"Hindustan Petroleum Corporation Limited

Q4 FY '24 Earning Conference Call"

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MODERATOR: **MR. VARATHARAJAN -- ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Earnings Conference Call of Hindustan Petroleum Corporation Limited, hosted by Antique Stock Broking. 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varatharajan from Antique Stock Broking. Thank you, and over to you, sir.

Varatharajan: Thank you, Michelle. A very good afternoon to everyone. It's my pleasure to welcome all the participants on this call as well as the management of Hindustan Petroleum Corporation Limited. The management is led by Mr. Pushp Kumar Joshi, CMD; Mr. Rajneesh Narang, Director Finance; Mr. S. Bharathan, Director, Refineries; and Mr. K. Vinod, ED, Corporate Finance. I would request the management to give a briefing, and then we can move on to Q&A. The floor is over to you, sir.

Pushp Joshi: Thank you very much, Varatha. A very good afternoon to all those friends who have joined and it's always a pleasure for us to interact on these forums and especially after such significant events because I recall, we had interacted with you in October after our H1, we had interacted with you after Q3. And the central team, which we had enunciated at that time was that our concentration is on improving and stabilizing our fundamentals.

So I'm very happy to share with you that we had a very conclusive turnaround in Q4, where we had an increase of 437% vis-a-vis the Q3. And if we look at our yearly performance, we have ended the year with a consolidated profit of INR16,015 crores versus a loss of INR6,980 crores. Now this is a very significant thing. And what we had indicated that our efforts to provide stability to our balance sheet in terms of enhancing our core assets, that is refinery both in terms of capacity and the quality of assets.

I'm very happy to share that we have been able to successfully commission our Vizag refinery modernization project and it has started giving us the dividend. It has started giving us the results. Similarly, during next -- next period, maybe another 3, 4 months, we would also be commissioning our bottom upgradation facility, which would not only add to our margins, but also add again in terms of capacity of our refinery processing.

Similarly, marketing infrastructure. We have made significant strides in developing marketing infrastructure. And the outcome of that is that amongst the public sector companies, majors which are operating, we are the company which has gained market share in both MS, HSD and also we have retained our position as the second largest LPG player in the country.

Similarly, it's again, the same point which I had stressed earlier, like look at us as our fundamentals, now another outcome of our improving refinery performances that our fuel loss performance in this year is significantly better and in fact, our fuel loss percentage has come down vis-a-vis the last year, we have been utilizing the opportunity crude, which is available, and we are harnessing the maximum potential available there.

We had also mentioned that in terms of providing new revenue streams to our balance sheet, we had concentrated on 3 primary areas: one was petrochemicals; second was biofuels and renewables; and third was natural gas. In all these 3 areas, we have made significant strides.

And in our next 5-year plan, which we have already drawn up, that is from '26 to '31, a significant portion of our revenue, we expect to come from this, additional revenue to come from this. For example, in petrochemical, we have already established our brand in the market. And in case of city gas distribution, we are present now in 25 geographies across the country in 18 states. In biofuels and renewables, I would come to that detail shortly that our new company that is HPCL Renewable and Green Energy Limited, that is fully operational now.

And -- we -- if you recall, we had made a wholly-owned subsidiary. And that subsidiary is operational. It is doing solar power right now, and we have very ambitious plans going forward to leverage on this aspect of biofuels and renewables. Second aspect, which was always the back of everybody's mind was our investment in Rajasthan Refinery, HRRL.

I'm very happy to share with you that we have already started the commissioning process of certain units. And in the detailed press release, which we have given, we have listed down that the units, which either are in the pre-commissioning stage or have already been mechanically completed. Overall, the major units, which are pertaining to the refining stream, our progress has been above 90%. And what we are planning is that by this calendar year end, we should be actually stabilizing that. And in the last quarter of this financial year, we expect to cut the crude as far as the refining domain is concerned.

As far as petrochemical is concerned, that would be post that -- post stabilization of refinery operations. So happy to share with you that major units, we have done more than 90% in the key units like, CDU/VDU, DCU, VGO, HDPE and things like that. I already mentioned about our green energy company, which I've said.

In terms of lubricants, there was a lot of discussion on that, and there was anticipation on that. We had mentioned that by March 24, we would be finalizing our plans, we had taken the assistance of an international consultant. I'm happy to share with you that we have since received the draft report and the requisite steps, which are involved in -- the further -- taking forward this initiative has already been begun because that would involve -- Part A would be taking approvals from the competent authorities. Part 2 would be, that we will have to unbundle our assets.

