Operator: Ladies and gentlemen, good day and welcome to the Mahanagar Gas Ltd. Q1 FY27 earnings conference call, hosted by Prabhudas Lilladher India Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Indrajit Kumar Gupta from Prabhudas Lilladher India Private Limited. Thank you, and over to you, sir.

Indrajit Kumar Gupta: Thank you, Misba. On behalf of PL Capital, we would like to welcome all the participants. From the management, we have Mr. Praveer Kumar Srivastava, Managing Director; Mr. Ajay Sinha, Deputy Managing Director; and Mr. Rajesh Patel, Chief Financial Officer. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature, and we believe that the expectations contained in these statements are reasonable. However, these statements involve risks and uncertainties that may lead to different results. We urge you to consider that quarterly numbers are not a reflection of long-term trends or an indication of full-year results. With that said, I now hand over the call to the management. Over to you, sir.

Praveer Kumar Srivastava - MD: A very good afternoon, and welcome to the earnings call of Mahanagar Gas Ltd. for the first quarter of financial year 2026-27. I would like to thank all of you for attending our earnings call today.

The ongoing geopolitical conflict in West Asia has triggered a global energy crisis, significantly affecting the availability and pricing of natural gas in India. There are initial signs of a gradual resumption of LNG shipments through the Strait of Hormuz, but supply conditions remain uncertain and global LNG markets continue to experience volatility. 100% of our domestic PNG and DPNG requirements and the major portion of our CNG requirement are sourced from domestically produced natural gas, ensuring uninterrupted supply to our DPNG customers and continued reliable supply to our CNG customers. Gas supplies to industrial and commercial customers are partly curtailed. Prices may be affected due to global indices in the near term. Once the war situation de-escalates, prices are expected to reduce over a period. We continue to closely monitor the situation and remain committed to maintaining uninterrupted gas supply to our customers.

PNG Drive 2.0 has enabled MGL to substantially enhance the pace of domestic PNG conversion through focused operational improvements, resource augmentation, and stronger coordination with government agencies and other stakeholders. The initiative has laid a strong foundation for sustained growth, improved infrastructure utilization, and continued expansion of the PNG network while maintaining high safety standards and quality.

MGL continues to create CGD infrastructure across its business segments in the licensed area. During the quarter, 97,461 DPNG conversions were achieved, taking cumulative DPNG conversions to 2.17 million as of June 30, 2026. We laid 156.57 kilometers of steel and PE pipeline, taking the total length to over 8,477.01 kilometers. We added one CNG station during the quarter, taking the total to 519 stations as of June 30, 2026. We added 291 industrial and commercial customers during the quarter. As of June 30, 2026, we had 6,198 industrial and commercial customers. During the quarter, there was an addition of 26,007 CNG vehicles, and we now have more than 1.31 million CNG vehicles registered in our geographies as of June 30, 2026.

Coming to MGL's operations compared to the corresponding quarter of last year, average overall sales volume increased from 4.456 to 4.766 MMSCMD, an increase of 7.01% in sales volume. CNG sales volume increased from 3.185 MMSCMD to 3.496 MMSCMD, an increase of 9.74% in sales volume. Domestic DPNG sales increased from 0.571 MMSCMD to 0.623 MMSCMD, an increase of 9.09%. In the industrial and commercial segment, sales volume decreased from 0.698 MMSCMD to 0.648 MMSCMD, a decrease of 7.15%.

During the quarter, we achieved an overall average sales volume of 4.766 MMSCMD as against 4.672 MMSCMD in the previous quarter, an increase of 2.01%. CNG sales volume increased from 3.349 MMSCMD to 3.496 MMSCMD, an increase of 4.39%. Domestic DPNG sales increased from 0.605 MMSCMD to 0.623 MMSCMD, an increase of 2.98%. In the industrial and commercial segment, a 20% cut was implemented as per government directives. However, sales volume achieved was 0.648 MMSCMD compared to 0.719 MMSCMD in the previous quarter.

EBITDA from operations for the quarter was Rs 343 crore, compared to EBITDA of Rs 260 crore in the previous quarter, an increase of 31.74%. Net profit after tax for the quarter was Rs 194 crore, compared to net profit after tax of Rs 132 crore in the previous quarter, an increase of 46.83%.

During the quarter, we successfully completed the transition from SAP ECC to SAP S/4HANA, achieving a key milestone in our digital transformation initiative. With this, I conclude and would now like to open the floor for questions. Thank you very much for your patience. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one 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. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen - ICICI Securities: Thank you for the opportunity, sir. One appreciates that volume growth was probably lower, primarily because of the decline seen in the industrial and commercial segment. While there is a 20% cut in terms of domestic gas or available gas allocation, I wanted to understand what our sourcing mix was for this quarter and how we are looking at Q2 in terms of our sourcing requirements and supply availability, if you can break it down in terms of various sources and so on. That was my first question.

