launched and GAIL tied up with the IGX. Just wanted to understand the impact that will have on GAIL's business in terms of trading, particularly.

Would you see more spots coming into India after that?

Manoj Jain GAIL (India) Limited - Chairman & MD

See, what we feel that normally any exchange when it comes to any country, it leads to a more demand creation from the gas perspective because more consumers get attracted for short-term requirements, where they can switch over from alternate fuel to gas and gas to alternate fuel depending on the pricing issues. And it also increases and enhances the transparency and offers a fair price mechanism. So all those advantages over a period of time, definitely will come, but it is too early because it is just started. And what we feel that primarily regulator will have to make few guidelines to operate the exchange in the country.

And once those guidelines are in place, then probably it will get a push towards this exchange working. As far as GAIL is concerned, we have both long-term as well as short tie-ups. So we feel, being a large player, we should get advantage of it.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

The next question is from the line of Mr. Aishwarya Aggarwal.

Yes. My question is, how to see this 5.8 million ton U.S. LNG volume, which will be coming to India in this year and the next year as per long-term contract? So my working says that the procurement cost would be \$6 per MMBtu plus. So how we'll be disclosing off such a huge volume, given the spot prices are so low? And even if we go with, say, 10%, 11% of the crude price right now, just say, \$4.2, \$4.4, I see a potential -- a big potential loss. So here, you can share your view, that will be very helpful?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. You said about the oil market, definitely, the spot prices are low. Definitely, crude has taken a dip and now it's coming back again. But out of our cargoes, maybe U.S. cargo is around 90%, which we expect this year. We have almost tied up with around 90% or 88% or 90% cargoes, which are already tied up through some, either consumers or maybe on international markets okay, with the hedging also, we have done for some of the cargoes.

So some of these challenges which we are talking already taken care by us. But definitely, it is not a cake walk, we agree, and there are challenges. But we are here only to convert those challenges into opportunities and also to minimize or mitigate the impact of those challenges. And we feel that things are little difficult at this stage, but going forward, things are going to slightly improve.

Mr. Aishwarya Aggarwal

Sir, if you can quantify both in terms of volume and pricing? So I understand 90% of the volume is already tied up. But if you can share some insights on pricing, that will be really helpful.

Manoj Jain GAIL (India) Limited - Chairman & MD

As I touched upon in the first question also that most of our volumes are on long-term basis. And those are tied up based on some indices. So based on that indices, we may have margin at plus or minus margins. And some of the volumes just which are open, we also keep deliberately open for occasional demands which come. So on those, call can be taken at that point of time when the schedules come.

Mr. Aishwarya Aggarwal

Sir, last question. How do you see FY '22? For FY '21, let's assume that we are doing very well in terms of volume and pricing.

Manoj Jain GAIL (India) Limited - Chairman & MD

I never said we are doing very well, but we expect to do well.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

(Operator Instructions) Next question is from the line of Amit Rustagi.

Amit Rustagi UBS Investment Bank, Research Division - Analyst

Sir, could you help us to understand that there were news flows on cancellation of few U.S. cargoes, so is there any penalty on us for not picking up? Or what are the contractual terms over there? That's my first question.

Manoj Jain GAIL (India) Limited - Chairman & MD

We have not paid any penalty on any of the cargo. Largely, we have rescheduled the cargoes only. And as such, we are not facing any breach of contract sort of situation.

Amit Rustagi UBS Investment Bank, Research Division - Analyst

Okay. And sir, my second question is on the CapEx plan for FY '21 and '22, if you can give us the spend? And what is the status of our petrochemical expansion project in Maharashtra?

Manoj Jain GAIL (India) Limited - Chairman & MD

'21, we expect the total CapEx in the range of INR 4,000 crores as Director of Financial has told. '22, we have got this around another INR 4,000 crore to INR 5,000 crore in pipelines and CGD. And maybe on the Maharashtra plant, depending on -- because in Mumbai, still

the situation is not that normal. So we are just waiting for the situation to ease out because we have to work with the port authorities for this Maharashtra plant. So as of now, our plan is for major CapEx on this Maharashtra plant next year. But we'll have to see how these things take shape in Mumbai and Maharashtra.

Nitin Tiwari *Antique Stockbroking Ltd., Research Division - Research Analyst*

Next question is from the line of Amit Shah. Amit?

Amit Shah *BNP Paribas, Research Division - Analyst*

Just real quickly, I wanted to check with you on the gas trading again and sorry to come back to the same question. But I just wanted to see the consistency in -- should we assume that on a quarterly basis now the volatility will be much lower, considering your hedged or contracted large part of the offtake? And how are you seeing this? Should we expect Q1 to be similar to what Q4 FY '20 was?

