“Bharat Petroleum Corporation Limited
Q3 FY2024 Earnings Conference Call”

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ANALYST: **MR. HARSH DOLE – IIFL SECURITIES LIMITED**

MANAGEMENT: **MR. G. KRISHNAKUMAR – CHAIRMAN & MANAGING DIRECTOR - BHARAT PETROLEUM CORPORATION LIMITED**
MR. V R K GUPTA - DIRECTOR, FINANCE - BHARAT PETROLEUM CORPORATION LIMITED
MR. PANKAJ KUMAR – EXECUTIVE DIRECTOR, CORPORATE FINANCE - BHARAT PETROLEUM CORPORATION LIMITED
MS. SRIVIDYA V - EXECUTIVE DIRECTOR, CORPORATE TREASURY - BHARAT PETROLEUM CORPORATION LIMITED
MS. CHANDA NEGI - DGM, PRICING & INSURANCE - BHARAT PETROLEUM CORPORATION LIMITED
MR. RAHUL AGRAWAL - SENIOR MANAGER, PRICING & INSURANCE - BHARAT PETROLEUM CORPORATION LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2024 Earnings Conference Call of Bharat Petroleum Corporation Limited hosted by IIFL Securities 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Dole from IIFL Securities. Thank you and over to you.

Harsh Dole: Thanks moderator. Greetings everyone. I am Harsh Dole. On behalf of IIFL Securities I welcome you all for the Q3 FY2024 earnings call of BPCL. To discuss the earnings in detail and share performance outlook we have the entire senior management team of BPCL. Significantly, it is my pleasure to welcome to introduce Mr. G. Krishnakumar, CMD, BPCL, who will address the investors for the first time during the earnings call. We also have Mr. V R K Gupta, Director, Finance, Mr. Pankaj Kumar, ED, Corporate Finance, Mrs. Srividya V, ED, Corporate Treasury, Mrs. Chanda Negi, DGM, Pricing and Insurance and Mr. Rahul Agrawal, Senior Manager, Pricing and Insurance. Subsequent to the management remarks in presentation, we will have Q&A. Without further delay I would like hand over the proceedings to Mrs. Chanda Negi. Over to you Madam!

Chanda Negi: Thank you, Mr. Harsh. Good afternoon, everyone. On behalf of the BPCL team I welcome you all to this post Q3 results concall. Before we begin, I would like to mention that some of the statements that we would be making during this concall are based on our assessments of the matter and we believe that these statements are reasonable; however, the nature involves number of risks and uncertainties that may lead to different results. I now request our Chairman and Managing Director, Mr. G. Krishnakumar who is leading the BPCL team for this call to make his open remarks. Thank you and over to you Sir.

G Krishnakumar: Thank you Chanda. Good afternoon, everyone. Thank you for joining us on this call today. If you recall at our annual general meeting in August 2023, we had introduced our strategic intent Project Aspire, which was essentially anchored on two cornerstones nurturing the core that is essentially refining, upstream, marketing of petroleum products and investing in future big bets largely petrochemicals, gas, consumer retailing, green energy, and the digital ventures. Since that pivotal movement we have been actively working towards implementing the strategy within the defined timelines. With our existing diverse portfolio of products and services and our strategic aspirations, the company we feel is well positioned to play a critical role in the energy landscape of India and to increase its global footprints.

The strategy aligns with the company's plan to achieve net zero emissions by 2040 both in scope one and scope two. These aspirations with a planned capex outlay of around 1.5 to 1.7 Lakh Crores in the next five years will enable us to create long-term value for our shareholders while preserving our planet for future generations. Of this 1.5 to 1.7 Lakh Crores, 75,000 Crores we have earmarked for refineries and Pet chem ventures, about Rs.32,000 Crores in the upstream business, Rs.25,000 Crores each in gas as well as in marketing infrastructures, Rs.10,000 Crores is the initial outlay which we have laid out for renewables and alternate fuels. A portion of this capital outlay will remain flexible and shall be deployed based on the economic viability and performance of each project.

At the heart of our ambitious goals are our people, cutting edge technology, strategic partnerships and robust R&D. These we believe are the foundations on which our aspirations are going to be built. Before we get to our performance this quarter and the near term outlook, let me give you an overview of the operating environment. Amidst the physical challenges faced by major economies, India continues to be an oasis of growth and stability. The country grew by 7.6% in Q2 of 2023-2024 and as per Standard & Poor global report, India is set to become the third largest economy by 2030. Today's press reports say we will be a 7 trillion economy by 2030.

