



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड  
Hindustan Petroleum Corporation Limited  
(A Maharatna Company)

# “Hindustan Petroleum Corporation Limited Results Conference Call”

**October 25, 2024**



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Hindustan Petroleum Corporation Limited  
(A Maharatna Company)



**MANAGEMENT: MR. RAJNEESH NARANG - CHAIRMAN & MANAGING  
DIRECTOR (ADDITIONAL CHARGE) & DIRECTOR  
(FINANCE)**

**MR. S. BHARATHAN - DIRECTOR OF REFINERIES**

**MR. K. VINOD – CFO & EXECUTIVE DIRECTOR  
(CORPORATE FINANCE)**

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



**Moderator:** Ladies and gentlemen, good day and welcome to Hindustan Petroleum Corporation Limited Results 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 telephone. Please note that this conference is being recorded.

I now hand this conference over to Mr. Varatharajan Sivasankaran from Antique Stock Broking Limited. Thank you and over to you, sir.

**V. Sivasankaran:** Thank you, Nikita. Good afternoon, everyone. It's my pleasure to extend a very warm welcome to all the participants and the Management of HPCL led by Mr. Rajneesh Narang – Director (Finance) and holding additional charge of CMD as of now. Mr. S. Bharathan – Director (Refineries). Mr. K. Vinod – Executive Director (Corporate Finance) & CFO and his entire team.

I would like to hand over the call to Mr. Rajneesh Narang for his "Opening Remarks" and then we can move to the Q&A.

**Rajneesh Narang:** Good afternoon, Varatha, and all the participants who are attending this concall.

A very good afternoon to all of you. We had our board meeting in the first half of today. And it is a matter of pride for me to say that in this quarter the HPCL had a good physical performance, both in refineries as well as marketing.

As regards the standalone revenue from operation is concerned, it is Rs. 1,08,216 crores vis-à-vis Rs. 1,02,618 crores in the corresponding previous period. In terms of the physical growth, we achieved 8.2% over the previous corresponding period. The standalone profit after tax during this quarter is Rs. 631 crores. The primary reasons for lower PAT are:

The suppressed marketing margins on Select Petroleum products, reduced refining margins due to lower cracks and falling international crude and product prices.

I will just give a brief of what are the impact of these three, like in terms of the suppressed marketing margin:

In terms of LPG, we had an under recovery of Rs. 4,400 crores during this entire half year. And if we have to take only the quarter, that is Q2, it's almost Rs. 2,057 crores of under recovery, which is sitting as a negative buffer in our book.

And in terms of the reduced refining margin, the cracks have significantly come down. And if I have to give you a benchmark, the Singapore GRMs during the corresponding period of the previous year, it was \$10 a barrel, whereas in this quarter, it is \$4 a barrel. So, primarily, since the GRMs were significantly lower in this period for MS and HSD. There was an impact as regards the refining GRMs are concerned.



And third, during this quarter, the crude prices with respect to the previous quarter have come down by almost \$5 a barrel. Now, this reduction of \$5 a barrel, both in terms of crude as well as the various finished products which we hold have an impact of almost Rs. 1,400 crores in terms of inventory loss.

Now if I talk about the GRMs, the GRMs during this quarter were \$3.12 per barrel vis-à-vis \$13.33 per barrel during the corresponding period. This reduction, as I've already stated, is in line with the trend of international benchmarks and product crack.

Now coming to the physical performance:

The refineries recorded a crude throughput of 12.06 million metric tons. These refineries had operated 103.7% of the installed capacity, registering an increase of almost 8.2% over the throughput of 11.15 million metric tons during the corresponding period last year, April to September 23. Now if you take specifically the Q2, the throughput was 6.3 million metric tons, and the refineries had operated at capacity utilization of 107.7%. We have also added new crudes to our basket. Two new crudes we have started processing at Visakh and taking the total crude basket to almost 30 odd crudes which we are having.

In terms of the marketing sales:

We recorded 24.25 million metric tons listing a growth of 7.3% as against 22.59 million metric tons during the corresponding period previous year. The Company recorded sales volume of 11.62 million metric tons during 2nd Quarter listing a growth of 8.2% as against 10.74 million metric tons during the 2nd Quarter of the previous year.

On the domestic front, HPCL achieved sales volume of 5.6% during the quarter as against PSU industry growth of 1.8% registering a market share gain of 0.78%. In terms of the product wise, the motor fuels were growing at 4.5%.

The aviation business has been growing at 19.6%. And in case of lubricants, we are growing at almost 5%. And even in as regards to the petrochemical where we are, we have already entered the market a year back, we are doing almost 30.4 TMT. As regards the pipelines are concerned, we had a throughput of 6.53 million metric tons vis-à-vis a growth of 6.5% over the previous financial year. In terms of our growth projects, during this period we invested Rs. 3,771 crores to strengthen our refining and marketing infrastructure, including investment in joint venture and subsidiary companies. And the total CAPEX during this half year is almost Rs. 6,590 crores.

