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Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst

* Pinakin M. Parekh

Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst

Good afternoon, ladies and gentlemen. I'm Priyanka, moderator for the conference call. Welcome to Indian Oil Corporation Limited Q4 FY '19 Results Conference Call. We have with us today the management team represented by Mr. S.K. Gupta, ED, Corporate Finance; and Mr. Matthew Thomas, CGM, Corporate Treasury. (Operator Instructions) Please note, this conference is recorded.

I would now like to hand over the floor to Mr. Bhavin Gandhi. Thank you, and over to you, sir.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [2]

Thanks, Priyanka. Good afternoon, everybody. On behalf of Batlivala & Karani Securities, I welcome you all to the post results conference call with the management of Indian Oil Corporation. Please note that the call is relating to the annual accounts.

I would now request the management for the initial remarks on the results and then we'll follow it up with a question-and-answer session. Over to you, sir.

Thank you, Mr. Bhavin. Good afternoon to everyone. We welcome you to our annual earnings call, and we also appreciate your participation and continued interest in Indian Oil. This is Matthew Thomas, Chief General Manager, Corporate Treasury and Investor Relations.

For your kind information, Mr. A.K. Sharma, our Director, Finance, has superannuated on 17th of May 2019, and therefore, we have with us Mr. Sandeep Kumar Gupta, presently the Executive Director, Corporate Finance and CFO of the company. He is also the Director, Finance Designate. Along with me, we have Mr. Rohit Agrawala, General Manager, Corporate Finance; Mr. Sadashiv Naganure, DGM, Treasury; Mr. Prabhat Himatsingka, DGM, Treasury; Mr. Avinash Singhal, Chief Finance Manager, Treasury and Investor Relations.

To begin with, Mr. Sandeep Kumar Gupta would be giving a summarized brief of the company's performance, and thereafter, we would be taking questions, if any. At the outset, let me emphasize that we would be restricting the questions related to accounts of this year and with the update of things about the CapEx to be done for '19-'20.

With these words, I hand over to Mr. S.K. Gupta to address you.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [4]

Yes. Dear investors and analysts, a very good afternoon to all of you. I take this opportunity to welcome all of you to the conference call organized by us post announcement of 2018-'19 annual results.

As you are aware, we could not host the conference call during the second and third quarter due to certain unavoidable commitments we had. However, I believe our team would have given you most of the information that is normally given during the conference call. And we also hope to be available in the coming quarters, coming future.

Though you would have gone through the accounts posted on the website and also through the updates received by most of you, I would like to briefly dwell upon the results to provide additional clarity and insights.

Coming to highlights first. To boost flexibility in crude oil sourcing, 9 new crude oil grades were included in the regular basket, taking the total number of grades in the IndianOil crude oil basket to 180. Further, in the international arena, newer concepts like trading desk and reverse auction have also been introduced.

Leading the push for clean energy, more than 2 crores new LPG connections were released, the highest ever in a year. Sale of LPG crossed 1 million metric tons per month for the first time in December 2018. The highest number of 1,800 LPG distributorships were all commissioned in 2018-'19. I'll mention that about 2.5 million cylinders are rolled out per day by Indian Oil Corporation.

We commissioned about 650 new retail outlets during '18-'19, achieved automation of 100% operational retail outlets and converted over 5,000 more ROs to run on solar energy. IndianOil took the lead in launching door-to-door delivery of products to customers during the year. The footfall of about 15 million per day is being experienced at our ROs, and we are refueling about 1,750 flights a day.

We did fairly well in institutional sales also, registering increase in market share in all products and an overall increase of 0.6%, with 4% growth in overall finished lubricants and 8.7% volume gains in retail lubricants, we achieved the top position in retail lube markets for the first time.

IndianOil's R&D Centre is shaping into a game changer in the ensuing competitive scenario as the corporation adds newer technologies, products and services to its bouquet of offerings. The R&D Centre developed over 100 new lubricant formulations during the year and commercialized 87% of them besides earning 110 OEM approvals.

I am also glad to inform you that on 30th of April 2019, IOC had 1,000 active patents in its fold. IndianOil is aggressively leveraging its R&D expertise to move into horizon technologies like 2G biofuels, coal gasification, et cetera. A number of new technologies are under implementation and/or pilot studies being undertaken in the areas of refinery processes, petrochemicals and polymers, alternative energy and bioenergy.

A 680 KTA polypropylene plant at Paradip Refinery was mechanically completed in February 2019 and is under commissioning at present. This will increase IndianOil's petrochemical capacity to 3.15 million metric tons per annum with many other projects to follow. Foundation stone was also laid for a 357 KTA MEG, that is monoethylene glycol, plant being set up at Paradip Refinery. The project is being envisaged as a key driver for the growing textile industry in the region and will cater to the increasing demand for polyester fiber.

