# "Bharat Petroleum Corporation Limited Q4 FY '24 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day, and welcome to Bharat Petroleum Limited Q4 FY '24 Earnings Conference Call hosted by PhillipCapital (India) 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 any assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Tiwari from PhillipCapital (India) Private Limited. Thank you, and over to you, Mr. Tiwari.

**Nitin Tiwari:** Thanks, Manav. Good morning, ladies and gentlemen. First of all, apologies for the slight delay that we just faced, because there was a technical issue, because of which we got disconnected. So, apologies for that again. And on behalf of PhillipCapital, I welcome everyone to BPCL's 4th Quarter and FY '24 Earnings Call.

We have the pleasure of having with us the Senior Management Team of BPCL led by the CMD of BPCL Mr. G. Krishnakumar.

Without much ado, I will hand over the floor to the management for their opening remarks, which shall be followed by a Q&A session. Over to you, sir.

**Rahul Agrawal:** Thank you, Nitin. Good morning. On behalf of the BPCL team, I welcome you all to this post-Q4 results con call.

Before we begin, I would like to mention that some of the statements that we would make during this con call are based on our assessment of the matter and we believe that these statements are reasonable. However, their nature involves a number of risks and uncertainties that may lead to different results. Since this is a quarterly result review, please restrict your questions to Q4 results.

I now request our Chairman and Managing Director – Mr. G. Krishnakumar who is leading the BPCL team for this call to make his opening remarks. Thank you, and over to you, sir.

**G. Krishnakumar:** Thank you, Rahul. Good morning everyone. Welcome to the post-Q4 FY '24 Results Con Call. Thank you for joining us today. I hope you were able to go through our Results for the Quarter and the Financial Year gone by.

Before taking you through the BPCL Results, let me touch upon the macros:

Consumptions of petroleum products in India has shown a resilient growth in the year gone by with an overall growth of 4.8%. Major products such as petrol, diesel, ATF have grown by 6.4%, 4.3% and 11.8% respectively. Brent prices for the crude oil averaged about $83 a barrel, which is about 13.6% lower than last year.

The year was marked by production cuts by OPEC+, Saudi and Russia along with a breakout of the Israel-Hamas war, which drove price uncertainty. Geopolitical tensions also caused disruptions in the Red Sea from November ‘23, increasing global freight rates and voyage time for shippers.

Global economy is forecasted to marginally strengthen in this year, supported by economic resilience in key markets like U.S. and China. However, escalating tensions and trade route disruptions present a downside risk on the demand side of growth. Our expectation is that global supply and demand will be relatively balanced, and the prices would be range bound between 83 and 87. The factors that could impact prices is largely related to unplanned production disruptions, a risk highlighted by escalating tensions in the Middle East.

If you look at India as a country, amidst the fiscal challenges faced by major economies, India continues to be an oasis of growth and stability. In FY ‘24, real GDP growth has been estimated about 7.6% year-on-year, driven by growth in manufacturing and construction sectors and a robust government CAPEX investment.

In ‘25, Indian economy is likely to grow by 6.2% to 7.5% and continue to be the world’s fastest growing major economy. We expect petrol and diesel demand to grow in the near term. Growth in demand of petrol is expected to be around 5%, whereas diesel will be about 1.5% to 2%.

As far as energy transition is concerned, India has stuck the right balance between its energy security and climate goals. A rapidly expanding economy will inevitably lead surge in energy demand. The current demand is about 618 million tons of oil, and it is expected to grow to about 2,200 million tons of oil equivalent by 2047. So, there will be a growth in demand in BPCLs core and new businesses.

India has set a goal of attaining NetZero emissions by 2070. This will accelerate the adoption of green and low carbon energy solutions, opening up significant economic opportunities for companies operating in the broader energy sector, including for BPCL.

BPCL has an attractive set of opportunities across core as well as new growth areas like Petchem, gas and green energy. In the previous year, we launched “Project Aspire”, our five-year strategic framework. Our strategy is based on two fundamental pillars, that is:

1. Nurturing the core.

2. Investing in the future big bets.

We remain committed to our core business, which includes refining, marketing of petroleum products and the upstream.

In addition, we are also focusing on big bets, which comprises petrochemicals, gas, green energy, non-fuel retail and digital.

The strategy aligns with the commitment to our Scope-1 and Scope-2 NetZero emissions by 2040. We have been actively working towards implementing this strategy within the set timelines to fuel our next wave of growth and enable us to create long-term value for our shareholders.

