



“Bharat Petroleum Corporation Limited  
Q2 FY '25 Earnings Conference Call”

October 28, 2024



**MANAGEMENT:** **MR. V.R.K GUPTA – DIRECTOR FINANCE – BHARAT PETROLEUM CORPORATION LIMITED**  
**MS. SRIVIDYA – EXECUTIVE DIRECTOR, CORPORATE TREASURY – BHARAT PETROLEUM CORPORATION LIMITED**  
**MR. RAHUL AGRAWAL – SENIOR MANAGER, PRICING AND INSURANCE – BHARAT PETROLEUM CORPORATION LIMITED**

**MODERATOR:** **MR. V. SIVASANKARAN – ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q2 FY '25 Earnings Conference Call of Bharat Petroleum Corporation Limited hosted by Antique Stockbroking. 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 star, and zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Varatharajan Sivasankaran from Antique Stockbroking. Please go ahead, sir.

**V Sivasankaran:** Thank you, Shifa. Good morning, everyone. And I would like to extend a very warm welcome to all the participants to this call and the management of BPCL led by Mr. V.R.K. Gupta, Director Finance. I will now request Rahul from BPCL to introduce the Management and make the disclosures before we start our initial remarks. Rahul, please.

**Rahul Agrawal:** Yes. Thank you, Mr. Varatharajan. Good morning. On behalf of the BPCL team, we welcome you all to this post Q2 results con-call. Before we begin, I would like to mention that some of the statements that we would be making 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 results review, please restrict your questions to the Q2 results.

I now request our Director Finance, Mr. V.R.K. Gupta, who is leading the BPCL team for this call to make his opening remarks. Thank you, and over to you, sir.

**V.R.K Gupta:** Good morning, everyone. Wish you all a very happy Diwali in advance. Welcome to the post-Q2 results con call. Thank you for joining us today. I hope you were able to go through our results for the quarter. On the macro side, the global economy is expected to maintain an annualized growth of 3.2% through 2024 and 2025. However, geopolitical and trade tensions pose risk to inflation. Indian economy continues to be the world's fastest-growing major economy and is likely to grow in the range of 6.5% to 7.2% in FY '25 as per various forecasts.

But geopolitical situation remains complex and present significant challenges to global economic stability. As conflicts evolve, they not only impact oil prices, but also create uncertainty in trade routes and investment climate. Oil prices have remained volatile, driven by the geopolitical risk, uncertain demand from China and macroeconomic factors like low inventories and easing inflation. These factors are expected to keep prices sensitive to further developments in the near term.

Consumption of petroleum products in India has continued to grow with an overall growth of 4% during H1. Major products such as petrol, diesel and ATF have grown from 7.2%, 0.9% and 10.4%, respectively. BPCL registered market share gain of 0.1% in MS retail and 0.12% in HSD retail among PSUs during first half of current financial year. Retail volume for MS has grown by 6.5%. However, HSD saw a degrowth of 0.64% during H1 year-on-year.

We estimate that retail demand will grow by about 6% for MS and 1.5% for HSD during financial year 2024/'25. HSD demand in urban market is likely to witness relatively slower demand than rural and highway market due to largely transition to CNG. Performance in Q2

'24/'25, our operation side, our refiners continued their strong performance and achieved a throughput of 10.28 MTPA that is almost 114% of the nameplate capacity.

Our distillate yield was 84.33% in this quarter, which is one of the highest among Indian refineries. This quarter, evidenced a significant fall in international product cracks as compared to previous quarters. Gasoline Singapore crack fell to \$6.83 barrel in Q2 from \$8.58 barrel in Q1, and gas oil crack fell to \$13.69 barrel in Q2 from \$14.76 barrel in Q1.

Despite this, our refineries is recorded at GRM of \$4.41 per barrel in the current quarter and \$6.12 per barrel for half year, which is a premium to Singapore GRM. Singapore GRM is at 3.58 barrels for the quarter and 3.56 barrel for H1.

The PDPP plant at Kochi achieved operating capacity of 80.2% in H1 against a 68.3% in previous year. GRM for petchem was INR421 crores. It's almost equal to \$0.79 per barrel for H1 2025 compared to INR235 crores and \$0.46 crores per barrel during the previous year.

On the marketing side, our domestic market sales grew at about 1.6% year-on-year during the quarter to 12.39 MMT. We continue to generate the highest throughput for retail outlet amongst our peers with a throughput of 151 KL per month versus 137 KL per month PSU average, driven by access to strategic markets and strong network along highways.