Part 3 would be that operational excellence in various areas. So work has started on these kind of things. I am also wish to highlight and share with you that our capex last year, we did about INR14,342 crores as capex and the point to be noted here was that this capex was done totally from the internal generations. We did not borrow anything for that.

As a matter of fact, we have actually repaid about INR6,000 crores of our long-term loan. So if you were to look at that, 14,000 crores plus 6,000 crores, which we have already repaid and that has resulted in our long-term debt-to-equity ratio. Now it is a healthy 1.06%. So it was a last year long-term loans were about 49,753. Now in March '24, we are at 43,603. This, I'm talking about our long-term debt because short term, as you are aware that in the month of March because of the temporary requirements, we normally have to borrow money on the short-term basis, which gets adjusted in the future months.

There also, last year, if you see, it was about INR64,517 crores. This year, it is about INR60,254 crores. So there also improvement has happened, but we actually look at our long-term debt-to-equity ratio, which is now in the range of 43,603 after repaying about INR6,000 crores.

So these are the points. Now as far as refining performance. There was some concern that in Q4, what was the issues with our GRMs and things like that. If you would recall that in Q3, we had mentioned that there are certain temporary phenomenon which has happened. And in Q4, we have actually had an increase of about 437%.

Similarly, in Q4, if we look at the GRMs, we have to compare that with Singapore GRMs. Another factor is the product tracks. The third factor is the opportunity crude, while as I mentioned there, that supply, there is a stability on the opportunity crude. But in terms of commercial, in terms of discount, generally the discounts have been coming down. So that is impacting -- that had impacted -- and another temporary factor was generation of ISD, the stock in our refinery, which we have been able to liquidate and the result of that would be seen in the first quarter of this financial year, we would be able to stabilize on that also.

The central theme is that we have concentrated on improving our fundamentals by enhancing the quality of our assets. And second, we have made ambitious plans to add new revenue streams, on which we have made significant progress. We have given all these details in the press release, which has been circulated. So I'm not getting into further numbers. I would most welcome any kind of questions, clarifications, feedbacks. And in the process, both my directors also would add in and give you the responses to whatever queries you may have. That is what, as an introduction, I have to mention. Thank you very much once again.

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

Probal Sen: Just sorry to harp on the refining front again. In terms of this quarter performance, you did mention that the opportunity crude, which I believe I think you're referring to the Russian crude component, while -- the volume may not have reduced, but the discount has come down. Is it fair to say that, that was the major reason, sir, for the Q-o-Q decline at least that we see? Because if I look at Singapore benchmarks, the Singapore benchmark actually went up. And I appreciate that the products slate is slightly different between Singapore and ours slate. But broadly speaking, the benchmark still went up. So can we attribute the decline Q-o-Q to primarily the crude cost differential in this quarter?

Rajneesh Narang: See, if you look at the Singapore GRM, Singapore GRM in the last quarter of last year were around USD 8 a barrel, whereas in the current year, it's USD 7 a barrel. So it has actually come down only. But yes, you are right that only the Singapore GRMs are -- is not the only factor, but the Russian crude discount also is a significant element into the reason as to why the GRMs are lower. And the third part, what our Chairman has also covered in his address is regarding the ISD buildup. We had an ISD, that is intermediate stocks. Now what happens is the intermediate stocks are valued at cost plus the weighted average operating cost -- 50% weighted average operating cost, whereas once we turn it into the final product, it gets valued at the RTP that is the refined transfer prices.

So while the buildup was there, we could not get the value in our books during the period end, but the same has been converted into products in the current financial year. So that will get reflected in the current quarter.

Probal Sen: The second question was with respect to, sir, capex plans and just result in terms of -- you mentioned that there was commissioning of some units or some parts of the Vizag refinery expansion, while the bottom of upgradation facility will happen in this financial year. Can you just explain in terms of when the total expanded capacity will be available at Vizag?

Pushp Joshi: Yes. Not actually Vizag refinery as mentioned that all the units have been commissioned except the bottom upgradation. Bottom upgradation, right now, we are in the process of mechanical commissioning. And we expect that in the third quarter of this financial year, we should be able to derive all the benefit out of that.

The expansion would have -- right now, we have 13.7 MMT at Vizag with rough commissioning it will become 15. So as I said in my introduction that after commissioning of bottom upgradation units, we have will twin advantages. One would be in terms of margins and second would be in terms of enhanced capacity of about 1.3 metric million tons. And we expect this to stabilize by the third quarter of this financial year.

Probal Sen: Understood. Sir, last question if I may any guidance segment-wise, division of capex for FY '25 and '26, if you can?

Rajneesh Narang: Yes. The current year we are planning a capex of around INR18,000 crores.

Probal Sen: Sir, can you break it up into how much into in refining, how much into CGD the Rajasthan Refinery equity share and so on?

