GAIL (India) Limited

1QFY27 Earnings Conference Call Transcript

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Participants:

- **Mr. S. K. Sinha** – Director Finance – GAIL (India) Limited
- **Mr. Vivekanand S.** – Ambit Capital (Moderator)

Transcript

Moderator: Ladies and gentlemen, good day, and welcome to GAIL (India) Limited 1QFY27 Earnings Conference Call hosted by Ambit Capital Private 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 an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vivekanand S. from Ambit Capital Private Limited. Thank you, and over to you, sir.

Vivekanand S.: Thank you, Palak. Good day, ladies and gentlemen. On behalf of Ambit Capital Private Limited, I welcome everyone to GAIL (India) Limited's first quarter fiscal 27 Earnings Call. Today, we have the pleasure of having with us the senior management of GAIL led by its Director Finance, Shri S.K. Sinha-ji. I will now hand over the call to the management for their opening remarks, which will be followed by Q&A session. Over to you, Sinha-ji.

S. K. Sinha: Okay. Thank you, Vivekanand.

I extend a warm welcome to all of you and thank you for joining us today. I also take this opportunity to thank our investors and analysts for their continued trust and engagement with the Company.

For the FY 2026-27 began amid sharp volatility triggered by the West Asia crisis, which impacted certain GAIL volumes. The Company managed the disruption through a combination of portfolio flexibility and spot sourcing, while continuing to support customer requirements and India's energy security. GAIL's diversified portfolio proved to be a key strength in navigating the quarter effectively.

During the quarter, the energy sector faced significant challenges arising from the geopolitical developments and supply disruptions.

Before I move on to the operational and financial highlights, I would like to place on record my sincere appreciation for the entire GAIL team. Our teams worked relentlessly to ensure continuity of the gas supplies and meet customer requirements. Their dedication, resilience and customer-centric approach enable GAIL to navigate the disruptions effectively while supporting India's energy security, which is reflected in the quarter's strong performance.

In summary, Q1 FY'27 demonstrated the resilience of GAIL's integrated business model, with strong financial performance supported by portfolio diversification, disciplined supply management and continued investment in strategic growth projects.

Moving to the key business highlights for the quarter.

During the quarter, the entire 1,707-kilometer Mumbai-Nagpur-Jharsuguda pipeline became operational on 31st May '26, marking a significant milestone in strengthening GAIL's gas transmission infrastructure.
Pursuant to the NCLT order dated 03rd June 2026, Konkan LNG Limited became a wholly owned subsidiary of GAIL (India) Limited with effect from 06th July 2026. This will help GAIL streamline operations more effectively, bring tax efficiencies and make RLNG sourcing more competitive.
PNGRB also authorize for the 3 LPG pipelines, namely Jhansi-Sitarganj 610 kilometers, Cherlapally-Nagpur 556 kilometers and Shikarpur-Hubli-Goa 635 kilometers was received on 14th July '26. The combined length of these pipelines is over 1,800 kilometers with estimated investment of around INR 6,700 crores spread over 3 years.

Moving to the performance highlights.

First, we discussed about the standalone profitability. Gross turnover for Q1 FY'27 stood at Rs. 38,912 crores, as against Rs. 34,591 crores in Q4 FY'26, reflecting growth of around 12%. Supported by elevated crude and LPG prices and GAIL's well-diversified portfolio, the Company delivered a robust financial performance during the quarter. PBT stood at Rs. 5,773 crores as against Rs. 1,577 crores in Q4 FY'26; PAT stood at Rs. 4,292 crores as against Rs. 1,262 crores in Q4 FY'26.

Moving to the consolidated financials.

On consolidated basis, for Q1 FY27, turnover stood at ₹41,277 crores, compared to ₹35,499 crores in Q4 FY26. EBITDA was ₹7,573 crores, versus ₹2,703 crores in the previous quarter. PBT stood at ₹6,268 crores as compared to ₹1,966 crores in Q4 FY26. PAT (excluding minority interest) stood at ₹4,665 crores, as against ₹1,485 crores in Q4 FY26.

Moving to the segmental performance and outlook.

First, we discuss about the gas marketing.

Due to the force majeure declared by PLL, volumes from Qatar were impacted. Additionally, 07 cargoes from other contracts were also affected during the quarter. To meet the demand gap, GAIL sourced 08 spot cargoes during Q1 FY'27.
Our Gas Marketing volumes stood at 93.82 MMSCMD, comprising 8.76 MMSCMD in the international market.
Favorable movement in price indices supported the elevated marketing spread during the quarter. Higher returns were generated from Henry Hub-linked and JCC nine-month -linked sourcing where the corresponding sales were not indexed on the same basis. This advantage is expected to be largely short term, as the nine-month and three-month JCC averages are expected to converge over time and the benefit from index movement is likely to normalize.

In view of the continued volatility, we maintain our Gas Marketing guidance for FY2026-27 at around ₹4,500 crores PBT. We will further review and revise the guidance, if required, after declaration of the results for subsequent quarters.

Moving to the natural gas transmission.

