



November 1, 2023



Mangalore Refinery & Petrochemicals Limited

Q2 FY24 Earnings Conference Call

November 1, 2023

MANAGEMENT:

MR. SANJAY VARMA – MANAGING DIRECTOR

MR. VIVEK C. TONGAONKAR – DIRECTOR FINANCE AND CFO

MR. B.H.V. PRASAD – EXECUTIVE DIRECTOR (PROJECTS)

MR. SHYAMPRASAD KAMATH – EXECUTIVE DIRECTOR (REFINERY)

MODERATOR: MS. PAYAL SHAH – PRABHUDAS LILADHER PRIVATE LIMITED



November 1, 2023

- **Moderator:**

- Ladies and gentlemen, good day and welcome to the Mangalore Refinery and Petrochemicals Limited earnings conference call hosted by Prabhudas Lilladher Private 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Payal Shah from Prabhudas Lilladher. Thank you and over to you, Mam.

- **Ms. Payal Shah – Prabhudas Lilladher Private Limited:**

- Thanks, Arshiya. On behalf of Prabhudas Lilladher, I welcome you all to the Q2 FY24 earnings call of Mangalore Refinery and Petrochemicals Limited. We have with us the management represented by Mr. Sanjay Varma, Managing Director, Mr. Vivek C. Tongaonkar, Director Finance, Mr. BHV Prasad, ED Projects, Mr. Shyam Kamath, ED Refinery, and Mr. Yogish Nayak, GGM I/C Finance. I would like to hand over the call to the management for opening remarks, after which we can open the floor for Q&A. Thank you and over to you, Sir.

- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**

- Yeah. Thank you very much. Thank you, Payal. This is Vivek Tongaonkar, Director Finance and CFO, Mangalore Refinery and Petrochemicals Limited. As Payal has already mentioned, I have with me over here our Managing Director, Shri Sanjay Varma, Mr. BHV Prasad, who is the Executive Director Projects, Mr. Shyamprasad Kamath, who is the Executive Director Refinery, and Mr. Yogish Nayak, he is Group General Manager, In Charge Finance. Our results for Q2 and H1 of Financial Year 23-24 are with you and I hope that you would have gone through them. Let me just start with some highlights.
- MRPL achieved a throughput of 3.21 million metric tons during Q2 and 7.57 million metric tons during H1. In July 2023, we processed our ever highest monthly gross crude throughput of 1.44 Million Metric Tons. This reflects our capacity to scale to new highs during robust crack margins by encashing the available opportunity. We clocked ever best BS6 Motor Spirit that is petrol monthly production of 195,000 metric tons during August 2023. The previous highest was in June 2023 at 174,000 metric tons.
- On the award front, MRPL backed the following awards; Government E Market Star Buyer Award. Dun and Bradstreet Award for Best Mini Ratna Public Sector Undertaking across all Sectors. Best Innovation in Refinery Award, which is second time in a row during Energy and Technology Meet 2023 and Water Management Company of the Year 2023 from Energy and Environment Foundation. MRPL also became the first refinery in India to be certified with AS9100D2216 for production, certification, distribution of aviation turbine fuel, which attests to the quality in the processing.



