Operator: Good day and welcome to the Q2 FY27 earnings conference call of Hindustan Petroleum Corporation Ltd., 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Vartharajan from Antique Stock Broking Limited. Thank you, and over to you.

Vartharajan – Antique Stock Broking Limited: Thank you, Aman. Very good morning to all, ladies and gentlemen, and it is my pleasure to welcome all of you to the Q2 FY27 earnings call of HPCL. We have with us Mr. Rajneesh Narang, Chairman and Managing Director; Ms. Sreevidya Venkataraman, Director Finance; Mr. S. Bharathan, Director Refineries; and Mr. K. Vinod, ED Corporate Finance. I would like to hand over the call to Mr. Rajneesh Narang for his opening remarks. Over to you.

Rajneesh Narang – Chairman & Managing Director: Thank you, Mr. Vartharajan, and good morning, everyone. It is a pleasure talking to you again on our quarterly analyst call. Since the introductions are already done, I will get on with the agenda. We will do the same as we have done in the last few calls, perhaps speak for about five to seven minutes, or ten minutes, giving our perspective on the situation. You already have the numbers, and some of you have already commented or written about the numbers. Then we will keep the floor open for questions.

Just to start with the business overview, we all know that the challenging times continue. If you see today's crude price, you will know where it is. It keeps fluctuating widely and currently it is quite high. In this whole crisis, which has now gone on for over eight months, our teams have been resilient and agile and have basically kept the wheels in motion. As a management team, our focus has been, first of all, to meet our customers' expectations, including the lakhs and crores of people who depend on us for mobility and cooking fuels. That has been the primary objective, and I am sure we have lived up to expectations in these trying times.

Obviously, running the assets in an optimized manner is a precursor to that, while trying our best to manage the financial situation. With the first quarter we had, we faced a challenging financial situation, but through all of this we are not losing sight of what we need to do to prepare for the future and how we want to transform ourselves in the future. We will touch upon all of these elements in the opening comments.

You all know we had a tough first quarter, with significant losses on both a standalone and consolidated basis. Q2 was clearly a rebound, which all of us are very proud of. You have already seen the numbers, but I will discuss a few points. If you look at one of the pivotal numbers, the EBITDA numbers, against a loss of 14,816 crores in Q1, we posted an EBITDA profit of 9,822 crores in Q2. This is a swing of 24,681 crores. As a management team, that is a very large swing, but the positive side is that we were able to achieve it.

Obviously, the question you will have is what drove it. I think there were three or four factors. First, there was a very strong physical performance in both refining and sales. I am not talking only about

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the headline numbers that get published; as we look between the layers, there was very strong performance on both these aspects. Our refinery GRMs in Q2 were, I think, 32.15 pre-SAED. I am sure there will be questions on this, and we will answer them later. That is significantly higher than what it was in Q1, and our refineries performed quite strongly.

The marketing margins were decent compared with the significant under-recovery in Q1. There was some support from inventory gains, though it was not very significant. A lot of it was operational performance, and tight control of costs, working capital, and even capex also helped. The PBT for the quarter was 6,768 crores versus a negative 17,446 crores last quarter. Again, that represents a swing of 24,214 crores. This resulted in a PAT of 3,438 crores. The PAT is probably somewhat subdued on account of tax treatments, but nevertheless, if you look at PBT, the number of approximately 6,700 crores was a good one.

As a result of this improved performance, we were able to recover some balance sheet strength. Those of you who have been on calls since last year would recall that, as a management team, we have been very focused on deleveraging. We managed to bring it down from approximately 1.4 at the beginning of the last financial year to 0.8. Then it jumped to 1.52. We are happy that it is back at 1.38, though it is still at a higher level than where we are comfortable in terms of our standalone leverage.

Our consolidated numbers also had a lift-off, primarily on account of the strong performance of both our refinery joint ventures. HMEL delivered a solid quarter. If I recall correctly, it was one of its best first halves, or probably its best ever, at least in a long time. MRPL also contributed strongly in that process. To recap, our consolidated PAT last quarter was a negative 12,265 crores, and this time consolidated PAT is 3,625 crores. That is a swing of approximately 15,890 crores. I am sure you will have some questions on this. We can answer them, and there are a lot of technical details that Director Finance and Vinod can explain.

I will cover some of the other aspects that you will be keen to understand. I am sure you want to know what is happening at Rajasthan. You have been asking questions, and we have told you that we would come out with the right information at the right time. We are now at a stage where we can share a lot more details. As you know, the refinery's scheduled commercial operation date was declared on June 22. We gave guidance that it would run at approximately 55%-60% utilization. It has been running at that utilization.

Of course, being a new asset, there are periods in between when you take a shutdown or carry out some minor modifications, but even as we speak, it is running at approximately 60% utilization. Almost all secondary units in the refinery are working in hot sync. Only two secondary units are left for hot sync. One is {? V-G-D-T ?}, which will probably be hot-synced by this weekend, and then there is another one that is probably in the final stages and will be commissioned or hooked up before Diwali. After that, we will complete our sulfur recovery unit and take it up to full capacity.

We had given guidance for Q3 that towards the end of Q3 we would run at that level. Give or take a week or two, we are holding on to that guidance. Sometime towards the end of Q3, sometime in December, we will reach refinery throughput at a run rate of 8-9 MMTPA. The GRMs for the quarter were $12 for Q2, but that was again accompanied by a lot of stopping and starting. In the current month, they are $16. These are net of SAED because, for HRRL, the RTP matters. It is currently

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above $16, and we are still running on low-sulfur crude. The moment we move to high-sulfur crude, which the refinery is capable of processing, with the current assumptions this will be above $20 in Q4.

Petchem is on track as per the latest guidelines, with the first units starting to come on stream towards Q4 of this year. There has been another major development at HRRL. After commissioning, we have significantly altered the debt structure of the company. We have refinanced the entire debt of HPCL, amounting to 45,000-50,000 crores. All agreements were signed at the end of September, and the refinancing took place from October 3. The entire debt has therefore been restructured, and we are approximately 105 basis points lower than the original rate. This will provide an annual benefit of approximately 472-500 crores, and the benefits actually started flowing from October 3, when the revised rates became applicable.

