



Petronet LNG Limited

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PAN: AAACP8148D

GST: 07AAACP8148D1ZI

CS/PLL/LISTING/Reg-30/2022

Date: 12.08.2022

The Manager
BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

The Manager
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai – 400 051

Subject: Transcript of post-results Conference Call held on 05.08.2022

Dear Sirs/Madam,

This is with reference to our intimation dated 1st August 2022 and 6th August 2022 intimating holding Conference Call of the Company scheduled on Friday, 5th August 2022 at 6:15 PM (IST) for unaudited Financial Results of the Company for the quarter ended 30th June 2022 and uploading audio recording post Conference Call respectively.

In terms of provisions of Regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of above conference call as Annex-1.

This is for your kind information and record please.

Yours faithfully,

Sd/-
Rajan Kapur
CGM & Vice President-
Company Secretary

Encl: as above

Dahej LNG Terminal:

GIDC Industrial Estate, Plot No. 7/A, Dahej
Taluka Vagra, Distt. Bharuch - 392130 (Gujarat)
Tel.: 02641-257249 Fax: 02641-257252

Kochi LNG Terminal:

Survey No. 347, Puthuvypu
P.O. 682508, Kochi
Tel.: 0484-2502268



“Petronet LNG Limited Q1 FY2023 Results Conference Call”

August 05, 2022



ANALYST: MR. SABRI HAZARIKA - EMKAY GLOBAL FINANCIAL SERVICES LIMITED

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MANAGEMENT: MR. VINOD KUMAR MISHRA - DIRECTOR (FINANCE) - PETRONET LNG LIMITED
MR. RAKESH CHAWLA - GROUP GENERAL MANAGER & PRESIDENT (FINANCE) - PETRONET LNG LIMITED
MR. GYANENDRA SHARMA - CHIEF GENERAL MANAGER & VICE PRESIDENT (MARKETING) - PETRONET LNG LIMITED
MR. DEBABRATA SATPATHY - GENERAL MANAGER (FINANCE & ACCOUNTS) - PETRONET LNG LIMITED
MR. VIVEK MITTAL - GENERAL MANAGER (MARKETING) - PETRONET LNG LIMITED
MR. ASHWANI AGARWAL - MANAGER (FINANCE) - PETRONET LNG LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2023 Results Conference Call of Petronet LNG Limited hosted by Emkay Global Financial Services Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you and over to you.

Sabri Hazarika: Good evening everyone. On behalf of Emkay Global, I am pleased to welcome you all to the Q1 FY2023 post results conference call of Petronet LNG Limited. We have with us the senior management of Petronet LNG led by Mr. Vinod Mishra, Director (Finance), Mr. Rakesh Chawla, Group General Manager and President (Finance), Mr. Gyanendra Sharma, Chief General Manager and Vice President (Marketing), Mr. Debabrata Satpathy, General Manager (Finance and Accounts), Mr. Vivek Mittal, General Manager (Marketing) and Mr. Ashwani Agarwal, Manager (Finance). So today's session would be a brief on the results by the management followed by the question and answer round. So without any further delay now I would request Mr. Mishra to come up with the opening remarks. Over to you Sir!

Vinod K Mishra: Thank you Sabri. Very good afternoon to all of you. I will start with the major highlights. Our turnover has increased to Rs 14264 Crores in this quarter as compared to Rs.11160 Crores in the previous quarter and Rs.8598 Crores in the corresponding quarter, so there is a growth of around 66% in the turnover as compared to corresponding quarter and almost 28% as compared to the previous quarter and apart from that I will just give the highlight, how has been the performance of Dahej and Kochi terminal.

During the current quarter we have been able to achieve 196 TBTU in Dahej terminal as compared to 194 TBTU in the corresponding quarter of the previous year and 178 TBTU in the previous quarter. So if you look at there has been a better performance as compared to previous quarter and also as compared to corresponding quarter and total throughput in both the terminals taken together has been 208 TBTU as against 209 TBTU in the corresponding quarter and 190 TBTU in the previous quarter and if you look at the profitability, PBT has been Rs. 937 Crores in the current quarter as against compared to Rs. 851 Crores in the corresponding quarter and Rs. 984 Crores in the previous quarter and PAT has been reported at Rs. 701 Crores in this quarter as compared to Rs. 636 Crores in the corresponding quarter and Rs. 750 Crores in the previous quarter.