Coming to Ennore terminal. The 5 million metric ton per annum LNG import terminal at Ennore was dedicated to the nation in March 19 and has begun supplying our LNG to Manali refinery and other anchor customers. A pipeline network has been planned to transport LNG right up to Tuticorin via Pondicherry and Trichy and another pipeline to connect Hosur and Bengaluru.

The corporation has also done well in the successive bidding rounds for development of CGD networks on its own as well as through joint ventures and has drawn up ambitious plans for supply of natural gas to domestic, commercial, industrial and transportation sectors in their definitive geographical areas. We have 17 stand-alone and another 23 with JVs, so total 40 CGD geographical areas we have our presence now.

In the renewable sector, we have now wind capacity of 168 megawatt and solar capacity of 45 megawatts.

During the year, IndianOil's E&P portfolio extended to a total of 10 domestic blocks and 12 overseas blocks and achieved significant progress in terms of production volumes, equity oil and revenues. The year was marked by acquisition of participating interest in E&P assets in Abu Dhabi in addition to Oman asset acquired in the second half of last year.

All the above has helped in achieving a profit after tax of INR 16,894 crores during the year 2018-'19. Though it is lower than the last year's profit of INR 21,346 crores, it is significant in view of the lower cracks which prevailed during the year and adverse movements in ForEx and crude prices during the year. Specifically with respect to Q4 of 2018-'19, PAT is INR 6,099 crores, which is about 17% more than the corresponding quarter of 2017-'18 of INR 5,218 crores.

The income from operations during financial year 2019 has registered an increase of about 20% as compared to financial year '18 which translates to INR 605,924 crores, the highest ever, as against INR

506,428 crores in financial year '17-'18. On a quarter-on-quarter basis, the income from operations has increased by about 6% to INR 144,472 crores versus INR 136,716 crores in corresponding quarter.

Now let me touch upon the major verticals in brief starting with refineries. Our refineries excelled on all major physical parameters during financial year '18-'19. We achieved a record cumulative throughput of 71.8 million metric ton during the year 2018-'19, bettering the previous year's throughput of 69 million metric ton. This was achieved by the best ever gross throughput obtained by Barauni, 6.6 million metric ton; Mathura, 9.6 million metric ton; Bongaigaon, 2.5 million metric ton; and Paradip, 14.6 million metric ton. We also did highest ever production of LPG of 3.6 million tonne; ATF, 1 million tonne; MS, 10.9 million tonne; and HSD, 32.7 million tonne.

On the naphtha front, Panipat naphtha cracker displayed its best ever performance in naphtha processing of 3,022 TMT, surpassing the previous best of 2,945 TMT during '16-'17. During '18-'19, the refineries came out with the best ever numbers on all major parameters of specific energy consumption in terms of MBN; Energy Intensity Index, that is the EII; and fuel and loss, respectively, at 71.3, 97.9 and 8.6%, bettering the earlier record of 72.6, 98.5 and 8.8%, respectively, which were achieved during '17-'18. As a result of all this, the refineries have registered a GRM of $5.41 per barrel during financial year '18-'19 as compared to $8.49 per barrel during the last year.

As per practice, we have continued to work on the GRMs. We have been excluding the inventory impacts and the price lag impacts to our average normalized GRMs which are comparable with Singapore benchmark margins. Accordingly, normalized GRMs for the year is $4.81 per barrel as against $7.37 per barrel for the previous year. For the fourth quarter of financial year '19, the refineries registered a GRM of $4.09 per barrel and the normalized GRM for the same period is $3.04 per barrel. On year-on-year basis, GRMs were depressed mainly driven by sharp fall in MS spreads and the fuel and loss impacts of higher crude oil prices. This is also reflected in the Singapore GRM, which trails at $4.88 per barrel in financial year '18-'19 versus $7.24 per barrel in financial year '17-'18. As you would know, during the year, the MS cracks averaged around $5.7 per barrel only as against last year's average of $11.4 per barrel.

Coming to pipelines. Our pipelines continued to generate stable returns giving an EBITDA of about INR 6,439 crores during '18-'19 as compared to INR 6,332 crores in '17-'18, which is mainly due to increase in throughout by about 3.3%.

Crude oil pipelines achieved highest ever throughput of more than 51 million metric ton with a capacity utilization of around 106% as against last year's 105%. Product pipelines achieved highest ever throughput of 37 million metric ton, registering a growth of around 7.5% for the previous year, and they achieved capacity utilization of 81% as against 76% in the last year. Our total pipeline network stands at 14,231 kilometers with a capacity of 94.16 million metric ton per annum for liquid pipelines and 21.69 MMSCMD for gas pipeline.

On the marketing front, as per recent report released by International Energy Agency, India's primary energy demand outpaced the global demand and saw growth of 4%, mainly owing to expanding economy. Rising infrastructure projects in the country, coupled with surge in commercial vehicle sales, led to record high diesel consumption in the country in the reports by Fitch Solutions and consultants Wood Mackenzie foresee further rise in demand of diesel in 2019.

