



Petronet LNG Limited

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PAN: AAACP8148D

GST: 07AAACP8148D1ZI

CS/PLL/LISTING/Reg-30/2024

Date: 31.07.2024

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 24th July 2024

Dear Sirs/Madam,

This is with reference to our intimation dated 18th July 2024 and 24th July 2024 intimating holding Conference Call of the Company scheduled on Wednesday, 24th July 2024 at 5:30 P.M. (IST) for unaudited Financial Results of the Company for the quarter ended 30th June 2024 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,

Rajan Kapur
Company Secretary

Encl: as above

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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 FY’25 Earnings Conference Call”

July 24, 2024



Management: **Mr. Vinod Kumar Mishra – Director (Finance)**
 Mr. Rakesh Chawla – Group General Manager & President (Finance & Accounts)
 Mr. Gyanendra Kumar Sharma – Group General Manager & President (Marketing)
 Mr. Vivek Mittal – Chief General Manager & Vice President (Marketing)
 Mr. Debabrata Satpathy – General Manager (Finance & Accounts)
 Mr. Vikash Maheswari – Deputy General Manager (Finance & Accounts)

MODERATOR: **MR. S. RAMESH – NIRMAL BANG EQUITIES PRIVATE LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY25 Earnings Conference Call of Petronet LNG Limited Hosted by Nirmal Bang Equities Private 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 after the presentation concludes. Should you need an assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. S. Ramesh from Nirmal Bang Equities Private Limited. Thank you and over to you, sir.

S. Ramesh: Good evening, everyone. On behalf of Nirmal Bang Institutional Equities, I have a great pleasure of inviting you all to this Earnings Conference Call with the top Management of Petronet LNG.

Let me first congratulate the management on the results and we have with us the Director (Finance) – Mr. Vinod Kumar Mishra, Mr. Rakesh Chawla – Group General Manager & President (Finance & Accounts), Mr. Gyanendra Kumar Sharma – Group General Manager & President (Marketing), Mr. Vivek Mittal – Chief General Manager & Vice President (Marketing), Mr. Debabrata Satpathy – General Manager (Finance & Accounts) and Mr. Vikash Maheswari – Deputy General Manager (Finance & Accounts).

So, over to you, Mr. Mishraji for your opening remarks and then we will have Q&A. Over to you, sir.

Vinod Kumar Mishra: Thank you very much. I will start my brief on this result, Q1 Result of 2024-25.

During the quarter ended 30th June 2024, Dahej has performed exceptionally well. And the throughput has been 248 TBTU as against 219 TBTU in the previous quarter and 217 TBTU in the corresponding quarter. So, if you look at the growth, it has witnessed the growth of almost 13% from the previous quarter and 14% from the corresponding quarter. And if you look at the Dahej performance overall, it has been 109%, which is significant because we have rarely seen in the past, almost 1 and 2 years, this much of utilization. So, we are happy to inform you that we have operated at 109% this time in Dahej as compared to 97% in the previous quarter and 96% in the corresponding quarter. And if you look at the overall throughput of the port terminals, then you will find that it is 262 TBTU as against 234 TBTU in the previous quarter and 230 TBTU in the corresponding quarter. There is a growth of 12% from the previous quarter and 14% from the corresponding quarter.

And if you look at the Financial Results, the PBT this time has been Rs. 1,520 crores, which is ever highest in the first quarter in the history of PLL and as compared to Rs. 996 crore in the previous quarter and Rs. 1,062 crore in the corresponding quarter. So, there is a growth of almost



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53% from the previous quarter and 43% from the corresponding quarter of the previous year. And if you look at the PAT, it has been Rs. 1,142 crores in the current quarter as against Rs. 738 crore in the previous quarter and Rs. 790 crore in the corresponding quarter of the previous year and the growth has been 55% from the previous quarter and 45% from the corresponding quarter. So, this is the result which is substantially good because we have performed very well as compared to previous quarter and corresponding quarter and this has been possible because of higher throughput and robust financial and owing to the stable LNG prices and better utilization of the terminal and efficiency in the operation, so this is all from my side.

Now house is open for the questions.

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

Probal Sen: First of all, congratulations for a strong set of numbers. I had a couple of questions. Firstly, with respect to the UOP, the Rs. 63 crore of provision that has been reversed. Just wanted to understand is that the incremental revenue booked because of higher volumes taken to settle the UOP obligation?

Vinod Kumar Mishra: Rs. 63 crores has been reversed because we have got the equivalent volume from the concerned customer, and we have earned more than that. You can say because the tariff in this year has been higher than the tariff for with the UOP was booked in 2021 and 2022, so we have received higher revenues because they have brought the volume. And accordingly as per our settlement mechanism, we had to reverse the use or pay charges of that year. To the extent they have brought the volume in current year. Because for 2021 UOP charges, December 2024 is the last month in which it can be completed up to which it can be done. And for 2022, it is December 2025, but any customer can bring in the volume even earlier than that. So, that is the ceiling limit. So, accordingly one of the customers has brought in the volumes and accordingly that amount of UOP has been reversed, but more than that, it has been booked as revenue in the current year.