November 1, 2023

- Some of the financial operational statistics pertaining to Q2 are as follows. Our gross refinery margin is \$17.11 per barrel as against a negative figure of \$(4.46) dollars per barrel in the previous Q2. The resultant PBT is 1,606 crores against a loss of 2,576 in the previous Q2. The PAT is 1,059 crores versus the loss of 1,789 crores in the Q2 of the last year. Accordingly, our EPS has gone up to Rs. 6.04 for this quarter as against the minus negative figure of Rs. 10.21 in the previous Q2.
- We have reduced our total borrowings by 4,234 crores as compared to September 2022 and resultantly the debt equity ratio has come down to 1.17 as against 2.24 in September 2022. The finance cost has also been reduced to 311 crores as against 315 crores in the previous Q2. During the current year, current year H1 itself, MRPL has reduced its long-term borrowings by 3,284 crores. The net worth of the company has improved from 8,106 crores as of end of September 22 to ₹11,906 crores as of end of September 23. It's an impressive 46% improvement in a one-year period. The standalone EPS, which is not annualized has improved 125% from 5.24 as of end of September 22 to 11.82 as of end of September 23. We would again like to reiterate that the above results were achieved even after taking mandatory shutdown of phase three refinery complex during Q2, which lasted for about 45 days. As far as the outlook is concerned, gross refinery margin is a marketplace depending on what margins are available in the international markets, but we are committed to bring onboard value-added products, energy efficiency and flexibility in crude processing, which is a USP of MRPL to maximize advantage of the available opportunities.
- Focus would also remain on optimizing the operating costs and reducing debt. We would now be - that is a brief introduction about MRPL. We would now be willing to take questions from the analysts. Thank you.
- **Moderator:**
- Thank you, Sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone phone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Tabri Hazarika from MK Global. Please go ahead.
- **Mr. Tabri Hazarika – M.K. Global:**
- Yeah. Good afternoon, Sir. I have three questions. First one is a bookkeeping question. Your OpEx has actually gone up during this quarter is it because of the shutdown or is there anything specific?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- Yes. So, it is because of the shutdown and the reduction in the throughput that was there, correspondingly, reduction thruput.
- **Mr. Tabri Hazarika – M.K. Global:**
- Okay, but was there any excise duty differential on closing stocks, those kinds of adjustments are also there?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Please come back.
- **Mr. Tabri Hazarika – M.K. Global:**
- Some excise duty payments and all, which are generally held up actually at this point of time?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- No, no, no much impact, nothing on that sort.
- **Mr. Tabri Hazarika – M.K. Global:**
- Okay Sir. Second question is, how much Russian crude are you procuring right now and what is the discount you have got Q1 versus Q2 and also current run rate?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Generally, in India now the Russian barrels that are available at a discount are broadly are about 35% to 40% in the country. We are also at similar levels as far as MRPL is concerned. Discounts which were earlier higher on in the Q1 have reduced, but yes, they are still - they were still there for the Q2 crude procurement.
- **Mr. Tabri Hazarika – M.K. Global:**
- Can you give us some numbers from that discounts?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Broadly they are in line with what you would have got from the media reports also and they are accordingly in those lines only.
- **Mr. Tabri Hazarika – M.K. Global:**



November 1, 2023

- Okay and right now so it's like, it's further fallen or it's like stable right now considering that crude prices have gone up.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- In the immediate future, I don't think we have had any procurements, new procurements as of now. They will come now.
- **Mr. Tabri Hazarika – M.K. Global:**
- Okay, Sir. And the last question is regarding your green hydrogen tender. So, has it been like awarded and any details on that?
- **Mr. B.H.V. Prasad - Executive Director (Projects), Mangalore Refinery and Petrochemicals Limited:**
- Green hydrogen tender, basically like you know, we are having an alternate talk of you know our parent company ONGC is planning to go ahead with the bigger scale project in Mangalore. We are planning to go along with ONGC for the green project – green hydrogen project.
- **Mr. Tabri Hazarika – M.K. Global:**
- Okay. So, you will not be setting up an electrolyzer, you will be buying from ONGC, the green nitrogen for the refinery, is that correct?
- **Mr. B.H.V. Prasad - Executive Director (Projects), Mangalore Refinery and Petrochemicals Limited:**
- That's what we have - it is actually in conceptualization stage, you know either we go for a very minimal investment initially and later on whenever ONGC's project comes, we want to go along with them, but it is in discussion stage at this moment.
- **Mr. Tabri Hazarika – M.K. Global:**
- Because I remember seeing a tender of 500 tons per annum, I get something of that sort which was out. So, that has been scrapped right now or is it still on?
- **Mr. B.H.V. Prasad - Executive Director (Projects), Mangalore Refinery and Petrochemicals Limited:**
- No, no, it is not yet scrapped. It is just an EOI we have placed earlier. It's still under consideration.
- **Mr. Tabri Hazarika – M.K. Global:**