Rajneesh Narang: One minute. Just hang on we will give you that details. In refining it will be around INR5,000 crores. Marketing would be around INR6,500 odd crores. Corporate level, it will be around INR800 crores plus INR5,600 crores is the equity contributions which we'll be making to various our JVs and come into this green...

Probal Sen: Equity contribution would be INR5,600 crores?

Rajneesh Narang: Yes. This includes the equity contribution for our new wholly-owned subsidiary for green initiatives.

Probal Sen: As well as for Rajasthan?

Rajneesh Narang: Yes.

Probal Sen: Thank you so much. I will come back if I have any question. Thanks for your time.

Rajneesh Narang: Thank you very much.

Moderator: Thank you. We'll take the next question from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: So just one question. So given that I think for the next like 5 months, 6 months or so there could be some sort of stabilization which should still be going on because I think in Vizag, I think the bottoms upgrade, hookup will also probably like have some impact on the existing operations. So do you see that the GRM underperformance versus, say, your peers could continue for a couple of quarters or because of this intermediate product adjustment, do you think that there could be a sharp recovery?

Pushp Joshi: As you rightly said, there would recovery, number one. Second is, for Vizag, our major units are already stabilized. So we don't expect that upset on those major units. That is our CBU4 and the associated unit that FC-HCU all these are stabilized. And when we do the hookup with bottom upgradation we are not expecting any upset. In fact, one of the indicators which I had mentioned that our fuel loss performance has been better. That is because Vizag refinery, the CBU4 which is there, it is the top quartile in terms of energy utilization and things like that. And I would just request our Director Refinery also to add a few lines on this, Mr. S. Bharathan.

S. Bharathan: Under the Vizag refinery whatever units we have commissioned has the best energy efficiency measures built in. So all that are already in place and reaping the benefits. And with respect to capacities of the units what we have started all are running at the maximum capacity and stable. As our Chairman told, the bottom upgradation project will get commissioned in the third quarter. And then we will get the benefits of the higher bottoms upgradation also.

Sabri Hazarika: Okay. Got it. So just this bottom upgradation, you gave some guidance of like USD2 to USD3 of like GRM addition from that on absolute terms. So does it -- that holds or has there been any change on that?

Rajneesh Narang: Yes with it holds. I will only just answer the question which was earlier asked, how will the GRMs compare with respect to the peers? So till the time the bottom upgradation is not commissioned to the extent of the impact due to non upgradation of the bottoms that GRMs would be lower. But once the RUF or the receipt upgradations, residue upgradation unit is installed then it would be at par if not better than the other peers.

Sabri Hazarika: Right, sir. And your 5-year plan is from '22 to '27, right? or was it '23 to '28?

Pushp Joshi: No, the current 2025 plan is going and we have already crossed the third year. That is up to FY '25-'26. And next plan that is for '31 we will call it Target '31. That is already in place and now we will be laying down steps for executing that.

Sabri Hararika: Got it. Thank you so much and all the best.

Moderator: Thank you. We'll take the next question from the line of Somaiah V. from Avendus Spark. Please go ahead.

Somaiah V.: So first question is on the current quarter GRM. What would be the inventory impact here on the refining and the marketing side? And also, if you could quantify anything on the intermediate stock impact on GRM in the current quarter?

Rajneesh Narang: Sure. As regards to the inventory during this quarter, it's -- it's a gain of almost around INR350 crores. And on the marketing front it is around a loss of INR600 crores. And ISD impact is around USD1.5 a barrel.

Somaiah V.: And this USD1.5 a barrel impact. So that's the total impact of integrated stock so far or we have had something for the entire FY '24 apart from last quarter?

Rajneesh Narang: No, I'm talking about the accumulation part, the incremental accumulation.

Somaiah V.: Got it, sir. Second question is on your capex plan. So this year, you did mention INR18,000 crores. So how do you see next 2 years to 3 years? Is it a similar run rate and what would be the projects that we'll be focusing on?

Rajneesh Narang: Yes, yes. The capex would be in this range only between INR15,000 crores to INR18,000 crores. As regards, the areas where we would be focusing apart from our refinery and marketing units would be the green energy initiatives.

We have plans to build up a portfolio of green energies, both in solar then wind hybrid plus biofuel plants and various other opportunities which are coming in terms of CBG plants and all. So a lot of projects we have lined up, signed up...

Pushp Joshi: And if I may just add, in terms of our refinery, we had mentioned that we have done both capacity expansion and the quality improvement. Now in the next 5 years bucket, we also have plans to have LOBS in our Mumbai refinery that would be enhancing our play in the lubes domain. And we would be making Group 3 lubricants and all that. So that is also a portion of our capex plan that is in our Mumbai refinery.