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So if you compare with the corresponding quarter, there has been growth of 10% in both PBT and PAT and further if you look at the performance, operational performance has been excellent as compared to previous quarter, but due to foreign exchange variation loss of Rs.124 Crores, it has been little bit less than previous quarter, but as compared to corresponding quarter, it is far, far better. So basically, that exchange rate was around Rs 75.81 per USD on March 31, 2022 as compared to Rs 78.91 per USD on June 30, 2022, so there is a gap of Rs.3.1 per USD, because of that there is a foreign exchange fluctuation loss of Rs.124 Crores which is a notional loss, so basically this is the reason, it is little bit down, but otherwise performance has been excellent. This excellent performance has been possible because despite high LNG prices, we did optimization in our operations. Thank you very much. Now, house is open for the question.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: Thank you for the opportunity, Sir. Two questions; one was that GAIL in their concall mentioned that Gazprom is unable to actually deliver on their commitment of volumes of LNG. Now some portion of that obviously flowing through our terminals, so what mitigation options we have if GAIL is unable to bring those volumes. Contractually how are we placed with respect to this, if these volume does not come through or GAIL is unable to source it from the alternative sources?

Vinod K Mishra: You are right. There has been some trouble in Gazprom contract of GAIL, but as far as we are concerned, there is a contract with Use or Pay clause. They have booked the capacity to the extent of 2.5 MMTPA on Use or pay basis. Whatever volumes are there after agreeing in ADP, they will have to bring to that extent, otherwise we will apply use a pay clause. So we are secure to that extent, but overall if you see it is not a very good scenario that somebody's defaulting, it is impacting the ultimate consumers, because leave apart our terminal, the customer is suffering, because long term gas which is priced at \$14/\$15 and if we go to the spot market, it is \$44, so it is a big difference, so definitely it is not good for the country. But as far as we are concerned, there is a commitment of use or pay charges. So far GAIL has been bringing cargo and in fact there is no actual default. I think they have enough resources available apart from Gazprom may be from the US portfolio they may bring in cargos, but we are secured because of our provision as per contract of use or pay charges. So that is why we are secured.

Probal Sen: Second question Sir, after two quarters of softening we have seen third party gas volumes have picked up back to sort of near normalized levels of 94, 95 TBTUs?



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Vinod K Mishra: What you are asking?

Probal Sen: Regasification services or third party gas volumes are 94 TBTUs for this quarter?

Vinod K Mishra: Yes.

Probal Sen: Previous two quarters, they were at levels of 76, 78 or so, any color you would like to throw and what has driven this improvement?

Vinod K Mishra: Last quarter, it was little bit less, but now it has come up, so if you compare with the corresponding quarter, it was 99, still not to that level. If you look at the terminal of GAIL, Dabhol terminal was in operation in the fourth quarter, but right now it is not working, so till October, it will be our terminal which will be busy, so maybe that is the reason. Every year fourth quarter versus first quarter, there is always a difference.

Probal Sen: So Q1 and Q2 would be better for us?

Vinod K Mishra: Basically, you know, Q1 will be better, because Dabhol is closed for this period.

Probal Sen: Got it. One last question Sir. Last couple of quarters we have not traded much in terms of the LNG retail opportunity which you sort of were developing, any further developments if you had in terms of the pilots you are running with IOCL, anything you can share with us?

Vinod K Mishra: Retail, you are talking about LNG stations?

Probal Sen: Yes.

Vinod K Mishra: We are going on as per the schedule and perhaps we have already contracted with IOCL for four LNG dispensing stations and we are going ahead and this is very likely to start shortly and may be in next six months you will see that it will be there and one more station. We have in fact placed the order for station. It is likely to be commissioned by somebody else or may be by (on our own, but four stations are definitely coming up in this year. May be in next six months you will see, these in operation.

Probal Sen: Perfect Sir. If I have any more questions, I will come back. Thank you so much for your time.



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

Maulik Patel: Thanks for the opportunity. Couple of questions. One is that RasGas volume which we are sourcing is 8.5 million tons, if you look at last three years on a calendar year basis, this is consistently below that number. Last year we were sourcing 8.5 million ton of volume and probably supplying less?

