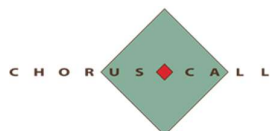


“Bharat Petroleum Corporation Limited
Q1 FY27 Results Conference Call”
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MODERATOR: **MR. VARATHARAJAN – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Bharat Petroleum Corporation Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Varatharajan. Thank you, and over to you, sir.

Varatharajan: Thank you, Atharv. Very good afternoon to everyone. I'd like to extend a very warm welcome to all the participants on the call as well as the senior management team of BPCL. We have with us Mr. V.R.K. Gupta, Director of Finance; Mr. Pankaj Kumar, ED, Corporate Finance; Mr. Ashish Goyal, CGM, Corporate Treasury; Ms. Anuya Vatsal Thakar, DGM Finance, Pricing and Insurance; Mr. Balagirish, Senior Manager, Pricing and Insurance.

I'd like to hand over the call to Mr. Balagirish for his statutory disclosure.

Balagirish: Thank you, Mr. Varatharajan. On behalf of BPCL team, I welcome you all to this post Q1 results Con Call. Before we begin, I would like to mention that some of the statements that we would be making today during this con call are based on our assessment of the matter, and we believe that these statements are reasonable. However, their nature involves a number of risks and uncertainties that may lead to different results. Since this is a quarterly result review, please restrict your questions to the Q1 results.

I now request our Director of Finance, Mr. V.R.K. Gupta, who is leading the BPCL team for this call. to make his opening remarks. Thank you, and over to you, sir.

V.R.K. Gupta: Good morning, everyone. A warm welcome to the participants of today's investor call. Our Q1 2026-27 results were released on the exchanges yesterday. I hope you had an opportunity to go through the same. The first quarter of FY27 unfolded against the backdrop of a rapidly evolving geopolitical environment.

Persistent tensions in West Asia created uncertainty across energy markets, influencing crude and gas sourcing, price economics and supply chains. Although markets witnessed a brief period of stability during June, the latest geopolitical development has reminded us how quickly it can reshape the operating landscape.

As we had indicated during our previous interaction, we expected the first quarter to be a challenging one, and it certainly was. However, instead of just weathering the storm, BPCL has focused on operational resilience and supply chain agility. With customer centricity as one of our core values, we stood steadfast in our commitment to serve the energy needs of our customers in all times.

Throughout this period, our priorities remained unchanged. First, to ensure uninterrupted supplies of transportation fuels and LPG to our customers across the country; second, to safeguard the interest of our stakeholders while managing costs responsibly; and third, to adhere to our long-term growth agenda while navigating through short-term volatilities.

I'm pleased to say that our teams across refineries, marketing and logistics work together with remarkable agility to ensure continuity of operations throughout the quarter. The experience has also strengthened many of our internal capabilities.

Let me cover the sourcing strategy first. Due to disruptions in tied up term crude volumes, we proactively optimized our crude sourcing by significantly increasing spot crude purchases with the spot percentage rising to almost 69% in quarter 1 FY27 from 44% in the corresponding previous year.

We diversified our crude sourcing outside of the Strait of Hormuz, exploring multiple geographies, including increasing the Russian crude grades to 38% of our total procurement during this quarter. We also procured 2 new crude grades from Venezuela and Angola.

The procurement strategy was achieved by overcoming multiple hurdles, including vessel availability, placement of freight, insurance, etcetera. Further, I would like to reassure our stakeholders that we had already tied up our August volumes and are in the process of sourcing for September 2026, providing us with adequate availability even as the geopolitical situation remains fluid.

With respect to LPG, we ensured uninterrupted domestic supplies by diversifying LPG imports during Q1 2027 as well as by maximizing indigenous production from our refineries. Further, various mitigative measures were implemented under the government's direction to effectively manage the demand-supply balance.

Our gas business also demonstrated agility amid disruptions in global LNG markets. Despite force majeure under 2 major LNG long-term contracts, we ensured uninterrupted supply to all our bulk, CNG and PNG customers by procuring from the spot markets.

Coming to refinery. Our refineries operated reliably throughout the quarter, supported by the flexible crude sourcing strategy. By maintaining stable refinery operations, we were able to navigate the dynamic operating environment effectively. During the quarter, our throughput was 10.15 MMT, our gross refining margin for the quarter stood at \$41.41 per barrel before factoring the impact of export duty and RAC.

On the marketing front, demand was healthy across our key products with the domestic sales volume at 13.62 million metric tons during the quarter. Across our retail network, petrol and diesel supplies remained largely uninterrupted throughout the quarter.

Our retail network continued to deliver industry-leading productivity with an average throughput of 157 KL per retail outlet per month. We also strengthened our customer reach by expanding our network to 25,485 retail outlets, while our CNG network grew to 2,700 stations, reinforcing our leadership in CNG penetration.

