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Ladies and gentlemen, good day, and welcome to the BPCL Q4 FY '20 -- and FY '20 Earnings conference call hosted by Antique Stock Broking. (Operator Instructions) Please note that this conference is being recorded.

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

Nitin Tiwari, Antique Stockbroking Ltd., Research Division - Research Analyst [2]

Thank you, Aisha. Good morning, everyone. I hope you are keeping healthy and safe. On behalf of Antique Stock Broking, I welcome everyone to BPCL's fourth quarter earnings call. We have the pleasure of having with us today the senior management team from BPCL, represented by Director of Finance; Shri Vijayagopal N.; CGM Treasury, Ms. Theresa Naidu; GM Finance, C.V.R.K. Gupta; CFM Pricing, Ms. Jenny C.L.; Senior Manager, Pricing, Mr. Ganesan Jaibal; and Manager, Pricing, Mr. Girwar Bhattad.

I would now hand over the call to management for the opening remarks, which shall be followed by a question-and-answer session. Over to you, sir.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [3]

Thank you, Nitin. Good morning, one and all. We trust all of you and your family are safe in the current times of difficulty. Before we begin, I would like to mention that some of the statements that we would make during this con call may be forward-looking in nature, and we believe that the expectations contained in such statements are reasonable. However, their nature involves number of risks and uncertainties that may lead to different results. These forward-looking statements represent only the current expectations and beliefs, and we do not provide any assurance that such expectations will prove correct. Our results were published yesterday, and we had circulated the handout containing major highlights thereafter.

On the physical front, our refineries throughput for this quarter stood at 8.39 million metric tonnes, which is higher than the 8.21 million metric tonnes we processed in the corresponding quarter of the previous year. For the full year, the combined throughput was 31.91 million metric tonnes, as against 31.01 million metric tonnes for the previous year.

Distillate yields were better at 83.88% as compared to 81.64% in the comparable quarter. Full year distillate yields were again higher at 84.53% versus 82.31%. We have closed the Q4 FY '20 quarter with a negative PAT of INR 1,361 crores as against a positive PAT of INR 3,125 crores in the comparable quarter last year. Tax for the full year was INR 2,683 crores as against INR 7,132 crores for the previous year.

Earnings before interest, tax, depreciation and amortization, EBITDA, amounted to negative INR 543 crores for the quarter versus positive INR 5,863 crores for the Q4 FY '19. Full year EBITDA was INR 8,640 crores versus INR 14,948 crores for the previous year.

Inventory loss for the quarter amounted to INR 4,902 crores as against a gain of INR 356 crores in the same quarter last year. Inventory loss for the full year was INR 4,718 crores as against a gain of INR 1,064 crores previous year. Gross under recoveries on sale of SKO PDS were at INR 22 crores for the quarter as against INR 120 crores for the corresponding quarter last year.

For the full year, under recoveries were at INR 255 crores as against INR 883 crores previous year. Net under recoveries after accounting for subsidy have been nil for the quarter as well as for the year. CapEx for the quarter has been at INR 400 and -- INR 4,780 crores and for the full year, it was INR 11,064 crores. On the market front, our domestic sales was lower at 10.73 million metric tonnes as against 11.35 million metric tonnes in the comparable quarter. The growth was mainly led by petrol 5.13% and LPG 5.84%.

Exports during the quarter were at 0.51 million metric tonnes as against 0.3 million metric tonnes for the comparable quarter. Our market share among PSUs for the year 2019/'20 in MS has been 28.71% versus 28.64% in 2018/'19.

In HSD, our share is 28.95% amongst PSUs as against 29.02% in the previous year. We are now open for the question-and-answers round. As this is a post-results conference call, we request you to kindly request to restrict your questions to the quarterly performance alone, please. Aisha?

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Questions and Answers

Operator [1]

We can now begin the question-and-answer session. (Operator Instructions) The first question is from the line of Probal Sen from Centrum Broking.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [2]

I had two questions. One was, sir, you have mentioned the COVID-related write-down of INR 1,080 crores, and you've also mentioned the inventory loss for the quarter is somewhere around INR 4,700 crores, yes, INR 4,900 crores. So I'm sort of trying to reconcile the two numbers. How do we actually look at what inventory is sitting in the EBITDA? And what is now -- and what is being separately accounted for as a COVID impact in terms of INR 1,080 crores?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [3]

That amount of INR 4,000-odd crores includes the extraordinary amount of INR 1,080 crores and according adjustment because these are exceptional items where we had to write down the inventory to the net realizable value. But after inventory loss that is included, including this INR 1,080 crores.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [4]

So can we understand on the -- similar to what you mentioned in terms of the INR 4,900 crores for refining and marketing. Of this INR 1,080 crores, can we have that breakup in terms of what write-down you've taken in refined -- on the refining front and on the marketing front, sir?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [5]

I can tell you that our marketing inventory loss was INR 1,937 crores in the quarter. And the previous period, it was a gain of INR 272 crores. And for the year, the marketing inventory loss was INR 1,833 crores, a gain of the previous year of INR 134 crores.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [6]

Sir, I got that. What I'm trying to ask is that, as you mentioned that in the INR 4,900 crores, the INR 1,080 crores write-off is included. All I'm asking is that like for INR 4,900 crores, you have given the breakup, INR 2,965 crore is refining. And as you mentioned, INR 1,937 crore is marketing. The INR 1,080 crores, can we have a similar breakup, so that we can exclude that from this number for segment-wise?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [7]

This INR 1,080 crores has a component of refining side of INR 400 crores.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [8]

Sorry, in INR 1,080 crores, refining component is INR 400 crores?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [9]

Yes. INR 50 crores is in the marketing side.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [10]

Got it, sir. Got it. Perfect. And sir, the second question I had, if I may, is the inventory loss that we have booked for this quarter? Can we get a sense of what price we have booked these losses at, in the sense of what would be the average price at which this inventory loss has been booked? I just want to get a sense of at what price do you actually start to recover? Because, obviously, a lot of it is essentially MTM, and cash losses have not really come. So what price has this loss been booked at?