India's ambitious goal of attaining net zero emissions by 2070 is set to accelerate the adoption of cleaner and more efficient solutions. This is opening up significant economic opportunities for the companies in the energy sector. Concurrently as the Indian economy experiences rapid expansions, the surge in energy demand becomes inevitable, prompting a continued reliance on fossil fuels at least for a couple of decades. So the game will be on how well or how responsibly we will be using fossil fuels while at the same time balancing the newer green energy. The crude oil prices have remained well below $90 in the last three months not withstanding announcements of crude oil supply cuts by major suppliers. This resilience is attributed to lack luster growth in major world economies influencing downward revisions in global oil demand projections.

However, the ongoing Russian-Ukraine war, conflict in the Middle East, tensions in the Red Sea all point to negative impact on the global supply chain. These continued uncertainties are anticipated to contribute to the volatility of crude oil prices throughout the year. While these are broader factors that may drive volatility, we remain focused on things we can control that is operating efficiently in a safe and reliable and environmentally responsible manner, maintaining capital discipline by adhering to minimum return threshold on growth projects and honoring our commitments to create long-term value for our shareholders.

Let me now specifically move on to the performance this quarter. Our refineries continued their stellar performance on both physical and financial parameters during this quarter, although we had a planned shutdown of our Mumbai refinery in the month of October, November despite all the odds we achieved a combined throughput of 9.86 million metric tons this quarter which is more than 100% of the name plate capacity. Distillate yield was at 84.21% one of the highest amongst Indian refineries. This quarter evidenced a sharp fall in international product cracks as compared to previous quarter, despite this the refineries recorded robust GRM of $13.35 per barrel, the GRM for the nine months works out to $14.72 per barrel.

Our current GRMs have been at a premium to Singapore GRMs mainly on account of continuous optimization of refinery production, product distribution and crude procurement, use of advanced processing capabilities of Bina and Kochi refineries allowing for efficient handling of up to 100% High Sulphur crude and 50% Russian crude. During the quarter, the three refineries together processed nearly 83% High Sulphur crude, Russian crude accounted for almost 40% of our crude imports during the quarter. Our flexible crude sourcing mechanism which we have strategically secured 50% to 55% of our requirements through long term agreements, the remaining is on spot basis from diverse sources allowing us to enhance flexibility and capitalize on price economies.

On the marketing side, our domestic market sales during the period April to December 2023 grew at 5.1% to about 37.86 million metric tons during this period. Our market share in petrol and diesel segments among the retail segments, among OMCs has increased over time. In this period April to December 2023, our market share was 29.62 for petrol and 29.71 for diesel. In line with the stated objectives of reducing environmental pollution, we have now achieved 11.53% ethanol blending during the same period. We have about 1800 ROs where 20% ethanol fuel is dispensed. To further augment our strong marketing networks, we have an approved pipeline project from Mumbai refinery to Rasayani which will help evacuate products from Mumbai refinery to further across the country. Even we have got the clearance from the High Court recently for the project.

Two more pipelines, Irugur-Devanagonthi pipeline passing through Tamil Nadu-Karnataka and Krishnapatnam-Hyderabad pipeline passing through Andhra Pradesh-Telangana are under construction. These pipelines will optimize our product placement cost in the southern part of the country. We are pleased to announce that we are putting up three new depots in the northeast part of the country for which we have just recently acquired land. We have come with an advertisement for new retail outlets and also we have got excellent response for that.

In the EV space, BPCL has entered into MoU with Tata Motor subsidiary for setting up charging station and also with Trinity Cleantech for setting up EV charging ecosystem for the three-wheeler autos. In a positive development for BPCL, India has imposed restriction on import of butyl acrylate only to those cargos that meet Bureau of Indian Standards norms. This requirement in India has prevented the import of non-BIS certified cargos which were more competitively priced. As BPCL is the only Indian company manufacturing BIS certified product, this is expected to positively impact BPCL.

Let me now touch upon couple of major projects which are currently underway. We had conveyed that in addition to the Rs.49,000 Crores ethylene cracker and refinery expansion project at Bina, we were evaluating other petchem projects including propylene in Kochi in August 2023. The decision on which has now been taken, the board has subsequently approved 400 KTP propylene unit project at Kochi refinery at a total cost of Rs.5044 Crores. This project will benefit from the propylene feedstock available in the refinery. We believe that there is strong demand to meet our petchem supplies from Bina and Kochi.

