"Bharat Petroleum Corporation Limited

Q3 FY '25 Earnings Conference Call"

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MODERATOR:	**MR. VARATHARAJAN – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Bharat Petroleum Corporation Limited Q3 FY '25 Earnings Conference Call, hosted by Antique Stock Broking 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 assistance during the conference call, please signal an operator by pressing the star, then zero on your touchtone phone.

I now hand the conference over to Mr. Varatharajan from Antique Stock Broking Limited. Thank you, and over to you, sir.

Varatharajan: Thank you, Steve. A very good morning to everyone. I would like to extend a very, very warm welcome to all the participants and the top management of BPCL. We have with us Mr. V.R.K. Gupta, Director Finance; Mr. Pankaj Kumar, ED, Corporate Finance; Mrs. Srividya, ED, Corporate Treasury; Ms. Chanda Negi, GM, Pricing and Insurance; and Mr. Rahul Agrawal, Chief Manager, Pricing and Insurance.

I'll now hand over the call to Mr. Rahul Agrawal for the initial disclosure and then for the initial remarks. Rahul?

Rahul Agrawal: Thank you, sir. Good morning. On behalf of BPCL team, I welcome you all to this post Q3 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 Q3 results.

I now request our Director of 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 New Year. Welcome to the post quarter 3 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, global economic growth is projected to stabilize at modest levels over the coming years. The World Bank forecast flat growth of 2.7% for '24 to '26, while the IMF projects slightly higher growth of 3.3% for the same period. India remains the fastest-growing major economy among emerging markets and developing economies. The World Bank has retained its growth forecast for India at 6.7% for FY '25-'26, reaffirming its steady growth trajectory over the next 2 years.

The Indian rupee hit an all-time low of INR86.71 against the US dollar in January, raising concern about the inflationary pressures within the economy due to significant reliance on imports. It remains to be seen whether the RBI will opt for interest rate cuts to boost economic growth while addressing the challenges of inflation and currency depreciation.

In terms of crude, the market is expected to remain adequately supplied this year. Global oil demand is projected to rise by about 1.2 million to 1.3 million barrels per day, underpinned by the expectations of the rate cuts in US and Europe and more stimulus from China. Oil supply, on the other hand, is expected to increase by 2 million to 2.1 million barrels per day. The anticipated supply is expected to keep the prices in check in 2025.

US Energy Information Administration projected Brent crude price to average $74 per barrel in 2025. However, in the short term, the market is impacted by the recent US sanctions and the Russian oil supply chain. The impact of US sanctions on Russian entities and the global supply chain remains to be assessed. Demand for petroleum products in India has continued to grow with an overall growth of 6.4% during Q3. Major products such as petrol, diesel and ATF have grown by 9.6%, 4.8% and 8.9%, respectively.

Performance in Q3 '24-'25.

On operations side, our refineries achieved a throughput of 9.54 million metric tons per annum during the quarter, which is 107% of the nameplate capacity, in spite of shutdown at Kochi refinery and Mumbai refinery during the quarter. Our distillate yield was 84.86% in this quarter, which is one of the highest among Indian refineries.

The product cracks for gasoline in Singapore fell slightly to 6.44 barrels in Q3 from 6.83 barrels in Q2, whereas the cracks for gasoil, Singapore have improved to $15.05 per barrel in Q3 from $13.69 per barrel in Q2. Accordingly, our refineries recorded a GRM of $5.6 per barrel during this quarter.

On the marketing side, our domestic market share grew at about 4% year-on-year during the quarter to 13.43 million metric tons. We continue to generate the highest throughput per retail outlet among our peers with a throughput of 154 KL per month versus 140 KL per month on PSU average, driven by access to strategic markets and strong network along highways.

We commissioned 1,082 new retail outlets in the 9 months period FY '25, taking our total network strength to 22,921 retail outlets. To increase penetration of CNG in the overall energy basket, BPCL is aggressively expanding its CNG fuelling infrastructure with mechanical completion of 183 CNG stations during April to December '24-'25 taking total CNG network to 2213.

We have achieved highest ever 15.56 ethanol blending during this quarter. We have commissioned 2 LNG stations at our company-owned and company-controlled retail outlets during the quarter and identified another 10 locations on strategic highways for installing LNG facilities.

We are expanding our foray into non-fuel services at our ROs through our in-house state-of-the-art cafe brand, BeCafé, where customers can experience government coffee and snacks and as the propensity of EV charging gathers momentum. BeCafé would offer customers an upgraded convenience during their wait time. We have commissioned 44 BeCafés during 9 months '24-'25, taking total BeCafé network to 50.

Updates on new projects:

The ethylene cracker project at Bina is a crucial initiative for BPCL, driven by the growing demand for petrochemicals. The project is progressing as scheduled with technology licenses on board for all critical packages, detailed engineering completed for a few units and others nearing completion.

A significant milestone has been achieved in this project with the successful completion of financial closure. BPCL secured a loan facility of INR 31,800 crores from a consortium of 6 banks, one of the largest single loan arrangement with a corporate entity in India. The agreement was finalized on January 16, 2025. The Board has approved INR 6,100 crores towards pre-project activities, including land identification, feasibility studies and environmental assessment for greenfield refinery-cum-petrochemical complex in Andhra Pradesh.

During the previous quarter, BPCL Board has approved to enter into JV agreement with Messrs Sembcorp Green Hydrogen India Private Limited in the domain of renewable energy and green hydrogen and joint venture with GPS Renewables Private Limited for setting up of compressed biogas plants across India. We have received the necessary government approvals for forming these joint ventures during this quarter.

