"Bharat Petroleum Corporation Limited

First Quarter Results Conference Call"

July 20, 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to Bharat Petroleum Corporation Limited Earnings Conference Call hosted by Antique Stock Broking. 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 star then zero on your touch phone. Please note that this conference is being recorded.

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

Varatharajan S.: Thank you, Michelle. Good morning, everyone. I'd like to welcome you all to this call, BPCL's First Quarter Results Call. We have with us the management of BPCL, Mr. Krishnakumar, Chairman, Managing Director, has not been able to join because he had an urgent engagement in Delhi. We have Mr. VRK Gupta, Director Finance, leading the team. We have Mr. Pankaj Kumar, ED Corporate Finance, Ms. Srividya, ED Corporate Treasury; Ms. Chanda Negi, GM, Pricing and Insurance; and Mr. Rahul Agrawal, Chief Manager, Pricing and Insurance.

Without much ado, I would like to hand over the call to Mr. Gupta for his opening remarks.

Rahul Agrawal: Thank you sir. Rahul this side. Thank you, Mr. Varatharajan. Good morning. On behalf of the BPCL team, I welcome you all to this Post Q1 Results Con Call. Before we begin, I would like to mention that some of the statements that we will 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 result review, please restrict your questions to the quarter 1 results.

I now request our Director Finance, Mr. VRK 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. Welcome to the Post Quarter 1 Results Con Call. Thank you for joining us today. I hope you were able to go through our results for the quarter. During our last con call in May '24, we were in the midst of general elections. Since then, the elections are over now and the new government has been formed, and there is continuing focus on net-zero emission and gas-based economy.

Further, potential RBI rate cut, above normal rainfall during monsoon, anticipated infrastructure spending are expected to provide medium-term growth impetus. As per different agencies forecast, Indian economy is likely to grow by 6.6% to 7.8% in FY '25 and continues to be the world's fastest growing major economy.

On inflation front, India's inflation inched up to 5.1% year-on-year in June '24, driven by rise in food prices. During April, June '24, it averaged at 4.9% year-on-year. However, improved private consumption in rural supported by a normalized monsoon and increased Kharif sowing is expected to boost agricultural output and ease food inflation to enhance spending in rural pockets.

Crude prices are stabilized around USD85 per barrel and are likely to remain range bound between USD80 to USD90 barrel range as the quarter usually witnesses seasonal demand uptick on account of US driving season. Consumption of petroleum products in India has shown resilient growth in the first quarter with an overall growth of 5.5%. Major products such as petrol, diesel, ATF have grown by 7%, 1.6% and 11.4%, respectively.

BPCL registered a growth of 6.3% in MS, whereas HSD had a degrowth of 0.32% year-on-year. We expect petrol and diesel to grow in the coming years. The annualized growth in petrol is expected to be around 5% whereas in diesel, about 1.5% to 2% in the near future.

Performance in Q1 '24-'25. Our refineries continued with stellar performance during this quarter, and we have achieved a throughput of 10.11 MMTPA that almost 116% of the nameplate capacity. Our distillate yield was 84.57% during this quarter, which is one of the highest among Indian refineries. This quarter evidenced a significant fall in international product cracks as compared to previous quarter. Despite this, our refineries recorded a GRM of $7.86 per barrel in the quarter at a premium to Singapore GRMs.

We had announced two new petrochemical projects during the last year. We are happy to share that the licensors and PMCs for all petrochemical units have been onboarded. Further site grading and groundbreaking activities have commenced at Bina Petrochemical Project.

On the marketing side, our domestic market shares grew at about 3.2% year-on-year during the quarter to 13.16 million metric tons. We continue to generate the highest throughput per retail outlet amongst our peers with a throughput of 163 KL per month vis-a-vis 149 KL per month PSU average, driven by access to strategic markets and strong network along highways. We commissioned about 170-plus new retail outlets during this quarter and plan to take our total network to 23,000 by year-end.

Aviation business achieved a growth of 15% during the quarter against PSUs industry growth of 7% with an all-time high market share of 26.9% among PSUs. We have operationalized 25 of 26 GAs with BPCL, except the recently acquired Jammu and Kashmir and Ladakh GAs. BPCL along with Oil India as a consortium partner has received the LOI for Arunachal Pradesh, making it our seventh JV in CNG business. We have added 41 CNG retail outlets in Q1 '25 taking the total count to 2,075 stations and plan to add another 300-plus out in '25.

We have an installed capacity of 77 megawatts of renewable energy and further 176-megawatt capacity with both wind and solar is under construction. We have achieved highest ever 14.13% ethanol blending during this quarter. Our 200 KLPD 1G plus 2G Bioethanol plant at Bargarh in Orissa is nearing completion and we are targeting to start commencing activities soon. BPCL is evaluating to create joint ventures in establishing CGD plants with potential players and to create renewable energy assets across India. In terms of sustainable aviation fuel, Government of India has given an indicative branding target to blend 1%, 2% and 5% of SAF in international aviation sector with effective from '27, '28, and '30, respectively.