With regard to Mozambique, the project suffered a setback due to security issues resulting in force majeure; however, the security situation has substantially improved and we are well positioned for restart in the near term. One important point to be noted is that despite the three year force majeure period, all major contracts of Mozambique including EPC, EPCI, LNG sales, project finance are preserved. As briefed earlier our growth aspirations under Project Aspire, will involve a total capital outlay about Rs.1.7 Lakh Crores. Let me share some perspective around this capital outlay. These investments some of which are long gestation are critical for diversification and de-risking your company in this transformative era. Successfully navigating transition demands a commitment to long-term solutions.

As mentioned in the previous call we are investing with discipline on growth project by adhering to a minimum return threshold. We are enhancing our capabilities in executing and delivering petchem projects by strategically engaging experts and recruiting fresh and lateral talent to build up competencies required for the future. This capital outlay whether it will put a strain on the balance sheet was a question which we pondered, on a standalone basis we are at a fairly low level of net debt and significantly deleveraged. Our borrowings net of cash bank and liquid investment at standalone level is about Rs.6025 Crores. At a consolidated level, our debt equity is about 0.6. We anticipate that in the next five years, a peak level debt equity on a consolidated basis will be about 1, considering that the current margins level continue.

As we embark on this growth journey, our discipline dividend payment frame remains unchanged. During the quarter gone by, we had given an interim dividend of 21 per share that is 210% for the FY2023-204. Let me also brief you on the proposed rights issue. Pursuant to union budget announcement 2023-2024 regarding capital infusion and OMCs towards energy transition, net zero objective, energy security and the corresponding intent of Government of India, BPCL board has granted approval for rights issue of capital though there are certain formal requirements which we are awaiting to be done from MOPNG we are working on the offer document for the proposed issue. I am happy to share that we have recorded our highest ever nine months profit of Rs.22,449.32 Crores as compared to a loss of Rs.4607 Crores in the corresponding nine months.

For Q3, the revenue from operations stood at Rs.129,976 Crores, the profit after tax stood at Rs.3397 Crores, as on December 31, 2023 we continue to have a positive buffer in LPG against the capex target of Rs.10,000 Crores for the year, we have spent about Rs.8017 Crores till December 2023. Our standalone net worth as on December 31, 2023 is Rs.69,477 Crores with a book value per share of Rs.326.27 Crores. The earnings per share for the first nine months is a stupendous Rs.105.42 Crores. Wrapping up, I can say that we continue to deliver resilient operational and financial performance and seek good momentum through the balanced part of the year, we are actively working towards implementing our strategy Project Aspire within the set timelines and fairly comfortable with the peak leverage. The key to this will be consistent execution and set timelines. Importantly, we are investing with discipline of adhering to a minimum return threshold. Thank you very much. We are open for questions.

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

Probal Sen: Thank you for the opportunity. Congrats on a strong numbers. Firstly on the Bina refinery and expansion, the big project that we are doing, is it possible to get a little bit more granularity on what kind of refinery configuration will we look at post the expansion and what kind of products the petchem part of it will actually yield, any sense you can give us will be helpful?

G Krishnakumar: On the refinery side, we will be moving from 7.8 million metric tons to 11 million metric tons. As far as product portfolio, we will produce HDPE, LLDPE, polypropylene, benzene, toluene and a little bit of bitumen.

Probal Sen: HDPE, LLDPE, polypropylene, benzene, toluene, and little bit of what sir?

G Krishnakumar: Bitumen.

Probal Sen: Sir just on the refining part from 7.8 to 11, will that also be accommodate by any upgradation in the product in the sense that are we looking to up our distillate yield as well along with the primary expansion?

G Krishnakumar: Sorry come again.

Probal Sen: Will distillate yield at Kochi also expand sir, post the expansion to 11 MTPA?

G Krishnakumar: 0.8 million metric ton that will be product expansion.

Probal Sen: How much sir?

G Krishnakumar: 0.8.

Probal Sen: 0.8 million ton?

G Krishnakumar: Yes.

Probal Sen: Okay and just your thoughts on how the margins outlook is shaping up both on the GRM front and on the marketing front, you mentioned thankfully that the Russian crude was at roughly about 40%, our understanding is that proportion at least on the country level seems to have gone down? So any indications you can give on FY2025 what we should be sort of in terms of Russian crude because the discount seems to have narrowed from what my understanding is Sir?

G Krishnakumar: Actually your guess is as good as mine, but we believe it is going to be stable unless the Red Sea situation worsens a bit. Right now we feel there is not going to be much of a downside.

Probal Sen: So the Russian crude requirement does it come under the 50% to 55% already secured that you mentioned or this is part of the spot.

