"Hindustan Petroleum Corporation Limited
Q4 FY '25 Earning Conference Call"
May 07, 2025

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Earnings Conference Call of Hindustan Petroleum Corporation Limited, hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vartharajan Sivakasankaran from Antique Stock Broking. Thank you and over to you, sir.

Varatharajan S.: Thank you, Steve. Very good morning to everyone. It's my pleasure to welcome all the participants to this fourth quarter HPCL results call. I would like to extend a special welcome to the Chairman and Managing Director, Mr. Vikas Kaushal; Mr. Rajneesh Narang, Director Finance; Mr. S. Bharathan, Director Refineries; and Mr. K. Vinod, Executive Director, Corporate Finance. I also take the liberty of representing the investing community in extending a special welcome as well as extending best wishes for a successful stint at HPCL to Mr. Vikas Kaushal.

I would like to hand over the call to Mr. Kaushal for his opening remarks and then we can move on to Q&A. The floor is yours, sir.

Vikas Kaushal: Thank you. Thank you and good morning, everybody. Thanks for joining the call. It's my first time I'm speaking to you in my role as HPCL's Chairman and Managing Director. As you might be aware, I've joined mid-March and it's been an exciting time working with my colleagues here. Just to start off with, we all know HPCL has worked hard to create a strong business with a great momentum and it's my privilege to work with the team HPCL to take this business forward.

As is the pattern on these calls, we'll start with some opening comments which I will share on behalf of my team and then open it up for questions. We published our annual results yesterday. The Board of Directors approved it and we then released it to you all and the media and the stock markets.

As you are aware by now, HPCL had a strong quarter four with an 18% increase in Q4 PAT on a year-on-year basis. The numbers speak for themselves, but behind these numbers is a strong physical performance. Let me first talk of that because the numbers are outcomes of these performances.

HPCL achieved a record performance in refining throughput last year, 25.27 million tons. I'll start off with the Vizag refinery. It has a throughput of about 15.3 MT, thus capturing the volume benefits of VRMP. Those of you who have been following us for a long time recognize that we took the volume increase in Vizag and took it to about 15 MT and we have now realized the full volume benefits. We'll talk of the ongoing projects in the second half of this opening statement. Mumbai refinery also almost touched 10 million.

We ran a few thousands below that or a few hundreds below that, but that gives us a chance for the next year's goal. But if you just look at our numbers and I wanted to bring out one fact, we have structurally altered the refinery throughput. Just looking at the last two years, in the first quarter of FY '24, we had a throughput of 5.4 MT. This was 6.74 in Q4 of FY '25. Just do the maths behind it, it represents close to 24.8%, to be precise, increase in the throughput. That's the structural change we have made in the last eight quarters and which places us well in terms of balancing our production and sales.

Talking of sales, let me quickly move to the marketing side. Our marketing volumes for FY '25 were a record number, 49.82 MT, just marginally short of 50 which we were hoping to touch internally. But again, you need to leave some goals for the next time also.

On the domestic front, our market sales grew by 5.5%, outperforming the industry growth at 4.2%. We registered a market share of gain of 0.25% amongst our peers. Almost all of our business units in marketing achieved record volume numbers last year. I will not go into the specific details here, but just wanted to inform you all that we continue to expand our customer base, our retail network and even our direct sales business and some of our B2B sales business.

Quickly pivoting on to the third part of our business, pipelines, we achieved the highest ever pipeline throughput of 26.9 MT, which again allows us to save a lot on transportation costs. I am sure you all want to know about the projects. We have been making significant progress on our projects.

In February 2025, we commissioned our state-of-the-art 5MTPA terminal at Chara. We have started gas supplies initially through spot cargoes. And those of you who have been catching on news would know, in April we signed our first major mid-term gas deal.

And this boasts towards a strengthened – we want to strengthen our play in gas business. You will see more action on that in the coming months. Another significant project which is very close to commissioning is the LPG cavern in Mangalore.

Those of you who have had a chance to know more about the project will realize it is one of the marquee projects which is being done, underground cavern for storing LPG. It is a fascinating asset. I would say it is a great national asset which is being done, and it is a testimony to HPCL's project capabilities.

We have completed the caverns, and now we are in the process of stitching up the compression units, etcetera, and this will go into commissioning very shortly. Talking of other projects which I am sure are of interest to all of you, we do a lot of other small projects. In the interest of time, I will not want to throw on to those details, but many of them are inching towards progress and starting to give results.

On the two big projects which are open, VRMP, the bottom-up gradation, or the rough, as we call it, we have started pre-commissioning activities. Very recently, we got the Peso approval for commissioning, which is one major step in that direction. Post these approvals, the asset stitching up, the tying up of the loose ends, etcetera, start happening. We expect feed-in, as we call it, to the unit in quarter two. On HRRL, the project is progressing steadily. We are starting to gradually bring units on stream.

Just last month, we got a couple of parts of the whole complex on stream, and we expect to cut crude in this refinery in this calendar year. So that was on the project progress. Let me quickly come to the financials.

You might have seen it in the results. We achieved a PAT of INR7365. But if you look at our whole year's journey, in the first two quarters, HPCL had a PAT of INR987 crores, under INR1,000 crores. Since then, it has been a very strong upward trajectory with quarter three at INR3,023 crores and quarter four at INR3,355 crores. On an average, in the last quarter, we have been earning over INR1,100 crores a month as PAT, which obviously bodes well. Our run rate on that is quite good and bodes well for our momentum.