As regards our Rajasthan refinery, the construction of all process-units are progressing in full swing. The current physical progress is concerned, is almost 83%. And if I take the refining units, it is more than 92%. The key process unit which is DHT, the hydrogen generation unit, they are under pre-commissioning.



And as regards the crude oil pipeline for both imported as well as domestic, the job is almost nearing completion. As on 30th September, the total commitment on the project is almost Rs. 70,872 crores.

As regards the CAPEX outflow is concerned, it's Rs. 50,570 crores. As regard our Visakh Refinery modernization unit of residue upgradation facility, that is the bottom upgradation facility, we have started the pre-commissioning of this unit. And we expect that in the last quarter, that is Q4 of this financial year, the unit would be commissioned. The moment this unit gets commissioned, it will be able to have a higher distillate yield whereby would enable us to process or upgrade the bottoms to higher distillate products. This unit is one of the largest and most energy efficient units, and technology is one of the scale which is being implemented by us.

During this 2nd Quarter, we commissioned 353 retail outlets, taking the total number of outlets to 22,501. We also commissioned six new LPG distributors, taking the total count to almost 6,364. In terms of new business initiatives, we have started manufacturing Group-III 500-neutral base oil in our Mumbai Refinery. Our aviation business achieved a significant milestone by securing order for developing and operating the fuel farm and the in-to plane services in the new airport, Greenfield International Airport, which is likely to come up in Bhogapuram, Visakhapatnam. This airport is being set up by GMR, by the name of GMR Vishakhapatnam International Airport Limited. There was a new feather in cap for the lubricant business, whereby we made the first ever export sales to USA, thus increasing our footprint to more than 30 countries. As regards our plan of value unlocking in the lubricant business, we have already in line with the recommendations of the consultant, we have already started taking initiatives around supply chain, cost optimization, product mix spread, and also rolled out customer engagement programs for improving our reach as well as improving the efficiency in this business line. As regards our plan for the carve out is concerned, we are actively pursuing the same with the appropriate authorities for seeking approval for going ahead on this.

As regards our HP R&D center, the total patents as on 30th September is 606 which we have filed, out of which 232 patents have already been granted to us. There have been various niche technologies which we have developed there. One of them is the technology which has reached the commercial scale is the vapor recovery plant based on HP VRU technology, which we have already implemented in our Hassan terminal.

Further we have developed the HP DRA which is a drag reducing additive for reducing pressure drop in product pipelines and it has been successfully tested at a commercial scale in our VVS pipeline. The state-of-the-art catalyst additive and absorbent scale-up facility have been commissioned and made operational, thus empowering the scaling up of our R&D center's innovative catalysts and products for field level demonstration.

At the Visakh Refinery, we have commissioned the first ever green hydrogen plant in any refinery. The plant capacity is 370 TPA of green hydrogen using green power. And we have already started taking 3 megawatts green power to this pump for the same. We have also floated



another tender for 5 TMTA per annum for green hydrogen. That is under the SITE-2 Scheme of the government.

Similarly, our newly formed wholly owned subsidiary, HP Renewable & Green Energy Limited is already working on plans on renewables on almost around 250-to-300-megawatt capacity at various places. They also signed an MOU with MAHAGENCO for cooperation and collaboration in the field of green hydrogen and its derivatives.

So, these are primarily the main highlights of HPCL during this quarter. I'm open to taking up any questions on this. Thank you.

**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 had a couple of questions. The first was with respect to this LPG under recovery. Just to understand this Rs. 2000 odd crores is loss that is actually sitting in our P&L. When you say that you are building it in a negative buffer, can you just make us understand a little bit on the accounting of this? Is the loss actually there in the marketing segment, reported numbers or is it not part of it? I was not very clear on that.

**Rajneesh Narang:** It is part of the reported number. The loss has been considered in our book. If it is a positive buffer, we create a payable and we don't take it in our revenue, take it as a part of the income but however if it is a negative buffer it goes as a part of our P&L charge.

**Probal Sen:** So, sir, is it reasonable to assume that this kind of a run rate will continue given that not much has happened in terms of being compensated for this. Should we be building in this Rs. 2000 crores every quarter now as of this point?

**Rajneesh Narang:** I don't think that would be the right way of looking at it. Right now, yes, during this period, the LPG prices were higher. So, that's the reason why the under recovery was there. And going forward, we will have to see how the LPG prices behave. But anyway, if the under recoveries are going to be there, will definitely we have taken up with the government for necessary support on this aspect.

**Probal Sen:** The second question was, thankfully appreciate that you mentioned the inventory loss number of Rs. 1,400 crores. Just wanted to understand is it possible to split it between what was there in refining and what was there in marketing segment out of this?

