Indian Oil Corporation Limited Q3 2025 Earnings Call

January 28, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indian Oil Corporation Limited Q3 FY '25 Earnings Conference Call, hosted by Antique Stock Broking Limited.

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

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

Varatharajan S.: Thank you. A very good morning to everyone. It's my pleasure to welcome the IOCL Management and the participants to this call.

We have with us Mr. Anuj Jain – Director (Finance); Mr. R. V. N. Vishweshwar – ED Corporate Finance; Mr. Pramod Jain – CGM (Treasury); and Mr. Prabhat Himatsingka – GM (Treasury).

Without much ado, I hand over the floor to Mr. Anuj Jain for the opening remarks.

Anuj Jain: Thank you. Dear investors and analysts, a very good morning, and a very happy New Year to all of you. I take this opportunity to welcome all of you to the Conference Call, organized by us, post announcement of the third quarter results of Financial Year '24, '25. I thank each one of you for joining the call. I believe you would have gone through the accounts hosted on the website and also through the updates received by most of you.

I would like to briefly dwell on the results to provide additional clarity and insight. This quarter we have registered a profit after tax of INR 2,874 crores, which was INR 180 crores in the preceding quarter and INR 8,063 crores in the corresponding quarter of financial year 2024.

From a 9-month perspective, the PAT is INR 5,697 crores as against INR 34,781 crores in the 9M FY '24. Revenue from operations during this quarter is INR 2,16,649 crores as against INR 1,95,149 crores in the preceding quarter of this year. The revenues of the corresponding quarter of FY '24 was INR 2,23,012 crores.

Friends, despite the global volatilities and challenges, Indian Oil achieved strong operational performance and historically highest sales volume. Now, the operational highlights will be briefed by ED Corporate Finance and Treasury, Shri R. V. N. Vishweshwar. Over to you, Mr. Vishweshwar.

R. V. N. Vishweshwar: It's been quite a while since we have interacted with you all. So, I will just share across the highlights and the performance parameters.

As you're already aware that the global financial landscape in the year 2024 was marked by significant volatility on the back of geopolitical uncertainties, ranging from global inflation, ongoing Russia-Ukraine conflict, weakness in Chinese economy, and the U.S. presidential election results.

We witnessed Indian rupee to depreciate to historic lows. While the Indian rupee's depreciation has intensified further in January '25, however, rupee witnessed lowest volatility against the U.S. dollar in years and depreciated 2.9% during the calendar year 2024, against the last 10 years average of 3%, mainly due to inflows in Indian bond market after inclusion in JPMorgan Index to keep USD-INR stable. India's high import dependency for crude oil makes the OMC susceptible to exchange losses due to depreciation in the Indian rupee against the U.S. dollar.

On the interest rate front, despite the U.S. Fed initiating much awaited rate cut cycle by reducing the U.S. Fed rate by 100 basis points in 2024, the U.S. presidential election results kept the long-term U.S. treasury yields volatile and elevated. Despite the headwinds, Indian Oil remains steadfast in its commitment to ensure the energy security of the nation, by making available energy to every nook and corner of the country at an affordable cost.

You would have seen from the data published by PPAC that petroleum products consumption in the country for the 9 months ended 31st December '24, that was 178.5 MMT is higher than the corresponding period of last year, which was 172.6 MMT.

As per the latest PPAC estimates published in January '25, India's petroleum product demand is projected to grow to reach an all-time high of 252.9 MMT in the next financial year FY '26, marking a 4.65% increase from 241.8 MMT estimated for the current year, that is '24-'25.

There is now a consensus among the domestic and international agencies, based on interactions which we had that the demand of petroleum product in India is to grow in the coming years. To meet the increased energy demand of the nation, Indian Oil is investing about INR 72,000 crores for enhancing the stand-alone refining capacity by about 25% to reach about 88 MMTPA.

At the same time, we are also augmenting our marketing and pipeline infrastructure to ensure last-mile delivery of energy to every citizen. The company is leveraging its research capabilities to enhance Aatmnirbharta, and to enhance customer delight through industry first and exclusive offerings like branded fuels, XP100, XP95, XtraGreen, XtraTej; niche aviation fuel like AVGAS 100 LL, Reference Gas Oil. And this Reference Gas Oil is available with select companies worldwide. Niche fuel for Asian Road Racing Championship "Storm" to take a few names.

Further, in view of changing mobility preference of customers, the company is transforming its retail outlets into energy stations. These energy stations are envisioned as comprehensive energy solutions along national highways and green expressways, offering a range of fuel options including conventional transport fuel, LNG, CNG and charging stations for EVs. The company's CRM solutions have been embedded across its petroleum and petrochemicals marketing segments.

We have a customer-centric digital platform, EPIC, Electronic Platform for Indian Oil Customers, which provides unified customer experience for all its line of business.

