

"Hindustan Petroleum Corporation Limited Q3 FY'25 Results Conference Call"

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**MODERATOR: MR. VARATHARAJAN SIVASANKARAN - ANTIQUE STOCK
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Hindustan Petroleum Corporation Limited Q3 FY'25 Results Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Varatharajan from Antique Stock Broking Limited. Thank you and over to you, sir.

V. Sivasankaran: Thank you, Sejal. A very good morning to all the participants and the management of HPCL.

We have with us, Mr. Rajneesh Narang – Director (Finance) and holding additional charge as the CMD, Mr. S Bharathan – Director, Refineries and Mr. K Vinod – Executive Director, Corporate Finance and CFO.

Once again, extending a very warm welcome to all the participants and the management. I would like to hand over the floor to the HPCL Management for their “Opening Remarks”.

Rajneesh Narang: Good morning, everyone. I am Rajneesh Narang – Director (Finance), with Additional Charge of CMD, HPCL.

Yesterday, we had our board meeting for Q3. It's a matter of right for us to say that we had an exceptional Q3. Now, during this quarter, we had a profit after tax of Rs.3,023 crores vis-à-vis Rs.529 crores in Q3 of Financial Year '24. The improved performance is attributable to the robust physical performance and operational efficiencies in both our refinery and the marketing division, coupled with the improved margins which we had. The standalone revenue from operations is Rs.1,18,936 crores vis-à-vis Rs.1,18,443 crores during the 3rd Quarter of Financial Year '24.

Average GRM during the 3rd Quarter was \$6.01 per barrel vis-à-vis \$8.49 per barrel during 3rd Quarter of the previous financial year. During this period, the Singapore GRMs were around \$5 a barrel and since Singapore GRM do not factor in the fuel and loss and the inventory losses and gains, if I consider that aspect, the core GRM for the HPCL is \$6.89 per barrel vis-à-vis the \$5 of Singapore.

During this period, HPCL refineries recorded its highest ever crude throughput of 18.53 million metric tons, operating at 106% of the installed capacity. So, virtually, if you see there is an increase of 12.4% over the throughput of 16.49 million metric tons in the corresponding previous year.

If we see the Q3 performance of the refineries, the crude throughput was 6.47 million metric tons, operating at an 111% of the installed capacity, registering an increase of 21.2 million metric tons or the throughput of 5.34 million metric tons during 3rd Quarter of Financial Year '24.



Now, if we see today, effective January also, we have started operating the Vizag refinery at the full capacity of 15 million metric tons.

Now, during this period, April-December, HPCL recorded highest ever sales volume of 37.12 million metric tons, registering a growth of 7.6% as against 34.49 million metric tons during the corresponding previous year.

In terms of our quarterly sales volume, it is 12.87 million metric tons, registering a growth of 8.2% as against 11.9 million metric tons in the corresponding quarter of last year.

If you see the performance of HPCL on the domestic front, the sales volume growth was 8.2% during the quarter as against the industry growth of 6.3%. So, we have been consistently growing above the industry. And the growth is 6.5% during April-December '24 as against industry growth of 4.8%.

In fact, HPCL has recorded market share gain of 0.36% during the 3rd Quarter Financial Year '24.

Now, if you see the growth in terms of the motor fuels, that is MS and HSD in the 3rd Quarter, we sold 7.85 million metric tons, a growth of 6.3% over the corresponding quarter. And in case of LPG, the company achieved the sales volume of 2.31 million metric tons, against a growth of 4.9%.

The industrial product, so that is the direct sales where we sell the product to our industrial customers and all, the sales volume was 1.25 million metric tons during the quarter, a growth of almost 25% over the corresponding period last year.

Aviation continues to show robust performance with the growth of 26% over the 3rd Quarter of financial '24. With the sales volume of 285 million TMT during this quarter, we expect that the ATF in this current financial year, we will be crossing the 1 million metric tons mark for the first.

The HPCL Lubricant segment, again, sales volume was 178 TMT, a growth of 11.5% over the corresponding quarter.