Vinod K Mishra: No, it is not 8.5 million, it is 7.5 million, one million ton has been assigned to offtakers. Of course that was part of the deal ,when we renegotiated the price with Ras Gas in 2015. In that deal it was agreed that we will take additional volume of one MMTPA and that is what to be assigned to offtakers subsequently. Accordingly as per the deal, we have assigned that 1 MMTPA to offtakers, so we have in our portfolio 7.5 MMTPA now, so that is the reason.

Maulik Patel: Another question is on that you talked about the petchem project and the biogas, can you throw some light and what stage we are right now for these two projects?

Vinod K Mishra: First is petchem project, we are in fact and intending to have a plant which is called PDH-PP plant, to be put up at Dahej, for that we are still doing some feasibility because we have already done PFR and now we are in the process of getting DFR, so all these things will be analyzed and if there is a return of at least 16%, 17% IRR then only we will be going for this kind of project, because there has been huge crack in this particular product in the company. I think unless and until we are sure that we will be having some good IRR, we will not undertake it. But DFR is still under process and perhaps we have to go in for some licensing process also while making DFR, so all those things are continuing, but right now it is with the consultant for DFR preparation. Second one is CBG and CBG of course, there has been a challenge, CBG, we thought to undertake in a big way, but right now there has been certain handicaps which are preventing us from putting up those plants, because when we tried to initiate the process to put up some three, four CBG plants in Haryana, we found that it is not possible for government to allocate the land to us as per their policy, so they told us that they cannot give any land to us, so they have gone to assembly again to pass the bill to amend the policy. Then only they can allot us some lands for CBG. In fact that is a big problem that we are facing, so we could not proceed much. Unless and until we have land, we cannot put up any CBG plant So it is not progressing well unless until the Haryana government take some decision on policy matter.

Maulik Patel: I had one last small question if you allow me to, Sir, how do you assess the situation of LNG demand in the country with respect to the upcoming Reliance Energy auction which



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will be approximately 3 million to 4 million ton of LNG demand that can be replaced? Your comments Sir.

Vinod K Mishra: If you look at the demand in the country, one thing is very clear that is demand is price sensitive. It is not possible to consume gas at \$40, \$50. So this is true that if some gas is coming domestically, this is good, but even beyond that there is a huge appetite for consumption, but the price is a major problem. Once it is down, there is enough scope for gas consumption. High LNG price is causing a major problem for us, but otherwise as of now it is not going to impact, because long term volumes are already there. It will continue like that and in fact we are also envisaging, we have to do long term contract in future if we get at a good price, but at the same time, we are focusing on extending this already RasGas contract expiring in 2028. So the Reliance gas which we are talking about as of now will not have any impact on us. Right now you see there is a dearth of gas in the country, People who could get the cheaper gas are lucky enough, because nobody can afford to buy LNG at the current spot prices.

Maulik Patel: Thank you.

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

S Ramesh: Good evening and thank you very much. Can you share the Regasification margin you have earned in this quarter?

Vinod K Mishra: Regas revenue this quarter has been Rs.537 Crores as compared to Rs.463 Crores in the previous quarter and as compared to Rs.552 Crores in the corresponding quarter.

S Ramesh: Is there any inventory gain or trading gain in this quarter?

Vinod K Mishra: Yes, there has been inventory gain of Rs.35 Crores and trading gain of Rs.104 Crores.

S Ramesh: Can you explain why the other expenditure has gone up so much, other than the FX loss which I presume are going to other components in the P&L?

Vinod K Mishra: This inventory gain if you look at as I told you as compared to corresponding quarter have been higher by Rs.35 Crores, but otherwise if you look at standalone this quarter it is Rs.110 Crores.