We also strengthened our premium fuels portfolio, achieving a 3.88% conversion to Speed 97, while expanding Speed 100 availability across 53 retail outlets. We proudly launched our first stand-alone BeCafe at Srinagar Airport, marking our entry into commercial locations other than our retail outlets and expanding our BeCafe network to 220 outlets across India by the end of this quarter.

I'm also happy to share that we recently launched Bharatgas Lite ZIP in Mumbai, a lightweight 10 kg composite cylinder offering instant new connection, express delivery, enhancing customer convenience and safety.

We have plans to expand the offering to 100 additional cities across 24 states by 15th August 2026. In our gas business, over Q1 of last year, bulk gas sales registered a growth of 3%, while gas sales across our geographical areas grew by 60% to 85 TMT, reflecting the strengthened momentum in this important growth segment.

In line with our go-to-market strategy for petrochemicals, we recently launched our brand BEPOLY for high-performance polymers. This reinforces our long-term objective of increasing petrochemical intensity and creating higher-value product streams from our refining business.

Now let me touch upon certain milestones in our inorganic growth journey. While navigating near-term challenges, we are firmly committed to our long-term growth agenda, and our strategic priorities remain firmly on track during the quarter.

We completed the acquisition of the remaining stake of 39.14% in IBV Brazil from Videocon Energy Brazil Limited, making it a wholly owned subsidiary of BPRL. This strengthens our upstream portfolio and provides greater flexibility in developing overseas energy assets, mainly the assets are in Brazil.

We announced our strategic partnership with Tiki Tar and Shell India Private Limited through a 40% investment in the value-added bitumen venture at a value of INR85 crores. This marks our entry into a growing specialty business aligned with India's infrastructure ambitions while combining Shell's technology, Tiki Tar's manufacturing capabilities and BPCL's nationwide market reach.

Coming to renewables, we advanced our initiatives in cleaner fuels and energy transition. We secured a capacity of 100 megawatts at an estimated capex of INR860 crores in a wind utility tender in Madhya Pradesh with project development expected to commence shortly.

On capex front, despite the challenging external environment, we made steady progress across our major planned capital projects under Project Aspire. Majorly at Bina Petrochemical and Refinery expansion project, we achieved a cumulative progress of 30.7% with INR5,900 crores incurred and INR30,000 crores already committed. The geopolitical situation has impacted the supply chain, procurement and execution of the project, but there is no significant impact on the critical line items.

However, major long lead equipment has already been ordered, and we continue to work closely with our contractors and suppliers to minimize the impact on the overall project schedule. Other

major projects, including the PRFCC project at Mumbai refinery, which has completed 7% and scheduled commissioning date is September 2029.

The polypropylene project at Kochi, the scheduled commissioning date is May 28. The project is completed 40% as on date. And the POL and LOBS installation at Rasayani are also progressing in line with the plan. During the quarter, capital expenditure stood at INR4,433 crores, while project expenditure is expected to accelerate over the course of the year in line with the execution milestones, our full year capex guidance is INR25,000 crores remain unchanged.

Our proposed Andhra refinery project has also progressed through key developments, including licensor tender evaluation. Land registration process for around 3,082 hectares has been completed. Environmental clearance is expected from MoEFCC by Q2 2026-27, and final approval is expected shortly.

Reflecting on our financial performance, I would like to mention that while the external environment may influence the performance of an individual quarter, it does not alter our long-term direction. Our focus is on building a resilient, financially disciplined and future-ready organization while responding swiftly to changing market conditions. Against this backdrop, our financial performance for the quarter was primarily shaped by developments in the global energy markets.

Despite underlying operations remaining strong, elevated international product prices during a large part of the quarter resulted in adverse marketing margins. In response, we undertook calibrated retail price revision of approximately INR7.5 per liter across motor spirit and high-speed diesel, which helped mitigate the marketing losses to some extent during the latter part of the quarter.

Due to the sharp increase in the international LPG prices, as of 30th June 2026, the cumulative LPG compensation buffer stood at INR15,804 crores after adjusting for the installments received against the already announced LPG compensation of INR7,594 crores. We continue to work with the Government of India on the compensation mechanism and remain confident of their continued support for the domestic LPG business.

As you would have seen from our results for the current quarter, the revenue from operations stood at INR1,59,479 crores and a loss of INR3,962 crores on a stand-alone basis. Further, the debt equity at stand-alone gross borrowings level is at 0.19 with borrowings of INR17,396 crores as on 30th June 2026.

As the global geopolitical scenario evolves, our priorities are clear: operational excellence, disciplined growth and sustainable value creation. We are closely monitoring global market developments and responding with prudent commercial decisions.