To ensure that the product is made available at all our selling points and the locations, the pipelines throughput has also been maximized to 6.93 million metric tons, a growth of 3.3% over the last year.

In terms of the CAPEX expenditures during this 3rd Quarter, we have spent almost Rs.2,900 crores, and cumulatively for the period April to December, around Rs.9,500 crores have been spent.

And in the month of January, we have commissioned our 5 million metric tons Chhara LNG regasification plant when the cargo was downloaded, it was downloaded at the tanks over there and the commercial operations will shortly be started. Now, this unit is being operated under our wholly-owned subsidiary, HPCL LNG Limited.



In the previous quarter, that is Q3, taken the board approval for a new project for Mumbai Refinery, that is the Lube modernization and the bottom upgradation project. The estimated cost is almost around Rs.4,700 crores and the project is scheduled to be completed by March '28. The project would enhance the base oil production of the refinery from 475 KTPA to 765 KTPA, with production of superior grade base oils of Group-II and Group-III.

In addition, it will also increase the capacity of bitumen by approximately 487 KTPA per annum. With upgradation of fuel oil to bitumen, currently, the fuel oil is getting exported, and as such, we do not get a better realization, but with this conversion to bitumen, we will be able to realize better, and as such this will result in not only the improvement of distillate yield for the Mumbai Refinery, but would also add good margins to the refinery.

During this 3rd Quarter, Mumbai Refinery commissioned the VGO Hydrotreating in DHT. This will increase the MS production by almost 100 TMT per annum.

As regards our 9 million metric tons grass-root refinery in Barmer, the same is progressing in full swing. And as on 31st December '24, the total commitments on the projects are 71,814 crores and the actual capital expenditures, which has been done is approximately 53,000 crores.

The refinery and petrochemical complex is expected to be progressively commissioned during the current calendar year. We would first be commissioning the refining unit and we are targeting that by March '25, we will be doing the mechanical completion and after next quarter the unit would be commissioned, and followed with that, the pet chem unit would be commissioned.

As regards our 3.55 million metric tons per annum residue upgradation unit at Vizag Refinery, the unit has been mechanically completed and currently pre-commissioning activities are underway.

The OISD and PESO approvals will be coming and thereafter the hydrocarbon would be taken. In fact, OISD will be visiting the facility in the next week. So, this is the first unit in the world using LC-Max technology which will enable highest conversion of bottoms, thereby significantly improving the GRMs for the refinery on the full capacity. Although this capacity of this unit is 3.55 MMTA per annum, but we will be able to get a better distillate yield on the entire 15 million metric tons capacity of the refinery. As such, there would be a significant margin accretion to HPCL on account of the commissioning of this facility.

During this quarter, we commissioned around 450 retail outlets, taking the total number of outlets to 22,953. The company also commissioned six LPG distributorship, taking the total number to 6,370.

We also commenced the CNG sales in our CGDs in Darjeeling, Jalpaiguri and. Uttar Dinajpur (GAs) and commercial PNG sales in Shahjahanpur Badaun GA, thus strengthening our presence in the eastern part of the country.



During the quarter, the HP Green R&D Center entered into an MOU with EIL as an exclusive technology and engineering partner for engineering, marketing and commercialization of the HPPSA technology, which was indigenously developed at our R&D center. This quarter, the R&D Center has filed 14 patents, taking the total patents file to 620, out of which 236 patents have been granted till 31st December.

As part of our value unlocking initiative being undertaken for the lubricant business, benefit for the rollout of supply chain, cost optimization, product mix spread and customer engagement initiatives have started accruing. Simultaneously, approval for the carve out of the business continues to be actively pursued with the appropriate authority. We are already seeking approval from the government for carve out, and as on date, we are yet to get the approvals. But the moment we get it, it will take another nine months for us to do the carve out.

As regard the non-fuel business of the company and providing value added services to the customers, we have added three HaPpy Shops taking the total number of HaPpy Shops nationwide to around 482 numbers. This segment that has been a non-fuel business is under extreme focus for the company and we intend to make more investments in this and try to capitalize on the retail space in terms of higher revenue from this segment.