V. Rama Krishna Gupta, [11]

Yes. My name is Rama Krishna Gupta, GM Corporate Finance. This inventory losses INR 1,081 crores, when we say, this is a write-down at cost or NRV, whichever is lower. Only in some of the channels, wherever inventory is there, those channels we have valued at NRV. Otherwise, majority of the inventory is valued at cost only. The cost is coming around crude of around \$39 to \$40, around.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [12]

So cost is \$39, \$40 and the actual -- the current price was therefore, both, dropped to \$25. So that is what would have been booked as loss is what you're saying, right?

V. Rama Krishna Gupta, [13]

Not for the entire quantity, not for the entire quantity. Only some quantity, where it will go for some channels where the NRV is lower. Some channels, our NRV is more than the cost. There we have written down. Some channels, the NRV is lesser than the cost. Only to that extent only, we have written down.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [14]

Got it. So is it fair to assume, sir, now that the Brent prices have rerun back up to \$39, a substantial portion can theoretically be recovered in 1Q?

V. Rama Krishna Gupta, [15]

Yes. Yes, wherever we have written down, substantial portion, already it has come back as reinstatement.

Probal Sen, Centrum Broking Limited, Research Division - Analyst of Oil and Gas [16]

Got it. That's what I was trying to get at. Sir, last question, if I may. The Director of Finance was, I think, on TV, he was reported in an interview saying that the CapEx has been cut to or looked to be cut to INR 8,000 crores for this year. Can we have a breakup in terms of where you're looking to cut down, if at all, from the INR 12,000 crore guidance earlier?

Neelakantapillai Vijayagopal, Bharat Petroleum Corporation Limited - CFO, Director of Finance & Additional Director [17]

Okay. I'm Vijayagopal. What I was explaining was that we have taken a look at the new small projects. We have a categorization of projects into small projects and major projects. Any projects costing up to INR 150 crores is considered minor projects. So for the new minor projects, we have been taking a very harsh look and try to make it as few number as possible, which are essential. And in the case of major projects, the cost is coming down, not necessarily because we are cutting or deferring but for the sheer reason that in the month of April, May and, maybe, even June, most of the projects are happening in Kochin or in Mumbai, where the situation is not conducive to spend money because work is not possible because a lot of migrant laborers have engaged in this job. In the case of PDPP, for example, licenses are required for the commissioning. Licenses have to come physically. They are in Europe. So there has been some delays on

account of that. We have not deliberately decided to make a major cut, unlike in the case of oil majors. But INR 12,500 crores coming to INR 8,000 crores is a cautious decision because we don't want to burden the company at this time with a huge CapEx affecting the borrowing level as our debt-to-equity ratio. It will have no major impact on our future.

Operator [18]

The next question is from the line of Aishwarya Agarwal from Nippon India Mutual Fund.

Aishwarya Deepak Agarwal, [19]

Just two, three things, sir. I want to understand how the growth discounts for us for this first quarter? I'm talking about April [billing] quarter. So how are the fuel discounts at \$5, \$6 or something like that? And how do you see the marketing margins going forward given the crude oil has already rallied to \$40, as you are holding around that. So what is the industry thought process there in terms of improving the margin, so that at least we can come up with a normalized kind of EBITDA number? And the last is how we should see the CapEx number for FY '21?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [20]

So Aishwarya, this crude, we have been getting some discounts, especially in the month of April and May, and that was because of the prevailing conditions where the demand internationally was quite low, so our major suppliers had given the country discounts, and we had benefited. It was in the range of \$5 to \$7. Some suppliers were even giving up to \$8, \$9 discount. But that was a temporary phenomena, and now we are back to premium. In June, it is -- the premium is around \$2. So that is on the crude side.

V. Rama Krishna Gupta, [21]

Yes. On the marketing margin side, my request is that you don't take a marketing margin for a week or a month because what we generally do is that we try to avoid wide end fluctuations, and the sharp fall in the prices of products, we knew from the beginning, at the end of March itself, but this is not going to last. And therefore, that is one of the main reasons why we have not able to pass on the full benefit to the consumers.

If you take the marketing margins by rupees per liter for MS and HSD, for year '19, '20, the gross margin per liter was lower than what we collected in the year '18, '19. And for HSD, the marketing margin per liter is almost at the same levels that we collected in the year '18, '19. So there has been no sharp changes to the marketing margin on a year-to-year basis. We intend to continue this practice. And today, we are facing a problem of very low fracs and prices going up, and therefore, the marketing margin is under stress, but it is not our intention to immediately recoup all that growth that we have. We will ensure that over a long-term basis, our marketing margins remains more or less on a standard level. In spite of the fact that we are investing heavily include putting up new retail outlets and infrastructure, as a matter of fact, in the year '19/'20, we have put up 1,447 new outlets, which is the biggest number among the OMC.

Aishwarya Deepak Agarwal, [22]

That's commendable, sir, in terms of expansion of the marketing network. So what I'm understanding that FY '19 MS, HSD margins, the gross margin for the marketing side, that is the endeavor of the industry to [benefits] of a consumer.