Similarly, in marketing, we would be expanding our retail network, which is about 22,000 plus now in terms of retail outlets. Similarly in new LPG plants and pipeline projects are there. That is what is the capex plans for the next 5 years.

Rajneesh Narang: And we don't intend add on to the loans and we're funding most of the projects out internal generations.

Somaiah V.: Got it. sir. One last question. I mean -- HMEL performance for the quarter and also the debt level...

Rajneesh Narang: See, during the entire year or you want only the quarter? In the quarter, HMEL had a loss, and that loss was primarily because of -- they had -- you are aware that during the current year, they had commissioned the petchem facility, and the facility now from January onwards, has started operating at around 95% to 100% capacity.

Because of the very subdued polymer margins and all, they had a loss and that primarily is the reason why the last quarter performance of HMEL was not up to the mark. But yes, in the month of April, the polymer margins have started looking and at least it's not negative in the month of April. And if you see for the entire year, they have made almost INR1,800 crores to INR1,900 crores during the year.

Somaiah V.: And debt number, sir...

Rajneesh Narang: Pardon. Yes, the debt -- net debt is around INR34,000 crores.

Moderator: The next question is from the line of Bhavik Shah from MK Ventures.

Bhavik Shah: Sir, my first question is on the Barmer Refinery. Sir, what kind of ROCEs are we expecting to generate at that plant? And when can we see it getting commissioned?

Rajneesh Narang: Can you just repeat the question, please?

Bhavik Shah: Sir, what kind of ROCE you expect to generate from the Barmer Refinery plant? And by when can we see it getting commissioned?

Rajneesh Narang: See, in his -- Chairman has addressed and stated that as regard the refinery part is concerned, that would -- we will be -- we are targeting to commission by end of this calendar year. And that is the refinery part, after that the petchem unit would get commissioned. And as regard the return is concerned, this project has been envisaged with an IRR return of more than 12%.

Bhavik Shah: Pardon.

Rajneesh Narang: More than 12%.

Bhavik Shah: Okay. More than 12%. Regarding your lubricant business...

Rajneesh Narang: On the revised cost -- post revised cost, sorry.

Bhavik Shah: Sorry, sorry, go ahead, sir.

Rajneesh Narang: More than 12% IRR on the post revised cost.

Bhavik Shah: Okay, sir. And sir, on the lubricant business, sir, can you give us some insights like what is the current capacity? What kind of volumes you do there? What kind of margins do you make here?

Rajneesh Narang: See, we sell almost around 600 to 650 TMT of this product. And as regard margins are concerned, we have a fairly good margins. We cannot be setting more than that because this is a very competitive product.

Bhavik Shah: Okay. And sir, do what kind of utilization levels do we run there, the capacity utilization levels?

Rajneesh Narang: Utilization, primarily they evacuate fully our lube refinery base oil. So that is one part which 100% of the production, which is in our lube refinery is catered by -- taken care of by the lube lubricant business. In addition to that, we have some blending plants and most of the blending plants -- the major blending plants operate at more than 90% capacity.

Bhavik Shah: So we are planning any capex on this part because we didn't see an breakup of capex here? We are not doing any capex here?

Rajneesh Narang: Yes, we have a plan to set up a new manufacturing plant in -- that is there.

Bhavik Shah: Okay. And sir, what will be the capacity which you are planning to add?

S. Bharathan: Manufacturing. We are currently producing close to 450,000 tons in our Mumbai refinery. It will be increased to almost 800,000 tons, which will be focusing on Group 3 and Group 2 Plus. So the quality also will be improved and quantity also will be close to double.

Bhavik Shah: This is in for the next 1 or 2 years, you can see it getting commissioned?

S. Bharathan: Maybe in the next 3 years.

Bhavik Shah: Okay, next 3 years. Okay, sir.

Moderator: The next question is from the line of [Sumeet R. from AUS Capital 29:40].

Sumeet R.: Sir, firstly, many congratulations on achieving a fantastic performance for the full year. Sir, now I just had a few questions. If you can just help understand. Your press release says that there are certain draft recommendations, including value creation initiatives and further requisite steps which you have initiated on the lubricant part.

So sir, can you please talk a little bit about the lubricant business today. What is our market share? Secondly, sir, what are the value creation steps that we are taking? And also a little bit on the time lines of when do you actually think all these things should be in place?

Pushp Joshi: Yes. Thanks, Sumeet. Thank you very much. And as I mentioned, there are three facets of this lube play, which we have said: one is enhancing our operational efficiency right away. Second would be unbundling of our assets which are there. And third would be the requisite processes which are required for taking approvals from various competent authorities.