Board has also approved formation of JV with Praj Industries for setting up of CBG plant. The company aims to set up 26 CBG plants across India in the near future. BPCL has taken major strides in the renewable energy by emerging as the lowest bidder in NTPC tender for 1,200-megawatt solar PV project to develop, generate and supply of 150 megawatts to NTPC. This project with a capital investment of around INR750 crores will produce 400 million units of green energy. Further, BPCL also secured 30 megawatt in NHPC solar PV project, tender concluded on January 21st.

Without further ado, let me guide you through the financial highlights for the quarter. The revenue from operations stood at INR1,27,521 crores. The profit after tax stood at INR4,649 crores. Against an estimated capex of INR16,400 crores for the financial year, we have spent about INR11,899 crores during April to December. Our stand-alone net worth as on 31st December is INR80,305 crores. The earnings per share for this quarter is INR10.88 per share.

As of December '24, we are at a fairly very low level of debt. The debt equity stand-alone gross borrowings level is 0.24. Overall, stand-alone gross borrowing is at INR 19,600 crores as on 31st December '24. And against these borrowings, we have current investments, including oil bonds, about INR 16,098 crores.

At group level, the debt equity is 0.58 with gross borrowings of INR46,500 crores. In order to reward our shareholders for their continued support, the company has declared an interim dividend of INR 5 per share.

This concludes my comments, and we'll be happy to take your questions now. Thank you.

Moderator: Thank you very much. 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 3 questions. One, with respect to the Russian crude as part of our sourcing portfolio with all that is going on in terms of the sanctions, what is the mitigation strategy we have in place in terms of securing supplies in case Russian crude is disrupted? How much was it as a percentage of our sourcing in 9 months FY '25? And if I'm assuming that the discount on crude will no longer be there, what is the kind of impact on crude cost effectively? That's my first question.

V.R.K. Gupta: Yes. If you see historically, we are in a position to process around 34% to 35% of crude, which is coming from Russia. In fact, Q3 itself, the percentage of Russian crude processing has come down to 31%. And after the recent US sanctions, the supplies are coming down. We have finalized the Russian cargoes for the month of January and February. But in the month of March, we are yet to conclude on the Russian supplies. We are not getting sufficient cargoes for the month of March at this point of time.

As a risk mitigation policy, crude availability is not an issue. Only the commercial benefits, Russian crude generally, they used to offer around $3. So that commercial benefit may not be available in case Russian cargoes are not coming to India. We are foreseeing at least a 20% cut of Russian cargoes for the month of March where these cargoes we can source from Middle East or WTI in case of low sulphur requirement, we can take it from WTI or any other grade, we can take it from Middle East on spot basis.

Probal Sen: Understood, sir. So is it fair to say that at 30% with the benefit of $3, that's around a $0.90 impact on the overall crude cost on a blended basis that we have to sort of live with in the absence of Russian crude.

V.R.K. Gupta: Yes, in case if we are not getting any Russian cargo, but still we get some cargoes. There may be a reduction of Russian cargoes. It is not as zero -- we will reach to zero level. We have to wait and see. It takes a little bit time to rebalance the supply side.

Probal Sen: Right. Sir, secondly, on the capex project, you mentioned the Bina Petrochemical and the greenfield refinery in Andhra Pradesh. I just wanted a little bit more granularity in terms of the petrochemical slate of Bina. What is the timeline we are looking at? What is the investment done till date? And what is the overall investment for Bina, if I can get some sense?

V.R.K. Gupta: For Bina, we have approved INR 49,000 crores at gross level of total capex investment. This is an integrated brownfield refinery, refinery capacity expansion of 3 million metric tons with around 3 million metric ton of petrochemicals. The project schedule will be May '28 is our project schedule, completion schedule. As of date, as per the schedule around 7.5% of milestones we have achieved.

In terms of the financial closure, already INR 1,000 crores we have spent during this year. And most of the licenses we have finalized and most of the units already the BDEP and basic design engineering packages have been completed. Some units are pending. So work is going on with speed, and we are expecting May '28, the project commissioning schedule, we will be in a position to achieve.

Probal Sen: Sir, in terms of phasing, the bulk of the capex will happen maybe starting FY '26 or '27?

V.R.K. Gupta: It will happen in FY '26-'27.

Probal Sen: So FY '27 is when we will see the bulk of the cases...

V.R.K. Gupta: Right, right.

Probal Sen: And sir, in terms of the yield from the additional refining capacity, you said 3 million ton of capacity in refining and 3 million ton of petrochemical capacity. Is that correct?

V.R.K. Gupta: No, no. Out of 3 million ton of refining capacity, the intermediaries will go to petrochemicals. Overall, the net refining capacity will be added by 3 million metric ton. From the current 7.8 million metric ton, it will reach 11 million metric ton of refining capacity. But most of the intermediaries will go for petrochemicals.

Probal Sen: So 7.8 million metric ton to the complex capacity will be 11 million metric ton out of which around 3 million metric ton would be essentially petrochemical output, Is that the understanding?

V.R.K. Gupta: No, it's not like that. Out of 11 million metric ton, only, I think 1.8 million metric ton or 2 million metric ton will go as an intermediary. That intermediary will do 3 MMT of petrochemicals.

Probal Sen: Okay. One last question, sir, a housekeeping one. This quarter saw a sudden jump in terms of the staff cost. Can we just get a sense of what happened in terms of because the quarterly run rate was INR7 billion, INR7.5 billion? This quarter, we've seen INR1,200 crores plus in staff costs.

V.R.K. Gupta: This is only one-time. Actually, there are certain dues performance-related paid to the employees, which were pending since the last 2 years, this particular quarter, it has been settled. That was the only reason this sudden hike. It is not a repetitive in nature. For the year '22-'23 and the earlier years, there were some dues which is pending to be distributed. This quarter, we have distributed that.

Probal Sen: And how much was that, sir, was it about INR400 crores, INR500 crores, entire difference?

V.R.K. Gupta: INR370 crores.

