Management Discussion

Vivekanand S. - Analyst, Ambit Capital Private Limited
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 2027 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. 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.

S.K. Sinha - Director Finance, GAIL (India) Limited
Okay. Thank you, Vivekanand. I extend a warm welcome to all of you, 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 financial year 2026/2027 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 diversify 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 enabled 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 2027 demonstrated the resilience of the GAIL's integrated business model with a strong financial performance supported by portfolio diversification, disciplined supply management, and continued investor strategic growth projects. Moving to the key business highlights for the quarter. During the quarter, the entire 1,707-kilometer Mumbai Nagpur Jharsuguda pipeline become operational on 31st May 2026, making a significant milestone in strengthening GAIL gas transmission infrastructure. Pursuant to the NCLT order dated third June 2026, Konkan LNG Limited become a wholly owned subsidiary of GAIL (India) Limited with effect from sixth July 2026. This will help GAIL streamline operational more effectively, bring tax efficiency, and make RLNG sourcing more competitive.PNGRB also authorized for the three LPG pipelines, namely Jhansi-Sitarganj 610 km, Kochi-Nagpur 556 km, and Sikarpur Hubli Goa 635 km, was received on fourteenth July 2026. The combined length of these pipelines is over 1,800 km with estimated investment of around INR 6,700 crores spread over three years. Moving to the performance highlights. First, we discussed about the standalone profitability. Gross turnover for the quarter FY 2027 stood at INR 38,912 crores as against INR 34,591 crores in Q4 FY 2026, 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 INR 5,773 crores as against INR 1,577 crores in Q4 FY 2026. PAT stood at INR 4,292 crores as against INR 1,262 crores in Q4 FY 2026. Moving to the consolidated financials.On consolidated basis for Q1 FY 2027, turnover stood at INR 41,277 crores compared to INR 35,499 crores in Q4 FY 2026. EBITDA was INR 7,573 crores versus INR 2,703 crores in the previous quarter. PBT stood at INR 6,268 crores as compared to INR 1,966 crores in Q4 FY 2026. PAT excluding minority interest stood at INR 4,665 crores as against INR 1,485 crores in Q4 FY 2026. Moving to the segment-wise performance and outlook. First, we discuss about the gas marketing. Due to the force majeure declared by PLL, volumes from Qatar were impacted.

Additionally, seven cargo from other contracts were also affected during the quarter. To meet the demand gap, GAIL sourced eight spot cargo during Q1 FY 2027. Our gas marketing volume stood at 93.82 MMSCMD, comprising 8.76 MMSCMD in the international market. Favorable movement in price indexes supported the elevated marketing spread during the quarter.Higher return were generated from the Henry Hub link and JCC nine-month link 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 the three-month JCC averages are expected to converge over the time, and the benefit from the index movement is likely to normalize. In view of the continued volatility, we maintain our gas marketing guidance for FY 2026/2027 at around INR 4,500 crores PBT. We will further review and revise the guidance if required after declaration of the results for the subsequent quarter. Moving to the natural gas transmission. Natural gas transmission volume for the quarter FY 2027 stood at 122.36 MMSCMD as against 118.99 MMSCMD in the previous quarter.The Q1 FY 2027 transmission volume is broadly in line with the FY 2025/2026, with the increase primarily on account of CPAL volume, which rose by around four MMSCMD during the quarter. Based on the current operating trend and the Q1 FY 2027 volume of 122.36 MMSCMD, we now expect natural gas transmission volume for FY 2027 to be around 123 MMSCMD with the assumption that the geopolitical situation continue. We will continue to monitor the evolving geopolitical situation and domestic demand, and we'll update the guidance if material change is warranted. Under the polymer business, due to the diversification of feedstock natural gas towards the priority sector, in line with the government gazette notification declaring natural gas as essential commodity, polymer production during Q1 FY 2027 stood at 51 TMT. The segment incurred a loss of INR 130 crores for the quarter.As per this, the plant is running at 100% capacity, we expect it is to be at the break-even level during FY 2027. 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 2026, down by around 3%, primarily due to disruption in the LPG import 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 the range of throughput during the last year.The LHC segment reported PBT of INR 772 crores during the Q1 FY 2027, as against INR 144 crores in the previous quarter and INR 489 crores in the previous financial year, added by higher LPG prices due to the West Asia disturbance. Moving to the CGD and GAIL Gas performance. GAIL's CGD network across six GAs comprises 217 CNG stations and 2.63 lakh DPNG connections. During Q1 FY 2027, GAIL's CGD business added about 20,069 DPNG connections and three CNG stations. GAIL Gas Limited, which is a wholly-owned subsidiary of GAIL, currently operates 16 GAs directly and nine GAs through its JV. During Q1 FY 2027, GAIL Gas added about 16,610 DPNG connections. As on June 30, 2026, GAIL Gas held a network of 592 CNG stations and 793,684 DPNG connections. Over the next two years, GAIL Gas target to add around 275 new CNG stations and about 3.7 lakh new DPNG connections.During the current financial year, current quarter FY 2027, turnover of GAIL Gas stood at INR 3,326 crores as against INR 3,227 crores in Q4 FY 2026. PBT increased by 3% and stood at INR 162 crores as against INR 158 crores in Q4 FY 2026. PAT was up by 3% and stood at INR 120 crores as against INR 117 crores in Q4 FY 2026. Moving to the ongoing projects and capex pipeline projects. JHBDPL remaining section, KKBMPL phase II, Gurdaspur-Jammu pipeline, and C2, C3 pipeline are scheduled for completion in the current financial year. Vijaipur-Bina pipeline, DBPL capacity augmentation, are scheduled for completion in