Natural Gas Transmission volume for Q1 FY'27 stood at 122.36 MMSCMD as against 118.99 MMSCMD in the previous quarter. The Q1 FY'27 transmission volume is broadly in line with FY2025-26, with the increase primarily on account of shippers' volume, which rose by around 4 MMSCMD during the quarter.

Based on the current operating trend and the Q1 FY'27 volume of 122.36 MMSCMD, we now expect Natural Gas Transmission volume for FY'27 to be around 123 MMSCMD with the assumption that the geopolitical situation continues. We will continue to monitor the evolving geopolitical situation and domestic demand and will update the guidance if a material change is warranted.

Under the polymer business,

Due to diversion of feedstock natural gas towards priority sectors in line with the Government Gazette notification declaring natural gas as an essential commodity, Polymer production during Q1 FY'27 stood at 51 TMT.
The segment incurred a loss of ₹ 130 crores for the quarter. At present, the plant is running at 100% capacity, and we expect it to be at the breakeven level during FY'27.
We are actively pursuing the shift of Pata Petrochemical Complex from natural gas to ethane as a feedstock to ensure long-term sustainable margins.

Moving to the LHC and LPG transmission.

In the LPG Transmission segment, volume stood at 1,077 TMT as against 1,114 TMT in Q4 FY'26, down by ~3%, primarily due to disruption in LPG imports on account of the West Asia crisis.
In the LHC segment, the Company increased production by around 20% during the quarter, from 194 TMT to 232 TMT, supported by additional allocation of domestic New Well Gas of approximately 0.597 MMSCMD. Production is likely to remain in this range throughout FY'27.
The LHC segment reported PBT of ₹ 772 crores during Q1 FY'27, as against ₹ 144 crores in the previous quarter and ₹ 489 crores in the previous financial year, aided by higher LPG prices due to the West Asia disturbance.

Moving to the CGD and GAIL Gas performance.

GAIL's CGD network across 6 GAs comprises 217 CNG stations and 2.63 lakh DPNG connections. During Q1 FY'27, GAIL's CGD business added about 20,069 DPNG connections and 3 CNG stations.

GAIL Gas Limited, which is wholly owned subsidiary of GAIL, currently operates 16 GAs directly and 9 GAs through its JVs. During Q1 FY'27, GAIL Gas added about 16,610 DPNG connections. As on 30th June 2026, GAIL Gas held a network of 592 CNG Stations and 7,93,684 DPNG Connections

Over the next two years, GAIL Gas targets to add around 275 new CNG stations and about 3.70 lakh new DPNG connections

During the current quarter (Q1 FY’27): -

Turnover stood at ₹ 3,326 crore as against ₹ 3,227 crore in Q4 FY’26. PBT increased by 3% and stood at ₹ 162 Crore as against ₹ 158 Crore in Q4 FY’26. PAT was up 3% and stood at ₹ 120 Crore as against ₹ 117 Crore in Q4 FY’26.

Moving to the ongoing projects and capex pipeline projects.

JHBDPL remaining section, KKMBPL Phase II, Gurdaspur-Jammu Pipeline and C2-C3 Pipeline are scheduled for completion in the current financial year. Vijaipur-Bina Pipeline and DUPL-DPPL capacity augmentation are scheduled for completion in FY2027-28. JLPL capacity augmentation is scheduled to be completed in July 2028.

Petrochemical projects: The 1,250 KTA PTA plant at GMPL is in advance stage of commissioning and should start production shortly. The 500 KTA PDH-PP plant is scheduled to be commissioned in the next financial year.

Moving to other capex plans:

During Q1 FY'27, GAIL incurred a capital outlay of ₹ 6,176 crores, demonstrating strong progress across strategic growth initiatives. This sustained investment underscores our commitment to strengthen gas infrastructure, enhancing downstream capabilities, advancing clean energy projects and supporting India's long-term energy transition and energy security objectives. We remain on track to achieve our FY'27 capital outlay guidance of around ₹ 11,500 crores.

That concludes my overview of the quarter's performance, segment-wise outlook and key projects. Over to you, Mr. Vivekanand.

Moderator: Thank you very much. We will now begin the questions & answers session. Anyone who wishes to ask a question may please press star and one on your touch tone telephone. If you wish to remove yourself from the question queue, you may press star & two. Participants are requested to use handset while asking a question. Ladies and gentleman, we wait for a moment while the question queue assembles.

The first question is from the line of Vivekanand S from Ambit Capital Private Limited. Please go ahead.