Probal Sen: Around INR370 crores.

Moderator: The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Funds.

Kirtan Mehta: I wanted to understand about the BPRL loan repayment, which is due this year. We have around INR8,300 crores of repayment due. What's our plan? Are we planning to roll over this loan? Or are we planning to pay this? And how are we going to arrange the funds for the same in BPRL?

V.R.K. Gupta: BPRL, whatever existing loans, mostly we are refinancing only, rollovers only because we are not getting any cash generation from BPRL venture. So whatever loan repayments, we are repaying the loans and we are refinancing. Mostly all our refinancing is better terms, we are refinancing maybe 10, 15 bps we are getting benefit only, at the time of refinancing. But our plan is rollover only because we don't have any sufficient cash flow generation at BPRL venture. Whatever loans, the loans have to be rolled over.

Kirtan Mehta: Sure. And in terms of the Mozambique assets, would you also sort of run us through the time outlook in terms of the restart?

V.R.K. Gupta: Mozambique, we are still waiting for the official announcement of lifting of the force majeure. But we are getting indications any time they may look at it and if the force majeure, then accordingly, the work will start. But expected completion of this particular project will be '28-'29. The first gas we can see from Mozambique fields will be in FY '28-'29.

Moderator: The next question is from the line of Vivekanand from Ambit Capital.

Vivekanand: Recently, we saw that you won a tender to supply RE power to NTPC. Just trying to understand what is the business model that you are envisaging in renewable energy? Initially, we thought that it was decarbonization of your own operations, but now it seems that you are pursuing projects where you will supply externally as well. Also, could you help us understand whether you will reach the 2 gigawatt target for renewable capacity setup by FY '26? Currently, you would be much less than that, right?

V.R.K. Gupta: Yes. Our renewable aspirations are mainly through 3 areas of business we want to do. One is how do we make it net zero for our own internal operations, internal consumption. Second is we want to create a separate business revenue stream by catering the services to the utilities. And the third one is to create the renewable assets for our own green hydrogen requirements as well as to supply or cater to the market requirement for the green hydrogen. So all these 3 areas, we want to put capital allocation for renewables.

Particularly this particular tender is for the utility business. Around 150 megawatt, we are the lowest bidder in the NTPC tender. And we have one more option of going for opting another 150 megawatt under greenshoe option. And another tender recently, we have won is 30 megawatt in NHPC tender. So with this already, we are going to create around 300 to 350 megawatts of renewable assets, mainly to cater the utility business.

Vivekanand: Okay. Just to understand the targets that you have outlined, the long-term targets for renewable capacity, this would include all 3 combined, right?

V.R.K. Gupta: Right, right. We have a very short-term target of 2 gigawatts we want to achieve either on our own or through our JV companies. For that already, we have announced one JV in corporation with Sembcorp India Private Limited. This is a Singapore entity, 50-50 JV, we are going to incorporate. We got all the statutory approvals and Ministry and Government of India approvals. We want to create this renewable asset through this particular JV wherever business opportunities are there. And in a couple of years, we want to reach 2 gigawatts. And by 2030-35, at least we want to create 10 gigawatt of renewable assets.

Vivekanand: Okay. And would you be able to comment on the capex outlay for FY '26 and '27 for the renewable aspirations you have?

V.R.K. Gupta: For renewables, overall capex for the next 2 years, we are allocating INR10,000 crores. If you ask me split maybe '25-26, it will be around INR3,000 crores and '26-'27 another INR3,000 crores. Meanwhile, if we get any tenders, then accordingly we can allocate more capital.

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

Yogesh Patil: Sir, our reported GRM of $5.6 per barrel was hardly $0.6 per barrel premium to Singapore benchmark. So apart from refinery shutdowns in Mumbai and the Kochi side, is there anything which impacted the BPCL reported GRM?

V.R.K. Gupta: Major impact, if you see, there are a couple of reasons. One is definitely both refineries on a shutdown. The planned shutdown for 30 days for Mumbai refinery and 25 days for Kochi refinery. Kochi is 30 days and Mumbai is for 25 days. And beyond planned shutdown, our Russian throughput during this quarter is a little bit on the downside, maybe 31% we have processed compared to earlier quarters of 34%, 35%. And secondly, this quarter, if you see slightly the refining spreads are on lower side, slightly, not major. But major impact is on account of shutdowns where our energy consumption is on a higher side, the throughput is on the lower side.

Yogesh Patil: Our marketing inventory losses were closer to INR722 crores. Any particular reason? And I just wanted to know how many days of product inventory do we maintain on a general basis?

V.R.K. Gupta: Generally marketing, we keep around 25 to 27 days of inventory. This is a normal phenomenon whenever during any particular period, if the prices are coming down, the fortnight to fortnightly differential of the RTP is the main reason inventory losses. If price goes up, definitely, the inventory gain losses will be reversed.

It happens every quarter, depends on the price trend. It is in tandem with the price trend only. There is no abnormal inventory positioning happened during this quarter. But whenever price trends on the downside, there will be inventory losses. When the price trend is on the upside, there may be inventory gains.

Yogesh Patil: Sir, one more. Do we have any long-term contracts with the Russian crude supplier? And if we -- if you could provide some details on the crude sourcing side, for the calendar CY '25, how much long-term crude sourcing we have and how much is short term? That would be really helpful.

V.R.K. Gupta: Generally, we are following a principle of around 55% as a long-term imported crude and balance 30%, 35%, we keep it for spot. And this year also, broadly in the same range, we are keeping around 55% of our requirement of imports through long term, mainly the sources are from Saudi Arabia, Abu Dhabi, U.S., Iraq, whatever normal sources of crude, we are allocating around 55% for long term. And we are keeping for short-term spot basis for 30%, 35%. But Russian, we don't have any long-term contracts. M minus 2 generally we go to the market and we procure crude Russian side. There is no long-term Russian crude.