We commissioned about 540-plus new retail outlets in H1 FY '25 and plan to take our retail outlets record to 23000-plus by year-end. We have added about 90 CNG retail outlet during the first half, taking the total count to 2120 stations and plan to add another 300 outlets for FY '25. We have achieved highest-ever, 14.97 percentage of ethanol blending during this quarter. We also provide E20 blended fuels at around 4,400 retail outlets.

During the quarter, BPCL had entered into future fuel segments with commissioning of our first LNG station at one of the company-owned company-operated outlet at BP Avinashi Coimbatore. We will shortly commission another LNG station at Pananchery Kerala. We have commissioned 16 BeCafé's during first half of '24/'25, taking the total BeCafé network to 22. At BeCafé, we aspire to provide state-of-the-art cafe experience at value-for-money price range with a world-class product inside our retail outlet.

We are also participating in NHAI's wayside amenities plan. BPCL has commissioned 2 wayside amenities during H1 '24/'25 at Vadodara and in Haryana on Western Peripheral Expressway.

About new projects, BPCL Board has recently approved to enter into a JV agreement with Ms. Sembcorp Green Hydrogen India Private Limited in the domain of renewable energy and green hydrogen subject to regulatory approvals. Ms. Sembcorp Green Hydrogen India Private Limited is part of the Sembcorp Group headquartered in Singapore, one of leading urban solutions provider and renewable player in Asia.

Ground-breaking ceremony for Kochi and Bina CBG plant was conducted virtually by Honourable Prime Minister on 2nd October 2024. BPCL plans to set up 26 such CBG plants in

the near future. BPCL Board has approved to enter into JV agreement with Ms. GPS Renewables Private Limited for setting up of compressed biogas plants across India.

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

The revenue from operation stood at INR1,17,952 crores for this quarter. The profit after tax stood the INR2,397 crores. This is after absorbing of LPG losses of around INR2,104 crores, and the marketing losses around INR1100 crores.

Against an estimated capex of INR16,400 crores for the financial year '24/'25, we have spent about INR5662 crores during April to September. Our stand-alone net worth as of 30th September is INR76,245 crores. We have distributed around INR4,447 crores of dividend during this quarter.

The earnings per share for the quarter is INR5.61 per share. As of September '24, we are at fairly low levels of debt. The debt equity at stand-alone gross borrowings level is 0.28, overall stand-alone gross borrowings is INR21,529 crores as at 30th September. Against these borrowings, we have current investments, including oil bonds of about INR11,719 crores. At group level, the debt equity is 0.64 with gross borrowings of INR49,187 crores. This concludes my comments, and we'll be happy to take your questions, now. Thank you.

**Moderator:** Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Probal Sen from ICICI Securities.

**Probal Sen:** I have three questions. One, in terms of the inventory impact, is it possible to quantify the inventory impact in the refining margin for this quarter?

**V.R.K Gupta:** We don't calculate what is the impact of the inventory losses on refining side, even earlier also in the calls, we have clarified, on average inventory is less than 30 days, our pricing is on an average of monthly average of prices. So generally, there won't be even much impact even if there is an impact, insignificant impact. That is the reason we don't generally calculate any inventory losses for refining side. However, we have marketing inventory losses. This current quarter, the marketing inventory loss is INR1,113 crores. For 6 months, it is INR706 crores.

**Probal Sen:** Understood, sir. Sir, with respect to this LPG negative buffer, you mentioned that INR2200-odd crores losses for this quarter, assuming that the prices stay at similar levels, is it then fair to assume that we should be building this loss every quarter for the remaining part of the year?

**V.R.K Gupta:** No. What we are expecting is during the winter period, the Saudi CP will be on a higher side. Even if we assume the Saudi CP gets \$620, \$630 level per metric ton, we are estimating our absorption of losses will be per month, around INR900 crores, INR1,000 crores.

**Probal Sen:** So it will increase to about INR3,000 crores per quarter.

**V.R.K Gupta:** INR3,000 crores per quarter. But anyhow, we have approached the government of India for providing necessary budgets in the RE exercise. So let us hope.