Vivekanand S.: Hi, Mr Sinha.Thanks for updating your guidance on transmission as well as marketing and petchem. Just drilling deeper into the drivers of the transmission volume growth. If you can help us understand, you had a volume of 127 MMSCMD in FY '25. Now clearly, FY '26-'27 were down years, very specific reasons. But how to think about the demand outlook beyond FY '27, considering that the government is taking multiple steps to derisk the country from the overexposure to LPG in certain sectors. Is there any change in demand outlook that you have experienced as far as the government's push is concerned? That is my first question. The second one is on the gas sourcing side. So some of your new contracts, particularly Vitol and ADNOC volumes, they will kick in now, right, this year. So just trying to understand in terms of your long-term portfolio, what are the incremental deals that you are planning to sign? What would be the duration, benchmarks? If you could talk about that, it will be great. Thank yiu

S. K. Sinha: Okay. Thank you, Mr. Vivekanand. Coming to the first question for the demand, as you know, PNGRB has come up with the document, a paper where it had mentioned that during the FY '20-'30, the total demand will be 297 MMSCMD as against currently 200 MMSCMD. So there will be increase of about 100 MMSCMD and 100 MMSCMD will come first from the CGD sector; second, from the fertilizer sector; third one was the -- power sectors; fourth one, the industries, which includes steel, aluminum, etc.

And last one is the LNG -- long-haul LNG truck. So these are the areas where demand will come in the future. And moving to the second question regarding sourcing. So right now, we have 16.5 MMTPA in our portfolio. And earlier, our Chairman had already told that we will source around 7 to 8 MMTPA by 2030, out of which we have sourced around 2.5. So rest, we are working on it.

Vivekanand S.: Right, thanks. Just to help us understand the, let's say, the road map because the 2030 outlook, now we are not very far off, I mean, less than 3.5 years. So to understand how much of the 100 MMSCMD incremental demand will come from the various sectors. Do you have any more working that you have done? Because I understand that the PNGRB had done this at a time when the market was very normal.

There was an LNG glut expected globally. But the devastation war is likely to have changed many things here. So in your view, what do you think is now perhaps updated demand projection that you are working with and you believe is plausible in, let's say, FY28 and FY29.

S. K. Sinha: Basically, based on the current situation, we have not revised our volumes. So we are totally relying on PNGRB published figure. So certainly, there will be an increase. I've already told about the CGD sectors where the growth is around 10% to 12%. So currently, it is around 45-46 MMSCMD.

And by 2030, as per the PNGRB, it will increase to 80-85 MMSCMD. And second one in the fertilizer sector, there will be around 10 to 12 MMSCMD growth, which will come by 2030. Third one is the power sector. Currently, we are consuming in the power sector around 25- 26 MMSCMD. It will increase to 30-35 MMSCMD. And in the other segments, I've already told you that the long-term haul truck haul or steel and cement, the growth will happen in these sectors.

Vivekanand S.: Thank you very much Sir. Palak, you may open the Q&A queue now. Thank You

Moderator: Thank You, Sir. Ladies and gentleman, in order to ensure that management is able to address questions from all the participants in the conference call, please ,limit your questions to two per participant. For follow up, please rejoin the queue.

The next question is from the line of Probal Sen from ICICI Securities Limited. Please proceed.

Probal Sen: Thank You, Sir and Congratulations, on a strong set of numbers in a challenging environment. Just had a couple of questions. Number one, obviously, trading has surprised positively in terms of the margin performance. And yet, if we look at the guidance of INR4,500 crores, what we are implying, therefore is that -- there's a very steep decline in terms of the quarterly run rate, if we look at what we've already achieved in Q1.

So how should we look at it, sir? Is this just excessive prudence at this point of time, and is there almost a decent probability of further upward guidance? Or you know is there a huge normalization that can happen when the JCC 3-month linkage actually kicks in and converges to the 9-month number? Just if we can understand a little bit more.

Sumit Kishore: See, Probal, I think you have rightly pointed out this. We have been telling this in earlier quarterly calls also that JCC index contract, which is for 2.4 MMTPA, it is on 9-month Brent. It is on crude cocktail, but roughly it is the same as predicted by Brent, but it is covering the 9-month average and that too with a lag of 2 months. And whereas all the downstream sales are on 3-month dated Brent. So there has been in earlier years also cash flow differential have been there, which are getting normalized over a longer period of time.

So what we believe that this time -- in this quarter, there was abnormal jump in the Brent index