Probal Sen: So, sir, if I may ask a follow up in terms of the third-party Regasification volume which has gone up to 144 TBTU. Of that, how much would be this incremental volume brought in as a part of this settlement? Is it possible to segregate that?

Vinod Kumar Mishra: Yes. I can give you, but you are right that there has been almost 144 TBTU of this Regas out of this 262 and around 11 point some TBTU (around 11 TBTUs approx.) is there which has been brought in by one of the customers.

Probal Sen: So, even excluding that, the normal run rate is still much higher than the previous quarters because of the moderate LNG prices and the higher demand. That's a fair way to look at it?



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Vinod Kumar Mishra: Yes, true, very true.

Probal Sen: Sir, secondly, with respect to, I will just have one more question with regards to CAPEX plans, if you can kindly refresh us in terms of both the progress on the petrochemical project and the capacity expansion projects that are going on with the timelines and the investment plans for the next couple of years. Thank you.

Vinod Kumar Mishra: So, first you are asking for petrochemical project so that we are progressing very well and certain contracts have already been awarded like we have awarded the contract for licensors and for both the plants, PDH and PP, both. And apart from that, we have also awarded the contract for PMC, M/s EIL has been awarded the job for carrying out this project and these are the two major contracts which have been awarded and apart from that, other clearances have already been received like environmental clearance and CRZ clearance. All are there in place. So, there is no issue as such for starting the project. And CAPEX plan as you are asking, normally it is difficult to uh give beforehand something like that. But still we can assume like 20% we can do in first year and like that 30%-40% second year, third year maybe little bit higher. So, we will tell you exactly at that point of time, but as of now the work has started and the licensor has already started working on these packages. Our consultant, EIL, has already started working on the packages, so work is going on and we will slowly give you the details. And apart from that, as I have earlier also said that there has been debt equity ratio of around 70 to 30. So, we are also lining up the lenders for giving the debt as and when required. So, we are processing that maybe within 2 to 3 months, 3 months maximum it should be in place. So, as of now we can say that there is good progress in the project and apart from that, you have asked another question regarding expansion plan of Dahej terminal. So, that is going on very well and by March 25, we expect that expansion to be completed. That means that the total CAPEX by that time will be around Rs. 570 crores. So, this is the CAPEX. It's a low hanging fruit. If you go for a Greenfield LNG terminal like this, it will be having a CAPEX of around Rs. 5,000 crores. So, it's only 10% of the cost and we hope that this will be completed by March 2025. This is our deadline for that. And we will update you if there is any change, but we have this date as a completion date.

Probal Sen: So, just to be clear, sir, by March 2025, then we will have the full 22-million-ton capacity available.

Vinod Kumar Mishra: Yes, 22.5 million tons.

Moderator: Thank you, sir. We have our next question from the line of Himang Khanna from Nomura. Please go ahead.

Himang Khanna: So, my first question is regarding the current utilization levels of the Dahej terminal. Could you please help me with that number? And secondly, what is the overall inventory gain and trading gain in this quarter?



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Vinod Kumar Mishra: So, you have asked the overall percentage. I have told you 109%. The inventory gain is Rs. 261 crore this quarter. And the trading margin which we have got is Rs. 58 crore.

Himang Khanna: And sir, utilization levels in this month would be what after the quarter has concluded?

Vinod Kumar Mishra: Utilization, I don't exactly have, but this is not required, but still we are doing good. And perhaps we should do well also in the second quarter. But exactly, if you ask day-to-day it changes, but you can say around 100% is there.

Moderator: Thank you. We have our next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: Basically, in terms of the visibility, are there more buyers coming back for this makeup cargo and do we have a plan communicated from the customers about their pick up in Q2 or Q3.

Vinod Kumar Mishra: I could not get the question...Can you repeat it ?

Kirtan Mehta: One of the customers, the way you said it, has picked up the makeup cargoes during the Q1. Similarly, are there any more customers who have communicated to us plan about makeup for their Q2 or Q3?

Vinod Kumar Mishra: What's happening, actually, there is some annual delivery plan. There's already ADP for this particular contract. So, most of the offtakers are still completing their annual delivery plan. So, what's happening that they have still not fulfilled that plan which they have already communicated to us. So, most of the customers like GAIL, IOCL, BPCL, GSPC, Torrent they are still fulfilling their annual commitment. So, unless and until they complete that, there cannot be additional volume being brought by them. But slowly, we hope that maybe after September, they should bring some additional cargoes. But I think by September, they should be able to complete annual delivery commitment. Hopefully, we should get in the third quarter, I think, for those customers. But one of the customers who has brought basically, so I think one of the customer, he didn't have any annual commitment. So, that's why he brought whatever volume they have brought in, it has been adjusted against their use or pay charges.