Currently, there is no SAF plant commercially available in India. BPCL is conducting a market engagement study through consultant to assess feedstock availability for SAF production in India.

We are pleased to share that BPCL's MAK Lubricants campaign during Cricket T20 World Cup broadcast has significantly boosted our brand awareness and brand recall. Additionally, introducing the brand ambassador for our premium fuel speed during the T20 World Cup has further strengthened our brand presence. Moreover, BPCL associating with the Indian Olympic Association becoming the first PSU as the principal sponsor of the Indian Olympic contingent underscores our commitment to supporting national sports and socially responsible organization, driving long-term growth and value.

Without further ado, let me guide you through the financial highlights. The revenue from operations stood at INR1,28,103 crores. The profit after tax stood at INR3,015 crores. Against an estimated capital expenditure for this year of INR16,400 crores, we have spent about INR2,438 crores during this quarter. Our standalone net worth as on 31st March '24 is INR78,054 crores. The earnings per share for the quarter is INR7.06 per share.

As of June '24, we are at fairly low levels of debt. The debt equity at standalone gross borrowing level is 0.19. Overall, standalone gross borrowings is INR15,210 crores as on 30th June 24. Against these borrowings, we have current investments including oil bonds of similar levels around INR15,235 crores. At group level, debt equity is at 0.54 with gross borrowings of INR42,217 crores. This concludes my comments.

And we will 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 Yogesh Patil from Dolat Capital.

Yogesh Patil: My question is related to buffer account for the domestic LPG. Sir, you have reported a negative amount by the end of this quarter. And even in the current scenario, you are still losing some money on the sale of domestic LPG. Is there any clause related to buffer account that government will reimburse the under recovery if the buffer account remains negative for 6 months, 12 months, 9 months down the line. That's one thing. And again, we wanted to understand when government can give or consider this amount for the reimbursement? Any thoughts on this side?

V.R.K Gupta: First of all, let me clarify, LPG is still a controlled product. The pricing being decided by the Government of India. Today, during this quarter, the sale price is less than the cost price. So as per the current compensation mechanism, there is no budgetary support as of date, they have announced. So since there is no budgetary support announced whatever be the incurrence in terms of losses on account of sale of LPG to domestic customers that is what we have taken hit to the P&L. And this will continue even subsequent months also. We are awaiting some sort of compensation mechanism by the Government of India. So once we get the compensation mechanism from the government of India, accordingly, we'll recognize that credit into the P&L.

Yogesh Patil: Do you expect the upcoming budgetary report at 23rd July, any kind of support?

V.R.K Gupta: We cannot comment anything because this is what government pricing. So what point of time government will announce the budgetary support, we are not clear at this point of time.

Yogesh Patil: Okay. Sir, my second question was related to Russian crude. What was the share of Russian crude BPCL processed during the quarter?

V.R.K Gupta: 39% of our entire throughput is from Russian crude during this quarter.

Yogesh Patil: Okay. And one more thing regarding, we also want to know directionally the discounts on the Russian crudes were lower compared to the previous quarter. And is that impacted on the GRM to some extent during the quarter?

V.R.K Gupta: Compared to year-on-year quarter, significant reduction of discounts have happened. But on a sequential basis, Q4 of last year and Q1 of current year, the trend is similar levels only, $3.5 to $4 discount level. But previous year if you compare it the crude discounts are significantly on the lower side.

Yogesh Patil: Sir, we also read about the Andhra based new refining unit and petrochemical unit, which will be set up by the BPCL. Can you please elaborate on the same? And if possible, can you share some capex during the quarter? What was the capex during the quarter? And what is the guidance for FY '25?

V.R.K Gupta: Yes. Only on the refining side, if you see, today we are almost marketing our products around 53 -- 52.5 MMT of estimated sales for this year. Every year, we are purchasing from the private refineries around 5, 5.2 MMT of products, around 2 MMT from the Numaligarh Refinery 15 years rights we have the marketing rights. And around 3, 3.2 MMT we are purchasing from other standalone refineries. So we are short in terms of products compared to our refining capacity and our market share already there is a gap of around 5.5 million metric ton.

And even if we say a 3%, 4% year-on-year growth, this gap will continue for a bigger amount. So that is the reason we are exploring to create some new refining capacity. Some quantity from the existing refineries we take 3 or 4 MMT extra refining capacity. And we are exploring a new refining either in the East Coast or other places, just we are exploring. We've not yet concluded which location we have to go for a new refining expansion and what is the configuration, we are still studying. So once the configuration studies are over, then we can communicate what would be the capex size and what would be the refining capacity and what is the location until we are evaluating that.

And in terms of the capex for the current year guidance, we have an estimated capex of around INR16,400 crores during this year. Already, we have spent around INR2,600 crores during this quarter.

Yogesh Patil: Okay. Sir, if possible, can you share the total consolidated debt by the end of quarter 1 and cash position?