On all these three fronts, we have as -- we have initiated the steps on all these three fronts. And in fact, we are expecting that in a reasonably defined time, we should be first able to leverage on whatever improvement in the market share improvement in the operational excellence is required, that would happen forthright, immediately.

Second, parallelly, which we have said is that is about statutory approvals and all that, that process. And third is unbundling of our assets, which you understand that we have lubricant refinery at Mumbai, and we are further expanding that refinery. After that, we have lubricant plants across the country, which do the filling, manufacturing in grease and things like that. So that is happening. So all this process, I would say, is on fast track.

I'm afraid I'm not able to -- I won't be able to give you the exact month or date right now because these processes are going on and on a fast-track basis As far as our market share is concerned, Rajneesh, I would expect you to give the response.

Rajneesh Narang: Among the -- all the 3 OMCs, we are the market leader. We have almost 36% to 37% of the market share.

Sumeet R.: Okay. That's helpful. Okay. Sir, I'm sorry, just one more question, if I may ask. Is that on the market inventory side, I mean, did I pick up correctly that we suffered about a INR600 crore inventory loss for this quarter? Is that correct?

Rajneesh Narang: Yes. You are right.

Sumeet R.: That is correct? Okay -- I'm sorry?

Rajneesh Narang: That is in the marketing front. In the refinery, we had a gain of INR250 crores.

Moderator: Thank you. The next question is from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka: On HMEL, could you please share what was the GRM that was done in FY '24? And also could you share the financials for '24?

Rajneesh Narang: Sure, Amit. Yes. The GRM during the last year was around $17 to $18 a tonne.

Amit Murarka: Okay. And what was the EBITDA and PAT loss?

Rajneesh Narang: The PAT is around INR1,800 crores to INR1,900 crores and EBITDA is around INR7500 crores.

Amit Murarka: Right. But how much of this loss was for PETCHEM? Like, I believe refining would have made a positive PAT?

Rajneesh Narang: I don't have those details readily available. I will share it separately.

Amit Murarka: Okay, sure. And also could provide an update on the Chhara terminal, what is the volume handled in FY '24?

Rajneesh Narang: See, the Chhara terminal was to be commissioned. In fact, in the month of April, we had got the commissioning cargo also -- and the vessel had arrived. But however, due to certain challenges because of the rough sea and all, we couldn't unload the cargo and the full commission the terminal. That we'd be doing into the next phase, fair weather season, beginning October onwards. So as regards to the Chhara is concerned, we are not selling any gas out of Chhara right now. And the same would happen in the current financial year after October.

Amit Murarka: Okay. But could you just elaborate a bit more at what was the issue? And how you resolved the issue now?

Rajneesh Narang: There were a swell in the sea, on account of which we couldn't -- we can't be -- we could not connect the hoses and the products could not be decanted. And the vessel -- in the meantime, has found an alternate buyers, and we have disposed off the entire cargo to other parties.

Pushp Joshi: It's suffice to say that this was not because of any mechanical or infrastructure issue at our Chhara because all those facilities are completed. This was primarily due to the weather. And since it was a commissioning cargo, all the necessary actions were taken for that. But as our Director of Finance has mentioned, because of the rough sea and the swell beyond the permitted limit, we were not able to unload the cargo.

Amit Murarka: Understood. And could you also do highlight what is the Regas tariff plan at Chhara?

Rajneesh Narang: It is as good as what is there in [BIH 36:23].

Moderator: Thank you. The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.

Kirtan Mehta: In terms of the -- would you be able to sort of separate out the GRM for Vizag? Indicate what was the Q3 GRM? And then how did it improve during Q2?

Rajneesh Narang: Normally, we don't -- we calculate it on HPCL entirely focused.

Kirtan Mehta: Because we've gone through a major change, it would be good for us to understand how it's improving from here to the bottom that will be the great.

Rajneesh Narang: Once we have commissioned the RUF unit, we'll be sharing it.

Kirtan Mehta: Second question is about the HMEL refinery, where we have plans for natural gas intake. Has that started already?

Rajneesh Narang: Yes. They are taking natural gas.

Kirtan Mehta: Would you be able to indicate the quantum that you're using there?

Rajneesh Narang: We don't have the data readily available. We'll get back to you, Kirtan. We'll get back to you.

Kirtan Mehta: Last question was on Chhara LNG terminal. So have we identified we signed the contracts with customers as well?