The Board of Directors has recommended a dividend of INR10.5 per share. Before I close, let me just talk briefly about our future and then we will open up for questions. We are entering a very exciting phase of our journey.

Our large, long-drawn and, dare I say, challenging capex cycle is coming to an end and this would start impacting our financials positively. I gave some timelines on some of the important projects. Once our current wave of projects is over, we would be embarking on the next wave of our growth journey.

But for the time being, our focus is to make sure we are starting to get the returns from this capex. Before I close, I wanted to thank you all for your coverage and interest in HPCL. The management team looks at the future very excitedly and we look forward to continued engagement with you all.

I wanted to thank you all for participating in the call and the floor is open for the questions.

Moderator: Yes, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivekanand from Ambit Capital.

Vivekanand: Congrats on a great set of numbers. My first question is on the capex outlook. You have done 145 billion of the 770 billion capex target from FY '24 to FY '28. What are you budgeting for FY '26 and '27? That's question one. Secondly, there are some disclosures that I would like on the financial front. What is the leverage position at HMEL, HRRL? Also, if you could share the crude processing GRMs, EBITDA and PAT of HMEL.

Rajneesh Narang: During the current year, the capex was around INR14,500 crores. The current year, again, would be in the range of INR13,000 to INR14,000 crores because this would primarily be the completion of the projects which we are already being undertaken. And definitely, the next phase of capex would be after we consolidate the current projects which are getting completed. As said by our Chairman, that we will be embarking on a fresh wave of investments after that to fulfil the total planned capital outlay which we have planned.

Now, coming to the performance of HMEL, the HMEL, if you see, the GRMs were around $9.3 per barrel and the debt level is around INR35,000 crores. If I say net of cash is around INR33,000 crores. As regard HRRL is concerned, the current debt is around INR35,000 crores but the project is still under progress. The total debt tie-up or syndication which we have done is around INR48,000 crores, but that is yet to be availed, the balance amount.

Vivekanand: Sir, just a couple of follow-ups on HMEL. What was the EBITDA and PAT for the full year and was the GRM that you mentioned for this quarter or for the full year?

Rajneesh Narang: For the full year, the Q4 was more than $12 per barrel.

Vivekanand: Could you answer my question on the EBITDA and PAT, please?

Rajneesh Narang: At the PAT level, it was negative and that is primarily because of the depressed prices on the Petchem front. But at the EBITDA level, it was more than INR4,000 crores.

Moderator: The next question is from the line of Nitin Tiwari from PhillipCapital. Please go ahead.

Nitin Tiwari: Sir, my first question would be on Barmer refinery. So as you mentioned that we are looking for a cutting crude in this year. What is the timeframe when we are looking to commission the refinery fully and if you can give us some incremental color about by when we can expect some stabilization and introduction of products from Barmer refinery in the market? Also, if you can help us understand what kind of refinery margins or operating cash flow we are expecting from the refinery when the refinery stabilizes on an ongoing basis. So, that would be my first question.

Bharathan: Yes. So, the refinery construction is nearing completion. Some of the utilities, key utilities required for commissioning have been commissioned like compressed air, cooling water, etcetera. The crude distillation unit will be taking in crude most probably by the 1st of October. Along with the crude distillation unit, we will also be commissioning the hydrotreaters so that MS and HSD production will start along with the crude distillation. So, this all we'll take in phase wise starting from October 1st.

With respect to your other questions like how the financials will look like, it will be more or less in line with the other refineries depending on the market conditions. And once we start the Petchem unit, then we will get the full intended benefits.

Nitin Tiwari: So, what is the timeline for the Petchem unit?

Bharathan: Petchem unit will start early next year from January 1st.

Nitin Tiwari: So, that is what my question was that once refinery is fully commissioned and stabilized, what kind of margins can we expect from the refinery?

Rajneesh Narang: See, if HRRL is operating at full capacity, the refinery and the Petchem, the valuation which has been done is around $20 a barrel GRM. So, that would be what the refinery is capable of. It has a very high Petchem intensity and capability to upgrade the product. There is no bottoms over there at all. Only what will come out will be only gasoline and diesel and the Petchem is the balance.

Nitin Tiwari: So, this $20 that we are talking about is keeping the current margin environment in perspective or…?

Rajneesh Narang: These are mid-cycle GRMs which have been constructed.

Nitin Tiwari: Understood, sir. And sir, my second question was with respect to our diesel sales. I mean, there is a slowdown which is being observed in diesel sales in the fourth quarter as well as like on an annual basis, the growth was just about 2% as far as diesel consumption or diesel sales are concerned. So, any particular reason for that, that why the sale of diesel is rather tepid?

Vikas Kaushal: Yes, I think just let me attempt a question and answer and you can add the specific numbers if required. See, year-on-year comparisons often get fraught because you will recall quarter 4 of last year was leading towards the elections which obviously increases the movement activity. So, quarter-on-quarter comparisons sometimes get clouded by these kind of things.

This year, there was no election and there was no spike in the diesel thing. So, that's one. Our diesel sales have continued to grow and we can give you the specific details if you are interested in those numbers. But till now, we have not had a challenge on evacuation of diesel as yet. Of course, when new refineries come in, we would expect and hope that the demand picks up from the current levels further.