To begin with, on the refinery side, we plan to increase our capacities as we believe the fuel demand will continue to grow. Increased capacities will also cater to our diversification strategy into Petchem. Accordingly, we are planning to expand our refining capacity to 45 million metric tons per annum by FY '29, beginning with the brownfield expansion of Bina Refinery.

On the marketing side, our marketing strategy continues to be focused on strengthening our marketing infrastructure, which includes augmenting our network of 22,000 outlets with an additional 4,000 new outlets by FY '29. We will focus on driving profitable growth across aviation, lubes, LPG and I&C segments, along with premiumization across the board.

Our efforts towards premiumization will be centered around non-fuel retail, customer centricity and digital initiatives. During the year, we have relaunched our premium petrol Speed with Mr. Neeraj Chopra as our brand ambassador.

We had announced two new petrochemical projects during the last year. We are happy to share that the licensors for all Petchem units have been onboarded and the preparation of process packages are in progress.

In line with the government's focus to increase gas share in the Indian energy portfolio, from 6% to 15%, we intend to increase our gas footprint by building optimal CGD infrastructure and acquiring high opportunity geographic areas. We are also exploring enablers like diversification of sourcing, trading capabilities, storage facilities, and also looking at LNG regasification infrastructure, etc., to support our aspirations. We are happy to share that out of 27 GAs, 25 are in operation.

As far as upstream is concerned, BPCL's share of production from its investment in Russia and its stake in Lower Zakum Construction, Abu Dhabi, and Indian blocks was 2.63 million metric tons of oil during FY '24. In our exploration block Onshore 1 in Abu Dhabi, activities are progressing as per schedule and the block is expected to move to the development phase shortly.

The security situation in Mozambique has been improving progressively and the project is gearing up for a restart. In the Madanam block where BPRL has 40% participating interest as non-operator, gas sales has increased from 13,000 SCMD to 53,000 SCMD resulting in reduction of gas flaring from about 70,000 SCMD to 25,000 SCMD. Flaring in the block is expected to be put off in the coming weeks.

In FY '24, we have impaired our investments in BPRL by 1,798 crores, primarily on account of BMC-30 concession in Brazil as the operator moved ahead with exclusive operation for the Wahoo development and the Arbitral Tribunal ruled in favor of the operator. We have challenged the Arbitral Award in the English High Court in London.

As far as green energy is concerned, we aim to build 10 gigawatts of renewable energy portfolio through organic and inorganic acquisition of operating assets by 2040. We are currently exploring various offers and will shortly be able to zero in on some of them.

We have strong competencies in the green hydrogen business given our experience in handling and storing hydrogen. We also have significant own demand in our refineries for hydrogen. We will produce 30 kilotons per annum of green hydrogen in our refineries by 2030 to meet 10% of our captive demand. We will also engage in pilots for green hydrogen fuel mobility and other applications.

Biofuels is another major focus area for us. We will operationalize our integrated 1G, 2G ethanol plant in the near term. We will set up about 26 CBG plants in the near term. The proposal of setting up a bio-methanation plant of 150 tons per day capacity at Kochi by converting bio-degradable waste into CBG has been approved by the Government of Kerala. The construction is in progress and we are intending to commission it by January of '25. We are also planning to set up a pilot SAF project.

In the EV charging business, we plan to reach a total of about 7,000 charging stations by FY '25. As of March 24, we have added 2,443 new charging and battery swapping stations, taking our total to 3,135 EV charging stations. Overall, we plan to invest about 1.7 lakh crores over a period of five years. Of this, 75,000 crores is earmarked for the refineries and Petchem projects.

We also plan to undertake strategic pipeline projects with an investment of about 8,000 crores, of which projects worth 5,000 crores have already been identified and the approval process is in place. We will invest more than 20,000 crore for our marketing business as mentioned earlier.

We have also earmarked investments of 32,000 crores for upstream production mainly in Mozambique and Brazil depending on positive developments on ground. We will invest about 25,000 crores on gas business and another 10,000 crores on green energy business. All these investments will be subject to a positive business case and visibility of returns.

As of March 24, we are fairly comfortable and very low on debt with a consolidated debt equity of about 0.6 as on 31/3/24. The debt equity at standalone gross borrowing levels is 0.25 and at net borrowing level excluding investment is about 0.14. We anticipate these investments not to put a strain on our balance sheet and the peak debt equity ratio at 1 on a standalone basis in the next five years considering current margin levels.