The second, or third, part has been equity infusion. We have been further capitalizing the company and infusing equity. The Government of Rajasthan infused 1,500 crores of equity during this quarter as its share. Correspondingly, HPCL converted approximately 4,300 crores of subordinate loans into equity. This alone will reduce the interest burden by approximately 350 crores. We expect to make further equity calls in the next one or two quarters and bring down the total debt burden.

An apples-to-apples comparison would suggest that we will probably reduce the debt burden by approximately 1,000 crores in the next—sorry, I mean the interest, not the debt burden. I stand corrected by Sreevidya. The interest will be lower by 1,000 crores, which is a significant improvement over last year. In terms of working capital, we have now had the working capital limits revised, as this is an operational refinery, and the rates have been lowered. We have also received a commitment from the state for approximately 1,100 crores of interest-free loans per annum for, I think, a 15-year period or something similar. That money has started flowing in. We have already received the first tranche. They are providing it in three tranches every year. We received the first tranche of 375 crores, and the next one is due next month.

A lot of effort has therefore gone into restructuring the financials now that the refinery is in operation and making it leaner so that we can move towards more profitable operations or reach profitability quickly. Overall, we are working both physically and financially to make the asset work for our shareholders. We are very excited about Rajasthan and are very bullish on it. All of us monitor it on a daily basis.

Just for context, yesterday 15 TMT of product was actually shipped out of that refinery. Three months ago, nothing was being shipped out. In October, we will ship out more than 400 TMT. If you translate that into revenue, this asset will produce revenue of more than 4,000 crores in October itself. If we are fortunate, and again, I am not saying this as guidance but sharing our excitement, in October itself we expect the refinery to be PBT-positive. This is not guidance because it is in the early stages. The numbers change from month to month depending on which crude we are running, but we were very excited to see that an asset of this scale could deliver a PBT-positive month so early in its cycle. This bodes well for how we are planning for it.

Moving on to the other major asset, RUF, it is working steadily. As you all know, we have faced challenges in adjusting to the technology. It is the first unit using this technology globally. Even the licensor is finding it difficult to fully stabilize it, but we are getting there. We have been able to

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consistently run it at 60%–70% capacity, and we are gradually improving our understanding of the asset and how to take it into the sweet-spot zone. With all the efforts we have made, I think we are getting there.

You would have a logical question: is it providing the $2–$3 uplift? No, not yet, but we will get there. There have been periods when it touched an uplift of close to $1 per barrel. In October, we are expecting an uplift of $0.65–$0.70 per barrel, translating to a GRM of approximately 500 crores. It is starting to generate money, although not as much as we want, but we will get there. There are two focus areas: increasing utilization gradually and making it more consistent so that we can have longer runs in the sweet-spot zone. It is a difficult asset, but we are very confident that once we are able to get it into the sweet-spot zone and run it consistently well, it will generate a lot of money.

The third major point I wanted to highlight was Samridhi. We have always disclosed this in all our analyst calls. This year, we delayed the start to the second quarter. In the results, we have already declared an accrued amount of 327 crores, translating to approximately $0.18 per barrel. On a run-rate basis, we have locked in approximately 600–700 crores because I am sure you will have a question about whether we are going to meet our numbers. We believe we will achieve the guidance we have provided. This year, we are addressing some of the more fundamental aspects.

To give you two examples, we are undertaking an initiative to aggregate all our metals purchases across the company. We are also buying catalysts differently and looking at precious metals. These are all fundamental steps aimed at improving operations. As part of Samridhi, we have also undertaken some interesting initiatives involving the movement of intermediates to release capacity in our refinery.

The fourth major update I wanted to give you was on digital progress. There has been very strong progress in this area. We are launching and implementing a new supply chain tool that will upgrade all our supply chain optimization capabilities and make them AI-enabled. That exercise is underway. Over the last few months, we have upgraded our crude-buying platform. Multiple AI use cases are being used across the businesses. We are also deploying digital and automation tools across our business units. For example, we are using APCs across all our refineries, and whichever units we want to cover will be completed this year. Similarly, all our LPG bottling plants are being automated, and by the end of this year we will have smoother operations in those plants.

To give you an indication of how prevalent this is, we recently conducted a digital hackathon across our organization. We had 1,600 participants, which is one-fifth of our organization, ranging from the youngest employees to the most tenured and senior employees.

Management: All participated in it. There were 30 such ideas that were finalists, of which 25 are actually being implemented internally by our teams.

Let me move on to a few highlights on marketing. As you know, we have been undertaking a retail transformation. We call it Project Abhay 2.0, and it is underway. We are actually ahead of the TPO targets, although this year we are not measuring ourselves against TPO targets because, given the market situation, a large amount of private-sector volume has shifted to OMCs. Nevertheless, the foundational steps are continuing.

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There are some other very interesting initiatives underway. In non-fuel retail, I am happy to share that approximately 10% of our pan-India retail outlets have non-fuel retail activity. This is up from 5.5% at the beginning of the year. There has therefore been significant movement in each of these initiatives. They are revenue-accretive, and some of them will start appearing regularly in the results.

In branded fuels, we remain the market leader in branded MS, and for the last two quarters we have been the market leader in branded MS. Last time, we discussed a new LPG product, Navya, which we had launched. It is a composite LPG cylinder. All three OMCs have launched it, but from the first day of its launch until today, HPCL has been the market leader in it. We are marketing it in a different way, and I will also make a sales pitch. It is book-to-cook in 90 minutes. Some of you can order it for your homes, and I am sure you will enjoy that premium experience. We are on track to achieve approximately 1 lakh primary sales of Navya by Diwali.

The other marketing initiative I wanted to discuss was Chara. We have increased the flow of cargoes. I think the terminal now operates for approximately 10 months a year. There is still some mechanical work to be completed in terms of aligning the breakwaters and so on because the waves are unpredictable there, but we are now starting to unload cargoes. In H2, we expect five to six cargoes, depending on market conditions. That would give us approximately 15%-20% utilization in H2.