**Rajneesh Narang:** Approximately 750 was in marketing and 650 in refining.

**Probal Sen:** Rs. 650 crores was the refining and around Rs. 750 crore was in marketing, right. Just on lastly, and I will come back, but one more question with respect to refining, against the last year number where Singapore was at \$10, but we reported about \$13 because of various factors, diesel prices has been higher, perhaps Russian crude was a factor, versus that in this quarter, we have actually now gone down to a discount versus the benchmark GRMs. Is it possible to sort of get a sense



of why this has happened is it mostly because Viskah performance is impacted by the pre-commissioning activities and inventory or is there any other reason for it? Just if you can give us a sense of it.

**Rajneesh Narang:** Primarily if you see in the same period in the corresponding previous year instead of the loss of Rs. 645 crores-Rs. 650 crores, we had an inventory gain last year of Rs. 900 plus crores. So, virtually that Rs. 1500 crores is the difference on account of inventory itself.

**Probal Sen:** And we are still getting around 35%-40% from Russia, sir, in terms of our crude source?

**Rajneesh Narang:** Yes.

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

**Amit Murarka:** I also see that net debt has gone up quite sharply in this quarter. So, could you just help understand what are the factors behind that?

**Rajneesh Narang:** The debt has primarily gone up. One is the subsidy, which we have to receive almost Rs. 1,700 crores from the government. There is an increase there. Secondly, the inventory, now with the Vishakh refinery coming into almost full level production, if you see during this quarter, we have almost processed around 3.8 million metric tons of product. We had to hold higher inventory for crude as well as the higher inventory for the product. One more reason is that during this period we had an additional inventory of almost Rs. 2,000 crores because during the month of August and September, there were rains and on account of which, the demand was also muted. This is resulted in some increase in inventory in our books of account. So, primarily, around Rs. 2,000 crores to Rs. 3,000 crores has gone up because of the inventory. And around Rs. 1,500 crores to Rs. 2,000 crores is an account of amount receivable from that.

**Amit Murarka:** What is the CAPEX plan for this year now?

**Rajneesh Narang:** CAPEX will be doing around Rs. 12,000 crores – Rs. 13,000 crores. Out of that, we have already done Rs. 6,588 crores.

**Amit Murarka:** So, we're almost at the half way mark. Also, for the Rajasthan refinery, has there not been much progress in this quarter? Because even last quarter, I think you had mentioned similar numbers on completion. 92% for refining and 80% for overall.

**Rajneesh Narang:** No, the refining now, 92% plus.

**S. Bharathan:** Towards the end, since we are going to our pre-commissioning and commissioning, the percentage will not be the same. But in actual progress towards commissioning, it will be very close.

**Amit Murarka:** And commissioning you see in Q4 and Petchem will be what, one year after that?



- S. Bharathan:** It may be after six months after that.
- Amit Murarka:** And could you also share HMEL performance for the quarter?
- Rajneesh Narang:** You want the quarter number or the half year number?
- Amit Murarka:** Whichever is fine.
- Rajneesh Narang:** During the half year, they had processed around 6.54 million metric tons of crude. Their GRM was around \$9 a barrel. During the six-month period, they had a loss of around Rs. 300 crores.
- Amit Murarka:** And EBITDA?
- Rajneesh Narang:** EBITDA is around Rs. 2000 crores.
- Moderator:** Thank you. The next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.
- Sabri Hazarika:** First question is on this Vizag. I think, so you are basically in the process of commissioning the residue upgradation at the moment. And by Q4, you are saying the entire VRMP will be ready, right?
- Rajneesh Narang:** Right, yes.
- Sabri Hazarika:** In terms of volume, we have already seen the upside the GRM, \$2-\$3 of incremental GRM which we have been suggesting, so that we can assume from FY26 onwards, is that right?
- S. Bharathan:** Yes, that is right.
- Sabri Hazarika:** And is it like fully, I mean in the books of account is there any more capitalization left or we have like mostly capitalized this Rs. 27,000 crores-Rs. 28,000 crores of CAPEX?
- Rajneesh Narang:** No, for Vishakh, around 11,000 is yet to be capitalized. That will get capitalized in the last quarter.
- Sabri Hazarika:** Rs. 11,000 crores of additional CWIP will basically get expensed in Q4.
- Sabri Hazarika:** So, right now, just to get a sense of your overall marketing numbers. So, I think petrol and diesel we can see the a change in pricing. So, I think the margins are quite high. At the same time, LPG losses have further increased because of winters, I think the prices of Arab Gulf LPG has also gone up. So, if I look from a working capital point of view, not assuming that some subsidy may come later down the line. But in terms of debt and working capital, are you in a comfortable position right now or can you see short-term debt going up further in the incoming quarter?
- Rajneesh Narang:** No, the debt is not going to go up.