V. Rama Krishna Gupta, [23]

Yes, you are right. You captured it correctly.

Aishwarya Deepak Agarwal, [24]

Sure. And sir, and coming to room to discount, if price is \$7 and then \$1.2 premium. So correct me if I'm wrong. So April, May, we are getting discount price to \$7 and the June or maybe the July, we are in a \$2 tier. Is that correct?

V. Rama Krishna Gupta, [25]

You can still -- you can take it like that because the discount and premium is a function of the world demand for crude oil. And actually speaking, it doesn't really matter to us because what matters to us is a landed cost of fruit as a first component because what matter to us is the landed cost, FOB, plus other things, so first.

And secondly, our profits are not based on crude prices, as you know. Our profits are essentially all the crack spreads, which we get out of focusing the crude oil. So discounts had helped us in the month of April, when the prices were up, normally low. That was because the demand in the growth was abnormally low and Saudis has no option, but to offer an Asian discount. So we benefited. But that -- we knew that it was not going to last. They also knew it was not going to last, but discount of \$7 on a price when the crude oil was around \$30 is very unlikely to sustain, we all knew that. But we took advantage of situation. We have also taken some decisions to increase the good purchase for the month to ensure that we get benefited out of that low price ratio.

Aishwarya Deepak Agarwal, [26]

Sure, sir. Sir, just one last question. I understood that even in the month of June, we are availing to south of or south \$5 plus. And probably in the month of July, that \$5 is reducing to \$2. So basically, discounts are there \$5 in June and maybe \$2 in July, but what you are saying is a \$2 premium. There is no discounts as such. Correct me, please.

V. Rama Krishna Gupta, [27]

What I'm saying are 2 statements. One is that discount premiums are not decided by BPCL or not even by India. It is decided by the suppliers based on the demand-supply situation. For us, what matters is the landed cost of crude. That is the first statement.

Second statement is that the crude prices are not the determinant of our profitability. It is a difference between crude and product side. So therefore, to say that discount was there in April, and premium is there in May, if the crack spread in April was lower and the crack spread in the 1st of July is better, my profit in July will be better compared to the discount of the month of April.

Operator [28]

(Operator Instructions) The next question is from the line of Pinakin Parekh from JPMorgan.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [29]

Sir, just three quick questions. The first is that there is an inventory loss, which is INR 4,900 crores as of March. That is basically lower of cost of market price. But given that this inventory would have been sold in April, and April prices were still very low, is it fair to assume that this would have translated into a cash loss in the first quarter?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [30]

The inventory losses are not old cash losses. To the extent we sell the product at the price lower than the price, which is recognized in the March 31 statement, this is actual cash loss. And if it is available for sale subsequent, landed prices have improved, that is only a notional loss. So to what extent this has been notional loss, to what extent it is cash loss, we do not know, because we had abnormally high level of inventory in the month of March. Because the demand has come down drastically, we had a commitment to buy certain crude, and we have bought that crude and we have virtually sorted some crude. And the process that we had record levels of marketing inventory at the various locations of ours. So the foreign prices and the abnormally high quantity of products and tool, is the reason why we find such a huge inventory loss. I'm not saying that all inventory loss that is recorded is recovered in subsequent months. It is not possible because we are continuously selling. We have not closed an operation even in the worst situation of COVID in the country.

We have been operating to the extent of the demand, which was there in the country. We ran all the refineries. We have not taken a shutdown at all. We have run all our outlets, and we have sold what the market needs. So to the extent that products have been sold in those periods, we have actually suffered cash loss if the price was lower than what is recorded as a closing stock price.

Pinakin M. Parekh, JP Morgan Chase & Co, Research Division - Associate [31]

Understood. And sir, my second question is, sir, on the NRL stake sale, what is the update? Because I think BPCL also was starting the process on its own site.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [32]

Actually, NRL is a different transaction linked to the BPCL disinvestment. The process is on, and we will come to know later details. As of now, it is a decision taken by the Cabinet Committee on Economic Affairs to sell to the PSU oil companies in the country. The process is on, but as we are extending the base of the expressions of -- in the submission and also the fees to end of June and end of July. And now it has happened simultaneously, as that is what we expect because we want to ensure that as far as possible, the NRL (inaudible) and BPCL disinvestment should happen concurrently. It is not going to delay. But since I do not know to put a time date or timeline to the disinvestment date of BPCL, I do not know how to answer your question as to when NRL is going to happen. Only thing I can tell you is that it is our decision that both the transactions should happen concurrently.

Operator [33]

(Operator Instructions) The next question is from the line of Amit Shah from BNP Paribas.

Amit Shah, BNP Paribas, Research Division - Analyst [34]

Just a couple of questions from me. First one on the refining side. When do you expect utilizations to come back to normalcy? And as of today, we understand, it is around 70%. Is it fair to say that from where we stand today, probably Q2 looks like you should be back at full utilization? That's question one.

Second is on the marketing margin that you highlighted that for MS, it was lower as compared to FY '19. And HSD, it was constant as like FY '20. What was that marketing margin numbers, you can share?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [35]

First question on refining. As of date, when we speak, we are running our group refineries at 83% of the recent capacity. It is improving actually very steadily.

Now to answer your question whether July will be able to run at 100%, depends on the lockdown how that country is going to open up and how the pandemic is going to be contained. We have capacity to produce products depending on the demand for the products in the country. We do not now, and we are ready. As of today, we are expecting, as we are experiencing, that the demand is going up steadily, as the lockdown is getting lifted. As of today, we are producing at 83% of decent capacity, which is the best among the oil companies.