Manoj Jain *GAIL (India) Limited - Chairman & MD*

Amit, we are happy that you raised this question because there is no question of feeling any awkward thing because these are markets and it keeps on changing. And definitely, we are here to take care of it.

In Q1, this is going to be definitely something different from Q4 because of the overall situation. It cannot be exactly similar to what we reported.. And apart from this, we were expecting in Q1, at least 2 million, 3 million tons were to be connected to our pipelines as well as one of the major fertilizer plant was to get commissioned during this Q1. All this, unfortunately, could not be done in Q1, and because of this COVID everywhere, our pipelines also for 2 months could not progress as we thought of, and also one of the plant to which the pipeline was linked, but the plant's commissioning got delayed because of COVID.

So these 3 were major consumers which we were expecting on Q1. So on that account, yes, this quarter will be slightly lower than Q4.

Amit Shah *BNP Paribas, Research Division - Analyst*

So this is from the gas trading perspective, right?

Manoj Jain *GAIL (India) Limited - Chairman & MD*

Yes.

Amit Shah *BNP Paribas, Research Division - Analyst*

And also going forward, if you see that spot LNG is so much cheaper, right? Do you see an instance where you might be saddled with the expensive LNG and that way you are forced to divert that expensive LNG to your chemical business? Or it will always be that these contracts are very iron clad, and whoever has guaranteed offtake will take offtake. There is no going back on that? That's my last question.

Manoj Jain *GAIL (India) Limited - Chairman & MD*

We feel that contracts are for honoring them. And we are honoring and we expect others also to honor. And so far, we have not faced any problems.

Nitin Tiwari *Antique Stockbroking Ltd., Research Division - Research Analyst*

Thank you, Amit. Next question is from the line of Pinakin Parekh.

Pinakin M. Parekh *JP Morgan Chase & Co, Research Division - Associate*

Sir, just 2 questions. The first is on the pet chem business. The EBITDA increased sharply on a Q-on-Q basis this quarter. Costs came down. And so what drove this lower cost? Was it just very cheap gas? And is this sustainable into fiscal '21?

Manoj Jain *GAIL (India) Limited - Chairman & MD*

There are 3 factors. One you rightly said, the price of gas had reduced. Second is the volume because we are running at better capacity utilization. And third is that we have been able to run consistently and on a cost-optimized operations have been significant.

During the last year, you might have seen after the month of last April now did not have any major shutdown or any unscheduled trip or which -- I mean, disrupts the operations and also increases the costs. So we have been able to maintain all those things. And operationally, the efficiency also last year was the best ever efficiency we have seen in pet chem since its beginning.

Pinakin M. Parekh JP Morgan Chase & Co, Research Division - Associate

Sir, my second question is going back to the gas sales. Have any of the contracts, in terms of the cargoes that you have booked from overseas, has any of your counterparties or customers declared force majeure in the first quarter? And if they do declare a force majeure in FY '21, what would happen any liability that would arise? And connected to this, given that the gas exchange has come up, who will gain now in FY '21, when pre selling the imported cargoes on the gas exchange? Or would it still be undertaking bilateral sales with the customers?

Manoj Jain GAIL (India) Limited - Chairman & MD

The last question first., We will do all these ways in which business is done, both exchange as well as bilateral because we have done that last year. The exchange did not cater to such large volumes, in any case. Hence, it is in the initial stage only. And bilateral is definitely where volumes are required. We have been doing, we will keep on doing. And we have also been putting out our own rates also. So this method also will be definitely taken. Regarding force majeure, no major of our supplier has issued any force majeure to us.

Pinakin M. Parekh JP Morgan Chase & Co, Research Division - Associate

Finally -- and in terms of your customer as well?

Manoj Jain GAIL (India) Limited - Chairman & MD

The domestic markets would have to be...

Pinakin M. Parekh JP Morgan Chase & Co, Research Division - Associate

And none of your customer as well?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes, some of the customers have done. But we have been also able to pass on to our domestic suppliers. And primarily, it is ONGC whose gas were reduced because of CNG demand was subdued for a longer period of time . Otherwise, other than that, there is no significant hit.

Pinakin M. Parekh JP Morgan Chase & Co, Research Division - Associate

So just to confirm, sir, on the imported cargoes, there has been no force majeure that you have faced from any of the customers? And you don't expect this to happen in F '21?