- Sabri Hazarika:** So, right now because of high auto fuels margins, you are able to meet up whatever losses are there in LPG, is that right?
- Rajneesh Narang:** Yes.
- Sabri Hazarika:** Just a small follow up, you said last year the inventory gain was around Rs. 950 crores in refining, last year Q2, right?
- Rajneesh Narang:** Yes. Around Rs. 900 crores
- Sabri Hazarika:** Around Rs. 900 crores and this time it is around Rs. 650 crores negative.
- Moderator:** Thank you. The next question is from the line of Sumeet Rohra from Smartsun. Please go ahead.
- Sumeet Rohra:** Firstly, I would like to understand because numbers are crowded, so many inventory movement along with LPG, etc. So, sir, your reported number is 650 and we have absorbed Rs. 2200 crores of LPG losses and inventory loss of Rs. 1400 crores. Am I right?
- Rajneesh Narang:** Yes.
- Sumeet Rohra:** So, effectively, I mean, if I understand correctly, sir, if you add this back, we would technically be at somewhere around the Rs. 3500 crores mark?
- Rajneesh Narang:** Yes, that would be the normalized profit, you are right.
- Sumeet Rohra:** Okay, if I see that, first quarter again, you are way down because of these concerns of LPG. So, effectively, then I'm trying to understand, sir, because the matter of fact is that anyway investors are quite shaken up because of the results which is reported on the headline numbers. So, if you can read through the numbers on the core performance of the Company, is my understanding correct that we have done about Rs. 5500 crores of PAT in the first half. So, effectively what I'm trying to get at is that our core profitability has actually now substantially gone up from the past because of the projects and because of volume throughput coming. Is that correct sir?
- Rajneesh Narang:** You are right. If that way if you see, the core profitability will almost get doubled than what we used to do earlier. That was before the expansion. It will more than double.
- Sumeet Rohra:** Effectively, I mean if I can put it in simple terms, is that our core profit should be about Rs. 5000 crores-Rs. 5500 crores for the first half, which means that without the residue upgradation project, we have actually come to this level, which means that with the residue upgradation of Visakh kicking in F26, our profitability can be substantially in the five-figure mark?
- Rajneesh Narang:** You are right. With the current trend of crude if you see, primarily now it is ranging between 72 to 78. Now, if the current level and the crude remains range bound, then the profitability which we are referring to is likely to mature in the next quarter.





- Sumeet Rohra:** Coming to my next question, is on the value unlocking part of the lubricant. So, if you can please help understand effectively because the thing is that, today our market cap of around sub-80,000 crores because of the market crash today, I don't know exactly what it is, but somewhere around there. But it is not reflecting it from an investor angle, right, because I mean on one side you got Barmer refinery, on the other side you got Visakh. On the third side you got lubricant which is the 40% market share. So, sir, if you can help understand in the lubricant part where exactly are we today in terms of the demerger and value unlocking?
- Rajneesh Narang:** We would need, since I will be carving out this lubricant business, it would. There is going to be a change as regards, because I will be forming another Company out of the existing Company. So, we need the approval from the Government of India for the same. We have already taken up with the Government of India as regards the demerger is concerned. So, that approval we are waiting because that would need approval from the Ministry of Finance, from DIPAM and Niti Aayog. So, we are waiting for those approvals to come.
- Sumeet Rohra:** And sir, just one last thing before I end. Sir, we have presentation, which we have given to the exchanges. I think, some time back, in which we are talking about a Rs. 40,000 crores EBITDA, which is basically once the projects are commissioned. So, we actually think that that could be beaten because of the quality of the projects that we have now.
- Rajneesh Narang:** Yes, we stand by what presentation we had given. There's no doubt on it.
- Moderator:** Thank you, sir. The next question is from the line of Kirtan Mehta from BOB Capital Markets. Please go ahead.
- Kirtan Mehta:** So, couple of clarification on the Vizag expansion. In terms of the expansion in the current environment in a like-to-like case, how much profitability or EBITDA is added because of the expansion? Will you be able to give us some color? And the second part was for the RUF unit, if this environment continues, what could be the margin upgradation instead of \$2 to \$3 per barrel? Could you also provide some color under the current environment?
- Rajneesh Narang:** If I take the mid-cycle GRMs and calculate, the expansion of refinery from 8.33 million tons to 15 million tons and bottom upgradation to RUF, that was to add almost Rs. 4,500 crores to the profitability of Visakh. Out of that around Rs. 2,000 crores to Rs. 2,500 crores is because of the capacity expansion, the balance is on account of the bottom upgradation.
- Kiran Mehta:** And the second question was about the Bathinda. Could you also share the current petrochemical utilization and its contribution at the gross margin level?
- Rajneesh Narang:** They are operating today at more than 90%. That's what I can say. And as regards the operation of the plant is concerned, what exactly you wanted of what is that?
- Kirtan Mehta:** Contribution at the gross margin level, Petrochemical contribution at the gross margin or EBITDA level?