Interestingly, we have also figured out how to make better use of this asset, and recently we have been picking up opportunity cargoes and sweating the asset. If I combine our Chara operations and the bulk gas purchases that Chara enables us to make, we expect to be cash-positive for the full year. This is not the terminal alone, but the terminal plus the natural gas purchases we are making, which we would not have made if we did not have the terminal. That is a positive sign, and hopefully Chara itself will turn around fully next year.

Moving to the sixth topic, new energies: after our major assets were completed last year, we increased our focus on solar and the green portfolio. However, we are doing this only for internal use. We are not undertaking third-party renewable projects, at least not in solar or wind. We now have visibility of a portfolio of more than 1 GW over the next 2 years. A total of 275 MW is already operating; this is a combination of wind and solar. Another 270 MW, if I remember correctly, comprising solar and BESS, is under construction, and another 500 MW is under development. I reiterate that all of this is for captive use. We are not undertaking third-party renewable projects.

On CBG, we already have a couple of plants. We have been trying to improve our utilization levels there. Under the GOBARdhan scheme, we have, if I remember correctly, filed projects for approximately 10 or 11 plants, of which five are under construction, and the next six are also likely to proceed. CBG is one area where we are clear that we will build a platform around it.

We have also been focusing to some extent on EV charging. As a first step, we are trying to make our infrastructure of approximately 5,500 retail EV chargers much more effective. I will give you one indicative number. From the beginning of the year until now, our weekly revenue from charging has increased threefold. It is still a very small number and will not move your Excel sheets, but it is exciting for us that we have increased the weekly revenue from an asset that we had already put in place. We are also continuing our push on CNG.

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The last point I wanted to touch upon is a very interesting development. As you all know, we have HP Pay, which is the platform we have been using essentially as a wallet for payments. Some of you may be using it; for those who are not, please use it. It is a good platform. We have now obtained T-PAP status for it. We have become the first PSU and OMC to achieve T-PAP status. This allows us to offer seamless UPI payment services and opens up new avenues for customer acquisition and engagement, strengthening our digital ecosystem.

Many companies have struggled to create platforms of this kind. We now have an HP Pay platform that is T-PAP-enabled, and we will start deploying it much more widely. Our vision is to transform HP Pay from a fuel-centric application into a broader digital payment and lifestyle platform around our businesses. We are not going to undertake esoteric activities, but we will make much greater use of the platform around our businesses, given that we now have T-PAP status.

That was a quick summary of where we are. We do have short-term challenges. I just checked the crude price on the television screen in my room before coming in, and it was at 114. Brent was at 114, which is an abnormally high number. We have challenges and we are fighting them, but in parallel, as you could see from some of the points discussed here, we are getting HPCL ready for the future. We are absolutely committed to transforming ourselves, creating a stronger HPCL, and creating greater value for our shareholders. I will stop here.

Thank you for your continued interest in HPCL. I look forward to all your questions. Those of you who have submitted flash reports on the performance—I received some of them and went through some of them—thank you for your quick assessments of our results. Thank you. Budhiraj, back to you.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Probasil Sen from ICICI Securities. Please go ahead.

Probasil Sen – ICICI Securities: Thank you for the opportunity. Very good morning, sir, and congratulations on a strong set of numbers. I wanted to understand two things. Firstly, as far as crude sourcing is concerned, not just the mix, but I wanted to understand the effective cost at which we are sourcing crude. In the sense that, if we assume Brent as a benchmark, how much inherent premium is now built in? How many dollars per barrel above Brent are Indian companies having to pay? Any range you can share will be very useful.

Management: Okay, that was one, and you said there were two things.

Probasil Sen – ICICI Securities: Yes, and the other thing is what is happening in Q3. You did mention the short-term challenges. There has obviously been quite a sharp reversal back to fairly high marketing losses, I would presume, as well as higher crude costs and LPG prices. If you could kindly share the average LPG price that we saw in Q2, what we are seeing right now, and how much impact it has on the outstanding subsidy losses as far as LPG is concerned. Also, what is the general operating environment and how has it developed in the third quarter for us?

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Management: Okay, great. Probasil, thank you. We have a wager among ourselves about who will go first, so the good point is that nobody places a wager because your question is always the first one. Thank you for your continued interest in HPCL.

On crude sourcing, I wish I could give you a straightforward answer. I would actually say that crude sourcing is like the Wild West right now. It is very unpredictable and volatile, which makes it difficult for stable companies like ours to operate, but I am very proud of the way our processes work. You would be astonished—I am not going to provide the specific numbers—to see the kinds of discounts we can sometimes obtain on certain cargoes, while freight costs can also be very high at times. It is therefore very difficult to predict.

For the same cargo, I will give you an example. Cargo X may be offered at a particular price on one day, and three days later the premium may be $10 higher. Five days later, it might be cheaper. Timing has therefore become much more important. I think what is more important is how the pattern has shifted. We used to buy a lot on term contracts and a lot on an FOB basis. These days, given how we are looking at the market and how the market is developing, we are buying a lot on a delivered basis. In fact, almost everything is on that basis right now because, at the end of the day, we are all conscious of what it is costing us and how it fits into the overall picture.

As you know, sourcing varies. We look for the cheapest available crude, and sometimes we have to make emergency crude purchases because shipping lanes are severely disrupted. It is therefore very difficult to discern a pattern from this. All I can say is that, if you look at crude premiums and landed costs, there are times when there are premiums and there are times when you can even pick up cargoes at discounts. It is a very unpredictable market right now.

On Q3, obviously, the high crude prices are creating challenging numbers for everyone, and we do hope prices come down. They are obviously leading to under-recoveries. You are good at mathematics and can quickly calculate that. Specifically on LPG, because that is a more widely recognized number, just to give you a sense, the October under-recovery was 245 rupees per cylinder, and in November it increased to 327 rupees per cylinder. Shiva, do you have the Q2 LPG number?

Management {? Shiva ?}: The total under-recovery for Q2 was approximately 500 crores, and the buffer has increased to 18,049 crores. That is the total buffer balance receivable from the government.