Rajneesh Narang: See, we have floated an EOI, and we've got some encouraging response. So we are already in discussion with various potential buyers who are interested in booking capacity. But right now, HPCL has already booked some capacity in Chhara terminal because HP LNG is a separate company -- it's a wholly-owned subsidiary. Right now, we have booked the capacity concerning our requirements for our refineries plus the -- our marketing requirements. And the discussions with the potential buyers is in quite an advanced stage.

Kirtan Mehta: What is the reasonable throughput that can be achieved at Chhara Energy over the next 2 years or so?

Rajneesh Narang: See, we expect around 2 to 2.5.

Moderator: Thank you. We'll take the next question from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: Congratulations on a good results in your opening remarks. So if the branch accounts presented in your notes, Vizag accounted for about INR329 crores, that's about 8% of your overall profits. So once your rough unit is ready and you get the benefit of the bottom upgradation. Roughly, what is the kind of profit number you can expect from branch accounting as anyway you've disclosed it. So will it increase in terms of the overall share of your profit here to 15%. But right now, I'm just talking about whatever you disclosed on the fourth quarter, how would that move?

Pushp Joshi: Yes. Ramesh, as I mentioned in my introductory address also that post rough commissioning on both counts, in terms of margins as well as in terms of our additional capacity of about 1.3 million tons, there would definitely be a positive improvement. And as Director of Finance has earlier mentioned that we are expecting about between $2 to $3 improvement on the total year end, not only on additional but on the total GRMs. So this would roughly be in the range of, let's say, 10% to 15%.

S. Ramesh: Overall profits?

Pushp Joshi: Yes.

S. Ramesh: So in terms of the operating cost, will it remain same? Because how much of that incremental delta in GRM will you retain in the EBITDA level, can I ask?

Pushp Joshi: See, as far as operating cost is concerned, now what happens is, as I mentioned, we have already commissioned our VRMP units that is our CDU, FCHCU and all those things. So there except maybe the opex, which is connected with the product and which is connected with additional -- there is no increase on account of raw, because that is already factored in. There will not be much impact on that.

S. Ramesh: Okay. That's helpful. So next two questions on Chhara Terminal and the CGD business. So is there any operating loss in Chhara, which you have booked? And how much of the Chhara investment have you already capitalized or still in work in progress? And when do you expect to have the commercial impact of Chhara in your P&L?

Pushp Joshi: Ramesh, as we mentioned, we have not yet -- we could not unload that, the cargo, the commissioning cargo which has come. So therefore, this issue of what has been the operating loss, it will not be that materially relevant.

And what we -- as we've mentioned that since the facilities are ready and we are expecting in the next fair weather season that is post this monsoon, sometime in September end and October, we would be able to take the commissioning cargo and thereafter, the thing would be commissioned because the pipeline connection is already there from evacuation from Chhara to the gas grid. That pipeline has been completed.

As far as our internal mechanical facilities are there, they've been commissioned. And as far as both facilities are concerned, we have got the ship to shore compatibility study done and that is also completed. Okay?

S. Ramesh: So in terms of the commercial operation, has it started now in terms of the commoditization of the asset or will you start it only in October? Because there will be depreciation impact in the first half. That's why I'm asking that.

Rajneesh Narang: Yes. We'll be commissioning it only after we get the cargo inside.

S. Ramesh: Okay. Now on the CGD business, can you let us know how much is the capex done so far in your stand-alone CGD? What is the capex you expect in the next 2, 3 years? And what is the kind of volume you're doing now and how much would that increase over the next 2, 3 years in the stand-alone CGDs, not counting whatever you're distributing in your HPCL retail outlets, on the stand-alone CGD piece?

Rajneesh Narang: On a stand-alone basis, we are doing nearly around INR1,200 crores to INR1,500 crores of investment roughly. And this will gradually increase as we get into new GAs and all. Right now, on an overall basis, we -- if you see the total natural gas, we are already doing around 0.4 million metric tonne of sales.

S. Ramesh: Sir, how many CNG stations would you have in your new CGD outlets?

Rajneesh Narang: Total CNG stations, you are talking about in our GAs or total?

S. Ramesh: Your GAs, sir?

Rajneesh Narang: In our GAs. The total CNG stations is around 1,690. And if we have to see only our GAs, then it is around 328.

S. Ramesh: 328. And the last thought, when do you think you will start generating EBITDA from these GAs and when do you expect that to be visible in your P&L by '26, '27? Can you give us some indication?

Rajneesh Narang: See, even right now, we have been selling, like see all 328 stations, CNG stations and all, they are selling the product. So we are already getting revenues. But yes, once the initial eight-year period is over, whereby we'll be commissioning more such units and all. See, when the current year, the EBITDA contribution is positive from the year which we have. But once the project phase is over, it will significantly increase.