Kirtan Mehta: Understood. Just follow up on the same. So, what I understand is roughly he had around 4.3 million tons under this use or pay commitment where customer could approximately bring that amount. On this 4.3 MMTPA, if customers choose to bring them amount, effectively will be charging only the differential Regas tariff and that would accrue to the margin, not the full tariff so is that a right way to think about this volume?

Vinod Kumar Mishra: Yes, you can say because what's happening we have booked use or pay charges at the tariff which was prevailing at the time in year 2021 and 2022 but when they bring volume in 2024,



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naturally there is a hike of 5% every year so according that differential will be there that will be charging and the balance we are writing off that amount. So, you can say literally that whatever we are booking is the differential of the tariff over 2021 and 2022 in the current year.

Kirtan Mehta: Just one more question on the volume side. With sort of Dahej terminal not working through monsoon, some of the cargoes will get redirected to us. So, how much additional cargo that we will expect during Q2?

Vinod Kumar Mishra: This data we cannot tell you right now but of course in the results for the second quarter we will come back to you on this issue, but I can only say...

Kirtan Mehta: Somewhere in the range of around 10 odd cargoes, 10 to 12 cargoes that we normally receive is that a sort of a fair way to understand this?

Vinod Kumar Mishra: No I cannot say anything like this. Unless I have got some commitment from somebody, I cannot give you because spot cargoes never come like this. Any day a phone will come and then we have to give a slot and they come. So, it's not easy to say, predict anything that whosoever is coming.

Kirtan Mehta: One more question on the sort of the demand outlook. Recently Reliance on their call mentioned that they have tried minimizing their LNG usage to zero after sort of the pickup in the LNG prices to about \$12. Similarly, I think the power demand was very strong in May, but corresponding peak power demand has sort of gone down. So, are volumes in Q2 will be sort of at a modest level compared to Q1?

Vinod Kumar Mishra: No, I don't think so. This is a hypothetical question, but I can only say one thing that in this second quarter also, Dabhol will not be running. So, only solace is that at least we will have sufficient cargoes because Dabhol will not be operating till almost September. So, it should be good quarter, second quarter. Other things you are saying is just hypothetical. I should not say anything on those things.

Kirtan Mehta: Right. Just follow up on the CAPEX part as well, which Probal earlier asked, would you be able to share with us your CAPEX target for FY2025 specifically?

Vinod Kumar Mishra: CAPEX, I will let you know. I can just give you. This year, CAPEX target is around Rs. 3,500 crores.

Kirtan Mehta: An indicative breakup across different packages?

Vinod Kumar Mishra: I will give you, but I will have to get it. I have just told you what I just understood. But we can give you exact amount, how much in each project will have to be seen. So, we can discuss you



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later. We will update you. I told you the CAPEX, which could be there. I don't know how much will happen. It's not an easy target, but we have kept this.

- Kirtan Mehta:** Thank you for the clarification.
- Moderator:** Thank you. We have a next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** Sir, two questions. So, first is the adjustments for this quarter would be what I mean other expenditure I think they went up significantly, so that could be something like Rs. 128 crore, is that right the change in provision between Q4 and Q1?
- Debabrata Satpathy:** Yes, Sabri Rs. 129 crores is the provision for use or pay charges that we create as accounting prudence. Apart from that, this Rs. 63 crores that has already been discussed, the reversal.
- Sabri Hazarika:** Rs. 63 crore is part of revenue right now?
- Vinod Kumar Mishra:** No, since it is a reversal, it is part of the other expenses. Rs. 63 CR plus Rs. 129 crores of provision, it comes to about Rs. 192 crores. If Rs. 192 crores is taken out, then the quarter is in line.
- Sabri Hazarika:** You are saying Rs. 63 crore also is part of other expenditure.
- Vinod Kumar Mishra:** Yes.
- Sabri Hazarika:** OK..got it. So, that is first. Then second is the usual. I think Regas service income is how much and what was the Q1 CAPEX?
- Vinod Kumar Mishra:** Q1 CAPEX is around Rs. 300 crores.
- Sabri Hazarika:** Rs. 300 crores of Q1 CAPEX and Regas service income?
- Vinod Kumar Mishra:** Regas service income is around Rs. 851 crores.
- Moderator:** Thank you. We have our next question from the line of Somaya from Avendus Spark, please go ahead.
- Somaya:** The first question is on this, Dahej expansion, any update in terms of back-to-back contracts that in case you have signed anything, what is the expectation there and also what is the kind of utilization that they're looking for next year once it is kind of complete?