During this quarter, while the refinery commissioned the Wet Air Oxidation Unit, which is an advanced low-pressure technology for treatment of Spent Caustic Streams, in addition environmental benefits would also accrue on account of this.

Our wholly-owned Green subsidiary, HPRGE has signed MoUs with the government of Rajasthan for setting up solar and wind hybrid projects. We have sought around 2,000 to 3,000 acres of land from the government for setting up new green solar and hybrid projects over there. Similar MoUs have been signed with the Government of Bihar also.

Further, as regards the Green part is concerned, we have issued 12 LoIs for CBG plants, taking the total number of active LoIs to 141, with total CBG production capacity to 878 TMT per annum.

In terms of the ethanol blending activities, we have done 16.2% during the quarter and blended of approximately 57 crore liters in MS. And we have commissioned an additional 50 CNG facilities in this quarter, taking the total number of retail outlets with CNG facilities to 1,850.

And in terms of EV charging, we have crossed the 5,000 mark of EV facilities at our outlet.

So, this is what I wanted to share before I can take up the questions. Now, the forum is open for questions on our performance.

Moderator:

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 three questions. Number one, you mentioned about the refinery part of the Barmer refinery getting completed by March and may be commissioning by June. And in how many months can we expect the mechanical portion to be commissioned?
- Rajneesh Narang:** Pet chem would take maybe by September we'll be able to do the mechanical completion followed by that the commissioning would happen.
- Probal Sen:** So, sir, is it safe to say FY'27 we should be able to see year one of complete operations of the Barmer refinery?
- Rajneesh Narang:** Yes, '26-27 definitely, but we are hoping that December '25 we'll be able to commission, the first quarter maybe some stabilization issues would be there, but yes, '26-27 would give the full benefit out.
- Probal Sen:** So, the second question was in this quarter, how much of our Russian crude came from discount and what is our contract situation with respect to Q4? Have we tied up some volumes for Jan and Feb or it's completely open as of now? So, how are we looking to mitigate the disruption to whatever extent that happens on Russian crude?
- Rajneesh Narang:** See, we are on a monthly basis consuming almost 35% to 40% of Russian crude. We have already tied up for the same... rather our entire crude requirement up to March has already been tied up. That includes some cargos of Russian cargo also. I don't consider this as a disruption because it's not that perennially we have been only using Russian crude, prior to that also we were operating the refineries. Only thing is that the Russian crude after the discount had come, it was adding more value to process the same. So, we were using it. So, enough of crude is available, there is no dearth as regard the crude availability is concerned. With the commissioning of the Vizag refinery with rough and all coming in, the capability to produce the heavier crude will further increase rather we can expand the basket of crude. Today also, we are getting the crude from almost 40-odd countries. So, there's no issue as regards the availability of crude is concerned. And crude is sufficiently available, both heavy crude as well as the other crude and we don't foresee any disruption as regard the crude part is concerned.
- Probal Sen:** I understand. My point was more about disruption what I meant was that obviously on the cost side, it would have an implication, whether small and big, something remains to be seen, but that discount will obviously not be there. So, that was my question, sir. I understood your point.
- Rajneesh Narang:** Here also I think it is too premature to say that the Russian crude will not come at all. Yes, with these decisions, the US sanctions and all the immediate reaction is that the crude may not come and all, but well have to wait and see as to how the market unfolds, how the supply chain on this front happens and accordingly then maybe it would be better to conclude rather than straightaway jump to a conclusion that Russian crude will not come at all. Let us wait and see as to how things unfold.