Now going to our performance for the recent quarter and the overall financial year, we have achieved our highest ever throughput for the refineries of 39.93 million metric tons per annum during the current year. Throughput for the quarter was 10.36 million metric tons. Our distillate yield has been 84.67% in this quarter, which is one of the highest among the Indian refineries.

This quarter evidenced a significant fall in international product cracks as compared to the corresponding quarter during previous year, despite this, our refineries recorded a GRM of $12.48 per barrel in the quarter and $14.14 per barrel in the financial year gone by at a premium to Singapore GRMs.

On the marketing side, our domestic market sales grew at 2.09% in the quarter to 13.18 million metric tons. We have continued to increase our market share in petrol and diesel retail segments among the oil companies with a share of 29.6% and 29.8% in MS and HSD respectively.

In the retail business, we continue to generate the highest throughput per retail outlet amongst our peers, the throughput of about 154 kilo liters per month against the average PSU sales of 139 KL, driven by access to strategic markets and locations and strong network amongst the highways. We have commissioned about 800 new retail outlets this year and plan to set up about 1,300 outlets in the FY ‘25, taking our total network to about 23,000 plus outlets.

In FY ‘24, LPG customer base was expanded to 9.35 crores. This year the LPG business saw a 3.4% growth with a market share of 27.4% in packed LPG. Aviation business achieved a growth of 9.4% in FY ‘24. We also signed an MoU with Yamuna International Airport for ATF pipeline from Piyala to Jewar for upcoming Noida International Airport.

The industrial business unit reached a market share of 23% amongst the oil companies and achieved 7.2 million metric tons in sales volume this year, the highest ever by I&C BU. With a strong brand positioning of MAK, the lubricant business achieved a market share of 24% amongst the oil companies and the highest ever sales volume of 421 TMT in the financial year ‘24.

We are also happy to share with you that we have commissioned new channel partners in Sri Lanka, footsteps in African continent in Kenya, Uganda, and Tanzania for our lubricants business.

In line with our focus to expand non-fuel consumer retailing in rural markets, we have started baby steps in retailing stores at our fuel stations in '22. Village level women entrepreneurs called Urja Devis have also been associated to these outlets and professionally trained. They have started on-field activities and are improving our fuel sales as well as the serviceability of LPG, diesel, lubricants, and non-fuel assortment being catered from the vast BPCL network. They service gram panchayats and villages with a population between 2,000 to 5,000.

We have opened about 190 plus stores till date. To gain expertise in our own sourcing and to take the supply chain nearer to the store, we have set up our own warehouse in Lucknow during Q3. Looking at the success of our own sourcing model in Lucknow, we plan to set up such additional facilities in Madhya Pradesh, Maharashtra, Rajasthan, Andhra Pradesh, and Karnataka.

In the gas business, as I mentioned earlier, we have operationalized 25 of the 27 GAs with BPCL except the recently acquired Jammu and Kashmir and Ladakh GAs. BPCL along with OIL as a consortium partner has received the LOI for Arunachal Pradesh, making it our seventh JV in the gas business.

We are happy to share, we have added 435 CNG retail outlets in FY '24, taking the total count to 2,034 stations, and plan to add another 300 outlets in the year 2025.

We also have supply security via long-term tie-ups for about 2.89 million metric tons per annum. Our supply agreement with Qatar Energy has also been renewed during the year for 20 years from 2028.

As far as green energy is concerned, we have currently an installed capacity of 64 Megawatts of RE, and a further 190 Megawatts is under construction. BPCL's first green hydrogen plant of 5 Megawatt electrolyzer capacity is being implemented at the Bina Refinery.

A pilot green hydrogen refueling station project of 100 Nm3 per hour capacity in the mobility sector is under execution at CIL Kochi and is expected to be commissioned by January '25 and is based on an electrolyzer indigenously developed with BARC. We have achieved about 11.7% ethanol blending for the financial year and are aligned to meeting government objectives of 20% ethanol blending target.

Without further ado, let me guide you through the financial highlights:

We have recorded our highest ever net profit of Rs. 26,674 crores this financial year, a significant increase from the profit of about Rs. 1,870 crores in FY '23.

For Q4, the revenue from operations stood at Rs. 132,085 crores. The profit after tax stood at Rs. 4,224 crores. Against the CAPEX target of Rs. 10,000 crores for the financial year 2024, we have spent about Rs. 11,702 crores. We have now budgeted Rs. 16,400 crores for FY '25.