November 1, 2023

- Okay Sir. Okay Sir, fair enough. Thank you so much and all the best.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Thank you.
- **Moderator:**
- Thank you. Participants who wish to ask questions may press * and 1 on their touchtone phone. The next question is from the line of Mr. Abhishek Nigam from Motilal Oswal. Please go ahead, Sir.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Yeah, hi. Thank you so much for the opportunity. Sir, just on the shutdown, so basically third quarter we will see full throughput, right, without any shutdown?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Third quarter we don't expect any shutdown as of now. There's no plan to shutdown at all.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Yes, full thruput.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Full throughput, okay. And same for FY25, there is no minor shutdown planned for FY25 is it?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- 25, there would be a shutdown also. It would be in phase 2, because these are mandatory shutdowns and they come up with depending upon the period that they are due.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Fair enough. Is it possible to give us a broad sense of how much volume impact could be there in FY25?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- FY25? I mean we are targeting more than 100% of our design capacity to be run. Our design capacity is 15. We would and we are targeting that it should be more than 100% and so we don't envisage too much of a as far as the design capacity is concerned.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Okay, fair enough. So, you will just plan it in such a way that there is no major impact.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Yeah. As far as, design capacity.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- See, Abhishek, this is Sanjay Varma, Managing Director speaking. I want to add on to what Director Finance has spoken to you. In the current year also, we had a shutdown for 45 days for our phase three refinery, which has a lot of complex units. Despite of that, we are definitely going to have more than 100% capacity utilization and as you are aware that a MRPL refinery has got three trains of crude trains basically. The second train which will go for a mandatory shutdown in Q2 next year most probably and we don't anticipate any lower throughput than 100% in the next year also and primarily if you see the data of MRPL historically our strength is our physical performance. So, we are looking for a more than 100% capacity utilization in years to come despite of these mandatory shutdowns. Last year, if you can recall, we have even clogged 17.14 MMTPA capacity utilization because that year was having zero shutdown. So, once in a four-year refinery do get one year such where none of the three trains will have any shutdown. So, that is the capability where we can you know be somewhere between our 100% capacity utilization to somewhere around 17 odd.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Okay, fair enough. That's useful and last question for me, in terms of CapEx, if you could give us the guidance for you know second-half in FY25?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- For CapEx, our annual CapEx would be around 1,000 crores. So, for the next H2 for the H2 that is coming up, probably it should be between 400 to 500 crores.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Okay. And FY25, will you be able to give us some



November 1, 2023

- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- 25 also broadly it should be about 1,000 crores as of now.
- **Mr. Abhishek Nigam -- Motilal Oswal:**
- Perfect. Thank you so much, Sir. That's all from me.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Thank you.
- **Moderator:**
- Before we take the next question, we would like to remind all the participants that you may press * and 1 to ask a question. The next question is from the line of Mr. Saket Kapoor from Kapoor Co. Please go ahead, Sir.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Yeah. Hello Sir and thank you for this opportunity. Sir, as being alluded by you that we are looking for a CapEx of 400 crore for H2 of this financial year. So, this 400-crore will lead for the modernization, if you could explain the nature of the CapEx?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- So, the 400-500 crores that we are likely to spend is on existing projects that are continuing. We have got to Devangunthi project coming up, which is under execution. It is likely to be completed during this H2. So, those payments would be there. There would be other CapEx expenditures that are undertaken within the refinery also, so those which are already under execution and for that also these - it's already budgeted, so these expenditures would be completed or achieved during this H2 and for that 500 crores odd is being likely to be spent.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Yeah, yeah. Please Sir, you continue first.
- **Mr. B.H.V. Prasad - Executive Director (Projects), Mangalore Refinery and Petrochemicals Limited:**
- Sure. CapEx, in addition to our Director Finance what he said that Devangunthi is a marketing terminal project. Then, we have a bitumen blowing unit which is coming up, which is likely -



November 1, 2023

which is getting completed in the next quarter. Then a few other units which are within the refinery is being put up and the next one is you know we are also into retail marketing. The CapEx also includes retail outlets:

- **Mr. Saket Kapoor - Kapoor Co.:**

- Okay, closing balance for September the first half is closer, is at 678 crore and we will be spending 500 more and this amount that is to be capitalized as on March 24, would be closer to what value, sir?

- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**

- That is closer to as Director Finance has said 1,000 crores, 600 already we have booked up to 30th September. Based on the completion of the project it will be taken to property plant and equipment otherwise it will be in the capital work in progress.

- **Mr. Saket Kapoor - Kapoor Co.**

- Right and for FY 24-25, what have we outlined?

- **Mr. Yogish Nayak – GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**

- 1,000 crores, in the range of 1,000 crores.

- **Mr. Saket Kapoor - Kapoor Co.:**

- Okay, a request in the press release part, if you can also provide us with the breakup of the CapEx part, amount spent on the project also and when the project is likely to be commissioned, that will give us more color on where the amount has been spent. So, that will suffice a lot of our queries. If we look into the component of... firstly thank you for arranging this call and we will look forward for the continuity. As we have done this maintenance shutdown, what are the benefits in terms of the improvement in yields on distillate that we may incur going ahead and are we working on any residue upgradation program also?

- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**

- There's a couple of reasons, I'm Sanjay Verma, Managing Director, I would like to just respond to it and then I will hand over to ED Refinery, if he can suffice to things further to it. Phase-3 refinery, what we have gone for a mandatory shutdown, was basically for a certain critical unit where the catalyst was at the end of its life. So, the replacement of the catalyst and inspections and probing the refinery as for the mandatory requirements and statutory requirements, so those were this thing. And this Phase 3 refinery of MRPL has a bulk of the bottom upgrader unit.. So, post this shutdown I think, the distillate yield and all is not likely to be impacted like we are having a distillate yield of typically 78 to 80% of the yield is there and the SOR that is a Start Of Run condition, the efficiency maybe marginally little high, but we



November 1, 2023

would like to you know, at this point in time, this is what is our outlook, because no additional unit in Phase-3 has been brought in. And I will just ask if our ED Refinery wants to add on to your question. Anything else, you can.

- **Mr. Shyam Kamath – ED Refinery, Mangalore Refinery and Petrochemicals Limited:**
- Basically, our energy front, we are expecting there will be an improvement because whatever issues we had, because it's a mandatory shutdown. So definitely we will be having some improvements on the energy front. As you rightly said on the catalysts since they are at the Start Of Run, definitely, there will be some improvements.
- **Mr. B.H.V. Prasad - Executive Director (Projects), Mangalore Refinery and Petrochemicals Limited:**
- And your second question on upgradation plans, it is still in consideration, it is in feasibility report stage. At this moment, we'll come back to you on the upgradation projects, there are a few in plan.
- **Mr. Saket Kapoor - Kapoor Co.:**
- Sir, in your earlier reply you mentioned that we have our capacity at 15 million ton and with improved set of input we look forward for 17 million ton. This is the number we can work with this maintenance.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- See, 15 million metric ton is the design capacity of the plant depending upon how the availability of crudes and the availability of the equipment, etc. We have been able to run it at more than 100% and previous year we did 17 million metric tons of crude processing, whether that is a representative for future years as of now, we would not be able to say that but as MD had mentioned earlier on, it's usually when all the three, all the full refinery is available on continuous basis once in four years. Generally, the processing will be towards the higher side.
- **Mr. Saket Kapoor - Kapoor Co.:**
- Last point on the inventory themselves, can you outline towards the number, what have been the inventory gain or what is the closing stock, how is the stock inventory value and the color on the same?
- **Mr. Yogish Nayak – GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- Inventory gain for H1 is around \$2. The prices have increased from compared to 31st March, 2023 to 30th September, 2023. There is an inventory gain of 2.1 however, the inventory levels have come down, we have maintained almost the optimal inventory level.
- **Mr. Saket Kapoor - Kapoor Co.:**
- Sir, can you quantify the number in absolute number term, \$2 will translate into what amounts in profit?
- **Mr. Yogish Nayak – GGM I/C Finance, - Mangalore Refinery and Petrochemicals Limited:**
- 2.1 dollar will amount to... 960 crore.
- **Mr. Saket Kapoor - Kapoor Co.:**
- 960 crore?
- **Mr. Yogish Nayak – GGM I/C Finance, - Mangalore Refinery and Petrochemicals Limited:**
- Yeah.
- **Mr. Saket Kapoor - Kapoor Co.:**
- So, the EBITDA number of 4332 contains an inventory gain of 960 crore.
- **Mr. Yogish Nayak – GGM I/C Finance, - Mangalore Refinery and Petrochemicals Limited:**
- Yes, that inventory gain is only a change in opening stock and closing stock. However, going forward the prices remains the same it will be realized.
- **Mr. Saket Kapoor - Kapoor Co.:**
- And the factors that have led to this GRM of \$17, if you could give us some understanding how the GRMs are currently shaping up and what factors did lead to these GRMs of \$17 and its continuity, I mean, if you could give us some color whether this is a new normal state or there are external factors when they dissipate will come, there will be a mean reversion again?
- **Mr. Yogish Nayak – GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- MD sir has told already, this is a market driven, prices are market driven. So, going forward we cannot predict but this 17.11 is because of our internal as well as external factor. Internally, we achieved a maximum throughput during the cracks were good. So, July we have achieved highest throughput. Then the prices, cracks have been improved since August, then even though the SAED is levied at certain level from 14th August, we could get the good margin in our products. So, that has resulted in a good GRM for Q2.