On the sustainability front, while as the energy of India, Indian Oil is strengthening the self-reliance and energy sovereignty of India by investing in conventional fuels, the Corporation is steadfast in its unwavering commitment of sustainable and bright future.

Indian Oil is fueling its ascent and clean energy transition by venturing to range of alternative energy solutions around natural gas, CBG, Bio fuels, hydrogen and e-mobility, which will be shaping the future energy landscape of the world.

Indian Oil is steadfast in achieving net-zero plan by the year 2046. The company has aimed to elevate the contribution to energy sector from a present 9% to 12.5% by the year 2050.

Indian Oil plans to build a renewable energy portfolio of 31 gigawatt by 2030, by developing large-scale renewable energy capacities for serving its captive power demand, and with focus on market demand opportunities and has formed a wholly owned subsidiary, Terra Clean Limited, which would invest in cutting-edge technologies to create a more efficient, sustainable, and low carbon energy ecosystem in India.

Collaborations have also been forged with leading companies like NTPC Green Energy Limited and SJVN Limited to infuse green power for refinery expansions and expand the renewable energy bouquet.

We are working to deliver 20% ethanol blended fuel by this year, and have achieved ethanol blending of about 18.2%. We are also working on advanced biofuels through its 2G, 3G ethanol plants at Panipat; a sustainable aviation fuel plant of 86.8 TMT per annum capacity is being set up at Panipat.

Indian Oil is the first company in India to sell CBG under the IndiGreen brand to customers through 97 retail outlets in 37 plants.

Indian Oil has been leading the nation in harnessing hydrogen and its application as the ultimate sustainable energy of the future. Indian Oil is reinforcing the hydrogen ecosystem and developing a 10 KTA green hydrogen plant at Panipat refinery.

To promote hydrogen mobility, we have set up India's first hydrogen dispensing station at our R&D center in Faridabad, followed by a station in Gujarat refinery. Indian Oil is undertaking trial run of 15 number fuel cell buses in Delhi NCR to promote green hydrogen and fuel cell technology in heavy-duty e-mobility.

Our collaborations with industry leaders like ReNew and L&T will strengthen the green hydrogen ecosystem in India. The collaborations with leading Israeli e-mobility company, Phinergy, to develop and commercialize novel aluminum air battery technology; and with the global energy storage company, Sun Mobility, Singapore for creating battery swapping infrastructure in the country are significant strides towards nurturing e-mobility ecosystem in the nation. As we step into 2025, we are optimistic about the opportunities that lie ahead of us.

Now while talking about the numbers on the key highlights, the average price of crude Indian basket, 76% Oman, Dubai, and 24% Brent during this quarter was at $73.86 per barrel, a reduction of about 6% from the average price of the immediate preceding quarter, that is Q2 FY '25, that was $78.89 per barrel. If you compare it on corresponding quarter basis, in Q3 '23-'24, it was $83.86 per barrel. There is a reduction of 12%.

Various geopolitical factors, starting from the imposition of Russian sanctions by the U.S., uncertainty over the impact of U.S. President Donald Trump's energy policies, and proposed tariffs on the market have kept the crude oil prices volatile.

With respect to the crack spreads, Indian basket dollar per barrel. MS cracks has marginally improved during this quarter at $3.29 per barrel as compared to the previous quarter of $3.04 per barrel. Cracks are a little lower than the corresponding quarter of '23-'24, which was at $3.47 per barrel.

For HSD, the crack spreads during this quarter is $12.19 per barrel and have outperformed the preceding quarter, which was $9.77 per barrel. However, the cracks are lower than the corresponding quarter of FY '23-'24, which was at $20.58 per barrel.

In the petrochemical space, the spreads (In Dollar per MT) of the major products have witnessed a mixed variance over the last 1 year. The spreads for polymers have remained more or less similar. The spreads of PTA has witnessed a sharp decline, and the spreads for MEG, while has improved, but still continues to be negative. The weak global economic outlook and new capacities continue to weigh high on the petrochemical prices globally.

Now let me briefly touch upon the major verticals:

First, I will touch upon refineries:

The throughput during the quarter was 18.1 MMT with a capacity utilization of 102.3%, which is higher than the preceding quarter, which was 16.7 MMT of capacity utilization of 94.5%, but was slightly lower than the corresponding quarter of '23-'24, which was at 18.5 MMT, having a capacity utilization of 105.1%. The distillate yield was at 82.2% during this quarter, which is same as the previous quarter, 82.2%, but better than the corresponding quarter of FY '23-'24, which was at 80.5%.

Fuel loss during this quarter was 8.7%, whereas during the preceding quarter, it was 9.2%. Our refineries have registered a GRM of $2.95 per barrel during this quarter as compared to $1.59 per barrel during the previous quarter. GRM in 9 months '24-'25 was $3.69 per barrel vis-a-vis the 9 months for '23-'24, which was $13.26 per barrel.

