"Hindustan Petroleum Corporation Limited Q1 FY25 Earnings Conference Call"

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

Moderator: Ladies and gentlemen, good day, and welcome to the Hindustan Petroleum Corporation Limited Q1 FY '25 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participants' lines will be in 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 Mr. Varatharajan from Antique Stock Broking. Thank you, and over to you, sir.

Varatharajan: Thank you, Sejal. Good afternoon, everyone. It's a pleasure to welcome all the participants and the top management of Hindustan Petroleum Corporation Limited to this 1Q Results Call.

We have with us Mr. Pushp Kumar Joshi – Chairman and Managing Director; Mr. Rajneesh Narang – Director (Finance); Mr. S. Bharathan – Director (Refineries); Mr. Amit Garg – Director (Marketing); and Mr. K. Vinod – Executive Director (Corporate Finance). A very warm welcome to all of you.

I would like to hand over the floor to Mr. Pushp Kumar Joshi for his initial comments. Over to you, sir.

Pushp Kumar Joshi: Very good afternoon. Thank you, Varatha. Very good afternoon to all my friends and I would start by sharing the details of our performance in this Quarter. And I would say that number one:

Our revenue from operations has gone up. It is 1,20,869 crores during this quarter.

Apart from that we have gained our market share in sales of our products. Our sales have been the highest ever in any quarter. Our refining thruput also is higher than the previous quarters and this against the background that we had a shutdown in our Mumbai refinery.

So, despite that, our physicals, now if you see physicals in terms of refining, in terms of our marketing, in terms of our pipeline thruput and our overall revenue from operations, they have been better than the previous quarters and that is an indicator of the fundamentals which we have earlier indicated that our company now is on a very firm footing as far as our refining and marketing operations are concerned.

The challenges during these quarters were that they were highly suppressed GRMs. Singapore GRMs was somewhere in the tune of $3.5 per barrel, although we have done about $5.5 per barrel in this quarter. But Singapore, over $3.5, that was because of suppressed cracks of the product. The crude prices had travelled northwards, that had an impact on our GRMs, as well as in terms of human loss for our refinery.

We also had significant suppression of our LPG margins, and there was under-recovery in LPG, while in petrol and diesel, there was a balance. And as we look at it currently, we are again back to the normal thing as far as our margins are concerned in petrol and diesel.

LPG, as I said, we had under-recovery, and there were substantial under-recovery, but at the same time, since this was just a quarter, our experience in the past has been that this has been adequately taken cognizance of, and because this is a controlled product, we have been receiving support from government. If you recall that we have received support to the tune of 5,600 plus crores in the previous instance, so we are configuring that in our future plans.

Another significant thing I want to add is that this calendar year end, we will be completing our major projects in terms of one is Vishakhapatnam Refinery. Vishakhapatnam Refinery, we wish to share that post-expansion, all our units are stabilized, including the CDU-4, which is the most energy-efficient CDU in the country that is fully stabilized.

Also in terms of our bottom-upgradation facility, in this quarter itself, we would be achieving mechanical completion of that facility, and from third quarter onwards, as we had indicated earlier, we will have substantial gain in our GRMs that would start accruing from third quarter onwards post-stabilization of our bottom-upgradation facility.

Second major project would be that we would be commissioning our LNG regasification and storage terminal at Chhara, that is in Saurashtra in Gujarat, that would be completed. We would also be completing our LPG cavern storage facility at Mangalore. We will also be commissioning our 2G Ethanol plant at Bathinda. All this would happen before this calendar year end.

And as far as our HRRL is concerned, I am happy to share that we have achieved more than 80% completion on overall physical progress. And the refining portion, where the progress is plus 90%, we have been able to commission the pipelines, the offsite facilities, all the facilities which are there, which are required. So, therefore, it is our target. And we are confident that by this financial year end, we would be able to commission our refining portion of HRRL. That is our Barmer Refinery.

Now, our results, we have shared the details already in terms of our press release and things like that. I would leave the floor open to begin with for any queries which are there. And subsequent, any clarification, any comments which are there, we would like to do that.

I also want to add one more facet. That is regarding our lubrication business. As we had indicated that in the middle of last year, we had taken the Board approval for enhancing the value of our new business, and we had taken the consultancy and advisory of a world-renowned consultant. The report has been submitted. The study has been over. As far as the actions on that is concerned, we have already started and taken steps in terms of improving the operational efficiency, logistics, supply chain, and branding. All those actions are underway.

Second is, as regards carving out, we had indicated that we have started the process that is under active consideration of the competent authorities in terms of demerging or whatever action which we have to take, that action also is in line. So, that is as far as our lubricant business is concerned.