Manoj Jain GAIL (India) Limited - Chairman & MD

We have not any significant force majeure we have faced from the consumers in India. And going forward, we feel that situation should improve. But if somebody raises, we'll see it as it comes.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Pinakin. Next question is from the line of Aditya Mundra

Aditya Mundra

Sir, if you can throw some light on the exact pros and cons of the falling LNG prices on both transmission and marketing business for us? How does it affect our business from your point of view?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. Transmission is going to grow on 2 accounts. One is because we are increasing our infrastructure presence. So that will definitely lead to more and more consumer getting connected and opting for gas.

Secondly, if the gas prices are low, definitely it helps in creation or improving the demand. So there is no question about it.

On the marketing front also, by and large, low prices are good for the country and also for the large demand creation for the gas. So from that, I think there is still going to be beneficial. However, as you all know, we have got some tie-ups which are linked to some formula. So we do not know if formula will be lower and higher, depending on the crude at that time. So that is also there -- we have to see how it pans out in future.

Aditya Mundra

So largely LNG imports, what percentage would be from U.S. and Russia and Qatar? What would be the breakup?

Manoj Jain GAIL (India) Limited - Chairman & MD

Qatar through PLL. So if you look from the -- around the total U.S. plus Russia should be equal to Qatar totally -- roughly, as of now.

Aditya Mundra

Okay. Percentage-wise, Qatar would be how much, sir? Approximately?

Manoj Jain GAIL (India) Limited - Chairman & MD

Around -- I think that it should be 50-50...

Anjani Kumar Tiwari GAIL (India) Limited - Director of Finance, CFO & Director

40% Qatar.

Manoj Jain GAIL (India) Limited - Chairman & MD

40%-45% Qatar and 50%-55% Others.

Aditya Mundra

And Russia to be equal, broadly between them?

Manoj Jain GAIL (India) Limited - Chairman & MD

Russia is as of now is ramping up over the years.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Amit. (Operator Instructions) Next question is from the line of Bhavin Gandhi. Bhavin? I think there's some issue with Bhavin's line.

We'll take the next question from the line of Probal Sen.

Probal Sen Centrum Broking Limited, Research Division - Analyst of Oil and Gas

I had 2 questions. One was there was quite a bit of strength seen in the LPG business for this quarter. And you mentioned, even operations on the production side did not really get hampered because of the essential services tag. Now I just wanted to understand, sir, both in terms of volumes and what kind of trends you have seen in pricing in first quarter? And what kind of guidance can you give, at least for volumes, for the full year? That's my first question.

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. Pricing-wise, I think June, it has again picked up. There was low price in the month of April and May. And now June, again, it has picked up. And going forward, we feel that the prices are going to be little firm only.

And on the volume part, it will be similar to last year because our capacities are restricted because of this. This is more or less near to the quality of gas which is available, and we have to get whatever is acceptable we accept as LPG. So volumes are going to be near to last year's.

Probal Sen Centrum Broking Limited, Research Division - Analyst of Oil and Gas

Okay. And secondly, sir, you mentioned about the small disruptions as far as transmission and pet chem is concerned. So barring the first quarter, where obviously, there are whole lot of issues that you have to deal with. Can one assume that at least 9 months, it will be near-normal operations? And therefore, for both petchem, utilization of 100% and for transmission, your growth of 3 to 4 MMSCMD, can we assume for the 9-month period, I'm saying, barring Q1?

Manoj Jain GAIL (India) Limited - Chairman & MD

On pet chem, yes. We are near to 100%. For the remaining 9 months, it will remain 100%. For transmission part, as I said, the CNG business has not yet picked up, still in the range of 50% only. So maybe another 2 months more it will take. We expect that to come to near normal. And I've seen an increase of 3 to 5, maybe a little higher, under the present situation. But more clarity will come by the end of Q2 only we will be able to see how it pans out and how pandemic pans out in the next 2- 3 months.

Probal Sen Centrum Broking Limited, Research Division - Analyst of Oil and Gas

Right. Sir, just one last bit on a follow-up. So current transmission volumes are, what, around 90 MMSCMD right now? Is that the level? You said 20% lower or thereabouts or...

Manoj Jain GAIL (India) Limited - Chairman & MD

It is around 10% lower as of now. So maybe it's a range of 95 to 100 mmscmd.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

(Operator Instructions) Next question is from the line of Mr. Vinod Bansal

Mr. Vinod Bansal

Yes. Am I audible?

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Yes, you are audible.