The normalized GRM after stripping off inventory impact and factoring the price lag for the quarter is $6.60 per barrel as against $3.13 per barrel for the previous quarter. If we compare on a 9-monthly basis, the normalized GRM for the current 9 months is $4.22 per barrel as against $12.60 per barrel in the corresponding period of last year.

Now coming to pipelines:

The capacity utilization was about 69.6% during this quarter as compared to 69.1% in the previous quarter, throughput of 24.9 MMT in the quarter 3 of FY '24-'25 vis-a-vis 24 MMT in the quarter 2 of FY '24-'25.

As on 31st December '24, Indian Oil has total pipeline network of more than 18,500 kilometers, including product and crude oil, which accounts for more than 50% of the total pipeline network of the country. The large pipeline network provides strategic access to the markets and helps reduce the cost of placement of products.

Now touching upon marketing:

Indian Oil, I am glad to say, has achieved the highest ever sale of petroleum products during the quarter of 23.38 MMT as compared to 20.52 MMT in the previous quarter. This is the highest ever in the history of Indian Oil for any particular quarter.

On a 9-monthly basis, sales have improved. That is 66.61 MMT in 9 months of '24-'25 vis-a-vis 65.66 MMT in the 9 months of the previous year.

On the petrochemical side, the sale of petrochemical products during this quarter was 0.89 MMT as compared to 0.77 MMT in the preceding quarter. Sales for quarter 3 FY '24 was 0.687 MMT. On a 9-monthly basis, pet-chem sales in the 9M FY '25 was 2.407 MMT, it was more than the sales recorded in 9M of FY '24, which was 2.245 MMT.

Now touching upon the borrowings:

With respect to the borrowing levels, the borrowings as on 31st December '24 has increased by about INR 15,000 crores, and is at INR 1,31,480 crores as compared to INR 1,16,496 crores as on 31st March 2024.

If we compare, however, it has reduced by about INR 11,000 crores from the previous quarter. The increase in borrowings was mainly fueled by LPG under recoveries, higher working capital. However, on a quarter-on-quarter basis, the decrease of INR 11,000 crores was there, because in the previous quarter, it was INR 1,42,727 crores. The decrease is mainly attributable to increased accruals. With the current debt-to-equity ratio of 0.77 as at 31st December '24, Indian Oil is comfortably placed to fund the ongoing CAPEX plans.

With this, I will pause here, and request Director Finance to address any further remarks, any queries.

Anuj Jain: I think we can take on the question now. Yes, please.

Moderator: The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: I think 2 or 3 questions. Firstly, as far as the Russian crude situation is concerned, just wanted a sense of how much percentage of our crude sourcing in Q3 was from Russian crude? And at what discount to benchmark, if that can be shared? And what is the Q4 situation looking like at this point in time?

Anuj Jain: During the Financial Year '24-'25, up to December, Russian crude oil import accounted for nearly 25% of IOC's total crude oil imports. And the discounts we were getting up to December were in the range of benchmark crude minus 3. But now the discounts have come down in the range of benchmark crude minus 1 to 1.5.

Probal Sen: The second question, sir, is it possible to share the inventory impact in the marketing segment for this quarter?

Anuj Jain: See, we have the total impact which we have suffered. I think I will share you the total impact with you. Basically, if you compare quarter 3 to quarter 3, the impact is on the account, last year, we had an inventory gain, this year we have an inventory loss. So, the incremental difference is INR 7,800 crores.

Probal Sen: INR 7,800 crores. So, that is the swing from Q3 to Q3.

Anuj Jain: Yes.

Probal Sen: And third question was, sir, with respect to the expansion plans, which you mentioned about reaching 88 million in capacity on a CAPEX of INR 72,000 crores. Can you give a little bit granularity, which plants are sought to be expanded and whether any petrochemical capacity will also be added alongside this refining capacity?

Anuj Jain: Yes, I can share that. See, as you know that Indian Oil has gone for expansion for 3 major refinery units, okay? We are adding 25% of our throughput capacity. The first one is the expansion in Panipat, where from 15 MMTPA, we are going to 25 MMTPA. This is INR 38,000 crores project. And the expected completion is end of Financial Year '25-'26.

The second one which we are going for the expansion of our Gujarat refinery. It is almost a INR 19,000 crore project. The scheduled completion date is again the last quarter of FY '25-'26.

And the third expansion, what is going on is the Barauni refinery expansion, which is from 6 MMTPA to 9 MMTPA. This is also an INR 14,800 crores project, and the completion is underway as on date. It will also happen after 1 or 2 years.