- Rajneesh Narang:** I don't have it right now; we will share it separately.
- Kirtan Mehta:** And the last question was about the Chhara LNG terminal. When do we expect it to start operating?
- Rajneesh Narang:** Before this financial year.
- Kirtan Mehta:** And what is the current bottleneck, which we need to resolve to operate it?
- Rajneesh Narang:** Right now, we will shortly be coming in the market to book the commissioning cargo. Last time in April we had brought a cargo, but we could not commission because the sea conditions became rough and all. After that the monsoon season had started. So, effective October only in the fair-weather season we could bring the cargo. So, that cargo will be bringing it in December or January and then commission. Otherwise, we have got all the port approvals, the jetty and all, everything is in place, there is no issue. Only thing is we will have to bring the cargo and commission.
- Kirtan Mehta:** And what could be the utilization over first couple of years in terms of the million-ton throughput? We had said previously that our own demand could be of the order of 2 million ton or so.
- Rajneesh Narang:** Correct. HPCL, our Mumbai Refinery, going forward even HMEL and our Rajasthan refinery, the gas would be moving from there only. Because from Chhara, we are connected to the national grid. It will go from there itself to all the places. The moment Visakh is connected through pipeline, right now that Srikakulam Vishakhapatnam pipeline is half late and yet to be completed. The moment that also gets completed even Vishakh can be given some product can go from here. So, if I see my in-house consumption itself is more than 1.5 to 1.7 million metric tons among these three units. Plus, I have my own GAs where I can sell. Plus Now LNG trucking is picking up gradually. So, we are already set-up 4 LNG outlets. We have plans to scale up that facility also. A lot of new demand is coming up on LNG trucking also. So, and we see there's a lot of potential as regard LNG is concerned. And definitely the capacity utilization will also keep on improving as we go ahead.
- Moderator:** Thank you. The next question is from the line of S. Ramesh from Nirmal Bank Equities. Please go ahead. Thank you and good evening.
- S. Ramesh:** In refining, what do you expect to change that will get the industry going back to normalized margin? Do you see capacity closures or are you waiting for demand for petrol and diesel to improve over time? What are the variables you would expect to change that will see some visible improvement in GRMs going forward?
- Rajneesh Narang:** Compared to the August and September, we are already seeing an uptick as regards the GRMs are concerned. The Singapore GRMs, if you take the benchmark Singapore GRMs, they had gone down to \$3.2 a barrel. Today's morning number if you see it has already reached \$4.7 a



barrel. I'm sure with winter season picking up and all, China demand and all, those are the factors which will scale it up. The GRMs are likely to improve only.

**S. Ramesh:** Yes so I understand the short-term movement what I am trying to get it in terms of the structural outlook for refining as a business because there's a lot of excess capacity, there is a weak demand so in terms of demand and supply do you see supply reduction or capacity closures happening in the next 1-2 years, which will give some structural improvement in the outlook for GRMs?

**Rajneesh Narang:** That would continue to happen. Even now it is happening, whereby few of the inefficient refineries, they closed down. And like, fortunately for us, we have recently revamped our refineries. The Rajasthan refinery which is coming up is going to be new refineries most energy efficient refineries and all. So, all those people who have old refineries or the inefficient refineries, definitely there is a case for them to shut down. And for us, it becomes an opportunity.

**S. Ramesh:** Okay, now on the City Gas distribution business in LNG, can you share some numbers in terms of when you see the commercial contribution from your standalone GAs in your P&L and what are the kind of volume and say top line and EBITDA again look at per cubic meter or whatever you can share say over the next two years in CGD?

**Rajneesh Narang:** Even today we are doing around 0.4-0.5 million metric ton of natural gas and LNG. We are even today doing that. And the same, once our terminal is commissioned, we will start bringing our own LNG cargo. And we have planned to scale it up to 2.5 million in the next two years.

**S. Ramesh:** This on LNG. On the City Gas distribution volumes, can you give some color in terms of the progress on the network expansion, the CAPEX and the volumes and some indicator in terms of how much you can add to your profitability on a standalone basis?

**Rajneesh Narang:** Every year we are doing a CAPEX of almost Rs. 1,800 crores to Rs. 2,000 crores in the CGD space. And we have already, the network which we have put, almost more than 130 odd CNG stations where we have our own, in our own GA's, we have already started getting the revenue from them, while they are not huge numbers but they have already started contributing to our bottom line.

**S. Ramesh:** Just one last thought on that. So, if you take a 3-5-year view once, you have a significant number of CGD GAs. What is the internal business plan throwing up in terms of volume and revenue and EBITDA?

**Rajneesh Narang:** EBITDA we aim around Rs. 1,000 crores from this in the next five years.

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

**Mayank Maheshwari:** The first question was more on the operational side. In terms of the Vizag, I think it got pushed about by a quarter or so in terms of the startup. Do you see any other challenges in terms of



further ramp up on the Vizag side or you think you will be able to kind of deliver full volumes on the upgrade by the June quarter fully?

**S. Bharathan:** So, Vizag, if you see in the latest quarter we have already done 3.8 million metric tons which is equivalent to the additional capacity what we have installed. So, the full volume is already realized and with the completion of bottoms upgradation even the value realization will be done.