That's all from our side. I will now be happy to take your questions. Thank you.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question comes from the line of Probal Sen from ICICI Securities.

- Probal Sen:** First question was more of a housekeeping one. You mentioned about the GRM being basically a gross number, excluding the SAED and other sales. Is it possible to share the net number?
- V.R.K. Gupta:** Yes, net number -- after SAED, you can roughly take around \$17.
- Probal Sen:** That number would have been closer to about \$17?
- V.R.K. Gupta:** \$17 per barrel, if you remove the SAED component.
- Probal Sen:** Understood, sir. And sir, one thing in the details shared post the results is that marketing division has actually seen a positive inventory impact. If you can kindly make us understand a little bit, given that prices for crude also dropped a bit by the end of the quarter. Just wanted to understand how the -- sorry.
- V.R.K. Gupta:** Yes, what we have communicated only marketing trading gains means every fortnight when we see the RTP movement, the RTP differential multiply with what is the inventory we have, that we call it as advances gain losses that we separately disclose. That is the marketing.
- Because if you compare with starting from 1st April, in the first 2, 2.5 months, the price is increasing then. Only in the Feb -- June only the price decreasing has happened. So, the majority of the reason is on the price increasing then. That was the reason for the quarter, it is recognized as an advance's gains of around INR3,000 crores.
- Probal Sen:** So, is it fair to then say, sir, that in this quarter then, given that it has gone the opposite way, there could be then a negative inventory impact in the marketing segment?
- V.R.K. Gupta:** We don't know how it ends up by September because we thought the same thing in the beginning of the July. Now things have changed. We are not sure how the things will move. But this is the way we calculate. Every fortnight, what is the RTP differential and what is the inventory we hold it; then accordingly, the differential we calculate and disclose as the advances gain losses.
- Probal Sen:** Got it, sir. And the other question was again regarding basically crude sourcing. Just wanted to understand in terms of numbers, what -- how many days of crude have we actually already tied up if we look ahead at the next couple of months.
- Obviously, I understand there's a lot of uncertainty in terms of pricing and everything. But in terms of absolute volumes, how are we placed for the next couple of months from a crude supply perspective?
- V.R.K. Gupta:** Broadly, I can explain the numbers. For example, if we are processing around 39 million or 40 million metric tons of crude, around 3 MMT we source domestically from Mumbai. That means balance requirement around 36 million to 37 million metric tons. Every month, we need to import around 3 MMT, 3 or 3.2. To give you the numbers, as on June '26, we have inventory of around 3.8 MMT of crude.
- That means around 35 days of crude already we have 30th June. And we have already concluded the contracts for the month of July and August. We are hopeful whatever contracts we have

committed, every contract, they will be delivering. But based on the recent issues in terms of this Red Sea route, there may be certain issues in terms of a couple of cargoes.

So maybe we may not take the cargoes, or they may not be in a position to supply. But otherwise, still 31st August, whatever crude requirements, it is sufficient and by maintaining around 30 days of crude also. And for September, just now the window is opened for concluding the deals.

A couple of cargoes already we have concluded. Maybe in the next 1 week or 10 days, whatever September requirement also, we can complete it. So that is -- that I can give up to September only the visibility. Beyond September, we have not started any contracting on the spot volumes. We have to wait and see some more time.

Probal Sen: That is very useful. Sir, one last question, if I may. What was the -- earlier, you had been guiding to what was the sort of crude cost effectively with respect to the benchmark, plus/minus whatever premium was it was available. Is it possible to share the effective crude cost for Q1?

V.R.K. Gupta: I cannot share. I can give you directionally. In fact, the pre-war situation, the India basket benchmark and landing will be maybe \$4, \$5 loading, okay, the benchmark and landing, excluding the discounts of Russian Urals. Sometimes the discount will be \$2, \$3 -- if I remove the Russian, the benchmark and landing will be \$4 to \$5. But this quarter, April to June, if you ask me, the benchmark and landing will be more than \$15.

Moderator: The next question comes from the line of Rishabh Shivkumar from Motilal Oswal Financial Services Limited.

Abhishek: This is Abhishek from Motilal Oswal. Sir, just there was some issue with the sound. April to June, you said the crude premium will be -- the landing premium will be about \$15 or so, right, 1-5?

V.R.K. Gupta: Benchmark, when I say benchmark, that is the Indian basket. Indian basket means it's a combination of all oil companies' procurement. It is not only for BPCL. When you say that benchmark, the differential of BPCL landing and benchmark will be around \$13 to \$15, you can take. That is directionally.

Abhishek: Okay. Okay. And that has come down now to about \$4 to \$5, right?

V.R.K. Gupta: No, no. I'm saying pre-war. Pre-war it was around \$4 to \$5. Postwar, it is around \$13 to \$15. Now we have to wait for the second quarter how it evolves.