Our standalone net worth as on 31.03.24 is Rs. 74,675 crores. The earnings per share for '24 works out to 125.21.

We are happy to have declared a final dividend of Rs. 21 per share pre-bonus in addition to Rs. 21 per share has already been declared as interim dividend. In order to reward our shareholders for their continued support, we have also proposed a bonus issuance of one bonus share for every existing share held subject to shareholder approval.

Overall, we are complementing our high-class assets with our high operational excellence, prudent capital allocation, disciplined project execution and delivering consistent shareholder returns.

These conclude my comments. And we will be happy to take your questions. Thank you.

**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:** I just have a couple of questions. Thank you for the extremely descriptive run-down of the business outlook and everything else. On the refining front, sir, the performance of the Bina Refinery has been especially strong. Can we just get a broad sense of the product slate of this refinery, just in terms of what is the yield of diesel and petrol ATF? Some of the major products, if you can get any color. That was my first question.

**VRK Gupta:** In respect of Bina, the product slate, for MS it is 15.5%, diesel is around 53% to 54%, ATF is around 8%.

**Probal Sen:** Sir, just to try and understand, I mean, just the diesel, I mean, yield itself is responsible for the clear outperformance of this refinery versus virtually I think any refinery that is there in the country today. Anything you can sort of give us as a flavor of why this refinery is doing so well.

**VRK Gupta:** Two major contributing factors for this Bina higher GRM. One is the crude mix, if you see, the majority of the crude is coming from Russian Urals side. High sulfur crude we are processing in Bina as compared to any other refineries. And secondly, the product slate, if you compare the HSD streams in Bina is much, much higher than compared to other refineries. And you know that diesel cracks were very good during the current financial year. So, these two have helped actually Bina generating higher GRMs.

**Probal Sen:** Sir, just to get a broad sense in terms of overall numbers, was the percentage of Russian crude slightly lower in this quarter versus Q3? Or has it been, I believe last quarter also you have given a broad guidance that I think was around 25% to 30% of our overall slate. Is it similar this quarter?

**VRK Gupta:** If you see for FY '23-'24, our imported crude is around 36 MMT. Out of 36 MMT, around 39% we have procured from Russia. It is containing like Urals, ESPOs, CPC grades. We are expecting this year also similar grades still available from Russia. Then for '24-'25 also Russian crudes can play a significant role in total throughput.

**Probal Sen:** And on the marketing front, sir, you know, our increased crude prices, correct me if I am wrong, we are not really making any significant margins from retail fuels. So, what is the thought process about looking at the price or at the moment we are comfortable with our overall margin mix? How should we look at this?

**VRK Gupta:** Even earlier also we said as long as crude prices are hovering at 80 to 85 range, so we are comfortable even at this pricing. The margins may be short period of time, the margins may be squeezed for a short period of time. But as long as crude is hovering around $80 to $85, we are reasonably, we can generate the marketing margins.

**Probal Sen:** Last question from my side, if I may. In terms of Mozambique, sir said that it could be sort of the force majeure could be lifted and the project could be restarted. Is it reasonable to assume that restart will happen sometime over the next 12 months or in FY '25, we can see a resumption of operations or rather resumption of at least commissioning activity on the Mozambique asset?

**G. Krishnakumar:** Probal, we are very hopeful that it will restart during this year. We are also very keen to see it and ensure it starts, but we are very hopeful this will start this year.

**Moderator:** Thank you, sir. We have our next question from the line of Amit Murarka from Axis Capital. Please go ahead.

**Amit Murarka**: On CAPEX, could you spell out the target for FY '25 and broadly how will the CAPEX pan out over the next few years given the target of 1.5 lakh crore over five years?

**VRK Gupta:** For FY '24-25, we are estimating our CAPEX outlay will be around 15,000 to 16,000 crore. So, major amount will go around 4,200 will go to for refinery and petrochemical projects. And for marketing, we are going to allocate around 7,000 crore for various projects, mainly including the CGDs and our existing projects. And BPRL, we are planning to increase around 2,000 to

2,500 crore of equity during this year. So, with this, the total capital outlay we are planning for FY '24-'25 will be around 15,000 to 16,000 crore.

**Amit Murarka:** And how will that scale up to, let's say, '26-27?

**VRK Gupta:** We are expecting '27-'28 the scaling up will happen for Bina project. Maybe even for next year also, the CAPEX will be maybe around 16 to 20,000 crore range. The major CAPEX spending will happen for these major projects will be in '27-'28 onwards. The peak CAPEX will happen from '27-'28 onwards.