I would now invite any queries or questions which are there, and we will attempt to answer all those. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen: I have three questions. Firstly, it's a bit of an accounting question with respect to this LPG subsidy. If you can kindly, sir, make us understand how this subsidy is accounted for. Our understanding is that when the surplus arises, it is put in some sort of an off-balance sheet reserve, but the losses as they incur are actually taken in the P&L. Finally, if you can confirm that my understanding is correct, that's my first question.

Pushp Kumar Joshi: Yes, and the other two you want to…

Probal Sen: Yes, I will run through them quickly, sir. The second question was with respect to the crude cost, which you mentioned, has risen in this quarter. Just wanted to get a sense of what percentage of Russian crude are we still getting and what sort of guidance, if any, you can give for the rest of the year.

And the third question was with respect to Vizag, where the thruput has stabilized at around 3 million tons a quarter from what we can see. From the second half, can we expect this run rate to go closer to about 3.5 million tons? As you mentioned, the CDU-4 now has stabilized. So, will that higher thruput reflect in the second half overall thruput numbers? Those were my three questions, sir.

Pushp Kumar Joshi: The first one regarding LPG subsidy, I would request Mr. Narang to address that. As far as the second and third questions are concerned, that is as regards to Russian crude and as regards the Vizag refinery, we will address that. So first, Mr. Narang will address this question, the subsidy.

Rajneesh Narang: Good afternoon, Mr. Sen and all the esteemed participants. As regards accounting of LPG subsidy is concerned, your understanding is right. Whenever there is an over recovery, because this is a controlled product, LPG is a controlled product, whereas the selling price to the end consumer is fixed by the government.

Now, in case the selling, in the selling price which the government has fixed, there is an over recovery, that over recovery goes and fits in the buffer account. And that is not taken into the P&L of the company. And in case there is an under recovery, like the case in this quarter, that under recovery is accounted as part of the profit and loss account because it gets into the P&L of the company.

Now, you may say why a differential treatment. Because as of now, the way the government has awarded the scheme to us is that any excess recovery needs to be passed separately, but on a short, wherever there is going to be a shortfall, there it has not been specified very clearly. However, in the past also, like Chairman in his address has covered that we had already, we had got that 5,617 crores of negative buffer in the previous year.

Now coming to your next question as to the crude, the percentage of crude which has been procured from Russia, the crude which we have procured from Russia is almost 35% to 40% of our entire crude diet currently. And the same has increased substantially compared to the last year where it was around 25%.

Now third, as regards the Vizag thruput, the Vizag thruput, you are right, is increasing and subsequent to the commissioning of the FCHCU and as on date and also as regards the Q4 is concerned, we will be taking the refinery to beyond the 14 million metric tons or around 15 million metric tons. So, that would be around between 3.5 to 4 million metric tons per quarter.

Moderator: Thank you. The next question is from the line of Sumit Rohra from Smartsun Capital PTE. Please go ahead.

Sumit Rohra: Sir, firstly, I mean, I just wanted to understand. So if, sir, the LPG part is basically in the P&L which basically then means that we have for the quarter reported close to a 3,000-crore profit, which, sir, is very healthy and in a challenging environment, you guys have delivered very well, so very good on that. Sir, my question now was more towards the commissioning of the Vizag residual upgradation project. So, sir, if you can please explain, how much would it add to the overall GRMs?

And sir, secondly, on the lubricant part, now, if I am correct, our total volumes is, sir, around 650 TMT, which is like we are 3x bigger than Castrol. Now, sir, today, the other company which I mentioned, its market cap is already upward of 25,000 crores. So, sir, our lubricant business is a very valuable part of HPCL today and the value unlocking process can unlock huge amounts of value for HPCL. So, sir, can you please share some thoughts on that?

And, sir, lastly, just one thing is that once our projects are commissioned, which is the Barmer Refinery, the Chhara terminal, the LPG cavern, as you highlighted. So, sir, then you know, our EBITDA, our part is $5 billion EBITDA. Can you also just speak a bit on that because then investors get a lot more clarity? When we can understand numbers, it will give an extremely high amount of clarity to all the investor community, sir.

Rajneesh Narang: Thank you, Sumit. Yes, as regards to what you said about the LPG under-recovery, cumulatively as of Q1, we have a total under-recovery of almost 2,400 crores plus on account of the negative buffer which had gone into our P&L. So, as and when the same is settled by the government, definitely to that extent the profitability will improve.

Coming to the RUF, as Chairman has already covered that in this quarter the mechanical completion of RUF would be completed and in the next quarter the commissioning activities would be done. Thereafter, we will start getting the benefit out of the RUF unit, which normally takes two to three months for stabilization and all. So, from the last quarter onwards, we will be started on a gradual basis deriving the benefit out of it. Now at the peak level when the refinery, when these units are fully stabilized, the incremental GRM will be more than $3 per barrel.