Nitin Tiwari: Understood, sir. I mean, I was coming more from the perspective that overall sales of diesel in the industry itself in this quarter has been on the slower side. If we look at the data which is coming out of PPAC, it was just a 1% growth on a Y-o-Y basis in this quarter. So, any particular reason that why there is such a tepid growth in diesel sales?

Vikas Kaushal: See, there are structural changes which keep on happening over a period of time. So, if you look at electrification of railways has impacted demand segment. Similarly, if you look at even vehicular segments, over a period of time, we have started going more towards MS vehicles, especially the larger ones, the passenger vehicles. Whereas a few years ago, the demand because of the price differential was much higher on the diesel side.

So, there are a lot of structural, I would say, reasons behind this in a large industry, in a large consumption market like this, these come out over a period of time. We are quite aware that PPAC has lower forecasts for growth on diesel as compared to some of the other products. And I am sure all of us in the industry are working our strategies around it.

Rajneesh Narang: Yes, you are right that the growth in HSD has been muted. But in terms of HPCL performance, HPCL performance has been far better than the peers. We had grown by 2.2% against the 0.3% of the entire retail industry.

Nitin Tiwari: Understood, sir. I will get back to you for more questions. And thanks for answering my queries.

Moderator: Thank you. The next question is on the line of Sabri Hazarika from Emkay Global Financial Services. Please go ahead.

Sabri Hazarika: Good morning and congratulations on a good set of numbers. So, I have two sets of questions. Firstly, that you have given some guidance with respect to the profitability run rate, maybe like INR1,100 crores per month. So, if we assume around INR13,000 crores-INR14,000 crores of normalized profit for the company, another INR6,000 crores of depreciation.

So, somehow we are at a free cash flow generation territory. And given the fact that our debt is still elevated compared to some of the peers at INR56,000 crores-INR57,000 crores, stand-alone I am talking about. So, do you have a debt reduction target in mind in terms of absolute numbers or do you think that the EBITDA itself will go up so that EBITDA could be like a better matrix?

Vikas Kaushal: So, I think two parts to it. One, I want to be very clear. The 1,100 I talked was the past run rate. It is not a guidance from our side. We as an organization do not give guidance's. Of course, you guys are free to draw your conjectures. 1,100 is just 3,355 divided by 3. So, that was the run rate we have achieved in the recent past.

Now, extrapolating the run rate like you have done, yes, we would be in a cash generation thing which should come in because as I said earlier, we are ending a large capex cycle and that should show us results. We have already achieved some reduction in the debt equity and I will request Director of Finance to probably give some more details on the numbers.

Rajneesh Narang: See, if you see on a standalone basis, last year our debt equity was 1.4 something and the current year we have ended at 1.38. Now, we are expecting that the internal generation would be good enough and we would be able to, if not, add any debt to it, but definitely the net worth part would be increasing and you will see a reduction as regards the debt equity is concerned. So, next year, we may end the debt equity between 1 to 1.1.

Sabri Hazarika: 1 to 1.1. Thanks and second set of…

Rajneesh Narang: This includes both short term and long term, but if you look at long term, it would be significantly lower. It could be around 0.7 also.

Sabri Hazarika: Yes, anyways, Q4 also has that excise duty adjustment, right? So, that is also there in Q4.

Rajneesh Narang: I have not done that. Right now, what numbers I have given is gross up of all that.

Sabri Hazarika: Right. And second question is on Burma refinery. So, you have given that $20 guidance. So, given that it is a very complex refinery with significant pet cam intensity, so this $20 GRM could basically translate into what kind of ballpark EBITDA, INR8,000 crores-INR9,000 crores, and whether that is enough to cover for the interest depreciation or you would be at a… maybe not at a very high ROE at least in the initial years.

Rajneesh Narang: Yes. What numbers you are giving, it would be around those numbers and it would cover the interest and other obligations.

Sabri Hazarika: But do you need to infuse more funds there in terms of cutting down the debt a bit or something? Even now, I think the debt is quite not as high against the INR60,000 crores. I think in capex, your debt, you have mentioned INR33,000 crores. So, that is less than 70-30. But do you see that there could be like fund requirement to like reduce debt in case we are at, say, INR7,000 crores-INR8,000 crores of EBITDA only?

Rajneesh Narang: See, right now, the committed project cost is around INR73,000 crores. So, I do not think the debt would be lesser. But yes, what we will make out is out of the revenue generation from this facility, from this project, is what will be used for bringing down the debt in the near future.

Vikas Kaushal: And as you rightly said, these are very complex assets. This will be the most complex greenfield done in India from a scratch or from breaking ground to getting it fully ready. It will take some months and all. Yes. So, no, I was just, when we got disconnected, I was saying these are complex assets to bring up to stream. They are great engineering challenges, which, of course, we have a great team which can get on top of all of these.

It will take a few months to stabilize, maybe quarter or two, whatever time it takes. And as a management team, we are fully geared up for that. And if it needs some short-term support in stabilizing the unit in terms of financials also, that is quite okay. We are creating an asset for a long time.

Sabri Hazarika: Thank you so much for the clarification and wish you all the best.