- Probal Sen:** With respect to the LNG terminal at Chhara, of course, our internal requirements might be there, which we will use this terminal, but other than that, have we signed any long-term offtake contract from this terminal?
- Rajneesh Narang:** We are progressing as regards signing of the long-term contract is concerned. It may be concluded in a very near future. Yes, till the time we don't tie it up, we will be getting the cargo on a spot basis and meet the requirement, and we may pool it with our domestic gas and try to sell it in the market. Already there are some potential parties who have already approached us for the capacity booking. So, this terminal is going to be a tolling model. So, whether we bring our own cargo or anyone else can bring and also store it over there. So, this is going to operate on a tolling basis. In terms of our requirement, we will be sourcing for HPCL own captive use plus for Rajasthan refinery and also for HMEL. So, if I look at it, may be in the near future, we may have our own captive requirement of 1.5 to 1.75 million metric tons plus the opportunities in the market.
- Moderator:** The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.
- Yogesh Patil:** Sir, your debt has declined by 12,000 crores approximately compared to the Q2 FY'25. What was the major cash flow which help you to repay the debt -- is there any adjustment?
- Rajneesh Narang:** There's no adjustment. It is better operational performance which is getting reflected in the results also. And one area is, yes, around 2,000 crores, it had come down because the oil bond had matured, so that was used for liquidating the loan.
- Yogesh Patil:** Sir, pertaining to the same, in the last quarter guidance for the Vizag refinery unit, you said that 11,000 crores is yet to be capitalized, and which is expected in Q4 FY'25. Post commissioning of these Vizag at your facility, will you consider it and will it increase the debt again, is that a correct understanding?
- Rajneesh Narang:** No. When I say we will be capitalizing means that amount has already been incurred. Now, as regard the total capital expenditure is concerned, more than 97%, 98% of the expenditure in Vizag refinery has already been done. When we say capitalize means we will be transferring it from work-in progress to the asset.
- Yogesh Patil:** Sir, is there any oil product inventory losses during the quarter, could you please share the number with us? And how many days of oil product inventory generally you maintain?
- Rajneesh Narang:** If you see during the period in Q2 the Brent crude averaged around \$80 a barrel, and whereas in the Q3 the average crude was around \$75 a barrel. Now, if you look at it, the prices had softened on account of which we had inventory losses. And during this quarter in refinery we had inventory loss of 355 crores and in marketing around 460 crores was the inventory loss. Cumulatively, for the period April-December in refinery, it is 1,100 crores and in case of marketing it is 1450 crores.



- Yogesh Patil:** What was the amount for the Q3 in case of a marketing segment inventory loss?
- Rajneesh Narang:** Rs.460 crores.
- Rajneesh Narang:** And in terms of number of days. At the crude level, we have around is 15 to 20 days of inventory and in case of finished goods it is around 25 to 30 days.
- Moderator:** The next question is from the line of Sabri Hazarika from Emkay Global Financial Services. Please go ahead.
- Sabri Hazarika:** So, few questions. Firstly, so now what kind of GRMs are you targeting for next year on the standalone business, Mumbai and Vizag combined?
- Rajneesh Narang:** If you look at the forwards of Singapore up to July and all, the GRMs are likely to be in the range of \$5 to \$6 a barrel. So, normally we make higher than the Singapore GRM. So, that trend would continue. And with commissioning of the rough unit at Vizag refinery, we'll be adding \$2 to \$3 per barrel more at the Vizag refinery. So, that will be an incremental revenue.
- Sabri Hazarika:** And second question is on HMEL. So, can you share with us the profitability figures and the GRM for Q3 in particular? I saw the nine month GRM in the presentation.
- Rajneesh Narang:** GRM Q3 was around \$9 a barrel over there.
- Sabri Hazarika:** So, this includes the pet chem part also just -
- Rajneesh Narang:** No, no, this is the refinery part.
- Sabri Hazarika:** What was the profitability for Q3?
- Rajneesh Narang:** There was a loss as regards the integrated operation is concerned. Rs.700 crores is the loss. Primarily, the loss is in the pet chem part only.
- Sabri Hazarika:** And when do you expect any sort of like turnaround or profitability on this as a combined unit?
- Rajneesh Narang:** No. In fact, the polymer prices are subdued. We hope that there will be a reverse trend on the same and the moment that happens maybe it should start reflecting in the revenue. The refining part is absolutely no Issue. Only the pet chem because of the subdued prices is what is hitting.
- Sabri Hazarika:** So, it's operating normally as a whole. You are just saying it's because of the polymer prices only the losses are there?