V.R.K Gupta: Consolidated that is around INR42,700 crores consolidated group level, and we have the surplus cash around INR15,000 crores.

Moderator: We will take the next question from the line of Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari: Two questions from my end. First was more on market share. I think especially on an overall basis, you have grown a bit slower this quarter compared to the industry growth. So can you just comment in terms of how you are trying to defend your position considering the impact of private player's demand -- competition that's coming through? Any things that you're seeing there that you can kind of help us out?

V.R.K Gupta: Yes. This quarter, yes, I agree, we have grown at 3.2% compared to industry where we are not better than industry. There are 2 reasons, compared to previous year because when the crude prices are higher and we have not passed on the burden to the customers, the private sector volumes have come to public sector last year. Whereas current year since the pricing has improved, moderated and the under-recoveries have come down. So the private sector, as you are taking back have normal volume. That is the reason diesel we are not growing, diesel a little bit degrowth. However, MS, we are doing good and MS, we have a good amount of growth.

Mayank Maheshwari: So you think your diesel market share comes back to you? Or do you think this will be a new normal that you kind of expect now?

V.R.K Gupta: We are expecting in the coming quarters we'll become positive in diesel growth. Current quarter, there is negative growth, but we are expecting this will -- this trend will reverse.

Mayank Maheshwari: And sir, the second question is more related to industrial products and margins there. Have you seen some impact on margins in the last quarter because of competition even on the industrial side?

V.R.K Gupta: No. Competition is there, even earlier year also, not that this competition has come new in industrial segment. So we are not foreseeing any squeezing up of margins in the industrial segment. Similar levels of margins should continue.

Moderator: We'll take the next question from the line of Sumeet Rohra from Marks & Capital.

Sumeet Rohra: Thank you very much for doing this on a Saturday. Sir, my question more is on the LPG front, so as you mentioned that LPG is a controlled product by the Government of India. So, sir, can you first quantify is that -- what's the amount of LPG under recovery you have taken in this quarter? Is it INR2,900 crores. Am I right on that?

V.R.K Gupta: The LPG impact during this quarter is around INR2,300 crores because we have a positive buffer of INR280 crores beginning of the year. And the current year, the positive buffer becomes negative buffer of INR2,015 crores, that means the impact -- net impact during this quarter is around INR2,300 crores on account of LPG. So currently, even if you take the current Saudi CP prices of around $570 per metric ton, we are expecting around INR600 crores per month is the LPG impact.

Sumeet Rohra: Understand. But sir, now -- I mean, as a matter of fact, is that, see my question to you is more as an investor rather than anything else. How do we look at it? Because since it is a controlled product, it's obviously going to be compensated to you as it's always been in the past. So assuming that it's done, so you would reverse it immediately in this quarter? I mean, is the understanding correct? Or would you...

V.R.K Gupta: Yes, whenever the competition mechanism clarity comes from the government of India, immediately we take that to P&L credit.

Sumeet Rohra: Okay. And sir, secondly, I mean, on the pricing point of view, is there -- I mean, the matter of fact is that now crude is very well in the range between USD 80 and USD 90 as you highlighted. But are there any thoughts on the pricing mechanism or something of that sort?

V.R.K Gupta: No, no, such conversations are happening now. That crude is hovering at around $85. So as long as $80 to $85, we are comfortable with the current pricing.

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

Sabri Hazarika: Yes. I have three questions. So first one is on this LPG losses only. So, I think, a couple of years back also you brought around INR22,000 crores that was like given as a onetime settlement. So who basically goes for this. Is it you or is it MOP&NG who goes to the Finance Ministry, what is the run up to this declaration of onetime compensation for loss in LPG?

V.R.K Gupta: No. You see that this is actually price movements. if the Saudi CP goes on a higher side, then we start incurring the losses. This quarter is around INR2,300 crores. We are awaiting some sort of government support. I'm not sure when that support will come either this quarter or subsequent quarters. We are awaiting the confirmation from the Government of India only what subsidy mechanism we'll get.

Sabri Hazarika: Is it now with the Finance Ministry this request? Or is it just with…

V.R.K Gupta: It will be routed through our Ministry, parent ministry to finance ministry.

Sabri Hazarika: Finance Ministry, okay. Secondly, marketing inventory gains have reported around INR400 crores. So can you give some color on -- I mean, last year there has been some price drop on this, so how has this come from?

V.R.K Gupta: This marketing inventory generally we calculate because it's RTPs are changing on a fortnight-to-fortnight basis. So whatever inventory levels we have at the marketing locations, the differential between the price between the fortnights and we calculate what is the inventory gains.

Sabri Hazarika: Okay. So it is more to do with RTP rather than retail pricing, is that right?

V.R.K Gupta: No, no. RTP. Right. Nothing to do with the retail selling price. It is only RTP.

Sabri Hazarika: So whenever there's an excise cut that also affects the RTP rather than retail pricing, is that right?

V.R.K Gupta: Right. Whenever excise cut or excise changes happens, it will have an impact on inventory gain also.