Now coming to the other question on the lubricant business, yes, we are going ahead with our plan for the carve out and apart from that even in the existing set up, we have already started taking various value accretive initiatives to see that how we can bring more initiatives and all. We can bring in new initiatives to improve the cost and other benefits we can derive out of within the existing set up. And yes, we intend to at the moment we get the approval from the concerned authority. Our intention is to hit the market and the market cap which you are referring to is definitely is an area where we are also eyeing that we should also get the right value for this line of business.

So, as regard to future investments on the various new units, which are likely to get commissioned, LPG cavern, the HSEPL and the other units which have been slated, yes, definitely all these units will add to the bottom line and we reconfirm our belief for that by '27-'28 we will have an EBITDA of almost around 40,000 crores, which is equivalent to the 5 billion one which we have been referring to in our investor presentations and also in various other meetings where we had presented the same.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Two questions. One, can you just spell out your update on the Chhara LNG terminal? Once the terminal commission, what's your sourcing strategy? Also, you have not allowed the capacity to any third player and what kind of gas requirement you will have it from Chhara to all your three refineries like Bathinda, Rajasthan, and Mumbai?

Pushp Kumar Joshi: What is the next question?

Maulik Patel: The next question is on your outlook on the refining side and where do you see that, because in the last couple of quarters, the GRM has come down significantly, the middle distillates crack has come down. So, where do you see a couple of new capacities also come up? So, where do you see that the GRM in the next 6 to 9 months?

Rajneesh Narang: Regarding the update on the Chhara terminal, as you are aware that in the month of April also, we had brought a commissioning cargo. Because the sea was quite rough over there, we couldn't commission. Anyway, we would be undertaking that activity of commissioning the terminal in the month of November or December, maybe early December, depending upon the weather conditions at the site.

Now, this terminal is a 5 million metric ton capacity LNG terminal, and the breakwater is also being constructed over there. So, going forward, maybe at the end of the next weather season, even the breakwater would be in place. Almost around 1,000 meters of the breakwater is already completed. Around 800 more meters have to be done up, which will be done in the next season.

As regard the total gas requirement, the captive use of HPCL refineries of HPCL as well as the group company is around 1.5 million metric tons. And we will also be booking capacity. We have already got a lot of interest from parties who are willing to book capacities in the same, but we are just waiting for the commissioning of the facility to be done and then we will be signing the agreement for the gas fixation.

As regards the sourcing strategy is concerned, we are already in the market for tying up long-term gas from international players.

Moderator: Mr. Maulik, does that answer your question?

Maulik Patel: I think the second question is left.

Rajneesh Narang: As regards the outlook on the refinancing front, yes, the last quarter was depressed as to the GRMs are concerned, but now currently, if you see, the crude prices have started softening, and also the cracks for HSD and MS have started looking up. We expect that the cracks would be, the GRM for the refineries would be in the range of $5 to $8 per barrel. So, the GRM which I am referring to is, as the current HPCL configuration with RUF and all other units, it may further increase. So, we expect that there will be decent GRMs going forward from $5 to $8 a barrel.

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

Kirtan Mehta: One question on the current performance. Would we be able to now separate out how the Vizag Refinery margin versus Mumbai Refinery margin is quarter-on-quarter changing, as well as the Y-o-Y changing? Unit has stabilized and probably we are back in a time when we can share the refinery level margin.

Pushp Kumar Joshi: Yes, going forward, definitely, we are also attempting. But right now, one critical factor which is to be kept in mind is that our Mumbai refinery is also having the lube refining there. So, therefore, what happens is that the common denominator to compare the performance can be on factors like fuel and loss after you utilize in terms of distillate yields.

But the basic issue is that in Vizag, we will have very advanced bottom upgradation facilities, post-commissioning of rough. In Mumbai, we do not have the bottom upgradation facility in terms of Coker or residue upgradation. And second, Mumbai substantial portion is in terms of lubes. Going forward, we are measuring on the parameters like energy efficiency in terms of the power used and all that. So, that way we are trying to bring that.

All I can tell you is that as far as our distillate yields are concerned, we would have substantially higher distillate yields at our Vizag Refinery. In Mumbai Refinery, they would be in terms of average for various refineries. I would also request our Director (Refineries) to specifically address some issues on this if you can, Mr. Bharathan.

S. Bharathan: So, Mumbai Refinery makes a lube oil base stock, which gives an added advantage compared to fuels refinery. And Vizag refinery right now, we make maximum diesel and MS. So, once the residue upgrade is commissioned, then it will have an additional margin of around $3 plus. So, all this you will be seeing in the coming months. And as the Singapore GRM goes up, we will also get that incremental whatever is seen in the international market. That additional margin will come to us also.