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- S Ramesh:** Rs.110 Crores it is
- Vinod K Mishra:** As compared to Rs.75 Crores in the corresponding quarter of previous year. I just told you Rs.35 Crores, it is higher as compared to corresponding quarter by Rs.35 Crores, it is Rs.110 Crores.
- S Ramesh:** Can you explain why the other expenditure has gone up other than the impact of the FX loss?
- Vinod K Mishra:** This is Rs.124 Crores as I told you that foreign exchange loss is there and Ind-AS if you look at it has been in total (including foreign exchange loss) Rs.147 Crores in this quarter.
- S Ramesh:** Okay, if you look at fundamental question about gas supply and what GAIL has mentioned in terms of reducing supplies to their contracted customers to the take or pay , so when you say you are having use or pay obligation, can't there be a situation where the offtakers ask you to restrict your volumes to the frame of use or pay and would not it imply some risk of reduction in volume even in the current year / next year?
- Vinod K Mishra:** Do not compare with take or pay what they have, we have a use or pay contract for tolling contract. Their commitment is towards their customers, Our commitment is to our offtakers to the extent they have booked the capacity and it is very well conceptualized in the contract itself that if there is a shortfall in the committed quantity then they will pay use or pay charges so we have to see both the contacts in isolation, we cannot correlate these two things.
- S Ramesh:** Okay, understood. In terms of the utilization of Kochi and the link pipelines to Mangalore and Kochi Bangalore pipeline, when do you see the link pipeline infrastructure getting completed and what is the timeline for increasing the capacity utilization of Kochi?
- Vinod K Mishra:** This is true that Bangalore line has to be in place in future, but again there has been an issue around 250 kilometer from Coimbatore to Bangalore, which is remaining, so there has been in fact problems with the farmers in the state but now we have come to stage where government has come to agreement with the farmers that whatever line is to be laid, it will be laid along the highway, so it is not passing through farmers's land. So perhaps that will resolve the issue. But as far as the timeline is concerned, it may take at least one year. So GAIL is already in the process and they are trying to complete it and today our board meeting was held, and even CMD of GAIL has assured that they are doing it and they are hopeful that they will complete in time.



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- S Ramesh:** Okay, thank you very much and wish you all the best. I will join the queue.
- Moderator:** Thank you. We have the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.
- V Subbaraman:** Thank you very much for the opportunity. My first question is on the LNG trading subsidiary that you have setup so can you help us understand the plan that you have here and any update that you can provide on the gas sourcing that you are planning given that you may have to sign a new contract before the RasGas contract expires that is one. Secondly, you were conducting prefeasibility studies on the FSRU terminal in Gopalpur. Can you give us an update on that and also help us understand how much capex you are budgeting for the current and next year? Thank you.
- Vinod K Mishra:** First question is regarding the RasGas contract which is expiring in 2028. So the thing is that already the task force has been formed, and this task force is assigned with the work of extending the contract beyond 2028 and the task force is led by none other than MD and CEO of Petronet LNG Limited and consists of director level personnel from IOCL, GAIL, BPCL. In fact this high level task force is already in talk with the RasGas management as we have to conclude this by December 2023. So we have time till December 2023 to conclude all the negotiation for extension of the contract with RasGas. Secondly, we are also envisaging to have contract for at least one million ton on our own for various requirement including small scale LNG and other customers, so we are thinking of having either with RasGas additional one MMTPA or 0.75 MMTPA volume or with some other supplier apart from this 7.5 MMTPA contract of RasGas, so that is we are thinking of and our first priority is to extend Ras Gas contract beyond 2028 so that is already in process and second thing we have talked about is Gopalpur. Of course we are looking at FSRU terminal in Gopalpur and we in fact have started negotiation with Gopalpur port trust. It is almost concluded and in fact we have got some assurance from Government of Odisha for the terminal because Gopalpur trust has lease for that port till 2036. Beyond that also our terminal will continue, as we have got some assurance letter from Government of Odisha that our terminal will continue even if the Gopalpur port trust extends / not extend the lease for Gopalpur port. So that kind of things are happening and we in fact have negotiated many of the parts of contractual issues with Gopalpur port trust and in fact we are now looking forward to have some kind of definitive agreement, so that we can move ahead in this direction. Overall, capex which is likely to happen in this will be around Rs.1500 Crores to Rs.2000 Crores, may be Rs.1700 Crores, I think, so that is the capex. But opex will be very high because again we have to arrange ship for this FSRU purpose, so that is



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again a challenge we have to see where from we can have that so that we can have some facility for regasification on that, so this is all what is going on, but we are very serious about this project and perhaps in next few months you will see some progress. We are already undertaking the project activities and that project is going on. After heading into some definitive agreement, we will seek approval of the board for the capex/ for commissioning of this FSRU terminal.