Sabri Hazarika: And sir, last question, how many retail outlets you have added in Q1, you said 23,000 is the target for the year?

V.R.K Gupta: 171. During this quarter, 170.

Moderator: We'll take the next question from the line of Kirtan Mehta from BOB Capital Markets.

Kirtan Mehta: In terms of sort of the additional refining capacity that we are looking at either of the 2 locations, you have previously stated that you like to grow the refining capacity to 45 million tons. So is this new refining within the 45 million-ton capacity target? Or are we looking to extend the refining beyond that?

V.R.K Gupta: The announced plans of 45 MMT is from the existing refineries. So what we are looking at is much beyond 45 MMT because our market share itself is, this year we are estimating around 52 MMT and we are purchasing around 5 MMT of products from the private refinery. And if the growth around 4% or 5% growth year-on-year if you take it, by 2030 we'll have a shortage of good amount of refining capacities. So that is the reason we are exploring to look at it, additional capacity of refinery beyond 45 MMT.

Kirtan Mehta: Understood. In terms of the NRL, when it gets expanded, we will still have the right to market NRL products as well, so that would still remain our capacity and it will not necessarily be a shortfall?

V.R.K Gupta: Existing agreement is for the existing capacity. So we've not a signed any MOU for the additional capacity. We have the marketing rights, we have not yet signed any additional capacity MOU.

Kirtan Mehta: And would this capacity be of the order of 10 million ton odd? What would be the typical size that we will be looking here?

V.R.K Gupta: We've not yet concluded, maybe 9 MMT train or 12 MMT train which is commercially more viable accordingly we have to take a call till we are exploring what would be the best configuration and what product portfolio you have to take. So we are still studying this.

Kirtan Mehta: Sure, sir. And on the E&P side, could you update us on the status on the Mozambique as well as the Brazil block?

V.R.K Gupta: Mozambique still force majeure is continuing because our security situation has improved a lot compared to previous quarter. We are expecting maybe in another one quarter, there may be some good things can happen, that is what.

And secondly, the existing vendors or contracts are in place. Secondly, the project financing discussions are happening with the lender. Maybe we have to wait for one more quarter and see when the force majeure they are declaring for upliftment of the force majeure.

And the second is for the Brazil, the development plan has been submitted to the E&P, that we are yet to receive the approval from the E&P. Once that approval comes, then automatically our development program will continue.

Kirtan Mehta: In Brazil, this is related to BM-SEAL-11 block, correct?

V.R.K Gupta: Yes, SEAL-11 block.

Kirtan Mehta: And in terms of the Mozambique, do we have idea about the cost escalations that may happen with this delay, project?

V.R.K Gupta: Earlier project cost is $15.5 billion. Some indicative numbers they've shared. It may be around $19 billion. Maybe that means around $3.5 billion to $4 billion increase of the project cost. So we are expecting around $19.5 billion to $20 billion project cost will happen.

Kirtan Mehta: And is there any way we can sort of maintain the IRR on this project or this will translate into correspondingly deduction in the IRR value?

V.R.K Gupta: IRR definitely because the projects are still going up, the sale contracts are intact. So definitely, there will be an impact of IRR. But going forward, still the IRRs are commercially viable IRRs.

Moderator: The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead. As the current participant has left the queue, we will move on to the next question from the line of Roshani from Argum Group.

Roshani: Do you have any turnaround plans this year for any of the refineries.

V.R.K Gupta: We have both Kochi Refinery and Bina refinery we have turnaround plan. Bina will be around 15 days we have a turnaround plan. And Kochi will be having multiple units, 30 days and 15 days from 45 days turnaround plan during this year. The turnaround will start in the month of September to October, and Bina will be August to September.

Roshani: Okay. Any plans for the Mumbai refinery then?

V.R.K Gupta: No plans shutdowns.

Roshani: Okay. which section units of this Kochi and Bina, any light on that?

V.R.K Gupta: Kochi will be CDU-II FCCU block majority of the units are going for shutdown.

Roshani: Okay. Bina?

V.R.K Gupta: Bina, HCU, DHT, HGU, SRU, all 4 major units, 15 days we are planning a shutdown.

Roshani: And sir, in terms of the -- are there any term deals that's being discussed with Russia? Are you exploring it on that side?

V.R.K Gupta: We are exploring. The discussions are continuing, but nothing has concluded for Russian term deals. But anyhow, we are getting spot, this is sufficient crudes from the market. But term deal still the discussions are going on, we've not yet concluded anything on this.

Roshani: So right now, all the deals are on spot basis, right?

V.R.K Gupta: Right. Spot basis.

Roshani: Okay. So are spot deals more -- the discounts are better on spot than the term ones?

V.R.K Gupta: Similar levels only, term will give product security. Otherwise, discount levels will be similar levels only.

Moderator: The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Moderator: Sorry, to interrupt sir, your voice is breaking. We can't hear you clearly. Sir, may I request you to kindly use your handset.

Maulik Patel: Yes, I'm using the handset only.