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Vinod Kumar Mishra: We are still in talks with the offtakers, and we are expecting that some capacities will be booked by next year and because it will be in operation by March 2025, so literally it will be available for the next financial year. So, this financial year is ruled out but next financial year definitely it will be there and we are still in discussions with the offtakers. As soon as there is any update on that, we will tell you. But one thing I can say that in fact, at certain times we are feeling some constraint in giving the slots. But after this capacity expansion, we will have sufficient flexibility to allow the cargoes even have more short-term and spot cargoes from the next year. So, that will be a solace for us, and we will be having a good throughput after that. And but of course we would like to get the capacity booked before next year so that it is in place and maximum capacity is utilized.

Somaya: Anything in terms of your expectations for utilization of this capacity next year or say one year later, to what extent, 60%-70% utilization is something that we can expect on this additional capacity?

Vinod Kumar Mishra: It's like this that capacity 5 MMTPA is being expanded at a very low CAPEX. It's hardly Rs. 570 crores. Now, if you look at the payback period, it will not be more than two years, three years. So, it's a low hanging fruit. We have done the expansion. And as and when we get the capacity booking, definitely we will be letting you know, but only thing I can say that we are not worried about any underutilization because since the volume is increasing day by day and more imports are there and there is no likelihood that LNG prices will be too high in the near future because so many capacities are coming and apart from that, Europe is having sufficient inventory level of almost 81%. So, all those factors are there which are conducive to the price being moderate. So, that is going to be there. So, we are hopeful that capacity will increase. So, definitely Dahej will have the substantial share of that increase in the volume in country for consumption. So, we are quite optimistic about that. But you are right that as and when we get the capacity booking, we will let you know, but we are still in discussion, so we cannot give any premature comment on that.

Somaya: Understood. So, also you mentioned this year, CAPEX run rate would be around Rs. 3,500 crores. So, what would be the outcome for the next couple of years? Would it be a similar number, or would there be a step up because of Petchem at some point in time?

Vinod Kumar Mishra: Yes, Petchem will pick up next year definitely. This year it may not be too high, but next year and then again next to next year will be higher. But again, I have said that we should not be worried because we are having a debt equity ratio of 70:30. So, we are tying up with the lenders for this project. And we may be tying up to the extent of almost Rs. 10,000, Rs. 11,000 crores, or maybe more than that Rs. 12,000 crores. So, as and when it will be required, we will utilize those limits with the banks and use it. And as far as cash is concerned, we shall be having only 30%. So, hardly it will be to the extent of Rs. 20,000 crore project is there, hard cost is only Rs.



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16,000 crores. So, I think hardly 4,000 to 5,000 will be used from the equity and balance maybe from the debt. So, I don't foresee any challenge as such and CAPEX may be higher in the next year, more than the current year because then Petchem will be having a project, higher project activities over there. So, I think this year it may not be too high but next year it will be definitely higher number.

Somaya: So, the current quarter provision of Rs. 130 crores, this is likely to be the run rate for the next 1 or 2 quarters based on your earlier provisioning formula policy?

Vinod Kumar Mishra: Yes, it's based on the provisioning because Rs. 129 crore has been booked as provision for the quarter. We are booking this credit loss for each quarter based on our formula. We have discussed earlier also. So, it is that part for Rs. 129 crore provisioning is done. Rs. 63 crore, as I just said, they say waiver of use or pay charges for one of the customers. So, total Rs. 192 crores we have taken the hit in the profit and loss account.

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

Yogesh Patil: Sir, if we calculate the amount of receivable that has reduced by Rs. 45.5 crores sequentially, but at the same time the company has a waive-off of Rs. 63 crores. Sir, as per our understanding the amount of receivable reduced should be the same as the waive off amount. Please correct me if I am wrong.

Debabrata Satpathy: So, the receivables actually we are consistently creating provisions also against the receivables and this Rs. 63 crores waive off that has been done that is done, actually you cannot directly correlate with the receivable how much is the receivable from quarter-to-quarter because at the end of any quarter there could be multiple reasons contributing to the receivables basically, the billings and the open billings done. So, that cannot be correlated as such that it will go down only by Rs. 63 crores. But then if we track basically the entire use or pay spectrum, yes, the receivable has come down.

Yogesh Patil: Sir my second question considering the calendar year 2024, already the 7 months are over, can you give us idea about the volume taken by the offtakers, are as per the contracted quantity or lower than the contracted quantity for the 7 months period of calendar 2024 year? Just an idea.

Vinod Kumar Mishra: I will just give it to my colleague, Mr. G. K. Sharma, he is the GGM Marketing.

Gyanendra K. Sharma: Good afternoon, I am Gyanendra Sharma. Volumes are going as per the ADP, and we don't see any issue in that.

Yogesh Patil: So, we don't see any shortfall at the end of our Calendar Year 2024?



