

चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड
(भारत सरकार का उद्यम और आईओसीएल की समूह कम्पनी)
Chennai Petroleum Corporation Limited
(A Government of India Enterprise and Group Company of IOCL)



CS:01:001

May 3rd, 2023

*The Secretary,
BSE Ltd.
Phiroze Jeejeeboy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001*

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Plot No.C/1, G-Block,
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NSE TRADING SYMBOL: CHENNPETRO

BSE SCRIP CODE: 500110

ISIN: INE178A01016

Dear Madam / Sir,

SUB: TRANSCRIPTS OF THE EARNINGS CALL CONDUCTED AFTER THE MEETING OF BOARD OF DIRECTORS ON APRIL 28th, 2023

Please find enclosed the transcripts of the earnings call / investors concall conducted after the Board meeting held on April 28th, 2023, for your information and records. This information will also be hosted on the Company's website, at <https://cpcl.co.in/investors/financials/exchange-intimations/>.

The above information is for your records and dissemination please.

Thanking you,

Yours faithfully,
For *Chennai Petroleum Corporation Limited*

P. Shankar

**P.SHANKAR
COMPANY SECRETARY**

*P. Shankar
31/5/23*



“Chennai Petroleum Corporation Limited Q4 and FY23 Earnings Conference Call”

April 28, 2023



MANAGEMENT: **SHRI. ROHIT KUMAR AGRAWALA – DIRECTOR
(FINANCE)**
**SHRI. VENKATESWARAN – CHIEF GENERAL MANAGER
(FINANCE)**
**SHRI. ANIL SAHNI – GENERAL MANAGER I/C
(CORPORATE PLANNING & BUSINESS DEVELOPMENT)**
**SHRI. V. SRIKANTH – GENERAL MANAGER
(PRODUCTION PLANNING)**

MODERATOR: **MR. HARSHRAJ AGGARWAL – ANAND RATHI SHARE &
STOCKBROKERS**

Moderator: Ladies and gentlemen, good day and welcome to the Chennai Petroleum Corporation Q4 and FY23 earnings conference call hosted by Anand Rathi Share & Stockbrokers.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshraj Aggarwal. Thank you and over to you.

Harshraj Aggarwal: Good afternoon everyone. It is my pleasure to welcome you all participants for this Q4 and FY23 post results conference call of Chennai Petroleum Corporation. We have with us the senior management represented by Shri. Rohit Kumar Agrawala – Director (Finance); Shri. Venkateswaran – Chief General Manager (Finance); Shri. Anil Sahni – General Manager i/c (Corporate Planning & Business Development); Shri. V. Srikanth – General Manager (Production Planning) and his team. Without much delay, I would like to pass on the floor to the management so that they can give their opening remarks and then we can move onto the question & answer session. Over to you, sir.

Rohit Kumar Agrawala: Good afternoon ladies and gentlemen. I am Rohit Agrawal – Director (Finance), Chennai Petroleum Corporation Limited. Our results for Q4 and the full financial year 2022-23 are with you and now it is sometime since it is with you. I hope you would have gone through them and any specific queries on them you will ask me, we will take after the briefing.

Let me start with some of the highlights:

CPCL achieved the highest ever throughput that is of 11.31 TPA during the financial year 2022-23. This reflects our flexibility to scale to new highs during robust cracks margin by encashing the most opportunity that is available. It may also be noted during this year we could process 1.4 MMT of Russian crude which is equivalent to 13% of our capacity. CPCL achieved the best ever fuel and loss of 9.06%, best MBN figure of 74.2, best EII of 89.2 against previous best. CPCL achieved the highest ever annual production and dispatch of products including value-added products like hexane, MTO; niche products like NATO grade diesel was also produced during the year.

On the front of energy efficiency, energy efficiency contributed a significant part to our profits in the year gone by, and we are committed to much more new schemes in that space so as to reduce fuel and loss and increase the yield.