Moderator: Sir, there is a network issue on your line, sir. We are not able to hear you clearly. Can you please rejoin the queue?

Maulik Patel: Sure.

Moderator: We'll take the next question from S. Ramesh from Nirmal Bang Institutional Equities.

S. Ramesh: So if you look at the Bina refinery expansion plan, when do you see the refinery expansion to be completed?

V.R.K Gupta: Our project scheduled completion will be FY '28, '29. May '28 is our target date for refining expansion and refining to petrochemical expansion. So we are expecting during FY '28, '29, the commencing will happen.

S. Ramesh: Okay. Now on the CGD business in the commercialized GAs, can you give us what is the year-to-date capex? And what is the capex you're planning this year? And when do you see the visibility on the revenue and EBITDA from the commercialized GAs on a standalone basis?

V.R.K Gupta: Yes. On a standalone basis, we have 26 GAs where we got the licensing exclusive licenses. Out of 26 GAs -- already from 25 GAs the operations have started. During this year, we have almost CNG, during this quarter 28 TMTPA of sale has happened from this particular GAs. And in terms of the capex during this year for CGD we've spent around INR316 crores. Current year, the capex target for CGD business will be around INR2,800 crores to INR3,000 crores.

S. Ramesh: And what is the aggregate capex you've incurred to date on CGD?

V.R.K Gupta: CGD aggregate capex is almost INR5,857 crores on 25 GAs during -- for all 25 GAs, we spent around INR5,857 crores.

S. Ramesh: So when do you see the commercial impact on the P&L in terms of revenue and EBITDA from the standalone GAs?

V.R.K Gupta: So our target for the CGD expansion will be in the next 5 years, around INR25,000 crores, we have allocated the capital, so the volumes have started coming from the CNG and bulk business, we are expecting maybe '26, '27 onwards a significant jump of volume which will happen. Otherwise, the initial volumes and of the plan, it has started.

S. Ramesh: Okay. Now my last thought on the consolidated results in other matters under 6A as a mention of total loss after tax of INR490 crores, which I presume is for Bharat PetroResources. So would it have any cash flow impact? And does it need any additional funding support from BPCL for Bharat PetroResources?

V.R.K Gupta: Bharat PetroResources if you see -- Bharat PetroResources, the major 2 blocks are Mozambique and Brazil. Both the blocks, the investment equity infusion will continue because as per the project plan also we have to increase certain quantum of equity. And BPRL as of date, there is no cash-generating blocks are there. So whatever Mozambique and Brazil the required funds either through project financing or our equity route, it should go.

The only reason why this INR490 crores of major expenditure during this year is, the Mozambique project is under force majeure. So since it is in force majeure the borrowing cost we cannot capitalize it, everything we have to take it to the P&L. So that is the reason there is a loss of around INR490 crores BPRL. And there will be definitely equity increase will happen once the project restarts and the development work happens for the Brazil.

Moderator: Thank you. We'll take the next question from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Firstly, if you could articulate towards the reasons for lower cracks for the current quarter and post the exit of June, how are the cracks behaving for the month of July?

V.R.K Gupta: Yes. During this quarter, the cracks are subdued. Spreads are on lower side compared to previous quarters. There are 2 reasons what we have observed is that the inventory levels of gasoline and gas oil are on a higher side. And we are expecting the demand will pick up once the U.S. driving season comes, already started picking up the cracks. Even in the July and August forwards you see compared to the earlier months the spreads have improved a little bit. And once the U.S. driving season goes, the inventory levels will be on a lower side, and we are expecting by Q3, the gasoline and gas oil cracks will be much better than the current levels.

Saket Kapoor: So post the June also, what are the current cracks, sir, for the gasoline and diesel currently?

V.R.K Gupta: we are looking at -- $8 gasoline and $15 is gas oil.

Saket Kapoor: Okay. And what was the average for the June quarter?

V.R.K Gupta: During this quarter, $8.58 gasoline April to June average and gas oil is $14.76, slightly around $1, it has been improved from the average current quarter of last year.

Saket Kapoor: Sir, and on the capex front, sir, what have been allocated in terms of our E&P activity. And in terms of also the -- if you could give the number for the pipe segment, seamless pipes and all which are required in the drilling E&P activity, what are the outlined for the current year in terms of the casing pipes and the similar segment?

V.R.K Gupta: Yes. Current year, we've estimated a capex of around INR16,400 crores. Out of which major investment is going to happen for refinery and petrochem is around INR4,300 crores. And exploration side, we are planning to have an equity increase of around INR2,250 crores for exploration activities. And marketing mainly for pipeline expansion and our infrastructure creation and marketing location, the total capex allocation will be around INR7,100 crores. And the CGD, we are allocating the capex of around INR2,000 crores.

Saket Kapoor: Right. And lastly, on the lubricant part, sir, what is our current market share? And what was our volume for this quarter?

V.R.K Gupta: That we will share it separately lubricants.