- Probal Sen:** Sir, in terms of the increase in debt that has happened, if I look at your reported -- I mean, the analyst information from about INR25,000 crores, it's gone to about INR31,000 crores. This is purely on account of the capex and losses of LPG will get captured in the working capital borrowings, I would believe, right?
- V.R.K Gupta:** Actually, the main what happened is that we have distributed around INR4,500 crores of dividend in the month of September. That is a major and some sort of advance that we have paid subsequent to that. That is a major reason and a little bit of changes in the inventories, which have gone up there around INR3,000 crores. So other way, they are more or less same only.
- There is no major -- capex is per the plan, only INR5,600 crores we spent, and we have internal generic also much more than the capex spending. So whatever increase in a little bit borrowing is mainly on account of dividend distribution and a change for a small working capital, inventories have gone up a little bit.
- Probal Sen:** One last question, if I may. Is the kind of capex plans that we have, do we have any peak debt or peak leverage number in mind over, let's say, FY '26 or '27, what kind of peak debt and peak level you are targeting?
- V.R.K Gupta:** In the next couple of years, we are not forcing any debt levels will be a significant increase. Maybe in FY '27, '28 onwards, we are foreseeing the borrowings will increase. As at the capex, even in the next 1 or 2 years, we are expecting around INR18000 crores to INR20000 crores capex plan.
- So with the estimated internal generation, we are not foreseeing any big jump off the borrowing. But '27, '28 onwards peak capex will happen for both the major projects of Bina and Kochi. That point of them our project financing withdrawal will go up and borrowings will go up.
- Moderator:** We have the next question from the line of Sabri Hazarika from Emkay Global.
- Sabri Hazarika:** So firstly, on your GRMs, you mentioned that inventory is not a significant impact, but there is like a lot of volatility. I mean the cracks that have said they have fallen but not that much say sequentially, but your GRM was down from, sir, almost like \$8 to \$4.4. So it's like still inventory only or there are some other adjustment also, because your GRMs have been much higher than your peers for the previous few quarters. So anything specific on this?
- V.R.K Gupta:** A couple of things. One is our Russian product throughput percentage has come down slightly. Earlier quarters, it is almost 39% to 40%. This quarter due to some shutdowns of our Bina units and Kochi, so our Russian throughput has come down from 39% level to around 34%. That is one reason, small impact.
- Inventory impact will be there. I'm not saying inventory will not be there, but it is not a very significant jump. But the fact is that the cracks have come down during this quarter, even on a sequential basis, significant direction for gasoline. Gas oil around \$1.5 has come down, but gasoline have come down drastically.
- Sabri Hazarika:** And this Russian discount levels have also compressed or it has remained same only?

- V.R.K Gupta:** No, more or less, same only. No major change around same level in first quarter and second quarter, there is no major change. Only volumes may be different
- Sabri Hazarika:** \$2 to \$3 that's the number or...
- V.R.K Gupta:** Some cargoes, some cargoes, you will get 3, 3+, some cargos maybe 3 that range only.
- Sabri Hazarika:** Secondly, I mean, given the petrol/diesel marketing margins now and LPG losses in on the contrary, going up. So your working capital right now will remain more or less stable? Or do you see this going up, I mean short-term debt and working capital?
- V.R.K Gupta:** Working capital, we are not foreseeing any major changes, maybe inventory for 1 or days additional inventory if we keep it because the prices are lower side. Slightly the working capital may go up, otherwise, working capital, we are not foreseeing any significant jump of the working capital. Once we get the LPG subsidy from the government of India, then it helps a lot in the working capital.
- Sabri Hazarika:** Right. And one small question, you mentioned capex was around INR5,600 crores, right, H1?
- V.R.K Gupta:** Right. Right. Right.
- Sabri Hazarika:** And full year, you are still like maintaining INR16,000 crores, INR17,000 crores or?
- V.R.K Gupta:** Our plan is INR16,000 crores. Maybe somewhere around we will end up around INR15,000 crores to INR16,000 crores range.
- Sabri Hazarika:** INR15,000 crores to INR16,000 crores, that's your overall run rate. Okay. Fair enough.
- Moderator:** We have the next question from the line of Amit Murarka from Axis Capital.
- Amit Murarka:** Sir, my first question is on capex. So I think you mentioned INR15,000 crores to INR16,000 crores this year. Next year, we will go up to INR20,000 crores. And then after that, could you just simply give a broad range of how capex will escalate '27, '28?
- V.R.K Gupta:** So we are expecting this year, we will be around INRcrores 15,000, INR16,000 crores. Next year, we have a plan of around INR18,000 crores. Subsequently, we are expecting INR20,000 crores to INR22,000 crores end of '28. '29, we are not worked out exactly maybe somewhere in the range around INR25,000 crores. Exactly, we have not worked well, but we are expecting it that way, in '28 -- '29.
- Amit Murarka:** Okay. But you would still fall short of your 5 year plan, right it is INR1.5 lakh-odd crores.
- V.R.K Gupta:** No, our plan is INR1.5 lakh crores, but we have to see how much CGD, how much we are going to spend, what is the minimum required for our minimum work program. Maybe there, we may not have 100% capex investments with it. There may be a shortfall in CGD networks. Otherwise, major projects you are going to spend, except the CGD. CGD we have approved around INR48,000 crores of capex, but the actual capex may not be to that extent, maybe around 80% or 90% will be there.