Probasil Sen – ICICI Securities: I am sorry, the audio was not clear. In November, did you say the under-recovery had increased to 340 rupees per cylinder?

Management: It is 327 in November and 245 in October.

Probasil Sen – ICICI Securities: Understood, sir. That is clear. I have one last question, if I may, again on crude purchases. What you mentioned obviously makes sense, but as a trend, is it fair to say that the effective premium on whatever benchmark crude we use, whether it is the Indian basket or Brent, still has an inherent premium in the delivered cost of crude, much higher than what it was perhaps even three or four months ago? Is that a fair way to look at it?

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Management: It is very difficult to make that judgment. The situation is so volatile that it is very difficult to make that judgment. I do not want to say yes or no to that statement because if I say yes today, it might be different tomorrow. It is a very volatile situation in terms of how the market is reacting.

Probasil Sen – ICICI Securities: Understood, sir. Thank you for your answers. I will come back in the queue. Thanks a lot, and all the best.

Management: Thank you, Probasil.

Operator: Thank you. The next question is from the line of Vivekanand from Ambit Capital. Please go ahead.

Vivekanand – Ambit Capital: Mr. Vivekanand, you are not audible.

Vivekanand – Ambit Capital: Am I audible now? Hello? Am I audible now?

Operator: Yes, you are audible now. Please go ahead.

Vivekanand – Ambit Capital: You are currently receiving compensation for LPG under-recovery until the end of March 27, approximately 660 crores a month, correct? That has been very helpful from a working capital standpoint. Have you opened any dialogue with the government about extending this compensation beyond the current month?

That is the first question. Secondly, did I understand the Vizag upgrade commentary correctly? You said that the current uplift is between $0.60 and $1 per barrel and that you are targeting the full benefit of the upgrade. Last time you said March, correct? Is that still the target, or is there any change in the uplift that you will receive from it? Thank you.

Management: Thank you, Vivekanand, and thank you for the questions. On the Vizag upgrade, yes, you are right. We said $0.70–$1 when we gave the guidance that it would be $0.70 this month, and at one point some time ago we reached $1, depending on crude prices and other factors. It is therefore currently delivering approximately 40%–50% of our expected benefits.

In terms of the full benefit, I think the guidance is exactly what we had said earlier. We are maintaining that guidance. Having said that, we have been very transparent with all of you on these calls that this is a very complex asset. It is a matter of doubling the benefit or receiving nothing. It will generate a lot of money, but mastering the operation of the asset is a challenge for everyone. We are getting there. We are hopeful of getting there in March or even—

Management {? Vikas ?}: —before that, but we are not going to start screening at our Vizag {? ROSE ?} unit in April because everyone is trying their best to achieve that. Once it becomes stable, we will be able to proceed. Nobody has operated this technology globally, and the licensor is also finding new things, but we are getting there. Every month is better than the previous one, which gives us hope.

Regarding what is being discussed with the government, I do not think this is the right forum for me to comment on the entire matter. As Shrividya just said, there is a recognized buffer. It was

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recognized by the government in the past for the monies that were provided in relation to the entire matter. You can rest assured that the management of our company and the other companies are taking all the necessary efforts. I will keep the details of the specific discussions outside this forum; this is not the forum to discuss them. It is also not my remit to comment on what the government will do. All I will say is that every effort is being made.

Vivekanand – Ambit Capital: I have one small follow-up on the Vizag upgrade. You said the complication relates to the technology and stabilizing it. Can you provide more detail on the markers you and the licensor are monitoring to ensure that you can reach the {? two markers ?} utilization level and then achieve consistency?

Management {? Vikas ?}: Yes, those are the right factors we are looking at. It is a high-pressure, high-temperature reaction in which we take some of the hardest bottom-of-the-barrel material and break it up. If there is a follow-up question, I will ask {? Bhartanji ?} to answer because he can give you a long technical answer on it.

However, I think we are figuring out how to keep all the parameters in the reactor under control to ensure that it reaches a consistent operating level. That is the layman's way of looking at it, which is why I am answering it this way. We can also have an offline discussion on the technical question with Mr. {? Bhartanji ?}, who can provide a very detailed answer.

We are getting better at predicting how one operating parameter will affect another. As I remember telling you earlier, we have also deployed a digital twin. As we continue populating the digital twin, we are starting to understand the entire system better and better. We are able to detect deviations in high pressure and temperature earlier and keep them within the control zone.

There is nothing wrong with the reactors, and there is nothing wrong with the infrastructure around them. You simply have to go through this stabilization period because it is a highly complex asset. We took less time in Rajasthan because, as a refinery, its operating configuration is simpler. This {? ROSE ?} unit is a much more complicated asset. We are improving our understanding of the operating parameters, and we are very hopeful that in the next analyst call, when we discuss Q3, we will be able to report higher utilization and a higher GRM impact.

Vivekanand – Ambit Capital: Thank you, Vikas, for the detailed answer. All the very best.

Operator: Thank you. The next question is from the line of Sabri Hazarika from MK Global. Please go ahead.

Sabri Hazarika – MK Global: Good morning, and congratulations on a good set of numbers. I have two questions. Firstly, if I look at your unit cost per barrel in terms of both raw material cost and purchase of products, what we notice is that between Q1 and Q2 there was almost a $30-$40 per barrel decline in sourcing cost, despite Dated Brent declining from approximately $104 to $97 per barrel. There was therefore a sharp reduction. I had thought that Q1 could have included older crude sourced well before the crisis, which would have caused the cost to increase quarter-on-quarter, but it appears to have fallen. Could you provide some color on that?

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Management {? Vikas ?}: If you recall the last analyst call, we discussed the fact that we carried somewhat more inventory at the end of Q1 because certain units had changed or stopped in between. This was primarily from the {? ROSE ?} unit, where we carried significantly more inventory and recorded a mark-to-market adjustment. That actually helped us somewhat in July. If you have any specific questions, I can ask Shrividya or someone else to provide more detail. But that is the broad explanation.

Sabri Hazarika – MK Global: So you benefited from that timing, when there was some cooling off towards the end of June and probably the early part of July, as well as some part of August. Was that the reason?