Some of the statistics pertaining to the year gone by 2022-23 are as under. Crude throughput was 11,316 TMT as against 9,040 TMT in the previous year. Capacity utilization was 108% vis-a-vis 86% in the previous year. Fuel and loss was 9.06% vis-a-vis 9.71% in the previous year. Distillate yield improved to 76% as against 74.9% previously. High sulphur was 66% as against 62%. But again, on high sulphur, it is not always to maximize high sulphur. We will look at the opportunity what is available, what is the difference between high sulphur and low sulphur. Depending on, we take a decision to maximize margins.

As far as the outlook remains, all of you know that the GRM – the price part – is a market play depending on what margins are available there. But certainly, we are committed to bring on board value-added products, energy efficiency, and flexibility which is a USP of CPCL so that we can take maximum advantage of the opportunity that is on table. And certainly, focus will also be there to optimize operating costs and keep our debt within a reasonable limit.

I am happy to take any queries from your side.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles.

Our first question is from the line of Maheshwari from Morgan Stanley. Please go ahead.

Maheshwari: Just 2 questions from my end. Firstly, you talked about your processing 13% Russian crude for the fiscal '23. Can you just give us an idea broadly for the 4th quarter what was that number and how much more can CPCL really take in terms of Russian crude and the advantages you are getting on the back of that?

Rohit Kumar Agrawala: Quarter 4 figure was 17% Russian crude. And at this level, we would have in that range.... our capacity would be 20% to 25% in that range depending on operational conditions. That will be our capacity.

Maheshwari: What was the advantage in GRM you were able to get on the back of that?

Rohit Kumar Agrawala: It cannot be given in a precise number because you know all the parcels of crude are not at equivalent prices because these are opportunity crudes. It all depends at what price we purchase. Every Russian crude parcel is not at a given discount. They range between \$4 to \$5 and \$7 to \$8 depending on what time we are purchasing and what is available in the market.

Maheshwari: The second question was more related to the focus that you said on the operating cost side and maybe savings, etc. Can you just give us an idea what was your OpEx per barrel for fiscal '23 and how much more can you lower it by?

Rohit Kumar Agrawala: OpEx for the current year was \$1.7 per barrel.

Maheshwari: And how much can you lower it by, roughly, anymore?

- Rohit Kumar Agrawala:** You have to consider this time already we had around 2 million of extra production. Already, this is a high divisor. So, unless significant improvement happens over a period, the possibilities are marginal, but yes, NG mix, other factors can come in to bring it down. But yes, this is based on a high divisor already.
- Maheshwari:** So, sustaining this even if utilization rates to kind of normalize a bit down, that should be still possible is what you are saying?
- Rohit Kumar Agrawala:** Yes, what I am saying is it is already a high divisor. So, this is already a good number, but yes, through other measures, this can further be improvised.
- Moderator:** Our next question comes from the line of Hardik Solanki from ICICI Securities. Please go ahead.
- Hardik Solanki:** What would be the windfall tax impact for the quarter and for the full year and also in terms of the million rupees?
- Rohit Kumar Agrawala:** Last quarter, the windfall tax impact was Rs. 700 crores. Full year, it would be in the range of approximately Rs. 4,000+ crores on a gross basis.
- Hardik Solanki:** If you look at the similar thing, if you compare with the MRPL, they gave a breakup in two ways as an everyday **(Inaudible) 09:50**.
- Rohit Kumar Agrawala:** I think MRPL has reported their numbers today and some figures may not be publicly available. I will advise my team. You can get in touch with them after a day or two.
- Moderator:** Our next question comes from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, I wanted to know the greenfield refinery CAPEX cost per million tonne if land was allotted or land was available.
- Rohit Kumar Agrawala:** I can tell you about our one only. CPCL and the parent company IOCL is entered into a JV to put up a 9 million tonne refinery in Nagapattinam and for that 9 million, the last estimate was 31,500 approximate cost with plus/minus 10% accuracy.
- Pritesh Chheda:** So, how different is it from our existing refinery?
- Rohit Kumar Agrawala:** This refinery is a pretty old refinery and that's a new refinery that is coming up. So, this 31,500 is a fresh cost, is a newly built now cost. And earlier one is an old refinery. It has come in multiple phases. That is one. This will be a single column perhaps refinery. Second, there may be a 5% petrochemical integration would be there in the proposed refinery.
- Pritesh Chheda:** Will this 5% petrochemical integration change the dynamics significantly of the CAPEX cost?