**Mayank Maheshwari:** So, bottoms up gradation we should be able to kind of see the full impact by March quarter or it's more looks like a June quarter thing?

**S. Bharathan:** It should happen in the March quarter only.

**Mayank Maheshwari:** The second thing was in terms of the Rajasthan refinery, what would be the net debt sitting on the books at Rajasthan right now?

**Rajneesh Narang:** Roughly around Rs. 35,000 crores – Rs. 37,000 crores.

**Mayank Maheshwari:** The last thing was more related to the marketing side of the business. You have obviously done very well. I think you have kind of got some market share on the diesel side. Like, can you just kind of think, tell us about how you are doing some of these market share gains and is there more scope for you to kind of grow market share in some of these places?

**Rajneesh Narang:** Yes, that's always our resolve to gain more market share. And if you see consistently past 4 quarters we have been gaining in terms of market share. Not only in the MS and HSD space, but also in our direct sales and the lubricant space also. Even LPG and ATFs if you see. We are having good volume and good market share growth in this business line.

**Mayank Maheshwari:** Just on this marketing point, sir, industrial side, how are you seeing competition? And can you give us a bit of a sense subjectively as well, how is competition doing, how are margins doing on the industrial side?

**Rajneesh Narang:** The industrial has always been quite competitive, both for diesel, bitumen and all. As regards the competition is concerned, yes, in the industrial side, we have a market share of around 13% in that space. IOC is the major one, almost 70%. So, that gives us an opportunity to increase our market share there. So, that is one area where we are focusing as to how we can increase our penetration into bitumen, then HSD as well as specialty products of Hexane, MTO and others.

**Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** And my first question is on, what is the LPG price that you need to reach zero under recovery?

**Rajneesh Narang:** It increased by almost Rs. 200 per cylinder.

**Puneet Gulati:** And in terms of Russian crude, what is the discount you are enjoying currently?

- Rajneesh Narang:** It varies every month.
- Puneet Gulati:** An average, for example, last quarter or a range if you can give?
- Rajneesh Narang:** Around Rs. 170 to Rs. 180 per cylinder.
- Puneet Gulati:** On the Russian crude I am asking, the discount on Russian?
- Rajneesh Narang:** The discount has come down significantly but is still cheaper than the other source.
- Puneet Gulati:** Any range that you can share in terms of discount, dollar per barrel?
- Rajneesh Narang:** No, I cannot.
- Puneet Gulati:** And you talked about Rs. 4500 crores incremental profit from Vizag. What is the underlying GRM you assume for that?
- Rajneesh Narang:** Around \$6 to \$8 a barrel. And post RUF it will increase by another \$2-\$3.
- Puneet Gulati:** And that's your GRM, not the Singapore GRM?
- Rajneesh Narang:** Yes. We have worked on our GRM.
- Puneet Gulati:** \$6 to \$8 and then \$2 incremental for the refinery upgradation part?
- Rajneesh Narang:** Yes.
- Puneet Gulati:** And lastly if you can talk about any cost escalations you are seeing on the Rajasthan refinery side and the Vizag project side?. Revised cost numbers?
- Rajneesh Narang:** The revised number for Rajasthan is Rs. 73,000 crores. Since it's a EPC contract, I gave you the number, the total commitment is Rs. 70,872 as of date.
- Puneet Gulati:** And Vizag?
- S. Bharathan:** Rs. 30,000 crores is the total project cost.
- Puneet Gulati:** And no change? Now you should have a concrete view of this cost, right?
- S. Bharathan:** This is the final, right.
- Moderator:** Thank you. The next question is from the line of Vishnu Kumar from Avendus Park. Please go ahead.
- Vishnu Kumar:** On the incremental GRM mentioned, sir, the \$6 to \$8, this is an absolute or like we should consider 3 plus 4, which means the range is about 10 to 12?



- Rajneesh Narang:** No, the question there was asked is, what is the mid cycle GRMs you are considering? So, there I said we consider around \$6-\$8 a barrel. And post-RUF we consider an incremental of \$2 to \$3 a barrel.
- Vishnu Kumar:** Once we have the bottom upgradation completely done, can we increase the Russian intake of crude in Vizag and is it possible? If possible, how much can we get to?
- S. Bharathan:** Already at around 40% we are there. Depending on the opportunity, it can go by more than 10-15%.
- Vishnu Kumar:** So, we already reached 40%, maybe we can go to 50% is what you think, on Vizag?
- S. Bharathan:** Yes, right.
- Vishnu Kumar:** Sir, in marketing business, if you could just help us understand what would be the per litre diesel and petrol margin this quarter and also if possible for the last two quarters?
- Rajneesh Narang:** I can only give you the entire marketing margins, not product wise.
- Moderator:** Thank you. The next question is from the line of Rituparna Ghosh from Argus Media. Please go ahead.
- Rituparna Ghosh:** My question is regarding What sort of long-term LNG contracts are you seeing from Chhara LNG terminal?
- Rajneesh Narang:** You are talking about sourcing or what?
- Rituparna Ghosh:** Sourcing, yes sir.
- Rajneesh Narang:** We will be tying up for our requirements because this terminal is a 5 million metric ton terminal. Like if I told you that we have a plan to reach 2.5 million metric ton in the next 2 years and I need to show a contract that much quantity only then I can be there. So, we will be gradually phasing our procurement plans in line with our business plan to increase the LNG volume.
- Rituparna Ghosh:** In line by which you will be closing the deal or what sort of response are you getting from the global market in terms of the sourcing?
- Rajneesh Narang:** They're already in market as regards long-term sourcing is concerned. And the response has been quite good.
- Rituparna Ghosh:** And sir, second question is regarding the building of breakwater facility at the terminal. How far has the work been reached?
- Rajneesh Narang:** For the LNG terminal, the breakwater which is required is around 1,900 meters. Now out of that 1,900 meters 1050 meters have already been done. And the balance also, it has reached 4 meters