So, these are the 3 major expansions happening in the refining capacities. And the other thing what we are adding is, as you know that today, our petrochemical intensity, we are focusing on. So, basically, apart from the refinery expansion, even the petrochemical intensity will go up in all these projects.

As far as the pure petrochemical units are concerned, we are at present going PX, PTA at Paradip. That is a INR 13,800 crores of projects, and it is also expected to come in the next financial year.

Then we have other projects like polypropylene plant at Barauni, Gujarat, Panipat. We have so many other projects coming in various units of Indian Oil. So, a lot of CAPEX being done. Last year, we've done a CAPEX of almost INR 40,000 crores. And this year, we plan to do a CAPEX of INR 35,000 crores.

Probal Sen: When we say this year, that means FY '25, the full year, right?

Anuj Jain: Yes. FY '24-'25 yes. So, we will be spending almost INR 35,000 crores.

Probal Sen: And how much have we spent in 9 months, sir?

Anuj Jain: We have almost spent INR 28,000 crores up to December.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Sir, we wanted more on the Russian crude side. Do we have any long-term oil sourcing contracts with the Russian supplier? And post these recent sanctions, what would be the impact on the contract? That's one thing. And sir, what is the current crude sourcing arrangement? How much is the long term, short term? If you could share percentage terms, that would be helpful. That's one.

Anuj Jain: See, I will share with you. If you see in '19-'20, we almost used to buy very negligible, almost 0% crude from Russia. And it touched 21% after the crisis, we started taking 21% in '22-'23. And '23-'24, we touched almost 30%. But this year, April to December '24, we have processed 25% Russian crude as on date.

So, this is a position of processing the Russian crude over the spast 5 years, okay? And see, as far as we have been quite vocal in this that, Indian Oil has many markets to procure the crude oil, whether it is Middle East, Africa, America, Russia and many other markets are there. So, we try to buy the crude from whichever market which gives us the cheapest. In '19-'20, we never used to buy a single drop, but suddenly, we got up to 30%. Now if the scenario changes, we already have markets.

There's no dearth of crude oil availability in the world. Only the commercial aspects are to be seen, at what discount we used to get the Russian crude before. If due to new sanctions, discount come up or the quantity comes down, we already have term contracts with various Middle Eastern countries through which we will be able to get enough crude for the company.

Yogesh Patil: Sir, let me quickly reframe the question. So, my question was like that do we have any long-term oil sourcing contracts with the Russian supplier for the calendar year 2025? And post these sanctions, will it impact on our any long-term contract, if any? Yes, that's the question.

Anuj Jain: For FY '24-'25, we do not have any term contract for Russian crude. So, the second question does not, because we are not going to be get impacted.

Yogesh Patil: Sir, second question from my side. As you just mentioned that Panipat, Koyali and Barauni refinery expansions will mechanically be ready by FY '25-'26. But sir, our question is mostly on the commissioning. When it will get fully commissioned, and it will start contributing to our profit and loss account statement, mostly on the EBITDA contribution. When can we expect? Will it be in FY '27 or it will take much more time and it will be reflecting in FY '28?

Anuj Jain: See, as on date, our commissioning targets, I will tell you, for Panipat, commissioning is by December '25, okay? But as you know, any new refinery will take some time to get stabilized. So, the income, the first year, maybe 50% to 60%, suppose it comes in the December '25. So, '25-'26 doesn't happen anything. '26-'27, definitely, the refinery will start. And normally, we have seen the first year we touched almost 50% to 60%. And 100% take minimum 2 years to achieve.

Same is the case with the other things, where for even the Gujarat refinery, it is expected to be commissioned in the last quarter of Financial Year ‘25-'26. So, some revenues will start coming in '26-'27, but the full-blown income will start coming in '27-'28.

Yogesh Patil: In case of Barauni, sir, commissioning expected in which quarter?

Anuj Jain: See Barauni expansion as on date, we are saying that it is going to again in the next financial year end. And although it may happen in stages, but definitely, all the 3 refineries are almost coming in the same fashion today.

Yogesh Patil: So, the full contribution will most likely come in FY '28. Is that a correct understanding?

Anuj Jain: No, I think so since it will be commissioned in last quarter of next financial year, maybe some crude input will be done in the last quarter. And yes, major input will be coming in '26-'27.

Moderator: The next question is from the line of Sumeet Rohra from Smartsun Capital Private Limited. Please go ahead.

Sumeet Rohra: It's very nice of you to restart having these conference calls, and it's very encouraging to have a chat with you. Sir, today, my questions are more to you as an investor rather than an analyst because I mean, we have several analysts who are going to ask you on cracks and throughput, et cetera. So, sir, I'm going to have a very candid conversation with you as an investor. Sir, today, IOC is the third most valuable company in terms of sales in India, okay? But our market cap has now slipped down to number 46.