numbers, which contributed to very high realization in terms of sales, and we -- that has contributed significantly. But this is one-off definitely. Much of it will get cured within the year. That's what we understand. However, it depends on the level of dated Brent in the coming months, which is depending on so many international factors.
Probal Sen: Got it, sir. Sorry to harp on this again, but another significant part of our trading portfolio is the 21 MMSCMD or 5.8 million ton of Henry Hub gas there, it's very clear that Henry Hub prices are continuing to be at a discount to Asian LNG prices. So that advantage will still sustain. There is nothing specifically one-off about that phenomenon. I mean, obviously, the differential may narrow a bit. But that can -- is it fair to assume that, that advantage will continue to sustain for us for even the rest of the year?
Sumit Kishore: No, that -- again, that depends on the levels of Brent index and the Henry Hub index in the remaining months. Of course, we are continuously striving to hedge certain volumes of the exposure which we are having on the Hub index. As far as Henry Hub is concerned, roughly half or slightly less than half goes on back-to-back index and another maybe 20% goes for our own consumption in Pata. So the cross-index, whatever is available is not a very high number. Yes, definitely, that is in a sweet spot right now. So that contributes positively to our top line and bottom line.
Probal Sen: Got it, sir. And the second question was about the LPG business where you mentioned the additional allocation of 0.6 MMSCMD. So in terms of production run rate, should we assume that the production run rate that we have achieved in this quarter, that will safely be maintained for the rest of the year? And what was the average pricing that we saw for our realizations in this quarter?
S. K. Sinha: Basically, average price during the last quarter, it was around INR90,796 and moving to the production side, basically, we have allocated additional 0.597 MMSCMD. So earlier we had allocation of about 1.32. So, our total allocation is around 1.9. So based on the 1.9, we will be able to produce what we produced during the last quarter.
Probal Sen : Understood sir , I will come back for more questions , Thank you so much and all the best .
Moderator: Thank you sir, The next question is from the line of Yogesh Patil from Dolat Capital. Please proceed with your question.
Yogesh Patil: Thanks for an opportunity and Congratulations for the great set of numbers, sir. A few questions on the petrochemical Pata facility. What was our average gas cost for the petrochemical during the quarter? And what gas price do we expect petrochemical operating profit will come into the positive side?
S. K. Sinha: During the last quarter, the average price of petrochemicals, landed price was $10.54 per MMBtu.
Yogesh Patil: And sir, any guidance that at what price we will be profitable on the petrochemical side at what gas cost?
S. K. Sinha: If around $13, $14 landed price and selling price is around INR130,000, there will be no profit and loss.
Yogesh Patil: Sir,next related to USAR and the GMPL again. As you mentioned, USAR is going to start next year and GMPL very soon. But could you -- approximate timelines when these projects will be fully commissioned? That's one. And secondly, when will it start contributing to the EBITDA?
On the safer side, will it be the second half of FY '28? Or will you give us -- I mean, will you give us guidance on the FY29 side? Will full profitability reflect in FY29?
S. K. Sinha: Basically, we have not booked out profit for the FY '27-'28 for the GMPL and PDH-PP but certainly, our GMPL plant is under commissioning and production will start very soon. And regarding the PDH-PP plant, this plant, as per the timelines, should be commissioned by June '27, but it will take another 6 to 7 months, and it may be completed by December '27.
Yogesh Patil: Last question on the PNGRB Action Plan 2027. So sir, they have mentioned

promotion of transfer and the competition in the gas infrastructure. Under this paragraph, PNGRB has mentioned unbundling functions and the creation of an independent transport system operator. What we understand is that recently, the gas distribution has cancelled the unbundling of GAIL transmission in the trading segment. Can you just give us a little bit of clarity on this topic?

S. K. Sinha: Basically, in the year 2014, PNGRB came up with clause 5A for the unbundling of GAIL. Unbundling means any entity that is in the transmission and marketing business has to separate with effect from 1st April '27. So for this, we went to the court, and the case is still pending. And recently, PNGRB has withdrawn clause 5A from their regulation. So right now, there is no obligation for unbundling for the entities which they engage in gas transmission and gas marketing.

Yogesh Patil: Okay. So then what will be the role of TSO, transport system operator, independent TSO?

S. K. Sinha: TSO will examine the third party. Basically, in any pipeline, we have 25% for the third party, so open access. So they will monitor the open access quantities.

Yogesh Patil: Thank a lot, Sir, and all the best.

Moderator: Thank you, Sir, The next question is from the line of Siddharth Chauhan from 360 ONE Capital.

Siddharth Chauhan: Hi, thank you for the opportunity. I have 2 questions. Firstly, in the gas transmission business, for system use gas, do we get HPHT gas, or do we have to rely on spot LNG? That's my first question.

S. K. Sinha: Yes. Basically, we are using HPHT gas. we had already purchased HPHT gas in the past. So we are using the same gas.

Sumit Kishore: Currently, we are using HPHT that was earlier awarded through bidding, so it is available. Going forward, the PNGRB has come out with a regulation where 3-year long-term sourcing, at least 3 years or more, has to be done for procuring the gas for the SUG purpose.

Siddharth Chauhan: Understood. And any thoughts on that? Have we planned our sourcing for the next 3 years?

Sumit Kishore: We are examining that, and definitely, SUG is a must for operating the pipeline. So we'll be planning that soon.

Siddharth Chauhan: Understood. And lastly, on Dabhol LNG plant, when will the heating system be installed? And secondly, will it be fair to assume that all the incremental deals on the sourcing side will be brought to Dabhol LNG for regasification?

S. K. Sinha: The ambient heating system will be completed by next year, by June '27. And what is your next question?

Siddharth Chauhan: And the next question was that will it be fair to assume that the incremental deals on the sourcing side, all the volumes will be brought to Dabhol LNG for regasification. So as you mentioned, 7 to 8 MMTPA you're targeting by 2030, and you have already sourced 2.5?

Sumit Kishore: Generally, all the deals are having West India optionality available with them, where we can change the port or depute the port. So definitely, we will endeavour, once the terminal is fully ready to use, to use as much as available slots as possible.

Siddharth Chauhan: Thank you, Sir and all the best, for future.