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- Vivek Mittal:** That we will come to know only when the year comes to an end .
- Vinod Kumar Mishra:** But our expectation is like that.
- Moderator:** Thank you. We have our next question from the line of Nitin Tiwari from PhillipCapital. Please go ahead.
- Nitin Tiwari:** Sir, I had a basic gap in my understanding around use or pay, so please help me understand over there. So, first of all, the use or pay that we report that is in rupees crore terms. So, when the offtakers are setting off the use or pay, are they setting off in volume terms or are they setting off in revenue terms?
- Vinod Kumar Mishra:** It is in terms of volume.
- Nitin Tiwari:** But shouldn't it all be in terms of revenue, because you have lost revenue, right? No matter what volume is brought in, if your revenue is fulfilled that should be making it good, right?
- Vinod Kumar Mishra:** Right, because we are booking revenue as per the prevailing tariff, Regas tariff. So, that is higher than whatever use or pay charges was levied in 2021 or 2022.
- Nitin Tiwari:** No, what I was trying to understand is that the revenue that we have lost, if that is made good by bringing in of incremental volume that should suffice the condition for fulfilling of use or pay charges. So, why is that the off-takers are late to bring in incremental volumes at a higher tariff now and therefore there's a higher revenue recognition versus the original UOP charges being lower because it's revenue that you have lost in CY2021 and 2022 and 2023. So, as long as that is made good, irrespective of what volume is brought in, that should be the sufficient condition, right?
- Vinod Kumar Mishra:** Yes, they are bringing in the default volume that should be sufficient condition and only thing is revenue is billed as a current applicable tariff, Regas tariff. So, it's the volume which is more important, and this is the condition as per the settlement agreement that they should bring in the defaulted volume over and above the annual delivery commitments which they have already made in the beginning of the year.
- Nitin Tiwari:** And secondly, on the same point, so in this quarter's other expenses, so when we are making a provision, that is also part of other expenses, but when we are reversing a provision, that is also a part of other expenses. So, help you understand that accounting and how is that working?
- Debabrata Satpathy:** Nitin, this is a reversal of revenue, not provision. We have booked the revenue regarding use or pay charges and let us clarify that this was in the nature of liquidated damages at that point in time. So, liquidated damages cannot be set off by future obligations or anything. So, whatever



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they're bringing in the future, like somebody has brought in this current quarter, that revenue is booked separately, and we correspondingly ask for the settlement agreement we are giving a waive-off of that revenue booked at that point in time. So, this Rs. 63 crore is a waive-off of revenue, reversal of revenue, actually.

Nitin Tiwari: So, this is the revenue that we had booked in the past and because we have not received it, now we are putting that in the expenses, and we have already received the new basically revenue that has been brought in the incremental volume.

Vinod Kumar Mishra: Whatever additional volume has been brought; these are booked as current year revenue. There is no differentiation, but we are making a reconciliation that how much is the annual delivery commitment and how much they have additional brought in. Accordingly, we are making adjustment in the old use and pay charges. To that extent, we are writing it off in other expenses.

Nitin Tiwari: And the second question is actually a bookkeeping one, if you can give us the IndAS impact in this quarter for our revenue gross margin and depreciation interest etc.?

Vinod Kumar Mishra: IndAS impact is Rs. 22 crores as compared to Rs. 16 crores in the previous quarter and Q1 of the previous year.

Nitin Tiwari: So, this is at gross margin level you are mentioning?

Debabrata Satpathy: Gross margin level, Rs. 161 crores positive. Then at the other expenses level Rs. 10 crores positive and there has been a loss of Rs. 1 crore, FOREX loss. Then depreciation Rs. 83 crores and interest expense Rs. 64 crores. So, net impact is Rs. 22 crores positive at the PBT level.

Moderator: Thank you. We have our next question from the line of Raj Gandhi from SBI Mutual Funds. Please go ahead.

Raj Gandhi: Just any clarity that you can give on the take or pay contract with the off takers which was to be signed along with the Qatar contract renewal? Thanks.

Vinod Kumar Mishra: We are still in discussion. But as and when there is final agreement with them, we will let you know. But these things are going on, but they have already committed to that because when we signed, they have assured us that they will take it. As some terms and conditions are there which are being finalized, after finalization of those terms the agreement will be signed. So, we will let you know that later on, but still, it is going on.

Raj Gandhi: And just one clarity, let us say, on whichever terms if let's say minority are not okay with the tariff or whatever and because this 7.5 million ton contract with offtakers comes for voting, so



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let us say if for whatever reason if the minority is not okay and they vote against then the tariff will have to be reviewed again, that's it?

Vinod Kumar Mishra: No, it is not a question of voting. It will not happen, we don't expect such kind of thing and of course, the tariffs will not be so low that shareholders will not vote, the members will not vote. So, we will ensure that shareholders' interests are protected while determining the tariffs. So, it should not be like this, it's a one-sided contract. It cannot happen.

Raj Gandhi: But factually, majority of minority will be required to keep extending that 7.5-million-ton contract, annual approval from minority will be required?