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

Sumeet Rohra: Yes. Hi, sir. I mean, a very good morning, chairman, sir, to you and welcome to your first call. And good morning, Peter, to team HVCL. Sir, you have done a commendable performance in a very challenging environment. You've reported actually INR7,300 crores of profit after absorbing, you know, INR10,000 crores, which is truly commendable.

And you've actually surpassed FY20 for profit. So, you know, it's actually heartening to see such a strong co-performance by you and your team. So I have a few questions. So, you know, firstly on the LPG part, I mean, what is, you know, your thought, you know, on the LPG under recovery? And what's the way forward? Because, you know, today, I mean, your under-recoveries are already at 10,500.

So, any thought on the compensation aspect from the government? And when do you expect to receive anything on that? My second question, sir, is basically, you know, on the demerger of the lubricant. Because today, sir, I mean, the matter of fact is that HPCL's market cap truly doesn't reflect its true intrinsic value, because it's at about $10 billion. And $10 billion is just the cost to set up one refinery in India today. But whereas HPCL giant is available at this market cap.

So, sir, any thought, on value unlocking on the lubricant part? Because today, you know, our nearest competitor, Castrol, you know, is got whose one-third of size has got a market cap of about 25,000. So, you know, there can be huge value unlocking for us on the lubricant part.

Sir, my third question would be on the Vizag residue upgradation project. So, if I heard you correctly, sir, you said that that should basically start maybe in the next quarter. So, is my understanding correct that, you know, you'd get about a $3 to $4 benefit on the GRMs for the whole refinery, sir?

Vikas Kaushal: Sure. I think you want to take the first question on the…

Rajneesh Narang: Yes. The incremental GRM would be because of the low-value products will get upgraded to higher distillates. So, that additional GRM of $2 to $3 would be accruing to HVCL.

Now, coming to your LPG under recovery, yes, we had absorbed almost INR10,900 crores of LPG under recovery. But subsequent to that, you had seen that the government has increased the prices of LPG by INR50, the RSP were increased by INR50. That would bring down and currently, there is an under recovery of around INR165 to INR170 per cylinder.

The government had also in the press briefing stated that the excise duty which has been increased on the motor fuels would be used for payment of the LPG under recovery. So, let us wait at how it develops over a period of time and in the current year.

The mechanism, I am sure some mechanism would be made out as to how to compensate the oil marketing companies. Coming to your value unlocking, yes, we are pursuing, actively pursuing the same with the government and as and when we get the approval, definitely, we will have a look at it.

Sumeet Rohra: Sure, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Achal Shah from Ambit Capital. Please go ahead.

Achal Shah: Sir, just wanted to confirm, what is the proportion in LPG sales from domestic versus commercial? And a follow-up question is, we understand this INR170 under recovery is in case of a domestic cylinder. Am I correct on this? And if I am correct, what will be the under or over recovery in case of a commercial cylinder?

Vikas Kaushal: Do you have the ratios of the…

Rajneesh Narang: 90% is domestic.

Vikas Kaushal: Yes. So, 90% of LPG roughly is domestic. Yes, the under recovery is on domestic cylinders. On the commercial, as you can, a lot of it is B2B sales. So, I would not say that there is a set pattern of over recovery or those things. They will vary from deal-to-deal. But obviously, we are selling them at margins and whatever.

It is a typical marketing thing, wherever we can get the right margins, we will do the deal. So, there is not a set pattern that X percentage over recovery on commercial. All I would say is that 10% which is sold to commercial or non-domestic, as we call it, is like any other B2B sale where when we are selling, we are protecting our margins or building our margins. And of course, wherever required, doing the marketing techniques like discounting, etc., to catch customers. So, that is a commercial business.

Achal Shah: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Kirtan Mehta from Baroda BNP. Please go ahead.

Kirtan Mehta: In case of HMEL Refinery, to earn the cost of capital, what is the improvement in petrochemical spread is needed? That is the first question. The second question was about the Barmer Refinery. In our guidance or mid-cycle margin of $20 per barrel, what is the crude discount that we are building on Barmer crude and what is the quantum of farmer crude that we are including?

Bharathan: Barmer crude will be about 20% of the overall diet.

Kirtan Mehta: How much improvement in Petchem is required for HMEL margin?

Bharathan: Petchem, when we did the financial, these were all done in 2017 period.

Kirtan Mehta: $200 over NAPHTHA, right?

Bharathan: Correct. So, when it is, as already explained during the earlier answer, when the financials are built, it was built based on the actual existed at that point of time. So, when the cycle upturns, you will get the full benefits. Till then, you will get whatever the market price is there, you will realize that for the plant.

Vikas Kaushal: Just to add, this year was a gradual build-up on the Petchem operating performance. So, if I look at the run rate, which they have towards the end of the year, the technical things of getting losses down and all those things, they had to go through that cycle. But the operating performance at the end of the year is significantly different from the beginning part of the year, which says that operationally they are able to extract almost close to what is feasible from that refinery Petchem complex. The prices are market determined and all Petchem players right now are challenged in terms of market prices and we also have to sort of face that challenge.

Kirtan Mehta: So, on Q4, then can you indicate the EBITDA run rate for the Q4 as well as the gross margin that you have earned on the petrochemicals?

Rajneesh Narang: HMEL, the EBITDA is for the entire both Petchem and refineries around INR1800 crores. Q4 number.