Moderator: Thank you Sir. The next question is from the line of Amit Murarka from Axis Capital. Please proceed.

Amit Murarka: Good evening and thank you for the opportunity , So on the Henry Hub LNG, I believe a lot of it is back-to-back contracted. So just wanted to understand like what percentage of it is still open and how much is in the contract terms now?

Sumit Kishore: So I think this has been answered a few minutes back in another question. But as I said, we had a portfolio -- we have a roughly portfolio of 21 MMSCMD on Henry Hub, and out of which around half or slightly less than half is contracted back-to-back, another 20% goes for our own internal consumption in the petrochemical complex. The remaining maybe 25% to 30% is available for sale in Brent contracts. So that is available on a cross-index, and we are time to time hedging and locking the margins for this cross-index basis.

Amit Murarka: And given the high differential right now between the 2, between Henry Hub linked and Brent-linked, so is it fair to say that at least in the second quarter or the near term, the margins that we capture from the open-ended volumes will still be quite high then?

Anjana Sanjeeva: Amit, our Pata plant was partly operational during quarter 1. It started in the mid of May. So now -- and it was operating at 50% load. Now Pata is fully operational on 100% load. So the volume, which was -- which is designated for Pata will be consumed in Pata. So we'll have less arbitrage available to play with HH.

Amit Murarka: Got it. So -- but still, given that petchem prices are also very high. So in that case, then the same margin will now get captured in petchem to that extent?

Anjana Sanjeeva: Yes. But we cannot be so sure of petchem prices. It will anyway be determined by the market forces.

S. K. Sinha: And price has already softened if you compare with the previous quarter.

Amit Murarka: Ok sure ,Ok got it, that’s it from me thank you.

Moderator: Thank You, Sir. The next question is from the line of Sumeet Rohra from Smartsun Capital. Please proceed , Mr. Sumeet you line has been unmuted please proceed with your question.

Sumeet Rohra: Hi, thank you Sir, thanks a lot for the call and many congratulations on a great result. Sir, I just wanted to get your sense on this gas marketing. You said that you know INR4,500 crores is basically what you're targeting on a PBT level for the whole year. And you've done about INR3,600 crores in the first quarter. Now you -- I also understood you said that this is linked to Brent, dated Brent.

Now assuming, sir, Brent is averaging around, say, $90 or between $80 and $90 even in the second half -- I mean, the second quarter, how do you basically think this gas marketing number should look because that's a very big moving part in the results, right? Because if you see on a total PBT of INR6,500 crores, that is INR3,600 crores. So if you can help understand on that, then they'll get a better sense of the numbers on gas marketing.

And sir, secondly, also on the LPG, you've reported INR772 crores versus INR205 crores. Now that is also quite a high number. So do you also see this INR700 crores plus number sustaining for the balance of the other quarters, sir?

S. K. Sinha: Moving to the second question regarding LPG, the price of LPG during the last quarter was around INR90,796, and the price has already softened during the current quarter. So certainly, there will be a decrease in the LPG profitability. And regarding the input side, we are using some portion of the APM gas; the price is around $7, and we are using some new well field gas. The gas price is around $12 to $13. So based on these situations, whatever profit we earned during the last quarter, certainly this profitability will decrease during the current quarter. And regarding the gas marketing profitability, we reported around INR3,353 crores at PBT level. So we have already explained earlier that our total guidance during the current year is around INR4,500 crores. So if any change will happen in the coming days, we will come up with the revised guidance.

Sumeet Rohra: Thank you so much Sir. But just one thing. So this INR4,500 crores has been a number which is long spoken of since the last 2, 3 years. So do you think that it's more or less going to remain around here? Or at some point, you're going to see a very sharp escalation in those numbers?

Anjana Sanjeeva: The situation is very volatile. It keeps moving; it's changing every day. So the result -- extraordinary result that we got in quarter 1 is due to JCC 9 months and 3 months arbitrage that we got. And over the long run, these averages are going to converge. So in the second quarter, the JCC 9-month average will reflect the current Brent prices to some extent. So the margins are going to shrink as we go forward. So the same kind of margins that we earned in quarter 1 may not be available in quarter 2. And if Brent goes down significantly, we may lose on that number because the 3 months -- Brent 3 months will start reflecting a lower number than our sourcing.

Sumeet Rohra: Ok Sure. Thank you, mam.

Moderator: Thank you, Sir. The next question is from the line of Sabri H from Emkay Global. Please proceed with your question.

Sabri H.: Good after noon Sir and Congratulations on a stellar set of numbers. Sir, 2 questions. First is on the transmission side. I think the expenditure on the transmission side is quite low if we adjust for the one-off which was done in Q4. So was there anything specific during Q1?

S. K. Sinha: In the last quarter -- there is a provision. Basically, the provision has reduced from INR111 crores to INR11 crores. So the total cost has decreased mainly due to the provision.

Sabri H.: Okay. But there was nothing like no change in gas sourcing mix for the plant?

S. K. Sinha: No.

Sabri H.: No one-offs, right? Okay. Fair enough. And second question is on your fertilizer plant. So these are all assured projects, right, in terms of 12% to 16% IRR, which I think the government has also stated.