FY 2027/2028. JLPL capacity augmentation is scheduled to be completed in July 2028. Petrochemical projects, the 1,250 KTA PTA plant at GNPL is in advanced stage of commissioning and should start production shortly. The 500 KTA PDH plant is scheduled to be commissioned in the next financial year.Moving to the other capex plan, during the Q1 FY 2027, GAIL incurred a capital outlay of INR 6,176 crores, demonstrating a strong progress across strategic growth initiative. These sustained investments 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 2027 capital outlay guidance of around INR 11,500 crores. That concludes my overview of the quarter performance, segment-wide outlook, and key projects. Over to you, Mr. Vivekanand.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] The first question is from the line of Vivekanand S. from Ambit Capital Private Limited. Please go ahead.

Vivekanand S. - Analyst, Ambit Capital Private Limited
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 2025. Clearly, FY 2026, 2027 were down years, very specific reasons. How to think about the demand outlook beyond FY 2027, considering that the government is taking multiple steps to de-risk 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. Some of your new contracts, particularly Vitol and ad hoc volumes, they will kick in now, this year.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 you.

S.K. Sinha - Director Finance, GAIL (India) Limited
Okay. Thank you, Mr. Vivekanand. Coming to the first question for the demand. As you know, PNGRB has come up with a document, a paper, where it has mentioned that by 2030, the total demand will be 297 MMSCMD, as against currently 200 MMSCMD. There will be increase of about 100 MMSCMD. 100 MMSCMD will come first, from the CGD sector, second from the fertilizer sector, third one was the power sector, fourth one the industries, which includes steel, aluminum, etc.. Last one is the long-haul LNG truck. These are the area where demand will come in the future. Moving to the second question regarding the sourcings. Right now we have 16.5 MMTPA in our portfolio, and earlier our chairman has already told that we will source around seven to eight MMTPA by 2030, out of which we have sourced around 2.5. Rest, we are on working on it.

Vivekanand S. - Analyst, Ambit Capital Private Limited
Right. Thanks for the color. Just to help us understand the, let's say, the roadmap, because the 2030 outlook now we are not very far off. I mean, less than three and a half years. 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? My understanding that the PNGRB had done this at a

time when the market was very normal. There was an LNG glut expected globally. The devastation war is likely to have changed many things here. 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, FY 2028 and FY 2029?

S.K. Sinha - Director Finance, GAIL (India) Limited
Basically, based on the current situation, we have not revised our volume. We are...

Unidentified Speaker
Totally relying on PNGRB published figures. Certainly they will increase. I have already told about the CGD sectors, where the growth is around 10%-12%. Currently it is around 45, 46 MMscmd. By 2030, as per the PNGRB, it will increase to 80, 85 MMscmd. Second one in the fertilizer sectors, there will be around 10-12 MMscmd growth will come by 2030. Third one is the power sectors. Currently, we are consuming in the power sectors around 25, 26 MMscmd. It will increase to 30, 35 MMscmd. In the other segments, I've already told you the long-term truck haul or steel and cement. Growth will be happened in these sectors.

Vivekanand S. - Analyst, Ambit Capital Private Limited
Right. Thank you very much, sir. Palak, you may open the Q&A queue now. Thank you.

Operator
Yeah. Thank you, sir. [Operator Instructions] The next question is from the line of Probal Sen from ICICI Securities Limited. Please proceed.

Probal Sen - Analyst, ICICI Securities Limited
Thank you, sir. Congratulations on the 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, yet if we look at the guidance of INR 4,500 crore, what we are implying therefore is that there is a very steep decline in terms of the quarterly run rate, if we look at what we have already achieved in Q1. How should we look at it, sir? Is this just excessive prudence at this point of time, and there is almost a decent probability of further upward guidance? Or is there a huge normalization that can happen when the JCC three-month linkage actually kicks in and converges to the nine-month number? Just if we can understand a little bit more.