- Rajneesh Narang:** Regarding the operating part is concerned, it is operating beyond 90% capacity. EBITDA is positive for the refinery. There is an operating profit, but the interest and depreciation is what is pulling it.
- Sabri Hazarika:** So, what is your overall view on LPG subsidy and are you expecting the same, have you like got anything, I mean, have you like pushed for it recently?
- Rajneesh Narang:** See, the total under recovery for us on LPG account as on this Q3 is almost 7,600 crores, out of which 3,100 crores is in the Q3 itself. We have also read in the media that the government is likely to consider the same in the budget. Maybe next week we will come to know as to how much subsidy is being allocated on that count. And we are hopeful definitely the government will consider it and we'll be able to realize it in this financial year.
- Moderator:** The next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.
- S Ramesh:** So, if I look at your refining performance, can you help us understand how you are managing to improve the refining margins in 3Q? And how do you see the current spreads, because if we see the global spreads, they are a little bit weak and retail margins are under pressures, so how do you see the performance in the current quarter in terms of refining market?
- Rajneesh Narang:** See, the margin is concerned, in my initial remark I made a reference that it is not only the margins but better margins but also the operating performance which has got us the incremental margin. Now, if you see both our refineries are operating like Vizag and Mumbai operated at more than 110% of the capacity. Even if you see the fuel loss has been significantly controlled and the fuel loss was almost 6% in Mumbai refinery and in case of Vizag it is 7%. So, both the operational availability at these refineries have significantly improved and the throughput is being run more than the name plate capacity on account of which we are getting higher yields as well as the products. As regard the GRMs are concerned, the GRMs have been like Singapore GRMs benchmark I gave that it is around \$5 a barrel. So, that same trend is likely to continue in the near future as per the forwards which are available. So, trend the same would be continuing. Yes, if you see right now there has been softening as regards the MS gasolines are concerned in Singapore, but the negative FO cracks have strengthened. So, that is a plus factor. But in the near future if you look at the next two quarters the GRMs as were there in the Q3 would continue is what is the prediction.
- S Ramesh:** So, now if you look at the impact of Vizag commercialization, in terms of the interest and depreciation based on the nine month numbers, what will be the incremental impact of interest and depreciation say from next year for HPCL standalone?
- Rajneesh Narang:** It will go up by another 500 to 600 crores.
- S Ramesh:** Interest and depreciation together?



- Rajneesh Narang:** Interest will remain unless I further reduce the borrowing. And if I continue to make good margins, the borrowings will only come down. So, borrowings have already got factored as regards our current level is concerned. Only to the extent of what I'm capitalizing that would come in the P&L. The total what we have incurred is around 2,600 crores in P&L and 600 to 700 crores is getting capitalized. So, that will move to the P&L. The additional interest impact would be around 600 to 700 crores and depreciation would be around 600 crores.
- S Ramesh:** So, in HMEL, can you help us understand the depreciation and interest year-to-date? You said there was a positive EBITDA and a loss because of that? If you can give me some numbers, it will be helpful?
- Rajneesh Narang:** We will share with you separately. Okay?
- S Ramesh:** So, if you look at the refining capacities globally, is there any number you can share in terms of how much you expect in terms of capacity closures to the extent that may help the underlying spreads, what is the sense you get on that?
- Rajneesh Narang:** No, no, see, in the near term, normally in the month of January, February, there are a lot of plan shutdowns which are taken. So, I'm only hoping that the refining margins could only improve because there would be bit of product shortages during this period. So, the margins are likely to improve only. I don't foresee a continuous declining trend as regard margins are concerned.
- S Ramesh:** And the last is on the LNG subsidiary. Have you started commercial operation in 3Q and is there any expectation of a loss in the next one or two quarters before you are able to achieve breakeven?
- Rajneesh Narang:** You are talking about which company?
- S Ramesh:** HPCL LNG subsidiary.
- Rajneesh Narang:** Yes. Now we'll be starting the commercial operation. So, initially, yes, definitely there would be some losses, but that will be made-up once we achieve the capacity utilization.
- S Ramesh:** And when would that be?
- Rajneesh Narang:** We are hoping maybe in a one year or two years we will be able to break even as regards the part operation is concerned.
- S Ramesh:** In CGD, what is your thought in terms of ramping up and achieving EBITDA positive the standalone?
- Rajneesh Narang:** We are already EBITDA positive as regards our standalone, In Jind, Sonipat and all we are positive as regard our EBITDA.