G Krishnakumar: It is largely part of spot, we do not have a long term arrangements with Russia right now.

Probal Sen: Understood. Thank you very much for your time. I will come back if I have more questions and all the best.

Moderator: Thank you. We have a next question from the line of Vivekanand Subbaraman from Ambit. Please go ahead.

V Subbaraman: Thank you for the opportunity. I have two questions. So the first one is on the Red Sea disruptions, so one of your fellow PSUs, the OMC they said that have not been impacted by the dislocation and they have already tied up till the first two weeks of April. What about you sir and secondly on the Russian crude itself, I believe most of it is coming from the Red Sea. Are the shipments coming and how is that impacting, we are also reading reports on the shipping rates being much higher because of the disruptions, so how is this impacting your strategy on crude sourcing? That is question one. The second one is on the experience that you have had in the highway corridors on the EV side, what is the charging monetization model till now can this be a meaningful monetization source given that the EV adoption continues and more and more models are coming up? Thank you.

G Krishnakumar: Thank you. In response to your first question, right now we are not impacted by the Red Sea issue. We are waiting and watching, until about April we too are covered, we do not have any worries, but these things can play out, so we will be on the watch for that. So right now there is no issue on the Red Sea issue. As regards to the EV on the highway corridors, it is a chicken and egg story, so unless there is a proliferation of EV chargers the traffic would not pick up. So unless they get a confidence, so we believe there is a strong case for EV charging going forward and we are going ahead and covering up corridors, so that the range anxiety is limited and people are encouraged to adapt to EV vehicles.

V Subbaraman: Thank you sir for your answer. Just one followup. So you mentioned that there is no impact on your sourcing, but what about the shipping costs and the implications as far as the discounts are concerned in sourcing crude from Russia, is this really resulting in narrowing discounts, because we are reading media reports that shipping rates have surged?

G Krishnakumar: You are right. We are also reading the same reports, but right now the Russian cargos are on delivered basis, so we do not have any anything to worry right away and discounts are more or less on a very stable moderate numbers.

V Subbaraman: Okay Sir. Thank you so much. All the best.

Moderator: Thank you. We have our next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you so much for the opportunity. My first question is if you can talk about how much of Russian crude you used in the previous quarter and what is the run rate in the current quarter?

G Krishnakumar: Current usage is about 40% and in the previous quarter also it was around 40% to 44%.

Puneet Gulati: Okay, so no major change and you said the pricing also is not too different?

G Krishnakumar: Not too different, yes.

Puneet Gulati: Okay. Secondly, you commented on the EV charging tie-up with Tata Motors, is it Tata Motors or is it Tata Power?

G Krishnakumar: No, it is a subsidiary of Tata Motors which we have tied up.

Puneet Gulati: Okay and thirdly if you can comment on your projections on how you are viewing growth of petrol and diesel in India, December saw a bit of weakness, last few years also has been a little slow, how are you looking at the demand here?

G Krishnakumar: We believe strongly India is going through a double transition. One, there is a transition of the economy and one the transition of the environment for cleaner fuels. With this 50% of India still needs development, the energy needs are going to surge, so we strongly believe for another 10 to 15 years, the fossil fuels will remain. While we will be responsible in producing the emissions, we will also be simultaneously developing the green energy business. Probably by 2070 we will reach our transition stage. One thing to notice the renewable energies are at very early stages of technology there is a cost curve and learning curve and it will take some time before its matures, till such time energy needs cannot wait for a developing economy like India, so it will continue, fossil fuels will continue at least till 2040 if not longer while simultaneously the green business, there will be balancing and both of them will run concurrently for years to come. So there will be growth in MS and HSD as we predict.

Puneet Gulati: Right and you also talked about Rs.25000 Crores of capex that you intend to do as part of the Rs.1.7 Lakh Crores capex towards gas and marketing. So when you say marketing does that include fuel stations as well for petrol, diesel or is it pure gas?

G Krishnakumar: It is a marketing infrastructure, it includes a mix of retail petrol stations. There will be plants, there will be pipelines and storage depots.

Puneet Gulati: That is really helpful. Thank you so much and all the best.

Moderator: Thank you. We have our next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: Good afternoon Sir. Sorry I actually joined in a bit late, so I am not sure whether it has been covered in the opening remarks or not. But your GRM have been like quite steady so just wanted to know was there any specific factors during Q3 and was there directionally any inventory gain impact as one of your peers have reported?

G Krishnakumar: We cannot comment on the inventory gains right now. Margins are stable and we have been continuously working on optimization of the refinery, so these are giving us steady results and Bina and Kochi has done extremely well.