And second to answer your question, I would not like to give a specific number. I can only tell you that our MS and HSD margins are hovering around INR 2 per liter on an average, it will take all the year.

Amit Shah, BNP Paribas, Research Division - Analyst [36]

Okay. This is net margin, right?

V. Rama Krishna Gupta, [37]

Gross margin.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [38]

It is a gross margin.

Operator [39]

Your next question is from the line of Anubhav Aggarwal from Crédit Suisse.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [40]

First question is on the debt increase sequentially, substantial increase in debt in the fourth quarter. I can understand significant CapEx and dividend also paid out in this quarter, but that could explain only half of it. What was that almost there's a INR 17,000 crore debt increase in this quarter. Can you just take us how much it was temporary? How much can revert in quarter 1, et cetera?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [41]

Yes. One reason for this number of INR 47,000 crores is that one, INR 6,000 crores is included (inaudible) Ind AS adjustments on lease, So which is not a real borrowing, but an according adjustment. Net of that, it is only about INR 41,000 crores. We have taken a borrowing of INR 5,900 crores on March 31. So if you take -- actually, it is better to convert the average borrowings for the quarter vis-à-vis the previous quarter that is sequential or the previous corresponding quarter. Our average borrowing has been for this quarter at March 31 when we ended was about INR 32,000 crores, against INR 26,000 crores on average in the sequential as well as the Q4 of previous year. It is right, but it is not alarmingly high. And as the situation improves in the first quarter, we are expecting that second quarter at least we will be back along. Even at this level, our DE ratios are very, very healthy.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [42]

No, sir. Just trying to understand what led to this spike? Even you're right, average borrowing will be a right metric. But even at the end of the quarter, what led to such a spike? And was it all to fund the working capital spike or what the...?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [43]

Yes. Yes. This INR 5,900 crores was taken basically because there was a huge demand drop of products. And most of the outlets, the issue was that customers were not able to hand in cash and some of the dealers were unable to access cash. And there was a difficulty in having to express certain additional number of base credits to the retail dealers. So there were a number of issues collected with the pandemic situation. We had right to the occasion to ensure that the products are available to the customer. And we wanted to ensure that customers are not inconvenienced. So there were a number of issues. It was not temporary. I can assure you that it was all temporary and a spike of even INR 5,000 crores increase in that, but it is not INR 17,000 crores as you see from the numbers. It is not a very, very significant number for a company of our size.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [44]

Sure. And my second question is on, you mentioned crude inventory built-up when the discounts were large in April and May. Can you just roughly help us how long -- how many weeks you can sustain on that crude inventory? So why I'm asking this question is the premiums have gone up when some discount is converted to premium, but because we have built up inventory, so we could be making higher margins for a few more months.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [45]

See when the prices were some of the lowest levels, discount was highest. When the prices are going up, the premium is coming up. So therefore, the crack spread for those months, there were -- we had actually - as I was mentioning, we had actually taken higher volume of the crude inventory, taking advantage of the low price situation in the month of March and April.

In fact, about 1 million tonnes to (inaudible) our crude inventory, we have taken 1.5 million tonnes. It is not possible for us to stockpile crude oil in anticipation of taking a view on the crude prices because we are not a trading company. We have taken advantage of situation. We have also helped the government to take and increase the number into the strategic reserve, taking advantage of the low prices. It is not our business to take a view on the crude oil and stockpile crude oil in anticipation of its prices going up.

But I can tell you that we have taken advantage of the prices to the extent possible within our constraints of storage because if you see that projects was also not very economical because the rates have gone up very high. Freight rates were astronomically high. And we had also an intention to ensure that our liquidities were affected by stockpiling crude. That's a huge risk if the price has come down again. So we have been very conservative, but we have been very lucky in the sense that we have been able to take advantage of that lower prices. I will not be able to tell you exactly how much it is going to benefit us, it has benefited us, that much I can say, qualitatively.

Operator [46]

The next question is from the line of Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari, Morgan Stanley, Research Division - Research Analyst [47]

Yes. My first question was related to how are you kind of managing the shift in demand mix because, obviously, as you mentioned, there was an increase in LPG demand and aviation fuel demand had come down. So from a refinery perspective, can you just give us some color on how you're managing this?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [48]

We did several things. We have imported more than the required normal levels because it has been very helpful from the Middle Eastern countries with which we have best of relationship. Imports were higher, and also the private refiners were also helpful in giving us more LPG than required because they are all Petcom numbers though production was not good because of the demand slackening.

Our refineries itself has also done various things, including change of the crude mix and certain other adjustments in the process to increase the LPG numbers. It's a combination of several practices to ensure that the product demand of LPG was met, and we have also ensured that the PMUY, the initiative taken by the government was also fulfilled and ensure that the first cylinder reached its customer as far as possible in the first month itself.

Mayank Maheshwari, Morgan Stanley, Research Division - Research Analyst [49]

On the jet fuel side, anything that you have done?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [50]

Aviation, we have a flexibility to reduce the aviation by converting that to other products, especially diesel.

Mayank Maheshwari, Morgan Stanley, Research Division - Research Analyst [51]

Okay. Okay. And sir, the second question was related to the BS-VI implementation of how much are you able to pass on some of these higher cost of BS-VI to the consumers yet?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [52]

On the BS-VI implementation, we have actually been able to provide the consumers the BS-VI quality from the middle of February itself as against our declaration that it will be available from the 1st of April.