Management: Are you only referring to sourcing for industrial and commercial?

Probal Sen - ICICI Securities: Sir, overall would also be fine, if you can give me an overall view of what the overall sourcing looks like today in terms of percentage volumes, or whatever you can share.

Management: At a company level, roughly 30% is available through APM, and nearly 21-22% is available through NWG and pooled gas put together. Roughly 14-15% is through HPHT, and another... Our actual signed contract with respect to Henry Hub was higher, but roughly 21-22% has been received through the HH contract, and the rest is through some small Brent contracts or whatever we could buy through IGX and spot. This is broadly the breakup of gas.

Probal Sen - ICICI Securities: Understood, sir. As a follow-up, what is the effective price of the gas that we source other than the top row, such as spot LNG and Brent-linked gas? What was the approximate blended cost for the quarter?

Management: If you look at our dependence on Brent-linked gas as well as spot gas, it was very minimal. Of course, although spot was very minimal, at times I think it touched almost $20 per MMBTU, whereas we received most of the gas through the pooled mechanism, which was in the range of $12.5 to $14. Brent-linked gas was around $13-$14 during the quarter.

Probal Sen - ICICI Securities: Understood. The second question was with respect to gas realization. While there were some price increases for CNG and domestic gas, the improvement in realization still seems fairly stark. Can we get a sense of at least the range of pricing that was there...

Management: In the industrial and commercial segment for this quarter, as you know, we have been pricing our industrial and commercial customers linked to alternate fuel. In the case of commercial customers, it is mainly linked to bulk commercial bottled LPG, and for industrial and commercial customers, it is linked to FO and LDO. Compared to the previous quarter, there was an increase in the range from Rs 27 per cubic meter to almost Rs 32 per cubic meter. On the higher side, realization is in the commercial segment, and industrial is in the lower range. I am talking about the increase over the last quarter; this is the kind of increase we have seen.

The last quarter was probably one of the lowest as far as Brent was concerned, and hence realization for industrial was probably the lowest. Probably this quarter, Q1 of this year, we saw the highest Brent, and accordingly, price realization also remained good. If you compare Brent of around $62-$63 with this quarter's level of around $95-$100, that is the proportionate upside in realization with respect to industrial and commercial prices.

Probal Sen - ICICI Securities: Understood, sir. Last question, if I may: what was the volume, if I can ask, from {? Unizon ?} in this quarter's numbers? And what sort of margin guidance are they looking at, assuming that this dispute or conflict continues for the next few months? What is the realistic margin number we can look at?

Management: Overall volume was 4.766 MMSCMD, as I mentioned. Of that, around 0.322 MMSCMD on average for the quarter was towards {? Unizon ?} Enviro.

It is anybody's guess what may happen to the ongoing West Asia crisis. Around the first week of July, everything had normalized, and suddenly it started again. You may be aware that once Hormuz was coming to a standstill and the US and Iran were reaching some agreement, the government had even withdrawn pooled gas during that time. Again, after 7-8 days, the situation started deteriorating and impacted supply through Hormuz.

Since supply has been impacted, prices and the quantity available have also gone up. It is very difficult to tell you what the margin could be for at least this quarter or going forward unless there is a complete resolution of this conflict in West Asia. However, we have been making an attempt to minimize our weighted average gas cost. We have taken some steps towards that, and hopefully we will be able to contain it, but there could be a situation where gas cost is out of control.

Generally, we do not curtail supply and try to meet demand, except wherever it is possible to impose some curtailment with respect to larger industrial customers where curtailment is possible. However, for the public at large, which is dependent on CNG, we do not impose such curtailment. You may see some spike for at least the next 1-2 months. That is the current situation, which you can see in the pricing of JKM and in the spot market. It is very difficult to give a call on margins. They will definitely be under pressure for at least 1-2 months until this crisis is resolved or some settlement happens.

Probal Sen - ICICI Securities: No, understood, sir. That is perfectly clear. Thank you so much, and all the best.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Yogesh Patil from Dollar Capital. Please go ahead.