Abhishek: How it evolves. Okay. Fair enough. But I'm seeing shipping rates come off quite sharply. So are you seeing lower...

V.R.K. Gupta: I can give you the benchmarks for pre-war. For example, pre-war scale was hovering around \$55 to \$60 war scale. That is a benchmark. It went up to the peak level of \$600, the war scale. It came down to around \$300. Now it is hovering around \$380 to \$400. So that is the current benchmark indices.

- Abhishek:** Okay. Perfect. And sir, just last question on the overseas E&P assets, what progress happening over there, if you can update us on that?
- V.R.K. Gupta:** Yes. Actually, we have achieved a great milestone in the last quarter, April to June quarter. One is, let me talk about Mozambique. Mozambique, we have already announced the physical progress is 42% have been completed. Earlier quarters only, they have removed the force majeure, and work is in full swing and entire manpower is deployed there, work is in full swing.
- In terms of the project finance, project finance, the lenders have agreed for continuing the project finance. And all sales purchase agreements are continuing almost majority of quantity, whatever sales purchase quantities have been signed, they are honoring.
- In terms of that is what Mozambique. In terms of project completion, we are expecting the first gas we are expecting in financial year 2028-29. That is for the Mozambique project. The first project is only for 2 trains. The potential development is almost 16 trains.
- That means we are -- in the first phase, we are developing a 13.2 million metric ton of gas production, out of which BPRL, one of our subsidiaries is having 10% of the stake. That means our stake of molecule that is around 1.3 MMT in the first phase of development.
- In the subsequent developments, whenever it happens, additional volumes will come. That is on Mozambique. In terms of Brazil, we have earlier 40% stake through one of our JV in the particular project. Out of that 40% stake, we have a 61% stake by BPRL and 39% by Videocon.
- During the insolvency proceedings, we have submitted our bid and we are successful. And the entire transaction has been concluded. The entire stake has been transferred to BPRL. Now we are having a 100% stake in 40% of the project PI.
- So, this project milestone is during this quarter, the operator has signed the FPSO contract, and the work will be starting very shortly. The projected completion of the project will be 2030-31, the first oil will come, 2031-32, the first gas will come from Brazil. The expected reserve size is around 88,000 barrels per day, out of which BPRL have a 40% stake.
- So, this is -- these 2 major projects. And other projects are small compared to these 2. We have certain project development in Lower Zakum. One is in producing block we have along with IOC and one is in Indonesia. Indonesia, we have submitted the FDP, but not started any work on that. These 4 other major working projects.
- Moderator:** The next question comes from the line of Amit Murarka from Axis Capital.
- Amit Murarka:** Yes, hi. Good afternoon and thanks a lot.
- Moderator:** Sorry to interrupt, sir, your voice is not clear. Can you please use the handset?
- Amit Murarka:** Yes. Is it better?
- Moderator:** Yes, sir, better. Please go ahead.

- Amit Murarka:** Yes. So, I was saying that in terms of diesel and petrol, what was your own sourcing and how much would have been purchased, if you could give a percentage split of the 2?
- V.R.K. Gupta:** Approximately, I can give our sales requirement around 80% our sourcing only. Maybe 10% to 15% we procure on month-on-month basis. It may vary. Otherwise, indicated will be 10% to 15%.
- Amit Murarka:** Is it the same for both MS, HSD. Or are you giving a broader source.
- V.R.K. Gupta:** MS will be lesser. Diesel will be higher, but it depends on the realization. For example, if you feel diesel realization more than MS, optimization point of view, produce more diesel and lesser MS in those quarters, it slightly changes. 5% to 6% is slightly changing. We have a swing of around 10% in one of the refineries. So, we can take MS more or HSD more depending on the product realizations.
- Amit Murarka:** Okay. So broadly 15% is purchased in that. And secondly, on the crude inventory gains, you've shared the marketing gains. Could you give a ballpark number on the crude gains as well?
- V.R.K. Gupta:** No, earlier also many times we have clarified, generally, we keep around 30 days of crude on an average. So, we don't generally calculate because our monthly -- our procurement price is monthly average, we keep around 30 days inventory. So, we have stopped calculating what would be the inventory gains on crude separately.
- Amit Murarka:** Sure. But fair to share that losses would have been minimal in the quarter as in for crude?
- V.R.K. Gupta:** I don't -- we have not calculated. Maybe you can say that minimal -- most probably minimal, maybe \$3, \$4 or something. It depends on the price movement, how the price is moving. I can give you some rough number because our average crude value at 31st March is around \$99. Now it is \$95 or \$96, maybe \$3, \$4 impact.
- Moderator:** The next question comes from the line of Mayank Maheshwari from Morgan Stanley.
- Mayank Maheshwari:** Thank you for the call, sir, First and foremost, I had a question around the refining side. You had some pretty good numbers around margins. Would you kind of try to highlight where these margins came from even if you take the SAED impact out, how did you kind of manage that? If you can kind of give us a bit more subjective view around which refineries, Bina, Kochi, etcetera?
- What were the things that you did that you think can be sustainable and durable here in terms of the volatility in oil that we are going through now. So, in that context, if you can give us some perspective, that would be very useful.
- V.R.K. Gupta:** A couple of reasons. One is definitely the cracks are high compared to any of the earlier years, mainly diesel cracks and ATF cracks are very high. And second, our distillate yields also, we have maintained at the same level around 84%, all 3 refineries put together. But if you see individual refinery wise, Bina is at 87%, better performance and Kochi also better performance, 85%, beyond 84%, 85% range, comparatively, on refinery side performance.