- Rohit Kumar Agrawala:** I don't suppose so because configuration can happen with higher integration as well.
- Pritesh Chheda:** Does this 31,500 includes any lopsided land cost?
- Rohit Kumar Agrawala:** It includes some land because existing land was not sufficient. So, it includes additional land cost.
- Pritesh Chheda:** That should be a significant number by any chance?
- Rohit Kumar Agrawala:** Rs. 300 crores to Rs. 500 crores.
- Moderator:** Our next question comes from the line of Varatharajan Sivasankaran from Antique Broking Limited. Please go ahead.
- V. Sivasankaran:** If we look at the fuel and loss, can I assume that your usage of gas in the refinery is downed or goes down to zero or you are still using them?
- Rohit Kumar Agrawala:** RLNG presently we are using 1 MMSCMD.
- V. Sivasankaran:** At the peak, what would be your number?
- Rohit Kumar Agrawala:** Rather than peak, let me tell you what is the possibility we have. We can increase this by another 50% to 60% depending on favorable prices.
- V. Sivasankaran:** If gas prices were to fall, you might be in a position to use....
- Rohit Kumar Agrawala:** Yes, if the present falling price continues and it comes within our economic range, then we can take up by another 50% to 60% intake more.
- V. Sivasankaran:** You are saying from currently 1 MMSCMD, you can go up to 1.5 to 1.6?
- Rohit Kumar Agrawala:** Yes, 1.5 to 1.6.
- V. Sivasankaran:** Your new refinery proposal, what is the current stage it is in?
- Rohit Kumar Agrawala:** Almost 30% to 40% of the additional land has been acquired. We hope to complete the balance land acquisition maybe in the next quarter or so. These are at an advanced stage with the government. The new JV has already been formed. We will run the process of financial closure. And already more than 2,000 crore orders have been placed and another significant amount is already opened and is being evaluated. So, it should be done in due course.
- V. Sivasankaran:** If I may squeeze in one more question. What is your capital commitment in the form of equity and other commitment as well in place?

Rohit Kumar Agrawala: You would be knowing that this new proposal is coming with CPCL being 25% of equity and IOC 25% and balance 50% coming from private investors. The quasi equity equivalent of IOC and CPCL, i.e., CPCL is 2,570 at this point of time. So, 2,570 CPCL; 2,570 IOC; equivalent amount coming through CCDs and then balance coming through debt.

Moderator: Our next question comes from the line of Hetal Gada from Max Life Insurance. Please go ahead.

Hetal Gada: Sir, just wanted to understand from next year onwards, as we generate cash, what are the CAPEX? One is going towards the Cauvery basin project. On a stand-alone front, what kind of CAPEX plans are we still planning?

Rohit Kumar Agrawala: The annual CAPEX (maintenance CAPEX) for Chennai Petroleum is to range of Rs. 200 crores to Rs. 300 crores. In the case of CBR (Cauvery Basin Refinery), there will be no CAPEX from CPCL. Only there will be equity contribution. Equity contribution is kept at 2,570, total contribution. Out of which, 800 crores to 900 crores already spent. The balance amount will flow in more than 2 years.

Hetal Gada: So, more than 2 years, it will be spread over the next 2-3 years. Is my understanding correct?

Rohit Kumar Agrawala: Yes.