Unidentified Speaker
See, Prabal, 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 2.8 MMTPA, 2.4 MMTPA, it is on nine-month Brent. It is on Japanese crude cocktail, but roughly it is same as dated Brent, but it is covering nine months average and that too with a lag of two months. Whereas all the downstream sales are on three-month dated Brent. There has been in earlier years also, cash flow differences have been there, which are getting normalized over a longer period of time. 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 that has contributed significantly. 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 - Analyst, ICICI Securities Limited
Got it, sir. Sorry to harp on this again, another significant part of our trading portfolio is the 21

MMscmd or 5.8 million ton of Henry Hub linked gas. There, sir, it's very clear that Henry Hub prices are continuing to be at a discount to Asian LNG prices. That advantage will still sustain. There is nothing specifically one-off about that phenomenon. Obviously, the differential may narrow a bit, is it fair to assume that that advantage would continue to sustain for us for even the rest of the year?

Unidentified Speaker
No. 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 cross 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. The cross index, whatever is available, is not a very high number. Yes, definitely, that is in a sweet spot right now. That contributes positively to our top line and bottom line.

Probal Sen - Analyst, ICICI Securities Limited
Got it, sir. The second question was about the LPG business, where you mentioned the additional allocation of 0.6 MMscmd. In terms of production run rate, should we assume that the production run rate that we've achieved in this quarter, that will safely be maintained for the rest of the year? What was the average pricing that we saw for our realizations in this quarter?

Unidentified Speaker
During the last Yes, hold on. 90.

Unidentified Speaker
Average 90.

Unidentified Speaker
90. Average price during the last quarter, it was around INR 90,796. Moving to the production side, we have allocated additional 0.597 MMscmd. Earlier, we had allocation of about 1.32. Total, our allocation is around 1.9. Based on the 1.9, we will able to produce what we produced during the last quarter.

Probal Sen - Analyst, ICICI Securities Limited
Understood, sir. I will come back for more questions. Thank you so much, and all the best.

Operator
Thank you, sir. The next question is from the line of Yogesh Patil from Dolat Capital. Please proceed with your question.

Yogesh Patil - Analyst, Dolat Capital
Thanks for an opportunity, congratulations for the great set of numbers, sir. A few questions from the petrochemical Pata facility. What was our average gas cost for the petrochemical during the quarter? What gas price do we expect petrochemical operating profit will come into the positive side?

S.K. Sinha - Director Finance, GAIL (India) Limited
During the last quarter, the average price of petrochemicals landed price was $10.54 per MMBtu.

Yogesh Patil - Analyst, Dolat Capital
Sir, any guidance that at what price we will be profitable on the petrochemical side? At what gas

cost?

S.K. Sinha - Director Finance, GAIL (India) Limited
If around $13, $14 landed price and selling price is around INR 1,30,000, there will be no profit and loss.

Yogesh Patil - Analyst, Dolat Capital
Okay. Sir, next related to Usar and the GMPL again. As you mentioned, Usar is going to start the next year and GMPL very soon. Could you approximate timelines when these projects will be a fully commission? That's one. Secondly, when it starts contributing to the EBITDA. On a safer side, will it be a second half of FY 2028 or could you give us a guidance on the FY 2029 side, a full profitability will reflect in FY 2029?

S.K. Sinha - Director Finance, GAIL (India) Limited
We have not worked out profit for the FY 2027, 2028 for the GMPL and 3D SPV, but certainly our GMPL plant is under commissioning and production will start very soon. Regarding the 3D SPV plant, this plant, as per the timelines, it should be commissioned by June 2027, but it will take another six to seven months, and it may be completed by December 2027.

Yogesh Patil - Analyst, Dolat Capital
Last question on the PNGRB Action Plan 2027. Sir, they have mentioned promotion of transparency and the competition in the gas infrastructure. Under this paragraph, PNGRB has mentioned that unbundling of functions and creation of independent transport system operator. What we understand, recently the gas regulation has canceled the unbundling of the GAIL transmission in the trading segment. Can you just give us a little bit clarity on this topic?

S.K. Sinha - Director Finance, GAIL (India) Limited
In the year 2014, PNGRB came up with the Clause 5A for the unbundling of GAIL. Unbundling means any entity which are in the transmission and marketing business has to separate it with effect from first April 2027. For this, we went in the court, and the case is still pending, and recently PNGRB has withdraw the Clause 5A from their regulation. Right now there is no obligation for unbundle for the entity, which they engage in the gas transmission and gas marketing.