Kirtan Mehta: A couple of more questions from my side. One was, would you be able to indicate the inventory gains or losses during the quarter on refining as well as marketing? You mentioned that there was an impact of the higher crude price. And the third question was about the Bathinda Refinery. Could you sort of share the profitability during FY '24 as well as Q1? And how is petrochemical utilization going there? And what is the gross margin level and EBITDA that you achieved for Bathinda?

Rajneesh Narang: Coming to the inventory gains, in marketing, there was an inventory loss of 245 crores. And in the refinery, 113 crores. Coming to the HMEL, during this quarter, HMEL had a thruput of 3.27 million metric tons. As regards GRM is concerned, the GRM was around $10.5 per barrel. And in terms of PAT, it was more than 300 crores. And as regards the Petchem is concerned, the total Petchem production was 534 Kt. And the Petchem sale was 471 Kt.

Kirtan Mehta: Is the utilization above 90% at the Petchem units now?

Rajneesh Narang: Pardon?

Kirtan Mehta: Has utilization gone above 90% for the Petchem units?

Rajneesh Narang: Yes, the units are operating at more than 90%.

Kirtan Mehta: So, is it EBITDA margin accretive where we can assume $200 to $300 EBITDA coming from Petchem. units?

Rajneesh Narang: Yes.

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

Roshni: I want to ask the details about the maintenance that you said happened in Q1. And do you have anything planned for the rest of the financial year in terms of maintenance?

S. Bharathan: Sure, we will answer that. In our Mumbai refinery, one of the crude distillation unit, we took a planned turnaround, which is completed, and now running back at full capacity. Vizag Refinery, we don't any plan of any shutdown in the coming quarter. Mumbai refinery also this year all the turnarounds are completed. There is no more plan for any additional turnaround.

Roshni: But what were the dates for this CDU maintenance?

S. Bharathan: It's already done. April, we had completed, and the unit is back online with full capacity.

Roshni: And I noticed that you bought three different kinds of crude for the first time this year. So, any reason for this and do you have plans for any other crude this year?

S. Bharathan: These crudes are opportunity crudes. Two of them are Russian and another one is a West African crude. So, we are always on lookout of opportunity crudes, whichever is available at economically, I mean, compatible number, we will take that, and in the coming months also, we will look for such opportunity. If it is available, we will take any new crude.

Roshni: And could you give any details for the Chhara pipeline, from where it runs, and still there and any, when it will be completed totally?

Pushp Kumar Joshi: The pipeline work has been completed. It has been connected from Chhara to a place called Gundala and that is connected to the gas grid of Gujarat that is GSPL. So, as far as evacuation from Chhara is concerned, the pipeline is completed. It has been commissioned. Now, post commissioning of our Chhara terminal, that pipeline will be under utilization. So, we will be able to ensure evacuation of all the molecules through that pipeline.

Roshni: So, will LNG from the Chhara feed only the Gujarat gas and the CGD?

Pushp Kumar Joshi: No, it will be because that pipeline can be taken anywhere in the country. So, it will be across the country, and they would be, we will be looking for exchange arrangements because of for our Vizag Refinery, for our Barmer Refinery, for our Mumbai refinery. So, once that pipeline is connectivity is there, then the gas thing can be taken across the country.

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

Mayank Maheshwari: Couple of questions from my end. I think the first one was on the Rajasthan Refinery. Can you just talk us through in terms of the progress on the Petchem side, the CAPEX you spent, and how much is the debt levels at the Rajasthan Refinery?

Pushp Kumar Joshi: Sure, Mayank. Thank you very much. Mayank, specifically for Rajasthan Refinery, I would just read out the details to you that the construction of all the process units is progressing in full swing and they have been completed.

So, the physical progress of the process units, that is CDU, VDU, DCU, PFCCU and VGU is about 92%. Overall physical progress including the Petchem portion is about 80%. The commitments so far are 69,845 crores and the CAPEX so far has been 48,000 crores.

As I had indicated that the refining portion would be commissioned in this financial year-end. That is in the last quarter of this financial year, we will be able to take the crude from our crude oil terminal facility at Mundra. Our pipelines are completed.

We will also be taking Mangala crude, but for commissioning we would need the imported crude. So that we are targeting that that would happen in the first week of March and by end March, we should be able to start the unit's as far as refining portion is concerned.

The petrochemical portion, the main unit, we have achieved about 80%-85%. The other two units, which are lagging behind, we are catching up on those units and our target is that post refinery commissioning in maybe another quarter or two quarters, we will be able to achieve mechanical commissioning of our petrochemical portion also of that refinery.

Pushp Kumar Joshi: Mayank some more details which Narang wants to share with you.

