

RBI curbs haven't hit ECB plan: Essar Oil

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Mumbai: Essar Oil's dollarisation drive will not be affected by the Reserve Bank of India's recent guidelines which restricted the corporate from raising funds through external commercial borrowing (ECB) from foreign branches of Indian banks.

"Our dollarisation programme is based on specific approval of RBI and the recent circular will not have any impact on that. We continue to pursue dollarisation," Lalit K Gupta, Managing Director and CEO, Essar Oil said in an earnings call. Dollarisation of balance-sheet involves conversion of rupee loans into the dollar borrowings, in order to reduce interest outgo by taking advantage of lower rates overseas.

The private refiner started converting its rupee loans in January-March 2013, following the RBI approval to raise \$2.27 billion via ECBs. However the company's plan to dollarise domestic debt is running much

Essar Oil financials

	Q4-FY14		Growth in %		FY14	
	₹ crore	QoQ	YoY	₹ crore	YoY % growth	
Revenue	25,274	0.57	6.87	98,602	11.3	
Expenditure	24,088	-2.23	6.33	94,900	10.1	
Operating profit	1,186	140.08	18.96	3,702	54.4	
Other income	205	-8.48	-1.91	871	43.0	
Finance cost	694	-14.53	-24.57	3,218	-6.0	
Net profit	1,008	1,838.46	404.00	126	-	



slower-than-expected.

In October 2013, CFO Suresh Jain had said that if the company manages to raise \$2.27 billion by fiscal end then the annual interest cost would halve to Rs 1,200 crore from Rs 3,000 crore. The oil retailer had raised nearly \$1 billion by March 31, and still has a window to raise \$1.27 billion. Management declined to give any timeline for raising these remaining ECBs and said that funds are raised based on availability of dollar.

Analysts said that the planned dollarisation of debt was getting

delayed as the company was unable to negotiate balanced rates with lenders. Essar Oil's interest outgo declined by 6% in last fiscal to Rs 3,218 crore.

Jain said that unlike the January-March quarter where interest cost declined nearly 24% to Rs 694 crore from the year ago quarter, it's interest cost would remain in the range of Rs 3,000 crore. "Further dollarisation of debt would help reduce interest burden. We are looking at interest cost saving of 5-6%." The company's net debt including the sales tax liability reduced to Rs

19,109 crore on March 31 from

Rs 21,751 crore in fiscal 2013. The company hopes to clear remaining sales tax liability of Rs

1,280 crore towards Gujarat government by October in two tranches.

Ruias-owned company posted five fold jump in fourth quarter net profit at Rs 1,008 crore, mainly due to higher gross refining margins and foreign exchange gains following the rupee appreciation.

During the quarter Essar's GRM rose to \$10.12 per barrel from \$9.6/bbl in year ago quarter. Forex gains for the quarter stood at Rs 200 crore against Rs 25 crore during the January-March 2013 quarter. While he declined to give any guidance of future trend in GRM, he cited that new refining capacities were coming up in Saudi Arabia and China.

Revenue during the quarter rose 7.5% on year to Rs 27,691 crore. For 2013-14, the company recorded at a net profit of Rs 126 crore against Rs 1,180 crore loss in the previous financial year.