Yogesh Patil - Analyst, Dolat Capital
Okay. What will be the role of TSO, sir? Transport System Operator, independent TSO.

S.K. Sinha - Director Finance, GAIL (India) Limited
TSO will examine the third party. Basically, in any pipeline, we have 25% for the third party, so open access. They will monitor the open access quantity.

Yogesh Patil - Analyst, Dolat Capital
Thanks a lot, sir, and all the best.

S.K. Sinha - Director Finance, GAIL (India) Limited
Thank you.

Operator
Thank you, sir. The next question is from the line of Siddharth Chauhan from 360 One Capital. Please proceed.

Siddharth Chauhan - Analyst, 360 ONE Capital
Hi. Thank you for the opportunity. I have two questions. Firstly, in the gas transmission business, for system use gas, do we get HPHT gas or you have to rely on spot LNG? That is my first question.

S.K. Sinha - Director Finance, GAIL (India) Limited
Yeah. Basically, we are using HPHT gas. We had already purchased HPHT gas in the past, so we are using the same gas.

Unidentified Speaker
Currently, we are using HPHT that was earlier awarded to bidding. It is available. Going forward, the PNGRB has come out with a regulation where three-year long-term sourcing, at least three years or more, has to be done for procuring the gas for the HTG purpose.

Siddharth Chauhan - Analyst, 360 ONE Capital
Understood. Any thoughts on that? Have we planned our sourcing for the next three years?

Unidentified Speaker
We are examining that, and definitely HTG is a must for operating the pipeline, so we'll be planning that soon.

Siddharth Chauhan - Analyst, 360 ONE Capital
Understood. Lastly on Dabhol LNG plant, when will the heating system be installed? Secondly, will it be fair to assume that all the incremental deals on sourcing side will be brought to Dabhol LNG for regasification?

S.K. Sinha - Director Finance, GAIL (India) Limited
The ambient heating system will be completed by next year, by June 27.

Siddharth Chauhan - Analyst, 360 ONE Capital
Okay.

S.K. Sinha - Director Finance, GAIL (India) Limited
What is your next question?

Siddharth Chauhan - Analyst, 360 ONE Capital
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. As you mentioned, seven to eight MMTPA you're targeting by 2030, and you have already sourced 2.5.

Unidentified Speaker
Generally, all the deals are having West India optionality available with GAIL where we can change the port or dispute the port. Definitely, we will endeavor once the terminal is fully ready to use as much as available slots as possible.

Siddharth Chauhan - Analyst, 360 ONE Capital
Thank you, sir, and all the best for the future.

Operator
Thank you, sir. The next question is from the line of Amit Murarka from Axis Capital. Please proceed.

Amit Murarka - Analyst, Axis Capital
Good evening and for the opportunity. On the Henry Hub LNG, I believe a lot of it is back-to-back contracted. Just wanted to understand what % of it is still open and how much is in the contract terms now.

Unidentified Speaker
I think this has been answered a few minutes back in another question. As I said, 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 petrochemical complex. Remaining maybe 25%-30% is available for sale in Brent contracts. That is available across index, and we are time to time hedging and locking the margins for this cross index basis with

Amit Murarka - Analyst, Axis Capital
Given the high differential right now between the two, between Henry Hub linked and Brent linked, is it fair to say that at least in second quarter or the near term, the margins that you capture from this open-ended volumes will still be quite high then?

Unidentified Speaker
Amit, our Pata plant was partly operational during Q1. It started in the middle of May. It was operating on 50% load. Now, Pata is fully operational on 100% load, the volume which is designated for Pata will be consumed in Pata. We'll have less arbitrage available to play with Henry Hub.

Amit Murarka - Analyst, Axis Capital
Got it. Still, given that petchem prices are also very high, in that case the same margin will now get captured in petchem to that extent.

Unidentified Speaker
Yeah, we cannot be so sure of petchem prices. It will anyway be determined by the market forces. Price has already softened if you compare with the previous quarter.

Amit Murarka - Analyst, Axis Capital
Okay, sure. Okay, got it. That's it from me. Thank you.

Operator
Thank you, sir. The next question is from the line of Sumeet Rohra from Smartsun Capital. Please proceed. Mr. Sumit, your line has been unmuted. Please proceed with your question.

Sumeet Rohra - Analyst, Smartsun Capital
Thank you so much. Hi, 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 INR 4,500 crore is basically what you're targeting on a PBT level for the whole year, and you've done about INR 3,600 crore in the first quarter. I also understood you said that this is linked to Brent, a dated Brent. 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 INR 6,500, that is INR 3,600.If you can help understand on that, then they'll get a better sense on numbers on gas marketing. Sir, secondly, also on the LPG, you've reported INR 772 crore versus INR 205 crore. That

is also quite a high number. Do you also see this INR 700 crore plus number sustaining for the balance of the other quarters, sir?