So they will always be like profitable? Or is there some risk of like cost overshooting and you are not able to make that much money? Is there any risk or it's a fixed return business, the fertilizer capex?

S. K. Sinha: Basically, yesterday, Ministry of Fertilizer has published new urea policy for the investment. So we are going for the 2 fertilizer plants, one is in Maharashtra and the other one is in Chhattisgarh. And all the plants are under active evaluation. So whenever we finalize our DFR and investment decisions, we'll inform you subsequently.

Sabri H.: Got it Sir.Thank you So much Sir.

Moderator: Thank You Sir,The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please proceed with your question.

Mayank Maheshwari: Sir, I had a bigger picture question around how you have used the energy shock over the last quarter to improve your market share in marketing specifically. Is there something that you can tell us about because as you said, this has been a one time and large portfolio around mass sourcing has been helpful? Can you quantify in terms of long-term market share that you will be able to gain because of this shock?

S. K. Sinha: Mayank, can you repeat your question? Basically, we are not hearing.

Moderator: Mayank, can you please use your handsets.

Mayank Maheshwari: Can you hear me now?

S. K. Sinha: Yes. It is okay.

Mayank Maheshwari: So I was basically asking in terms of your long-term market share on marketing of natural gas, how have you used the last quarter of shock, considering you had a good portfolio of sourcing to increase your market share in the medium term? Are you able to get more longer-term customers because of the shock and your ability to kind of supply the gas during these times?

Sumit Kishore: Yes. Mayank, this Middle East war, though it has given a lot of lessons for the country, but definitely one lesson has come out very startlingly that our dependence -- the country's dependence on LPG is very much loaded on the Middle Eastern countries, whereas the country's natural gas portfolio for the country is much more diversified. So for the energy security of the country, it is very important.

And even in the longer run, this message will continue that LPG has to be replaced in a very, very projectile manner with natural gas, whether it is for cooking, whether it is for industrial segments and whatever segment. So yes, that has given a big boost and the government, the

Ministry of Petroleum, is also pushing very hard for more and more PNG connections for the homes.

And even in the industrial customers, whether they are in the ambit of CGDs or large industrial customers, otherwise on natural gas pipelines, which used to earlier use LPG they are all now coming up for tying up natural gas for the energy requirement. It is a big boost for natural gas in the longer term.

Mayank Maheshwari: And specifically in terms of, because you have been losing market share on the marketing side versus your transmission volumes, if you look at the gap, it has been widening over the years. Is that gap that you can close over the next few years because of this, or not?

Sumit Kishore: Definitely, it will help improve. And one of the reasons for that, whatever factor you are saying, is the growth in the CGD sector, where many of the CGDs sometimes are sourcing on their own. But as far as the pipeline transmission network, it is -- GAIL being one of the biggest pipeline transmission network owners, transmission volumes will continue to benefit.

Anjana Sanjeeva: From the volume growth in CGD, we can understand that there has been substantial growth in industrial and commercial connections because those I&C customers they are avoiding LPG now. So they are taking new connections. So in coming quarters, we'll see that growth coming up.

Mayank Maheshwari: And I think just the last question on Jharsuguda pipeline. How much volume do you think you can be going to this pipeline over the next couple of years, and what impact on tariff overall, if at all any?

S. K. Sinha: Currently, it is around 0.5 MMSCMD, and this will increase further as we are discussing at the Jharsuguda site. So there are a lot of industries in Jharsuguda. So certainly, they will consume gas in the coming days.

Sumit Kishore: 1 or 2 years is a very small period. So many CGDs are there, they will gradually ramp up. But the most important thing is our 2 fertilizer plants, which we are working on, if they are approved, they may take another 3- 4 years. That will be a big boost on the volumes on this pipeline.

Moderator: Thank you sir,The next question is from the line of Bineet Banka from Nomura. Please proceed with your question.

Bineet Banka: Hi Sir, thanks for the opportunity. I have a couple of questions. Firstly, on the gas trading side, was there any one-off? Like in the last quarter, there was a provision of INR6.7 million odd. And I think you said that this could be reversed in the coming quarter. So was it reversed in this quarter?

S. K. Sinha: No. This has not been reversed in the current quarter. So -- it is one-off in the current quarter, yes.

Bineet Banka: Understood sir. Secondly, on the LPG LHC business, I understand the volume currently, the domestic gas volume, is around 1.9 MMSCMD. Can you give a breakup of how much of it is APM price, how much is New well gas price?

S. K. Sinha: 1.12 is the APM gas, and the rest is the new well field gas.

Bineet Banka: Okay, sir. So Henry Hub gas that you're sourcing from the U.S., you said around 20% goes to petchem plant. And if the same gas is sold on Brent-linked pricing to some other customers, the margin will be much higher. So just trying to understand, is it -- are you better off to probably use this gas to be sold to some other customers rather than using it as a petchem feedstock?