Sabri Hazarika: Any specific factor during this quarter, during Q3?

G Krishnakumar: No specific factor, Mumbai refinery throughput is lower, because of the shutdown, we had a 40 days shutdown. Otherwise it is more or less, it has been the same as the previous quarter.

Sabri Hazarika: Right, so if we look at the crude oil movement so it has come down from around 90 to less than 80, so technically there should be inventory losses right? Do you agree with that conceptually?

V R K Gupta: No, generally we keep around 15 to 20 days average inventory only, so even month-on-month basis if the crude inventory prices come down, there is no much impact on the refinery margins on account of inventory losses that is the reason we never calculate inventory loss gains on the refining side. Overall inventory levels will be on an average around 20 days only, it will not have any big impact on the inventory loss gains.

Sabri Hazarika: Okay sir fair enough and secondly you mentioned your net debt is currently Rs.6000 Crores?

G Krishnakumar: Yes, around Rs.6000 Crores.

Sabri Hazarika: So, this is after removing Current investment and cash and cash equivalent from the gross debt that you have reported right?

G Krishnakumar: Yes.

Sabri Hazarika: Okay. Thank you so much and all the best.

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

Mayank Maheshwari: Thank you for the call and the detailed comments earlier. Couple of questions, first was in terms of on the Kochi side, can you just talk to us in terms of the contribution on the petrochemical side and the chemical side and how has been the operations looking like now going forward?

G Krishnakumar: In Kochi, we have a polypropylene derivative petchem plant with a capacity of 329 TMT per annum. The production in 2022-2023 was about 60% capacity utilization, it is about 197 TMT. In Q1, it was 57 TMT that was about 70% utilization and Q3 it was again 57 TMT which is 70%. The PDPP margins are included in the refinery reported GRMs. So, gross margin in Q3 was about Rs.120 Crores and the loss of Rs.45 Crores, it is about $0.43 per barrel gross margin, net loss of $0.52.

Mayank Maheshwari: Okay and can you just talk to us in terms, is it the industry which is leading to these losses still after multiple years or it is something more related to your exports of propylene that you have to do?

V R K Gupta: No, it is not export. If you see the cracks compared to the propylene prices, it is ranging between $250 to $530 in the last nine months, only in two months actually the prices have peaked, but subsequently after the Chinese demand reduction, the cracks are hovering around 250 to $300 only beyond the propylene prices that is the reason, net margins are on the negative side. Otherwise on the operating performance side, the plant units are operating at 70% maybe once the Chinese demand picks up, the margins will improve and second one good positive thing for BPCL is, now the imports have stopped if it is not a BIS product only in India BPCL is producing butyl acrylate with BIS Standard, so with stoppage of imports, the margins will improve.

Mayank Maheshwari: Got it and will that also result in higher utilization rates now that it is a BIS production you cannot import from outside?

V R K Gupta: Right, it improves the utilization.

Mayank Maheshwari: Is there any targeted production utilization levels for fiscal 2025 that you have in your mind after all the changes?

V R K Gupta: Generally, our target should be for PDPP this is because it is a complex technology 80% to 85% of target utilization rates, we are hovering at 70% if the pricing is good if the imports are stopped then definitely we can look at 80%, 85% utilization rates.

Mayank Maheshwari: The second question was more related to refining operations for fiscal 2025, anything in terms of planned shutdowns that you have in any of the refineries for next year?

G Krishnakumar: Kochi and Bina 15 days shutdowns are planned. The exact times are being worked out.

Mayank Maheshwari: Got it Sir. Thank you.

Moderator: Thank you. We have our next question from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

V Sivasankaran: Thanks for the opportunity sir. On the Bina expansion do we see a significant improvement in the complexity of the refinery as a result of this expansion?

G Krishnakumar: Petchem itself will increase the complexity, but otherwise refining complexity, no.

V Sivasankaran: Secondly, on Kochi, the propylene balances now that we going for the polypropylene if you can give us an insight into what is the current volume and do we have to really push to achieve a higher propylene output to meet the polypropylene plant requirements? How does that work?

G Krishnakumar: The current output will be sufficient. Small revamp we are doing PFCC so that will take care of the requirement for this plant.

V Sivasankaran: That does not constrain you in terms of usage of crude varieties?

G Krishnakumar: It does not make a difference.

V Sivasankaran: Finally on the retail outlets you said you have put out an advertisement, do you still see a requirement for adding outlets? How does that work in terms of proposition in terms of volume per outlet and the economics addition outlets.