Rajneesh Narang: You have sought details of the debt and the equity. The debt is around more than 32,000 crores and the balance is the equity of the promoters have contributed and that's it.

Mayank Maheshwari: I think the other question, sir, was just I thought I would follow up with one more. Just, sir, I think last quarter you had talked about them that you were kind of using AI for your advantage. Any updates on that progress or what you have done, anything specifically this quarter?

Rajneesh Narang: Yes, we are pursuing with that. In fact, the AI is being used for the video analytics at retail outlets. We are using it for our demand forecasting and even for various other applications. OT technologies are being used in refinery. We are working out with SAP also. Recently, in fact, we had a detailed discussion with them as to what all we can do with respect to them. The BTP platform of theirs, we are in discussions with them. The RPAs have been extensively deployed for various processes. So, we are giving a lot of thrust to the digital transformation within the company, and this is going to be an exercise which will go on for maybe another six to nine months and the result would be visible at that.

Moderator: Thank you. The next question is from the line of Gagan Dixit from Elara Securities. Please go ahead.

Gagan Dixit: Sir, my question is regarding the Chhara LNG terminal and this connectivity with the Rajasthan refinery. So, were you able to take the LNG from Chhara to the Rajasthan Refinery, or Rajasthan Refinery still need to be connected with the pipeline network?

Rajneesh Narang: No, no, we will be taking the LNG to the Rajasthan refinery, and the pipeline connectivity is there.

Gagan Dixit: And sir, this also you say you can use for the Mumbai Refinery, this LNG from the Chhara. But is it that you already have some tolling agreement with the existing LNG terminals might be, so might be you can't fully use? That would be the case that Mumbai Refinery, or you can just shift all that your demand to the Chhara LNG terminal?

Rajneesh Narang:: We will be shifting the entire demand to Chhara. We have not booked any capacity with any of them. We have been purchasing from various suppliers and using it in our Mumbai Refinery even today. So, not an issue.

Pushp Kumar Joshi: We have not created any obligations considering our own facility at Chhara. So, we will not be, I mean, that will not come in the way.

Gagan Dixit: And the second question is regarding green hydrogen. I can see in your earlier presentation that you are targeting something 17,000 ton per annum green hydrogen by FY '28. So, sir, what is your overall hydrogen requirement and what is the percentage of that something against that you are targeting?

S. Bharathan: Our HPCL Vizag Refinery, we have commissioned India's first green nitrogen plant in any Indian refinery, which was commissioned this month. That is already done. Going forward, we have floated an expression of interest tender for buying 5 KTP of green nitrogen. This is in the immediate future. And in the coming years, as you indicated in '28 and by '30, we will be further augmenting, which will be almost 5% to 10% of total hydrogen will be converted to green hydrogen.

Gagan Dixit: So, 17,000 ton is the overall, it's 10% of the overall requirement, right.

S. Bharathan: Yes.

Gagan Dixit: But I think there is the, I think, news that oil marketing companies together are planning to make some plan for the green hydrogen. I think I have read somewhere IOCL also statement that we are targeting 50% of the hydrogen should be green hydrogen by '30. So, can I expect similar plan can be possible for HPCL also in future?

S. Bharathan: Yes, as a part of our Net Zero plan, we are going to convert 100% by 2040. Subsequently, we have year-wise plan. Depending on the progress and availability of technology and price of green hydrogen, we will ramp it up.

Gagan Dixit: And sir, my final question is about the recent PNGRB ruling on the product pipeline tariff. They came out, I think, used that some 75% of the freight, railway freight, something they have packed, actually, the product pipeline tariff. So, how would it impact your overall revenue from the pipeline business or maybe if you can give some color about it?

Rajneesh Narang: Yes, you are right. PNGRB has very recently notified as regards the tariff is concerned. Now there they have classified three types of pipeline, pipelines which were in the pre-bid bidding period, during the bid and pipeline which are going to come in the near future. They have given the broad principles. We have to go through the final details of it. One thing I can only say that if there is an increase in the pipeline tariff, then ultimately, till the time the same is not passed on in the pricing to the end consumer, that tariff doesn't get realized. So, we will have to see the entire gamut of activities.

Currently, as regard HPCL is concerned, we are the second largest pipeline for the fuel product. We have more than 5,000-odd crores of pipeline, kilometers of pipeline. So, right now for us, we take it as a cost to us. To the extent we maximize the pipeline, our cost of placement of product comes down. So, it becomes beneficial on that front.

Gagan Dixit: So, sir, in the pipeline, gas pipeline, there is an integrated concept of the integrated tariff. All pipelines' tariffs are blended for single customer, for the customer. So, is it also your case also that your all pipelines will be clubbed, or individually, each pipeline tariff will be defined?