The domestic petroleum product sales have registered an increase of over 3.65% during '18-'19 as compared to '17-'18. Marketing EBITDA for financial year '18-'19 is INR 15,032 crores compared to INR 8,241 crores during '17-'18. During the quarter 4 of '18-'19, marketing registered a healthy EBITDA of about 6,848 crores.

Coming to petrochemicals. The petrochemical vertical has shown to contribute handsomely to the only corporation's bottom line. However, during the year, the petrochemical business reported an EBITDA of INR 5,164 crores for '18-'19 as against INR 6,105 crores during '17-'18. This reduction is on account of reduction in polymer margins and shutdown of PP plant and discounts given to customers in Q3 and increase in gas prices, et cetera.

On the borrowing front, the borrowings as on 31st of March 2019 have increased to INR 85,359 crores as compared to INR 58,030 crores as on 31st March 2018. This is mainly because of the increase in the government outstanding which were reimbursed on LPG or SKO front, increase in our CapEx requirements, payment of onetime of an entry tax of about INR 3,300 crores, and mark-to-market impact of exchange rate on loans of about INR 2,000 crores, plus some dip in the internal accruals.

With this, I will end my briefing here, and we'll be glad to take questions if there are any. Thank you very much.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question comes from Nilesh Ghuge from HDFC Securities.

Nilesh Ghuge, HDFC Securities Limited, Research Division - Research Analyst [2]

I have 2 questions. The first question is on Ennore LNG terminal. Sir, what are the regasification charges we are charging? And are you able to do a long-term LNG contract or are you still working on spot LNG cargoes? This is my first question on Ennore. And second question on Ennore, petchem project. Sir, can you just briefly again give the update on this petchem project? That's all for me.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [3]

Which one?

Nilesh Ghuge, HDFC Securities Limited, Research Division - Research Analyst [4]

The ongoing, the MEG expansion you are talking about?

Matthew Thomas, [5]

Okay. Yes. Mr. Nilesh, 2 things I would like to mention about the first one you are talking about the Ennore. We would like to -- I mean, we would not like to tell about the charges right now to you, but at the same time, we would like to inform you that, yes, we have got long term as well as spot, both for the Ennore depending upon the capacity that we have been lining up. So that's with Ennore.

And with respect to the ethylene glycol project that we're talking about, it's a 357 KTA capacity plant. We are on the project and the project is in progress right now. So I think that should take care of your requirement, maybe by October 21 or maybe 21, 22 is the time that it will be commissioned.

Nilesh Ghuge, HDFC Securities Limited, Research Division - Research Analyst [6]

And so how much CapEx it will incur?

Matthew Thomas, [7]

You mean to say the CapEx we are talking about?

Nilesh Ghuge, HDFC Securities Limited, Research Division - Research Analyst [8]

Yes, on this.

Matthew Thomas, [9]

The CapEx will be close to around INR 5,600-odd crores.

Operator [10]

Next question comes from Aishwarya Agarwal from Reliance. I think there is no response, sir. Moving to the next question. Next question comes from Nitin Tiwari from Antique Stockbroking.

Nitin Tiwari, Antique Stockbroking Ltd., Research Division - Research Analyst [11]

It's related to the refinery margins actually. So we've seen a fair amount of volatility in refinery margins during the year and might see some inventory losses again. So in that backdrop, I wanted to understand how should we look at FY '20 and also how basically a diversification away from Iranian crude going to impact our refinery margins? So in a nutshell, a general view over the refinery margin environment for this year and how does IOCL basically measure up in that background?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [12]

I think margins actually it is impacted by the international prices of crude oil as well as the cracks for the products, but what you must have seen that over the quarters our GRMs, our normalized GRMs are very close to the Singapore benchmark margins. So we expect the same to be that way in future also. Now there is a huge uncertainty regarding the cracks which will be prevailing in the next year mainly because of the IMO regulations also. So to give a number, to give an exact number for GRMs is very, very difficult, but what we can assure you, the physical progress, the physical performance of the refineries have been excellent and we expect to continue in the future also.

Now coming to the Iranian oil. We have stopped. Pursuant to the U.S. sanctions, we have stopped taking Iranian oil in totality. So there are no Iranian oil, but we have made up for that by lining up optional volumes with many countries. We have recently signed some contracts with U.S. also for 2.4 million tonne firm and 2.2 million optional volumes. So we do not see any problem in sourcing the crude basically for the refinery requirements.

Operator [13]

The next question comes from Aishwarya Agarwal from Reliance.

Matthew Thomas, [14]

Aishwarya Agarwal seems to be cut off from the system it seems. You can move on to the next.