November 1, 2023

- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- I would like to add on, Sanjay Varma here Managing Director, whatever head finance was speaking about. See, if you see the general across the refinery industry in India, all GRMs are reported very good. So, one factor is that market conditions were good in the Q2, so that is definitely over there. And outlook for Q3 as we see today, my guess is that, yes, the cracks with the winter coming in the western side of the world likely to hold on to this level. And we are looking for a similar kind of a performance in Q3 also.
- **Mr. Saket Kapoor - Kapoor Co.:**
- Correct. Okay. Thank you, sir. I'll join the queue and for the ATF sale part, if you could give us an understanding now what annual number... Yeah, I'll come in queue for my remaining questions.
- **Moderator:**
- Please rejoin for questions. Thank you so much.
- **Mr. Saket Kapoor - Kapoor Co.:**
- Yes. Thank you.
- **Moderator:**
- The next question is from the line of Rwibhu Aon from UBS. Please go ahead.
- **Mr. Rwibhu Aon – UBS:**
- Yes, thanks for the opportunity. So, firstly, can you please tell us what are the fuel and loss for this quarter for the first half in terms of percentage and how do we plan to maybe reduce this kind of number going forward?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO - Mangalore Refinery and Petrochemicals Limited:**
- So, for fuel and loss for this quarter Q2 was 11.28% and for the previous year Q2, it was 11.66%.
- **Mr. Rwibhu Aon – UBS:**
- Okay, and shall we take this number going forward or are we doing any project so that we can reduce?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- See, it is likely to improve because as our ED Refinery has told to the earlier question, our Phase-3 unit we have undertaken a shutdown. So, there were little efficiency issues, which has been addressed, and we are looking into betterment of this number, whatever Director Finance has spoken about, so Q3, we are likely to have a better fuel and loss number. And just to add on that this fuel and loss is not for the refinery alone, because as you are aware that we are also operating aromatic complex also within the refinery. So, this is a combined fuel and loss for aromatic complex as well as the 15 million metric ton of the refinery. And we are expecting to better it in the current quarter.
- **Mr. Rwibhu Aon – UBS:**
- Got it, sir. Sir, my second question is our plans for ramping up our fuel retail outlets. So, can you give us a number, how many retail outlets we have now and what's the targets for maybe end FY24 or FY25?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Rwibhu, let me just give a brief that we aspire to have our domestic market capture to the tune of 1 million metric ton in coming three to five years. As of now, we have a 75 retail outlet and advertisement for another 1800 retail outlet is out and we are likely to conclude it very shortly. And we are aggressively going on increasing our footprint in the retail outlets. And we are looking maybe in another three years close to around 500 odd retail outlets, predominantly in a first phase in the southern India. And once we are established in the southern India, we are also in a phase two of retail marketing expansion, we would like to move upward western India and North India side. So, these are the stages of planning and strategies what we are having for the expansion of the marketing retail networks.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO - Mangalore Refinery and Petrochemicals Limited:**
- This year itself we should have more than 100 retail units up and running.
- **Mr. Rwibhu Aon – UBS:**
- Okay. And if you can give us the throughput from the retail outlets for this quarter or the first half, from the 75 outlets?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- It's very difficult because it all depends on our location, highway, rural, all those kinds of things are there. But in a very general term, our retail outlet typically are doing a better throughput with the competitors by around 20kl to 30kl per outlet and we are getting a good response through our customers and customers are coming back to our retail outlets. This is what is our experience as of now.