G Krishnakumar: We can say very proudly that we are the highest throughput of petrol across the industry i.e. monthly sales per station, so we very judiciously choose our locations and with the growth India is growing more and more urbanization happening, more and more people buying vehicles, there is a need, so although we have advertised for locations, we will be putting up these outlets based on economics and returns which we normally have threshold on.

V Sivasankaran: Thanks a lot Sir.

Moderator: Thank you. We have our next question from the line of Sumeet Rohra from Helios. Please go ahead.

Sumeet Rohra: Very good afternoon to you and the entire team at BPCL. Firstly sir, I would like to welcome you on this call and it is a real honor and privilege Chairman Sir to have you and we look forward to having much more of you on all future calls. So thank you very much for that sir. Firstly sir I would like to start by congratulating you on a wonderful performance, you have actually reported 105 EPS which is truly exemplary so very well on that performance and good luck on that Sir. Now sir coming to just few questions which I wanted to understand from you is, firstly when you said that we are going to maintain capital discipline, can you please help understand when you say minimum threshold return ratios if you can quantify a bit of that we kind of get what you are thinking? Secondly sir on the debt point of view, you said that Rs.16,000 Crores was our gross debt and about Rs.6000 Crores was net, so does that also include all the liquid investments what we have? Thirdly sir on Mozambique, you made some very important point where you said that things are progressing on that front, so if you can just very quickly give a little bit of color on Mozambique? And lastly on the retail network, how many fuel outlets do we have today, how many do you plan to add and just on that point on non-fuel retailing is there any plan we have sir? Thank you very much.

G Krishnakumar: Thank you. I will respond one by one. To your question of returns, we have a threshold level of approving projects between 12% to 15%, if there is an economic case for going down we look at it case by case basis, but otherwise the threshold levels are 12% to 15%. The second question on debt level, net debt level, it includes all liquid investments after netting off everything is Rs.6025 Crores. Third question on Mozambique, we are very optimistic that the Force Majeure will be pulled back and work will commence shortly maybe by June or July and that every effort is being made by the operator to get the work started. The fourth question was non-fuel retail expansion. We have taken it as a very imperative for us that we need to do when we going on the EV front and other businesses to mitigate our margins. We have gone big on non-fuel, a separate SBU has been formed to do consumer retailing across the network and it is early days, but we already have about 125 stores going on, so now the main game will be on supply chain we are consolidating the supply chain.

Sumeet Rohra: Sorry, when you say that you have 125 stores, so on that can you help understand that what is our plan on that because that can be a very big portion of the business going ahead because since we have nearly 30,000 fuel outlets, so what is thought on that sir?

G Krishnakumar: No, these are early days. Like I mentioned these are convenience stores and a small set of grocery stores across the network. We have 21000 outlets, we have made small baby steps in this, we want to scale up to 3000 stations, not all stations are viable to have in and out of these consumer stores, but they need a parking so many other factors. For example if you put a charging station that is where we are looking at such store, so that we can engage the consumer till such time he is charging the vehicle. So there are many factors and there also should be a populace which will cater to these stores. Right now we have about 125, in the next five years we plan to go up to 3000 stores.

Sumeet Rohra: Thank you so much Sir and wish you all the best.

Moderator: Thank you. We will take the next question from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain: Thanks for taking my question. I had a question regarding staff expenses, so last couple of quarters it has been a bit higher, so what is the annual run rate that we are looking at on this, is there any one-off provision or something that is there or just want to understand like for example, nine month is tracking at almost 41% higher Y-o-Y and so this quarter is about 44% higher Y-o-Y, so where should we see this settle on a normal basis for this year and next?

V R K Gupta: Current quarter actually employee benefits a little bit on the higher side because we have taken a small hit in terms of post retirement medical benefits. There are certain changes in the scheme around Rs.200 Crores we have taken a hit. Otherwise our run rate will be around Rs.3000 Crores to Rs.3100 Crores for full year, every quarter around Rs.750 Crores our employee cost and our employee size is around 9000, every year around 300 to 400 retirements and resignation happens and recruitment side also will be around 500, 600 Crores, so the employee cost range will be around Rs.3000 Crores to Rs.3200 Crores that we are estimating.

Vikas Jain: Okay and the other thing was on rights issue sir, so the rights issue that you said you are doing the work on preparing the documents for it. So is it something since the budget was for this fiscal and we are just like two months away for the fiscal ending. There is a good chance that it comes pretty much within this fiscal in terms of rights issue?

G Krishnakumar: Your assessment is right.