- Amit Murarka:** Also, a question on marketing margin, like where LPG losses is understandable. But even otherwise, if you calculate the marketing margin, at least it seems to have dropped like order fuel margins are very strong in Q2. So it seems margins on other products have actually dropped in the quarter. So could you just help understand that a bit better?
- V.R.K Gupta:** No, margin loss mainly on account of only the inventory losses of around INR1,100 crores during this quarter. Otherwise, there is no inventory losses, we are not seeing any reduction in the marketing margins. Only the volumes of diesel is not grown this quarter, otherwise, margins are stable, better only.
- Amit Murarka:** Sir, last question from me. So I mean, you've generally seen the product cracks have been quite weak in the last few months and LNG has gone up to \$13 plus. So even though you have bottom upgradation at some of the refineries now. Is it making more sense to you refinery fuel rather than LNG now at these kind of prices and lower cracks?
- V.R.K Gupta:** Actually, every month, we compare whether LNG or alternative to naphtha, which is a better hedge. Every month, this thing happens, naphtha to LNG, but fuel oil, generally, we have because we need to have a larger emission. So we prefer either naphtha or RLNG as alternatives.
- Amit Murarka:** Yes, sir. I understand that, but currently, is it making more sense to use alternate fuels than take LNG?
- V.R.K Gupta:** We can use a little bit. We can use but at the same time, we have a long-term agreement for the our RLNG offering, but also we have to take that RLNG offtakes. So in case of very good market for our RLNG, slightly some consignment we shift to the market and we use in naphtha. But our long-term commitments, we have our RLNG that will continue.
- Moderator:** The next question is from the line of S. Ramesh from Nirmal Bang Equities.
- S. Ramesh:** The first thought is in terms of the potential growth for, say, FY '26, '27, do you have any visibility on the capitalization of the CGD asset? How much would that be? What is the kind of upside you can expect on volumes and EBITDA per SCM and broadly in terms of profitability?
- V.R.K Gupta:** Let me explain about the capex first. CGD from this year onwards, we are targeting around INR3,000 crores, INR3,500 crores capex target for CGD business that includes for our CNG stations, our last mile connectivity for PNG connections and their network for the CGD. In terms of the volumes, this year, we are expecting around 120 TMT volume from the CGD sales retail.
- Maybe this growth will continue, maybe. We are expecting 15% to 16% CAGR will continue for the CGD side because the networking we are expanding every year, we are creating 300-plus of CNG outlets, we are adding to our network. And these volumes will go around 15% to 16% of growth subsequent year.
- S. Ramesh:** Sir, in terms of the number of CNG stations in your stand-alone GAs, can you give us a number? And how do you see that grow in the next 2 years?