Management {? Vikas ?}: Yes, exactly. If you look at how the crude cycle developed, September was when the crude cycle turned again. July and August were reasonably good. By the end of August it had started turning, so the September deliveries took place at higher prices. We therefore had a very strong July and August. September probably had a minor negative impact and pulled down the numbers; otherwise, July and August were very strong for us, primarily because of the momentum we carried from the end of June.

Sabri Hazarika – MK Global: Understood. My second question is about the 470 crores of share of profit from associates and joint ventures. How is that distributed between HMEL, HRRL, and MRPL?

Management {? Vikas ?}: HRRL is not contributing anything at present. For the first year, we are not even anticipating anything to come out of it. It will be negative in our consolidated numbers in the next year. A large part is split between HMEL and MRPL, and perhaps Shrividya may have some numbers.

Sabri Hazarika – MK Global: So it is HMEL and MRPL.

Management {? Shrividya ?}: HMEL is 1,300 crores for H1.

Sabri Hazarika – MK Global: 1,300 crores for H1. That is HPCL's share, correct?

Management {? Shrividya ?}: Yes, 1,300. One-three.

Sabri Hazarika – MK Global: Understood. That is all from my side. Thank you very much, and all the best.

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

Amit Murarka – Axis Capital: Thank you for the opportunity, and congratulations on a strong result in this environment. My first question is on HRRL. You mentioned that it has been restructured and that the interest cost came down by 105 basis points. What were the changes in the debt terms? Also, could you highlight whether any corporate guarantees have been provided by you to bring the interest cost down?

Management {? Vikas ?}: The net result is that the terms are the same. Earlier, it was project finance, and we shifted it to operating finance. I will not go through the entire journey because

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different techniques were used along the way, but in the end it was mostly the same consortium and the same terms.

Three new bankers were introduced to balance the financing. The specific arrangements can be left to us in terms of how we handled them. In the end, we converted project finance into operating finance, and through the induction of three new bankers, we benefited because every banker also wants this asset on its books. We were able to use that to obtain a lower rate.

Amit Murarka – Axis Capital: There are no corporate guarantees?

Management {? Vikas ?}: No corporate guarantees. The same provisions that applied under the earlier agreement continue to apply.

Amit Murarka – Axis Capital: Understood. Also, regarding the Vizag {? ROSE ?} unit, if the asset takes longer to stabilize, which it has already taken quite some time to do, is there any penalty clause or anything applicable to the technology provider if the technology does not deliver?

Management {? Vikas ?}: There are two parts to this. First, all these contracts obviously contain penalty clauses, but we are not remotely hoping or planning to invoke any of them because the licensor is working with us and we are very close to the sweet spot.

It is not that the technology is not working; the parameters simply have to be right. You also have to recognize that during this period, even the feed going into the unit has been a factor. We were not always able to buy the best available crude for the optimization we wanted. We were running different crudes at different times, and sometimes the crude had lower levels of certain parameters.

It is therefore not a case of the technology being defective. It has simply taken a little longer to stabilize. We will get there, and we are very close to the sweet spot. We are not even remotely thinking about issues involving the licensor. The licensor and we are working very closely together. A large number of experts are working on it, and we are aware of the day-to-day improvement in the entire system.

The Director Refineries and I monitor it every day, and it is getting better and better. We are going to see the benefits of this investment very soon. The technology is not defective; it is simply taking a little longer to stabilize. That is all.

Amit Murarka – Axis Capital: Understood. I have one last question. On the Rajasthan refinery, by when do you expect to achieve optimal utilization and operating rates, particularly given the strong refining environment right now?

Management {? Vikas ?}: At the earliest, as you can imagine, because we also recognize that refining margins are strong. That is why I made the comment that October could actually be PBT-positive for the refinery. For a greenfield refinery in the first four months of operation, that would probably be unheard of. I cannot think of too many examples of companies achieving that.

Having said that, we expect to maintain, or we are likely and hopeful to maintain, the guidance we provided in the last analyst call: by the end of Q3, the refinery section will be running at full capacity. There is only one unit left to be completed. That unit is going for audits around Diwali, and the

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commissioning cycle will begin. It takes approximately one month to commission it.

Sometime in December, once that unit stabilizes, we will start processing high-sulfur crude, and we will run at full refining capacity, at an equivalent run rate of 8-8.5 million tonnes per annum. The Petchem numbers will come in later, but given where cracks and product prices are right now, we are less worried about Petchem numbers. We have a window of the next six to eight months in which, if we can sell diesel, LPG, naphtha, and other products, even naphtha is receiving good prices, we can achieve good margins. We want to capitalize fully on this window.

Amit Murarka – Axis Capital: Thank you very much for the detailed answers. I will come back in the queue.

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

Mayank Maheshwari – Morgan Stanley: Thank you for the call, sir. My first question is an addition to the earlier question on freight rates. What are you seeing in terms of the increase in freight rates for December loadings compared with what you would have seen in the last quarter? As you said, a large part of your cargoes are on {? DES basis ?}. Can you give us the percentage that was on a {? DES ?} basis in the September quarter compared with what you are getting for forward loadings beyond December?

Management {? Vikas ?}: The team is trying to see whether it has the data for the second question. On freight rates, if you look at the quarter-on-quarter basis, there has definitely been an increase. Shrividya is showing me some numbers, so perhaps she will read out the numbers and provide the data.

There has definitely been an increase in freight rates, but Mayank, what is also interesting is that the impact on landed prices may not be as large as you might think from outside. The oil producers are also constrained. At times, the astronomical freight rates you see can actually be managed with the producer if you strike a good deal. The netback to producers in many situations, especially those who are constrained or have stranded oil at present, is much lower than the netback reflected in the public domain.

As for the percentage on a {? DES ?} basis, I do not know the specific numbers, and I will ask my team whether it has the details. Perhaps Shrividya can provide them. From a practical perspective, almost everything we are looking at currently is on a landed basis, except where we believe we can send a ship and pick up the cargo more cheaply.