Mr. Vinod Bansal

Sir, I have questions on the gas marketing business as well. You said -- could you please repeat for CY '20 or FY '21, out of the 5.8 million tons, how much has been placed globally to begin with?

Manoj Jain GAIL (India) Limited - Chairman & MD

How much has been...

Mr. Vinod Bansal

Placed outside India?

Manoj Jain GAIL (India) Limited - Chairman & MD

I think it is roughly -- if we look from which quarter...

Unidentified Company Representative

Last year...

Manoj Jain GAIL (India) Limited - Chairman & MD

He's asking for current year. I think it should be in the same range. Out of the 90, it should be around 40 or so maybe outside India.

Unidentified Company Representative

37 outside.

Manoj Jain GAIL (India) Limited - Chairman & MD

37, okay. Exact number is 37 U.S. cargoes that are outside India.

Mr. Vinod Bansal

Okay. This is for CY '20?

Manoj Jain GAIL (India) Limited - Chairman & MD

FY '21.

Mr. Vinod Bansal

FY '21. And if I may, out of these 37 cargoes, you do hedge a bit as well. How many have been hedged to ensure that they do not have any losses at all?

Manoj Jain GAIL (India) Limited - Chairman & MD

It won't be proper to give the exact numbers, but a large portion of it has been hedged.

Mr. Vinod Bansal

I understand, sir. A broad range would do for us. A range in numbers would do for us. So 70% to 80%, 50% to 60%, that kind of range will do for us.

Unidentified Company Representative

Around 85% is hedged

Manoj Jain GAIL (India) Limited - Chairman & MD

Maybe around 70% is the range maybe that is hedged.

Mr. Vinod Bansal

70% of this 37 cargoes are hedged. All right. That's great.

Manoj Jain GAIL (India) Limited - Chairman & MD

Total, total. I'm talking of total cargoes which are there in the U.S., whether it is coming to India only, about 70% has been hedged either through hedging or through consumer tie up.

Mr. Vinod Bansal

Okay. So out of total cargoes, 37 have been placed outside for fiscal '21. And out of total cargoes, 70% have been hedged or directly sold with no pricing open, either India or outside. Is that the right understanding?

Manoj Jain GAIL (India) Limited - Chairman & MD

Pricing open? Yes. It is not there.

Mr. Vinod Bansal

It's not there. Would you have placed something for fiscal '22 also? Or that's too far in the future?

Manoj Jain GAIL (India) Limited - Chairman & MD

No, we have also done some of the tie up as well as some of the hedging also done. But those numbers are not as large as '21 because we keep on doing as and when we find suitable opportunities.

Mr. Vinod Bansal

Absolutely. I understand that. Can you share numbers on that also, no matter how small and how they look? I understand...

Manoj Jain GAIL (India) Limited - Chairman & MD

At this time they're not available, maybe later we can share. For '22 I don't have it.

Mr. Vinod Bansal

Okay. Okay. But it would be less than half of FY '21, directionally speaking?

Manoj Jain GAIL (India) Limited - Chairman & MD

It will be difficult to give any guess because I don't have the numbers. We can give you or we can share...

Unidentified Company Representative

You can ask separately. We'll give that.

Mr. Vinod Bansal

I will come back definitely, sir. If I may just ask this question further on domestic. Whatever you plan to bring to India, whatever you plan to sell to these upcoming fertilizer plants, the one that started or was supposed to start in 1Q '21 got delayed.

So what is the status of these plants now in terms of your expectation of the new time line for them to commission?

Manoj Jain GAIL (India) Limited - Chairman & MD

As I told, the Southern India, we'll reach Mangalore by July 8. So there, the plants will be -- we expect that from August onwards, they should start taking the gas.

And in the Eastern India, one of the plants is ready to take gas. Maybe in another 3 to 4 months' time, we should be able to start supplies there. And the 3 of the main customers, they were anywhere tied up for the end of '22. So these are not scheduled this year.

Mr. Vinod Bansal

So they were tied up for end of FY '22, but now with this disruption due to COVID the stoppage -- the complete stoppage for 2 months and now the slowness involved, do you -- it's fair to assume, they will not come in at the last of '22. Are you working with the FY '23 and FY '24?

Manoj Jain GAIL (India) Limited - Chairman & MD

We feel that it is a long time and maybe situation will get cleared in 3- 4 months' more time, depending on how pandemic pans out. Otherwise, we feel that making up for 2- 3 months may not be difficult for those plants because they were running on time as of now before the pandemic.

Mr. Vinod Bansal

Right. Sir, just to tie this all together, so you had big plans to bring LNG into India and these plants were the key customers. Whenever these come, what is your target sales volume placement overseas and India for the 5.8 million tons when these plants are ready to take gas?