Yogesh Patil - Dollar Capital: Thank you for taking my questions, and congratulations on the great set of numbers, sir. My question is again focused on CNG volume growth of 9.7% year-on-year. What was the major volume growth driver for CNG during this quarter? You mentioned that we saw the addition of 26,000 CNG vehicles during the quarter. Can you provide some breakdown across PVs, HCVs, three-wheelers, autos, and buses? We also wanted to know the GA-wide CNG volume growth or overall volume growth on a year-on-year basis. That would be helpful.

Management: Yogesh, as far as volume in a particular period is concerned, dependence on vehicle additions during the quarter is not very high. It is the cumulative vehicle base that actually makes the difference. The number of stations that we have added over the last 2 years is substantial. A good number of commercial vehicles have been added, and even private bus fleets have been added.

We will share the breakdown of the numbers for the quarter. As far as GA-wide volume growth is concerned, GA2 is probably the highest-selling GA, at more than 2.1 MMSCMD. I already said earlier that the SBU of Unison Enviro is roughly 0.322 MMSCMD. Compared to the same quarter last year, when it was almost 0.224 MMSCMD, it has grown by more than 30-35%.

GA1 also showed marginal growth. Last year, overall company volume in GA1 was in the range of 1.9 MMSCMD, and this quarter it was almost 1.95 MMSCMD. I am talking about overall company volume GA-wide, not only CNG. As far as Raigad is concerned, it was roughly 0.33 MMSCMD last year, and this quarter it was 0.4 MMSCMD.

This is the growth across the geographies, despite some reduction in industrial and commercial volume, perhaps to the extent of 8-9%. There is no lack of demand as such. Traditionally, I think the monsoon also sees some traffic jams, which helps us because fuel consumption goes up. That is one of the reasons.

Yogesh Patil – Dollar Capital: I would like to continue on CNG volume growth. What guidance would you like to give for overall volume growth for FY27 and FY28? What are the volume growth drivers?

Management: Overall, price and volumes are related. As I answered in the earlier question, there may be a need to increase prices as well. Assuming that things come to a reasonable level and we are able to maintain prices, we expect growth to be in the range of 8–9% for CNG.

On the industrial and commercial side, there is a lot of demand today. It is our ability to supply and connect. In fact, because of gas curtailment and force majeure affecting most RLNG supplies coming from outside India, we are not able to scale up the volume. Otherwise, you would have seen a much greater volume increase in industrial and commercial as well.

With PNG Drive 2.0, under which the government intends to replace LPG with PNG for domestic or commercial consumption, there is also going to be a strong push. The only hurdle now is when we see the West Asia crisis coming to an end and prices normalizing. I do not see any challenge to volume growth. The challenge is how to obtain a better gas input cost and achieve a better margin.

Yogesh Patil – Dollar Capital: My last question is on the PNG industrial and commercial side. Can you please share some gross margin details for PNG industrial and commercial? My back-of-the-envelope calculations suggest that it has risen sharply sequentially, at least in Q1 FY27. Do you think you will be able to maintain those high gross margins in the PNG industrial and commercial segment going forward?

Management: In our case, the good thing is that there is always a balance between realization linked to Brent and CNG and domestic gas, which has its own limitation due to alternate fuel. This was clearly visible in this quarter, where we slightly lost out and there was margin pressure in the case of CNG, whereas this was very well compensated through Brent-linked realization.

On our side, the Henry Hub contracts have also helped because the Henry Hub index is mainly the input cost for the shortfall in CNG as well as for some part of industrial and commercial gas. If Henry Hub remains low and Brent remains high, our margins will definitely be high. Whenever Brent comes down and, in turn, the Indian crude basket also comes down, it saves our cost on priority-sector CNG and domestic PNG. Thus, it acts as a balancing factor.

Of course, this quarter was slightly abnormal. Generally, you do not see Brent above $100 and this kind of realization. One has to look at the longer-term return on industrial and commercial rather than looking only at quarter-on-quarter performance. Q4 was slightly abnormal with respect to lower margins because Brent was low and Henry Hub went up, whereas this quarter was the opposite: both price realization and gas cost helped us.

At an overall company level, our endeavor is to maintain EBITDA margin in the range of Rs 8–9 per SCM.

Yogesh Patil – Dollar Capital: Thank you, sir. This was really helpful, and all the best.

Operator: Thank you. The next question is from the line of Vineet Bunka from Nomura. Please go ahead.

Vineet Bunka – Nomura: Thank you for the opportunity. Firstly, on the CNG price hikes that you have taken over the last 2-3 months, assuming that LNG prices go back to pre-war levels and the government continues with the price hikes taken in petrol and diesel, will there be a rollback in CNG prices, or will you be more aligned toward the differential versus petrol and diesel?