We have invested substantial levels in the CapEx and our OpEx on providing BS-VI fuel is also higher. A small portion of this has already built in, in the prices of the consumers. In spite of that, as I was mentioning, the MS prices marketing margin has actually been lower compared to '18, '19 and also diesel prices have also been -- marketing margins are being made at the same level. It is not our intention to pass on the full impact of the total expenditure to the consumers because we want to ensure that the burden is as smooth as possible. At the same time, to ensure that we are able to get -- a recoup of a portion of the CapEx and the OpEx fuel costs.

Operator [53]

The next question is from the line of Mayur Patel from IIFL Asset Management.

Mayur Patel, [54]

Sir, if we just consider the current spreads on products and the current discount, which we're getting on the crude, what kind of current GRMs on a recurring basis, are we seeing currently?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [55]

Actually, it is not -- as I was explaining again and again, it is not a discount at margin, but crack spread margins was more. The difference between the product prices that we get (inaudible) prices. Even If you take, neither MS nor HSD who is very profitable. As a matter of fact, for -- the crack spread for the MS are negative. And diesel is also very small. It may also turn into negative territory. So today, the margins, refining side, if you take refining as a business today, these were very profitable.

Mayur Patel, [56]

So if you have got any range or any indication, can you give? Say today if we are processing a certain number of barrels, what kind of GRMs are we attaining currently?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [57]

\$

Quarter one of FY '21, the gasoline tax is minus \$0.37. And gasoline crack is about \$8, whereas the gas oil tax was just about \$16, generally about \$14 to \$16 range, to get only half. And gasoline tax, which used to be about \$10 is now about minus \$1 around that. So it is very implicative that the refining is not a profitable thing, but we don't expect this to sustain into this level, but crack spread is not sustainable, is our belief.

Mayur Patel, [58]

But what you reported some very extreme \$7.4 for year-end, when the spreads were similar only.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [59]

That is Q4. I'm talking about Q1.

Mayur Patel, [60]

Yes, no, which is what I'm taking Q4 also, the spreads were pretty low, but still we reported at \$7.4 year-end. Maybe some bit of benefits from all these discounts could have come.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [61]

There are discounts. There are other adjustments, as I was mentioning, the marketing margins are more evenly spread throughout. So there are a lot of issues. I would not like to comment on the specifics. You are right that I can only tell you that directionally, defining margin on a day-to-day basis today is not profitable.

In India, we are ensuring that Indian refineries and marketing communities together have a flexibility to improve the marketing margins when the refining side is poor and reduce the marketing margins when the refining gives benefits because that is why we have integrated our company. You cannot just take the crack spread as the basis of our ERR because RTPs are also a function, not only of the crude prices, but also the result of inventories and other assets.

Mayur Patel, [62]

Sure. Sir, just another question on the debt, which you explained. Sir, I didn't get it properly. Can you just explain that this INR 6,000 crore is an accounting adjustment. So INR 41,000 crore from INR 26,000 crore is

the increase. How much of this is temporary because of the factor you mentioned that due to support dealers and -- which is like because of the pandemic?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [63]

Actually, what I mentioned was on March 31, May 1, we have taken a loan of about INR 5,900 crores. And a point to point basis, it's not a right way to compare the borrowing levels. Borrowing levels are to be compared on the average borrowing. Average borrowing could be in the fourth quarter, INR 32,000 crores and not the INR 41,000 crores. So INR 32,000 crores versus INR 26,000 crores is a hike, but not a very high increase, considering the situation of lower demand and the lower sales and lower production.

Mayur Patel, [64]

So which is largely temporary in nature, and this will reverse going forward. Is it fair to...

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [65]

Yes. It is fair.

Operator [66]

The next question is from the line of [VK Kumar] from Spark Capital.

Vishnu Kumar A.S., Spark Capital Advisors (India) Private Limited, Research Division - VP [67]

Sir, in the opening remarks, you mentioned the other -- one of the questions that not all inventories have been taken at NRV at cost. So would you just repeat that? Why would that be that some inventories at NRV and some are at cost?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [68]

Some of the inventories we now categorized into different channels. For example, if we have a channel selling gold inventories to other OMCs, I can realize only at RTP. If I'm selling those inventories in the market, I will get at market prices. So accordingly, entire inventory, we bifurcated to the channels. Only wherever my realization is less than the cost, maybe in terms of my OMC, aviation and another product, where my NRV is actually less than the cost, that is the reason we revalue at revisable value. But otherwise, where we are selling the inventory to the market, most of the volume yield, my NRV almost, either it is equal to the cost or it is more than the cost.

Vishnu Kumar A.S., Spark Capital Advisors (India) Private Limited, Research Division - VP [69]

So at least on the refining side, all the inventories have been marked down to the closing price as of March 20?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [70]

No, not all the inventory, not all the inventory. Only some portion, that is the impact of around INR 400 crores refining write-down.

Vishnu Kumar A.S., Spark Capital Advisors (India) Private Limited, Research Division - VP [71]

Okay. Got it, sir. Sir, and have you written down any investments in our E&P portfolio internationally?

Ganesan Jaibal, [72]

E&P portfolio?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [73]

We have made an impairment provision of about INR 590 crores in BPRL, and we have absorbed INR 802 crores loss of BPRL consolidation.

Vishnu Kumar A.S., Spark Capital Advisors (India) Private Limited, Research Division - VP [74]

Sorry, your voice is not audible, sir, if you could just speak a little?

V. Rama Krishna Gupta, [75]

Yes. Around INR 590 crores, there was an impairment in one of the group companies, in BPRL, and with that, we have ended up in the BPRL at group level around INR 305 crore profit -- negative, losses.