Rajneesh Narang: If you see the notification, they have classified there. There are pipelines where it has been bid. And so for the first 10 years, that bid rate would be there. After that, they will be fixing up the tariff, considering the NFA and the future, considering that through a DCF methodology, they will be fixing up the tariff. So, let the final details come up. We will let you know when we get the final details out.

Moderator: Thank you. The next question is from the line of Vipulkumar Anopchand Shah from Sumangal Investments. Please go ahead.

Vipulkumar A. Shah: Sir, is it possible to share our lube quantity in liters, and what is the EBITDA we are making from that business?

Rajneesh Narang: The total lube which we have sold in this quarter is around 150, more than 150 TMT. Our yearly target is between 700 to 750 TMT this year. And EBITDA and all, right now we will not be disclosing, but we have said that the yearly EBITDA is around 1,000 crores in the past.

Vipulkumar A. Shah: 1,000 crores per annum?

Rajneesh Narang: Yes.

Vipulkumar A. Shah: And sir, this means 155 TMT should be equal to how many liters? Can you give any clarity regarding that?

Rajneesh Narang: Into 1,000. Into 10,000, sorry. And into, you add 6-0 to that.

Vipulkumar A. Shah: Sorry, 6-0 to that.

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

S. Ramesh: So, the first thought is, if you were to add back the LPG under recovery, your EBITDA goes up to 4,400 crores. Given that refining margin is down, can you explain how you have achieved this sort of EBITDA if you were to ignore the LPG under recovery provision?

Rajneesh Narang:: Just come again.

S. Ramesh: Sir, if you look at your reported EBITDA, 2,100 crores, which includes the hit of 2,300 crores for LPG under recovery, right? So, we add back that to the EBITDA. Your marketing EBITDA is about 3,600 crores. Your refining is about 800-900 crores. So, where have you achieved this growth in your EBITDA if you were to add back the LPG under recovery?

Rajneesh Narang: We are getting higher EBITDA for refinery and marketing, if you see the growth, we are growing at the rate of 5%-6% in marketing. Even our crude thruput has increased compared to last year and consistently, for the past two years, the crude thruput is also going up. Now because of the reduction in GRMs this year, the marketing, the refining contribution is less. Otherwise, the EBITDA used to be much more than what you have been referring to.

S. Ramesh: So, the question is, in marketing EBITDA, if you were to account for the reduction in refining, where have you seen the growth in marketing EBITDA? That's what we are trying to understand.

Rajneesh Narang: I am saying we have not shared the marketing EBITDA.

Pushp Kumar Joshi: Numbers we have not shared, but that can be attributed to increase in our market sales, increase in sales in all the products in terms of MS, HSD, ATF, lubricants, LPG. Except for naphtha, all of the products we have grown substantially higher than other OMCs and almost in line with the industry, that's the private players. So, that is one factor which can be attributed, but individual numbers we have not talked about so far in terms of financial numbers.

S. Ramesh: Second thought is if you look at the outlook for refining and crack spreads, so is there any impact on diesel margins because of this movement of say, high sulfur fuel oil for the maritime demand and how do you see that changing if the high sulfur fuel oil usage in maritime demand goes up and how do you see that? And overall, what will be the drivers for petrol and diesel cracks in the coming quarters? You see fundamental demand for petrol and diesel going up or would they still be constrained by the excess supply, particularly the slowdown in China?

Rajneesh Narang: Yes, see, right now the reason being attributed for the softness is the slowdown in China and all, but few days back for the same reason it was going up. So, these things will keep on changing, but the fact remains the Indian demand is quite robust. The Indian demand for both HSD and MS is increasing and like if you see the MS growth is more than around 7% and the HSD is also 1.5% to 2% which is continuously happening and that is the reason why domestic new capacities are also coming up.

So, I see that with the current set of demand which the way it is increasing, the outlook for India is going to be positive. The GRMs are going to be in the range of \$5 to \$8 a barrel and that is what the various rating, the agencies also are saying the forecast and is also that the GRMs and all would remain firm as regards the balance period of the year.

S. Bharathan: With respect to the HSFO demand variation and relation to diesel, our diesel demand is not dependent on HSFO demand or any furnace oil demand. So, that is irrespective of it and whatever fuel oil demand is there, that is met from actual fuel oil production without affecting any of the diesel production.

S. Ramesh: So, now if you look at the impact on consolidated earnings say for FY '26 and then FY '27, in your ramp up phase, should we expect any loss at EBITDA or at EBIT level as you commission the assets on a consolidated basis say from FY '26 first quarter and when do you see the HPCL LNG and the JV accounting of Rajasthan Refinery actually adding to our EBITDA and EBIT over say FY '26?

Pushp Kumar Joshi: Yes, as we have explained that as far as Chhara is concerned, we are going to commission that in this calendar year by this calendar year end. So, maybe as we go forward, once it stabilizes, we would start seeing those results.