Now sir, clearly, from an investor point of view, this is absolutely unwarranted. And I also understand that our esteemed Oil Minister had a meeting with all the analysts and investors, and unfortunately, I couldn't make it there, because we're obviously concerned on market cap. Sir, the first thing which I would like to highlight to you is today, sir, LPG under recoveries are INR 14,000 crores. I mean our profit is about INR 5,500 crores. But sir, LPG under recovery is INR 14,000 crores.

Now sir, how can we ever get market cap, if we don't get our earnings in order. Today, if you adjust for the LPG, your earnings are, okay. INR 19,000 crores, INR 20,000 crores is very good. You would also have paid a good dividend by now. But today, you've not even paid dividend. So, sir, this practice of this LPG under recovery of absorbing this is not giving a very sweet throughput, because today we have lost a staggering INR 95,000 crores in market cap. I mean, I repeat, sir, from the high to today, we have lost INR 95,000 crores of market cap.

Now sir, this is investors' wealth, which is gone. And LPG prices were cut in March of last year. And the government is not paying till now, then sir, how is it going to benefit shareholders of public sector? Just to give you a small example, public sector stocks have had the biggest bull run in India today. If you see over the last 3, 4 years, stocks in defense, railways, I mean, they've gone up 10x, 15x, 20x.

Sir, the oil and gas space is completely absent in this entire rally because of policy uncertainty or earnings visibility. So, sir, my humble request to you is we are a very valuable company. I mean we are the Number 3 company in sales in India. But sir, our market cap at INR 1,70,000 crores, surely does not deserve it from an investor angle.

So, sir, I would really request you that please have a look at some of these issues, because you are doing extremely well in sales, you are doing extremely well in your throughputs, you're doing extremely well. But sir, ultimately, as the investor, sir, we are concerned with market cap because we come to make return for our investors. But in spite of backing India's best companies, if we don't make return because of LPG under recovery, then sir, it is not doing justice to anyone's cause.

So, sir, that's my honest feedback to you is that, sir, please have a very serious candid look and please communicate this to the relevant authorities that this LPG under recovery is clouting earnings, it's clouting dividend. The earnings visibility is not coming in, because of which we are losing out. So, my request is, sir, if you can get that issue addressed, it will go a long way in building our market cap.

Just one thing, sir, today, our total asset is INR 4,85,000 crores. I mean that is a staggering asset base we have, but market cap is 1/3. So, please, I humbly request you, sir, please have a look at this issue because this is something which will re-rate it. The budget is coming up now. It is a God given opportunity for you. Please have this issue addressed. That is my only request to you. Otherwise, sir, you are doing very well. I have nothing to tell you, because you guys are a very superb Management team in place. But sir, this LPG under recovery is something which is clouting us in a very, very bad way, sir. Thank you very much.

Anuj Jain: Thank you, Sumeet, for your guidance to us. I would say the only thing I would have loved if you would have been in Mumbai when the Honorable Minister had the Investors Meet. He had clearly mentioned...

Sumeet Rohra: Unfortunately, I could not make it because it was only at a 1-day notice that we got the invite. But however, sir, I have tried to communicate this because, sir, today, I will be honest to you how our heart bleeds. I mean when market caps of Indian Oil, Bharat Petroleum and Hindustan Petroleum are at these prices, is clearly not warranted. Think about it, how can the 3 market caps of the 3 companies which supply 90% of India's fuel be at INR 3,00,000 crores. I mean they're absolutely unwarranted and it is being suppressed just because of this issue of LPG under recovery. Think about it, sir, if today LPG under recovery was not there, would these companies be trading at these market caps.

So, sir, by not paying the LPG under recovery, the biggest damage the government is doing is to itself. So, I really am astonished that why is this happening? Because sorry, it's in front of your eyes, right? I mean we've not paid dividend till today. Your throughput may go up by 25%, but if your bottom line does not show that, it's not going to really benefit from an investor point of view, right? Because see, you're holding investor calls for investors, right? But sir, ultimately, this is something which you can handle. And I'm sure that if you guys go and explain to the government and say that boss, we have minority investors, and minority investors are suffering because of this, I'm sure they'll figure a way, and everything will come back, because Indian Oil doesn't deserve this market picture. That's my only request to you.

Anuj Jain: No, I will only say one thing that due to various government initiatives to provide LPG at affordable prices to masses, OMCs sell LPG at subsidized rates, and thereafter seek reimbursement of these subsidies from government, and this LPG is a controlled product. Ministry is doing their part. And if you have seen in the past also, against the INR 28,000 crores under recovery, negative buffer, we were given INR 22,000 crore subsidy by government to all the OMCs. And as we have discussed that day also, the government is fully seized of this matter. And they have said that they are discussing this matter internally. And definitely, they are going to support oil marketing companies on this aspect.