Operator [76]

The next question is from the line of Amit Rustagi from UBS Securities.

Amit Rustagi, UBS Investment Bank, Research Division - Analyst [77]

Sir, could you help us to understand that how much marketing inventory we had on March 31? And how much marketing inventory we have now and maybe now or in the last 1 month?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [78]

He is asking for the quantity of March 31.

Amit Rustagi, UBS Investment Bank, Research Division - Analyst [79]

Yes, the quantity, yes, your volumes.

Ganesan Jaibal, [80]

Amit, we will give this number offline as of today.

Amit Rustagi, UBS Investment Bank, Research Division - Analyst [81]

Yes. Okay. And sir, could you give us the number on outstanding from the government as of March 31. And the second thing is that have we started receiving money from the government in the last 2 months. And when will we start receiving for the treatment with which we are giving to the poor?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [82]

Actually, we started with a receivable in the year of INR 8,800 crore. As of March 31, it came down to about 5,400 -- sorry, INR 4,800 crores. So there's a reduction in the government receivable in the year '19/'20. As of adding April claims, we would be, as of end of April, it is INR 5,400 crores.

See the subsidy levels have come down because especially on the scale, there is not much subsidy now. And they save numbers, the production also has to own. The subsidy is now happening on the LPG, mainly. And as the LPG prices are soft, the subsidy amount for cylinder also is less, and therefore, the subsidy quantum itself is less.

To answer your other question about yearly wise free cylinder release, we have already been given a portion of the difference between the -- what was given received by us from the government?

Ganesan Jaibal, [83]

INR 58 crores have already been received.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [84]

What does that represent?

Ganesan Jaibal, [85]

That is the percentage. Obviously, we have given all the...

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [86]

No, no, no. That is actually a component of one portion. But -- I mean, one portion of the subsidy has already been released by the government for the free cylinder, and the balance portion will come as part of the normal subsidy mechanism. It's not a major hit on us because it's a 3 months, 1 cylinder each, which will be about INR 4,500 crores max, at the highest levels of LPG. Since LPG is coming down, it will be about INR 3,800 crores max for 3 months.

Amit Rustagi, UBS Investment Bank, Research Division - Analyst [87]

Will you have INR 300 crores for your company or for the sector?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [88]

For my company. I'm saying, first of all, the April was a highest peak number, which came down very drastically in the month of May. So till the date of INR 500 crores.

Operator [89]

The next question is from the line of Bhavin Gandhi from B&K Securities.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [90]

Sir, roughly if you can share the JV, I mean, the subsidiary numbers, NRL and Bina, the throughput -- I mean, the GRMs and the PAT?

Ganesan Jaibal, [91]

Yes. So for BORL, the GRM for the quarter end is \$2.5 per barrel. And if you consider for the entire year, it is around \$5.6 per barrel. The throughput for the quarter end is 2123 TMT. And for '19/'20, it is 8,000 TMT -- around 8,000 TMT. Coming to NRL for the quarter end, if we don't consider the FY '20 benefits, it is \$2.9 per barrel. And for the year-end, it comes to around \$8 per barrel. If we consider the excise benefit for the quarter end, the GRM comes to \$17 per barrel. And for the year-end, it comes to around \$24.5 per barrel.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [92]

And sir, the PAT number for the -- for both?

V. Rama Krishna Gupta, [93]

Yes. So PAT for BURL is negative INR 800 crores for '19/'20. And for the quarter end, it is profit of INR 840 crores. Coming to NRL, the PAT for the year end is INR 1,530 crores.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [94]

And sir, on -- can you share the update on the key projects like the petrochemical and other projects, which are ongoing, and the CapEx for FY '21? That's it from my side.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [95]

So major projects ongoing at the PDPP and the MS BP. So the MS BP is almost complete. And the first part of fuels BS-VI fuels -- BS-VI MS is already complete. The second part of conversion into -- conversion of naphtha and to MS is ongoing, and it will be completed shortly. And PDPP was mechanically completed and commissioning is ongoing. And the commissioning will involve some licenses visiting the plant and doing so because of COVID-19 situation, there are some slight delays in that because of the travel restriction.

And the plan for 2021, we were -- in the last call, we had told that we will be doing around INR 12,500 crores. Now we will be having a relook and certain smaller projects we will be reconsidering. And this year, we estimate to do around INR 8,000 crores to INR 8,500 crores for 2021.

Operator [96]

The next question is from the line of Saurabh Handa from Citigroup.

Saurabh Handa, Citigroup Inc. Exchange Research - Research Analyst [97]

Sir, most of my questions have been answered. Just back to the refining margins. Could you just give some color of if we add back the inventory losses, it's looking like a number of almost \$7, \$7.5. So could you give some sense of how this was the case because most of the OSP discounts have come only to the May end of the quarter or in this quarter?

Ganesan Jaibal, [98]

So Saurabh, over and above the discount, there was certain impact of the distillate yield, as I told in my beginning at this that the distillate yields were better for the quarter. So the defenses had done well. And as far as the inventory loss figure is that you would appreciate that it is an estimated figure. It's not -- I mean, there is no specific method of calculating the inventory a loss number. So the perfect thing to just add back the inventory loss and add back the core GRM, it is again indicative number.