**Amit Murarka:** But I am just wondering like that still would not add up to the 1.5 lakh crore number I think what.

**VRK Gupta:** Over a period of five years we are planning, you know, the projects what we have announced already major projects for petrochemicals, two projects we have announced for 49,000 crore plus 5,000 crore and the CGD in various licensing we got around 52 CGD licensing areas where we have declared a CAPEX outlay of 25,000 crore in the first five years and over a period of the life will be around 45,000 crore. These two are the already announced projects.

And there are small refinery projects, ongoing projects and marketing side ongoing projects, and we are expecting at least 2 gigawatt of renewable around 10,000 crore. With all this actually our capital outlay will be around 1.7 lakh for a period of maybe five years or five-and-a-half years, but otherwise our capital outlay we have a worked out it will be around 1.7 lakh crore.

**Amit Murarka:** This is all till FY '28, right? I mean, this, all of this CAPEX outlay?

**VRK Gupta:** '29' starting from '24-'25' five years to FY '29.

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

**Mayank Maheshwari:** Two questions from my. First was in terms of the petrochemical project at Kochi, can you just talk us of how has been the progress in terms of margin contributing in this year in this quarter and any improvement in terms of the overall profitability of that project?

And the second one was more related to renewables. You are talking about 10-gigawatt target in terms of renewable capacity. Can you just walk us through how it will lower your operating costs at the refinery level once you have this 10 gigs of capacity coming in in terms of renewables?

**VRK Gupta:** The first question related to the petrochemicals plants at Kochi Refinery, previous year the operating capacity was 60%, we have operated all these plants. This year it was 70%. The total production of the previous year, it is 197.15 metric ton TMT and currently it is 232. There is a significant increase of product operating capacity utilization. The gross margin during this year from petrochemicals is around 560 crore as compared to 364 crore the previous year.

And the second question regarding that renewable ambition. We have an ambition of around 10 gigawatt over a period of the next 15 years. By 2040 at least we want to create a 10 gigawatt of renewable capacity. It will significantly help in cost efficiency in terms of the energy consumption at our refinery.

Today if you see the RE, the power generation equalizer, the power generation is coming around Rs. 2.6, Rs. 2.7. Even including the landing, it will be around Rs. 5 or Rs. 5.20. So, with this, there will be significant savings. We have not worked at this point of time, but when we create this particular portfolio of 10 gigawatt renewable, it will have a significant impact on energy savings for our refinery.

**Mayank Maheshwari:** Sir, just to follow up on that point, can you just tell us what is your total power requirement across the BPCL overall today, across three refineries and everything else that you use power for?

**VRK Gupta:** We will share it separately.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint we will restrict questions for participants to a strictly one. We have our next question from the line of Sabhri from Emkay Global. Please go ahead.

**Sabhri:** Just one question, regarding refining capacity, I mean Bina expansion is the only one, right? Are you planning something else also other than that?

**VRK Gupta:** Yes, one is we have declared about Bina expansion, and we are working towards some sort of creeping expansion from the existing refineries where maybe respective refineries can take up additional 1, 1.5 additional capacities we can create by debottlenecking of existing units. So, that we are working on it. That is the reason in the next couple of years we want to take it out of refining capacity from the existing level to 45 MMT including Bina. The main capacity expansion happens for Bina and all of the refineries, the capacity expansions will be maybe around 1.5 to 2 MMT range.

**Sabhri:** And this NRL 15-year deal, that is for like how much volumes? Is it like even the expansion is covered in that or any idea on that?

**VRK Gupta:** We have the first right of refusal for entire volume The commercial terms are not yet finalized, but otherwise we have the first right of refusal for the entire volumes.

**Sabhr:** So, if you have any demand from the marketing side, NRL has to provide you first.

**VRK Gupta:** Yes, right.

**Moderator:** Thank you, sir. We have our next question from the line of Varatharajan from Antique Stock Broking. Please go ahead.

**Varatharajan:** Just wanted to check on this Brazil things, like, what exactly transpired, and why we are writing off at this point in time? And is there a breach of contract there or what was the reason behind that?