S. K. Sinha: Basically, we have been in the petrochemical industry since 1999. So we have a market. We have a customer. So we have to produce; we have to run our petrochemical plant at a certain level. So we have Henry Hub gas around 21 MMSCMD, and our ED Marketing has already clarified in detail. So how much we are selling on a back-to-back basis, how much we are selling on cross-index and whatever -- how much we are consuming in the -- our internal consumption.

Bineet Banka: Okay. Sir, one last question on LPG realization. So usually, when I compare this realisation with the Saudi contract price, it is largely in line. But this quarter, there was a large divergence. So is it because of the much higher spot premium over the Saudi contract price because of what is happening in the Middle East, and also due to additional higher logistic cost, or anything else which could explain this price difference?
S. K. Sinha: Basically, during the last quarter, the average crude price was around $96- $97. So based on these crude prices, the price of the LPG has increased, and the price is being fixed based on the Saudi Aramco index.
Bineet Banka: Ok Sir, thank you.

Moderator: Thank You, Sir.The next question is from the line of Somaiah from Advance Spark. Please go ahead. Mr. Somaiah, please proceed with your question. As the line for the current participant is not active, we'll proceed with the next question. The next question is from the line of Nitin Tiwari from Phillip Capital. Please proceed with your question
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Nitin Tiwari: Hi, Sir, good evening and congratulations on a very strong set of numbers. Thanks for the opportunity. A couple of questions from my side. So we have a number of projects which are commissioning over this year and next year as well. So how do we look at depreciation and interest? I mean, can you give us some guidance on the run rate for depreciation and interest going forward on either an annual or quarterly basis?
S. K. Sinha: Basically, during the previous quarter, we have already reviewed the life of our pipelines and the petrochemicals. So based on the current life of 40 years and 35 years for the petrochemicals, the depreciation will be around INR3,200-3,300 crores in the coming year.
Nitin Tiwari: Even after the commissioning of new pipelines, I mean that is more broad right, sir? And also, I mean, we have a petrochemical project commissioning as well in next year?
S. K. Sinha: Yes, GMPL will be commissioned very soon, and PDH-PP plant will be commissioned next year.
Nitin Tiwari: Right, sir. So I mean, if we include all of that, then how would this INR3,200 crores number move? Any sense on that?
S. K. Sinha: Basically, the depreciation rate for the year. Petrochemicals, it is around 4%. So you can calculate the total PDH-PP cost is around INR11,256 crores. So additional impact will be around INR 312 crores for PDH-PP plant.
Nitin Tiwari: INR312 crores, sir. Got it. And on the interest side?
S. K. Sinha: Currently, the interest -- total finance cost for the current quarter was around INR310 crores. So you can calculate on a yearly basis; it will be around INR1,200 crores-1,300 crores.
Nitin Tiwari: Understood. Because of the plant, I mean...
S. K. Sinha: Tell me. Yes.
Nitin Tiwari: I was saying that currently, you would be capitalizing the interest on the debt on the plant, right? So that will get expensed later when the plant is commissioned. So how would the interest run rate look?
S. K. Sinha: Total plant cost is around INR11,000 crores based on the 60-40 something; total loan of the PDH-PP is around INR6,000 crore. INR6,000 crores x 7, INR440 crores. The total finance cost increased by around INR440 crores on a yearly basis.
Nitin Tiwari: INR440 crores. Got it, sir. Sir, the second question was on marketing margins. So while you did explain the gap between 9-month and 3-month JCC contracts, which led to the widening one. But you would have sold sort of spot cargoes in this quarter as well to make up for lost cargoes from Qatar, right? So how was the marketing margin on those cargoes? If you can give us some sense either in percentage of the price terms or in dollar per MMBtu.
Sumit Kishore: See, the thing is what I see: we have been managing -- trying to manage the volumes to our customers also. So we have purchased a lot of spot cargoes during the summer

period, which have closed at market price. So ultimately, we have used a mix of both strategies to keep the customers supplied and also trying to protect our margins.
One more factor which was playing out in this quarter was that, though the prices were high, the power sector, the peak in power, especially during the summer months and during the evening hours, that consumption was substantial. And sometimes the summers are mild, but this year, the monsoon has been deficient.
So even though the spot prices were high, the power plant did consume a lot of spot gas.
Nitin Tiwari: So would it be fair to assume that you were able to make reasonable margins on the spot cargoes as well?
Sumit Kishore: Yes, that's right.
Nitin Tiwari: And last question, I mean, just a clarification one. So JCC sourcing is 9 months with a 2-month lag. I mean, how is the supply contract? Does it also have a lag? Or how does it work? I mean, suppose if a consumer is buying in August, so what is the 3-month Brentt that we'll have to look at to understand the price that will be...
Sumit Kishore: Immediately preceding months, whereas the sourcing side is 9 months with a lag of 2 months.
Nitin Tiwari: Got it Sir, Thank you so much Sir. That the answers to all my questions.