(technical difficulty)

Operator [15]

Next question from Falguni Dutta from Jet Age Securities.

Falguni Dutta, [16]

Just one question. What led to this significantly good performance in the marketing EBITDA this quarter?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [17]

There are a lot of factors, but as you know the basis are sort of 3. We had certain gains in certain of the items. But generally, I think we have been able to allay the apprehensions that there are going to be under-recoveries. So we do not have any such under-recoveries in the year.

Falguni Dutta, [18]

Then also how should we look at the normalized EBITDA in absolute terms going forward like, say, for FY '20, marketing EBITDA, I mean?

Matthew Thomas, [19]

I would say that the margins on a year-to-year basis would remain steady hand. As Mr. Gupta was telling...

Falguni Dutta, [20]

Would not therefore similar, let's say, to the INR 5,000 crores kind of EBITDA quarterly, right?

Matthew Thomas, [21]

So it won't be appropriate because you need to look at it from a overall perspective, that is from the corporate margin perspective not only from a segmental perspective. So probably keeping in mind that, you may have to look at it from a total corporate perspective to find out where we are. If you see the verticals are making steady, some of the verticals are very steady. Between refining and marketing, you will find a steady growth which will continue to be. So that's what we can say as Mr. Gupta has mentioned to you.

Falguni Dutta, [22]

Is it possible for you to give some kind of a range for quarterly EBITDA in rupee crores?

Matthew Thomas, [23]

Pardon?

Falguni Dutta, [24]

Is it possible for you to give us some kind of range?

Matthew Thomas, [25]

Probably, probably not now. That will be too early to give a figure right now probably as we go close to the quarter probably. That's right, as we go close to the quarter, we may be able to come out with some numbers, but not right now.

Operator [26]

Next question from Rohit Ahuja from BOB Capital.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [27]

I would like to know about the GRM performance at Paradip Refinery if you can show some more light on that?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [28]

Yes. The Paradip Refinery did a GRM of $4.46 per barrel for the year '18-'19. And as we mentioned, it did a capacity utilization of about 97%. So it is running at now full capacity.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [29]

So isn't this performance way below what you had initially guided for because Paradip is going to be at a significant premium to Singapore in terms of normalized operations?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [30]

Yes. The percentage of heavy crude processed during financial '18-'19 at Paradip is only 21% as of now. And we are taking a lot of steps to ramp it up and expect to take it to maybe 33% to 40% levels in the next years. So hopefully, it should see the upside as far as GRMs are concerned.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [31]

So FY '20 you said you will be processing more heavy crude? And that's when we'll reach the peak potential of Paradip or when do we hit expected GRMs per year?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [32]

Capacity-wise, it has already attained under present capacity utilization. So on a year basis, it can range. But on a date-to-date basis, it is able to achieve 100% capacity utilization. And as far as the other big advantage was the heavy crude processing feasibility being hit before. So that has reached to 21% level and will be ramped up in the coming days.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [33]

So can we say like by fourth quarter of FY '20 you'll be at sort of a peak potential of GRM performance at Paradip?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [34]

Not necessarily. We will have to see. Actually, we will have to see the economics also of bringing heavy crude at Paradip Refinery. But yes, we are taking a lot of steps to improve it.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [35]

And sir, lastly on marketing business. I think you had one of the best quarters ever in the marketing segment at INR 6,800 crores EBITDA. Can you give some light, like was it the retail products that drove the margins or was it the overall portfolio including the B2B products?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [36]

I think this was a combination of both. So sort of we will not be able to give you the breakup between the consumer and the retail business at this point in time.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [37]

Can we say that, okay, this was an exceptional quarter and now things would be quite different than what happened in Q4?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [38]

Well, that happened actually, Q3 was bad, Q4 was good is what happened. We do make up for the bad periods in the subsequent periods.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [39]

Yes. I mean you made up for the huge inventory loss that was there in Q3. But from Q1 FY '20 onwards, can we say things would be like normalized, on a normal percent?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [40]

Yes. You should expect so.

Operator [41]

Next question is from Sujit Lodha from Birla Sun Life.

Sujit Lodha, [42]

There are 2 questions. First was in terms of readiness for BS-VI, how many of our dependent are now totally compliant to process BS-VI? And second question, sir, what would be the financial impact of shifting Iran crude to any other crude like U.S. in terms of crude price, in terms of discount, working capital, et cetera?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [43]

First, on BS-VI actually, our physical progress as of 31st March '19 is 88%, and we are very sure of implementing BS-VI much before the deadline, 1st April 2020. So there should not be any apprehension about that. We will do that. So at -- then on the Iran crude, there's very negligible impact. We were getting certain price advantage of Iran crude, but then we have also done some of the term contract with U.S. crude for U.S. crude, so 4.6 million ton plus we have got optional volume. So as far as supply is concerned, there is no apprehension of any shortage in sourcing the crude oil. There may be marginal impact of only benefit, which we used to get for Iran crude. Not anything material.