Management: We have been maintaining some legroom between petrol and diesel prices and CNG prices. As you could see, CNG is roughly 40-45% more competitive compared to petrol and in the range of around 12% compared to diesel. If we maintain that, it should be sufficient to drive our volumes.

If, during an intermittent or shorter period, our gas cost increases, we may not change prices frequently because volatile prices are not good for people who want to continue adding to their CNG fleet. From that perspective, there may sometimes be upward or downward movements. However, if there is a permanent increase in petrol and diesel prices, we would definitely like to recover the gas cost, which has also already increased and has not been fully recovered in the case of CNG.

Vineet Bunka – Nomura: The second question is on the number of CNG buses that you have across all the GAs and your view on the number going forward. I think there will be a lot of effort from the government to electrify all these buses. Could you also share the volume being taken by these buses?

Management: We have roughly 6,000 buses operating, including both STU and private buses. On the STU side, State Transport Undertakings, BEST gives us about 93,000 kilograms per day. Then we have MSRTC, which gives us about 34,000-35,000 kilograms per day. There are a couple of other transport operators that are very small; together, they give us about 4,000, or 3,500, kilograms per day. The rest are private buses.

In this segment, we now have a program called the Fleet program, which is particularly aimed at this segment. We launched this program keeping in mind the looming threat of EVs, which might, over a period of time, affect some of our major consuming segments, including taxis, cars, and three-wheelers.

The Fleet program is already giving us good traction. We have signed a large number of MOUs, and a considerable number of vehicles that we have already signed up will be on the road in the next few months.

Overall, the bus CNG offtake will be around 0.14 MMSCMD, which is 4-5% of total CNG volume. Correct, 4-5%.

Vineet Bunka – Nomura: Thank you, sir. I will get back.

Management: I would like to add here that our state transport undertakings may see some adoption of EV buses because they have funding available for such initiatives. In the case of private operators, however, there may not be an incentive to adopt EV buses because the capital cost is much higher while revenue remains similar.

Unless financing becomes available, which is really difficult for private operators because there is no lifecycle available and financing is obtained at a very high rate, we will not see much penetration among non-STU operator buses. We are able to penetrate that segment, and whatever the loss on the {? DTC ?} side has been, it has mainly been compensated through these private buses as well as through MSRTC adopting more buses.

Operator: Thank you. The next question is from the line of Rekhanand Subburaman from Ambit Capital. Please go ahead.

Rekhanand Subburaman – Ambit Capital: Thank you for the opportunity. My first question is on the capex that you have incurred so far, and whether you can break it down between the base business, which comprises the 3 GAs, and UEPL. That is one part, along with the guidance for FY27.

The related question is whether it is now much easier for you to increase capex and serve markets that the government is pushing you to serve because of the imperative to shift from cylinders to PNG. That is question one.

The second question is on the APM allocation. As per PNGRB data, from January to April you had an allocation of around 1.585 MMSCMD. Could you help us with the number for Q2? Now that the emergency provisions have been reversed, what is the allocation formula or mechanism for domestic APM as well as New Well Gas? If you could elaborate on that, it would be helpful. Thank you.

Management: As far as capex is concerned, and with respect to PNG Drive, you are right: we will certainly be enhancing capital expenditure because this is the time when MGL has a very good opportunity to lay more and more pipeline, with all these government agencies supporting the creation of infrastructure and the tapping of all available potential, whether domestic PNG or industrial and commercial.

Our focus this year is to create more and more pipeline, and accordingly, our capex is going to increase. For Q1, we have already spent Rs 350 crore. We added almost 95,000 domestic connections in the first quarter, which had never happened in our history. This is probably the first quarter in which we connected so many domestic customers in one quarter.

In line with that, our capex could increase by almost Rs 1,500-1,800 crore, subject to the availability of manpower to carry out the ground-level work. There is a demand for materials from all CGDs across India, so there could be some bottlenecks. However, as far as we are concerned, we will make every possible effort to spend and install the infrastructure as quickly as possible. We are ready to spend almost Rs 1,800 crore for FY27. I do not know whether I missed any of your questions.

Rekhanand Subburaman – Ambit Capital: My second question was on the APM allocation, the exact quantity in MMSCMD. Since the emergency measures on gas allocation have been lifted, what is the mechanism for allocating APM, New Well Gas, and HPHT to MGL and the CGD sector?

Management: First of all, HPHT is not allocation-based; you have to bid and buy it. The only point is that CGD gets priority. Whenever a long-term contract is offered for sale by the producer, HPHT is generally the maximum, so it gets apportioned among all the CGDs.