Yogesh Patil: Sir, last question. Sir, considering very weak GRM as of now $1 per barrel or even less than that, if the situation continues for a month again and on the top of that, we have to procure spot crude a little bit costlier, let's say $2, $3 per barrel premium. So don't you think this will get a little bit negativity on the refining profitability at least in the near to medium term? Please correct me if I'm wrong.

V.R.K. Gupta: Current trends, if you see the gasoline cracks have come down to almost zero or negative levels, it has come. But fortunately, still the gas oil cracks are still it is being maintained at $13, $14 level. With this background, definitely there will be a small impact on the GRM side. But in terms of the crude sourcing impact on the GRM, yes, Russian crude, if the weightage comes down in terms of the processing, there will be an impact. But the impact is not much. Today also the Russian crude is available only $3, $3.2 discount.

The overall impact in case if the throughput comes down from 35% of Russian processing, there will be an impact. But crude is available. It is not that crude, there is any tightness of crude. Crude is sufficient, crude is available and the only thing the different sources we have to find out. There may be an impact, small impact in case Russian crude, if we are not in a position to process fully.

Yogesh Patil: And sir, do you think in the long run, will you get Russian crude supplies at a discounted rate after 6 months, 12 months down the line? What is your in-house assessment on this sir?

V.R.K. Gupta: What we are foreseeing, it is only a temporary phenomenon because Russian crude, they have not cut down their production. Some point of time, again, the Russian crude has to come to the market. Now only thing, because since so many vessels are on sanction and some insurance companies are also on sanction, so some time it required to rebalance the market, the supply chain had to be resettled. Maybe another 2, 3 months, this resettlement can happen, new trader community can come into the market. So the flows will continue after some point of time.

Moderator: The next question is from the line of Iqbal Khan from ICICI Prudential Life.

Iqbal Khan: Sir, just on the Russian discount, like you said in Q3, it was around $3, $3.5. And of lately, I've been reading a couple of news that Russian discount -- Russian prices have fallen down. So I mean -- and you said for the month of Jan and Feb, we are going to source with Russian crude. So are we enjoying this -- I mean, I believe the Russian discount would have increased. So are we enjoying this benefit for these 2 months? Or can you just throw a light on what is the current discount? And are we availing the benefit of this fall in Russian crude of lately?

V.R.K. Gupta: Generally, our spot procurement deals happens M minus 2 means 2 months advance we complete the deal. So for January and February, we have completed the deals in the month of November and December itself. So we are getting sufficient cargoes for the 2 months. Only we have to wait and see for the month of March, how many cargoes we can get from the market.

And discount levels are similar -- we are expecting similar level of discount will continue. But the volumes, we are not expecting the way we used to get the volumes in earlier months.

Moderator: The next question is from the line of Amit Murarka from Axis Capital.

Amit Murarka: So my question is again on the capex side. So you said that on Bina expansion, most of the capex will start in '26 and '27. Are you providing any absolute guidance for '26 as well as '27 now?

V.R.K. Gupta: Guidance, just we are firming up the capex numbers for '25-'26. We have the initial indication, we have received numbers from all the units around INR18,500 crores to INR19,000 crores of capex for '25-'26. We are yet to firm up, but it will be indicatively the capex numbers for FY '25-'26 will be INR19,000 crores around.

Amit Murarka: Okay. And then '27, could it like go up to maybe INR25,000-odd crores?

V.R.K. Gupta: Yes, that is what we can take estimate on INR22,000 crores, INR23,000 crores but we are yet to firm up the number for '27.

Amit Murarka: And the 5-year capex plan was about INR1.5-odd lakh crores, right?

V.R.K. Gupta: Right, right.

Amit Murarka: So then that is still on, right? I mean, so in that case, you're saying that '28-'29 could maybe go up to a much higher number than to meet that?

V.R.K. Gupta: Right. Our capex aspiration based on our project as per numbers are INR1.7 lakh crores, we would like to keep capex number, out of which already the Board has approved for the projects around INR1.3 lakh crores already committed, means the Board has approved the projects, mainly around INR25,000 crores, it will be coming from exploration side from Mozambique and Brazil and around INR50,000 crores for Bina and around INR5,000 crores of our Kochi refinery petrochemical project and INR20,000 crores to INR25,000 crores, we are going to spend on CGD network expansion. These are the major components of our capex. Yes, definitely, next year onwards, next year will be around INR19,000 crores, INR20,000 crores. After that, '26-'27 onwards, every year, we may have to see around INR25,000 crores or INR30,000 crores of capex.

Amit Murarka: Sure. And on the GRM, you mentioned that the GRMs were a bit weaker because of shutdown and lower Russian crude sourcing. Was there some inventory loss as well?

V.R.K. Gupta: No. Generally, we don't calculate any inventory losses for refining side because our average inventory is much less than 10 days. So our average procurement cycle is 1 month and average inventory processing cycle for refining each only 10 days or 11 days. So it won't give any impact in terms of inventory gain losses.

When you are keeping a 10 days inventory, your purchase cycle is 1 month average prices. Only sometimes some cargoes, very old cargoes, if it is there in the inventory, where the actual manufacturing and processing is not happening in the same fortnight. There may be a small impact, but that is the reason we avoid any calculating of inventory gain losses for our BPCL refinery.

Amit Murarka: Understood. And just the last question on the fuels. So the marketing volumes generally, I think, have been growing lesser than the industry growth, I believe, because of some gains by private refiners, private marketing companies. So recently, there was some article as well that those refining companies -- those outlets who are getting impacted are basically demanding better margins since the volumes are going down. So is there any discussion going on, on that front to raise dealer margins?