Unidentified Company Representative

(inaudible).

Manoj Jain GAIL (India) Limited - Chairman & MD

When we tied up our target was to entire volume to India barring 1 or 2 small volumes here and there. But because of these plants' original scheduling, we also got deferred or delayed. Some of the volumes we were selling as a part of mitigation plan to the international market. But largely, we are playing out for sale into India.

Mr. Vinod Bansal

Yes. But these plants will only consume about what, 2.5 million, 2.6 million tons, all put together per annum?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes, that much is the only volume which we are selling in international markets as of now.

Mr. Vinod Bansal

But I presume some of the existing domestic contracts might also expire in 1 year or 2. There might be the medium-term contracts that you'll have to replace again.

Manoj Jain GAIL (India) Limited - Chairman & MD

But then we are here to do actually -- do our marketing also.

Mr. Vinod Bansal

Okay. Fair enough. Also, sir, if I can slip one more question. In general, your OpEx this year has been lower, both employee cost and as well as the other OpEx items, last 3 quarters in a row. Any comment on that? And what...

Manoj Jain GAIL (India) Limited - Chairman & MD

Employee cost, we have got some provisions for this performance-related pay, which the provision has got reduced because of gratuity, government's guidelines and all those things. Otherwise, it is similar number is there and so provisions were reduced. And on account of other OpEx, largely because the raw material cost has reduced, so those OpEx has also reduced. And part of -- we have some operational efficiencies also.

Mr. Vinod Bansal

Right. Should we assume this number of INR 1,500 crores employee costs in FY '20 and INR 4,600 crores of other OpEx, that is a sustainable number FY '21?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes. We feel and we are working on further cost optimization because we think in these times it is good to be better and efficient.

Anjani Kumar Tiwari GAIL (India) Limited - Director (Finance)

Just to add, as I have told in my opening remarks that we are having the cost optimization measures at different levels to boost the margin. That is also one of the initiatives we are taking. So that has given the result and will give further results.

Mr. Vinod Bansal

And just one last small one. You said 70% of the total volumes have been hedged or placed. Are these uniformly 70% placed across 4 quarters of FY '21? Or more in FY -- first 2 quarters last year's FY, last 2 quarters of '21?

Manoj Jain GAIL (India) Limited - Chairman & MD

I don't have the exact quarter-wise details.

Mr. Vinod Bansal

Sir, broad understanding. Broad understanding. Is it like 100% of the first half and 50% of second half? More like that?

Manoj Jain GAIL (India) Limited - Chairman & MD

That way it doesn't work. We tie...

Unidentified Company Representative

At this moment, probably, I don't have that. It will be difficult, but we can share later.

Manoj Jain GAIL (India) Limited - Chairman & MD

You can approach for further details.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Vinod (Operator Instructions). Next question is on the line of Mr. Raj Gandhi.

Raj Gandhi

Hello? Am I audible?

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Yes, Raj, you are audible.

Raj Gandhi

Sir, just -- did I hear you correct? You mentioned Q1 '21 trading profit will only be slightly lower than Q4 '20?

Manoj Jain GAIL (India) Limited - Chairman & MD

(inaudible).

Raj Gandhi

Sir, while mentioning about -- on the marketing, you mentioned Q1 FY '21 June quarter trading margin or EBITDA would only be like INR 600 crores this quarter. You mentioned Q1 '21 trading margin will be slightly lower than Q4 '20? You said...

Manoj Jain GAIL (India) Limited - Chairman & MD

Definitely, Q1 is not as good as Q4, definitely. And that's slightly lower because it's slightly given as your margins which were available in the month of January, February, are normally not available in summer months. So in any case, Q1 can never be equal to Q4.

Raj Gandhi

Right. Sure, sure, sure. But for sure, let's say, I won't expect an explicit number. But for sure, you will know any trading losses per se as to that overall segment should not report losses?

Manoj Jain GAIL (India) Limited - Chairman & MD

That will be part of Q1 numbers. So probably it will not be good to discuss that.

Raj Gandhi

Okay. Okay. Sure. And just understanding correct that you have placed 90% of the volumes and out of that, 70% has been hedged as well on the pricing. So it's only -- well, 90% of the volumes is placed, then there can be loss or gain. But out of the 70% is hedged, so only the 30% is where we can have pricing gains and loss, depending on how the market behaves?

Manoj Jain GAIL (India) Limited - Chairman & MD

I'll ask marketing to elaborate on this.