As far as Barmer is concerned, which is a joint venture between us and the Rajasthan government, as I had mentioned, that by this financial year end, we would be commissioning our refining portion. And once that is commissioned, we also, as earlier calls, we have said that in terms of our crude procurement for the year, we have also taken that last quarter, what kind of crude would be required. So, we have factored in already. And as we go forward, we will start seeing this thing post-stabilization.

Now, refinery you would appreciate that once it is fully stabilized and commissioned, we will start seeing the results immediately, because the product requirement which is there, the demand which is there, it is quite robust. So, it will happen, unlike in other products, this would happen straight away from the day zero.

S. Ramesh: In your HMEL Refinery, in the first quarter, has petrochemicals contributed anything to the profit, or is there still a logical petrochemical margins are….

Rajneesh Narang: No, it has contributed positive.

Pushp Kumar Joshi: It has contributed positive.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Avendus Spark. Please go ahead.

Vishnu Kumar: Sir, I am going to the previous caller's question again on the marketing side. As analysts, we all compute the numbers quarter-on-quarter, and we take your cost that you said on the volume growth. But when we look at, we add the 2,400 crores of LPG plus 250 crores of inventory loss. And also considering the fact that this quarter, the diesel margin probably was slightly lower than last quarter, there seems to be a large delta quarter-on-quarter. So, is it because of any particular other products have done well, or should we expect some part of this to be reversed in the next quarter? Because the number seems to be quarter-on-quarter-wise, it seems to be a little large.

Rajneesh Narang: No, no, there is no extraneous entries which have gone into this quarter in that way. What we can do is we can, in the sideline, discuss the numbers, what you have factored and what is it you have.

Pushp Kumar Joshi: There appears to be some kind of clarification which is required. So, what I would request you is that you can come across, we can share this. Because as of now, we have not taken any other extraneous factor into account. Probably we will be able to explain to you in greater detail once we sit across. And so you are most welcome, or you or anybody else also is most welcome. We can sit across and sort this out. We can explain to you, transparently share this with you. Okay?

Vishnu Kumar: We will reach out later on this. But secondly, on the pipeline, EBITDA, if you could probably help us understand, what would that quantum be inside the marketing, or roughly, let's say, at the transfer pricing cost, if there is some internal number that we have kept, and if you could help us understand that?

Rajneesh Narang: No. See, we had already stated earlier that for us, HPCL, the pipeline is a mode, a carrier for us for trans-shipping the product. So, we view it more from a cost perspective, as to what is it, or what cost benefits it can bring in in that system. We are not doing any transfer pricing right now for the pipelines in our system.

Pushp Kumar Joshi: That's primarily because most of these pipelines are utilized for transporting our products. So, we see this as an alternate and effective method of our primary distribution of logistics and things like that. So, therefore, this is taken as a cost center.

Vishnu Kumar: But when you mentioned the previous caller questions on the PNGRB increase, if any, would it be allowed as a pass through in our RTP, finally? I mean, in the retail price, can you pass it on, let's say, if you see some increase? Or that is a separate point, and you cannot increase it? This is PNGRB.

Pushp Kumar Joshi: Yes, those details will emerge as we go forward, because those would require some other factors, considerations. So right now, that is work in progress. So, let more details emerge. Then we will be able to answer and address that. Okay?

Vishnu Kumar: And just on the final question on the Bathinda Refinery, the petrochemical number is included in the GRM, or is it a separate number?

Rajneesh Narang: It's included.

Vishnu Kumar: It is included, sir. And what will be the current debt of HMEL, sir?

Rajneesh Narang: It's around 34,000, 35,000 crores.

Moderator: Thank you. The next question is from the line of Sabri Hajarika from M & K Global. Please go ahead.

Sabri Hajarika: So, I have three questions. The first question is this 40,000 crores EBITDA target that you have by FY '28. So, is it standalone or consolidated?

Rajneesh Narang: It's consolidated.

Sabri Hajarika: It's consolidated. And currently, if I add back the LPG under recovery and the inventory losses, so we are at a sort of like 18,000, 20,000 crore kind of run rate. So, is it the, I mean, everything remaining constant, is it the kind of run rate which is sustainable? And of course, on top of that, probably some more numbers will come from the Vizag stabilization. Is it the right way to look into it if I want to?

Rajneesh Narang: You are right. The Vizag stabilization is going to add a lot of value to us. One is in terms of increased thruput. One is first reaching the 15 million tons. Then we can further increase the capacity over there in the near future to a small CAPEX plan. We can increase the capacity by almost 2 million metric tons over there. Then the Rajasthan Refinery products would come. The spectrum would come out. That would be marketed by us. HSEPL would start contributing and even the other JVs where CGD network and other things have been put up, that's there again where we have already invested more than 3,000 crores and in the next two, three years, those will also get matured and start contributing. So, on a consolidated level, these entire, all these things are likely to take the EBITDA to almost more than 40,000 crores.