below the water level. Up to that place, it has been done. Now with the fair-weather season starting effective October, the work will shortly start over there for completing the balance part. We are hopeful that in this fair-weather season, the same should be completed.

- Rituparna Ghosh:** You are hopeful to complete the work by this fiscal year?
- Rajneesh Narang:** In this fair-weather season.
- Rituparna Ghosh:** And so lastly, to confirm what you already mentioned, you'll be getting the commissioning cargo in December and January. Correct, sir?
- Rajneesh Ghosh:** Yes, December or January, we will be getting the cargo.
- Moderator:** Thank you. The next question is from the line of Shivansh Sood from Desvelado Advisory. Please go ahead.
- Shivansh Sood:** The question was like, with the changing geopolitical dynamics in Russia, so do you think the discount factor you are getting from Russia is going to increase or decrease in the coming near future?
- Rajneesh Narang:** One thing is there, I don't buy Russian crude just because it is a Russian crude. I buy because it makes value in my system. So, long the Russian crude will make value in our system and it is better than processing other crude, we will be processing the Russian crude. So, depending upon how the environment is, what is the level of discount and all the same would be analyzed on a case-to-case basis and accordingly the sourcing would be done.
- Moderator:** Thank you. The next question is from the line of Gagan Dixit from Elara Securities. Please go ahead.
- Gagan Dixit:** So, there's the one month back news that your parent Company, ONGC, is planning the 12 million ton refinery that's in UP Prayagraj. So, is there any possibility that HPCL will also be involved in the later stages for that, because the parent Company you...?
- Rajneesh Narang:** You should ask this question to the parent Company because I am not aware of it.
- Moderator:** Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.
- S. Ramesh:** So, you have the renewable subsidiary. So, just like NTPC is planning to do a float, when do you think you can reach a commercial scale to think of a listing like NTPC? Any thoughts on that?
- Rajneesh Narang:** Maybe maximum two years we should be reaching that space.



- S. Ramesh:** Any numbers you can share in terms of what is the scale in terms of megawatts of power, some sense in terms of investment, can you share some numbers for the next two years?
- Rajneesh Narang:** Right now we are doing around 200 plus megawatt of renewable there. We have plans to set up more CBG plants also under that business. And maybe by end of the year we may tie up another 200 odd megawatts and the next two years we want to be touching around 2 and 2.5 gigawatts.
- S. Ramesh:** And what will be the size of the balance sheet or investment over the next two years?
- Rajneesh Narang:** It would be around Rs. 15,000 crores-Rs. 20,000 crores is what we had anticipated, both the renewables as well as the biofuel.
- S. Ramesh:** So, on MRPL there have been a lot of backing and sorting on the merger proposal given the kind of challenges your refiners are facing. Do you think you will again take that issue? Is there any progress likely on the MRPL merger?
- Rajneesh Narang:** Currently there is no such discussion. As and when it comes we will definitely review and do the needful.
- Moderator:** Thank you. The next question is from the line of Vimal Sampath, an individual investor. Please go ahead.
- Vimal Sampath:** My question is pertaining to lubricant business. By when do you think we will be able to demerge?
- Rajneesh Narang:** The moment we get the approval, it may take another six to eight months after that for the entire process to complete.
- Vimal Sampath:** We are planning to manufacture some products for Chevron. Can you please give some more clarity on that?
- Rajneesh Narang:** We are already manufacturing the same in our plant.
- Vimal Sampath:** Okay, so is it a kind of technical tie up or only job work we are doing? What is it?
- Rajneesh Narang:** It is both.
- Vimal Sampath:** And then we will marketing jointly or they will do it in their name only or through our network we will do it?
- Rajneesh Narang:** They are directly marketing, but they can use our network also.
- Vimal Sampath:** And second thing now, in next 2-3 years, with our lubricant business and green this thing, all will be demerged. And our refineries also, we have joint ventures. So, we will be a very large conglomerate.