Saket Kapoor: We can look forward, sir, for investor presentations sir, I think so as I've not missed correctly there. We are coming up with our numbers, but press release and investor presentations do not form a part of our results. So can we look forward for these two also being a part and parcel along with the continuity of con call.

V.R.K Gupta: Yes, we will look at it. We will look at it.

Moderator: Thank you. The next question is from the line of Gagan Dixit, Elara Securities. Please go ahead.

Gagan Dixit: Sir, my question is regarding this new refinery plan. So what are the key criteria that you look for setting up the refinery? I mean, is something the demand that's the reason that you want to see? Or you want to see some advantage on the petrochemical side? Or -- what are the -- I mean, sir, the idea that you are evaluating, I mean, from this new refinery purpose?

V.R.K Gupta: Yes. Both things we are planning. In fact, our corporate strategy if you see, we want to take our petrochemicals portfolio from the existing 1% -- less than 1% today our petrochemicals portfolio. After Bina expansion and the petrochemicals project, we are planning to take our total portfolio of petrochemicals to 6% to 7%, but long term as a good diversification and having a good product portfolio we want to take petrochemicals at least 15% of our product sales would be petrochemicals. That is one criteria.

Second is even when we have a market share of around 50 to 53 MMT of market sales, we don't have sufficient refining capacity at this point of time. So even on the demand side also, India is growing at least 5%, 6% of energy demand. If the growth continues even in the next 4, 5 years, we have a good amount of shortage in terms of refining for BPCL. So by keeping these 2 factors, we want to add some more refining capacities with a little bit more on petrochemical configurations. That is what broadly, we are looking at it.

Gagan Dixit: And sir, what I know that -- I think a long back, you had some land already purchased 2 decades back I think in the Allahabad. So that land is still there if you want to set up a refinery might be possibly the locations?

V.R.K Gupta: Land is in the name of BPCL only. There are small encroachments have happened. But anyhow, we are taking care to removal of the encroachment. Land is still with BPCL only at Allahabad.

Gagan Dixit: Okay. So that can handle that 10 million ton also refinery, if you want, I mean.

V.R.K Gupta: Yes, yes, it can handle. It can handle 9 MMT train or 12 MMT train it can handle that land parcel.

Moderator: Thank you. The next question is from the line of Sumit Rohra from Marks & Capital. Please go ahead.

Sumit Rohra: So I just wanted to get a sense of view on profitability because I'm just looking at this on a con call of nearly 1 hour we spend nearly 15 minutes on capex, which is actually a burden to our shareholders. So can you talk a bit on profitability? Because I understand that on this quarter, we have reported a profit of about INR3,000 crores after absorption of the LPG figure of INR2,300 crores plus we had a INR400 crores inventory gain. So technically, you reported about INR4,800 crores of profit in this quarter, which is absolutely astounding and good. So sir, I want to pick your brains on this. Is that -- so do you see this profit sustaining firstly?

Secondly, sir, you have something called Project Aspire, wherein you are looking to double profitability as well. So can you please talk a little bit about your Project Aspire on profitability? And how do you see the next few years shaping up in terms of PAT, sir?

V.R.K Gupta: Thank you, rightly you have observed our profitability. Whatever you say that is the correct number, this is a normalized profit if you remove the LPG and recovery in inventory gain, somewhere around we are at INR4,800 crores or INR4,700 crores profit generation during this quarter. So a couple of things. The refining margins are still commanding at a good level, even a 10 years average GRM compared -- even if you compare the current quarter, GRMs are better than a 10-year average GRM. And the cracks we are expecting, this will continue for a longer period of time, even a short period of time the cracks are on the lower side. Within the next couple of quarters, the cracks will improve.

We are looking at a similar level of refining margins. And if the crude is at $80 to $85 range, whatever our profitability we are comfortable position in terms of whatever capex programs we have announced for the future.

In terms of our Project Aspire, yes, definitely, our aspiration to become -- for doubling the profits from the normalized profit of around earlier INR12,000 crores to INR13,000 profits of the company. So we are aspiring to take it at least 2x. That is the reason we have announced a major large project in terms of refining expansion and petrochemicals. By FY '28, '29, once all these projects commissioning is completed, then we can look at it a good amount of growth in profitability.

Sumit Rohra: And sir, I have just one very humble suggestion being in the best interests of our company. So henceforth we can spend a bit of time on profitability as well because that will inspire and give confidence to our stakeholders of exactly where we are headed. So because it is very difficult to digress numbers on our company, which is selling so many products across so many verticals. So sir, if -- as we talk about capex, talking about profitability will also help in a big way, and it will actually restore confidence among the stakeholders. So that's something which came to mind so I just thought I'll bring it up to your attention, sir. And wish you very -- all the best. And I sincerely hope that you can deliver on this INR20,000 crores profit, which your company deserves.

Moderator: Thank you. We'll take the next question from the line of Vipulkumar Anopchand Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: So my question is what is our cumulative investment till date in BPRL?