Vinod Kumar Mishra: Every year we are seeking votes from the shareholders. So, they will be required to vote on that because it's one of the material related party transaction and it's a back-to-back contract, so there should not be any challenge for anybody. In fact, it's assured business for the next 20 years after 2028. So, I don't foresee any challenge for that. But as far as the tariff is concerned, we will ensure that that is adequate. And certainly, we will protect the interests of the shareholders. It should not happen that it's one-sided and off-taker may do something else, no, it will not happen.

Moderator: Thank you. We have a follow up question from the line of Deepak Mandhana from Avighna Investments. Please go ahead.

Deepak Mandhana: I just wanted to ask, the trade receivables use or pay, which is subject to the settlement or disputed amount. If I look at the total dues were worth close to Rs. 1,800 crores, out of which you have already provided close to Rs. 500 crores. Now when I read your results, it says that the bank guarantees for the calendar year 2021 and 2022 has been received. One, what is the update on the bank guarantees for the calendar year 2023?

Vinod Kumar Mishra: First of all, I would like to clarify here that this settlement mechanism was approved by the board for calendar year 2021 and 2022 and we have received the bank guarantees to the extent of Rs. 378 crores for 2021 and Rs. 798 crores for the calendar year 2022. As far as the use or pay charges for 2023 is concerned, these are outstanding, and we are pursuing the off takers to pay it. We are not going for any settlement mechanism as of now as was done for 2021 and 2022 because in those years there was an issue of COVID and there was demand destruction in that period. And again, 2023 is the Ukraine-Russia war, which has caused kind of a price hike, price has gone abnormally high. So, because of that, we have taken that into consideration, and we have given this settlement mechanism. But 2023 is a normal year. So, we don't foresee any kind of relaxation in that. So, we are expecting that they should be paid by the off takers.

Deepak Mandhana: So, would the understanding be correct in the coming quarters, in the next two quarters, we don't accept any fresh provision to be made for this old dues ?



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- Vinod Kumar Mishra:** Provisions will be done, it's an accounting aspect. We will continue to make the provision because payment until it is realized provision will continue. As for the time-based provision we are making, so accordingly it will continue, but only thing is that at the same time, we continue to pursue our payments from the off-takers so that if we get it in the meantime, then perhaps it will not be required to have the provision for those things.
- Deepak Mandhana:** And just one more thing in terms of count of number of customers, what is the number of customers that the amount is distributed with?
- Vinod Kumar Mishra:** Five customers. These are all long-term capacity holders.
- Deepak Mandhana:** Just the last thing. And the Rs. 63 crores which you have waived off this year; does that tantamount to completion with that customer or is it still an open customer?
- Vinod Kumar Mishra:** Still some volume is remaining. So, he will bring some more volume.
- Moderator:** Thank you. We have our next question from the line of Hardik Solanki from ICICI Securities. Please go ahead.
- Hardik Solanki:** So, as we receive a bank guarantee for CY2021 and 2022, so we are expecting that even though they are unable to give the volume or come up with the additional volume, we can encash this bank guarantee, right?
- Vinod Kumar Mishra:** Right.
- Hardik Solanki:** So, that should be a reversal of provision whatever we have made for the year and if they don't pay, we can encash it, right?
- Vinod Kumar Mishra:** Absolutely correct.
- Moderator:** Thank you. We have a follow-up question from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** Regarding the Petchem project, so this ethane propane handling part of this business, so this will be done through the third jetty only, right?
- Vinod Kumar Mishra:** This will be done through the third jetty because that jetty is having a facility for propane, LNG, as well as ethane. So, it will be handling all three products, liquid products.
- Sabri Hazarika:** And it will be like a utility business where I think they will...



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- Vinod Kumar Mishra:** It will be like a utility business, tolling business like LNG Regasification.
- Sabri Hazarika:** Last question, Gorgon volumes in Dahej, that number?
- Vinod Kumar Mishra:** Gorgon volume in Dahej is to the extent of 5.22 TBTU.
- Moderator:** Thank you. We have our next question from the line of Vikas Jain from CLSA. Please go ahead.
- Vikas Jain:** About 11 TBTUs is what you said has been adjusted in this quarter. What was adjusted last quarter, if you could remind us a total of how many TBTUs have been adjusted?
- Vinod Kumar Mishra:** If you are asking that how much TBTU were default and how much has been brought in this quarter?
- Vikas Jain:** Correct. You said something around 11.5 or something, 11.3 or something.
- Vinod Kumar Mishra:** It has been brought in till 30th of June. It has been brought in and we've adjusted.
- Vikas Jain:** That was in this quarter but there was more which was done last quarter as well, right? That is the March quarter?
- Vinod Kumar Mishra:** No, this quarter they have got it.
- Vikas Jain:** So, of the total remaining only about 11 TBTU has been adjusted till now, till 30th of June, right.
- Vinod Kumar Mishra:** Yes, 11 TBTU.
- Vikas Jain:** Just to understand this Rs. 127 crores or something, are we mentioning this? It will be easier for us if it is mentioned somewhere in the provisions or something. Am I missing it because the number that you carry, that is not exactly, 63 I understand you mentioned, but this provision number versus the number that you say in terms of accounting, there is some difference. So, this number for provision...
- Vinod Kumar Mishra:** **129 crore you are asking about**
- Vikas Jain:** **Yes...**
- Debabrata Satpathy:** So, your number must be coming around Rs. 141 crores - Rs. 142 crores. Against this Rs. 63 crores, actually we had already created provision of Rs. 13 crores and that has been also reversed. So, the net impact is Rs. 129 crores.