Kirtan Mehta: INR1800 crores in Q4. And on the Barmer crude also you indicated 20% is the quantum of this. What is the discount that we are assuming to the benchmark in our guidance for $20?

Rajneesh Narang: Those are commercial terms. We cannot be disclosing that. But yes, definitely there is a discount.

Kirtan Mehta: Sure, sir. Thank you.

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

S Ramesh: Thank you and congratulations to Mr. Kaushal. Welcome, sir. So, if you look at your guidance of $20 a barrel for the Rajasthan Refinery petrochemicals, if you were to just take the refinery part, how much would be the margin?

Rajneesh Narang: We gave you the integrated one. We will do it and we will share it separately with you.

S Ramesh: Yes. And secondly, if you look at your gas business, can you share the details of your standalone CGD-GAs in terms of how many GAs are operational? What is the number of CNG stations you have added and the cumulative number of CNG stations? And what is the plan going forward in terms of ramp up in the operations here and some indication of when you will be able to achieve addition to your EBITDA from the CGD business?

Rajneesh Narang: See, if you see the gas business, we are doing more than 1 million metric ton of sales there, both in CGD as well as in our gas business put together. In terms of number of CNG stations in our GAs, there are more than 600 outlets which we are having in our GAs. And in terms of total numbers, the total CNG stations in HPCL outlets is around 2,100 outlets.

S Ramesh: So, if you look at the outlook for '26, '27, in your standalone GAs, how many GAs do you expect to be profitable? What will be the volume you can achieve, say, over the next 2 years and some indication of the unit EBITDA or the profitability you expect?

Rajneesh Narang: Currently, the GAs which HPCL is operating, under HPCL is the JIN Sonipat and we have in UP and this, all are profitable for us right now. And in terms of volumes, we expect 20%, 25% incremental growth as regard volumes is concerned. Last year, we got around 40% but minimum would be 25%, 30% growth which we are expect.

S Ramesh: And finally, in terms of the capex numbers, how much would you have spent in CGD, '25?

Rajneesh Narang: Every year, we are spending around INR1,000 crores, INR1,100 crores and that trend would continue.

S Ramesh: Okay, thank you very much. I'll join the queue.

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. The first question was related to marketing. Can you just talk a bit about the strategy on marketing considering you are seeing private players getting more aggressive and you're bringing in a reasonable amount of transport fuel in the market over the next 6 to 9 months from your own production from the refineries?

So, can you just talk to us about how the competition intensity looks like for you? How are you trying to kind of manage that from a strategic perspective over the next few years? Thank you. That's my first question.

Vikas Kaushal: You want to ask the second one also or you want to go step by step? Okay, let me answer that first. So, I think, as you would have seen over the last few years, HPCL has expanded the foothold in marketing both in terms of volumes, the footprint and our market share. Some of that is in anticipation and preparation of our expected volumes which are going to come in the foreseeable future.

We continue to look at two, three levers we are using in marketing. On the retail side, network expansion continues with wherever we think we are going to get additional volumes, we are continuing to do the network expansion. Second, we are focused a lot more now on increasing throughput through our existing retail outlets through, you can say, micro marketing, through very targeted efforts, through improvement of our retail outlets.

So, that's the second key thing which we are aiming. This would give us an uplift on the volumes from our existing and expanded retail network. We also have detailed evacuation plans on when Barmer comes in, where are we going to do the products, how is it going to move, etcetera. And we do think Barmer, which comes up initially and that of course is a landlocked refinery, but we are very well placed with the pipeline connectivity.

And if you have studied that project, you will recall most of the liquid product actually gets evacuated through pipeline, which gives us good competitive advantage in the catchment area we are going to target. Of course, more diesel would come up through Vizag post-RUF commissioning. Vizag, of course, has the flexibility of doing coastal movements and targeting markets. So, there are plans around all of those efforts.

In addition to our retail footprint, we have also expanded our bulk sales business, not only on liquid fuels, but also other products. And they achieved record numbers last year and we are further pushing on bulk sales and you can say, B2B sales across all our products. And one of the other things is just to add to balance out our requirement, we always have the option of purchasing less from outside which we were totally dependent on in the past, because you would have recalled that our numbers are slowly catching up.

The gap between refining and selling of the products is reducing and we have the option of purchasing less from standalone refineries as we go forward. So, we do not anticipate problem on marketing of the expanded fuels.

Mayank Maheshwari: Sir, just an extension to that, can you just talk us about on the industrial fuel, how the margins have moved in overall bulk, whether it is on the fuel oil, sulphur, whether it is diesel, all put together, can you just talk through of how the margins have kind of shaped up for fiscal 25 versus the pre-COVID levels?

Vikas Kaushal: Yes, I will let my colleagues answer on the pre-COVID levels, I would not go that far. On the whole, I think, since this is a B2B business, this runs differently from retail in the sense, in retail we have normative margins and then how close to the normative margins can you get there. Here, every deal could potentially have different margins. These are competitive deals. So there are times when you get low margins or you have to pick business or volumes at lower margins.

At the same time, if we are able to say in some cases, bundle the services which we are increasingly doing for our customers. On an aggregate basis we are able to get more margins or more returns for us. So, it is a complicated business, very hard to give a generic assessment on whether the margins are up or down, because this is the real you can say, closest to the, I would not say trading is the wrong word to use, but it is as close to a commercial market as anything else could be.