Moderator: Thank you. The next question is from the line of Vikas Jain from CLSA. Please proceed with your question. Mr. Vikas, your line has been unmuted, please proceed with the question.
Vikas Jain: Hi Sir, thanks for taking my questions. Firstly, on gas transmission, because of the thing that you just mentioned of power having sudden demand during the seasonal demand jump, that power saw. Is it fair to assume that current gas transmission volumes will obviously not be as high as we saw in the last quarter, and it's come off?
S. K. Sinha: So I have already told you that during the current year, you can assume around 123 MMSCMD.
Vikas Jain: Okay. So yes, I understand that, but does that include some kind of normalization due to the Hormuz supply, etc, getting normalized? Or -- and that demand might also be very price-sensitive part. So, like, if there is a sudden spike or collapse in LNG price, all of that can be more sensitive, right? So that's what I wanted to understand: that as supply as summer season-related supply has gone, has that led to some kind of a cool-off in demand?
S. K. Sinha: Basically, in the summer season and particularly in the month of August and September, the power sector consumes gas. And similarly, in the month of December and January, the power sector consumes gas. So based on all the factors, we have calculated the total figure of around 123 MMSCMD.
Vikas Jain: Okay. And would this figure change materially if, say, there is -- for some reason, maybe due to European filling of LNG, if there is a spike by, say, a significant spike by $3-$4, would that demand figure change materially? Or do you think that this is not that price sensitive?
S. K. Sinha: If changes happen materially in the coming year, certainly, we will come and inform you in the subsequent quarter. So right now, we don't foresee any material change. So based on the current situation and what we expect in the coming situation, the total gas transmission volume will be around 123 MMSCMD.
Vikas Jain: Okay, sir. And just one more thing. Basically, LPG gas trading, you just explained that obviously, there will be a period of catch-up because a lot of gains have been booked due to the benefits of the lag in this particular quarter. Similarly, for petchem and LPG -- near LPG production, can I argue that, like you said, because prices have cooled off from those very high levels, that profitability in the second -- in the current quarter would not be as good as the profitability in the first quarter. Is that a fair way of looking at things?
S. K. Sinha: Basically, during the last quarter, the price of petrochemicals was around INR1,46,000 per metric ton as compared to INR 98,000 per metric ton in quarter 4. Similarly, in

LPG, the price realization of LPG is around INR 90,796 as compared to 54. So there was increase of around INR 36,000 per metric ton. The main reason for the increase in the profit of the LHC is mainly the price increase Plus production, we have increased by 20% due to further allocation of gas from the ministry.

Vikas Jain: But since those prices have now cooled off, profitability for both of these segments will also not be that high?
S. K. Sinha: It will get impacted in the coming year.
Vikas Jain: Will get impacted in the coming quarter. So profitability of gas trading as well as petchem as well as LPG production- all 3 of them will see some kind of a decline from where things are in the first quarter, right?
S. K. Sinha: It is the right assumption.
Vikas Jain: That's all my questions. Thank you so much.

Moderator: Thank You, Sir. The next question is from the line of Vivekanand S from Ambit Capital. Please proceed with your question.
Vivekanand S.: Sure, thanks for the follow up opportunity. So my question is a bit broader on how the government is thinking about the policy framework post this crisis. So before the crisis, the government was promoting the sector a lot and also coming up with the frameworks that could make it very easy for you to execute projects. Now we see that there is an increased push towards DPNG as a segment?
Are there any other major changes that you see from the government side that make you believe that the PNGRB Vision 2030 of gas consumption increasing to close to 300 MMSCMD could become a reality? Are there any policy actions which perhaps we would have missed, which are happening behind the scenes that are likely to be a tailwind for the sector?
Sumit Kishore: Government is also pushing on gas storage as a strategic energy security measure. Of course, it may not -- it has been thought very seriously, but it may not give the impact so fast. But definitely, the intent is very much there, and seriousness is there. And also, coal gasification projects are being promoted by the government. There are policies which are incentivizing those kinds of projects.
So all these are the measures which the government is taking for increasing gas usage. And then, of course, compressed biogas was always on the front radar of the government, and probably some even better schemes are likely to come in the near future, but we have to wait for the schemes to get published.
Vivekanand S.: Sure. Okay. Sir, just as a follow-up, is the government pushing you to take up more long-term gas sourcing or say, look at alternate feedstock like ethane and also perhaps explore sourcing more from the U.S. because India has a trade negotiation with the U.S. where the government has committed to buying a significant amount of energy from the U.S. in the years to come?
Sumit Kishore: So, as GAIL we are always on the lookout for sourcing from all parts of the world and wherever we get a better deal, we will go by it. And we -- as already told by Director Finance earlier, we had the sourcing road map for up to 2030, up to 7 MMTPA of which 2.5 we have already done. We'll continue to scout all the indices and all the geographies.
Vivekanand S.: Thank you very much for your time. And now I would hand the conference back to you for closing comments. Sinha-ji, if you would like to say something in closing, that will be great.
S. K. Sinha: Thank you, Vivekanand. I have tried to get all your questions. And if you have any questions, please inform to our IR sales. So Anjana ma'am is looking after IR activities. So please e-mail to Anjana ma'am. Thank you. Thank you so much.
Moderator: Thank you, sir. On behalf of Ambit Capital Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.