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- Vikas Jain:** Debabrata, if we could mention this separately in the notes, that is something which could...
- Debabrata Satpathy:** This is not only a single reversal, basically there could be some tax reversal also. So, it will be very complicated for the general shareholders to understand if we make that in the note. But this is the right forum to explain all this.
- Vikas Jain:** So, basically that's what you were saying the Rs. 192 crore is what is bloating the other expenditure. As against that, so this Rs. 63 crores would roughly more or less be linked to 2021 or is it linked to 2022?
- Vinod Kumar Mishra:** It's linked to 2021 and 2022.
- Debabrata Satpathy:** And some part of '22.
- Vinod Kumar Mishra:** Both.
- Vikas Jain:** Because you know the receivable number that you mentioned, as in the receivable under use or pay, that has come down about I think about Rs. 50 crores or so for '22 only. So, there is some change there also.
- Debabrata Satpathy:** There goes the adjustment actually, 63 minus 13 and that is the Rs. 49 crores around.
- Vikas Jain:** And 261 is what you mentioned as the inventory gain number, right?
- Vinod Kumar Mishra:** Yes.
- Vikas Jain:** So 261, that's roughly equal to almost about 17%-18% of the PBTs. It's a pretty high inventory gain number, right?
- Vinod Kumar Mishra:** Yes, because LNG prices have gone higher as compared to the previous quarter. So, that has created the difference.
- Vikas Jain:** There was clearly a very big jump. So, that's, that's largely a one-off kind of a move that has happened, right?
- Vinod Kumar Mishra:** It was \$9.50 last time; it is around \$11.50 at this point of time. So, there is a difference, \$2 difference is there almost.
- Moderator:** Thank you. We have a next question from the line of Chetan Phalke from Alpha Invesco. Please go ahead.



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Chetan Phalke: Sir, I just wanted to understand few things on the macro, the big picture outlook on the demand side, especially in the Gujarat region. What would be the demand and supply situation given the fact that even Swan is talking about operationalizing the Jafrabad facility and they are planning to double it from there on. So, how should we see this entire utilization and demand scenario on the West Coast and particularly in Gujarat as well?

Vinod Kumar Mishra: We are not concerned with anybody else. Let anybody start the terminal. It doesn't matter. We have our commitment on long-term basis. If you look at the long-term commitment at Dahej, it is almost 15.75 MMTPA. 7.5 is our own Rasgas volume and then balance 8.25 million tons is the capacity booking. So, that part is insured. And apart from that, whatever short-term cargoes, additional cargoes, spot cargoes are coming, so that is making our terminal utilized at 109% in the last quarter. So, this is what I am saying, I am not concerned about other terminals being utilized because there's another issue of connectivity. All terminals are not so well connected as the Dahej. If you look at the evacuation capacity here, we have almost five lines which are connected to the Dahej terminal. And the evacuation capacity is to the extent of 35 million tons, whereas we have a plant of only 17.5 million tons as of now. So, because of that reason, every terminal has a different geography and connectivity issue. It is not easy to evacuate the volume because connectivity is a big issue. So, I am telling you, never compare. Let anybody come. You see the terminal which has come in the vicinity of our Dahej terminal. You see Mundra how much capacity is being used. You see Hazira, how much capacity, 20%-30%. So, what I am saying, it doesn't matter which terminal is coming up and which is going there. But what we have, we have long-term commitment. Over and above, we have bought a short-term commitment also. So, accordingly, we are utilizing. And the reason behind that is why our Dahej terminal is suffered is the connectivity, because it is very well connected with 5 pipelines. So, evacuation is much easier for any customer.

Chetan Phalke: But how about the overall demand scenario utilized on the Western coast? How do we see volume growth going forward?

Vinod Kumar Mishra: See, volume growth is already there. As I was looking at the data in the month of May, June, it is around 213 MMSCMD, which is much, much higher as compared to 188 MMSCMD of volume in the previous year. You see the growth is there. Absolutely no doubt, because prices of LNG play a big role in utilization of gas in the country. And prices are a little bit moderate, although it is around \$11.50, a little bit higher. But if prices remain in this range also, utilization level will be higher because people will use it. And if it goes down further, then perhaps demand will further enhance in the future. So, what I am saying that it's a good price still, and there is no expectation in future that it will be going too high. So, we hope that utilization level will continue to soar, and this will be much, much higher in future.