Hetal Gada: And we are not planning for any upgradation or any other project from the stand-alone CPCL?

Rohit Kumar Agrawala: Rs. 200 crores to Rs. 300 crores is a normal upgradation, maintenance CAPEX. Major project we have not approved at this point of time. As and when it comes, it will be based on economics.

Hetal Gada: Sir, if I may, what kind of projects are you looking for? Are you planning to increase capacity or any forward integration projects? Just to understand.

Rohit Kumar Agrawala: At this point of time, looking for capacity at the crude level is not there on the anvil, but there will be value-added products either in the petrochemical value addition or in the lubricants side. Those we always evaluate on a regular basis, and whenever depending on market demand and profitability, we select them and we take them up. The few could be Group II/III LOBS project, propylene augmentation, pharma grade hexane.. These are the items which are there on our radar.

Hetal Gada: That will be inclusive in that Rs. 200 crores to Rs. 300 crores that you are spending over and above the maintenance CAPEX.

Rohit Kumar Agrawala: Yes, except Group II/III LOBS. If it happens, that will be a significant CAPEX, but as of now, nothing has been approved or nothing has been finalized.

Hetal Gada: Sir, on your debt front, we ended the year at Rs. 4,200 crores approximately debt on our books. With the cash flow generated.... What I want to understand is how much is our working capital

requirement that we need for our entire capacity and will we be focusing on deleveraging further in the next year?

Rohit Kumar Agrawala: I understand the working capital is to the tune of Rs. 3,800 crores. Around that time, Rs. 3,500 crores to Rs. 4,000 crores is max our working capital at the present price level. And with cash flows happening, our CAPEX will be met through our internal resources.

Hetal Gada: Whether you will be focusing on further deleveraging our balance sheet? Like you mentioned, our working capital is close to Rs. 3,500 crores. So, would we use the cash flows towards further deleveraging our balance sheet from here onwards?

Rohit Kumar Agrawala: It depends. As I said, suppose I am getting a good project of Group II/III LOBS, instead of repaying debt, I might take up a significant project to increase my value-added products. It all depends on what kind of projects I have, what are the margins available vis-a-vis my cash flows. Depending on the options, I may like to reduce my working capital or I may like to invest in a significant project and try to improve my margin for future years.

Hetal Gada: Lastly, any comments on capital allocation policy like dividends and all? Will this payout be consistent? Next year onwards also, will we have a fixed amount of payout as a dividend?

Rohit Kumar Agrawala: You all know that refinery business is impacted with high volatility. But in the past also, wherever there have been margins and profits, CPCL has always rewarded the minority shareholders. So, I think in the capital allocation policy, that is there. But yes, we do a judicious decision after taking into account our internal fund deployment possibilities, because finally, even for the minority shareholders, the returns can be earned more out of retention. That is in their interest. Looking into these 2 aspects, we will always balance. Wherever there is cash, a part will be distributed to shareholders, and wherever there are high-yielding projects, we will deploy back the money in those opportunities as well.

Moderator: Our next question comes from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: What was the inventory loss in Q4 and for the full year FY23?

Rohit Kumar Agrawala: Q4, it is \$1. And for the full year, \$1. You want in rupee crore terms also?

Sabri Hazarika: Yes, please tell me.

Rohit Kumar Agrawala: Rs. 170 crores for the quarter. And Rs. 680 crores for the full year.

Moderator: Our next question comes from the line of Guneet Bhasin from Celestial Capital. Please go ahead.

Guneet Bhasin: Sir, I wanted to know that for the JV for the new refinery, you have given a land parcel for the JV. What amount you have got for that or equity participation? What is the amount of that parcel which you have given to them?