We already have around 0.6 in long-term contracts, and we have consumed almost 0.2 or so through IGX. As far as APM, NWG, and pooled gas are concerned, roughly 2 million through all these 3 sources came to us in the last quarter. We are also not too sure about Q2, and it does not make sense for me to share that number for Q2. That is the position. I already said that around 30% of our total potential is catered to through APM, as I mentioned in the earlier question.

Rekhanand Subburaman – Ambit Capital: That is helpful. Thank you so much.

Operator: Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika – Emkay Global: Good afternoon, and congratulations on a good set of numbers. Against the addition of 95,000 domestic customers, what has been the addition to the consuming customer base during the quarter?

Management: I am talking about all consuming customers. These are all converted consuming customers. Some of them may not have occupied the flat, so you may see that in another 1–2 months. However, all these are actively consuming customers who have signed up and taken the gas.

Sabri Hazarika – Emkay Global: For the full year, what is your expectation in terms of additions?

Management: Our endeavor is to do the maximum. We may go from 1,000 connections a day to more than that, including 2,000–3,000 a day. However, as I said, it is currently the monsoon season. The availability of plumbers, third-party engineers to conduct inspections, meters, pipes, and so on are all factors. We intend to do 8–10 lakh this year itself, provided there are no bottlenecks.

Sabri Hazarika – Emkay Global: Do you have any growth guidance for domestic PNG volume growth, as you have given for CNG?

Management: As far as volume growth is concerned, domestic PNG is an area where growth is limited by the population and the number of households in that sector. As we have said in earlier calls and meetings, we have potential of around 3.8–4 million households. We have already reached almost 3.3 million households, and we are selling gas to almost 2.3 million consumers.

Almost 50–60% of those connected but not consuming gas will be tapped because there is also pressure from the government, including the threat of bottled LPG supplies being stopped if a building has a gas connection but the residents have not taken it. If this number of conversions is completed in the next 2–3 years, volume growth will definitely be higher. Instead of 5–6%, it could increase to 7–8%. Beyond that, it will have to come through new geographies or new areas.

If we reach all 3.8 million or 4 million households and take their average per capita consumption at, say, 0.35–0.4, that is the volume potential available in this segment.

Sabri Hazarika – Emkay Global: I am talking about this year. We are already at 9–10% in Q1 itself.

Management: This year, if I connect only 5 lakh customers, then 5 lakh multiplied by at least 0.3 should add 0.15 MMSCMD if all of them start consuming gas. It will be an average for the year because we are connecting them throughout the year. Therefore, at least 0.06-0.07 MMSCMD of addition should be seen on a 0.65 base.

Sabri Hazarika - Emkay Global: Understood, sir. Thank you so much for this explanation, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Kartik Gada from Multi-Asset Wealth. Please go ahead.

Kartik Gada - Multi-Asset Wealth: Thank you for the opportunity. Am I audible?

Management: Yes.

Kartik Gada - Multi-Asset Wealth: This increase in realization for the industrial and commercial segments that you mentioned, from Rs 27 to Rs 32 per cubic meter, what would this be in percentage terms?

Management: Percentage compared to what?

Kartik Gada - Multi-Asset Wealth: Compared to last year's realization.

Management: It should be in the range of 70-80%.

Kartik Gada - Multi-Asset Wealth: The alternate fuels would either have been unavailable or more expensive, which is why whatever was available was consumed. How is that situation now in Q2?

Management: In Q2, until perhaps the first week of July, things were normalizing. Again, from the second week of July onward, there have been constraints on the availability of both liquid fuels and gas.

Kartik Gada - Multi-Asset Wealth: All right. That is all from my side. Thank you so much.

Operator: Thank you. The next question is from the line of Aryan from Equitas Investments. Please go ahead.

Aryan - Equitas Investments: Thank you for the opportunity. I wanted to understand our non-CGD initiatives. Over the next 3-5 years, what do you expect the non-CGD initiatives undertaken by the company to contribute in terms of revenue and profit?

Management: We have 2-3 non-CGD initiatives. One is long-haul LNG. We have 2 commissioned stations, and currently, with only 2 stations, volumes are in the range of 5 tonnes a day. It is just breaking even and has not added much, which you can see in the difference between our standalone and consolidated results.

As far as the battery initiative is concerned, it is currently on hold, except that we are importing cells from Korea and trying them out in multiple two-wheeler segments. This generates very nominal revenue, which covers the salaries of the people, so nothing substantial has moved.

There are 2-3 reasons for this. When we evaluated and entered the segment, revenue realization was in the range of $100 plus per kilowatt-hour, but today realization has come down to the range of $70-$75. There was also some constraint in the infusion of capital by the other party. We have therefore been in the process of restructuring the whole project. That is the position with respect to the international battery company.