Earlier, it may have been a 50:50 split, or the landed and delivered share may even have been lower than that. Right now, we also do not want to take the risk of someone attacking the ships on the way. A large part of our purchases therefore becomes easier to manage on a landed basis. Shrividya, perhaps you can add something.

Management {? Shrividya ?}: To add to that, freight costs have almost doubled between Q1 and Q2. That is the overall guidance. For a Suezmax vessel, which was probably costing approximately $4 per barrel, the cost has now increased to as much as $9 per barrel. This is the kind of increase that

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has occurred in freight rates. As the Chairman mentioned, we are looking at most of the cargoes only on a landed-cost basis, and therefore freight rates are increasing significantly.

Mayank Maheshwari – Morgan Stanley: Understood. My second question is also related to the capital structure of the Rajasthan refinery. In one or two years, when you want to stabilize the capital structure, where do you think net debt and the capital structure ratios will settle?

Management {? Vikas ?}: We have not yet made that projection. Perhaps by the next analyst call, or whenever we have an opportunity to meet separately, we can discuss it. At present, we are still working with the initial projections and have not yet reached a point where we can determine how quickly we can reduce the debt. It will also depend on whether diesel cracks remain at these levels for a year. If they do, we will be in a very strong position, considering—

Management: HPCL is going to contribute 4-4.5 million tonnes per annum.

Mayank Maheshwari – Morgan Stanley: I would like to follow up on that. If we look at October, you said the refinery would break even at the PBT level. What GRM were you achieving in October for HRRL Rajasthan?

Management: October 1 had already been discussed. For the first 18 days, it was {? 16.1 ?}, or approximately that, post-SAED. It was $12 in Q2 and is currently running at $16. This is post-SAED. We are processing low-sulfur crude. We will probably be able to switch to high-sulfur crude in December. That will provide another uplift of a few dollars.

Once we do that, based on today's prices and cracks, we anticipate a run rate above $20 after December. We are quite happy with how it is shaping up now. After the commissioning-related work we carried out, a lot of effort has gone into getting everything operational again. If you track the sector, you can see which Indian refinery has managed to bring all its units online within three or four months. I think our team has done a fabulous job.

Mayank Maheshwari – Morgan Stanley: Thank you, and congratulations on that.

Management: Once we have greater clarity on the cash-flow projections from consistent refining performance, I think it will be the right time for us to examine how to repay debt and bring down the debt-equity ratio from 2:1. Thank you.

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

Moulik Patel – Equirus Securities: Thank you for the opportunity. You briefly mentioned the utilization of the Chara terminal and the long-term contracts that you signed in the past. Are the volumes at Chara part of those long-term contracts, or are you booking spot cargoes and bringing the volumes there?

Management: It is a mix of both. The long-term contracts were gradually ramped up during the initial few years because we did not want to overcommit, and there were also disruptions in a couple of cargoes under the long-term contracts. Recently, in the last month itself, we have completed two or three spot cargoes.

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As I mentioned, having that asset gives us a lot of flexibility with opportunity cargoes. Just two or three weeks ago, we picked up an opportunity cargo at a significant discount to the market because nobody else in India had the ability to absorb that cargo at that time and the seller needed the ship back. The asset is therefore allowing us to play the opportunity game quite well.

We are happy with the way it is shaping up. Of course, we want to bring utilization to reasonable levels of 20%–30%. At that level, the terminal combined with gas sales provides a great deal of flexibility and an opportunity to make money. It is shaping up well.

Moulik Patel – Equirus Securities: Understood. My last question relates to the HRRL ramp-up, which you are probably expecting to complete in one or two quarters. Once full ramp-up takes place, what kind of GRM do you expect relative to the benchmark GRM? Whatever the benchmark GRM is at that point, what could be the uplift for HRRL, considering that state incentives are also part of the project? What number should one use for HRRL?

Management: As discussed in response to Mayank's earlier question, we have provided a broad indication that it will be above $20. We have not yet included the state incentives and other factors in those calculations.

Once the refinery settles down, we can focus purely on the refinery section, bring down operating costs, and further improve energy efficiency. The results will then start coming through. It is a very advanced refinery, and once it settles down, which will happen in the near future, it will start delivering results.

As I already said in response to Mayank's question, we are looking at $20-plus. At present, we have not calculated the state incentives or other items. We are simply looking at the broad crude-to-product equation and saying that it will provide a $4–$5 uplift over the October GRMs. It could be more as well.

Moulik Patel – Equirus Securities: Understood. Thank you for the opportunity.

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

Nitin Tiwari – PhillipCapital: Good morning, sir. Thank you for the opportunity, and congratulations on a good set of earnings in Q2, with a very strong beat after a weak Q1.

My first question relates to the refining environment. The situation is quite unclear. On one hand, there are strong cracks, and on the other hand there are higher freight rates. Could you provide some perspective on how to read this refining environment and how long we can expect elevated cracks to continue?

Secondly, in that backdrop, do we see structural changes in the refining cycle, and what kind of mid-cycle refining margins can we expect, particularly for the Rajasthan refinery?

Management: On the refining outlook, if you read the reports, they say this is the golden era for refining. Diesel cracks and some other product cracks are definitely high. However, we are not in the business of forecasting these things. I also read the same documents that you read, as do my

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colleagues here. We believe the cracks will remain supported, and at least they will not decline significantly during the winter months, given all the political developments we are hearing about.

I have no better way of forecasting cracks than you or anyone else. We can all make our own predictions. We therefore expect—

Management: For a company that does not export bulk products, only part of that benefit comes to us. In the case of Rajasthan as well, all the products from Rajasthan will be absorbed by HPCL. It is our own refinery; the way it is structured, it is a joint venture and therefore maintains separate books, or you could call it a separate project SPV. However, all of that production will go toward meeting the gap between our refining and marketing requirements.

With these projects fully coming on stream over the next one or two quarters, HPCL will be self-sufficient in its own product requirements, and very little will be needed from outside. We are hoping to reach that situation soon, and it will allow us to be more flexible in the market. It is very difficult to predict what will happen to cracks six or twelve months from now.