Unidentified Company Representative

See, which we get from U.S. Presently. Out of the 89, 90 cargoes that we get from U.S. every year, only 9 cargoes are remaining unsold. That is roughly 10%. 90% was already sold. Out of this 90%, either these are sold to international market or they are being brought to India. Okay? Now the total -- if you look at the volume, it is roughly 190 cargoes a year, including which we buy from Petronet. So out of these 190 cargoes -- there's a lot of disturbance.

Raj Gandhi

I'll mute my line.

Unidentified Company Representative

So 70% of -- yes, 30% is the open pricing. Your understanding is correct, that around 30% are the ones which have got the price fluctuations.

Manoj Jain GAIL (India) Limited - Chairman & MD

Correct. Yes.

- Raj Gandhi

Okay. Okay, sure. And just last question from my side. So on the transmission side, you hear from the regulator as well that they are working on giving the industry, we have seen some consultation paper coming through. So is it possible to elaborate on what's happening on the transmission side?

Manoj Jain GAIL (India) Limited - Chairman & MD

As you all know, we have already given our proposal also put on the website of the regulator and public consultations were also done. So now we have to further see how the final -- it takes final shape and what regulator takes a final view on that. So we have to wait only. So far, we don't have any other information.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Raj. Next question is from the line of Vikash Jain.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

So I just wanted to understand on your gas transmission bit. Other than gas, everything else has reached close to 100% utilization, is that -- by now, I mean, not the full quarter, but by now. Is that a good understanding?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

Okay. And sir, on LPG production, you would have got -- seen some impact because of ONGC's production falling in the early part of the April-June quarter and -- but after that, now even in that business, we are near 100% utilization, is that correct?

Manoj Jain GAIL (India) Limited - Chairman & MD

Yes.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

So of all of these businesses, you've already explained, petrochemical is 100% utilization. It's only the city gas part which is impacting gas transmission. For all the other businesses, GAIL is operating almost like normally?

Manoj Jain GAIL (India) Limited - Chairman & MD

As of now, yes.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

Okay. And sir, gas trading, just kind of coming back to that, I know it's taken a large part of the call. So gas trading profits in FY '19, EBITDA was about INR 2,800 crores, then went down to INR 2,150 crores -- a little over INR 2,100 crores in FY '20.

Do you think that for the full year, I know quarter-to-quarter can be more difficult, which quarter you're hedged, et cetera, this INR 2,000 crores or so, these are reasonable number to work with even for FY '21, and it's not going to be significantly off from this number?

Manoj Jain GAIL (India) Limited - Chairman & MD

Come again? Last sentence, I could not get.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

What I'm saying is that gas trading EBITDA for FY '20 was about a little over INR 2,100 crores. Is it fair to work with close to that INR 2,000 crore kind of a number for FY '21 as well? Because why I'm asking that is, since possibly the worst of the impact would be felt in the April to June quarter, you would have some sense of how things played out here and that should give you some confidence on the full year number. So somewhere in the ballpark of INR 2,000 crores is a reasonable number to work with for FY '21. Is that a broadly correct statement to make?

Manoj Jain GAIL (India) Limited - Chairman & MD

Actually, the trading EBITDA has 2 factors to depend. One is about the COVID. 1st quarter is almost over, but we do not know what second quarter will bring. That is one.

Other than that, you have seen that since February onwards there is large volatility in the international markets also. So trading EBITDA is also slightly impacted by that volatility which though OPEC has now brought some stability into it, but we do not know what will happen in December again. Because it all depends on the announcements and speculation. So as such, to be giving a number or range, at this time will be very, very difficult, very speculative. But we feel that we are going to be more challenging than the last year.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

Okay. So I mean let me rephrase that question. What I mean to ask is -- I know global markets can be pretty volatile, particularly in the current times. If -- going by the trends that you've seen in first quarter, there is not enough reason for me to doubt that there will be a big drop on -- because I'll tell you why, because your last year was very volatile in terms of -- it was much more volatile than other years, where 2Q had a very low profit, then you improved from thereon.

So from that perspective, what I mean to ask is, is 1Q from that perspective, whatever you are seeing, there isn't going to be a material -- when I say material, I mean, sir, 30%, 40% decline in -- on a full year basis. You have no reason to believe so far. Unless things worsen from here, it should not be materially different from FY '20?

Manoj Jain GAIL (India) Limited - Chairman & MD

For the remaining months, we can say that, yes, it is going to be a little challenging, but it's not going to be a very bad year for us. That's not probably we can say. However, as earlier, I put that caveat as we do not know how situation will pan out in the future.