Coming to EVs, the business is manufacturing three-wheeler cargo vehicles and operating a logistics arm. It is a startup, so it has not yet broken even. The entire three-wheeler EV sector has faced challenges in terms of vehicle uptime, the availability of fuel to maintain the vehicles, and the ability to generate revenue. There has been some setback, but I think that is usual when you have a new industry and a new startup. Things are getting stabilized. That business also has not yet broken even or started making a profit.

Another initiative is compressed biogas. We have signed an agreement, and land allocation has happened through MCGM. We will very soon set up a plant for around 350 tonnes of municipal solid waste, which is only the first phase of our proposed CBG plant on {? this MCGM ?} land. This is the position with respect to the new initiative.

Aryan - Equitas Investments: Noted. I also wanted to ask about the commercial and industrial space. You said that industrial realization was not as high, so I wanted to understand whether industrial realization was lower than commercial realization.

Management: Both depend on the different fuel from which you switch the customer to natural gas. In the case of commercial customers, the majority of those consuming bulk LPG move to natural gas, and bulk LPG movement from the last quarter to this quarter was higher. On the industrial side, more consumers use LSHS, FO, and LDO.

Aryan - Equitas Investments: Noted, sir. Thank you very much, and all the best.

Management: The price movement there was not that high. Also, for large industrial customers, we gave some discount to alternate fuel prices so that they may recover their capital cost.

There is a difference in pricing and in the fuel to which the pricing is linked. Obviously, there will be a difference. It can move in the opposite direction as well. If the prices of LPG and bottled LPG come down while LDO and FO remain at those levels, then you may see a reverse movement.

Typically, from Q4 to Q1, the increase in realization in the case of commercial customers was much higher, or higher by at least 10-15% compared to industrial customers, and in some cases even more.

We have new customers in the Raigad areas where we gave a committed discount of 10% for the first 3 years, and more of the industrial and commercial customers were located there. I was referring to weighted average realization, considering the mix across different GAs and between new and old customers.

Operator: Thank you. The next question is from the line of Vineet Bunkar from Nomura. Please go ahead.

Vineet Bunkar – Nomura: Thank you for the opportunity again, sir. On capex, I think the number you mentioned is {? 1,500–1,800 crores ?} for this year. If I look at the cash flow, operating cash flow is around Rs 1,000–1,100 crore. Will there be a debt raise this year to fund the capex?

Management: We also have surplus on our balance sheet, and we are prepared to raise debt because once my CBG plan starts, we will need money there as well. We are a zero-debt company, so we can always raise debt. We are prepared to do that.

Vineet Bunkar – Nomura: On the gas pooling side, is it still continuing as it was in Q1, or have you received some relaxation from the government?

Management: It was discontinued from around the second week of July because the government issued a notification that {? force majeure ?} circumstances had come to an end. The arrangement and the notification giving priority to the consumption of domestically produced gas were also removed around July 4, and {? APM pricing ?} to state that it is coming down.

Vineet Bunkar – Nomura: So you are receiving around 1.5 MMSCMD of RLNG or gas that you have contracted with GAIL?

Management: Unfortunately, we are not receiving that much. The reason is that Force Majeure was already in place, and within probably a week, the US-Iran situation started again. Supplies have been impacted, and Force Majeure is applicable as far as imports are concerned.

We have represented that the pooled gas mechanism should return, but as of today, we are relying on gas without pooled gas.

Vineet Bunkar – Nomura: In the absence of pooled gas, with RLNG volumes still unavailable and restrictions relaxed, are you possibly funding this shortfall using spot RLNG?

Management: We bought a small amount of this because you cannot immediately enter into a term contract. For perhaps 15 days to 3 weeks, we bought spot gas. We have also taken steps to enter into a slightly longer-term contract so that costs can be contained with an appropriate threshold. If things improve, we can always use both.

As I said earlier, for the next 2–3 months, until the West Asia crisis reaches some reasonable conclusion, the situation will remain very volatile.

Vineet Bunkar – Nomura: I do not understand why, when the pooled mechanism is not there and the restrictions have been relaxed, we are not receiving the full quota of contracted RLNG gas.

Management: As I said, immediately afterward, the US-Iran situation erupted again and supplies were impacted. If supplies are unavailable and, under the government circular, the pooled mechanism has returned to the position before the West Asia crisis, it may take some time for the government to rethink and act. That is not actually in our hands. We can only make representations, and that is what we have done.