- V.R.K Gupta:** So we are expecting this year CNG stations, 150 CNG stations, we are expecting this year. Next year, 165 per plan. '26, '27 182 we are going to add. And '27, '28 around 200, maybe around 800 CNG stations in the next 2, 3 years, we are going to add.
- S. Ramesh:** And how many do you have now as on date, which are in commercial operation?
- V.R.K Gupta:** 600 plus we have in our own GAs.
- S. Ramesh:** Sir, second part is if you look at the refining business, what is your reading in terms of any potential growth levers like capacity reduction or improvement in petrol and diesel demand globally in India? So where do you see the outlook for spreads? I understand it's volatile, but in terms of the fundamentals of demand, supply, is there any visibility on supply reduction through capacity rationalization? What is your take on that?
- V.R.K Gupta:** Supplies side what we are at least estimating is this whatever steps have been moderated in the last couple of quarters, this will continue for another couple of quarters because instead of supply side, actually we are expecting from the demand side. Once the China demand picks up, then demand/supply gap will be corrected in terms of gasoline and gas oil both. We are expecting at least half of the winter will be next year, beginning of the quarter, the -- that will improve.
- S. Ramesh:** So one last on petrochemical, how do you see the outlook for Kochi petrochemicals? And how do you see the outlook for your Bina cracker because right now, margins are at multiyear trough? So there's an expectation that may not improve till CY '27 or '28 according to global consultants. So would that have any impact in the terms of timing of your Bina petrochemical project? What is your reading on that?
- V.R.K Gupta:** No. A couple of things, on PDPP, if you see our operating capacity has gone up 80.2%, which is almost much better than the world average plants for such types of petrochemicals. This, at least on the operating reliability side, we have achieved 80.2% in PDPP. On the profitability side, it is a international price dependent. So due to the Chinese demand, the prices are moderated, but still, we have made a good amount of 0.79 of GRM barrel for PDPP.
- In terms of Bina, anyhow, the commissioning will happen in FY '28, '29. So by the time the additional supplies or whatever price correction it is going to continue, but by the time, it will correct it. Long-term averages, if you see, it is a good spread for petrochemicals for Bina also. But anyhow that we commissioned the first consignment will come only in FY '28, '29. By the time, the price should correct.
- Moderator:** The next question is from the line of Kirtan Mehta from BOB Capital Markets.
- Kirtan Mehta:** I had a question on the auto fuel margin. They are at currently at quite high level as oil price hike corrected. Would we be passing this to the consumers in the near future? Or is it sort of being held at the current level because of the lower refining margin to keep the overall margin in a healthy bucket?
- V.R.K Gupta:** On the pricing side, actually, we cannot comment exactly at this point of time, at what point of time we can pass on the benefit. Still, we have to wait and see how the crude prices will stabilize



because any small geopolitical tensions are up are the prices will creep up again. So we have to wait and see for a longer period of time. Once the crude price stability comes, then we can look at it on the pricing side.

**Kirtan Mehta:** So is it primarily linked to the crude price stability? Or is it also linked to the lower refining margin as well?

**V.R.K Gupta:** No, both. Even spreads also, we have to look at it now, crudes price as well as spreads also.

**Kirtan Mehta:** Sure. And what would be sort of the longer-term comfortable auto fuel margin that we can look at? Is it 3.5 per liter, 4.5 per liter which allows us to sort of make a sustainable margin in the session?

**V.R.K Gupta:** If I feel, around INR3.5...

**Moderator:** Ladies and gentlemen, the line from the management has been disconnected. Just give me a moment while I reconnect them. Please stay connected while we reconnect the management. Ladies and gentlemen we have the management online.

**V.R.K Gupta:** Can you repeat the question? My line got disconnected.

**Kirtan Mehta:** Yes. Last, basically, I think I was asking what we considered as a sort of a sustainable good fuel within auto fuel margin? Would it be in the range of INR3 to INR3.5 per liter, or would we require higher?

**V.R.K Gupta:** We are expecting around INR3.5 per litre. Marketing margins, it is sufficient for our capex needs whatever capex you have announced to the internal generation requirement, INR3.500 per KL margins are required.

**Kirtan Mehta:** Right, sir. In terms of the new refinery plant, there has been several media articles in terms of finalizing the location and other stuff, would you be able to share more details or contours around this. At what stage of the collection we are in?

**V.R.K Gupta:** Still it is work-in-progress only because if you see we are short in refining. And we want to enter in petrochemicals. We are continuously exploring opportunities wherever opportunities are available, we want to put to bridge the shortfall whatever refining side and a little bit investments more on the petrochemicals, but still work-in-progress. Once we conclude on that proposal, then we can explain the details.

**Kirtan Mehta:** And would it be 100% equity owned by us, or would we be also looking at some of the strategic partnerships as well on the refinery?

**V.R.K Gupta:** All options, we are looking at it.

**Kirtan Mehta:** Last question was on the CGD side, you mentioned that we will be doing less than the -- our planned allocation of INR48,000 crores. So what results into the change in the plan?