Vikash Kumar Jain CLSA Limited, Research Division - Research Analyst

Okay. Just one last thing, Mr. Tiwari. Sorry, I missed this. Sir, what is the CapEx guidance that Mr. Tiwari did give for FY '21 and '22? I missed it. Sorry.

Manoj Jain GAIL (India) Limited - Chairman & MD

'21 is INR 4,000 crores -- in the range of between INR 4,000 crores and INR 4,500 crores and '22, as of now, our guidance is of around INR 8,000 crores to INR 9,000 crores. But that all depends on the plants, how we get early clearances and all.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Vikash. Next question is from the line of Vishnu Kumar.

Vishnu Kumar A.S. Spark Capital Advisors (India) Private Limited, Research Division - VP

Sir, in -- this is -- again, coming back on the gas marketing. Is there any one-offs in this or any take-or-pay that we have accounted for this quarter? Because I remember in 2Q when your volumes -- your profitability were slow, we had mentioned that some take-or-pay would get accounted by 4Q.

Manoj Jain GAIL (India) Limited - Chairman & MD

No, in this, we don't have any such issue. Last year, there was some gain because of some as consumers of INR 130 crores or something. But this year, it is not.

Vishnu Kumar A.S. Spark Capital Advisors (India) Private Limited, Research Division - VP

So there is no one-off amounts that have been included in the 4Q gas marketing profits?

Manoj Jain GAIL (India) Limited - Chairman & MD

In the?

Unidentified Company Representative

Q4.

Manoj Jain GAIL (India) Limited - Chairman & MD

Q4 readjusted?

Unidentified Company Representative

Yes.

Manoj Jain GAIL (India) Limited - Chairman & MD

No, there is no one-off

Unidentified Company Representative

There is no one-off.

Vishnu Kumar A.S. Spark Capital Advisors (India) Private Limited, Research Division - VP

Got it, sir. Sir, and also, you mentioned about the unified tariff that the discussion that you're having with PNGRB. Could you elaborate a little and the net effect of whatever adjustments that we have got -- whatever we're going to do, how will it impact the transmission profitability going forward? If you could elaborate a little on that.

Manoj Jain GAIL (India) Limited - Chairman & MD

As I said because it is almost more than a year that we submitted our proposal and the public consultation was also done around a year back. And then India is working on that. As of now, no latest information we are having -- but yes, we understand that they are working on it in the interest of demand increase. So one thing is sure that the consumers will get benefit. And once consumers get benefit and more gas demand is created, we also get better.

Vishnu Kumar A.S. Spark Capital Advisors (India) Private Limited, Research Division - VP

So given that your commissioning of pipelines, both of them are likely maybe by March or June of the next year, should we expect some kind of a tariff announcement by that time with the unified tariff policy? Because with the rates, if you accumulate hedging plus that rate, it almost goes to north of \$1.5, \$2, which cannot be a price or a lot of other consumers, excluding fertilizers to come and take -- offtake volumes.

Manoj Jain GAIL (India) Limited - Chairman & MD

I can't, I mean, have a take on time line because its regulator certainly would be able to show more light on the time line.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Vishnu. In interest of time, we'll take one last question. Last question is from the line of Mr. Vidyadhar Ginde.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

Can you hear me?

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Yes, you are audible.

So just on the tariff side. What I wanted to ask you is that all of us were quite disappointed when the HBJ tariffs came in last year in June. So do you think that unified tariff plus some new tariffs in gas transmission -- do you think you have the potential of making up that disappointment?

Manoj Jain GAIL (India) Limited - Chairman & MD

In which terms?

Unidentified Company Representative

Unified tariff.

Manoj Jain GAIL (India) Limited - Chairman & MD

In which terms? Because these are tariffs in any case has been fixed. So...

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

No, no, the tariffs which came to us -- we're expecting a 36% to 40% kind of increase in tariff because the volume divisor went from 100% to 75% of -- and then the tariff, it was only 4%.

So do you think that the reforms may happen, both other and from what we understand there are other reforms also in the works. Some of the grievances which the pipeline companies are those also likely to be addressed plus the unified tariff. So both put together, do you think that the HBJ and other, the unified tariff, may be more in with what all of us were expecting? And so that disappointment may be made up? What's your thought?

Manoj Jain GAIL (India) Limited - Chairman & MD

My thought is that probably from now onwards, if anything comes either unification or any reforms, these are going to be positive for us only.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

Okay. One last thing on the gas marketing now. Two issues here. One, could your first quarter, the June quarter to be as bad as Q2 because your worst quarter since the U.S. LNG started was Q2 of last year. So could it be as bad, one?