V.R.K Gupta: BPRL our total investment as of date, almost we have committed around INR37,000 crores in BPRL. Majority of the investment is through borrowings. We have invested in equity of around INR10,700 crores and the balance is through borrowings. Total, our commitment in exploration till date INR39,358 crores as of June '24.

Vipulkumar Shah: 39?

V.R.K Gupta: 39.

Vipulkumar Shah: Okay. And sir, one small suggestion if you can make hand out and investor presentation as part of your results, it will be very helpful, sir.

Moderator: Thank you. The next question is from the line of Somaiya V from Avendus Spark. Please go ahead.

Somaiya V: Sir, on the Bina expansion, can you just help us out on the time line or in terms of milestones, what we are looking in the next 2, 3 years? And also for the current year capex, what you mentioned for refining, how much is that going towards Bina? And Also next 1 or 2 years, how we plan to spend on the capex progress for this product?

V.R.K Gupta: For Bina, the total project cost is INR49,000 crores. It is having 2 components refining expansion for Petrochemicals Board. It is an integrated project. Current year, the financial progress may not be much because at current year we are estimating around INR2,000 crores capex incurrence will happen for Bina. But physical activities, the major milestones of selection of licensor and selection of PMCs almost we have completed that milestone. That will be a biggest milestone we have achieved as per the schedule.

And second, the fieldworks in terms of ground leveling and roads and internal infrastructure works have been awarded to the contractors and the work has been started. The actual capex for this project happens from the year 3 onwards. So year 1, during this year, we are expecting around INR2,000 crores and next year will be around INR7000 crores, INR8000 crores, but year 3 will be the major capex and commissioning, we are planning the commissioning activities as per the project schedule, FY'28, FY'29, the project will be commissioned.

Somaiya V: So at the company level, what would be your capex run rate. So this year, you mentioned INR16,500. So taking Bina's expansion requirements. So how it will be in year 3, what will be your run rate capex?

V.R.K Gupta: We will share separately that one 5 years breakup.

Somaiya V: Okay sir. Also this year, you mentioned INR7,100 crores capex for marketing. In terms of station additions, can you give some granularity in terms of how do you see?

V.R.K Gupta: Yes. Marketing infrastructure is mainly 4, 5 components, one, is we have large pipeline network, we are expanding product pipeline network, one is Krishnapatnam Hyderabad one pipeline. And Irumpanam some pipeline, Irugur Devangonthi one more pipeline we are planning. And we have certain projects at Rasayani for LPG import terminal as well as our infrastructure tankage creation at Rasayani.

And from retail outlet point of view, we are planning around 1,300 outlets during this year and 300 CGD stations. But all these will be a combination of both infrastructure creation and marketing locations -- expansion of marketing location along with creation of EV charging stations, around 3,500 EV charging stations we want to create during this year. With this, we are expecting around INR7,000 crores of estimated capex for marketing initiatives.

Somaiya V: Sir, on the refining front, in terms of Russian crude sourcing, so this 39%. So this is the max that we can take-up for our refineries or there is still some headroom in terms of increase?

V.R.K Gupta: Maybe 1% or 2% more headroom, maybe 40%, 41% we can take. Otherwise, on an average 39% to 40% only we can process. There is headroom, but technically we want to restrict at 39%, 40% level.

Somaiya V: Also in terms of Middle East crude sourcing premiums or discounts, how has your direction been in the last few months? Any thoughts on that?

V.R.K Gupta: No, compared to -- during this year, at the beginning, if you compare with April, May, current OSPs are moderated. And this OSPs will be further moderated because anyhow the cracks are not there. So cracks are on lower side. So I don't think OSPs premium will be on higher side when cracks are on lower side.

Somaiya V: Sir, any impact in the recent times because of the freight cost kind of going up, any impact to us in terms of either sourcing cost?

V.R.K Gupta: Slightly, it is better. Compared to previous year, the freight rates are comparatively better. The initial days of Russia, Ukraine the freights have picked up. Now it is comparatively better freight rates. And most of the cargos, if you see, we are purchasing and delivered basis. Most of the Russian cargoes are on a delivered basis. So there is not much impact of freight on our account.

Somaiya V: Thank you.

Moderator: Thank you. We'll take the next question from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, for the Ethanol blending project, what have we outlined for the current financial year in terms of the procurement exercise. And also there have been talks about laying of separate pipelines for transportation of the same or setting up to reduce the transportation cost for Ethanol. So if you could give some update on the same, sir, what is our current year target?

Rahul Agrawal: So Ethanol, currently, we are blending about 14%. This is one of the highest. Last year, we were blending about 12%, 12.5%. And our target is to achieve around 15% in the current quarter. And government has mandated about 20% from FY '25.

Saket Kapoor: Sir, in terms of crude liters can you mention what have -- how much have we ordered and what have been our procurement for the first quarter? And what would be for the full year?

Rahul Agrawal: Yes, we'll share it separately.

Saket Kapoor: Sir, two questions are pending . For the Lubricant part, you shared you will be sharing separately and now for Ethanol also you want to share it separately. So separately, sir, how will you share if you could just elaborate.