V.R.K. Gupta: No, dealer margins already it has been implemented. The revised dealer commission has been implemented during last quarter itself. So there is no separate discussion. Yes, I agree this quarter, we are not number 1 in terms of market growth point of view, but only short term. We'll come back and we'll get back our position.

Moderator: The next question is from the line of Sumeet Rohra from Smartsun Capital.

Sumeet Rohra: So sir, firstly, I mean, I would like to talk to you as an investor. Sir, I clearly see that you have done exceptionally well. You have made a profit of INR10,000 crores after absorbing INR7,100 crores of LPG under recovery. Now sir, it is -- of course, we all know that LPG -- we also understand, sir, that LPG under recovery is borne by the government.

But sir, clearly, I mean, one thing which you clearly must appreciate from our point of view, is that this LPG under recovery is basically clouding the earnings overall for the earnings outlook or the earnings visibility basically for investors for us.

I mean, sir, I would just like to highlight to you a few important things, which I really think are very important from an investor angle because, I mean, we spend a lot of time on metrics, on GRMs but the thing is that these things need to be priced by market, right, which clearly is not being priced.

Now sir, I just -- I would like to highlight this to you that today, the market cap -- I mean, the price of Bharat Petroleum or whatever you may say the market cap is exactly what it was back in 2017. Now sir, back in 2017, we used to make about INR9,000 crores of profit. But today, sir, we are well making INR20,000 crores of profit. So clearly, when public sector enterprises in India are going through a massive re-rating, okay, companies like ours, which are the highest quality companies in terms of ROEs and ROICs are getting derated.

Now sir, I mean, it is something of -- for which you should take significant importance is that today, we make INR20,000 crores and tomorrow with Project Aspire, we make INR30,000 crores. But if the market doesn't get confidence on earnings and visibility, then how does it help an investor, right? I mean, because today, ultimately, investors also want to make return.

And today, if you see that if markets are not going to value earnings and we are going to trade at 7, 8-year kind of low prices, it is clearly saying that there is a disconnect between the reality of what you're doing versus the perception, right? I mean it clearly goes to show, right, because on ground level, you are delivering superb results. And there is no question on that front, right?

But obviously, sir, the market needs to take cognizance of that and your PEs and your price-to-book ratios also need to adjust accordingly, right? I mean this is something which I really think that you, the ministry and everyone should really give it a very serious thought because the right communication basically from you or the minister or the ministry to basically investors will go a long way in rerating these companies because you are doing exceptionally well on financial performance. But sir, also, it is of significant importance that markets realize this. So I really would much think if you can take a serious look at this, and please consider what I've said very seriously because it is in the best interest of all stakeholders.

Now sir, coming to your one question on this Russian thing, which has been exaggerated beyond imagination is, in fact, you see today also Mr. Trump has come and asked Russia to end the war. So sir, if the war to be end, then it would be safe to assume that nothing on the Russian oil gets impacted and everything remains status quo?

V.R.K. Gupta: Yes. One is first question related to LPG, just I want to clarify. For the period April to December, we have a net negative buffer of INR7,228 crores, which we have taken a debit to P&L. And LPG is a controlled product. The pricing is being controlled by the government of India. Even earlier year also, government has supported around INR22,000 crores for the industry.

We are hopeful by end of the year, definitely government will support the LPG subsidy because this particular LPG pricing is completely controlled by the government of India. And based on that advice only, we market the product. We are hopeful government will support for this particular under recovery of LPG.

Comes to Russian crude side, today, very short term, there may be a shortage of supplies of Russian cargo. If Russia-Ukraine war, if it ends, it is a good thing, more supplies will come to the market. At the same time, if they remove the sanctions, then it is well and good. Complete supplies will come to every market, and there will be a good amount of supply compared to the demand growth. So if the Russia-Ukraine war ends, it is good for the industry.

Moderator: The next question is from the line of Sabri Hazarika from Emkay Global Financial Services.

Sabri Hazarika: So I have a few questions. The first one is basically in the current scenario, if I assume that diesel cracks remain at, say, around $11, $12 and petrol, say, let's assume around $5, $6 and assuming that Russian crude share goes down to, say, around 10%, 15% with possibly no discount. Then based on your configuration, what kind of GRMs your company can report?

V.R.K. Gupta: We cannot predict the GRM because it has a very complex working, not only the Russian supplies and crack. It depends on the yield, what sourcing of crude we take and what premiums we pay at the time of crude procurement. But on an average, we are at least expecting the refining margins will continue at a similar level because as long as the gas oil cracks are there, gas oil cracks are $13, $14 because our total processing capacity, the gas oil is the maximum quantity we process. So as long as the refining spreads are commendable at $13, $14 at gas oil, we can foresee the similar level of GRM. There won't be much impact.

Sabri Hazarika: So around $6 to $7 GRM at $13, $14 diesel cracks is something which can be expected?

V.R.K. Gupta: Yes, we cannot give any guidance, but we can safely we can assume in case gas oil cracks are at $13, $14 and gasoline is at $5, $6, so it can give that much of GRM. Everything depends on what spreads internationally it command for the next 2 months.

Sabri Hazarika: Right, sir. Second is basically on your -- this capex plan. So what is the peak debt that you envisage, which you find comfortable for the company once you are like at the peak of the capex cycle?

V.R.K. Gupta: We are not expecting the peak of debt will go up beyond 1. 1:1 is a comfortable zone we are expecting on a stand-alone basis, when the projects are completing by '28-'29, maybe our capex will reach at that level max 1. That is what we are targeting.

Sabri Hazarika: One-time debt equity will be the peak levels that you have -- okay, fine. And lastly, on this LPG thing only, so right now, I mean, Q4, I think there has been some reversals. We have seen oil prices go up, LPG prices also seasonally have been up. So in near term, do you have any -- and on top of that, the excise duty payments and all, which also comes at the end of the year. So are you comfortable in terms of working capital or there could be a spurt in short-term debt and all?