- V.R.K Gupta:** No, this is required for the minimum work program over a period of 8 years. Now, the only thing of when to invest is the question whether immediately in the next 2, 3 years, we will have to invest or a little bit gap we have to take and subsequently after seeing the volume we have to invest that either we want to take a call, anyhow the volumes have started picking up, a number of CNG stations are going up. Mainly in terms of the PNG connections, there actually, we have to wait and see how the capex requirement is there.
- Kirtan Mehta:** Right, sir. And with the recent deallocation of the gas for the CNG, the purchase price, and in that sense, the margin would have gone down for the CNG centers. So does that sort of alter the thinking? Or we think that the margin will still remain reasonable?
- V.R.K Gupta:** No. If you see long-term finally, it's a deregulated product. Even the margins are shrinking for a short period of time, some point of time, the pricing will correct and the prices will revise. So long term, if we see whatever cost of the product, we will pass on to the market, its a completely deregulated market. So short-term, there may be squeezing of margins, but we are not foreseeing any such situation for a longer period of time.
- Moderator:** The next question is from the line of Sumeet Rohra from Smartsun.
- Sumeet Rohra:** So sir, firstly, I mean, I would like to touch upon a couple of things from a clarity point of view. So I mean about INR2,400 crores of PAT, we have an LPG loss -- had some refining loss, which is not quantified by management. So sir, if I understand, -- of course numbers would be about INR5,000 crores of profitability. Am I correct on that?
- V.R.K Gupta:** Not clear your question, because in the middle you got actually disconnected. But overall, let me clarify. Our profit after tax after observing LPG loss is INR2,397 crores. During this quarter, our LPG under recovery, we have around INR2,100 crores.
- Sumeet Rohra:** And you absorbed LPG loss of INR2,100 crores. Am I right?
- V.R.K Gupta:** INR2,100 crores, right, right. And the marketing inventory loss of around INR1,100 crores.
- Moderator:** I'm sorry, sir. The line from Mr. Sumeet has been disconnected. We will proceed with the next question. The next question is from the line of Mayank Maheshwari from Morgan Stanley.
- Mayank Maheshwari:** Two questions from my end. One, in terms of the Bina petrochemical expansion, can you just give us an idea of where we are in terms of FID, in terms of the equipment ordering, etcetera, as well? And the second question was more in terms of the marketing side. I think on the diesel front, I suppose, in the second quarter, specifically, we have seen your competition actually grow market share, you have been largely flat.
- So anything that you're doing on that? And to your earlier comment in terms of, on the CNG side, you are seeing slower growth in, I think the metros and the Tier 1 cities versus rural? Can you just talk to us about what's going on those?
- V.R.K Gupta:** First question about the Bina Petrochemical project. Actually, the works are progressing well. The cumulative progress is 6.3% in physical terms, vis-a-vis schedule of 7.6%. And all licenses

for Bina petchem and refined expansion, units are onboarded, like ethylene cracker unit, HDPE, LDPE swing units, PP unit, all units, the licenses selection are completed and awarded. And the BDEP, the basic design and engineering package received for PP. And butanol unit in work-on-process packages of ECU, HDPE, LLDPE are in progress.

All EPCMs and PMCs for BPREP have been onboarded, all PMC consultants have been onboarded. All contractor for site enabling works have been onboarded and site-enabling work such as construction for boundary wall, side grading, including rock blasting activities are already started in the month of July and progressing well in terms of the Bina.

And second, in terms of diesel, if you see still, we are getting a good market share growth compared within the PSU framework, but overall, including PSU and private, we are losing a little bit of volumes in terms of diesel. But we are foreseeing at least for the next couple of months, we are fighting in the market, definitely we'll go back and get the volumes.

**Mayank Mistry:**

Anything on CNG side?

**V.R.K Gupta:**

CNG, we are expanding our retail network. CNG retail network deliver we said in the next couple of years, by '27, '28, we are expecting around 700 new stations, CNG stations, we are going to add in our own GA network, currently around 600. With this, the volume growth we are projecting every year, 15% to 16% of every year, CAGR will be here for CGD business.

**Moderator:**

We have the next question from Sumeet Rohra from Smartsun.

**Sumeet Rohra:**

Sorry about that, I got disconnected. So coming back to my point. So you said that you reported a INR2,400 crores profit – or marketing loss. So effectively, our core number is about INR5,000 crores. Am I right, sir?

**V.R.K Gupta:**

You can take that assumption because if you add that, the 2 numbers to the PBT and the profits will come around that level. Around INR4,700 crores something.