In respect of GRMs individual refinery wise, Bina will be definitely higher. Bina will be around \$57 per barrel at a gross level, means before special duty -- export duty. And MR is at \$34 and KR is \$39. Bina mainly due to -- they can process majority of the crude of high sulfur. So high sulfur comparatively, it is cheaper than low sulfur. That was the reason Bina has contributed a lot.

Mayank Maheshwari:

Okay. And sir, in terms of the crude sourcing, you said Venezuela has come in the mix. Where do you think Venezuela now kind of continues? Do you think you can get to a certain percentage in terms of Venezuela.

V.R.K. Gupta:

Two things. Let me clarify. Venezuela, one is technically our refineries can process or not? Yes, technically, we can process, but it cannot take it directly. We have to take a blend and do it. So technically, whenever commercially if the Venezuelan crude is available, we can very well take. But certain point of time, while there is no continuity of Venezuelan crude procurement because certain point of time, certain months, the offers what they are giving it commercially is not viable.

In particular months, they are -- commercially, they are providing a good offer. Those particular months, we are taking the cargoes. That was the reason we are not in a position to take any term contracts for a continuity. As and when in a particular month, if the original crude is comparably cheaper in terms of the crude value, then accordingly, we take Venezuelan crude.

Mayank Maheshwari:

Got it, sir. And sir, the last question I had was more in terms of marketing. You had, had in terms of non-retail, which is basically the industrial side on fuel marketing, what have you seen in terms of the market after the quarter like in the last few months? Have you seen any types of discounting kind of go away now in the market because of refining cracks sit and the SAED?

V.R.K. Gupta:

No, discounting on what, marketing margins? I'm not clear.

Mayank Maheshwari:

Marketing volumes for the industrial side.

V.R.K. Gupta:

Yes. Marketing volumes already, there is a dip in terms of diesel. But other products due to nonavailability of the products, there is a degrowth in the commercial segment, mainly most of our refinery production, we have shifted to LPG production. So certain grades are not available for marketing. That was the reason there is a dip in I&C (Industrial & Commercial). But diesel, definitely, there is a dip.

One is there is a little bit of shift from direct to retail and certain segments where we are offering the price at a market operator price means without any losses or we want to maintain the standard margin, there, the volumes are dipped.

And the subsequent quarter, everything depends on the crude movements, how the crude will move, how the cracks will move, what is the parity between retail segment price and direct segment price. Accordingly, the volumes may change here and there.

Mayank Maheshwari:

Okay, Thankyou

Moderator: Thank you, the next question comes from the line of Gagan Dixit from Elara Capital. Please go ahead.

Gagan Dixit: Sir, thanks for taking my question, sir your stand-alone debt increased to INR174 billion from INR105 billion, although your balance sheet is very strong. But sir, Q1 margins remain compressed for other quarters. So, can we expect that some slowdown in the discretionary capex or FY27 capex or your capex remain unchanged for the Bina, Kochi PP or all other projects this year?

V.R.K. Gupta: Yes. Our direction, long-term direction, whatever we have committed the projects, all are good in terms of the returns point of view. So, we are not backing out any of the capex program now. And when it comes to the borrowing side, we have a gross borrowing of INR17,000 crores. But at the same time, if you refer the balance sheet, we have an investment of around INR12,500 crores. So, the net borrowing is very small, INR5,000 crores.

Even there is a cash loss during this quarter, the net borrowings will be around INR5,000 crores compared to the size of the balance sheet, the debt will be very small. So based on this, even when we say this is temporary, maybe we are foreseeing maybe another 1 or 2 months, things will stabilize, the cash flows will come back. End of the year, we are looking at a stable performance.

So, with that, we are hopeful whatever cash flow requirement for all future projects, those cash flows will be generated. And accordingly, we can complete the project without any big stress on the balance sheet.