Nitin Tiwari – PhillipCapital: I appreciate that clarification. I asked about the mid-cycle refining margin because I wanted to understand the rationale for equity infusion at this point in the Rajasthan refinery, when our own profitability in the first half has been very strong. Could you help us understand that? Also, what is the total equity that we have infused so far in Rajasthan, and where will it settle after you complete your equity infusion plans?

Management: All the money that HPCL has to contribute to the project has already been contributed. I think only 200-300 crores remains as a commitment for the entire project. Because it is a joint venture and we have to maintain the joint-venture ratio, when the Rajasthan government's commitment had not yet come in, the money had already been provided as a subordinate loan sitting in the books of HRRL. That loan is being converted.

No fresh equity is being provided by HPCL in this matter. Once the Government of Rajasthan contributed 1,500 crores, we converted our subordinate loan accordingly. The remaining 1,600 crores that the Government of Rajasthan contributes will also result in the corresponding amount being converted. I think HPCL has a balance of 300-400 crores left to contribute to the project to meet the overall project financing requirement of 79,800 crores, or whatever the final approved amount was, which was approved by the Cabinet and the Government of India and is in the public domain. Therefore, no fresh cash has gone out from HPCL.

Management: The restructuring allows us to lower the debt because the Government of Rajasthan infused 1,500 crores in cash. We converted debt equivalent to 4,200-4,300 crores into equity in a 74:26 ratio, and that allows us to reduce the interest on subordinate debt. That is what I meant by financial restructuring. It is not that we have infused fresh equity. The full 4,400 crores that we had to contribute has already gone into the project.

Nitin Tiwari – PhillipCapital: Understood, sir. My second question is again on refinery margins. Could you provide the refinery-wise margins that you used to disclose, with a split between Mumbai and Vizag?

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Management: We have consistently provided the information that we have provided this time, and we committed to all of you that we would continue to provide the margins at this level. I do not want to get into refinery-wise breakups.

Nitin Tiwari – PhillipCapital: All right, sir. That is all from my side.

Operator: Thank you. The next question is from the line of Sumit Arora from Smart Sun Capital. Please go ahead.

Sumit Arora – Smart Sun Capital: Good morning to you and your team. First, I want to congratulate you. You are doing a splendid job in a very difficult environment that is far beyond anyone's control. Very well done to you and your entire team.

I had a couple of things that I wanted to understand. With your complex refineries now operating and the capacity upgrade of Vizag as well, is it possible for us to source heavily discounted crude from countries such as Venezuela, which produces heavy sour crude? Earlier, only companies such as Reliance could process it, but now you are as capable as they are. Could that offset some of the pressure from high crude prices in other regions?

Secondly, is my understanding correct that by the end of Q3 or, hopefully, Q4, the Barmer refinery should be fully up and running? Would that mean our dependence on purchasing products from other refiners would completely cease? Would it mean that we would be fully integrated as a company, with our refining throughput matching our marketing throughput?

Finally, this is more from an investor perspective and not necessarily from an analyst's perspective. When the Ukraine-Russia war began, there were expectations that it might last for one month or one year, but it has now continued for four months. It has now been the seventh or eighth month, and frankly, nobody knows how long it will continue. What are your thoughts on this? If crude remains elevated for a longer period, how are we thinking about it? It will definitely affect the overall business cycle because we are not in the business of subsidizing fuel to such a significant extent. How are you looking at all these factors?

Management: Thank you, Sumit. I will take the questions one by one. First, can we process heavier crudes? Absolutely. That is the direction we are moving toward. Even in Vizag, we have already processed Venezuelan crude. Of course, there are always some technical changes that need to be made, but we have been working out how to increase the blend further. Pankaj, perhaps you can add whether Venezuelan crude would be easier for Barmer because of the pipeline transfer, given that heavy crude may be more suitable for a coastal refinery.

Management {? Pankaj Kumar ?}: Heavy crude, along with a higher amount of bottoms, also comes with other properties such as high viscosity and a high acid number. We therefore have to assess the overall characteristics. We keep it in our basket and evaluate it according to the economics whenever it is possible to process it.

For Barmer, transporting a highly viscous crude may be difficult. However, Sumit, to answer your question, we are always looking for such opportunities. We have already processed some Venezuelan crude in the previous quarter, and we were able to determine how much we can blend

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with other crudes and what technical changes are required to increase those blends. All those measures are being planned.

Given that all three refineries are now operating, we also have flexibility regarding where we store crude. All those avenues are being explored. I think that addresses your first point. What was the second question?

Sumit Arora – Smart Sun Capital: The second question was whether, once the Barmer refinery is fully stabilized, our dependence on purchasing products from third parties will reduce.

Management: Once Barmer is online and its throughput is fully available, we should be able to meet the entire HPCL requirement from the two HPCL refineries as well as the two joint-venture refineries, HMEL and HRRL. I think we will be able to meet approximately 95% of our requirements. There may be some small pockets where it is better to source from a standalone refinery, but our portfolio will move toward internal supply, whether through our own balance sheet or through the joint ventures.

Sumit Arora – Smart Sun Capital: That is very helpful. My third and final question is about your thoughts on the global situation.

Management: I remembered the question, so I can answer it, Sumit. If the crisis continues for a long time, it is not only a question of what we will do as a company; it is also a broader macroeconomic question for the country and for countries around the world. I am sure a great deal of thought is being given to this at various levels.

At the company level, we are considering it, but I am sure governments and other stakeholders are also considering how to address it. Obviously, current crude prices and the present situation are not sustainable. We have seen what has happened in parts of Europe, where economic costs and the cost of living have increased. I am sure governments across the world are conscious of the entire issue.

If this persists for a long period, something will have to give somewhere. From our side, we are trying to determine how best to manage it in the short term and, as required, share our perspectives on the situation with key stakeholders, including the government. The government is also fully aware of our perspectives at various points in time. The objective is to manage the situation collectively.

Sumit Arora – Smart Sun Capital: I wish you all the best and good luck, sir. Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Ajay Raj Singh Jhala from Nihir Esha and Company. Please go ahead.