**Sumeet Rohra:**

Sir, now my second point is that on the LPG point of view, now since it is a regulated product and controlled by the government, and it's mentioning the buffer account. So sir, what is the -- I mean the communication of the dialogue you're having with the government? Because clearly, one thing that is evident that today all marketing companies, BPCL being the the pioneer, is not being valued the way its true potential is? I mean, come to think of it, right?

I mean if you could in use, our fuel outlets on a daily basis, but the way this company has been valued is stark contrast to what its potential is. So clarity on the LPG point of view with the government would not only -- visibility. And overall, it would lead to value creation for all stakeholders, right? So if you can pursue this with the government, then get them to figure it out that ultimately, clarity on this is basically the withholding step on building value because we are a consumer company, sir.

Today, which consumer company in India makes INR5,000 crores of profit on a quarterly basis? And in spite of that, you see the market cap where it is. So if you can pursue this matter very strongly, it would be very, very beneficial for all stakeholders, with the government of India

being the primary owner of this company. So that's something, sir, if you can look after, it would be best for all stakeholders.

Secondly, sir, there was a recent development on some news, basically, which the wires was sticking out Saudi Aramco and BPCL. Sir, today, I mean, it's a matter of prestige and honour for us to partner with such a big giant. So sir, these things should be outwardly spoken about, right? Because even today, DIPAM also clearly says that all PSUs should build market cap and value. And clearly, sir, such news has not been spoken about.

It's absolutely eye-popping that if you buy up with a company like Saudi Aramco, it is a matter of honour and prestige. So if you can please share some insight and more into this of what we are planning to do exactly, etcetera, etcetera, it will benefit everybody. And sir, lastly, I wanted to understand is that, what are the steps we are taking for building shareholder value because, I get to understand that when DIPAM was also on road for the PSUs, they always say that weightage is given to market cap creation.

And today, what are the steps that we are taking for building market cap, sir?

**V.R.K Gupta:**

Yes, a couple of things. One is about the project. We continuously look for opportunities, and the discussions are at very nascent stage. Once you firm up certain plans, definitive will come and brief, that is on the new project side. And the second on the market capital improvement, what we as a company, what we are doing to right investments so that to get better capital employed return capital employed.

And we have started communicating with all investors, regularly, we are interacting with investors, and we are briefing what is your plans, what are the future plans, how the company strategic aspirations. So those things, we are continuously started explaining to the major investors not only in India when we are going outside also in India, Singapore or Hong Kong.

Major investors, we are meeting and we are expanding what is our strategic aspirations for the company. And what is the industry, how it is going to be evolved in the next couple of maybe 5 years, 10 years period? And what are our net zero ambitions? Many things, whatever initiatives we are taking, we are placing to the entire investor community. Now, it is up to the investors how much they can allocate for investments of BPCL.

**Moderator:**

Sir, I think the line from Mr. Sumeet has been disconnected once again. We will proceed with the next question from the line of S. Ramesh: from Nirmal Bang Equities.

**S. Ramesh:**

Yes. So if you're looking at your capitalization schedule in terms of your capex, how much should we assume you will capitalize in your gross block this year and over the next 2 years to assess the impact on depreciation? And to what extent will you be able to generate the return on capital employed over the next 2 years?

**V.R.K Gupta:**

No. capex -- current year, our internal target is around INR16,000 crores, but we will be ending up around INR15,000 crores to INR16,000 crores range. We will end up the capex plan. And the depreciation, what our current quarter depreciation is there, maybe slightly another INR100

crores, it will add up the major capex depreciation is now only once the Bina project commissioning, that is '28, '29. After the project, the significant depreciation will jump.

Otherwise, all small projects, whatever capitalization is happening, or there will be around INR100 crores per quarter depreciation incremental will continue. And next year, we are expecting around INR18,000 crores of capex plan. This is a capex plan for this year and next year.

**S. Ramesh:** No, no. How would the capitalization CGD in the stand-alone entity, Wouldn't that add to your gross book?

**V.R.K Gupta:** Around INR3,000 crores, we are investing every year. This year also, our target is around INR3,000 crores. Out of INR3,000 crores, maybe 75%, 80% capitalization will happen and that 20% work in progress will continue. Next year, also similar levels, we are expecting around INR3,000 crores to INR3,500 crores for CGD.

**S. Ramesh:** So on this capitalization in CGD, when do you think you'll be able to get normalized return of maybe 10%, 12%, 15%.