Gagan Dixit: Sir, my next question is about the E&P business. So, your consolidated loss was lower than the stand-alone loss due to INR18.8 million exceptional income that from the FCTR reclassification after the Brazil subsidiary. So, can you clarify whether this is purely accounting in nature? And what are the capex commitments for Brazil and Mozambique over FY27, 30? And when we expect the first cash flow to generate from Brazil and Mozambique, sir?

V.R.K. Gupta: First question, rightly said, it is not any incremental cash flow generation. It is pure accounting requirement because that JV becomes subsidiary on account of this, when you do the accounting, accordingly, the FCTR reserves, you have to route it through P&L and take it to the reserves. That was the reason this has come as a P&L addition, but there is no incremental cash flow on account. It's purely an accounting side.

Comes to the projects already Mozambique, I have explained. Mozambique, we are expecting the first gas will come in FY 2028-29. The volume molecule, right, of the volume in the first phase of the development will be around 1.3 MMT for BPCL group.

And we are expecting with 100% volumes, we may generate around \$350 million on the revenue side before interest and debt repayments. Every year, we'll get around \$350 million from Mozambique project. That is what we are expecting assuming a crude of around \$65. We are not taking any very big assumption of crude.

Even if crude is at \$65, we are expecting around \$350 million something it will come, cash flow. In terms of Brazil, one big milestone we have achieved in Brazil is this entire 100% stake in 40% PI we have acquired. Through NCLT process, Videocon share also we have acquired. The shares have been transferred in the name of BPRL Ventures BV.

And secondly, the trade association of Brazil also, they have accepted whatever regulatory requirements say, we have completed all regulatory requirements, and it becomes 100% subsidiary. And second development is during this quarter, whatever is required, the major milestone, the FPSO contract has been signed with the vendors. So now the project has started.

The project commissioning will be 2031-32 -- FY 2030-31 will be the first oil will come; 2031-32 gas will come. So, this is the additional revenue stream will come maybe after 3, 4 years. Brazil also, it will be on stream now. These 2 are the major products -- projects on upstream side.

Gagan Dixit: And sir, just a quick question, if allowed. Just what is the crude inventory at the start of the quarter? I think you told at the end of the quarter; it's at 3.2 million tons. So, what's the start of the quarter you are holding the crude.

V.R.K. Gupta: 31st March, we have started the year at 3.55 MMT of -- sorry, 3.07 MMT of crude and closing will be 2.72 MMT in June. Our finished goods will be 3.79, crude is 2.72 closing.

Gagan Dixit: Thankyou

Moderator: Thank you, the next question comes from the line of Kishan Mundhra from DAM Capital. Please go ahead.

Kishan Mundhra: Hi sir, thank you for taking my question Two questions. So firstly, on -- can you share the profitability or the contribution that you have received from the PDPP unit during the quarter? And the second question would be, sir, how is the availability of Russian crude now for the month of September? And what are the discounts like I mean, from the news we hear, they are closer to \$7 to \$8 per barrel. So, is that true?

V.R.K. Gupta: So, let me first explain on the PDPP. Thanks to the war, we have not started any of the production during this quarter, PDPP. Whatever stream available entire stream we have shifted to LPG production. So, there is no production of PDPP during this quarter. So, there is no profit, there is no production, PDPP.

And second comes to the Russian crude availability, till August, we have completed the deals, even including the Russian Urals that I spoke. September offers are coming. We have to wait maybe next 1 week, we will come to know what the discount scenario would be. But definitely, based on the recent development in the crude market, now no one is offering any discount for Russian crude.

Kishan Mundhra: Okay, understood, thankyou sir.

Moderator: Thank you, the next question comes from the line of Sumeet Rohra from Smartsun Capital Private Limited. Please go ahead.

Sumeet Rohra: A very good afternoon, sir to you and your entire team, firstly congratulations on keeping the country on in such a tough environment. Now sir, I have a couple of questions more on the investor angle. Can you quantify what's the marketing loss we've incurred in terms of subsidizing fuel? Secondly, sir, what is your LPG negative buffer? If I'm not wrong, it's about INR15,000 crores, INR16,000 crores.

And sir, the matter of fact is that we are subsidizing products and selling in the bigger interest of the country. So, what's the government support that we are looking at? Because obviously, this is affecting not only the balance sheet of our company, but also the shareholders. So, can you please, I mean, give your thoughts on this, sir? Thank you very much.

V.R.K. Gupta: First is on LPG compensation, cumulative compensation buffer is INR15,804 crores as on 30th June. This is a cumulative number. And definitely, we are hopeful government will support, but only thing timing is the issue when we will get the money. But like earlier precedences, whenever LPG losses are there, government always they have subsidized and they have supported. This also we are expecting we will get support.