November 1, 2023

- **Mr. Rwibhu Aon – UBS:**
- Okay, thanks for the detailed answer. And lastly, are you taking any LNG or do you plan to take any, because I think the prices have again gone up slightly. So, what kind of prices do make sense for us?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Yeah, just a quick answer to this question that we have a connectivity with the Kochi gas line of GAIL and currently we are not taking but we are actively considering looking into the price of the gas and once it becomes economical for us for the refinery operation we do switch over, in past we have switched over. So, this is an economic decision based on which we keep on you know taking gas into our system and this gas we are using as a feed also as a fuel also. So, there are two economic calculations which come into the play. For fuel is one calculation, if it breaks even, we use it as a fuel otherwise as a feed also another calculation is there, if it is economical, we take it as a feed to certain processes.
- **Mr. Rwibhu Aon – UBS:**
- Yes sir, if you can mention you know any kind of percentage slope to Brent or something like that, like what economic levels it makes sense for us?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- It is as per industry practice.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Currently, we would not be able to place a figure as of now.
- **Mr. Rwibhu Aon – UBS:**
- Okay sir, thank you so much for your time, sir.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO , Mangalore Refinery and Petrochemicals Limited:**
- Thank you, Rwibhu.
- **Moderator:**
- The next question is from the line of Mr. Gagan Dixit from Elara Securities. Please go ahead.
- **Mr. Gagan Dixit – Elara Securities India Private Limited:**



November 1, 2023

- Thanks for taking my question. Sir, can you share details of this OMPL what is the utilization in Q1 and Q2
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- OMPL utilization in Q1 and Q2? OMPL is now, it is already integrated with MRPL there is no separate company or unit as such for OMPL as of now.
- **Mr. Gagan Dixit – Elara Securities India Private Limited:**
- Okay, so if we get the sense at least that what is the sales or volume that is produced, that could be helpful.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- It's like any other unit so it is now continuously utilized.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Gagan, this is Sanjay Varma, Managing Director speaking, just to reiterate what our Director Finance has told. OMPL as of now doesn't exist it has been merged with effect to 1st May, 2022 with MRPL. It is a consolidated balance sheet which comes to whatever units are there in OMPL, those are like any other units in the refinery premises. And to answer to your specific questions, the units which are available in the OMPL, presently we run it on reformat mode. The other products because the PX market is not economical, so we are not operating. We have a product swing from PX to reformat mode and the block which is producing PX in our aromatic complex that is erstwhile OMPL operates accordingly..
- **Mr. Gagan Dixit – Elara Securities India Pvt. Ltd.:**
- Okay, sir. And, sir, my second question is when you told that Russian crude discount is typically 35% to 40%, so this is excluding the shipping charges or including that shipping charges?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Discount? No, no. I mean.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- I think you have misunderstood. Let me clarify. It is the Russian crude what was, you know, processed in that value.

- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**

- Quantum of the total crude out of which the Russian crude is 35% to 40% for the Indian markets as such, Indian refineries as such, we are also on similar lines.

- **Mr. Gagan Dixit – Elara Securities India Pvt. Ltd.:**

- Okay, okay. And, sir, my third question is in the previous call, ONGC actually told that, I mean, about the question of the merger of the MRPL with the HPCL. So, they say that there is some tax benefit that this MRPL would lose due to the merger. So, if you throw some light of it or how much is the amount, something, because they say that something, actually they are waiting for 3 to 4 years period to get, utilize all the remaining tax benefits.

- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**

- So, when OMPL got merged with MRPL, there were certain losses of OMPL which were also taken over by MRPL, which give benefit as far as the taxation is concerned to MRPL. Total quantum was around 7000 crores odd at that time. Still, we have around 3000 odd crores of losses which need to be considered for and take advantage of the tax because of that merger part of it. So, which we expect that over a period of three to four years, this would be utilized. So, that is what ONGC would have also mentioned to you over there. So, if at all any other mergers, if we do, minimally five years have to happen till we complete this takeover, after the takeover for these losses to be considered. Otherwise, there would be a refund of taxes, etc., which would not make any deal, so to say, economical for whoever does it.

- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**

- So, just to add on to what Director Finance has spoken, this is Sanjay Varma, Managing Director. I think it is a call which will be taken by our parent company, holding company, which is ONGC at an appropriate time. And to best of our understanding, these are the issues which are being explained by Mr. Vivek, Director Finance's MRPL.

- **Mr. Gagan Dixit – Elara Securities India Pvt. Ltd.:**

- Yeah, yeah, that's helpful, sir. That's helpful. Happy Diwali, sir. Thanks, sir.