Sabri Hajarika: And your CAPEX will be something like 14,000-15,000 crores. Is that right, for the next three, four years?

Pushp Kumar Joshi: Yes. And as we had explained earlier, I mean this is for the benefit of all of us, that we had said to achieve that target and to achieve that vision which we have got, we have got all the fundamentals and building blocks in place, both in terms of quality of our assets that is in our refinery, in terms of our bottom upgradation, in terms of capacity of our assets, in terms of Mumbai Refinery reaching 10 million tons, Vizag reaching 15 plus million tons, our HRRL 9 million tons.

So, we will have substantial improvement in terms of capacity, in terms of quality of our assets and the other advantages in terms of our gas terminal, in terms of our petrochemical play, in terms of our biofuels play and also in terms of our renewable and our biofuels and biogas. So all these are fundamental building blocks, which are already in place. Substantial progress has been made. So, therefore, whatever we have stated, and we have been maintaining, we are very confident that we will be able to achieve this.

Sabri Hajarika: So, just a small follow up. So, if I assume that the standalone numbers basically, let's assume that around 20,000 crore EBITDA you are making, 14-15,000 crore of like CAPEX is there. So, how do you think the debt will move? I mean, if I include the tax and all, do you think in the current level of say around 50-51,000 crore debt, there will be a deleveraging or we will stay at this level only and our ratios will basically improve rather than debt, absolute debt going down?

Rajneesh Narang: Yes. One is the leveraging part of the debt equity will be improving. Most of the investments which are going to happen, would happen out of internal generation. There is no plan to add-on to the debt at the levels which we have.

Sabri Hajarika: Probably it will remain at this level, but not add anymore going forward.

Pushp Kumar Joshi: The ratios will improve.

Sabri Hajarika: But the ratios will improve. And last two small questions. Firstly, green hydrogen, how much cost are you getting right now for producing this, or is it too early to say right now?

S. Bharathan: Right now, what we have done is a pilot project. This is our first project. So, this depends on the green power what we get from the grid. So, it's about twice than what we are actually doing through grid. And as the power cost comes down, then it will further come down.

Sabri Hajarika: And last small conceptual question. If my pipeline tariff were to be set using DCF for newer pipelines, so that would be higher than the older pipelines. If this is like 17% hike which PNGRB must have calculated, so the DCF will always be more than 17%, right? Or since it has like it involves substantial CAPEX?

Pushp Kumar Joshi: As we have mentioned, these details have to emerge. It will explain that there are some pipelines which were done, PNGRB rigs. There are some captive pipelines. There are some pipelines which are in the third category which will come. So, all that has to be consolidated. And I am afraid right now we are not able to give you a very specific, this thing, because the picture is not clear right now.

Sabri Hajarika: No, conceptually a newer pipeline will have a higher rate than older pipeline, is that right?

Rajneesh Narang: Going by the notification or the English, which is stated there, what you are saying is right, but that primarily applies to a pipeline which is totally on…

Sabri Hajarika: Open access, yes.

Rajneesh Narang: On open access. But in our case, as Chairman has already stated, these, our pipelines emanated from our refineries. Then these have been set up primarily to evacuate the refineries. So, now for us, these are integral part of the existing company. If we set up a new company and put the pipelines in that and then do, then straight away we can apply the principle that anyone whoever is a user of this facility would be paying me that charge.

But if you see most of the cases, all the OMCs have the pipeline emanating from their refineries. So, they will only be the user. So, it doesn't make much difference to us in terms of calculating the revised tariffs because these are mainly for evacuating the products or placing the products from our refineries to the secondary pricing point.

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

Varatharajan: Thank you, Sejal. Sir, if you have any closing comments, please go ahead.

Pushp Kumar Joshi: No, thanks a lot. And as we have indicated, if there are some more specific details which are required, any one of you is most welcome to visit and connect with Mr. Vinod. We will be very happy to provide the details. Thank you very much.

Varatharajan: Thank you, sir. I wish to thank all the participants for taking time out to participate in the call and I wish to thank the management both for giving us the opportunity to hold the call as well as sharing all the details in an exhaustive manner with all the investors. And I also specifically thank Mr. Joshi for the initiative he has taken in terms of investor outreach and especially the fact that he is going to retire next month. Thanks a lot, sir, for all the support and I wish you all the best.

Pushp Kumar Joshi: Thank you very much. I really appreciate that. Thank you very much.

Rajneesh Narang:: Thank you, Varatha.

Moderator: On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.