V.R.K. Gupta: Even December also, when you see our debt equity at gross level is 0.24. But at the same time, we have almost INR15,000 crores of investment is in oil bonds where we have investment. On net-net, if you see the debt to equity is very small 0.1 or less than 0.1. When we reach by March and if there is no major spike of crude oil prices, we are not foreseeing any big jump of working capital requirements because our capex also, we are ending up with the capex estimated will be around INR16,000 crores for this year.

We are foreseeing whatever internal generation that is sufficient to meet our capex requirements. And excise duty payment, yes, every year excise duty payment, we have to pay before 31st of March to the extent we have to take additional borrowings, working capital requirements.

Sabri Hazarika: Got it, sir. Sir, just a small bookkeeping question. Your ATF volumes seems to have declined Y-o-Y. So anything specific on this?

V.R.K. Gupta: We have lost one customer in tendering process. That is the only reason. But anyhow, we got back some other customers. Maybe in the subsequent quarters, we can make up that volumes.

Moderator: The next question is from the line of Nitin Tiwari from PhillipCapital.

Nitin Tiwari: My question is related to the Andhra refinery, if you can throw some more light in terms of what is the estimated size of this project and what is the total capex? And you mentioned something around INR6,000 crores that you've allocated, what is that for? And basically, what is the incremental capex and timeline we are looking at in this project? So that would be the first one.

V.R.K. Gupta: We have -- Board has approved INR6,100 crores of capex for pre-project activities. This is mainly for land acquisition. We are looking for around 6,000 acres of land. There are a couple of components in INR6,100 crores. One major component is for land acquisition and land development. And after that, there are certain DPR studies we have to carry out; certain FEED studies we have to carry out.

It takes time, maybe another six months to nine months period, we will complete the DPR and FEED study. So it requires a significant amount of pre-investment before taking any financial decision and the final decision in the configuration.

Broadly, we are looking at it a nine million metric ton or 12 million metric ton crude train as we are looking at it, which will have a very large intensity of petrochemicals. For example, if we are going for a 9 million metric ton of refining capacity, we are expecting at least 3.8 million to 4 million metric ton of petrochemicals.

That is where broadly we are looking for a configuration around 3 million, 3.5 million metric ton of products -- petroleum products and around 4 million metric ton of petrochemicals. Roughly, the initial indication of capex requirement will be around INR95,000 crores at gross level.

And government of Andhra Pradesh also, they have indicated a good amount of capital subsidy incentives. Maybe we have to wait and see once the DPR and FEED studies are over, the final numbers we can firm up and reach to the FID level. By end of December, we can expect this final number.

Nitin Tiwari: Sure, sir. Sorry, I missed on the total investment number that you mentioned.

V.R.K. Gupta: Around INR95,000 crores at gross level.

Nitin Tiwari: INR95,000 crores. All right. And sir, the location is confirmed or you're yet to decide on the location? And is it going to be a coastal refinery or inland refinery?

V.R.K. Gupta: It will be coastal refinery. It will be definitely coastal refinery. Location is also almost land we have identified. Now the acquisition process, we have to start. We have approached government of AP also for land acquisition.

Nitin Tiwari: Understood, sir. Sir, my second question is related to a news item which was published around, excise duty exemption that Supreme Court has given to you for MoU sales of product between the oil marketing companies. So if you can just elaborate a little bit on that? And would that in any way be accretive on the margin side for us?

V.R.K. Gupta: Referring the recent Supreme Court judgment on one of the old case for excise duty -- on excise duty calculation?

Nitin Tiwari: Yes, I suppose that is the one. There was this news item which said that I think it was related to the sales which happens between the oil marketing companies on...yes.

V.R.K. Gupta: Yes. There is a valuation dispute because tribunal level, we have not got favorable order. They have raised certain demand. It went up to Supreme Court because when we purchase or sell any product between the OMCs, the transaction value is based on the purchase price. Whereas department contention is that it should not be a purchase price, it should be based on some other measure we have to derive because the RSP is different than the purchase price.

Because this dispute is going on since a long time. It went to Supreme Court and Supreme Court -- they have sent back to the tribunal to reassess the assessable value. But we are going to put a review petition and we have to wait and see how the tribunal recalculate that assessable value.

Nitin Tiwari: Okay, sir. Because I think the news item mentioned something like that, that excise would be exempted on this sale and purchase. And therefore, I thought like if there's any benefit accruing to us because of that exemption?

V.R.K. Gupta: There is no exemption of excise duty. There is no exemption of excise duty. It is a dispute on the valuation rule. It's a dispute on the valuation.

Moderator: The next question is from the line of Hardik from ICICI Securities.

Hardik: So as we have seen, the crude oil prices have taken a sharp rally and it has in recent week has crossed $80. So any thought on if price again crosses $80, any thought on price hike to be taken? Any initial sense on that?

V.R.K. Gupta: If you see the demand supply of crude market, if you see, I think we are expecting a good amount of supply of crude is there in the market. Only very short-term knee-jerk reaction in terms of Russian crude supplies, there is a little volatility but we are not foreseeing that crude prices will come in at this level. They have to come back to $75 to $80 range only. It's only very short-term reaction, crude prices are at this level.

Hardik: Okay, and sir, one more thing. We have reported a marketing inventory loss, right? But at the end of the quarter, there was the spike in the diesel or petrol international product prices. So just want to understand what led the inventory loss? And if it's a real inventory loss, would it get reversed in the Q4?