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

Sumeet Rohra: You have done extremely splendid financial performance in terms of core metrics. So, sir, actually, I was just looking at it that as you highlighted that the LPG under-recovery is about 7,600 crores which effectively is not our domain, which is the Government of India. And in spite of that, you reported 4,100. So, sir, effectively if I compare year-on-year on the nine months of 31/12/2023 you are exactly at the same metrics which is 11,800 crores which is highly commendable in such a challenging environment. But now, sir, here my question to you is more as an investor. So, sir, if you see, I mean adjusting for the LPG, which again is not HPCL problem. You have done Rs.55 EPS. Assuming that crude continues to remain where it is, and with Mr. Trump now talking about Saudi to lower oil prices, so effectively Brent would be somewhere around maybe lower by \$5. So, effectively, sir, your core operations are doing extremely well and you will probably end the year with a similar number like last year, which is about 14,000, 15,000 crores, which is commendable. Also sir, in terms of IC, your throughput is up by about 12%, 12.5% and your market sales are also up above 9%, 10%. Now, sir, this is in spite of economy, which is challenging and you see today various sectors are posting degrowth. So, it is extremely exciting that you are doing so well in an environment which is as tough as it is. But sir, now my question is more from an investor point of view. The thing is that today in spite of you doing so well, it doesn't deserve the kind of valuation which today HPCL command, right, because, I mean, if you end up with a Rs.75 EPS for the year, a high quality stock which has got an ROE of 25%, surely does deserve to be treated at five times multiple, right, in spite of having a lubricant which is basically three times the size of Castrol. So, effectively, sir, our lubricant itself would be about 30,000, 35,000 crores on a bare minimum. So, sir, if you know some measures could be taken to expedite the value unlocking that would go a long way in building the value for this glorious entity which you have. Now, sir, my question to you is basically on the financial metrics which are as strong as they are, so, sir, my sense is that the \$5 billion EBITDA and 16,000 to 18,000 crores PAT which you are expecting in FY'28 could actually come as soon as next financial year, right, I mean, I clearly see that your Vizag refinery, which you explained the residue upgradation project is also now going to be commissioned very soon, so sir, can you explain so that will basically improve GRMs by \$3 to \$4 on the entire 15, 16 million metric tons, right, so that will actually improve the financial metrics in a big way, right, sir?

Rajneesh Narang: Yes, you are right and simultaneously, we are also working on debottlenecking Vizag refinery and maybe the capacity will go up to 17 million metric tons. I think Director, Refinery is here. He can add something on that.

S. Bharathan: Yes, once we have already stabilized most of the units under this modernization project, now we are looking at better utilizing the capacities. So, definitely in the coming years we will be crossing 17 million metric tons along with all the other value-added products.