**V.R.K Gupta:** Already returns are started from CGD side. Only PNG side, the volumes are not picking up, but otherwise, CNG stations CNG returns are coming, the volumes already this year, we are expecting around 120 TMT. Next year, also, it will have a good growth of 15% we are expecting. On the PNG side, the volumes are not picking up.

**Moderator:** The next question is from the line of Yogesh Patil from Dolat Capital.

**Yogesh Patil:** Sir, question is related to Mozambique asset. What is the update of the project status of Mozambique LNG project? That's one. Secondly, how much amount we have invested till date in this project? And as a part, lastly, as you have mentioned the capex plan for the next 2 to 3 years, Mozambique commitments are included in it or not?

**V.R.K Gupta:** So, Mozambique, whatever information we got from the main operator, the ground level work has started, but officially they have not lifted the Force Majeure. We are expecting maybe in the month of January or February officially they may announce Force Majeure. But otherwise, the – contractors have started coming back to the field and the security situation has improved a lot compared to previous months. And we are expecting hopefully by January, February, they may uplift the Force Majeure and the project can progress further.

And second, in terms of the investments in Mozambique, as on 30th September, we have invested around \$2.15 billion, that is almost INR18,000 crores in our books. And we are expecting another INR20,000 crores investment in the next 5 years for the project.

**Yogesh Patil:** Is that already considered into the next upcoming capex plans of next two to three? That is a part.

**V.R.K Gupta:** That is the part. Whatever we have 1.5 lakh crore our capex plan. It includes for Mozambique as well as Brazil also.

- Yogesh Patil:** And if there is a further delay in the Mozambique investment or projects, then our capex can come down by that amount.
- V.R.K Gupta:** It can defer. Capex can defer. In cases, there in any delay, capex can defer. But otherwise, based on the current plans, the Force Majeure can -- lifting of Force Majeure can happen January, February, then project will be -- as per schedule.
- Yogesh Patil:** Sir, lastly, sir, considering the current cracks on the middle distillate, mostly on the petrol and diesel, can we assume that GRMs will rebound more than \$6 per barrel in Q3, Q4 or more than that? Any indication you have?
- V.R.K Gupta:** Yes. It depends how the spreads will move because otherwise, whatever current demand/supply for the products, we are not expecting any big jump of spread increase in the next couple of quarters. Only in case if there is any slight improvement in Chinese demand side, then definitely the cracks will improve from the current levels. But otherwise, we are expecting similar levels of cracks only for the next couple of quarters. Maybe after the winter slight improvement will be there. But otherwise, moderated -- refinery especially moderate now.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Varatharajan sir for closing comments. Please go ahead.
- V Sivasankaran:** Thanks Shifa. I had a couple of questions or points. One is about this market share variation we have seen this time around, we have had a market share gain. Is the source of the market share gain entirely the retail network expansion or is there any other reason why we have had an improvement in the share?
- V.R.K Gupta:** Mainly retail network expansion, only mainly because if you see the market share growth, it's representing from all the markets. It is not the only one specific market that is represented more or less majority of markets, it represented small growth, mainly for network expansion and actually, we are adding continuously every year, 600, 700 outlets we'll definitely add.
- V Sivasankaran:** And on the CGD front, are we in a position now to give on a quarter-to-quarter basis earnings and EBITDA profitability separately? Or do you think it is still too early?
- V.R.K Gupta:** But profitability, we are not disclosing anything. Still it is a very small amount compared to the overall profitability of the company. So once we reach the scale from the CGD volume because today the CGD volumes are only 120 TMT. Again, it's almost -- our sale is almost 10 MMT. Very small insignificant at this point of time.
- V Sivasankaran:** When you spoke about the number of outlets, you said 500-odd, 600-odd outlets. Does that includes the outlets which we have given to the CGDs to operate as well as...
- V.R.K Gupta:** In our own GAs, these are our own GA.
- V Sivasankaran:** These are all own GA, okay. That is a pretty large number on a stand-alone basis, yes. Fair enough. Yes. Sure. Thanks a lot to all the participants for taking time out to join the call. I wish you to specifically thank the BPCL management for giving detailed explanation as to the entire



question and answer as well as briefing and the plans as well. Thanks, everyone, and have a happy Diwali and have a nice day.

**V.R.K Gupta:**

Thank you.

**Moderator:**

On behalf of Antique Stock Broking, this concludes the call. Please, the participant may disconnect your lines. Thank you.