V Subbaraman: Okay, just couple of follow ups. You did not touch upon the Singapore subsidiary for LNG trading there and lastly on the capex side, the two tanks that you are constructing in Dahej and third jetty apart from that is there any other project that you are working on for FY2023 and 2024?

Vinod K Mishra: Singapore entity first I would like to brief, that entity as you know has already been formed on March 7, 2022 and we are now in process of looking for an opportunity, but right now the LNG prices are too high. Trading through that arm is a challenge. We had the objective of having some spot trading of cargos through that entity, but right now demand is less. So we hope that as soon as these spot prices stabilizes and are affordable, then perhaps we can think of trading through that arm, but right now we cannot think of any opportunity and not even any opportunities coming up to us through that entity. And for capex you just have asked for ,first is our tank that is already in progress and we have capex of Rs.1250 Crores and next is jetty also for which we are going as per board approval. Boards administrative approval is there, we have to now go for awarding of the work and we have to process this PMC selection and other things for that purpose. That thing is already going on. And third one is in fact expansion of Dahej regasification terminal from 17.5 to 22.5 MMTPA, that is also in process and the capex will be around Rs.570 Crores in total, so these are the projects which are being undertaken at Dahej apart from this that can in future come up after DFR and other things have been finalized, so this is what we have our plan for Dahej and Gopalpur I have already discussed so broadly these are our capex plan.

V Subbaraman: Thank you.

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

Mayank Maheshwari: Thank you for doing the call. Just one question I had was on this LNG sourcing on a long term, you talked about RasGas and high-level committee that has been informed. Can you just talk a bit about what you are seeing apart from Qatar in terms of gas sourcing because a lot of your Asian peers and China, Thailand etc, have already signed long-term contracts



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with Cheniere etc, so what has been India strategy around if you can just give us some color on that?

Vinod K Mishra:

This time particularly is not good for new long term sourcing also because right now prices are so high in the spot market. If we go for any long-term contract, it comes with very high slope, so we are waiting for some time because if price comes down then we can think of having a good long term contract. Right now everybody will ask the slope, which is very high, seeing that LNG spot prices are going at \$43, \$44, so at this price if you go to the market even for the long term contract, you find slopes as very high. So we are looking forward to some opportunities but of course high prices are preventing us from talking too much to the dealers because it is in huge demand, European countries are short of LNG now. They are ready to buy at any price. So we are hoping that once Ukraine, Russia war is over and market stabilizes and it becomes reasonable price in the range of \$15, \$18 then we can think of in fact going for this. Right now, we are focusing on RasGas, so this is how we are proceeding, but if you ask me whether we are looking forward it is not prudent to go at this level at a very high slope because in future, prices will definitely come down. At this point of time, if you go for a long term contract, you will in fact enter into contract which is very high price and in future it will be difficult to in fact sell that LNG, so we are waiting for right environment when the prices of LNG, spot LNG come down and perhaps that will be the right atmosphere and we are hopeful that next year it will be there and hopefully we will then negotiate a good contract.

Mayank Maheshwari:

Got it Sir, are you still thinking about linking to oil, not linking to Henry Hub or which you have recently seen us contracts with fixed tolling fee and all those things that is not something that you are kind of thinking about right now as well?

Vinod K Mishra:

Everything is open, we are not saying that we are against any gas linked index so whatever could be the results, as part of negotiation we may fix some 50% on gas linked index and/or 50% on crude base index, so like that it might be a hybrid of that kind of indexes, but of course anything we cannot say right now, nothing is there on table, so we have to see how it shapes up in the future. Right now it is difficult to comment that it could be added because if you look crude linked contract, Indian consumers are habitual to this crude linked contract, even if GAIL is buying in henry hub, nobody is interested in henry hub, so that is all again a question mark, we are habitual to having this crude linked indexes rather than gas based and of course in future, customers may agree to henry hub also. But we are open to it, it is not a big question, but right kind of pricing is a big issue, so that we have to look at.