VRK Gupta: By e-mail our team will circulate.

Saket Kapoor: Okay. But our emails are not registered with you, sir, how will. Sir, I think these questions can be answered in the form of a release or submission to our website or through exchanges so that it could benefit investors at large and not pertaining to 1 or 2 specific investors.

Rahul Agrawal: We will be sharing it through the Antique Global.

Saket Kapoor: Through Antique Global. So we have to get in touch with them, sir. And lastly, on the procurement part, sir, in terms of crore liters you can give an idea last year how much we have procured and for the first quarter numbers. So you have the numbers with you?

V.R.K Gupta: We will share.

Saket Kapoor: And for the profitability part, sir, as one of the investor mentioned. So if you normalize the quarter as a whole, the PBT number for this quarter is INR4,800 crores has been confirmed by the management team?

V.R.K Gupta: I mean you can take at INR4,600 crores tax impact if you remove maybe LPG under recovery you add back and INR400 crores of inventory gain, you remove. So around INR4,500 crores to INR4,600 crores.

Saket Kapoor: And what would be the comparable number, sir?

V.R.K Gupta: Comparable what?

Saket Kapoor: Comparable number Q-on-Q and also last year, sir, if we take the similar parameters, what should be the June '23 comparable numbers look like if we compare like-to-like basis?

V.R.K Gupta: We have to workout.

Saket Kapoor: I didn't get you, sir.

V.R.K Gupta: We have to work out, what would the LPG and the recurrence at point of time or negative buffer we have to work out separately.

Saket Kapoor: If you could just summarize the questions and the unanswered part of during the call and if that could be just worked out for the coming quarters, that would be very helpful for investors and the analysts so that we can get the information right during the call. So I hope the team will be better prepared to look at it?

V.R.K Gupta: We'll look at it.

Saket Kapoor: Thank you.

Moderator: Thank you. The next question is from the line of Vikas Jain from CLSA. Please go ahead.

Vikas Jain: Just one question. Why are we adjusting the LPG under recovery because that is not anyways part of the income statement since we are using normalized margins to get to our reported profit, right? That's part of the buffer. So if anything, if we take the losses then, in fact, the reported and go to the old accounting where losses were part of the base income statement, then profits will be lower by that INR2,800 crores or whatever number, right?

V.R.K Gupta: LPG -- once again, we are clarifying LPG is still a regulated product. The pricing is decided by the Government of India. So we have disclosed on account of LPG, what would be the negative buffer. With this negative buffer after absorbing this much of losses, we have around INR3,015 crores of profit after tax during this quarter.

Now different ways of calculating what will be normalized profit, in case if there is no under-recovery on LPG, that is one way of calculating what would be the normalized profit. Otherwise, I think there is no compensation mechanism, LPG losses have been observed by the company.

Vikas Jain: Sir, sorry. What I'm not able to understand when you say you have created a buffer account. So has that loss become part of your marketing profits as you have reported? Or that is something which is created beyond -- it's not part of the income statement right now because your profits are being calculated at the normal level of LPG margins and that has been kept out of income statement as a receivable, which you will take, right?

V.R.K Gupta: No. One again, I'm clarifying, the current practice, if there is no compensation mechanism. If there is any over-recovery of LPG prices, we create a buffer and we'll show that as a payable, we don't recognize any income. Whereas in case of if there is any LPG losses, there is no compensation mechanism. We take the hit into the P&L. That means the margins are lower on that particular to the recent of that sale, we don't create anything as a recoverable.

Vikas Jain: Thank you so much.

Moderator: Thank you. We'll take the next question from Vivekanand Subarraman from Ambit Capital. Please go ahead.

Vivekanand Subarraman: Just one simple question. The sequential change of around INR750 crores to INR800 crores of oil bonds. What was that on account of? Can you explain that?

V.R.K Gupta: Yes, we have started because we have some cash surplus available during this quarter because overnight borrowings, you have to hypothecate certain G-Sec investments. That is the region we have acquired additional G-Sec investments during this quarter from the market.

Vivekanand Subarraman: Okay. Sorry, this is to have overnight borrowings, you have to...

V.R.K Gupta: We have to split certain investments. We have the cash surplus, so we have started investing in the G-sec and oil bonds, that is the reason incremental oil bonds have gone up.

Management: They are not oil bonds. They are government securities.

V.R.K Gupta: G-Secs, government securities, oil bonds all put together.

Vivekanand Subarraman: Okay. So these were issued by the government fresh? Or were you purchasing?

V.R.K Gupta: It is from the market. We bought it from the market.

Vivekanand Subarraman: Okay. It's like treasury operations.

V.R.K Gupta: Okay. It's only treasury operation, cash management.

Vivekanand Subarraman: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Varatharajan Sivasankaran for closing comments. Over to you, sir.

Varatharajan S.: Thank you, Michelle. I wish to thank all the participants and the management of BPCL for taking time out to join this call and discuss all the issues. Thanks, everyone. Have a nice day. Thank you.

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