- Sumeet Rohra:** One small point I have is that sir now with our peak debt which has now gone and you would be throwing out cash like water. I would seriously request to that at some point of time you should consider a liberal buyback because I mean, HPCL has been the only company in PSUs to do a buyback from market. So, I really request you to please consider the same, because clearly this company does not deserve the valuation which it is getting today sir. That's something I would really request you to please consider.
- Rajneesh Narang:** Yes, we'll evaluate the same and let us hope that what you have stated and what we envisage we consistently deliver on that and definitely we will review all what you have suggested.
- Moderator:** The next question is from the line of Kirtan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.
- Kirtan Mehta:** Couple of questions from my side. On the HMEL, what would be breakeven spread needed on polymer for the operations to return to the profit, would you be able to give us some color?
- Rajneesh Narang:** See, margin of \$150 to \$170 per metric ton is what would enable them to breakeven.
- Kirtan Mehta:** And what would be the current margin level against this?
- Rajneesh Narang:** They are getting around 70 to 80. Today, the prices are quite very muted very soft and the entire sector is struggling on this account. So, let's see. There are two things. One is regard the operations at the HMEL is concerned that the facilities are fully stabilized, they are operating at more than 90%, 95% of the capacity. On the pricing front, we are approaching the government also to look at as to whether they can put in some tariff so that the product does not come in. So, on various avenues attempts are being made as to how we can improve this entire pet chem. Industry, the entire sector as such.
- Kirtan Mehta:** With the Chhara LNG coming in, will we be able to start picking up gas if the pipeline is complete?
- Rajneesh Narang:** Yes, yes, our Chhara terminal is connected to the national grid. So, that is not going to be an issue at all.
- Kirtan Mehta:** HMEL Pipeline is connected through the Mehsana-Bhatinda pipeline where last leg of few kilometers were left. So, is that leg also complete for HMEL to receive the gas?
- Rajneesh Narang:** Yes, to my knowledge, GIGL or GITL is already connected there.
- S. Bharathan:** HMEL is continuously consuming gas for more than one and a half years now.



Kirtan Mehta: Second question is on the Barmer refinery. You mentioned about the CAPEX commitment of 71,000 crores. What is the comfort side of managing the CAPEX within the targeted budget or is there a possibility of any CAPEX escalation?

Rajneesh Narang: As of now, we said that the commitment what we have made is around 71,800-odd crores. So, most of the EPC contracts and all those have already been done. Those things have already got factored as regards the commitment is concerned. So, what would be only the soft cost or the IDC which would be coming here. So, with the commissioning in this current calendar year being planned, we will have to work out as to what would be the exact details but nothing significant is likely to happen.

Kirtan Mehta: And in terms of the project contingencies, what level of contingencies would be available to take care of any potential escalation?

Rajneesh Narang: That's what I stated that EPC contracts and all have already been placed and some have reached a stage of 95%, 97%, there are four units, which have already got commissioned. So, now at this stage I think contingencies are not an element to be given too much of a weightage because unit has reached a significant advancement as regard the execution is concerned.

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

Amit Murarka: So, the first question was around the refinery. So, you said that you are looking at completion by the end of this year. So, the debt is currently not getting consolidated, I think because of JV structure as you mentioned earlier. Once it gets commissioned, do you start including the debt in your consol books or will it stay outside the books?

Rajneesh Narang: No, it will not be consolidated because as per IndAS requirements, we will not be consolidating the same, but for the sake of investors or analyst requirement we will definitely share those details, not an issue. Even today, the debt is almost 34,000 crores in HRRL books.

Amit Murarka: So, even post commissioning, you will not be consolidating results, it'll just be associate income or - ?

Rajneesh Narang: We will not be doing the line-by-line consolidation because the terms of the JV agreement and all we have got it analyzed as per that strictly in line with the IndAS requirement, we will not be consolidating, but we will be putting only a line entry for the profit consolidation, but any details which are required that will definitely be shared, not an issue.

Amit Murarka: And is there any underwriting from you for the debt?

Rajneesh Narang: No, there is no underwriting. Both the promoter that is the Government of Rajasthan and HPCL have given the sponsor support undertaking, both of them have given it for their respective shares. We hold around 74% and the Government of Rajasthan holds 26%.