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- Mayank Maheshwari:** Very clear Sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Kishan Mundhra from Antique Research. Please go ahead. We will move onto the next question from Mr. Nitin Tiwari from YES Securities. Please go ahead.
- Nitin Tiwari:** Good evening, Sir. Thanks for the opportunity and thanks for having this call. My first question is actually a book keeping, so how much of the Gorgon volume may be going to Dahej in this quarter?
- Vinod K Mishra:** 5.2 TBTUs.
- Nitin Tiwari:** The next question is related to this only, so we had guided sometime back that utilization at Kochi terminal will start picking up, but its utilization remains at 15% to 20%. So until when we continue to get the Gorgon volume at Dahej, so if you can help us understand that why is the situation at Kochi is remaining stagnant and what is the road forward for Kochi and also like if I can confirm the Kochi regas tariff that we are charging at this moment?
- Vinod K Mishra:** First question is why utilization level has not increased, so this is very right question you have asked. I will explain it. So if you look at last year when Kochi, Mangalore pipeline was commissioned, we were hopeful that utilization level will be at least 30%, 35% and in fact we have reached up to the level of 28%, 29% at one point of time, but after that this LNG price surge has created havoc and we are not able to sell LNG, because spot market has gone so high that consumers like MRPL, MCFL, OMPL, they are not able to afford this price. Major reason is price that we are not able to utilize our terminal. When the prices will go down definitely all these consumers including MRPL, OMPL and MCFL, they will consume more gas, but at this price, they have switched to some alternate fuel, they are not interested in using gas, so this is the major reason why utilization level is low, but once prices will come down and affordable then certainly these consumers will start taking gas and then it (terminal utilization) will increase, so this is first part and then next part is Kochi-Bangalore connectivity, so this section from Coimbatore to Mangalore, which is still to be commissioned is around 250 Kms pipelines, so once that is commissioned then it will be connected to national gas grid and then perhaps consumption will pick up because then we can swap the volume from Kochi terminal to anywhere in India. Unless and until this is connected to national gas grid, it is not possible to swap the volumes.
- Nitin Tiwari:** Understood Sir and for the Kochi tariff that we are charging is still on?



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- Vinod K Mishra:** This is Rs.81.03, this is tariff per MMBTU.
- Nitin Tiwari:** Understood and lastly if I may question one more, we discussed LNG prices in the call today, so will it be fair to assume that if the current LNG price environment continues and high price element continues in third quarter this year, so wish to ask whether we will see lower utilisation level than we had in March this year, in the next coming in fourth quarter of FY2023, so any thoughts on that Sir?
- Vinod K Mishra:** It is not like that The utilization level of Dahej, at 87% is still running and if spot LNG price is very high, still we are able to utilize 87% of capacity, which is not less and it is such a difficult and turbulent market, so if you compare with Q1 of the corresponding quarter, it is 1% higher, i.e. 86% versus 87%, but fourth quarter has been a little bit low in the current quarter, but of course we are hopeful that this level of utilization will continue throughout the year even today it is 87%.
- Nitin Tiwari:** Why I mentioned that is because in the March quarter, we saw like LNG price is touching with the highs and that impacted utilization plus that is the time when Dabhol terminal is actually also operational, so if you could all the factors together in the high energy spot LNG prices which reduces the demand and when gas is coming in Dabhol being operational, so if all these things come together, is there a possibility of lowering prices that is what I wanted to understand, so how do you see it?
- Vinod K Mishra:** It is not like this, because if you look at in the last quarter also may be that it was utilized only to the extent of 79%, but still we have this use or pay clause. We have, in fact, invoiced them with use or pay charges whosoever was not able to meet the commitment, so it is not that our bottom-line is affected, but utilization was less no doubt, but that of course we hope will not be there this year, because whatever consumption is there, it is committed by all the offtakers in the beginning in the form of ADP so that they have to meet otherwise, there is use or pay charges kind of thing, but we are hopeful that this level of utilization of 87% will continue towards the year.
- Nitin Tiwari:** Thanks for taking my question. That is all from my end.
- Moderator:** Thank you. We have the next question from the line of Hemal and Individual Investor. Please go ahead.



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Hemal: Thank you for the opportunity. I just had one basic question. When you take it gross margin for this quarter versus last quarter, I am sure there are multiple things, margins have declined right, what would be the reason for that?

Vinod K Mishra: Last year gross margin you are asking, can you repeat your question please?

Hemal: Yes Sir, if you compare quarter-on-quarter or even last year quarter to this year, year-on-year gross margins have come down may be two, quarter-on-quarter I was seeing 250-bps odd and from last year also it is down, so I just wanted to know what is the reason for that?