Unidentified Speaker
Moving to the second question regarding LPG. The price of LPG during the last quarter, it was around INR 90,796, and price has already softened during the current quarter. Certainly, there will be decrease in the LPG profitability. Regarding input side, we are using some portion of the APM gas. The price is around $7, and we are using some new wellfield gas. The gas price is around $12 to $13. Based on these situations, whatever we earn profit during the last quarter, certainly this profitability will decrease during the current quarter. Regarding the gas marketing profitability, we reported around INR 3,353 crore at PBT level. We have already explained earlier that our total guidance during the current year, it is around INR 4,500 crore. If any change will happen in the coming days, we will come up with the revised guidance.

Sumeet Rohra - Analyst, Smartsun Capital
Thank you so much, sir, for that. Just one thing, this INR 4,500 crore has been a number which is long spoken of since the last two, three years. Do you think that it's more or less going to remain around here? At some point, you're going to see a very sharp escalation in those numbers?

Unidentified Speaker
The situation is very volatile. Keep moving. It's changing every day. The extraordinary result that we got in quarter one is due to JCC nine months and three months arbitrage that we got. Over long run, these averages are going to converge. Second quarter, the JCC nine-month average, it will reflect the current Brent prices to some extent, the margins are going to shrink as we go forward. The same kind of margins that we earned in quarter one may not be available in quarter two. If Brent goes down significantly, we may lose on that numbers. Because Brent three months will start reflecting a lower number than our sourcing.

Sumeet Rohra - Analyst, Smartsun Capital
Okay, sure. Thank you, madam. That's helpful. Thank you.

Operator
Thank you, sir. The next question is from the line of Sabari H. from Emkay Global. Please proceed with your question.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
Yeah, good afternoon, sir, and congratulations on set of numbers. I have two questions. First is on the transmission side. I think the expenditure on the transmission side is quite low if we adjust for the one which was done in Q4. Was there anything specific during Q1?

S.K. Sinha - Director Finance, GAIL (India) Limited
In the last quarter, there was provision, INR 111 crore. Basically, provision has reduced from INR 111 crore to INR 11 crore. The total cost had decreased mainly due to the provision.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
Okay, there was nothing like no change in gas sourcing mix for the transmission?

S.K. Sinha - Director Finance, GAIL (India) Limited
No.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
Nothing like that.

S.K. Sinha - Director Finance, GAIL (India) Limited
No.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
No one-off, right? Okay.

S.K. Sinha - Director Finance, GAIL (India) Limited
No.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
Okay, fair enough. Second question is on your fertilizer plant. These are all assured projects, right? In terms of 12%-16% IRR, which I think the government has also stated. They will always be profitable, or is there some risk of 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 - Director Finance, GAIL (India) Limited
Basically, yesterday, Ministry of Fertilizer has published the new urea policy for the investment. We are going for the two fertilizer plant, one in the Maharashtra, another one in the Chhattisgarh. All the plants are under active evaluation. Whenever we finalize our DFR and investment decisions, we'll come inform you with subsequent.

Sabri Hazarika - Analyst, Emkay Global Financial Services Limited
Got it, sir. Thank you so much. All the best.

Operator
Thank you, sir. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please proceed with your question.

Mayank Maheshwari - Analyst, Morgan Stanley
Sir, I had a basic question around how you have used the energy shock from the last quarter to improve your market share in marketing specifically. Is there something that you can tell us about? As you said, this has been a one-time and your portfolio around gas sourcing has been helpful. Is there a way you can quantify in terms of long-term market share that you'll be able to gain because of this energy shock?

S.K. Sinha - Director Finance, GAIL (India) Limited
Mayank, can you repeat your question, please? We are not hearing.

Operator
Mayank, sir, can you please use your handsets?

Mayank Maheshwari - Analyst, Morgan Stanley
Can you hear me now?

S.K. Sinha - Director Finance, GAIL (India) Limited
Yeah. It is okay.

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

Unidentified Speaker
Yeah. Mayank, this Middle East war, though it has given lot of lessons for the country, but definitely one lesson has come out very shockingly, that the country's dependence on LPG is very much loaded on the Middle Eastern countries, whereas natural gas portfolio for the country is much more diversified. 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 projectile manner with natural gas, whether it is for cooking, whether it is for industrial segments and whatever segments.Yes, that has given a big boost and 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 earlier used LPG, they are all now coming up for tying up natural gas for their energy requirements. It is a big boost for the natural gas in the longer term.