So, I feel that it's a timing difference. Yes, on a quarter-to-quarter basis, there may be wide variation. But you will see very soon that some good announcement will be coming, and because government is seized of this matter. So, I cannot give any timelines absolutely on this regard, when it will come and how much. But definitely, the statement has been that the government is seized of this matter, and definitely, subsidy will be given to OMCs.

Sumeet Rohra: Sir, I will request you once again, please if this is the only thing which is basically affecting us. Otherwise, you guys are doing a splendid job. You are doing something which is exemplary. You have achieved excellent sales. You guys are doing a wonderful role for the country, for the people. But sir, also do something for your investors and shareholders, yes. Because ultimately, sir, today, you see all the OMCs are available at...

Anuj Jain: See, I will add only one thing. If you see the past 10 years' return, I have given, if you put together my capital appreciation and dividends, almost a return of 18%, and the other major company in the oil and gas sector has also given 18%. So, maybe on a quarter-to-quarter basis, my profitability gets affected. But if you see the long-term view about the company, our returns are not less than the other biggest private sector oil and gas company in the country.

So, I think, I want to emphasize on this point that please, whenever you see a national oil company like Indian Oil, we have been rewarding the shareholders. Maybe on a quarter-to-quarter basis, we may not be able to give you the exact expected returns. But over the years, we have given reasonable dividends, reasonable capital appreciation, good bonuses from time to time to get good returns to our stakeholders.

Sumeet Rohra: Yes. No sir, that point is absolutely taken, but your potential is to do much more. So, if these issues are addressed, you can be a far, far more precious company in terms of market cap. That's my only point which I want to highlight to you, sir.

Anuj Jain: I take this point very positively. Thank you very much.

Moderator: The next question is from the line of Vivekanand from AMBIT Capital. Please go ahead.

Vivekanand Subbaraman: My 2 questions, 1 of them is on Terra Clean Limited. Your fiscal '24 annual report mentions an investment plan of around INR 5,000 crores for establishment of 1 gigawatt renewable capacity. But sir, your target by fiscal '31 is 31 gigawatts. So, could you give us some more details on the roadmap to get to 31 gigawatts by FY '31, and the investment outlay needed? And thirdly, the business model on the renewable side? That is my first question. I will ask the second one after you answer this.

Anuj Jain: See, you are fully on track that we have a target of 31 gigawatts. But only thing is we have a mix of organic and inorganic route to achieve that. We will be doing this capacity along with our JV partners also. And we will be also achieving this target through mergers and acquisitions. So, we have multiple strategies to achieve this. And Terra Clean is 100% subsidiary company of

Indian Oil, where the tender for 1 gigawatt is already out, okay? For another 4-gigawatt, work is in progress.

We have also done a joint venture agreement with NTPC Green, and that is also going in a much faster way. So, we have multiple strategies to achieve this target. See, today, if you see, every company is starting its journey. So, we have already started this journey 2 years back, in fact. And we are on track to achieve our targets, both organically, inorganically, merger, acquisition, through JV companies in this manner.

I would say only broad numbers that 6 to 7 gigawatts would be done through our organic, another major portion will be coming through JV routes. First has already happened with NTPC. We have other MOUs signed with various renewable companies, and we are having discussion with them. And another 5 to 6 gigawatts will be happening through mergers and acquisitions.

Vivekanand Subbaraman: Right. This is very helpful, sir. Is there any intermediate target, let's say, next 2 years, 3 years in terms of capacity? Or if not, that's also fine.

Anuj Jain: No, we have a target for the 31 gigawatts only.

Vivekanand Subbaraman: My second question is after these refinery expansions, on an overall network, you will be at 88 MMTPA at a group level and your network throughput is around 92, 93 MMTPA. So, will you be further undertaking refinery CAPEX or is this the last stage of it?

Anuj Jain: See, as of now, these are the 3 major Board approved projects. But definitely, we will keep on scouting for any project if it gives me the desired returns, okay? You have seen other OMCs have also gone ahead with their new refineries. And we are also scouting for them, but only if we get the desired returns out of the new investments. But as on date, these are the 3 major expansions happening in the company.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: It's a pleasure to listen to you and we would request you to continue this every quarter if you can. So, the first thought is if you're looking at your investments in refining and petrochemicals, what is your long-term target in terms of ROCE? And when do you think you will get a visibility on the improvement in refining margins and petrochemicals, since you're committing very large amount of CAPEX. So, if you can give your thoughts on that.

And then I would also like to have some insight in terms of the progress you are expecting in the stand-alone CGD geographic areas, and when you expect that CAPEX to generate positive EBITDA?