Vikas Jain: Just want to understand why we keep paying dividends and are also doing the rights issue for a year we could have just held back on the dividends from a simple capital structure perspective? It is a pretty tax inefficient for the end receiver of the dividend because he has to pay tax on that then he puts in money into the rights issue post that tax. Is not that something which could have been avoided or what is the thought on that?

V R K Gupta: Actually we plan whatever need for funds on the long-term requirement basis, because we have a larger capital outlay of Rs.1.5 Lakh Crores. Mainly for green side, green renewable side investments are there that was the reason actually we have planned for rights issue, but we plan it at a minimum level whatever exactly we need the funds only, we go for only that much of amounts only. But dividend distribution as a dividend paying company we continuously, out endeavor is at least to 30% of profits as dividends so that is the reason we have declared the dividends, but this rights issue for a long-term equity requirement purpose that is the reason we are planning.

Vikas Jain: Okay sir. Thank you. All the best.

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

Yogesh Patil: Thanks for taking my question Sir. As you mentioned during the quarter BPCL processed 40% Russian crude, how much of this has benefited to your GRM for this quarter and basically we wanted to understand that if the discounts narrows going forward on the Russian crude then the impact on the GRM? This is my first question.

V R K Gupta: Generally we procure crude from various sources, we never calculate GRM impact on the source wise, crude wise like the market conditions compared to earlier years the Russian crude discounts have moderated and we hope the Russian crude supplies will continue, but at a moderated discount so we cannot calculate separately what would be the impact on the GRM separately, because different source of crude will have different benefits and the different crude will have a different value in terms of output so we do not calculate individual source of crude wise what is the benefit, but overall GRM only we can calculate.

Yogesh Patil: Okay sir. In last few quarters you have reported a premium GRM over Singapore, so my question will you be confident to maintain this kind of a premium over Singapore GRM in coming periods? Any or guidance you wanted to give?

V R K Gupta: It depends on the cracks of diesel mainly. In case cracks of diesel if it is hovering around at least as of now the forwards are looking good, but how long it will continue above the 20 level, if it is continuing about 20 level of diesel cracks definitely BPCL we have a product portfolio in the throughput, the diesel component is high compared to MS, so definitely we hope we can generate good amount of GRMs.

Yogesh Patil: Last question on the capital expenditure side, till date the capital expenditure on the Mozambique block by BPCL, can you provide some details on that side?

V R K Gupta: Roughly around 900 million we have spent on the development side and around 729 million we have spent on exploration side as of date these are the numbers we have already incurred.

Yogesh Patil: Okay and Sir our capital expenditure till nine month FY2024 and plans for FY2025, if you could provide some breakup among the segments it will be helpful?

G Krishnakumar: Capex is about Rs.8000 Crores as of December 31, 2023, the outlay was Rs.10,000 Crores for this year, next year will be Rs.15,000 Crores.

Yogesh Patil: Any break up among the segments like the refining marketing for the next year?

G Krishnakumar: We will share it separately. We do not have the details on hand.

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

S Ramesh: Thank you and good morning and thanks for the detailed presentation on your thought process. If you look at the current international refining demand and supply, what do you see in terms of capacity addition and how much of that will go towards petrochemical integration to what extent will that insulate the volatility in the refining margin, because the demand growth may not match the supply growth? That is a first and similarly in petrochemicals while you are investing sizable amount of capex on petrochemicals what is your reading on the regional demand and supply because a lot of the refineries like you are getting into downstream chemical project so is not there a risk of supply growth exceeding demand growth, so you can address these two thoughts, I would be grateful.

G Krishnakumar: We are very upbeat on the Indian demand. We also feel there will be opportunities in the western markets where increasingly refineries are shutting down, so we feel there will be an opportunity for processed products in the west as well. So as regards to petchem while the per capita consumption in India is very low, so we feel there is an opportunity for everyone to equally distribute. Prices may be a challenge, but we will have to work around that.

S Ramesh: Okay and the next thought is on your long-term capex, there could be a phase of your ROC coming down so when do you see the capex progressively generating cash flows and improving your capex by FY2027 or 2028 or can be expect it earlier somewhere in the second half of FY2026?

V R K Gupta: In our capital outlay major capex is going for petrochemical complex and Mozambique, these two projects actually almost around Rs.90,000 Crores funding is going there. The cash flows what we are expecting around 2027-2028, the Mozambique cash flows can start. Petchem it will be the commissioning we are expecting around 48 months from the date of issuing licenser maybe probably mid 2028-2029, the cash flow will start from petchem projects.