Vinod K Mishra: Trading margin was high in the last quarter, so that was the major reason, but of course this quarter, there is not that much of trading margin.

Hemal: Going forward for the rest of the year given the conditions that we are in the gas prices if you consider the market conditions are the same, do we consider the same gross margin rate for next quarter going forward?

Vinod K Mishra: I think this will continue and we will not be lagging. If you look at the overall performance, we are able to give a good result. Last year also, there were less cargos coming in, but still we were able to maintain the profitability and even grew at least 10%-15%, this year also that plan will continue, because when we see that there is a condition which is not conducive to our business then certainly we make more efforts to work something else to optimize to have more LNG through optimization and sell it in the market and earn the trading margin. We have done last year, we have done trading of almost Rs.1700 Crores last year and we had trading margin of almost Rs.858 Crores, so those optimizations come in time, but of course we have to see opportunity come to us and then we do accordingly, but of course we will not be lagging behind earning the margins in the next quarters and may be throughout the year.

Hemal: Okay, thank you that is the only question.

Vinod K Mishra: Company is performing very well in spite of the turbulent times.

Hemal: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Ankur Agrawal from Phillip Capital. Please go ahead.



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Ankur Agrawal: Thank you for the opportunity. Just two questions from my side. One being a follow-up from previous participant's question, you mentioned that the Kochi terminal utilization levels are low because of high gas prices particularly spot gas prices, but when the cargo volumes would be coming under the long term contract, they would probably be still available at a reasonable price, if you could provide some clarity on that?

Vinod K Mishra: Gorgon contract is already committed to the offtakers. It can be in fact taken by offtakers either at Dahej or at Kochi. We are not having too much of customers in Kochi, two offtakers are bringing their volume to Dahej also, I think in future when there will be right atmosphere prices at the reasonable and affordable then this entire Kochi volume, this Gorgon volume will go to Kochi only, but right now because of pipeline connectivity to Bangalore and other things, it is not possible to shift that volume there, but one thing is very clear that customer in that region do not have that long term contract, so that is a big difficulty so they are dependent on spot volumes only, so this long term volumes cannot be given to customers who do not have and who have not tied us with the offtakers that is why I am saying that whatever customers are available in that region, they will start taking gas when the prices will be reasonable and affordable, so we are hopeful that it will come down, because this prices cannot continue at that level all the time. They have to come down. It is only the time that may be not this year, next year definitely they will come down. It cannot remain at this level, because if you look at the trading at this level not much of trading is happening because of panic in Europe, it is causing such price hikes, but we are hopeful that this will normalize then next year hopefully prices will be down and then Kochi terminal will be utilized because then customers may start taking gas.

Ankur Agrawal: Thank you. Just one another question was that you mentioned right now slopes being negotiated are on the higher side, if you could provide some color, if you have some insight into what kind of slopes are we talking about through these negotiations that probably some Asian buyers have tied into contract, so any color on that what we are looking at in terms of slopes linked to brent contracts?

Vinod K Mishra: These things are not to be discussed, but only thing it has been very high as compared to our existing slope, so once any contract which is having a slope of more than 18% of crude that is not affordable that is what I can say. You can say that if you compare crude and gas, it should not be more than 18% of the crude price. If it is higher than that there is no logic of taking gas. That is what I want to explain that not more than 18% we can equate gas through oil at 18% slope maximum, so that is also on the higher side, but beyond that it is unaffordable.