**VRK Gupta:** Yes, we have one investment in BMC-30, one of the block in Brazil. In fact, FY '21-'22, it went to a dispute with the operator. So, accordingly, we have filed our appeal in the International Court of London. Last month actually unfortunately, we have not received any favorable order. The order has gone against Bharat Petroleum. So, with that background, whatever value we had in our books, we have impaired, but however, yesterday is the last day for filing an appeal before the London High Court. Accordingly, we have filed an appeal.

There are two disputes. One is on the data sharing by the operator. They have not provided sufficient data to take any commercial call on that. Second is when they have demanded the handling charges for crude, which was significantly higher as compared to the market rates. So, that is the reason we have not participated in the ballot for development, but subsequently it went to the dispute. They have declared an exclusive operation without our consent. Accordingly, we went to arbitration, and now the case is pending before the Appellate Authority in the London High Court.

**Varatharajan:** And this write-off of 1,700-odd crores, out of the total investment in Brazil, how much does it constitute?

**VRK Gupta:** This particular block, we had an investment of 120 million, means roughly around 1,100 crores our investment size, but in the total impairment, the major factor is BMC-30 only.

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

**S. Ramesh:** Sir, if you can give us some direction in terms of how you see the standalone CGD ramp up in terms of CNG stations, volumes and capitalization of assets. That will give us some sense in terms of how the revenues will shape up and when do you expect the CGD business to be visible in terms of the impact on your standalone, top line and EBITDA?

**VRK Gupta:** If you see the CGD network, in fact already we have crossed the network, CGD fuel stations around 2,000 stations we have crossed. Even this year also we are planning around 450 CGD stations. So, the network expansion is happening in a rapid pace. For FY '24-'25, we are allocating a capital outlay of around 2,500 crore for further expansion.

In terms of the market sale point of view, around 73 TMT we have sold through CGD network. The margins are good, and we are hoping the volume will pick up further with the help of the network expansion and the stable prices of gas prices, it will help.

**S. Ramesh:** So, these numbers you have said, are they all in the standalone GAs or do they also include your CNG?

**VRK Gupta:** Both put together. Both put together because in our network, in our network means where we have our retail outlet, where we have the CNG stations, some are within our GAs, some are the geographical area licensing is with others, but where the marketing stations are with our retail outlets.

**S. Ramesh:** If I may ask in the CGD, can you give us the numbers separately for the 25 GAs you have started in terms of the number of customers, number of...

**VRK Gupta:** We will provide separate break up.

**Moderator:** Thank you, we have our next participant from the line of Puneet from HSBC. Please go ahead.

**Puneet:** If you can talk about how much LNG or gas you are currently consuming and what is the peak volume consumption that you expect from your refineries?

**VRK Gupta:** Yes, for '23-'24, we have two refineries, we are consuming mainly RLNG. Around 400 TMT, 420 TMT for Kochi Refinery, around 300 TMT for Mumbai Refinery. Both put together our consumption during this year is around 733 TMT.

**Puneet:** And once Bina comes, then what should be the number?

**VRK Gupta:** Bina, at this point of time, we have not configured, the base design is not configured for RLNG consumption. Only it's an optional flexible fuel. At that point of time, after commissioning, we have to wait and see how much gas we can pump it for, either fuel or feed

**Puneet:** Can we consume more than 733 in the existing refineries?

**VRK Gupta:** Existing refineries we can go up to a little bit more compared to based on the pricing. For example, if the Naphtha prices are costlier than RLNG, then we can shift our consumption some small quantity of Naphtha, we can shift it to the RLNG or sometimes RLNG is costlier then we shift it, very small quantity. Beyond that, we can take more RLNG. It depends on the commercial for Naphtha.

**Moderator:** Thank you, sir. We have our next question from the line of Somaiah V from Avendus Spark. Please go ahead.

**Somaiah V:** So, first question is on the Russian crude. So, you said 39% of the total imports. So, would it be possible to give at a refinery level, Bina, Kochi and Mumbai of the total 15 million tons roughly that you have indicated?

**VRK Gupta:** Generally, we don't share individual refinery wise break-up, but overall total imports 39% we have consumed in FY '23-'24. I can give an indication Bina will be highest in terms of the percentage, Kochi will be next, and the lowest percentage will be Mumbai refinery.

**Somaiah V:** So, second question, given that the product cracks and the crude sourcing benefits have been quite volatile. So, what do we look at as a steady state GRM when we are going for, I mean 1.8 lakh crores of CAPEX in next four, five years, what is the kind of steady state GRM you think this business can give us which can help us in cash flows?