Sujit Lodha, [44]

Sir what would be that be? That would be related to working capital or in terms of hiking.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [45]

Nothing material.

Sujit Lodha, [46]

Okay. Sir, just one more additional question, sir. In terms of lubricants, sir, can you share any profitability number for the year? I mean, what are the EBITDA for just the lubricants businesses?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [47]

Maybe we can give later on. We do not have anything right now.

Operator [48]

Next question comes from Sabri Hazarika from Emkay Global.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [49]

Sir, I actually wanted to know about the reason behind the increase in debt Q-o-Q. So from around INR 65,000 crores, it went up to INR 84,000 crores. So what was the specific reason between this Q-o-Q increase in debt?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [50]

Actually, you may have seen the budgetary provision, which is kept by Government of India towards reimbursement of the subsidies on LPG and (inaudible) was not sufficient. And there is an increase of about INR 10,000 crores in the government outstandings on this account itself, plus we have...

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [51]

That is Q-o-Q.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [52]

Year-on-year as on 31st March '18 versus 31st March '19, the total government outstandings increased by about INR 10,000 crores. So this is one reason. Second, we have our receivables from lot of government departments like armed forces, railways, et cetera, which also had the same fate actually. There was less budgetary provision. So there are certain increase in the receivables on that account also.

Then we had onetime occur entry tax payment of principal amount INR 3,300 crores, so that is not going to be there in the future. We had M-to-M losses of about INR 2,000 crores on the exchange loans. There was increase in CapEx by about INR 6,000 crores. And you have seen that there is a lower internal accruals also. So these were primarily the reasons, which led to increase in the borrowings. But now today, the borrowings are lower at about -- that happens on the every third business, but now the borrowings are at about INR 81,000 crores level.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [53]

No. Sir, this was because of that year-end excise duty payment, like Q4, the deck has gone up...

Sandeep Gupta, Indian Oil Corporation Limited - CFO [54]

Yes. That's was there on 31st of March '18 also, so that is why I am not saying that as a reason.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [55]

Okay. But Q-o-Q, that would be a major reason, not Y-o-Y, but Q-o-Q.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [56]

Q-o-Q, that will be there. Yes, yes, it will be there.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [57]

Okay, sir. And second question is on your CapEx breakup. So you had a INR 26,500 crores CapEx. So can you give us a breakup between the various projects and segments?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [58]

You're talking about the last year, which is gone by?

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [59]

Yes.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [60]

Yes, we had something close to INR 26,500 crores as CapEx for the year, of which refineries constituted about INR 7,100 crores, pipelines constituted about INR 3,500 crores, the marketing was about INR 7,700 crores. We had some of E&P, which we have been talked about that is around INR 3,000-odd crores. We spent about INR 1,500 crores for pet chem, and the rest of it was for maintenance CapEx as well as for R&D, gas schemes and alternate energy, so that constituted about INR 3,000-odd crores.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [61]

Yes. That's fine. And what will be the CapEx guidance for this FY '20?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [62]

For FY '20, you will have something again around INR 25,000-odd crores.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [63]

INR 35,000 crores?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [64]

INR 25,000 crores, INR 25,000 crores.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [65]

Okay. INR 25,000 crores, sir. And just one -- okay, so how much of this will be BS-IV CapEx due to which should not be this from FY '21 onwards?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [66]

Yes, BS-VI, in this INR 25,000 crores constituted around INR 4,000-odd crores.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [67]

Okay, sir, INR 4,000 crores. And last year also, that was the amount of BS-VI CapEx?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [68]

Last year, also, it was almost similar.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [69]

Okay, sir. And just one last question here. Working capital overall went up despite the fact that I think oil prices were down Q-o-Q. So anything related to new projects or something? And do you see any release of working capital going forward? Or is it going to stay like this?

Unidentified Company Representative, [70]

Is it for classification?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [71]

No, working capital levels are going to stay put.

Sabri Hazarika, Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [72]

It will remain in the similar level?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [73]

Yes.

Operator [74]

Next question comes from Probal Sen from Centrum Broking.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [75]

Sir, I have 2 questions. One, you mentioned about (inaudible) can I -- would it be possible to sort of at least quantify when that would start flowing through in terms of our brick and volumes? And any clue you can give us whether it will have a GRM impact as well? That was my first question.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [76]

Mr. Sen, I would request you to repeat your question because you were not audible.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [77]

Sir, is it better now?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [78]

Yes, it's okay. Yes, it's okay now.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [79]

Sir, I was asking about the polypropylene unit completion that you mentioned on which commissioning activity is going on. I wanted to know any time line in which we can expect that to start reflecting in our numbers. And any GRM benefit you can quantify from this?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [80]

Probably GRM benefit quantification right now may not be operate.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [81]

By when can we expect the commissioning, sir?