In terms of the fuel side, marketing under-recovery, it is not fair to calculate marketing under recovery only on the marketing side because when your cracks are hovering at \$60, \$70, sometimes ATF has gone up to \$100. You have to see an integrated level what your losses is. So, it is not fair on our account showing refining side good margin and showing marketing and recoveries on the other side.

So better to have a clarity on the overall integrated level, that is the performance we have shown in the quarter 1. There are under recoveries if you see marketing individually. But when you see the cracks of very high level of cracks, it is not fair on our account to say this is my marketing under recovery.

So, we have to see integrated level, what is our under recovery. Otherwise, we can say some number INR40,000 crores, INR50,000 crores, but whether this number is having a relevance or not, I'm not sure when you have a good amount of cracks.

Sumeet Rohra: But sir, my question comes from this is a matter of fact that shipping costs are elevated and these are not normal times. And today, India has taken the lowest amount of fuel price increase. So obviously, there is an economic interest of companies that are getting affected. So, can you basically help understand on that point as well?

V.R.K. Gupta: No, that is what I'm saying because we have thought it is only temporary in the first week of July, the complete scenario changed. We are hopeful in case if crude comes down to \$80, \$85 in the coming months, definitely, whatever we are seeing is under recoveries, definitely we would be in a position to recoup those. But things again change, crude is going up to \$90, \$95. So, we have to wait and see. These are all very short-term spikes.

Overall, if you ask me what the availability of crude overall world side is and what is the demand still crude is surplus. I think 2 million barrel per day it's surplus. When demand supply gaps at the worldwide, if it is coming on the supply side surplus, I'm not sure these crude prices will come in at \$90 or \$95. It had to come down to \$80.

Only thing is that short term, this war situation says sometimes Strait of Hormuz issues, sometimes Red Sea issues. Let us see these things should resolve maybe another 1 month or 1.5 months, we'll see the stable markets.

Sumeet Rohra: Okay sir, thank you so much and wish you all the best.

Moderator: The next question comes from the line of Vikas Jain from CLSA.

Vikas Jain: Thank you for taking my question I have 2 of them. Firstly, is I just want to understand this whole inventory gain in marketing. And also, the fact that you said that at the end of June, crude that you had has been earmarked at about \$95 a barrel or so. But if I were to look at Brent, I mean, June closing for Brent was closer to about \$73, \$74 or so. So, what am I missing here?

And in case of marketing, is it that it was transferred at a price earlier and it stayed there and it was much higher? Is that how the inventory gain has happened despite the collapse of price towards the end of June?

V.R.K. Gupta: Let me explain a little bit on the accounting side. How do you value the raw material? When you have a marketing division also in your organization, then we have to derive what is the net realizable value from the RSP side, okay? So that means, if current RSP is at X amount, at \$95 crude at landing level, so I can value at \$95. I need not value at the replacement cost, okay?

In case if I'm a trading entity, if I have held the crude, then if I don't have any marketing, then crude replacement may have to value it. That is the difference. Even when you say Brent 30th June, if it is \$72, why we are not valued at \$72, only at \$95 because my realization is at RSP. So, we value from the realization side. That is the reason \$95 crude still it is being valued in the books of accounts.

And second, gain or marketing losses when we give, these are only advances gain losses. Only we are giving a separate indication. If I would have continued with a standard margin, either this will be an addition or this will be a deletion. If I'm maintaining a continuously standard margin, this impact will be an additional or a deletion to my standard margin. So that is specifically, we give it separately.

Vikas Jain: Sorry, sir. Just one clarification on that thing that you explained. So simply put, if crude price, unless crude price goes lower than what the product realization will be, which is what you call, there is no reason for you to earmark it down. I mean you have...

V.R.K. Gupta: For example, My RSP is at INR90, then definitely I would have write down. If my RSP is at INR105 per MS, diesel is maybe INR95 something, still I can value at INR94, INR95 up to my cost of production.