Vineet Bunkar – Nomura: Thank you, sir.

Operator: Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain – CLSA: Thank you for the opportunity. As things stand right now, can we say that the situation regarding availability, raw material availability, gas availability, and pricing is broadly similar to the June quarter? Has everything come back to normal in terms of the war? Prices are also lower, but there is generally a 3-month pricing lag, correct?

Management: The West Asia crisis started around the end of February, on February 28, and the pooled mechanism was put in place around the middle of March. That means Q1 was not impacted at all. Prices went up to perhaps $12.5-$13, but now that the pooled mechanism has been removed and gas is not available, the situation is slightly worse compared to Q1. It is not the same. However, our volumes have increased.

Vikas Jain – CLSA: Your margin situation should be somewhat better because you took a number of price hikes. Is that correct?

Management: Yes. My price hikes in the first quarter were gradual. From February until now, I have taken a Rs 5 per kilogram increase, which is available for the full quarter. That is definitely a positive, as you rightly understand.

Vikas Jain – CLSA: From whatever has already been discussed, does the quarter-on-quarter improvement in margin largely come from the fact that industrial and commercial customers did not see as quick a pass-through, and there was a larger impact in the March quarter? Was that one of the main reasons for the quarter-on-quarter improvement in margins?

Management: Yes, you are right. Generally, we do not pass through prices. We sell at alternate-fuel-linked prices, so it is more market-driven. That is why I always say that it is not appropriate to compare quarter-on-quarter margins for these segments or even for the company.

I have created infrastructure for the long term, and over the long term, you will always make money. As long as Brent is at a particular level and gas prices are in the range of $12-$14, you will always be in the money. Comparing quarter-on-quarter performance during such difficult times makes it very difficult for anybody to say how margins will perform.

Vikas Jain – CLSA: Your endeavor to reach a margin of Rs 8-9 continues, correct?

Management: Our endeavor remains focused on that target. You will also have to appreciate that there are alternate fuels competing with us. Within a range, we can always perform, but if external factors move completely against the business model, there will be some plus or minus over a shorter period, such as a quarter or a half year.

Vikas Jain – CLSA: One other thing: based on the behavior we have seen over the last few months, when there were extreme movements, what kind of discount to diesel do you think would cause volumes to start being impacted? If the discount to diesel falls below 15%, do you think volume growth starts being impacted? Is it below 20%? What is the broad number and understanding we should have?

Management: Vikas, volumes are impacted only... Volume growth may be impacted, but volumes as such may not be impacted because you have a base on which you are operating. You may see a slowdown in vehicle additions and in volume growth.

However, considering that this is a temporary situation, we do not see it remaining forever. Our endeavor should be to maintain price stability and not affect people's psychology of adopting CNG vehicles. We will pass through this phase. It is not very difficult. We have seen this during COVID, during the Ukraine invasion, and now during this situation.

I do not see a challenge as such. At least considering MGL's balance sheet size and financial strength, we are very confident that we will sail through this.

Vikas Jain – CLSA: Thank you, sir. Thank you for taking my questions.

Operator: Thank you. The next question is from the line of Indrakumar Gupta from PL. Please go ahead.

Indrakumar Gupta – PL: Thank you for the opportunity, sir. I understand that you gave directional input that volume and volume growth are not very challenging, while the challenge is on the gas-sourcing side.

Last quarter, I think you indicated that volumes would be in double digits and that this year we may exceed EBITDA per SCM of Rs 8. Does that statement still hold, or is there any change considering the guidance on volumes? What is the overall change in this?

Management: Last quarter, we said volume growth would be in the high single digits, or could cross double digits if CNG volume picked up beyond 8-9% and industrial and commercial volume grew by {? 12-14% ?}. It would then be possible to go beyond 10%.

However, with gas supply being curtailed, if I have to restrict supplies to 80%, although we may connect everybody, we will sign a lower DCQ to start with so that the customer is connected, but gas consumption can always be scaled up once the situation eases and supplies are properly restored.

Comparing this quarter or even the next quarter, it is anybody's guess how things will move. When I refer to EBITDA of Rs 8-9, I am referring to a longer period of time, with most of these factors remaining under normal circumstances.

Today, circumstances are such that nobody can predict what the spot price or gas availability will be. However, as I said, our business and the composition of our gas sales are more or less linked to alternate fuels, CNG, and domestic gas. This is balancing out what we have seen in this quarter.

Indrakumar Gupta – PL: Thank you, sir.

Operator: Thank you. The next question is from the line of Jayesh Shah, an individual investor. Please go ahead.

Jayesh Shah: Hi. Am I audible?