Mayank Maheshwari - Analyst, Morgan Stanley
GAIL specifically, sir, in terms of, because you have been losing market share on marketing side versus your transmission volumes. If you look at, the gap has been widening over years. Is that a gap that you can close over the next few years because of this or no?

Unidentified Speaker
Definitely it will help improve. One of the reasons for that, whatever factor you are saying, is the growth in the CGD sector, where many of the CGDs, sometimes they are sourcing on their own, but as far as the pipeline transmission network, GAIL being one of the biggest pipeline transmission network owners, transmission volumes will continue to benefit.From the volume growth in CGDs, we can understand that there has been substantial growth in industrial and commercial connections because those I&C customers, they are avoiding LPG now. They are taking new connections. In the coming quarters, we'll see that growth coming up.

Mayank Maheshwari - Analyst, Morgan Stanley
I think this is the last question on Jharsuguda pipeline. How much volumes you think you can be going through this pipeline over the next couple of years, and impact on tariff overall, if at all any?

S.K. Sinha - Director Finance, GAIL (India) Limited
Currently, it is around 0.5 MMscmd, this will increase further. That will be discussing in the Jharsuguda sides. There are a lot of industry in the Jharsuguda, so certainly they will consume gas in the coming days.

Unidentified Speaker
One or two years is a very small period, many CGDs are there, they will gradually ramp up. The most important thing is our two fertilizer plants, which we are working on. If they are approved, then they may take another three, four years. That will be a big boost on the volumes on this pipeline.

Mayank Maheshwari - Analyst, Morgan Stanley
Okay. Thank you.

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

Bineet Banka - Analyst, Nomura
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 INR 6.7 billion, and I think you told that this could be reversed in the coming quarter. Was it reversed in this quarter?

S.K. Sinha - Director Finance, GAIL (India) Limited
No, this has not been reversed in the current quarter.

Bineet Banka - Analyst, Nomura
Okay.

S.K. Sinha - Director Finance, GAIL (India) Limited
There is no one-off in the current quarter, yeah.

Bineet Banka - Analyst, Nomura
Yeah. Understood, sir. Secondly, on the LPG, LHC business, I understand the volume currently, the domestic gas volume that you're getting 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 - Director Finance, GAIL (India) Limited
1.12 is the APM gas, Rest is the new wellfield gas.

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

S.K. Sinha - Director Finance, GAIL (India) Limited
We are in the petrochemicals since 1999, we have a market. We have a customer, we have to produce, we have to run our petrochemical plants at a certain level. We have a Henry Hub gas around 21 MMscmd, and our ED Marketing has already clarified in detail how much we are selling on the back-to-back basis, how much we are selling on a cross index, and how much we are consuming in our internal consumption.

Bineet Banka - Analyst, Nomura
Okay. Sir, one last question on LPG realization. Usually when I compare this realization with Saudi contract price, it is largely in line, but this quarter there was a large divergence. Is it because of the much higher spot premium over Saudi contract price because of what was happening in the Middle East, and also due to additional higher logistic costs, or anything else which could explain this price difference?

S.K. Sinha - Director Finance, GAIL (India) Limited
During the last quarter, the average crude price was around $96, $97. Based on these crude prices, the price of the LPG has increased, and price is being fixed based on the Saudi Aramco indexes.

Bineet Banka - Analyst, Nomura
Okay, sir. Thank you. All the best.

Operator
Thank you, sir. The next question is on the line of Somya from Addepar. Please go ahead. Mr. Somya, 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 PhillipCapital. Please proceed with your question.

Nitin Tiwari - Analyst, PhillipCapital
Hi, sir. Good evening, congratulations on very strong set of numbers. Thanks for the opportunity. A couple of questions from my side. We have a number of projects which are commissioning over this year and next year as well. How do we look at depreciation and interest? I mean, if you can give us some guidance on the run rate for depreciation interest, going forward on either annual or quarterly basis.

S.K. Sinha - Director Finance, GAIL (India) Limited
Basically, during the previous quarter, we have already reviewed our life of the pipelines and the petrochemicals. Based on the current life of 40 years and 35 years of all the petrochemicals, the depreciation will be around INR 3,200 crore, INR 3,300 crore in the coming years.

Nitin Tiwari - Analyst, PhillipCapital
Okay. Even after the commissioning of new pipelines, I mean that is the broad That right, sir. Also, we have petrochemical project commissioning as well in next year.

S.K. Sinha - Director Finance, GAIL (India) Limited
Yeah. GNPL will be commissioned very soon, and PDHPP plant will be commissioned in the next year.