Anuj Jain: I have just answered that question that, see, as far as refinery expansions are coming, part income will start coming from '26-'27. And from '27-'28, hopefully, the major income will start coming back to the company on our investments done this…

S. Ramesh: Sir, I understand that. What I'm trying to look at is from the perspective of investors, it has to generate a certain ROCE, which you have been delivering in the last few years. So, given the weak trends in margins, would like to know what is your reading of when you get the kind of margins required to generate, say, 12% to 15% ROCE. That's what one is trying to understand.

Anuj Jain: See, it's very difficult to predict the margins as such, everybody knows that. See, but once you can see over the long-term basis, refinery cracks go up and down. You have seen how since past 1 year; the cracks have come down. So, this is part and parcel of our industry where the margins sometimes go very high and sometimes the margins come down. So, if you see even the HSD crack has vis-a-vis '23-'24 is down by 50% in HSD itself. Same is the case with MS, okay? So, it keeps on fluctuating. Whenever we do any projects, we do a 3-year averaging, 5 years, 7 years. We see the 5 years. So, it keeps ups and down. But definitely, all the projects what company does, definitely is above our cost of capital. So, that is a basic strategy of the company. All these expansions should happen, provided it gives me returns beyond my cost of capital.

So, I'm very optimistic that whenever these refineries will come, there will be some time where the margins will not be very high. Sometimes the margins will be very high. But on a long-term basis, since there's enough demand in the country, we should get reasonable returns on our investment.

S. Ramesh: Your thoughts on your CGD investments when you'll start seeing positive EBITDA? And you can also give us some insight around any plans to monetize any of your subsidiaries in green energy or the pipelines, that would be great.

Anuj Jain: IOC at present is having 26 GAs, and it is spread across India. And we have also 49 GAs along with our joint venture companies. So, we have a good exposure to the CGD business as on date.

Our total CAPEX on our GAs itself will be almost INR 20,000 crores. See, now as far as the profitability's of GAs are concerned, we expect that we will be becoming EBITDA positive in next financial year. Although the CAPEX will be spent over the next many years, the CAPEX is going to continue from up to September '34, but we will start becoming EBITDA positive from next year. And this is a growing business where we are focusing in a big way.

S. Ramesh: And any thoughts on monetizing your green energy subsidiary or pipelines or any other arm of your business?

Anuj Jain: See, it will be too premature to commit anything over a con call, but definitely, we have seen other companies monetizing their investments in the green portfolio after achieving a minimum size. So, we are yet to achieve that size. So, as soon as we achieve that size, definitely, we would be seeing any opportunity in this regard. See, there are many things, there's a dual taxation concept, so there are GST issues. So, many issues are there before we take on that. But definitely, it is one of the long-term strategy for the company.

S. Ramesh: So, my next question is the last question. So, in terms of your refinery modernization, can you give us a sense in terms of any benefits from residual upgradation? And any thoughts you have on your lube business?

Anuj Jain: See, lube business is one of the profitable business for any refining company. So, like J18 apart from the refining addition, it is also going to add my lubes LOBS stock. So, we are adding pet-chem, we are adding lubes in the expansions. So, there's no definite answer to your query, but I would say any expansion which is happening is taking into account our additional need of base oils and additional feed for our petrochemical units.

S. Ramesh: And on any upside in gross refining margins from any bottoms upgradation you may be doing in your refinery expansion?

Anuj Jain: Yes, definitely. All the expansions are being done with the latest technology. So, the refining margins will go up, provided it will depend on the international cracks, which will prevail at that time.

S. Ramesh: Sir what is the yield improvement you can expect, based on the bottom's upgradation from the current yield?

Anuj Jain: See, if you see the Panipat, okay, my yield upgradation is definitely going to happen. I can give you the data subsequent to that.

Moderator: Next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: So, I just wanted to check, firstly, what was the marketing inventory loss in 3 months and 9 months, if you can provide?

Anuj Jain: I have shared in the beginning itself, the Q3, the inventory losses put together, both crude and marketing were in the range of INR 5,200 crores.

Amit Murarka: Sure. And 9 months, if you could provide?

Anuj Jain: 9 months is almost INR 5,500 crores.

Amit Murarka: Got it. And sorry, I joined the call a little late. Have you also provided the CAPEX for '25 and '26?

Anuj Jain: Yes, I have shared CAPEX for '25-'26. INR 33,000 crores. So, the CAPEX would be INR 33,000 crores.

Amit Murarka: In '26, FY '26?

Anuj Jain: Yes, next year.

Amit Murarka: Sure. Also, on pet-chem side, I think some discussion has already happened. But just checking like given that there is so much of a drag in the spreads that you are seeing for quite some time and it seems more structural now, have you given any thought when you are evaluating pet-chem expansions in your new refineries? What kind of assumptions you're doing like taking when you build in IRR for such projects? I just wanted to understand that as well.