And secondly, see, the way we are looking at it, our concern is that if you look at the delivered price of U.S. LNG today and compare it with spot LNG, it could be like a \$3.50, \$4 kind of a trading loss. And if you apply that to, say, 30% of your volumes, and it's a very big number and that is where the concern of people is coming from.

So if you could give some thought on if somebody is thinking that you could have a \$3.50 per MMBtu loss on 30% of your U.S. LNG volumes. So where is this thought process wrong? If you could tell us? From what you state, it looks like this kind of scenario is very unlikely.

Manoj Jain GAIL (India) Limited - Chairman & MD

The only thing that I can say, if you do nothing, that is the worst thing you are talking about that 30% volume and \$4 loss if we do nothing. But definitely, we have been doing and we continue to do many other things. And as you know, in reality, everything cannot be like the worst situation. So definitely, things cannot be as bad as you are thinking those terms. But you are right that these are not also looking up very positively that we have taken the profits on those volumes immediately. So definitely, those challenges are there, but those are the very, very worst numbers we have encountered.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Vidyadhar, your questions are answered?

No, just -- I didn't hear the last part. So you are basically -- so lastly just last thing. So let's say, gas prices remain here \$3 or don't go more than \$3.50. Do you think that then -- so when you -- spot LNG does not improve from even in winter beyond \$3, \$3.50, then do you think that things could be bad or (Better? That's what I'm trying to ask.

Manoj Jain GAIL (India) Limited - Chairman & MD

So what I'm -- I think I've covered also, as compared to last year, this year cannot be a better year because of the large volatility and as you have already explained in your question itself. However, what you are looking for is a bad number. Those, we feel, are unrealistic right now.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

Okay. And so would you have that kind of loss on some volume, but not on the entire volume (inaudible)? Is that the way to put it?

Manoj Jain GAIL (India) Limited - Chairman & MD

It's still -- I'm not sure about those large numbers on each year, because we have strategies that at least we can go for reducing the volume if those are the large losses. So, we will probably not have the unrealistic losses.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

So when you say reduced volumes, you can postpone to later years, is it?

Manoj Jain GAIL (India) Limited - Chairman & MD

There are many things which we can do.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

Okay. So what is the flexibility there? In a sense, to what extent can you cut your volumes?

Manoj Jain GAIL (India) Limited - Chairman & MD

So as such, there is no flexibility available, but then many things pan out when you talk, depending on the situation. Like -- also, we could reschedule some of the cargoes because the demand was not there. But the reason is there is no plan for it.

Vidyadhar Ginde ICICI Securities Limited, Research Division - Oil and Gas Analyst

Okay. And my first question was basically could the June quarter will be as bad as Q2 FY '20?

Manoj Jain GAIL (India) Limited - Chairman & MD

Actually, I don't have numbers for Q2 of last year. So it will be difficult. In June quarter, I feel that we should not disclose it because the Q1 numbers will be coming shortly.

Nitin Tiwari Antique Stockbroking Ltd., Research Division - Research Analyst

Thank you, Vidyadhar.

In the interest of time, that was the last question. I wholeheartedly thank GAIL India's management for giving us this opportunity to host annual investor and analyst meet on their behalf. I now hand over the floor to the management for any closing comments.

Manoj Jain GAIL (India) Limited - Chairman & MD

I think that was a very excellent arrangement you made and you very well stand out. And we thank you, and thank all the analysts who have joined us and who have been supporting and who have been working with GAIL for all these years.

So we expect good support and your well wishes going forward. Thank you very much.

Anjani Kumar Tiwari *GAIL (India) Limited - Director (Finance)*

And also, if you have any further query or any information you want to have, please approach us. We'll provide the details, whatever the queries are there. So please feel free in asking further questions. Some of the participants have not been able to ask a questions, please be free. We are here to give you all the replies for that. Thank you very much.

Unidentified Company Representative

Thank you.

Manoj Jain *GAIL (India) Limited - Chairman & MD*

Thank you.

Nitin Tiwari *Antique Stockbroking Ltd., Research Division - Research Analyst*

Thank you, everyone, for joining. On behalf of GAIL and Antique Stock Broking, this concludes the investor and analyst meeting. You may now disconnect your lines.

Manoj Jain *GAIL (India) Limited - Chairman & MD*

Thank you.

Anjani Kumar Tiwari *GAIL (India) Limited - Director (Finance)*

Thank you.