- Rajneesh Narang:** Yes.
- Vimal Sampath:** How are you looking at it?
- Rajneesh Narang:** HPRG is already a separate Company. It is not demerged. Then we have the gas HP LNG that is a separate Company. Right now we are talking about lubricants.
- Vimal Sampath:** Only lubricants, and gas also will be very significant contributor to us.
- Rajneesh Narang:** Yes.
- Vimal Sampath:** So, in future you may demerge gas also?
- Rajneesh Narang:** Gas is a separate Company also. LNG terminal is a separate Company.
- Vimal Sampath:** No, I am talking about this CGD and this biogas, CBG what you are going to do, no?
- Rajneesh Narang:** We will evaluate that once GST and all is implemented, we will see at that point.
- Moderator:** Thank you. The next question is from the line of Umar Farooq from CRISIL. Please go ahead.
- Umar Farooq:** The question regarding, with the crude oil prices declining and if you expect crude price to remain as we have said to around \$72 to \$78 per barrel, so what are we expecting for quarter 3 of this fiscal regarding the marketing margins?
- Rajneesh Narang:** That we gave you a number, in case we get our normative margins and all, the numbers there will be. In the initial questions we had covered that. And in case the prices of the crude are going to be around the level at which they are, then in the case there will be no incident of any inventory loss or gain.
- Umar Farooq:** So, my second question will be as the center has been pushing so much on ethanol blending to reach 20% by ESY 25-26. The ethanol production capacity has also increased to 1,623 liters as ChiniMandi has recently reported. So, by when can we expect ethanol blending to reach 20% of targeted blending? Is it possible that we achieve it by next fiscal or do we have to wait further?
- Rajneesh Narang:** Even today ethanol blending is almost 15.9% which is being done. What has been said is by 25-26 the ethanol supply year, ESY, the 20% target is to be achieved and it will be done by that time. And today there is no problem as regard availability of ethanol is concerned. So, gradually this percentage you will see that it will keep on increasing and the target of 20% in ESY 25-26 will be achieved.
- Umar Farooq:** So, I had this question because very recently, ethanol producers have complained, have raised issues as producers are not procuring enough ethanol. So, that was leading to excess supply in the market. So, was there any problem or are we once again facing any issues in regards to



procuring ethanol? Maybe if we procure more from producers, that 15% what we are at now could be 16% or 17%?

- Rajneesh Narang:** If the availability is higher, we will go for higher percentage.
- Moderator:** Thank you. The next question is from the line of Meet Parikh, an individual investor. Please go ahead.
- Meet Parikh:** My question was the \$6 to \$8 GRM that you mentioned, mid-cycle GRM. So, is this for the Company or is this in reference to the Singapore GRM?
- Rajneesh Narang:** Company.
- Meet Parikh:** And this leads to, you are saying at this level, it leads to a PAT addition of Rs. 4,500 crores in Vishak for 15 million metric tons of capacity, right?
- Rajneesh Narang:** I referred with respect to the pre expansion and the pre investment period.
- Meet Parikh:** So, this is an addition of the total?
- Rajneesh Narang:** This is not addition. This is before when the refinery was at 8.33 by doing all these investments, it would have resulted in an increase of Rs. 4,500 crores.
- Meet Parikh:** And my second question is regarding HRRL. So, in the presentation we had mentioned a \$20 mid-cycle blended GRM. So, is that still valid or what do you expect the blended GRM to be for HRRL?
- Rajneesh Narang:** Those are the numbers at which the financial appraisals have been done. If you calculate it today, maybe the number would be different. But these numbers will keep on changing. This project which is coming up is going to come up for next 20-25 years. So, things will keep on changing over a period of time. At a particular moment of time you will see that sometimes it will be better or sometimes it will be less but over a period of time this is the number which the refinery will be realized. If you take a case, last year there was a period when the GRMs used to be in double digits, it used to be 13-14 on MS HSD processing only but today the GRMs are lower. So, these things, these cycles will keep on coming and going. But when you evaluate a project, you evaluate considering a particular level or particular period what the GRMs are likely to be. So, the numbers which we have considered for HRRL is the numbers which you are referring to.
- Meet Parikh:** So, for a Rs. 8000 crores EBITDA, we would require something like what 12 dollars GRM from HRRL?
- Rajneesh Narang:** I don't have the numbers right now but we will share it separately.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Varatharajan, Sivasankaran for closing comments.



- V. Sivasankaran:** Thank you, Nikita. If you have any closing comments to make, please.
- Rajneesh Narang:** We already said what we thought is relevant. As far as this quarter is concerned, we will only take this opportunity on my personal behalf and on behalf of our Director (Refineries), Mr. Vinod and all our HPCL staff and employees, we wish each and every participant a very happy Diwali to them as well as to you, Varatha, and all the best to you all. Thank you.
- V. Sivasankaran:** Thanks a lot. I wish to thank all the participants and the management for taking time out and discussing in great detail. Wish you all a Happy Diwali. Have a nice day.
- Moderator:** On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.