Rajneesh Narang: Yes, Mayank, if you look at those margins, yes, during COVID time, the margins had gone up a bit. But subsequent to that the margins as regards the I&C products or diesel and all is concerned, they are all mid-cycle margins, which we have been getting. And even currently, if you see, for a change, the FO is positive now.

Mayank Maheshwari: Yes, that's true. Okay, so that's fair. And I think the second question, I think this was directly to the chairman itself like when you think about over the last month that you have kind of looked at HPCL now, how do you think about managing the objectives of the majority shareholder and how do you see that kind of panning out in terms of where HPCL would look like in the next five years?

Vikas Kaushal: I think the majority shareholder, of course, there are national objectives. As a national oil company, we have to meet, but my majority shareholder does not ask me to run the business differently from if I was running it in a private sector. The business is run for efficiency, run for growth, run for improvement. That's how it's been done in the past. That's what has been my message to the team here. We are going to run business for growth.

We are going to run the business for efficiency, improvement, etcetera. Yes, there are national objectives which have to be met at times there. And there are some constraints we operate in, but beyond the constraints, it would be business will run like any other business. And I view this as something with great potential. Now, we in our case have two roles to play.

One, of course, as a government entity. And then second our association with ONGC. Well, both of our organizations are working on what synergies we could draw from each other and these are complicated topics to work on. But we are hopeful that some of the synergies we will or we will increasingly capture the synergies which is benefit for both the organization. So actions happening on those fronts also, as you can imagine and appreciate these are long drawn things, not never easy.

But we are moving on those fronts. But to step back, I think this is a fantastic business we have. Our teams over the years have created a great thing and you commented on the fact that I've been here a month and a half now. I was always in awe of the technical and marketing powers HPCL had. And now being in my chair, I'm super thrilled with the technical and marketing powers we have.

I can say our refinery teams are second to none in this business. We have an extremely talented and competent team, which if you go through the details of what has been created over the years, tells you the wonders which have been done, how a small refinery in Mumbai is where it is right now close to 10 MMTPA. How Vizag if you ever visit, you're onto a fourth crude distillation unit.

Over the years, it has been brought to 15 million tons and with the EBITDA increase. So that requires technical powers. Similarly, if you look at marketing, we have been creating record volumes every year, which means our field force are doing something well. Do we have improvement opportunities? Absolutely. That's the reason I'm here. Collectively with the team, we are all working and capturing that improvement opportunities.

I'm sure in the subsequent calls and in other occasions, we will have chances to meet you will see and we will also unveil some of our plans on what we are doing to make this business fundamentally and structurally even more efficient than what it is right now. So that we gain, we grow and our shareholders, whether government or the large entities which hold our share or individuals who hold our share, large shareholding, they all benefit.

That's how I look at the situation. My reflections on one and a half months and thank you for asking that question.

Mayank Maheshwari: Thank you and best of luck and congratulations on the new role.

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

Amit Murarka: Yes. Hi. Thanks for the opportunity. Sorry, I joined the call a bit late. So just wanted to check if you've already shared the numbers on refining and marketing inventory gains?

Vikas Kaushal: Sorry, could you be a bit louder? We could not hear your voice, please.

RS Ramesh: So I was asking, have you given the numbers of refining inventory gains and marketing inventory losses in the quarter and full year? If you could share that one, please.

Rajneesh Narang: Yes, refinery in the Q4, the inventory gain was around INR600 crores and the full year, there was a loss of around INR550 crores.

RS Ramesh: Okay. And for marketing?

Rajneesh Narang: Marketing, it was again in Q4, INR550 crores gain and around INR900 crores loss for the full year.

RS Ramesh: Sure. And also, in terms of the capex, you mentioned INR14,000 crores to INR15,000 crores. Could you kind of break it up as well between the various sub-segments, including equity investments into Rajasthan refinery?

Rajneesh Narang: The equity investment would be around INR4,000 crores. The investment in refinery would be INR5,000 crores and balance would be marked.

RS Ramesh: Sure. And lastly, what's the update on the Chhara Terminal?

Rajneesh Narang: Chhara Terminal has been commissioned already, and we have already got around four parcels over there. And one more update, which our chairman also in his speech stated, that we have also signed a mid-term deal with one of the suppliers for a long-term gas.

Vikas Kaushal So, if you have customers who want natural gas, refer them to us. We are actively selling natural gas, LNG or re-gasified LNG from Chhara Terminal. We are already, February onwards, we are already into that business.

RS Ramesh: Sure, sure. So, it's fully commissioned and nothing is pending and just waiting for more contracts?

Rajneesh Narang: Yes, yes. Only the breakwater is under construction, which will get completed in this fair weather season. Out of 1,900 square meters, around 1,300 square meters is already completed. The balance will be completed.

RS Ramesh: Got it. And lastly, on the Vizag refinery upgradation, like how much benefit you would have received in Q4 from that?

Rajneesh Narang: Nothing. No, we have got the incremental volume. That's almost 2 million metric ton of additional volume per quarter is what is accruing to HPCL. The more benefit would come once the residue upgradation unit will get commissioned which is likely to happen in this Q2 of the current financial year. Around $2 to $3 per barrel for the increased distillates which the rough unit is going to churn out.

Moderator: Thank you. The next question is from the line of Vikash Jain from CLSA.