Anuj Jain: See, we understand that pet-chem margin is a cyclical trend, okay? But one thing is for sure that there's a huge demand in India. A lot of imports are happening in India. Pet-chem sector is expected to grow by 11% to 12% per annum, okay? Today, it is $51 billion. In ’21, it will become double, $200 billion in '27. And by 2040, it is expected to touch $400 billion. So, there's a huge potential of petrochemicals in the country. Lot of imports are happening. So, definitely, we are investing a lot of our CAPEX in pet-chem cycle, and we hope that there may be some cycles where the earnings will come down. But definitely, from time to time in the past, we have seen we get reasonably good margins in pet-chem. So, this is a long-term strategy of the company.

Amit Murarka: Got it. No, I agree with you on the demand side. I was only wondering that simply because like we are doing naphtha-based pet-chem, which frankly is a higher cost feedstock now, compared to ethane. So, what kind of assumptions you are taking basically on the spreads, simply because it's also a structural issue, while it is cyclical, but the ethane to naphtha is a structural issue. So, I'm not so sure of the other recovery of margins going back to older levels. So, I just wanted to understand, therefore that, what kind of assumptions you are taking when you're doing IRR for these projects?

Anuj Jain: See, if you understand, we have 10 refineries, and we have lot of excess naphtha in our system. So, instead of exporting it, it is much better to use that naphtha to have a naphtha-based cracker in our system.But we are not averse to have an alternate cracking also, like ethane-based, that can also be done. But for us, for a refining company, naphtha crack is a very good option with us actually.

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

Vikash Jain: This is coming back to Russian crude. So, the question was, say after these sanctions, you did mention that 9 months, 25% of the crude intake is Russian crude. After this sanction in FY '26, where do you see this number settling down? Could it be far lower? Could it be sub-10% kind of Russian crude, based on whatever you can see at this point of time?

Anuj Jain: See, it will be very difficult to give any specific percentage. But one thing is what we are witnessing is we are getting the impact as on date, because of the new sanctions. But it takes time. Whenever the new sanctions come, it takes some time for the entire oil and gas industry to stabilize.

So, if you ask me today in Jan '25, whether I got impacted, I would say yes. But definitely, I had a past contract. So, for Jan and Feb, we have a reasonable intake. For the month of March, yes, whatever I thought it is not going to come in the same quantity. But what will happen in the April, May, June onwards, because as such, Russian crude is not sanctioned. If you see only the 2 entities have been sanctioned and a few vessels have been sanctioned.

So, as such, there is no total debar on the Russian crude. So, we are expecting that Russian crude is going to come. But definitely, we will only buy if it comes at a reasonable discount to us vis-a-vis my other procurement, because whenever we procure Russian crude, it is coming in the small-sized vessels. And whenever we buy crude from the Middle East or others, it is coming in a very VLCC sort of tankers. So, the freight advantage sometimes overweighs my other discounts. So, we will see on month-to-month basis, how we will be able to buy it.

Vikash Jain: So, sir, I think the discount right now is about $3 or so, right? So, that is a landed discount adjusted for the fact that you are using a less efficient vessel and all of those things. That is when we say $3 or so discount, that's what is landed in India, right? We are comparing it to landed basis, right?

Anuj Jain: But even the $3 has come down to $2 now.

Vikash Jain: And so, if you were to adjust for the quality, anyway Russian crude required needs to be at a discount or used to be at a discount, say, before at about $1, $1.5, right? So, I mean, if it comes down to sub-$2, then automatically it becomes less attractive. Isn't that the case?

Anuj Jain: See, we have a very, very robust, I think, biggest optimization package in Indian Oil, where we have configured 10 refineries, 30,000 kilometers worth of pipelines, all other marketing installations, what they can produce, when to produce, what is the demand, from where the product will come, at what price, what tank, DAP, FOB. So, we have all the factors we factor in. And we have a very good optimization package, which comes out what is the most optimum crude to be bought at what time. So, whether it is X, Y, Z, all crudes for us are equal. Some quality parameters will be different. So, it will get an advantage in our package. If it is not having a good quality, it will, in any case, get valued accordingly. So, it's a very detailed exercise what we are doing day in, day out.

Moderator: Ladies and gentlemen, that was the last question for today's call. I now hand the conference over to the Management for closing comments.

Prabhat Himatsingka: Yes. Thank you, everyone. Thank you to all the investors and analysts for joining the call.

Anuj Jain: I also want to thank everyone. I will say that despite the global headwinds inflicted by global inflation, ongoing Russia-Ukraine conflict, weakness in other major economies, and the U.S. presidential elections, weakening domestic currency against U.S.D, Indian Oil has still performed exceptionally, stood tall, and given reasonably good results in quarter 3, despite facing inventory losses and exchange losses.

Thank you. I will end my briefing here.

Moderator: On behalf of Indian Oil Corporation Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.