Moderator: Next question is from the line of Shubham Shukla from Voyager Capital.

Shubham Shukla: Sir, I just wanted to ask a few questions about your imports. How much is Russian oil in total we have imported this year?

S. Bharathan: We have imported about 30% to 40% out of our total imports.

Shubham Shukla: And are they like spot price based or like contract based?

Pushp Joshi: No. All these are spot based. We have no term contract on Russian crude.

Shubham Shukla: Okay. And do we have any like spread in discounts available to us compared to the benchmark?

Pushp Joshi: I think it would be difficult to quantify because even the benchmark is hypothetical. And what is coming in, because all I could say is that we are taking this on DAP basis, delivered at port in my facilities. Of that -- if you take that, you have to also factor in the freight and things like that freight insurance associated. So my discounts are finalized on DAP basis. So therefore, there's no actually a common denominator to compare the various discount levels which are available. Second, this is also a sensitive -- commercially sensitive information.

Rajneesh Narang: I can only say that before buying any crude, whether it is the Russian crude or any crude, we go through a process. We economically analyze what is the value which it creates in the system. So the crude which gives us the maximum benefit in our system, considering our configuration, refinery configuration and all, that is only bought. So at whatever price we get it, only when it makes some positive impact in our book, we buy that.

Shubham Shukla: Okay. And just one more question on your LNG terminal Chhara, if I'm pronouncing it right, you are looking to sell some stakes or like holding for Chhara?

Rajneesh Narang: As of now, we are more focused on commissioning the terminal and booking capacity in the same - as and when if any such opportunity comes or there are people who are interested, we will review. As of now, we haven't - we're not looking for any...

Moderator: Thank you. The next question is from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari Hi Sir. Thank you for doing the call. My first question was a bit around your press release, which you talked about generative AI and how you want to use these tools in terms of the performance. So can you just give us a bit of an idea around what you're trying to do there?

Pushp Joshi: Yes, Mayank. See, in this digital and AI/ML, we have to separate things because digital, while we have mentioned that we have done the latest ERP implementation and things like that. As far as AI/ML is concerned, we are doing video analytics as far as our retail outlets are concerned to study the consumer behavior, to have a closer connect, that is we are doing video analytics there.

In our pipelines, we are doing using AI for basically the pipeline security, the pipeline integrity system. Third, in our refineries, creating digital twins of the refinery assets which we are doing. And apart from that, in our R&D center also, we are focusing and we are trying to work out on a separate digital lab. In our finance department, we are using AI. We are also using in terms of demand forecast, and that has been a success story as far as demand forecast where we have used AI, we have come pretty close to whatever is the actual sales versus what demand forecasting which we have done.

We are also doing what is called robotic processing workers or electronic workers in our activities, which are transactional in nature. So we have implemented this in our finance department. Apart from this, also, there are some tie-ups with the start-ups in this facet in terms of video analytics, in terms of our pipeline security system, in terms of refining. So these are the broad baskets. These are the broad areas where we are working, Mayank.

Moderator: Thank you sir. Sir, the participant has left the queue. We will move on to the next question, which is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Thanks for taking my question sir. My question is related to crude sourcing details. From third quarter FY '24, you started providing a detailed crude sourcing, like how much you are buying from ONGC, how much is the long-term contracts and the spot purchases? And if possible, Venezuelan crude share and overall? And going forward, do we expect that share of store crude or Russian crude will increase? If you could share some details on that side?

Pushp Joshi: I'm not sure what the breakup you are referring. But as far as Venezuelan crude is concerned, we are not - because that is not suitable for our refineries. So, we are not buying, and we don't intend to buy that. As far as Russian crude is concerned, as our Director Refineries mentioned some time ago, that about 30%-40% of the imported crude is this Russian crude. But the basic parameter is that for any crude which is available, whether it's on spot or on term basis, we do the GPW and the net realization, cargo realization of the crude and do that analysis. That is what I can share with you.

Yogesh Patil: Sir, in last quarter, if I remember correctly, you generally purchase close to 3.5 MMT kind of ONGC crude, then long-term purchases are close to 40%-45%. Is that share has changed - any changes in that side?

Pushp Joshi: Broadly, that remains the same - broadly because, yes, over past few years, the share of spot crude has got enhanced and consequently, the share of the term crude comes down.

Yogesh Patil: Okay. And sir, if you could share the lubricant business contribution to HPCL's EBITDA on an annual basis? That would be helpful.

Rajneesh Narang: If you see in terms of volumes, we are around 650TMT-700TMT that is around -- even if you take 0.7, but the total volume which we sell is around 47 Million Metric Tonnes. So, although it doesn't even constitute - it constitute a very small portion of the volume. But in terms of EBITDA and all, I can only say that it is significantly – it will be multiples of the percentage of volume.