November 1, 2023

- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Thank you.
- **Moderator:**
- Thank you. Participants who wish to ask questions may press star and 1 on their touchtone phone. The next question is from the line of Mr. Saket Kapoor from Kapoor & Co. Please go ahead, sir.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Yes, sir. In terms of the OMPL part, sir, which you were mentioning, sir, what has been our total investment in the project and how is the payback working currently? And that units are working at 100% repayment levels?
- **Moderator**
- Yes, sir. Give me a second, sir. We have got disconnected from the management line. Please continue to hold on. I am trying to reconnect Sir.
-
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Yes, ma'am. Yes, okay.
- **Moderator:**
- Yes. The management line is connected. Mr. Saket, you can please repeat your question.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Yes. Sir, I was coming again to this OMPL part. How much has been our investment there in the unit? And currently, how is the physical performance of the unit and also on the profitability ones, how are the margins in the poly-propylene business?
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- Okay. So, the first part of it is that investment by OMPL. It was... We took over the equity from ONGC and also took over the loans that were outstanding, which is around 4,000 crores totally in totality. Performance of the unit, yes, it is performing. We are producing reformat as already MD mentioned earlier on. So, this was... It is already... The process unit is already in stream, so to say. And what was your last...
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- So, Mr. Saket, that poly-propylene what you are talking is not produced in OMPL.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Okay, sir.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- In the refinery complex and that unit also is performing more than 100% capacity. And that unit also underwent a mandatory shutdown along with the phase 3 unit because it is a part of the phase 3 unit and it is put back to the operation and running at a... currently at a 100% plus capacity.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Okay. So, sir, what have been the product profile for OMPL currently when we took over OMPL?
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- OMPL, let me give you a brief. It is our aromatic complex right now. We do not call it as OMPL. I am repeating again. Our aromatic complex is located in a SEZ area adjacent to the refinery. The original products were paraxylene and benzene. But as I mentioned to the earlier question that paraxylene market is down at this point of time. And we have a production capabilities in the refinery as well as in our aromatic complex. So, we have swung our product slate from paraxylene mode to a reformat mode which goes for the MS making and being a SEZ unit, it is getting exported and it earns a good margin. So, that is the operation of the aromatic complex and the complex is running currently on more than 100% capacity utilization on reformat mode.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Okay. And sir, you mentioned in your press release about the ATF part also. So, currently in the product profile, what percentage is attributed towards ATF and how is this ATF sales going to be ramped up? On an annual number what should we look forward?



November 1, 2023

- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- ATF, yeah, ATF typically whatever we produce, 80% of the ATF gets exported. And we have a joint venture within India with Shell, MRPL, JV through which we channelize the domestic market and OMCs also buy occasionally ATF from MRPL. And what was mentioned in our press release was regarding the certification which MRPL has obtained in this Q2. And that is, I understand that MRPL is the first Indian refinery and very few in the world who has got accredited with the aerospace standard AS9100D, revision 2016. This is basically a quality management requirement for aviation, space and defense organization and MRPL has been certified to comply with this kind of a standard. So, this gives us an edge in our international market about the quality, production and distribution of the aviation turbine fuel. And that puts us on a little better position as far as the marketing of ATF is concerned both in export and domestic market.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- But it is all through the JV and direct sales to OMC, as you mentioned. We are not selling under MRPL directly. It is not already sold.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Domestic sales, if OMCs want to buy from MRPL, we do give them. JV, as I told you, is another channel through which in a certain part, some 10 odd airports they are operating and we are earning profit out of that JV. So, 20% typically is our domestic penetration on this and we are expanding through our JV on this for increasing the...
- **Mr. B.H.V. Prasad - Executive Director (Projects) , Mangalore Refinery and Petrochemicals Limited:**
- JV is our marketing arm for ATF.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Okay Sir. And our current market share in the ATF?
- **Mr. B.H.V. Prasad - Executive Director (Projects) , Mangalore Refinery and Petrochemicals Limited:**