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- Ankur Agrawal:** Makes sense Sir, just one last bookkeeping question, you mentioned that there was forex loss of Rs.124 Crores during the quarter, which was booked in other expenses, so excluding that sequentially there is a drop in the other expenses, is there any particular reason for that other expenses were lower if I were to exclude this forex loss?
- Vinod K Mishra:** Debabrata will explain to your question.
- Debabrata Satpathy:** If you see the last quarter and the corresponding quarter, in the corresponding quarter also there was a loss of Rs.35 Crores in the other expenses and in the last quarter, it is around Rs.60 Crores so if you take out these from the other expenses, I think it should be more or less in line.
- Ankur Agrawal:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. We have the last question from the line of Samaiah V from Spark Capital. Please go ahead.
- Samaiah V:** Thanks for the opportunity, Sir. You did mention about the project that you envisage for the next few years, what would be the annual capex run rate may be this year and next year if you could explain on that?
- Vinod K Mishra:** Capex this year and next year?
- Samaiah V:** Yes.
- Vinod K Mishra:** If you look at the projects we are undertaking, these tanks works is also already going on and this is likely to be completed by 2024 beginning almost, so may be next two years we have to spend the Rs.1250 Crores, so Rs.600 Crores each year roughly.
- Samaiah V:** At a company level for the other projects also taking the jetty expansion or the Dahej expansion so in total at a company level what would be the annual capex?
- Vinod K Mishra:** Capex, if you look at, Rs.1200 Crores capex we have planned this year as per budget, so this year Rs.1200 Crores and it may be same next year, next year may be more because jetty will come in next year along with tank and Dahej expansion which is costing around Rs.570 Crores that should come up (by 2024 at maximum), so if you look at spread over two, three years, these are the expenditures and apart from it, if petrochemical comes , then it will



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increase the capex, but we cannot envisage right now how much it will be year-on-year basis.

Samaiah V: Got it Sir. What is the expected timeline for the project in terms of completion and what would be the capacity and also one with respect to FSRU generally you do a feasibility study in terms of demand and what is the kind of back-to-back contracts or minimum offtake that you are looking for before you start on?

Vinod K Mishra: The FSRU terminal we are talking about being of 3 to 4 MMTPA and in fact capex have already discussed Rs.1500 to Rs.1700 Crores, but only thing you are saying that back to back contract, so of course we will try to have some at least whatever 30%, 40% for back to back, but we cannot say that it should be 100% tied up, it is not possible nowadays and we will take that if at all 30%, 40% is secured that is good enough and we will go ahead with this proposition because demand in any case it will be very high, if price is good, demand is likely to remain high. For our own projects of Small-Scale LNG (SSLNG) we can have some kind of this consumption and apart from that once entire pipeline at Dahej-Jagdishpur-Haldia-Dhamra-Bokaro pipeline is commissioned then we will have more opportunity for our terminal, and we are hopeful that this will be good opportunity. Initially 30%, 40% is also huge, that is good enough.

Samaiah V: Understood Sir. One last question if I may, the current tariff at Dahej and this 5% annual escalation clause that we have, so have this been implemented every year so far and in terms of continuing implementing this do we see at some point in time. The price is at a certain level from a competition intensity standpoint, we may have to think about this 5% escalation clause?

Vinod K Mishra: Escalation is whereas per contract 5%, we are already doing it, right now it is 57.05, so I think this is as per the contract and uniformly it will continue to be sure, I do not think there is any challenge coming from anybody and this is a tariff which is being charged at all the terminals which are there. In fact, Dahej has been a benchmark, so I do not see any challenge as such of the 5% hike every year. That is all I think anything specific you are asking I do not know, but this will continue to be sure.

Samaiah V: Got it Sir. Thank you.

Moderator: Thank you. I now hand over the call to the management team for closing comments. Over to you Sir.



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Vinod K Mishra:

Thank you very much all of you and in fact I would like to thank all of you for reposing faith in us and in fact our management will continue to strive to increase the bottom line from quarter-on-quarter, year-on-year basis and will do all efforts that company grows like anything and in fact we have seen last year also that we have shown this commitment to work higher profits and it has been difficult time, no doubt for the entire LNG industry, but we are able to maintain our profitability in all the situations so far we have faced and this quarter also we have performed very well actually when you compare it with last quarter also it is better, but only thing you see that Ind-AS forex loss of Rs.124 Crores has caused some additional loss as compared to previous quarter, but if you add that which is the notional kind of loss, we will find that it (profit) is in the range of Rs.825 Crores, Rs.800 Crores almost, if you look at Rs.124 Crores of forex loss, so truly speaking we are doing the best to maintain and increase the profitability and increase the faith of the investors and we are very confident that all of you will repose faith in company and we are 100% sure that kind of business model we are having, there should not be any concern for any investors because we are protected in such a way that it is very difficult in fact to go in loss, because we are not taking too much of risk, so again I will thank all of you for being here. We hope we will continue to grow like this in future as well. Thank you very much.

Moderator:

Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.