Saurabh Handa, Citigroup Inc. Exchange Research - Research Analyst [99]

Okay. So would there have been any benefit of -- since your PDPP project is undergoing commissioning, any shift in yields in the refinery, to property or not ready in the Kochi refinery?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [100]

No. On commissioning of PDPP, what happens is that we will be able to reduce the NPV made because otherwise, it is -- you may convert that to propylene and then see it as the feedstock for this products. So today, we are making, instead of propane, we are making LPG, which is not giving that kind of margin because LPGs are very low-margin products, so profitability will improve, but we are actually awaiting the release of the licenses experts for commission assistants, and they are held up in Europe, and even India has not permitted travel from abroad. And unless the travel restrictions are eased, and they're comfortable to come to India, it is -- it will be little bit difficult. So we are now -- we had a plan to commission this by June. It is getting slightly delayed due to the whole.

Saurabh Handa, Citigroup Inc. Exchange Research - Research Analyst [101]

Okay. So any new timelines on that? On when the commissioning?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [102]

Depends on when they are actually allowed to come in and when they are comfortable coming into the country because that entirely depends on, I don't know, who can decide that because if the COVID situation worsens in the country in India, and if they are comfortable sitting in Europe, they may not like to come, right? So first of all, we have to decide when we are going to remove the travel restrictions for foreigners into the country. That is not in our hands. Secondly, that depends on the pandemic situation, how it is going to play out in this country vis-à-vis the situation in Europe. If our situation turns worse, we will work, but they may not be comfortable coming to the country. So I do not know how to put a timeline to that. As soon as it is permissible and possible, we will commission this.

Operator [103]

The next question is from the line of Vidyadhar from ICICI Prudential.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [104]

Yes. So my question is, one, if you could clarify on Numaligarh what this INR 15.3 billion, is your full year profit number? What is the?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [105]

Yes, INR 1,533 crores, that is a full year number.

Ganesan Jaibal, [106]

INR 1,533 crores is for the full year number.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [107]

INR 1,533 crores?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [108]

Right.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [109]

The next question is, could you give us some color on the crude, which you use by country in FY '20? A rough idea, how much of it comes from Saudi Arabia, Iraq?

Ganesan Jaibal, [110]

Yes. So around 26% comes from Saudi Arabia. And from Iraq, we import around 17% of the crude requirement. Another major country, which contributes to our total is Abu Dhabi, around 14%, 15%.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [111]

Okay. So Saudi Arabia is 26%, Iraq is 17% and Abu Dhabi is?

Ganesan Jaibal, [112]

14%. These are all approximate numbers.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [113]

And the trend will be roughly similar?

Ganesan Jaibal, [114]

Yes, yes, yes.

Vidyadhar Ginde, ICICI Securities Limited, Research Division - Oil and Gas Analyst [115]

Even going forward?

Ganesan Jaibal, [116]

Yes.

Vijayant Gupta, Edelweiss Securities Ltd., Research Division - Research Analyst [117]

Okay. And -- okay. So on the abnormal level of inventory that you said you will give offline? Or is it possible to give now -- so there was an earlier question on these 2.

Unidentified Company Representative, [118]

(inaudible)

Operator [119]

The next question is from the line of Nafeesa Gupta from Bank of America.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [120]

My question is on the MAT credit. How -- could you quantify the amount of MAT credit that we have that have not taken the lower tax rate in this quarter also?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [121]

The MAT credit outstanding is about INR 720 crores. And once this is taken, we'll convert to the new taxation.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [122]

Okay. And sir, secondly, my question is on this SPR results. How much money are we looking to receive from the government? And how much have you contributed to the SPR?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [123]

So around, we have contributed around 0.5 MMTP for strategic reserves. So that money has come in already. All the money has come in. It is not that we have contributed anything. We have actually a commitment to take crude oil. That crude oil has been actually transferred by Government of India. The full consideration for that has already been remitted by the government to us.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [124]

And sir, my last question is on NRL expansion. Is BPCL participating in any way in the sanction of the refinery now? Or are we not participating and looking for the sale first?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [125]

No. NRL expansion is on as far as we know. And whether we will be participating in it is question whether -- when we are going to get divesting NRL. So it's very unlikely that BPCL will be actually part of NRL expansion because it's a long-term project. It will take at least 4 years to complete. And the government's intention is to actually divest BPCL. And therefore, as part of that, the divestment of NRL from BPCL will also happen. So it will be very unlikely that BPCL will part of that NRL expansion at this stage.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [126]

Sure, sir. And lastly, sir, on the marketing margin side, since the government has hiked the excise and now food price is also rising, so the marketing margins, these are kind of contracting. Can we take further contraction in the margins? Or do we see it as further hike in retail prices now going ahead?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [127]

So on a sustainable basis, oil companies are not on the bad losses. It is a policy that marketing margins on a long-term basis are on a standard level. So I would not be able to comment on when we are going to it or at least we are going to realize the prices because one day's [spud] is not going to be the basis of increase in the prices because today I'm finding a reduction in the prices of Brent crude, so we'll watch the situation as it develops, and we will not be able to publish when we are going to revise the prices.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [128]

And sir, any premium on BS-VI-related, like any BS-VI-related premium on retail prices?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [129]

I already answer this, but we have been able to actually pass on a small portion of the spend on the BS-VI in the consumer prices, both on the RTP side as well as in the -- some portion of the market side.

Nafeesa Gupta, BofA Merrill Lynch, Research Division - Research Analyst [130]

Is it possible to quantify that now?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [131]

No, that is a classified information.

Operator [132]

The next question is from the line of Varatharajan Sivasankaran from Systematix.

Varatharajan Sivasankaran, Systematix Shares & Stocks (India) Ltd., Research Division - SVP of Oil, Gas, Telecom and Strategy [133]

Thanks, sir. My questions have been answered.