Unidentified Company Representative, [82]

Yes. I think the commissioning will be there in the first quarter itself. But this being a petrochemical, the profit will not get reflected in GRM.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [83]

Propylene (foreign language).

Unidentified Company Representative, [84]

Yes. But yes, you'll find incremental impact partly from quarter 1 itself and going forward full impacts.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [85]

Okay, okay. And sir, the second question, which -- was with respect to again...

Sandeep Gupta, Indian Oil Corporation Limited - CFO [86]

This being a petrochemical plant polypropylene, the benefit is to -- this being a polypropylene plant, the increase will come in the petrochemical margins actually, not particularly in the GRM.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [87]

Right. Okay, okay. Sir, second question was again with respect to Paradip. You mentioned that as we increase our heavy crude sourcing, GRM benefit will increase. But in recent months, we have seen that the heavy, light premium actually has been narrowing quite sharply. So would heavy crude going up have an impact this from GRM benefit even if we were to increase the heavy crude sourcing?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [88]

Yes. This is what I explained that we will ramp up considering and depending upon the economics of doing so. So any projection which is made is based upon the differentials being at that level actually that those have to be compared when the projections were made. So if the difference between light, heavy is narrow, then definitely the benefits also will be lesser. So it depends upon the prices which remained. So our actions as well as the profits will remain based upon the differentials of light, heavy in the future.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [89]

Okay. So sir, is it fair to assume that if the heavy, light differential remains narrow on similar levels apparently, you will not expect a big jump in GRM at least from Paradip in the near term. Is that a fair way to look at it, sir?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [90]

No, but the ramp up in any case will -- is going to be there because it is designed to help process, design to handle about 33% to 40% heavy crudes. So even if the differentials are low, there will be a jump based upon increase from 20%, 21% to maybe about 33% to 35% heavy crude processing.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [91]

Okay, okay. Sir, last question the -- I believe the total amount outstanding on behalf of DBT and other subsidy is now around 1 90 billion. Can we get a sense of what period this pertains to? Till when have we not received the payment?

Unidentified Company Representative, [92]

Q2 onwards.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [93]

No. We did not received Q2 onwards. But now we hope it to be -- we hope to receive it now shortly because once the full budget is also there, there is no apprehension of not receiving it actually.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [94]

No, no. I was trying to get a sense of what period it pertains to, sir.

Operator [95]

Next question comes from Pinakin Parekh from JPMorgan.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [96]

Sir, my first question is just going back to the debt number and the debt has come off, you said, to around INR 81,000 crores. And as and when the government payment comes for the outstanding, which is INR 10,000 crores number, given what the CapEx plan the company has in mind, how should we look at debt through the course of FY '20 versus the INR 88,000 crores number, INR 86,000 crores number reported in March 2019? Should it come off? And if we have status quo in operations, how much should it come up by, sir, over the next 12 months?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [97]

See, assuming that the government dues are received, this will bring down the debt drastically. And then we have got CapEx plans and we have also got our internal accruals for -- I mean for the year. Keeping all those factors into consideration, you will find there'll be a steady growth in the debt. It -- there may not be a quantum jump in what you're seeing right now, but there'll be a marginal growth, maybe around 5% or so would be the growth in the debt that would take place. But you see CapEx is only INR 25,000 crores. Last year, it was INR 26,000 crores. So this year, it's only INR 25,000 crores. And with robust internal accruals that we are predicting and we are estimating, probably we'll have a marginal growth in debt. When I say this, I would say with an emphasize that the government dues will be coming in time.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [98]

Understood, sir. And when is the marginal growth in debt? We are assuming levels of, what, INR 71,000 crores, which is INR 81,000 crores minus INR 10,000 crores. And from that INR 71,000 crores, it goes higher? Or from this INR 86,000 crores...

Sandeep Gupta, Indian Oil Corporation Limited - CFO [99]

Yes, yes, yes.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [100]

The INR 71,000 crores, right, sir?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [101]

Right, right. 70 -- I think you can range between INR 71,000 crores to INR 75,000 crores depending upon opportunities that do come in CapEx, also we have got an E&P stuff coming up or something of that sort, probably we may have to increase it, but then it will remain per se within INR 75,000 crores.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [102]

Understood. Sir, my second question is to a question earlier on marketing, you had said that FY '19 profitability should be there. Now sir, FY '19, marketing EBITDA was INR 15,000 crores and FY '18 was only INR 8,200 crores and broadly the marketing segment volumes have not much changed. So should we assume FY '19 on a full year basis to be the starting base for the marketing segment EBITDA for F '20, which is an anyways higher compared to the previous year? Or should we take F '18 as the starting base, sir?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [103]

So maybe somewhere in between.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [104]

Somewhere in between, sir.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [105]

Yes.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [106]

Understood. And sir, lastly, the -- at Haldia, the coker -- the distillate yield improvement project was commissioned -- I think completed in June 2018. Any material improvement we can expect at that place? I would assume that...