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Chetan Phalke: So, sir our recent fluctuation in capacity utilization is it due to evacuation issue or is it due to the pricing issue ...where would you attribute?

Vinod Kumar Mishra: **What you are saying ... recent...**

Chetan Phalke: **Recent fluctuation or recent downtrend in our utilization.** Is it due to the demand supply shocks or is it due to...?

Vinod Kumar Mishra: You cannot call it down trend because I had said that utilization level was 109% in this last quarter. And if it is 100%, it cannot be always 109, but it is not so low that you can say that it has gone down substantially. It can pick up anytime in future. So, what I am saying that utilization level is optimum and maximum possible and perhaps it will not come down from that level. This is our hope and demand is continuing and commitment is being fulfilled by the customers in bringing the cargo.

Chetan Phalke: What I was trying to understand was this fluctuation is due to pricing or the demand shock and that's all I am trying to understand.

Vinod Kumar Mishra: Demand in power sector, I have just told you that power sector demand was there exceptionally high in May and June because there was circular also in that connection and because of that the demand for power was increased. That has come down because monsoon has started now, and it is now spread all over the country. So, power demand has come down. So, this is the major reason that little bit it is down.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today and I would now like to hand the conference over to Mr. S. Ramesh. Over to you, sir.

S. Ramesh: Thank you. So, before we close the session, may I ask your thoughts on one, the progress you made on LNG as auto fuel for heavy vehicles and secondly, what is your current reading of the potential for increase in utilization of Kochi Terminal?

Vinod Kumar Mishra: So, small scale LNG, although we are doing a lot of effort for that, as you know that SSLNG is one of the projects which was initially conceived by Petronet LNG Limited. And we had been doing it a lot and perhaps and this time we have put up 4 LNG stations and all are on the verge of commissioning. And it is along with one of the off takers we have tied up and more LNG stations we are going to put up. But as you know that potential is very high in this sector. Once this sector is investigated perhaps this will have huge consumption because if somebody is having a fleet of 200 trucks and they convert it to LNG fuel trucks, perhaps it will be a huge benefit to the fleet owner as well as to the sector because LNG, in any case, will be around 15% to 20% lower in terms of prices and that is a big gain for the fleet owners and it will help in also just inciting this sector in future and we can further propagate in other areas of the country



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because it's only showcasing something before the customers, before the public that this is the benefit you are getting like it happened in case of CNG. So, we are making all efforts, but it has huge potential. And we are hopeful that it will come in the near future. But we have started it, and we are talking to various fleet owners also. And more and more OMCs have come in this field. They now also want to put up some LNG stations. So, we are also doing some stations. But most of the LNG stations will be put up by off-takers. And we will be happy in supplying LNG to these off-takers to their stations. So, this is our endeavor that more and more LNG usage should be done in future. So, that will happen whether we put up the LNG station or it is put up by OMCs. So, this is how we are going ahead. And second question you asked about regarding the Kochi terminal utilization. It is of course doing good, but the only thing is that, as I said in earlier conferences also, that connectivity with Bangalore will be there by next year, maybe March 2025. So, I hope that once it is connected to Bangalore then it will be connected to National Gas Grid and then utilization will be much higher. But as of now, it is 20%-25% I think, in between. So, hopefully it will increase once it is connected to the National Gas Grid because at that point of time it can be utilized by any off takers, even for the domestic supply of gas to the city gas distribution projects entities because the swapping of the gas is allowed. So, once this is connected to national gas grid, anybody can sell domestic gas by taking gas from our terminal and through swapping arrangement it can be compensated to us. So, we are hopeful that City Gas Distribution entities will require more gas from our terminal because again, it is a case where if it is connected with the pipeline, it will be falling in the zone one tariff. And as you know that zone one tariff is the lowest of around Rs. 39.90, so anybody would like to be in that range. So, it is not feasible even for any other supplier of gas like IOCL, Gail to supply from Dabhol or Ennore. Once it is connected to a nearer source of gas like Kochi, it will be in fact cost efficient for the customers also. So, we are hopeful that because of that reason there is a unified tariff in place, and it will be connected to the natural gas grid. There is a likelihood that in the next after March 2025, the capacity utilization will definitely increase. But we are hopeful it may reach up to 50%- 60% initially, and then it can enhance also.

S. Ramesh:

Thank you very much, Mishraji. So, with that, we are closing the session. So, may I thank all the participants for making this a very interesting and participative session. And I thank the management for spending the valuable time and answering all the questions very patiently. Thank you very much, everyone. And have a good evening. Thank you.

Moderator:

Thank you. On behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us, and you may now disconnect your lines.