Operator [134]

(Operator Instructions) The next question is from the line of Rushabh Sharedalal from Pravin Ratilal Share and Stock Broking.

Rushabh Sharedalal, Pravin Ratilal Share and Stock Brokers Ltd. - Executive [135]

Yes. I just had one question regarding the Numaligarh Refinery. If you could share some insight on the valuation of the Numaligarh Refinery, how would it would look like? And as shareholders, would we get a right to vote through the postal ballot?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [136]

The NRL divestment process, we follow the DIPAM adopted processes. DIPAM has already appointed a valuer for BPCL and the same valuer will be doing the valuation of NRL. We have to wait till the valuation process is over and then a reserve price will be determined and the stake will be offered. So I will not be able to tell you at this stage as to what will be the valuation like. The process is on.

And secondly, this divestment being a material subsidiary, there will be -- shareholders consent will be taken at the appropriate time. And all the shareholders will be permitted and entitled to vote through postal ballot also.

Rushabh Sharedalal, Pravin Ratilal Share and Stock Brokers Ltd. - Executive [137]

Okay. So this valuation, how -- I mean, in what time period will it be completed, if you could please comment on that?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [138]

The process is on. As I was saying, the BPCL divestment itself, the timelines have been extended in view of the COVID situation. So we are what -- our intention is to fill in as far as possible that the privatization of BPCL and the divestment of investments, which we hold in NRL happen concurrently. Otherwise, there are various technical and commercial difficulties. So we will -- it is easier to do the NRL divestment as compared to BPCL divestment. So it is not a question of how, I can do it very fast. But then I don't want that to happen and neither NRL wants to happen, nor the Government of India wants that to happen. So we are trying to make it as concurrently as possible. So we have to wait for how the pace of divestment of BPCL takes place for us to decide a timeline for NRL.

Rushabh Sharedalal, Pravin Ratilal Share and Stock Brokers Ltd. - Executive [139]

But can we just expect that the process by August or September, will it be completed?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [140]

August or September is unlikely because EOI has been actually, date has been extended to July 31.

Rushabh Sharedalal, Pravin Ratilal Share and Stock Brokers Ltd. - Executive [141]

July 31.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [142]

So it will be very unlikely that it will be possible in the month of August or September. The best estimate, if you want a number, it has to be actually a question to be answered by DIPAM. It can happen earliest in the month of, maybe, December.

Operator [143]

(Operator Instructions) The next question is from the line of Rohit Ahuja from BOB Capital.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [144]

Sir, just a couple of questions on my side, first one being as of now how is the situation in terms of your overall margins and do we see whatever inventory losses that you have reported to be recovered in this quarter? And secondly, how do we see the situation in terms of consumption of petroleum products on your marketing side and when do we volumes normalizing to the pre-COVID situation level, which is like February?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [145]

The last question is easiest to answer. I'll answer that because we have actually seen the sharp recovery demand in the country. April was very bad. May was substantial improvement that we speak today it has come back to almost 70% of normal demand. It was almost 30%, 35% in April, about 50%, 55% in May and it is now hovering above 70% and depending on the progress of the lifting up the lockdown, it can happen as soon as in the month of July back to almost 90%, 95%.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [146]

So when you break down, the products wouldn't be diesel coming back to normal earlier and I have assumed 80-F would be still far behind because flights are not operating much?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [147]

That's right. that's right.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [148]

And petrol could also be still a long way to catch up?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [149]

Actually, our experience is that the MS has picked up faster than diesel because diesel, a part of it is used through state transport, buses and all. And that has not resumed in full strength. So MS has actually faster picked up. Diesel follows, aviation, of course, depends on the flyings and such things because the aviation is not a major component to speak of plus either in terms of volume or in terms of profitability.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [150]

And what about the other industrial products like bitumen and?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [151]

So bitumen and all are not very good, not very good because we are talking mainly of major products, which are in terms of as you know the MS. HSD will be 45% or so. MS will be some 20%. Aviation could be some 5% and LPG could be about 8%, 10%. So LPG is actually doing well because the PMUY has also helped us move a lot. In fact, we had to, as I was mentioning earlier, we had to import more LPG and take some more from the private place, but demand side we are not expecting -- in fact when -- in the month of March, we expected more time to take for the country to come back to normalcy, but in spite of the lockdown and its gradual calibrated lifting, we find the demand going up faster than this could.

Rohit Ahuja, BOB Capital Markets Limited, Research Division - Analyst [152]

So sir, do we see your marketing margins now, lot of questions have been asked but new found indicator when are you resuming the daily price revision on petrol, diesel?

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [153]

So because we are not in normal times yet. So unless a normalcy is restored, we cannot have a normal arrangement of passing on to the -- and a price it is not only in India, it's a global scenario. It is not our intention to have a very highly fluctuating culture of crisis in the country. It is not desirable and therefore, our idea, today, for example, the marketing margins are actually not very good. The refining crack spreads are extremely poor and in spite of that we have not revised the prices up. So we will wait. We are very sure that normalcy will happen sooner than the -- than we fear and we pray that it should happen very soon.

Operator [154]

I now hand the conference over to the management for closing comments.

Ganesan Jaibal, [155]

We thank all investors and analysts for participating in the call and showing interest, and we thank Antique Stock Broking for having our year end call. Thanks, Nitin.

D. Rajkumar, Bharat Petroleum Corporation Limited - Chairman & MD [156]

Thank you for -- thanks.

Operator [157]

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