Sandeep Gupta, Indian Oil Corporation Limited - CFO [107]

Yes, we are going to commission it in this quarter, so it was mechanically completed and we will be commissioning it now, operating it in this quarter.

Probal Sen, IDFC Securities Limited, Research Division - Former Security Analyst [108]

Understood. And sir, what should be the benefit that we can accrue from there?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [109]

Basically it's -- distillate yield improvement will be there at Haldia, which is presently about 68%. It will go up by 4%. And the capacity improvement will be there from 7.5 million to 8 million metric tons. And it's -- actually, high sulfur crude processing capacity will also increase from 60% to 80%.

Operator [110]

Next question comes from Vishnu Kumar from Spark Capital. He's withdrawn the request. And moving to the next question, next question comes from Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari, Morgan Stanley, Research Division - Research Analyst [111]

A couple of questions from my side. First, sir, when you look at IOC on your overall refinery consolidated basis, how should we be thinking about your total ability to process high sulfur crudes and heavy crudes in F '20, F '21 considering a couple of cokers have got kind of -- that will be kind of cutting commission as well as you have had partnership as you were kind of pointing out increasing the overall usage of that crude? And the second thing was in terms of your product slate, considering you're now starting to use more U.S. crudes, how does it impact your output on that front as well if you can just give us some color there?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [112]

Yes. Now the high sulfur crude processing as of now is about 55% to 56% -- sulfur crude processing 55% to 56% for IOC as a whole -- IOC refineries as a whole. And we do not expect any material change because that also depends upon the differential which is there between high sulfur, low sulfur crudes, which is practically not there of late. So we may -- in fact, there is no point in sourcing high sulfur crude if there is no differential -- if there is no attractive differential, so -- but then largely, this is going to be the range in future also.

Mayank Maheshwari, Morgan Stanley, Research Division - Research Analyst [113]

Yes. No, sir, so I was just thinking at what levels of differentials do you think things get attractive from IOCL perspective?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [114]

So maybe about $2.5 to $3 differential generally seen as an attractive differential. And coming to the U.S. crudes, I'm not very sure at this point in time that what is the yield which the U.S. crudes give. So maybe we can inform you later.

Operator [115]

Next question comes from Vinit Joshi from Goldman Sachs.

Vinit Joshi, Goldman Sachs Group Inc., Research Division - Equity Analyst [116]

So I know you've given some BS-VI CapEx for fiscal year '20, but on an overall basis, can you please remind us how much BS-VI CapEx are you planning to spend? And what sort of recovery mechanism are you looking at that? So will you be charging higher fuel prices for the BS-VI fuel? Or how will we recover the CapEx that we're going to do on this?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [117]

So the total CapEx is above -- of the order of INR 16,000 crores -- INR 16,500 crores for BS-VI projects, and recovery is at the international prices given the mechanism. So whatever is the differential in the international market for BS-VI, that only will be possible. No additional recovery as of now.

Vinit Joshi, Goldman Sachs Group Inc., Research Division - Equity Analyst [118]

Okay. And sir, on the gas side, sir, can you give us some color in terms of how much gas volume are you looking at the terminals for, say, FY '20, FY '21? And are all the pipelines which are required for those volumes in place? And if not, then when do we expect the pipelines to be in place?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [119]

We expect to do about 0.5 million metric ton by the end of this year and maybe about 1.5 million metric ton by the end of 2020, maybe 0.75 million metric ton by the end of this calendar year and about 1.3 million, 1.4 million metric ton by the end of 2020 calendar year. That's what is thought of at LNG terminal.

Vinit Joshi, Goldman Sachs Group Inc., Research Division - Equity Analyst [120]

And all the pipelines are there, sir, which will be required to supply this to the customers?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [121]

Not all, but yes, we will be supplying -- we started supplying to Manali refinery and we will be supplying to Madras Fertilizer and Tamil Nadu Petro Products also.

Vinit Joshi, Goldman Sachs Group Inc., Research Division - Equity Analyst [122]

Okay. And sir, last question, sir, we read in some media release that you have prepared some products related to IMO 2020 specifically, so can you just give some color on that, that how you're looking to monetize that?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [123]

We have at Gujarat Refineries, the readiness to produce 1 million metric ton of IMO-compliant FO and another 0.5 million maybe at Haldia Refinery against a total requirement of about perhaps 1 million metric ton for the nation. So we have all that IMO compliant bunker fuel in our basket.

Vinit Joshi, Goldman Sachs Group Inc., Research Division - Equity Analyst [124]

And how are you preparing this? I mean is it because of the higher coker capacity that you have? Or is it a change in crude diet that you will take because of this? Or are you adding some desulfurization capacity for high super fuel oil?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [125]

I am not very sure on these technical aspects.