Management: Yes, sir.

Jayesh Shah: Thank you for taking the question. Some of the questions I had have already been answered. However, assuming that things normalize and the situation normalizes, and the price of crude versus natural gas also normalizes, what kind of volume growth can I clearly expect on a sustainable basis looking at FY28? Perhaps FY28 and beyond. That is question number one. Is there a range that you would use to guide us?

Management: A range for growth?

Jayesh Shah: A range for volume growth.

Management: It should be in the range of 8-9%.

Jayesh Shah: An 8-9% range for volume growth. The second question is regarding the capex that will be undertaken this year, approximately {? 10 ?}... Does that have any impact on the dividend payout? We have broadly been around a 30% payout, or per share has been paid out as dividend. Is there any thought of maintaining that payout through internal accruals rather than debt? What is management's perspective on that?

Management: Dividend outflow will certainly not be impacted. We have always said that we will maintain the dividend and gradually increase it. The current level of dividend will be maintained despite higher capex.

As I said, if you look at the CGD industry, to cover the potential in the geographical areas in which I operate, I would have spent, say, Rs 1,000 crore every 3-5 years—every year for up to 3-4 years—to tap that potential. What I am doing is bringing forward that capex.

If I spend a little more now, I may have to spend less in subsequent years because I am trying to seize the opportunity available today due to the pressure on LPG and the very good opportunity that has come to the CGD industry. It is not that the overall capex for the project to tap the potential in the geography is increasing.

In fact, it has reduced because my interest charges have come down, the speed of executing the project has increased, and it saves a lot of overheads. It is only a matter of bringing forward the capex. We are not saying that the overall project cost is increasing.

Jayesh Shah: Thank you, sir. Thank you for taking my questions.

Operator: Thank you. The next question is from the line of...

Management: Whatever number of stations and kilometers of pipeline are required to tap the potential, I will complete them a little earlier. That is all. If I have to borrow intermittently, we can always borrow.

Management: Exactly. Even considering the balance sheet strength and a net-zero balance sheet, borrowing is never going to be a challenge for the company. As you rightly put it, we have brought forward the capex, and there can be cash flow requirements toward capex that are met through borrowing.

Management: We do not see any cash flow issues. Cash flow will be managed. There is nothing to worry about regarding cash flows.

Operator: The last question is from the line of Aryan from Equitas Investments. Please go ahead.

Aryan – Equitas Investments: Thank you for taking my question. You explained the CNG initiatives, but I wanted to ask about management's focus on this. Are we placing significant focus on the EV initiatives we have, or are we saying that this is not our main area of expertise and that we will invest more of our time and resources in the CNG business? What is management's philosophy?

Management: It is a smaller investment considering the size of MGL, and our objective was mainly to understand the segment. As you are aware, any new initiative or startup will have this kind of performance in the initial years.

Even so, it will help us understand in the long term what can be brought into our fold if, 12–15 years down the line, EV vehicles really take off. At least we will understand the market very well.

You may not see a very sizeable amount of management time and money being invested in this segment for at least the next 3–5 years. However, once we are confident and know that the time has come for it to start operating successfully, we will definitely scale up at that time.

Aryan – Equitas Investments: Understood. My last question is on the new GAs. You said that you expect volumes to come from the new GAs. Are we planning to bid for any new GAs when tenders come up, or is our philosophy to continue focusing on the existing GAs?

Management: Our existing GAs—GA1, GA2, and GA3—still have a lot of potential, and the infrastructure is developing. There is a good amount of growth available in GA2 as well as GA3. For the UEPL SBUs, we have been saying that there is potential of almost 1.2 MMSCMD. We are currently serving a little more than 0.3 MMSCMD, so it can still grow fourfold. We are increasing there by more than 30%.

If required, we are open to and may look for opportunities for acquisitions as well. The time is coming when APM is declining substantially. There are new entrants who may have management issues, and new non-gas operators have also entered. If we are able to use our ability to manage gas and acquire any companies, we are open to that as well.

Growth can also come through the inorganic route. Bidding is not currently open because most geographies have already been bid out by PNGRB.

Aryan – Equitas Investments: Understood. Thank you, and all the best.

Management: Thank you. Thank you.

Operator: Thank you, ladies and gentlemen. We take that as the last question of the day. I would now like to hand the conference over to the management for the closing comments.

Management: Thank you so much, everybody, for connecting to the call today. We would be happy to address any questions you may have offline. Thank you so much. Thank you.

Operator: On behalf of Mahanagar Gas Ltd., that concludes this conference. Thank you for joining us. You may now disconnect.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.