- Rohit Kumar Agrawala:** The way I remember perhaps the existing land parcel was 600 acres that is there. Besides that, another significant equivalent amount is being purchased. Another 600 acres almost is being purchased out of which 30% odd has already been acquired and balance are in advanced stage of acquisition. All these land acquisitions are happening through government agencies.... Tell me what specific you want to know?
- Guneet Bhasin:** I wanted to know that you must have got a price for your land. They must have fixed a price for your....
- Rohit Kumar Agrawala:** Presently, the existing land is on a lease model.
- Guneet Bhasin:** So, you have not got any inflow for that or a credit for that?
- Rohit Kumar Agrawala:** I have not planned a transfer as of now. Presently, I have planned a lease model.
- Guneet Bhasin:** For the Q4 of '23, how much Russian crude in million tonnes have been used by CPCL?
- Rohit Kumar Agrawala:** Quantity-wise, 1.4 million for the full year which translates to 13% of my capacity. Q4 percentage is 17% which translates to 0.5 million metric ton for Q4 volume-wise.
- Guneet Bhasin:** For Q1 of 2024, how much Russian crude you are planning to use for your refinery?
- Rohit Kumar Agrawala:** I think only a month has gone. So, the exact numbers would not be there because it is happening on a spot basis. But again, I think that 20% to 25% you can assume.
- Guneet Bhasin:** Around 25%.
- Rohit Kumar Agrawala:** Yes, 20% to 25%.
- Guneet Bhasin:** Sir, what is the discount you are getting on the Russian crude?
- Rohit Kumar Agrawala:** As I said, because these are happening on spot, it ranges between \$3 to \$4 and \$7 to \$8. It depends from deal to deal and there is no fixed format or fixed pricing because these are on spot basis.
- Moderator:** Our next question comes from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.
- Kirtan Mehta:** Following on the Russian crude, if the Russian crude price goes above the price cap set by the European and Indian, would you still be able to continue the procurement?
- Rohit Kumar Agrawala:** We will continue till there are no compliances hurdles or there are no statutory non-compliances.
- Kirtan Mehta:** One more question on the greenfield refinery. For the 50% where we are envisaging private investor, at what stage we will start identifying a private investor?

Rohit Kumar Agrawala: I think you would also appreciate when significant risks are over, that is the best time to get a fair value. Because, some of these risks are not risks to us or to the holding company because there are 11 refineries and refinery construction is pretty normal to us. But that may be a risk to financial investors. So, once financial closure happens, the significant risks are over, and significant price risk, Bid price and award risks are over, and sizable construction risks are over, I think that is the time we will get a fair value. And with our experience, we would like to introduce a financial investor or a strategic investor when there is a fair value to the project.

Moderator: We will move to our next question which is from the line of Siमित Bokharna from Kotak Securities. Please go ahead.

Siमित Bokharna: I just wanted to understand, on a sustainable basis for FY24, what throughput we can assume? And is there any planned maintenance for FY24?

Rohit Kumar Agrawala: No major planned maintenance. There is one in September-October.

Siमित Bokharna: Because I guess the crude throughput which we have achieved in FY24, on a sustainable basis, these numbers look difficult. Isn't it?

Rohit Kumar Agrawala: No, not that way. If you are looking at 11 MMT on a year-to-year basis for the next few years, this is not difficult. But yes, 0.5 here and there depending on requirements and profitability. Even for my throughput, I also look at my margins. At times, I compromise on throughput for my margins. But yes, from a technical perspective, if you want to ask me, for the next 2-3 years is 11 million metric tons feasible, yes, it is feasible.

Siमित Bokharna: Assuming that this Russian crude... because recently, the Singapore refining margins have corrected drastically though they remain volatile throughout the year, any wild guesses that these GRMs which we have achieved during the full year, are these sustainable going forward?

Rohit Kumar Agrawala: You yourself said that the Singapore GRMs are fluctuating. What is sustainable is my efficiency, my flexibility, my realizing opportunities, but yes, the gross cracks I will be deriving from the market. Only thing I can do is I can optimize the crude cost and I can look for bargain purchase. But the broad gross cracks I will be deriving from the market only.