V.R.K. Gupta: Generally, how we calculate inventory losses, but the inventory loss gains are in tandem with the price trends. So during any particular quarter, if the prices are on the down trend, definitely there will be inventory losses. If the price trend is on the higher side, there will be inventory gains. So this will continue every quarter. It all depends on the price trends. The Q3, there is a reduction in the price trend, that is the reason inventory losses. In case if the crude prices continuously hovering at this level, $80, maybe you may see the reversal of this one.

Moderator: The next question is from the line of Somaiah V from Avendus Spark.

Somaiah V: A few questions. Sir, first thing is on the Russian crude source. So you did mention M minus 2. So for January, you would have booked by, say, November. Average price, the discount, that's how it will work? Or it will be a November price less discount?

V.R.K. Gupta: No. We finalize the deals only on the discount. The price is always on the date of delivery month. For example, the crude we are receiving in the month of January, the January month prices are applicable. If you are receiving the crude in the month of February, the February prices will be applicable. Only the discount and other terms, credit terms are fixed. Otherwise, the price -- the base price of crude is variable.

Somaiah V: Understood, sir. So, second question on the crude sourcing. So what would be on a blended basis a non-Russian crude sourcing cost on a premium? What are the premium Russian crude that we will be paying?

V.R.K. Gupta: No, we cannot compare actually every grade-to-grade because every grade of crude will have a different CAV. Means what the crude will give a value of output. So it is very difficult to compare which crude is better, which crude is cheaper. Every crude is cheaper or costlier depends on the refinery configuration, what type of products it can give. It depends on that every crude will have a different value.

So we cannot compare every crude, what is the cost, whether it is good or bad. Everything we have to see in terms of refinery configuration and what is the value of output this crude gives to the refinery. So from there, we compare and we accordingly source the crude.

Somaiah V: Understood, sir. I was just trying to understand for the same quality of crude that we have to replace the Russian crude via the other crudes. So would it be like in the current prevailing rates, whether it will be on par to Brent or we have to pay a premium to Brent. I just want to understand?

V.R.K. Gupta: No, Russian crude, generally, they offer a discount, whereas other crude, they don't offer a discount. That is the only differential.

Somaiah V: Okay, sir. Plus it is on long-term basis. So what would be the tenure of this long-term basis?

V.R.K. Gupta: Long-term crude generally go for one year only. Every crude term contract we signed for one year.

Somaiah V: So we have a one-year volume off take agreement and then every year.

V.R.K. Gupta: Yes, yes. Not for Russian cargoes. But other cargoes, around 55% of our import requirement generally we sign up for one year, term contract.

Somaiah V: Got it, sir. Sir, also on this AP -- Andhra Pradesh refinery, so how do we -- how are we generally looking at it? So once we are almost close to completion of Bina, we will start work on this. How are we just trying to understand the capex cycle?

V.R.K. Gupta: Broadly, we will come to a conclusion only in the month of December. By December, we will have the DPR, the configuration studies, the FEED studies will be over. There, we will come to know what would be the capex side. Then we are -- parallelly we are exploring to form a JV partner.

After that only, we'll come to know what will be the broad schedule. But otherwise, the commissioning period we are expecting around 48 months from the date of FID. We may have to start parallelly along with Bina. By the time Bina, we reach the mid-stage, maybe AP refinery project will kick start.

Somaiah V: Okay, sir. Sir, also, Bina, the Petchem, can you give the product slates of the 3 million ton output. Can you give a rough cut?

Rahul Agrawal: Yes. So it's -- PE is 1.2, 0.55 is PP and the remaining is BTX.

Somaiah V: Okay. Sir, also for FY'26, you kind of roughly set around INR19,000 crores of capex. Any split that you can give on this number across segments?

V.R.K. Gupta: We will share it. Broadly -- mainly, it will go for CGD expansion and Bina expansion. A little bit of amount will go for exploration activity. We will share separately a gap breakup.

Somaiah V: Okay, sir. Sir, also the LPG under-recovery number that we are reporting includes the normal marketing margin that we would have made that is also considered as part of under-recovery or that is over and above?

V.R.K. Gupta: This is, for example, if we get to this entire amount, that means we are ensured our normal marketing margin.

Somaiah V: Okay. Sir, also on the CGD performance, can you give any update in terms of what is the current volumes like? And also any thoughts on given that the recent gas allocation cuts. So anything changes for us in terms of how we are looking at it in terms of investments in this part of the business?

V.R.K. Gupta: Yes. CGD if you see CGD, we are on track in terms of MWP program, mainly in terms of CNG stations, we have achieved 739 stations almost 200% of our MWP. In terms of pipeline laying, we have almost completed 21,555 kilometer -- inch kilometer of pipeline we have achieved. This is almost 137% of MWP. We are a little bit short in terms of PNG domestic connection. Our target is INR1.11 crores, whereas our estimate is only 463, only 20% only we have achieved in terms of MWP in PNG connections.

In terms of the sale, this quarter, CNG almost we have achieved 96 TMT for 9 months period and the volume growth is good. We are expecting good amount of EBITDA incremental growth from the next year onwards from this particular CGD business.

And CNG stations '24-'25, our target is 150 stations and '25-'26, our target is 165 stations and subsequent years, every year, around 200 CNG stations. That is where our broader target. And we spent around INR1,200 crores of capex in terms of CGD expansion during this 9 months period.

Moderator: Mr. Somaiah, does that answer your question?

Somaiah V: Yes, it did sir.

Moderator: The next question is from the line of Vikash Jain from CLSA.

Vikash Jain: I have just one on this Russian discount, you're talking of a number like $3 a barrel. I'm sure this is mandate to us in India. How has this number changed over the last few months or say, through this calendar year? What was the broad range that it has moved at?

V.R.K. Gupta: During this year, 9 months period, there is no much change. We have started beginning of the year around $3.5 to $4 range of discount. Now it has come down to $3 to $3.2 of discount. During this year, there is no major change. But compared to previous year, earlier, we used to get around $8.5 discount during FY '23-'24. But during this year, it is almost at the similar levels of $3 to $3.5 in the beginning of the year.