**VRK Gupta:** Very difficult to say, give any guidance for the GRM because entirely it depends on the crack movements, international crack movements. So, the last two years was very good in terms of the refining margin side, but recently in the last couple of months, the cracks have started becoming moderated. Even if you take a 10-year average crack, it is very difficult to take a one-year average crack or two-year average crack. Even a 10-year average crack, even if you take our GRM, so maybe if it is in the range of $6 to $8, so whatever our CAPEX outlay when we have projected at 1.7 lakhs crore with a peak debt equity level of around 1, we are comfortable. That too broadly we are looking at it.

**Somaiah V:** With Bina Refining expansion, when it is expected to come and when it is coming online, the existing ops will be taking, I mean, will be impacted or is it, how do we look at it?

**VRK Gupta:** No, it is a completely new complex petrochemical complex. So, we are expecting FY '28, '29 the units will be commissioned. That is what we are expecting. I don't think it will have any impact on the existing refining or whatever throughput of products for Bina, it will continue. Additionally, it may give around 600 to 700 TMT of products, petroleum products beyond the petrochemical.

**Moderator:** Thank you. We have a next question from the line of Manikantha Garre from Franklin Templeton India. Please go ahead.

**Manikantha Garre:** Sir, wanted to check in your opening remarks, you mentioned that you are interested in LNG infrastructure facilities also. I was wondering, are you suggesting that along with the investment which you already got in Petronet LNG you are looking to invest in some other terminal? Is there some stake acquisition there or do you want to set up a terminal on your own? Is that what you are suggesting there?

**G. Krishnakumar:** See, we are looking at opportunities and we will evaluate it and take it as it comes.

**Manikantha Garre:** So, both Greenfield and equity investment is what you are looking at?

**G. Krishnakumar:** Yes, both options. All options we are looking at it seriously and if something comes our way, we will look at it. We are open to suggestions.

**Manikantha Garre:** And what would be your total gas consumption across all businesses that you have got? I hear you giving number for both the refineries, but what would be your total gas consumption as of today?

**VRK Gupta:** Our total gas footprint will be around 1.5, 1.6 MMT including the refinery consumption, CGD network, everything put together as of current levels.

**VRK Gupta:** Total footprint. And we have long-term agreements of around 2.9. We have signed already gas agreements.

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

**Yogesh Patil:** Sir, if you could share the crude inventory gains and the product inventory gain numbers for this quarter and whole year, that would be helpful. And the second one is, if possible, can you share the percentage of Venezuelan crude you have processed during the quarter and which refinery can process the Venezuelan crude?

**VRK Gupta:** Venezuelan crude actually we have not processed anything for our refineries. Secondly, in terms of the inventory gain losses, we have not calculated anything separately for crude inventory gain losses in the GRM because even earlier also we have clarified that our average inventory will be less than 30 days for crude. In fact, most of the contract is the average pricing is monthly average. So, then there won't be any significant inventory gain losses on account of inventory holding of crude. For marketing already, we have given in our handout. For the full year, the marketing inventory losses are around 765 crore for the quarter and for the full year 707 crore for the full year losses both.

**Yogesh Patil:** Sir, you mean to say $12.5 per barrel GRM of the quarter does not include the inventory gains. Is that a fair assumption?

**VRK Gupta:** There won't be any inventory gain losses there. Even if there is any gain losses, they are not significant. We don't calculate separately. Once again, I am clarifying because our average inventory is less than 30 days, whereas our pricing is 30 days average. So, it will not have any significant inventory gain losses in the GRMs.

**Yogesh Patil:** And the last one, sir. In this quarter, in our reported GRM, we have seen a sharp fall in the premium over the Singapore GRM. So, what would be the major reason? That's the one question. And for the period of FY '25, how much premium over the Singapore GRM one should build in for the projection?

**VRK Gupta:** So, I cannot give any guidance how much we can build in the Singapore GRM sort of as a premium. We can clarify how the Indian refinery, BPCL refinery GRMs are more than the Singapore GRMs, mainly two reasons. Our entire throughput processing, the Russian crude basket is compared to significantly higher. And secondly, if you see the product portfolio, our diesel stream is bigger as compared to what is the basket in Singapore GRM. So, these two are the main reasons.

And the future, very difficult to say how the cracks will move, how the percentage of crude and what is the commercial terms available for Russian crude. Based on that, we can work out what would be the premium. Otherwise, on a standardized basis, very difficult to say how our GRMs, what premium we can work with the Singapore GRMs.