Moderator: Our next question comes from the line of Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Sir, I wanted to understand what was the discount on the Russian crude that you received last year?

Rohit Kumar Agrawala: I said it ranges between \$3 to \$4 and \$7 to \$8. But because most of these are on spot basis, it depends on each parcel, the opportunity that is available to us. And there is no fixed rate agreed or there is no term contract as such with that.

- Kaushal Kedia:** The discount that you received last year, you will continue to receive a similar discount or you have received a similar discount in this 1 month gone by for this financial year?
- Rohit Kumar Agrawala:** Yes, you would appreciate had this been a term contract, I could have given some forecast. But as I said, even the last year was spot contract and even the current year I am looking at spot contracts only. As and when term contracts are signed, I will let you know.
- Kaushal Kedia:** What I am trying to understand is for this 1 month of the quarter 1, you have received a similar discount?
- Rohit Kumar Agrawala:** For the month of April, yes, it was in line with last year only.
- Kaushal Kedia:** I know it is difficult for you to answer this question, but I will still ask you. What was the intent of the government to levy the windfall tax? Was it because the refineries were making abnormal profits because of Russian crude or was it because the crude price internationally had gone up to a very high level and the government wanted to just fill the treasuries with it? What was the intent you can help me understand it better?
- Rohit Kumar Agrawala:** You were already saying it. The real intent of the government I think I am not the right person to answer but professionally as you would guess, my guess would also be. They must be trying to balance the economy and requirements of this country. That is what I suppose.
- Kaushal Kedia:** But was it because of the abnormal margins that you all were making or was it because the crude oil price had gone up, so it was related to that. Because, I am very confused as to what was the intent of the government.
- Rohit Kumar Agrawala:** It can be both; the margins were not sustainable plus economic objectives need to be balanced. But again, you would appreciate I am not the right person to answer because persons who are creating the policies would be in a position to answer you.
- Kaushal Kedia:** What is the kind of inventory that you keep right now? For how many months or weeks?
- Rohit Kumar Agrawala:** Our inventories are for 20 to 25 days crude.
- Kaushal Kedia:** Sir, I have just one request. The last concall I think probably done was like more than a year ago. Is it possible for you to do frequent concalls? Because, anyways the industry is so volatile and we as investors, we fail to get the price because the stock should not be substantially below book value. If you could make more disclosures in your investor presentation and if you can share investor presentation, it helps us because it helps to just align with the volatility of the profit numbers that you all declare every quarter. Just a request or a suggestion as you may term it if possible.

- Rohit Kumar Agrawala:** I fully appreciate. My team will be in touch with you people and if some standard information or presentation helps you, that will be there. Our endeavor also is to regularly interact with all the investors.
- Kaushal Kedia:** Just one more question. What is the average cost of borrowing?
- Rohit Kumar Agrawala:** Weighted average rate is below 6, but short term is little higher, a little less than 7.
- Moderator:** Our next question comes from the line of Harsh Maru from Emkay Global. Please go ahead.
- Harsh Maru:** My question is regarding there were media reports speaking of IOCL signing a term contract with Rosneft for crude. Is there some kind of benefit that would flow to CPCL through that term contract?
- Rohit Kumar Agrawala:** As of now at the point we are speaking, CPCL crudes are mostly flowing from spot contracts. As of now, no term contract has been signed by CPCL or allocated. As of now, we are only sourcing through spot contracts with respect to Russian. I hope you talked about Russian crude only.
- Harsh Maru:** Yes.
- Moderator:** Our next question comes from the line of Nalin Shah from NVS Brokerage. Please go ahead.
- Nalin Shah:** At the outset, I would like to congratulate the management for I think superb numbers. Probably, it could be the life-time best performance of CPCL.
- Rohit Kumar Agrawala:** You are correct. Even we are feeling about this lifetime achievement. But yes, our internal resolve is can we make this consistent from the operational side and based upon which we can improve.
- Nalin Shah:** My first question is that the new refinery with IOCL which you are building for 9 million tonnes, what would be the percentage holding of CPCL in that?
- Rohit Kumar Agrawala:** The percentage holding of CPCL is 25%, IOCL 25%, balance 50% private investors.
- Nalin Shah:** Secondly, I just wanted to know what is the possibility or doing... because if you see the balance sheet of CPCL, like as you mentioned in some of the questions, it's an old refinery created over a period of time with installments. Currently if you see, your share capital is only Rs. 149 crores whereas your top line comes to almost about Rs. 91,000 crores. Is there some kind of a thinking that to bring the capital in line with the actual... to show the correct position of the company, some kind of a bonus issue something can be expected?
- Rohit Kumar Agrawala:** Anything on your mind when you talk about the correct position?