Vikash Jain: Sir, just for the sake of clarification and confirmation, this is when you negotiate with them, this is the discount that you negotiate for and this is for crude that they will deliver to India. We obviously do not take any responsibility on shipping insurance, etcetera, etcetera, right?

V.R.K. Gupta: Delivered, delivered, delivered and as a pre-condition that they should not move the product in any of the sanctioned vessels.

Vikash Jain: Okay. And sir, when you come to the point of maybe your guess that it will fall from 30% of slate to 20%, is that because roughly if we look at the fleet that has become more challenging for them to use. That is somewhere around 20%, 25% of the fleet that if I remember the numbers correctly. So is that how you're guessing? Or that's just a kind of a very guesstimate number that you're saying that it can fall from 30% to 20% or something?

V.R.K. Gupta: No. January, February, we have sufficient cargoes -- Russian cargoes. March window, we have not yet received any offer, but our guesstimate maybe around 20% reduction. That means from the month of March, we may get around 20% of our requirement. Maybe instead of 30% processing, we may end up with 20%, but these are all only guesstimate numbers. Once we go to the market, once the window open, then we have to wait and see how many cargoes are available.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: So if you look at the CGD business, my calculation shows that you're doing about 3.5 million kgs per day. Is that correct on this 96 TMT you have done year-to-date?

V.R.K. Gupta: Yes, 96 TMT, so per day, I have to work out accordingly, yes.

S. Ramesh: So if you look at the peaking of the capex in the CNG business in your stand-alone GAs, how do you see the capex in FY'26-FY'27 and FY'28?

V.R.K. Gupta: We are allocating around INR3,025 crores of capex for CGD business for FY'25-FY'26 and around INR3,050 crores for FY'26-'27. That is our broader capital allocation for CGD business.

S. Ramesh: So when you say you are expecting EBITDA positive in FY'26, so on the current infrastructure and the addition you expect in FY'26 and this capex, you will be able to generate positive EBITDA based on the current gas cost because especially the reduction in the APM gas.

V.R.K. Gupta: Yes. So we are expecting FY'25-FY'26 onwards, the CGD business will have a positive EBITDA margins. And even the gas allocation had come down significantly from the APM gas to market gas. But temporary basis, we are not passing on the burden to the customer, but long term, definitely the burden has to be passed on the customers. But FY'25-FY'26, we are expecting good amount of EBITDA margin from CGD.

S. Ramesh: So is it possible to share what kind of gas sourcing you're planning for the CGD business based on the current APM gas allocation between APM gas and the market price gas and LNG?

V.R.K. Gupta: No, today, even for the latest quarter, if you see around 49%, we are getting allocation and 50% is deficit CNG, we are getting it from markets only. Mostly on spot basis, we are buying RLNG. But we are exploring certain long-term contracts anyhow it's a long-term trend, APM gas, we may not get 100%. Whatever shortfall of APM gas, we have to meet through open market. So we are exploring some long-term deals, either Henry Hub based or some other index-based cargo share planning.

S. Ramesh: Yes. So just two more thoughts. One is, if you look at your LNG and biogas plants and the overall CNG business, how do you see your rollout of LNG retail outlets in terms of capex and the volumes you are targeting? And similarly in biogas, what is the kind of volume we expect?

V.R.K. Gupta: LNG, we have started commissioning. I think the two LNG stations already we have commissioned and 10 are in pipeline. Initial years, we may not get a good amount of volume, but we are creating an infrastructure so that whenever the vehicle movement happens, definitely, we are there in the particular business vertical.

The capex requirement is very small compared to the overall capex size. Around 10 RLNG stations, maybe it will be around INR150 crores to INR200 crores. Capex is not a big thing for RLNG fuelling station.

In terms of biofuels, our plan is we want to complete at least 26 CBG plants, either on our own or through JV. We have already announced for incorporation of 2 JVs; one is with GPS Renewables and one more JV we are in the process of getting approvals that is with Praj Industries.

The capital outlay for 26 CBG plants will be around INR2,500 crores. Maybe another two years or three years' your time frame, these projects will be completed. The size of the volume will be around 100 TMT, if you take maybe 200, 300 TMT of gas will get from the CBG.

S. Ramesh: Okay. So in your renewable energy plants like ONGC is planning a listing, HPCL may also go for a listing. So are you planning to hive off your renewable energy business to a separate entity? Is there any thoughts in terms of value unlocking in the renewable energy business?

V.R.K. Gupta: We are in very initial stages of creating the renewable assets. Once we reach a particular scale, then we can look at it whether hiving off is a better option or keeping within the balance sheet is a better option because certain tax advantages we will have if you keep it the assets within the balance sheet.

So we have to wait and see once it reaches a scaling up, then we have to wait -- we have to see listing gives a better shareholder value or keeping in the same balance sheet gives a better value.

S. Ramesh: So one last question, if I may squeeze in. So in terms of the refining capacity in the globe and Asia, do you see any capacity closures that you expect based on the data you are getting from consultants? And what is the trend you expect in terms of refining capacity, say, over the next one, two years or any closure you're expecting?

V.R.K. Gupta: Whatever information what we are receiving from the consultant, there will be definitely there will be close downs of refining capacities outside India, not in India, outside India. Instead of meeting the net zero ambition, so many people are expecting there will be close-down. We don't know exactly what quantum of refinery close downs will happen. But as a trend away, everyone is expecting outside India, there may be some capacity close-down.

Moderator: Ladies and gentlemen, this was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Rahul Agrawal: Thank you, everyone, for participating in the call, and thank you, Mr. Varatharajan.

Varatharajan: Thank you for that.

Moderator: On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.