Yogesh Patil: So amount will be closer to INR1,000 crores or less than that?

Rajneesh Narang: It's around that number.

Yogesh Patil: Okay, thank you very much sir and wish you best day.

Moderator: Thank you. The Next question is from the line of Roshni Devi from Argus Group. Please go ahead.

Roshni Devi: Hello?

Moderator: Yes, please proceed, ma'am.

Roshni Devi: Hi, sir. Just wanted a clarification regarding the pipeline of Chhara LNG terminal. Is it complete?

Pushp Joshi: Yes. Roshni. That is completed. And in fact, from Chhara, there is a place called Gundala, that is about 42 kilometers from Chhara. That pipeline has been commissioned. From Gundala onwards, it is already connected to the GSPL national grid. And the pipeline has been hydro tested and it is ready for taking the product.

Roshni Devi: Okay. Sir, one last question regarding your Vizag bottom upgradation unit. Which crude grades you're going to use -- you'll be using there?

S. Bharathan: We can take any heavy crude, which comes from Middle East, Saudi and Iraq crudes we can take.

Roshni Devi: Okay. Not Venezuela?

S. Bharathan: Venezuela, we are -- at present, we are not planning as that is very low API and high tan. So we will not contemplate to take that.

Roshni Devi: Okay, sir. And in terms of all the other refineries, which -- are you also looking at any crude from Nigeria?

S. Bharathan: Yes, we -- source crude from West African countries. So at least once in 2 months, some West African crude we keep source -- including Nigeria.

Roshni Devi: This is for which refinery, sir?

Rajneesh Narang: In Primarily it comes to Visakh refinery, but even now we are processing Nigerian crude, not that it is not.

Roshni Devi: Okay, sir. Thank you so much for your time.

Moderator: The next question is from the line of Vipul Kumar Anupchand Shah from Sumangal Investments. Please go ahead.

Vipul Kumar Shah: Hi. Sir, I just want a clarification. You said your lube market share is 36%, 37%. That is of the overall market or of the all PSUs combined?

Rajneesh Narang: It's among OMCs, oil marketing, sir.

Vipul Kumar Shah: So what should be your overall market share?

Rajneesh Narang: To my knowledge, because this number is not readily available, but according to me, it should be around 22% to 26% -- or around 20%.

Pushp Joshi: Here, the problem is as I was expecting that apart from the 3 major OMCs, there are so many active players. I mean, if you look at that, there would be more than 1,000 players. And there are about 41, 48 players which are there. To getting those data, collecting, comparing on a like-to-like basis is quite hypothetical.

Vipul Kumar Shah: Okay. And sir, in response to an earlier question, you mentioned EBITDA around INR1,000 crores. Is that figure correct, sir?

Rajneesh Narang: Yes.

Vipul Kumar Shah: And lastly, sir, what is our cumulative investment till date in Rajasthan refinery?

Rajneesh Narang: Investment means, you want our equity contribution or the total...

Vipul Kumar Shah: Yes, our equity contribution, sir?

Rajneesh Narang: Yes, we contributed around INR14,700 crores.

Vipul Kumar Shah: And in one earlier presentation, if I remember correctly, you had mentioned -- I think GRM of around $20 per barrel, if I remember correctly for -- so what is the roadmap for such high GRM for Rajasthan refinery, sir?

Rajneesh Narang: Roadmap is to set up the refinery and start processing and realize the high GRM…

Pushp Joshi: And high GRM, we had mentioned because of the petrochemical content, because of the energy efficiency, because of high complexity because that is, and the petrochemical conversion index would be the highest, about 26%.

Pushp Joshi: 26%.

Vipul Kumar Shah: Okay, sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I will now hand the conference over to Mr. Varatharajan for closing comments. Over to you, sir.

Varatharajan: Thank you, Michelle. I'd like to open the floor for the management, if you have any closing comments.

Rajneesh Narang: Thank you. Varatha for great -- interacting with all of you. I'm sure we will continue with our efforts to add value to the shareholders and also ensure that all the projects which we have taken, we commission it at the earlier and we start adding -- bringing new volumes as well as efficiencies in the into the holder.

I can only say that for the last year, we -- apart from the performance in terms of physical and all, in terms of rewarding the shareholders, we have given a healthy dividend of almost 31.5 per share. And further, we have also declared a bonus of 1 share for every 2 shares. And we would continue to reward our shareholders and we would also thank them for being with us and supporting us in all our efforts. Thank you.

Management: Thank you very much.

Moderator: Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Antique Stockbroking, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you, everyone.