- Nalin Shah:** In terms of reflecting what is the cost of such a big company like one which is having Rs. 90,000 crores top line. It cannot be created with this kind of a capital.
- Rohit Kumar Agrawala:** But whatever I know and the way I perceive, all these retained earnings are also capital in that sense.
- Nalin Shah:** Of course, yes, net worth is the same thing. But still, probably you may like to bring in line with the new refineries which you are building now.
- Rohit Kumar Agrawala:** In case we have more requirement of capital, we are expanding significantly, in addition to that, we may also try to bring in some additional equity later.
- Nalin Shah:** So, will there be some expansion exclusively in the CPCL by itself also?
- Rohit Kumar Agrawala:** No, expansion by CPCL in the existing Manali on a crude basis is not feasible at this point of time. But on a downstream value-addition project, we are evaluating some of the projects. The normal maintenance CAPEX is not an issue. That will be met out of the normal cash flow. But yes, if there are significant major projects we may look for debt or equity depending on the size.
- Nalin Shah:** As one of the previous speaker had asked that the volatility in terms of performance of the refineries like yours, it is very difficult to assess that what could be the quarter-to-quarter kind of profitability. Can you give us some idea that on an annualized basis, we can take that the last year's performance is something to be taken as some kind of a benchmark that yes we can expect considering the crude where it is trading that we can take it that it could be in line with the last year's performance?
- Rohit Kumar Agrawala:** Again, my reply will be two-fold. As far as the operational part goes, be it throughput, be it operational parameters like fuel & loss and distillate yield, you can take that these levels are sustainable and we will be doing our best endeavor to improvise further. But the pricing part, you know, neither crude has remained in a range nor gross cracks nor policy parameters in terms of taxation. And those are given in the market. What CPCL has shown consistently is they are agile and with this agility they make most of the market offer. That will continue to happen, but yes, we will be driven by the broad spectrum of pricing that is prevalent in the market.
- Nalin Shah:** My last question will be that you have come out with the dividend of Rs. 27 per share which I think yesterday approximately I worked out which comes to around Rs. 402 crores or so. Just wanted to have understanding that are we having some kind of an internal parameters in terms of that how much of the profit could be distributed or something or it is like on a case-to-case basis you will be considering?
- Rohit Kumar Agrawala:** On a broad level, we are a listed company. Besides promoters, we have minority shareholders also. Whenever there are cash flows, we take a judicious decision between the available projects for further enhancement of shareholder value plus rewarding the shareholders also in terms of dividend. This policy is consistent, this will continue; but yes, this will be dependent on two

factors. First, availability of cash flow on a year basis, and second, investment opportunities available with the company.