Nitin Tiwari - Analyst, PhillipCapital
Right, sir. If we include all of that, then how would this INR 3,200 crore number move? Any sense on that?

S.K. Sinha - Director Finance, GAIL (India) Limited
Basically, the depreciation rate for the petrochemicals, it is around 4%. You can calculate total PDHPP cost is around INR 11,256 crores. Additional impact will be INR 312 crores.

Nitin Tiwari - Analyst, PhillipCapital
Okay,

S.K. Sinha - Director Finance, GAIL (India) Limited
For PDHPP plant.

Nitin Tiwari - Analyst, PhillipCapital
INR 312 crores, sir. Got it. On the interest side?

S.K. Sinha - Director Finance, GAIL (India) Limited
Currently, Just one moment. Total finance cost for the current quarter was around INR 310 crores. You can calculate for the yearly basis, it will be around INR 1,200 crores-INR 1,300 crores. On yearly basis.

Nitin Tiwari - Analyst, PhillipCapital
Understood.

S.K. Sinha - Director Finance, GAIL (India) Limited
And-

Nitin Tiwari - Analyst, PhillipCapital
Because of the plant, I mean.

S.K. Sinha - Director Finance, GAIL (India) Limited
Yeah. Tell me, yeah.

Nitin Tiwari - Analyst, PhillipCapital
Yeah, I was saying that currently you would be capitalizing the interest on the debt on the plant, right? That will get expensed later when the plant is commissioned.

S.K. Sinha - Director Finance, GAIL (India) Limited
Yeah.

Nitin Tiwari - Analyst, PhillipCapital
How would the interest run rate look?

S.K. Sinha - Director Finance, GAIL (India) Limited
Basically, total plant cost is around INR 11,000 crores. Based on the 60/40 something, total loan of the PDHPP is around INR 6,000 crores. 6,000 into seven, sorry, INR 440 crores.

Nitin Tiwari - Analyst, PhillipCapital
INR 6,000 crores.

S.K. Sinha - Director Finance, GAIL (India) Limited
Finance cost will increase by around INR 440 crores on a yearly basis.

Nitin Tiwari - Analyst, PhillipCapital
INR 440 crores. Got it, sir.

S.K. Sinha - Director Finance, GAIL (India) Limited
Four.

Nitin Tiwari - Analyst, PhillipCapital
Yeah. Sir, second question was on marketing margins. You did explain the gap between nine-month and three-month JCC contracts, which led to the widening of margins. You would have sold lot of spot cargoes in this quarter as well to make up for lost cargoes from Qatar, right? How was the marketing margin on those cargoes? If you can give us some sense, either in percentage of the price

terms or in $ per MMBtu.

Unidentified Speaker
See, during these war times too, we have been trying to manage the volumes to our customers also. We have purchased lot of spot cargoes during this foremost period, which are sourced at market price. Ultimately, we have used a mix of both strategies to keep the customers supplied and also trying to protect the margins. One more factor which was playing out in this quarter was, though the prices were high, the power sector, the peaking power, especially during the summer months and during the evening hours, that consumption was substantial. Sometimes the summers are mild, but this year the monsoon has been deficient. Even though the spot prices were high, the power plants did consume lot of spot gas.

Nitin Tiwari - Analyst, PhillipCapital
Would it be fair to assume that you were able to make reasonable margins on the spot cargoes as well?

Unidentified Speaker
Yeah, that's right.

Nitin Tiwari - Analyst, PhillipCapital
Yeah. Last question, sir, just a clarificatory one. JCC sourcing is nine months with a two-month lag. How is the supply contract? Does it also have a lag or how does it work? Suppose if a consumer is buying in August, what is the three-month trend that we'll have to look at understanding the price that will be-

Unidentified Speaker
Immediately three preceding months, sir. Whereas the-

Nitin Tiwari - Analyst, PhillipCapital
Okay

Unidentified Speaker
Sourcing side is nine months with a lag of two months.

Nitin Tiwari - Analyst, PhillipCapital
Got it, sir. Thank you so much, sir. That answers all my questions. I'll get back in with you, sir.

Operator
Thank you, sir. The next question is from the line of Vikash Jain from CLSA. Please proceed with your question. Mr. Vikash, your line has been unmuted. Please proceed with your question.

Vikash Jain - Analyst, CLSA
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 would jump that power saw. Is it fair to assume that current gas transmission volumes will obviously be not that high, that we saw in the last quarter, and it's come off?

S.K. Sinha - Director Finance, GAIL (India) Limited
I have already told you that during the current year, you can assume around 123 MMSCMD.