November 1, 2023

- I can tell in a few of the airports, major airports, in Bangalore we are number 2. Similarly, in other airports in South India, there is one more airport, Trichy, we are number 2. In all other places, either we are by the number 3 or number 2. In terms of standing in volumes.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- So, I would just like to add on to what Mr. Prasad, our ED (project) and marketing is talking about. Devangonhi, we are coming up, MRPL is coming out with a terminal. So, where, which is getting fed from the Mangalore-Bangalore pipeline. And with this, once it gets commissioned in this quarter, mechanical completion, anytime it will happen. And shortly, either at end of this quarter or mid of the next quarter, we hope to be on line with that Devangonhi terminal, which is in the outskirts of Bangalore. So, this will bring a lot of, you know, attractive cost of placement of various products in Bangalore, including ATF. And which will make us to capture more market in the Southern India. So, that is another focus area for MRPL, through which we look to, you know, penetrate the auto fuel and the aviation turbine fuel also.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Right, sir. Sir, one bookkeeping question, if you may permit me. Firstly, what goes into the consolidation parcel, the other income line item is what gets reduced. So, if you could explain that and also there is a liability provision written off to the tune of 67 crore for this first half. So, if you could explain these two line also.
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- Yes, we have got your question. I will request our group general manager finance, in charge of the finance function. He will address your question. Just give me a minute.
- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- Based on consolidation process, we have to eliminate the intercompany transactions. By doing this, we are consolidating. And the consolidated profits, we have reported 1,598 crores against 1,606 crores. This is based from (40:36 – 40:38 – No audio) from Shell JV, that is pertaining to previous year, which was more than that profit share of current year. Because of that, the consolidated profit has come down. Only this is the reason. Otherwise, if the profits are equivalent to the dividend, there will be higher consolidated profits.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Sir, your line got dropped, sir, or I missed it. If you could just repeat your statement.



November 1, 2023

- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- During the consolidation process, we are eliminating the intercompany transactions. We have only one JV with Shell for marketing the aviation turbine fuel. Wherein, we have in receipt of dividend pertaining to the previous financial year, which is more than the current financial year's 50% of profit. We have 50-50 share in that, MRPL as well as Shell. By eliminating these intercompany transactions, the reported PBT is less compared to the stand-alone PBT. 1,606 was for the Q2 on stand-alone basis. On consolidation, it is 1,598 crores.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Okay I get it Sir. And for the liability return off Sir?
- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- That is also same. The intercompany transactions, if anything is there, we have to eliminate. The payables and the receivables.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Right Sir. Sir, and last point on the income tax paid. We paid to the tune of 1,400 crores. Yeah Ma'am, I am just concluding, ma'am. This is the last point. Please if I can make.
- **Moderator:**
- Please go ahead.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Thank you. The income tax paid is to the tune of 1,400 crores. So, this is all attributable towards the performance of the first half, that is 45% of what is due to be paid as on September 15th?
- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- 1,400 crores. Which quarter you are talking about?
- **Mr. Saket Kapoor -- Kapoor Co.:**



November 1, 2023

- Sorry, it is 14 ... it is 400 I think so. I'm sorry. Income tax.
- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- 400 only we have paid.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- This 400 is attributable towards the operation i.e. profit for the first half or any prepaid items or what ? If you could give some...
- **Mr. Yogish Nayak - GGM I/C Finance, Mangalore Refinery and Petrochemicals Limited:**
- Under MAT provisions, we have to pay this for the current profits only.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Current profits only. Sir, we look forward for the continuity of the calls and also some more understanding in your press release as requested earlier on the CAPEX part. If that could be outlined, that would suffice a lot of our interest, sir and thank you once again Sir...
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO – Mangalore Refinery and Petrochemicals Limited:**
- We will look into that matter and be in touch with you.
- **Mr. Saket Kapoor -- Kapoor Co.:**
- Thank you once again, sir, for giving us this opportunity. Thank you.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO – Mangalore Refinery and Petrochemicals Limited:**
- Thank you.
- **Moderator:**



November 1, 2023

- Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO, Mangalore Refinery and Petrochemicals Limited:**
- Thank you very much and we are happy to be able to take questions and we would continue to engage with the analysts. Separately also, if anybody else wants to be in touch with us, we welcome all those queries. And we hope to meet the analysts and satisfy their queries as far as possible. Thank you very much.
- **Moderator:**
- On behalf of...
- **Mr. Sanjay Varma -- MD, Mangalore Refinery and Petrochemicals Limited:**
- This is Sanjay Verma, Managing Director. On behalf of MRPL and my colleagues over here, I thank everybody who have taken the time out and raised their query. I hope that we have responded to the queries and if any further queries are there, as the Director of Finance has told that we are open for getting connected further one-to-one also is not an issue. So we thank all investors and analysts for this. And looking forward, the forward-looking statement is that our annual turnaround of phase 3 refinery is over and we are looking for consolidating our position in H2. And I think once again we thank you from MRPL side to everybody. Thank you, madam. Over to you.
- **Moderator:**
- Thank you, sir. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- **Mr. Vivek C. Tongaonkar – Director Finance & CFO – Mangalore Refinery and Petrochemicals Limited:**
- Thank you.

END OF TRANSCRIPT

-