Operator [126]

Next question comes from Aditya Suresh from Macquarie.

Aditya Suresh, Macquarie Research - Head of HK & China Oil & Gas and Oil & Gas Research Analyst [127]

Just have one question. Can you speak a bit about your incremental returns on your CapEx plan?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [128]

Aditya, can you just repeat because you are not so audible right now. You said something about the CapEx.

Aditya Suresh, Macquarie Research - Head of HK & China Oil & Gas and Oil & Gas Research Analyst [129]

I'm just looking for the incremental returns that you expect from the CapEx, which you'd planned to spend in '20 and '21?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [130]

Though various projects will have different returns depending upon the verticals in which they are, but generally we -- our management approves the projects based upon hurdle rates -- projects specific hurdle rates, which are markup of this premium over our cost of capital. So those should be the range of returns which you then expect.

Aditya Suresh, Macquarie Research - Head of HK & China Oil & Gas and Oil & Gas Research Analyst [131]

Any broad comment you can make on what that hurdle rate might be, any rough range?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [132]

Roughly about, say, 13% to 14%.

Operator [133]

Next question comes from Yogesh Patil from Reliance Securities.

Yogesh Patil, [134]

Sir, can you give us details about the planned maintenance shutdown scheduled for IOCL refinery for next 2 to 3 quarters and mostly from the point of view of BS-IV fuel upgradation?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [135]

While we do not have the complete details of shutdowns which are planned for -- do we have?

We have shutdowns at various units. So maybe starting with August '19 and ending up to March '20, we have shutdowns at various of the units. So refinery-wise, there are very different units, there are different shutdown months, so -- but then yet shutdowns are there at various refineries.

Yogesh Patil, [136]

So do we see a fall in the throughput mostly because of refineries are getting upgraded for BS-VI standard fuels in FY '20?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [137]

Starting with Q2 -- or in fact the end Q2 and maybe Q3 and Q4 of the shutdowns.

Yogesh Patil, [138]

Okay, okay. And sir, the second question is related to retail outlets. How many new auto fuel retail outlets addition is expected in FY '20? Are you targeting any numbers?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [139]

We generally do about 1,000 retail outlets in a year, but then we recently had massive expansion program also which were advertised. So let us see how many materialize because those papers are to be verified depending after the applications. So let us see how many do materialize. But say, 1,000 is only minimum we can expect per annum.

Operator [140]

Next question comes from Prayesh Jain from Yes Securities.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [141]

Just a couple of questions. Firstly on the BS-VI cost in terms of OpEx, how much will return to refinery OpEx?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [142]

On the OpEx of -- in case of BS-VI, probably we'll have to work upon that because right now we are not having those figures because, as I mentioned earlier, we are just -- we were focused on the annual accounts and the related numbers. But I think we're getting into too much of the technicalities. Probably at a different time, we will be able to take up that question once it comes into.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [143]

Okay. Sir, what is the overall refinery OpEx in FY '19?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [144]

That can be given. Just give us a moment for that.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [145]

Okay. And secondly, anything on the West Coast refinery that you can share?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [146]

Yes. The configurations, you are aware that the land was denotified. Whatever was earlier allocated at Ratnagiri was denotified. And new piece of land has been identified at Raigarh district, so about 30,000 acres. So that process of notification, acquisition, et cetera is going on. Pending that, the configuration study for the refinery is in advanced progress and it is getting finalized. So no delay per se because of land acquisition issues. Our studies which were to go firstly are in full swing.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [147]

Sir, any major CapEx that would come on account of these -- on account of this refinery in the next couple of years?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [148]

Not exactly in the next couple of years, it may not materialize -- any major CapEx may not materialize in the next coming years because, yes, the configuration strategy itself are under progress as of now.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [149]

Okay. So you'd be sharing the OpEx numbers, right?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [150]

OpEx for the year '18, '19 for IOCL refineries, excluding the precision and exchange fluctuation is $2.36 per barrel.

Prayesh Jain, Yes Securities (India) Limited - Executive Vice-President [151]

This is excluding products and depreciation?

Sandeep Gupta, Indian Oil Corporation Limited - CFO [152]

Yes.

Operator [153]

That will be the last question for the day. Now I hand over the floor to Mr. Bhavin Gandhi for closing comments.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [154]

Thanks, Priyanka. On behalf of Batlivala & Karani, I would thank the management and all the participants for taking the time out for the call. Thank you.

Sandeep Gupta, Indian Oil Corporation Limited - CFO [155]

Thank you, Mr. Bhavin.

Operator [156]

Thank you, sir. Ladies and gentlemen, this concludes the conference for today. Thank you for your participation and for using (inaudible) conference call service. You may disconnect your lines now. Thank you, and have a pleasant day.