- Moderator:** Our next question comes from the line of N. M. Modi, an individual investor. Please go ahead.
- N. M. Modi:** My question is regarding the notes to the accounts. You have mentioned the provision for probable contingency to the extent of Rs. 217.06 crores for the quarter and year ended March. And a similar provision was there in the last year also. This is the end or will it continue?
- Rohit Kumar Agrawala:** Whatever issues were there, fully provided for.
- N. M. Modi:** So, nothing is left on the table now?
- Rohit Kumar Agrawala:** Nothing is known to us which is not provided for. But you would understand these are litigation on taxation and others which evolve year after year. This is based on year-to-year development. But yes, whatever cases were there, as per the opinion available, we have provided for fully.
- N. M. Modi:** In which head, it is debited? Can you tell me?
- Rohit Kumar Agrawala:** These are indirect taxes related demands which were there, which we evaluated, and based on opinion, we provided for.
- Moderator:** Our next question comes from the line of Aman Jain from Augmenta Research. Please go ahead.
- Aman Jain:** Sir, could you please provide the average Singapore GRMs for quarter 4 and what are they now?
- Rohit Kumar Agrawala:** The quarter 4 Singapore GRM was 8.2.
- Management:** It has come down to 3.
- Moderator:** Our next question comes from the line of Pranjali Dutta from Jetage Securities. Please go ahead.
- Pranjali Dutta:** Sir, what was the Russian crude processed in the second quarter?
- Rohit Kumar Agrawala:** I will not be able to give the exact number now, but I think we started perhaps from the second quarter gradually and for the full year, it was 1.4 million.
- Pranjali Dutta:** You started from the second quarter gradually?
- Rohit Kumar Agrawala:** Yes.
- Pranjali Dutta:** For our purpose, for Chennai Petro, do we follow.... Our GRMs would be closer to Singapore GRMs or Asian GRMs?
- Rohit Kumar Agrawala:** Singapore premium.

- Moderator:** We will take our last question which is from the line of Pragya Khaitan, an individual investor. Please go ahead.
- Pragya Khaitan:** Sir, I wanted to know if there are any projects in line to increase the efficiency of our refinery and increase the profitability? As we compare it with the other companies, we see they are much more efficient than CPCL.
- Rohit Kumar Agrawala:** In what parameters?
- Pragya Khaitan:** More throughput and being more efficient so that the profitability increases?
- Rohit Kumar Agrawala:** I will tell you my understanding. Throughput is dependent on the design capacity. If my design is 11, I can do 11 and 12. If my design is 15, I can do 16 at max. So, capacity is dependent on design, and CPCL's design is 10.5 and we clocked 11.3 this year, the maximum. As far as efficiency also goes, that also depends on what kind of crude you are processing, what kind of products you are taking – all those are there. So, it is not a factor of one, it is a factor of multiple. But yes, for margin improvement, which is perhaps you are focused, we are looking at pharma grade hexane, we are looking at propylene output expansion, we are also looking at Group II/III LOBS project so that the traditional product can be converted into a more margin-related product. As far as energy conservation goes, which is another efficiency parameter, CPCL continuously strives to do better, and in the last 2-3 years, every year has been the highest compared to the previous efficiency.
- Pragya Khaitan:** Sir, a request again. Somebody has already asked you that we as investors need to interact more with you because there are so many things that get cleared during a concall which we do not get anywhere in the print media. So, a sincere request to have frequent concalls, sir.
- Rohit Kumar Agrawala:** Noted, I solicit your cooperation and your help. You tell my team what is required. We will try to evolve a standard format and a regular period for concall. Unless there are any major exigencies, this will be regular.
- Pragya Khaitan:** After Q3 also, like in Mumbai, the company did meet individual mutual fund investors but not retail investors like us.
- Rohit Kumar Agrawala:** We will surely look into it.
- Moderator:** Ladies and gentlemen, we have reached the end of the question & answer session. I now hand the conference over to Mr. Harshraj Aggarwal for closing comments.
- Harshraj Aggarwal:** Thank you everyone. We would also like to thank the management for giving us an opportunity to host the call and also to the participants who are participating in the call. Thank you everyone.
- Moderator:** On behalf of Anand Rathi Share & Stockbrokers, that concludes this conference. Thank you for joining us and you may now disconnect your lines.