- Amit Murarka:** On the CAPEX plan, could you kind of give at least some understanding about next year's CAPEX outlook?.
- Rajneesh Narang:** See, this year we may be ending with the CAPEX of say 13,000 to 15,000 crores and the same trend would continue for the next few years.
- Moderator:** The next question is from the line of Somaiah from Avendus Spark. Please go ahead.
- Somaiah:** A few questions. First, can you give some color on the Vizag bottom upgradation project? So, in terms of the input and output what are the kind of spreads that we are seeing in both the products when we say net impact of \$3-4 GRM?
- S. Bharathan:** Vizag, this particular unit is designed for almost 93% conversion into distillates. And as already told by Chairman, the dollar per barrel on full throughput of the refinery will be \$3-4. Fuel oil will be fully eliminated.
- Somaiah:** The output would be bitumen.
- S. Bharathan:** The output of the plant is mainly diesel, naphtha and gas oil for secondary cracking.
- Somaiah:** So, then let's say spreads that you see between let's say FO to bitumen today, where are the spreads like?
- Rajneesh Narang:** It's around Rs.10,000 per metric ton.
- Somaiah:** And also when you said CAPEX around 13,000 to 15,000 crores kind of a run rate. so now you have announced this 4,700 crores, so this is included within the modernization project?
- Rajneesh Narang:** Yes, yes it is. We have also started the Vizag, Raipur pipeline and shortly, we'll also be doing the COT at Mumbai refinery. We have various other projects also. Once we take the board approval, we will be sharing with you all. One or two more pipelines which are being planned for LPG.
- Somaiah:** Any split if you can give between refining, marketing, CGD within this. 14,000 crores?
- Rajneesh Narang:** So, we will be doing around 3,000 to 4,000 crores in the refining segment and in terms of marketing, we do around 6,000 to 8,000 crores and the balance is the equity contribution which we give in our various JV subsidiaries, that is HRRL, HPLNG and others and even HPRG where we are doing lot of renewable projects. Broad split is refineries, marketing and the corporate that is the contribution to the JV subsidiaries.
- Somaiah:** In Barmer, how much of equity contribution is still pending from our side?



- Rajneesh Narang:** We have given almost 13,000 crores and the total contribution from our end is 18,000 crores.
- Somaiah:** When you said Chhara, that 1.5 MMT of gas demand for internal consumption, so is there something that we are currently drawing from someone else and that gets diverted or it's entirely fresh demand once Chhara comes on?
- Rajneesh Narang:** Today, we are using gas in a limited way in our Mumbai refinery. So, that we are purchasing and using the gas. At Vizag refinery, the Srikakulam, Visakhapatnam pipeline that has to be completed. In fact, the EOI is already on, that was being executed by EPGDC, but PNGRB has advertised again for completing the pipeline, some 20, 30 kilometers is left out. Otherwise, the refinery, as part of our VRMP, we have already made it compliant for using natural gas. Rajasthan refinery will be fully compliant and HMEL is already using gas. So, all these four units or refineries will be switching to gas and so that would be one major anchor for us as regards the gas is concerned plus once we tie up for our long term gas, we are also aggressively marketing the gas and also for the various GAs which we are operating, we are operating in almost 25 GAs in 14 states. So, we'll be also using our own gas since it is connected already to the grid.
- Somaiah:** Sir, any breakeven utilization that we have for Chhara that we're looking for?
- Rajneesh Narang:** We achieve the breakeven at 25% to 30%.
- Somaiah:** One book-keeping question. If you can give the net debt number at a standalone entity and also at HMEL? Barmer, you said that's around 34,000 crores.
- Rajneesh Narang:** at HPCL level 54,020 is the total debt, the long-term debt is 44,000 and short term is around 10,000.
- Somaiah:** Is it a net debt number or gross?
- Rajneesh Narang:** This is a net debt.
- Somaiah:** HMEL?
- Rajneesh Narang:** HMEL is around 33,000, 34,000 crores.
- Moderator:** Ladies and gentlemen, due to time constraints, we will take that as the last question. I would now like to hand the conference over to Mr. Varatharajan for closing comments.
- V. Sivasankaran:** Thank you, Sejal. I'd like to hand over the floor to Mr. Rajneesh if he has any closing comments.
- Rajneesh Narang:** Thank you for the various questions. We will continue to put in our efforts to replicate the performance both in terms of operational and the financial parameters. Yes, I can only say that you have been supporting us all along. Our CAPEX plans, which we had unfolded a few years back, they



are now almost on the verge of getting completed. Maybe this year is going to be the one where we will start realizing the incremental benefits out of these. So, better times are there ahead of us. Thank you for all your support and god bless you all.

V. Sivasankaran:

I wish to thank the management as well as all the participants who have taken time out to have this discussion. Wishing you all the best, sir and thanks all the participants. Have a nice day.

Moderator:

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