Ajay Raj Singh Jhala – Nihir Esha & Company: Thank you for the opportunity. My first question relates to the net profit figure in the notes, where there is a mention of the Visakhapatnam refinery having a net profit of approximately 2,800 crores. In the total net profit for this quarter of 3,600 crores, does Mumbai therefore contribute only 800 crores?

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Management: This is the number that the auditors are required to report when there is a branch auditor who is different from the corporate auditor. When you prepare the consolidation, there is a net-off of the profits between the entities, and that forms part of, although it is not exactly the difference you mentioned, the consolidated results after inter-company adjustments. The marketing margins are also included.

Ajay Raj Singh Jhala – Nihir Esha & Company: My second question relates to HRRL and HMEL. They have now been connected through a gas pipeline network from GIGL that goes to Bathinda and connects to HRRL. Do we expect to see any benefit from having gas feedstock in the near future?

Management: We are already using gas. HMEL is already connected to this pipeline and is also connected to another pipeline. If I remember correctly, it is connected to two pipelines. It has already been sourcing gas for a long period, and HRRL is also already sourcing gas.

Our teams analyze this daily. On days when it is better to run naphtha, we use naphtha as feedstock or for our SMR, and on other days we use gas. That is already being done by our teams on a daily basis.

Ajay Raj Singh Jhala – Nihir Esha & Company: That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Priyansh from HPC. Please go ahead.

Priyansh – HPC: Am I audible?

Operator: Yes, sir. Please go ahead.

Priyansh – HPC: My first question is: what was the capacity utilization percentage of the HRRL Rajasthan refinery in Q2? Also, when will production of PE, polypropylene, and other petrochemicals start?

Management: Capacity utilization for Q2 is probably not the right benchmark because when you start a refinery, you run it for a few days and then there are some small issues that need to be resolved. From September onward, after removing some of those issues, we have been consistently running at approximately {? 55 to 60 percent ?} utilization, which was the guidance we had already provided. For the last 2 months, it has been running at 60% utilization, and we hope to maintain that trend.

Regarding polymers, propylene will come somewhat earlier. The cracker and polymer units are in the commissioning cycle. It takes approximately 6 months for the cracker to start. We are already in that process. Sometime in Q4, we expect the DFSU, as it is called, or the cracker unit in the petrochemical complex, to start. It is a 6-month cycle.

We are therefore not expecting benefits from Petchem production, apart from propylene, during this financial year. However, with the diesel cracks, LPG, and other products required here, all the products will be evacuated. We have completed the schemes and all the preparations for evacuating those products.

Priyansh – HPC: So, essentially, we will see the benefits from the next financial year.

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Management: Yes.

Priyansh – HPC: My next question is about the HRRL debt arrangement of approximately 51,970 crores, which was refinanced at a lower cost. What was the average interest rate on the refinery loan earlier, and to what percentage has it been revised? How many basis points did we save on the interest rate?

Management: I do not think we need to provide those details for your purposes. We have given the guidance that the reduction on the entire debt was {? 105 basis points ?}.

Priyansh – HPC: On the entire debt. Understood.

Management: Yes.

Priyansh – HPC: Even though the Brent price has been higher, how did the GRM increase from USD 8.79 in FY26 to USD 27.89 in Q2 FY27? Was there any one-off reason for this?

Management: We were doing a lot of hard work. Earlier in the call, we clarified that we carried more inventory at the end of June. We had clarified in the June quarter and in this call that we carried more inventory and marked all the inventory to market. The price at the end of June was lower, so we benefited somewhat from lower-priced opening inventory in July.

As I said earlier in the call, we had an excellent July and August. That helped increase the refining margins. At the same time, I have to give credit to our refinery setup. The refineries delivered very good physical performance in a difficult environment, which allowed them to capitalize on the optimization opportunities involved in producing a little more of one product, a little more of another product, and generating more value at different points. Our teams carried out a great deal of that optimization.

Priyansh – HPC: You mentioned the lower inventory. Was it because of the discounted purchase of—

Management: The crude was with us, prices fell, and we had to record a mark-to-market adjustment. That inventory was in our tanks at that point in time, on June 30.

Priyansh – HPC: It was not Venezuelan crude, or was it?

Management: This is too technical. Leave it to us to run the refineries.

Priyansh – HPC: Understood.

Operator: Thank you. The next question is from the line of Aman Sharma from AS Capital. Please go ahead.

Aman Sharma – AS Capital: I want to understand the approximate time lag between crude procurement and the time we actually process it. For example, if we process crude in April, how old is the crude that is being used for processing? Is it from February—

Aman Sharma – AS Capital: Is it from February, March, or January?

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Management: It is approximately 15 days—30 days, probably 30-35 days for the East Coast, and approximately 45 days for the other route. HRRL will be slightly longer because we have to account for the pipeline transfer in between.

Aman Sharma – AS Capital: Forty-five days for which route?

Management: The East Coast. Those are the approximate numbers. Sometimes it can be more or less, but on average there are 10 extra days for the East Coast.

Aman Sharma – AS Capital: My second question is about the approximate number of days of crude and petrol and diesel inventories that you hold.

Management: We have sufficient inventory, so there is no need to worry about that. I will not disclose the exact number because it is not particularly consequential for the financials. We maintain our standard stocks across all those categories. Approximately {? 20 ?} days. Roughly 20 days of products, in addition to crude and line pack. We are maintaining the same ratios as before. Of course, any changes required because of operational parameters have been made at our end.

Aman Sharma – AS Capital: Thank you.

Management: Thank you.

Operator: Thank you. That was the last question for today. I now hand the conference over to Vartharajan for closing comments.

Vartharajan: Please provide your closing comments, sir, if you have any.

Management: I would just like to thank everybody for their interest in HPCL. In particular, if you have follow-up questions, please contact our finance team, and they will be happy to answer them. If you have any suggestions or criticism for us, please share them. We will be very happy to hear your views and learn from your perspectives. Vartharajan, thank you for hosting this call.

Vartharajan: Thank you, sir, and thank you everyone for attending the call and for the management team's very detailed discussion. Thank you, everyone, and my advance Diwali wishes to all of you. Thank you.

Management: Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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