Vikash Jain: Thanks for taking my questions. I'll have a couple of small micro questions and then maybe a more bigger strategy question since this is the first time you're speaking to Mr. Kaushal. Firstly, on the 4Q numbers, the annual forex change number that you've given implies that 4Q had a forex gain of about INR75 crores. Is that correct? Because that's a bit odd given that rupee had actually depreciated. So is that the correct number that there is a forex gain of INR75 crores or is there any adjustment over there?

Rajneesh Narang: No, in Q4 we had a forex gain. You are right.

Vikash Jain: Okay. And there's no real adjustment or anything like that?

Rajneesh Narang: No, no adjustment.

Vikash Jain: Okay.

Rajneesh Narang: You would have seen that the rupee had depreciated, but in the last month, especially in March, all of a sudden it appreciated significantly.

Vikash Jain: Sure. Thanks, Mr. Narang. So just one more thing since we discussed about the Rajasthan refinery and you said that $20 a barrel is how we should think about the integrated margin. Since this is not a normal pure refinery, opex would also not be as low as $2, $3. You're talking of refinery plus petrochemicals. So where should we be imagining the opex to be? Is it more like $6, $7 kind of range including everything since you're talking of $20? The comparative opex number should be how much?

Rajneesh Narang: Yes, it would be around $5 to $7 a barrel between that.

Vikash Jain: Okay. So $73,000 crores is the planned project cost. I believe we are on track on that one, no real big deviation on that. So if that is the cost, about 5% should be the depreciation on that. Is that roughly broadly how it should be?

Rajneesh Narang: Yes.

Vikash Jain: Very broadly. And at peak when all is spent, we would go up till INR48,000 crores kind of debt and roughly 9% to 10% will be the cost of that debt, right?

Rajneesh Narang: A little lower.

Vikash Jain: Slightly lower. Okay. Sure. Thank you. That's all very useful number, numerical answers. Just one more on the strategy thing since we have the new CMD with us. You did mention that once there is consolidation after these projects come in, then we will look at the next leg of growth for HPCL. Now, how should we think of when the company believing that consolidation will be over?

What is the key metric to watch out for over that? Would it be looking at debt to equity falling to say below around 50%, 60% or some kind of net debt to EBITDA number? That's one. And secondly, once that is over, since we will be getting, by the time the next set of expansions get planned and they come in, we will most likely start getting into the next decade.

How would we be thinking about what is the next leg of growth since there is also the stock of perhaps some kind of peak demand or we already have surplus capacity in India in terms of refining, etcetera? Would a lot of that be focused on petrochemicals or is it a lot of it will be also thinking through new energy?

Of course, a lot of this is going to be more guidances at this point of time and as the world changes and we update ourselves, this might change. But sitting right now, how do you see these things moving ahead?

Vikas Kaushal: Let me take that question. Two parts to your question, what would be the metrics? Well, we have not fixated those metrics right now and as Director Finance mentioned earlier, we are continuing to do capex even right now. So it is not that we have stopped. Yes, we are very prudent in what we are doing right now given our overhang of the previous projects in terms of huge capital expenditure which is coming to fruition right now. So we are very prudent right now but we gave some numbers on city gas, how much we are expanding, we are putting up other areas also. So there is a continuous capital expansion which is happening but not in form of two huge projects which we had talked of.

Now looking at the numbers, we have not yet as a management team put a marker which says, at this level I will open the gate for stream A or stream B. But directionally, you are thinking in the right direction that we want to get our debt equity and serviceability in a level where we are comfortable withstanding all kinds of challenges which dealing in oil industry presents. So at that stage, we will probably take a call on those. It also needs a bit…

Sorry for the disruption and the wait you all had to do. I was talking on the strategic direction. Well, peak oil, nobody knows when it is. As many of you know, I have been a consultant in this domain in my previous avatar and I used to talk a lot about this. My personal view is the peak oil in India is much down the line. It will be the last of the major economies to go to the peak oil. So there is potential in oil also for a foreseeable future.

There are other opportunities for growth and not everything we do should come in the next decade because there could be inorganic opportunities we look at, there could be other lines of businesses. As many of you might be aware, we have a very strong R&D also and that could give us new opportunities. So as and when we do come out with our revised growth plan sometime in course of this year, we will take the opportunity in one of the subsequent calls to share the nuggets with you.

I can certainly foresee that would be a much more broad-based plan as compared to the last 5 years where we went heavy on refinery investments because we needed to cover the gap between the product we sell and the product we refine. Now that gap is reasonably well covered for us between our own increased refineries and the joint venture partnerships we have. Now our next five years I would see much more broad-based investments, including responding to new energies and taking on areas where we think we still could be a leader in the market.

That is how I think about it. Beyond that we do not have any detailed plan. As I said at the beginning of the call, our primary focus right now is to make sure our large capital comes up to stream and our big projects are completed, and big and small projects are completed so that we start getting returns from those projects which allows the company to be in a very strong position for a future growth wave.

Vikas Jain: Thanks, sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Akash Mehta from Canara HSBC Life. Please go ahead.

Akash Mehta: Yes, hi. Just if you could -- just on numbers, I mean, if you could just share the market share for petrol and diesel for Q4 and for fiscal 2025 as well.

Rajneesh Narang: We are just pulling out the right number, give us a second. The question was for Q4, but if you have the full year number you can share that.