**Yogesh Patil:** But, sir, in the last few quarters, that premium has started falling. So, that's my question. So, in the recent quarter, quarter four FY '24

**VRK Gupta:** It actually depends on the cracks. If you see the diesel cracks compared to Q3, Q4 of previous year, the current cracks are significantly eroded. So, you may not see that much of premium compared to Singapore GRM with our refinery GRMs as compared to previous years. Since the cracks have come down, so maybe the premiums also will be lesser.

**Moderator:** Thank you. We have our next question from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead. As we are unable to get to Kirtan, we will move on to the next question. We have our next question from the line of Roshani from Argus Capital. Please go ahead.

**Roshani:** So, the Kochi refinery was expected to go in maintenance in September-October. So, is there anything similar planned for the Mumbai refinery?

**VRK Gupta:** Yes, we have certain units we are planning a shutdown in the month of July and August Q2, but the period may be around, how many days?

**G. Krishnakumar:** 30 days.

**Roshani:** But any specific sections which will be undergoing maintenance?

**VRK Gupta:** Yes, Kochi CDU is going. CDU2, which is a smaller capacity train and Mumbai Refinery, there are certain units, NHGU and HCU, we are planning for shutdown.

**Roshani:** And for the Mumbai one, which you are talking about in July, August?

**VRK Gupta:** Yes, Mumbai only, that is what I am saying Mumbai.

**Moderator:** Thank you. We have our next question from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.

**Nitin Gandhi:** Sir, with the sanctions against Russia easing out and other things, global condition improving, do you expect the discount which we get in last year to comparatively be less and margins to be impacted?

**VRK Gupta:** No, compared to last year, actually last year it was in oversupply zone of Russian crude, but now it is not in oversupply zone, the demand supply for Russian crudes, it is moderated. So, we are expecting moderated discounts only, not a very aggressive discount for Russian orders.

**Nitin Gandhi:** How much is the average discount for last year?

**VRK Gupta:** It all depends on the consignment-to-consignment, because generally we procure on spot basis just two months in advance. So, every cargo, every trader, every cargo wise, it varies. Earlier, we used to get last year, maybe around $8 to $10. Maybe now we can give a range of around $3 to $4 or $3 to $6 range.

**Nitin Gandhi:** So, if compared to 39% of supply last year, are we expecting somewhere this time around 25%?

**VRK Gupta:** As of date, we are forseeing we will get the Russian supplies, but the only thing is most of the Russian supplies are not on term basis. It is on the spot basis. So, every two months, M-2 only we can plan it. If there is no new geopolitical tensions or there is no new issues, at least we are estimating the supplies will continue at similar levels.

**Nitin Gandhi:** So, for the April till for the next two months average, will we be having at least 25% supply or it will be less than that?

**VRK Gupta:** Yes, we can assume.

**Moderator:** Thank you. We have a last question for today from the line of Vishnu Kumar from Avendus Spark. Please go ahead.

**Vishnu Kumar:** Sir, a couple of months ago, we had a lot of articles saying that the Russian crude could not, I mean, in the High Seas, a lot of ships were docking and could not enter the Indian shores. Any particular reason why we were not able to take it and is that problem resolved?

**VRK Gupta:** Yes, there will be problems and there will be solutions. So, it is not that it is smooth ride, but we are getting the supplies. It is not that we are stopping any supplies. Maybe sometimes there may be a delay of loading and there may be a delay of unloading or transit times. But overall, if you see, the supplies are continuing.

**Vishnu Kumar:** Is that something to do with payment related problems or any other additional shipping related sanctions that are coming up?

**VRK Gupta:** Both, because if you see, regularly there will be some parties that are added into the sanction list. So, it creates some problems. So, it is a continuous process. It is not that the sanction list is frozen for a particular period of time. So, every three months or four months some new entities are added into the sanction list. It creates a little bit of problems.

**Vishnu Kumar:** Just one final question on the heavy crude sourcing that we do outside of Russian crude. Are the other grades that we are sourcing either from Middle East or are they at the premium to the normal benchmark? At least that is something we see. So, material delta over benchmark, let's say, a couple of years ago to now.

**VRK Gupta:** No, as of date Russian Urals are commercially comparably better than any other grades. So, that is our preference will be Russian grades at this point of time.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Nitin Tiwari for closing comments.

**Nitin Tiwari:** On behalf of PhillipCapital, I thank everyone for joining this call, and sincere apologies for frequent disconnection. Thanks again and have a good day.

**Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.