G Krishnakumar: One more to your earlier question, our feed stock is going to be our biggest differentiator for petchem, because since we are integrating it with the refineries, it will be a game changer for us we believe and we will be competitive in the local market.

S Ramesh: So one last thought on the gas business, what is the progress on the City Gas Distribution in geographic areas, any thoughts you can share on when you will see visible cash flows from that and when you will break even or EBITDA?

G Krishnakumar: We have about 50 GAs with us allotted to us 25 GAs to BPCL and 25 to our joint venture company out of which 19 GAs which is allotted out of 50, 19 have commenced business.

S Ramesh: Okay and when do you expect them to start generating cash flows or breakeven?

V R K Gupta: It takes time to cross the breakeven, but otherwise the volumes have started picking up in the 19 GAs maybe in terms of PNG connections it takes a little bit more time, but cash positives maybe in the CNG business immediately it will start, but for PNG it will take a longer period of time. We are expecting next one or two years at least significant capex will be deployed there and good amount of volumes will come.

S Ramesh: Okay. Thank you and wish you all the best.

Moderator: Thank you. We have our next question from the line of Ardav from Cogito. Please go ahead.

Ardav: I just want to understand as to what is your outlook on crude oil prices for the next six months. This is a difficult question, but also given to understand that at about $85 a barrel, the marketing margins start turning negative. Is my understanding correct and what is your assessment of the range within which crude oil prices will likely to go over in the next six months?

G Krishnakumar: We believe, it will be range bound between $80 to $90 in the near term and looking at $85 I do not think it is quite myopic we should look at over a longer period of time because in this game you cannot look at when you make money at $85 or $86 but you should look at over a period of time.

Ardav: Would you say that if it range on between 80 and 90 you are reasonably safe on making some kind of positive returns from your margin business?

G Krishnakumar: Yes. You are right.

Ardav: And what is the extent of discount on the Russian crude at this point of time?

G Krishnakumar: I do not think we can share those numbers.

Ardav: Okay. There was another point of view which said that even for any reason the Ukraine war were to end let us say Trump comes to power and he strikes a deal with Putin or some such thing happens. The point of view was that the discounts from the Russian crude are likely to continue pretty much taking the cues from what has happened to the gas situation since Europe and the west has not gone back to buying gas from the US? What is being projected is that the same thing will happen in petrol and therefore the discounts will continue? Is that your assessment as well?

G Krishnakumar: It is speculative. I do not think we can comment on that. We will have to wait and watch.

Ardav: Okay. Thank you very much.

Moderator: Thank you. We have our next question from the line of Harsh Dole to from IIFL. Please go ahead.

Harsh Dole: Thank you. I am actually asking these questions on behalf of a couple of investors who have not been able to log onto the call, so essentially three questions. A) Assuming that know the Mozambique project starts sometime in June by what timelines can it end and in terms of gas marketing, what arrangements do we have that is point number one?

G Krishnakumar: You want to answer right now?

Harsh Dole: No problem. The second one is while you have planned the expansion of refinery, what is the sustainable growth outlook on petrol and diesel particularly over the next three to five years that you envisage within the country and do you anticipate that emergence of EV or you yourself are ruling out large number of CGD projects. This growth may be at risk if not in three, but surely in five years time and thirdly essentially some timeline in terms of the rights issue by when would you like to approach the market, any broad timelines for that? Thank you.

G Krishnakumar: I will take the last question first. Rights issue we will tell you shortly, but our endeavor is to try and finish in this current financial year, first question. The second question as regards to MS and HSD growth. We believe MS will grow even assuming that EV picks up, we believe there will be a growth of 4% to 5% in the next five years and diesel will grow about 1.5% to 2% and the first question regarding Mozambique, we expect that Force Majeure to be lifted around July 2027-2028 is early when gas will start flowing in, we have done our bit of tying up for marketing of these gas, 1 million metric tons we have tied up. 11 million the consortium has already tied up, so marketing is in place for these gas.

Harsh Dole: Very helpful. Thank you very much Sir. I think we have completely run out of time. I really appreciate BPCL management Chairman as well as the Director Finance for sparing the time discussing the numbers in detail and also sharing the outlook for next few years. Really appreciate sir and thank you very much for giving IIFL an opportunity. Ladies and gentlemen I also thank you all for logging on to the call. In case any of your question is unanswered do drop me a line, we will see that the questions are passed on to BPCL management and you get a timely answer. Thank you very much and moderator please disconnect the call.

Moderator: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may not disconnect your lines.