Rajneesh Narang: I think to my -- if I recollect correctly, we are having a market share of…

Rajneesh Narang: 24.76 full year.

Rajneesh Narang: 24.76% for motor fuels for full year, and all products put together is around 20.5

Akash Mehta: Okay. And then for Q4, I mean, that would be?

Rajneesh Narang: Q4, 24.07.

Management: 24.2.

Akash Mehta: Okay, okay, thank you. That is it from my side.

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

Yogesh Patil: Thanks for taking my question, sir. Sir, post fully commissioning of bottom upgradation unit at Vizag refinery, how much time it will take to get the full benefits of $3 to $4 per barrel into the GRM?

Vikas Kaushal: These are huge complicated processes, and this technology is a path-breaking technology. So, we have to give our plants around 3 months for full stabilization, etcetera. Now, we might reach that faster. It might take a couple of weeks here and there. But as a management team, we are very much focused on making sure there is a safe operation when you run a plant like this. And if any of you have visited Vizag, you could understand how complex that rough unit is. It is a refinery within a refinery, as we say. So, it will take a few weeks, you can say, for full stabilization to come in. But we are focused on it.

Yogesh Patil: It would be fair to assume that $3, $4 per barrel kind of benefits will fully reflect into the FY '27?

Vikas Kaushal: Yes, we are very hopeful of even starting to reflect in some of the later quarters of this year. That is what our internal view is. We will start getting those benefits in the later quarter of this year.

Yogesh Patil: Sir, next question related to Russian crude process in the Q4 FY '25. And the current levels of Russian crude, is it improved compared to the Q4 FY '25?

Bharathan: We have been getting about five to six parcels of crude every month. This is continuing. There was a dip only in one month in the last quarter. Otherwise, it is continuing.

Yogesh Patil: In terms of a percentage, if you could share the number, you generally share?

Bharathan: Overall, as HPCL, we are at 35% Russian crude.

Yogesh Patil: That was the Q4 FY '25 number, sir?

Bharathan: It was a full year. Q4 is close to that, 32%,-33%.

Yogesh Patil: Okay. And sir, on the HPCL and ADNOC trading, you have signed the LNG trading supply contract with ADNOC. Can you provide some details on the pricing, whether it is linked to the crude or Henry Hub and the quantity of LNG import under this contract?

Rajneesh Narang: It is linked to Henry Hub. I don't think beyond this, I can say anything.

Yogesh Patil: Okay. And lastly, generally, you share the pipeline segment throughputs every quarter and annual basis. Can you provide some revenue on the EBITDA details of the same segment for FY '25 and Q4 FY '25?

Rajneesh Narang: I can share with you the volume. It is 24.9 million metric tons. 26.9. 26.9. And 6.61 million metric tons for the quarter.

Yogesh Patil: So, any details on the revenue and the EBITDA side of the pipeline segment, if you could share?

Rajneesh Narang: We are moving our own product only in the pipeline. We don't account any revenues for this.

Yogesh Patil: Okay. Thanks a lot, sir. This was really helpful.

Moderator: Thank you. The next question is from the line of Manikantha from Franklin Templeton India. Please go ahead.

Manikantha: Yes. Thank you so much for providing me the opportunity. Hope I am audible.

Vikas Kaushal: Yes.

Manikantha: Yes. Hi, sir. So, because it's an interesting move that you have done from being a consultant to heading HPCL. Just wanted to understand what's the motivation and upside for you? That's the first question. And second question is more on HMEL. Is it possible for you guys to give me the gross margin that your model is throwing if current pricing or spreads are taken into account for the refinement of petchem? Those are the two questions from my side. Thank you.

Vikas Kaushal: So, since this call is about HPCL's numbers, I will not talk about myself. The only thing I would say is the reason I work here is we have a fantastic opportunity and a fantastic team which can take this place. It is already one of the leading companies in India, and we will be even more powerful in times to come. That's my motivation. Beyond that, I think we should just focus on the numbers, and I request my colleagues to talk about the HMEL numbers which was asked.

Rajneesh Narang: I can broadly share that the EBITDA margin in HMEL for Q4 is around 7%.

Manikantha: Understood. So, just to follow up on the first question, can I check on the compensation side whether it is in line with the historical same days or there has been any change in the compensation?

Vikas Kaushal: You just need to read the press.

Vikas Kaushal: Yes, it is absolutely in line with what was done historically.

Manikantha: Thank you. Thank you so much. That's all from my side.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to Mr. Vartarajan for closing comments.

Varatharajan S.: Thank you, Steve. I see 11 people in the queue as of now. Please address it to the management or you can send your questions to me, I can get it addressed. I would like to thank all the participants for taking time out to join this call and the management for addressing all the questions in a very detailed manner. I wish the management all the very best in the next financial year as well. Hope the current momentum continues. Thanks, everyone, and have a nice day. In case, sir, you have any closing comments to add, please go ahead.

Vikas Kaushal: Thank you all for participating and listening to our thoughts. Thank you for your interest in HPCL. If you have ideas for us, keep feeding them to us. On behalf of the management team and our entire team, I would say we are all geared up to making sure the time you spent reading about this talk is well rewarded in many different ways. So thank you all and look forward to some subsequent conversations.

Varatharajan S.: Thank you, everyone, and have a nice day.

Rajneesh Narang: Thank you. Thank you, Varatharajan

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