Vikash Jain - Analyst, CLSA
Okay. Yeah, I understand that, Sinha sir, but does that include some kind of normalization due to that the foremost supply, etc., gets normalized or that demand might also be very price sensitive part. As like if there is a sudden spike or collapse in LNG price, all of that can be more sensitive, right? That's what I wanted to understand, that as that summer season related supply has gone, has that led to some kind of a cool off in demand?

S.K. Sinha - Director Finance, GAIL (India) Limited
Basically in the summer season, particularly in the month of August and September, power sector consume gas. Similarly, in the month of December, January, power sector consume gas. Based on all the factors, we have calculated the total figure of around 123 MMSCMD.

Vikash Jain - Analyst, CLSA
Okay. Would this figure change materially if, say, there is a, for some reason, maybe due to European filling of LNG, if there is 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 - Director Finance, GAIL (India) Limited
If changes happen materially in the coming year, certainly we will come and inform you in the subsequent quarter. Right now, we don't foresee for any material change. Based on the current situation, and we expect in the coming situations. Based on the total, the gas transmission volume will be around 123 MMSCMD.

Vikash Jain - Analyst, CLSA
Okay, Sunil sir. Just one more thing. LPG gas trading, you've just explained that obviously there'll 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. For petchem and LPG production, can I argue that, like you said, that because prices have cooled off from those very high levels, that profitability 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 - Director Finance, GAIL (India) Limited
Basically, during the last quarter, the price of petrochemicals was around INR 1 lakh. Just hold on. INR 146,000 per metric ton as compared to the INR 98,000 per metric ton.

Unidentified Speaker
Quarter four.

S.K. Sinha - Director Finance, GAIL (India) Limited
Quarter four. Similarly, the LPG, the price realization of the LPG is around INR 90,796 as compared to INR 54. There was increase of around INR 36,000 per metric ton. The main reason for increase in the profitability of the LHC, mainly increase in the price.

Unidentified Speaker
Plus production 20%.

S.K. Sinha - Director Finance, GAIL (India) Limited
Production we have increased by 20%. Due to-

Vikash Jain - Analyst, CLSA
Sure. That was for first quarter.

S.K. Sinha - Director Finance, GAIL (India) Limited
Allocation of gas from Ministry.

Vikash Jain - Analyst, CLSA
Since those prices now have cooled off, so profitability for both of these segments will also be-

S.K. Sinha - Director Finance, GAIL (India) Limited
Yes.

Vikash Jain - Analyst, CLSA
Not that high.

S.K. Sinha - Director Finance, GAIL (India) Limited
Impact in the coming year.

Vikash Jain - Analyst, CLSA
Profitability of gas trading as well as petchem as well as LPG production, will all three of them, will see some kind of a decline from where things are in the first quarter. Right?

S.K. Sinha - Director Finance, GAIL (India) Limited
It is right, Ajit sir.

Vikash Jain - Analyst, CLSA
Okay. Yeah, that's all my questions. Thank you so much.

Operator
Thank you, sir. The next question is from the line of Vivekanand S. from Ambit Capital. Please proceed with your question.

Vivekanand S. - Analyst, Ambit Capital Private Limited
Sure. Thanks for the follow-up opportunity. My question is a bit broader on how the government is thinking about the policy framework post this crisis. Before the crisis, the government was promoting the sector a lot and also coming up with 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? Thank you.

S.K. Sinha - Director Finance, GAIL (India) Limited
Thank you.

Unidentified Speaker
The government is also pushing on gas storage as a strategic energy security measure. Of course, it is being thought very seriously, but it may not give the impact so fast. definitely, the intent is very much there, and seriousness is there. also then coal gasification projects are being promoted by the government. There are policies which are incentivizing those kind of projects. all these are the

measures which the government is taking for increasing this gas usage. of course, compressed biogas was always on the front radar of the government, and probably some even better schemes are likely to come in near future, but we have to wait for the schemes to get published.

Vivekanand S. - Analyst, Ambit Capital Private Limited
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.

Unidentified Speaker
As GAIL, we are always on the lookout for sourcing from all parts of the world. wherever we get a better deal, we will go by it. as already told by Director Finance earlier, we had a sourcing roadmap for up to 2030, up to seven MMTPA. Of which two and a half we have already done. We'll continue to scout all the indices and all the geographies.

Vivekanand S. - Analyst, Ambit Capital Private Limited
Sure. Thank you very much for your time. now I would hand the conference back to you for closing comments. Shinaji, if you would like to say something in closing, that'll be great. Thank you.

S.K. Sinha - Director Finance, GAIL (India) Limited
Thank you, Vivekanand. I have tried to get all your questions. Any questions, please inform to our IR sales. Anjana ma'am is looking after IR activity. Please email to Anjana ma'am. Thank you so much.

Operator
[Operator Closing Remarks]