- Vikas Jain:** Okay. And just one thing on ATF, sir. What is happening over there? There are obviously large losses. This, by definition, is not a subsidized product, and we are in a relatively new situation over there. And I think some of the airlines have not taken the option of stable prices. You're forced to cut prices also. So, what exactly -- how do we think we'll kind of recover there, the prices over there?
- V.R.K. Gupta:** Two things. One is international segment and second is domestic segment. International segment, definitely, the complete pass-on has happened. Even the cracks are at \$100, we have completely recovered. In terms of domestic, yes, government has introduced a market stabilization fund. But unfortunately, no airline players have come forward and they signed the MOU.
- Let us see, wait for some more time. Otherwise, we are continuing to pass on the price increase, not immediately, on a phased manner. Initially, we have increased only 25% and next month, we have increased a little bit. But subsequently, in the loss revision, INR115 we have increased. And next, since the prices have come down, again, we have reduced to INR110. Now according to the ATF pricing, we are moving in with the market price movements.
- Vikas Jain:** Okay. And what is the loss for the quarter -- in the quarter for ATF? Can you give me that number?
- V.R.K. Gupta:** We have not worked out separately. ATF, yes, there are losses. There are losses in domestic segment. There are over-recoveries in international segment. But domestic segment, we have not calculated because if you calculate whether including export duty or export duty, so many confusions can create. Yes, there are losses. April, May, June, we have not passed on the full price cost to the market. There will be some losses.
- Vikas Jain:** And what proportion of your sales is international for ATF?
- V.R.K. Gupta:** I can give roughly 55% to 60% international and 40% to 45% domestic.
- Vikas Jain:** Thank you so much sir, thanks a lot.
- Moderator:** Thank you, the next question comes from the line of Sarthak Tita from DSP Asset Managers.
- Sarthak Tita:** Congratulations to the team to weather the impact of this difficult quarter. Sir, just one question and understanding from my side that I require. What is happening majorly on the LPG side?
- Because I can see that there was some downturn on marketing volumes of LPG in this quarter. I just want to understand how is this quarter looking Q2 compared to Q1 FY27? And then if you can help me with the per cylinder under recovery in terms of rupees in Q1, that would be helpful.
- V.R.K. Gupta:** Yes, we have seen the LPG domestic degrowth in Q1, significant degrowth. It's a double-digit, almost 14% or 15% degrowth. And we are expecting a little bit degrowth even during this quarter also. Main reason for degrowth in the Q1 is mainly a little bit shortage of the supply.

Second is we have introduced a lot of control mechanisms in terms of the delivery booking and other things. So today, we can probably see the bookings are happening more than 90% digital bookings and even delivery confirmation through SMS also very high percentages.

So, this is one control which we have done in LPG, so that there should not be any shifting from domestic to commercial. And second initiative as a part of Government of India initiative, we have increased the PNG connections.

So, wherever we have geographical areas, where we can lay down the connections and give the PNG connection to the customer, significantly our efforts have been put. And accordingly, the connections have been created in PNG side and around 30,000 or 40,000 connections have been surrendered from LPG. This is the trend we are looking at it.

There may be some good amount of numbers we see from LPG consumption to PNG consumption, mainly for the urban segments. Wherever we have geographical areas, definitely, this is going to happen. And this quarter, definitely, we are not showing any big growth in LPG. Definitely, there will be a little bit same to same level of volume or there will be a degrowth in LPG.

And per cylinder under recovery, July CP if you take as a base, the per cylinder is INR490. And August CP already announced by Saudi, it is \$592. With this \$592 CP, it is \$210. And since the crude prices have gone up, maybe next month, if they increase against CP, then this under recoveries can change.

Sarthak Tita: Understood. Fair enough, sir. Just one more clarification. You mentioned that the LPG share in this quarter is lower. So, is it fair to assume that the share of petrol and diesel will be even higher in Q2 than Q1?

V.R.K. Gupta: Q2, we are expecting growth will be there, growth will be there. Everything depends on price. For example, if consumer feels prices are going up, we are seeing a pattern. They are taking more volumes. So, the growth will be there. But otherwise, if you see seasonal, whatever 2%, 3% growth we expect, that is what we are foreseeing this quarter.

Sarthak Tita: Fair enough, that's all from my side, thank you.

Moderator: The next question comes from the line of Pratyush Kamal from Incred Equities.

Pratyush Kamal: So, there are 2 questions in my mind, which I wanted to ask. One is regarding the difference between the landed cost and the index such as Brent. Since you said that at the pre-war level, it was near to about \$6, \$7, and now it has come up to a level of \$13, \$14. The question which arises in my mind that if I look at the VLCC rates, it has come down to the pre-war level because that is something which is pretty evident from the tanker index.

At the same time, if I look at the U.S. Gulf Coast to India freight trade, it has also come down to a pre-war level of about \$8.14 per barrel. The only thing which is left is the Middle East to India freight rate, which is still elevated of about 68% to 70% compared to what it was at the pre-war level.

So just wanted to understand why the difference is of near to \$7 to \$8 per barrel coming up between the pre-war and the post war. Is it because of you sourcing a lot of crude from Middle East or partially it is because of insurance and other stops because of which you are paying higher cost. So just wanted to get, I'll say, a glance on that?

V.R.K. Gupta:

Yes. When we say port far means it is during Q1. Q1, this particular benchmark and landing, the difference is on account of major 3 components. One is the freight definitely. Second is the insurance. The third one is premium what you pay to the supplier, okay?

During April, May, June, during the 3 months, most of the cargoes, you are not in a position to purchase at a benchmark. Benchmark plus premium you have to pay because the spot basis, the crude availability is lesser, then when we negotiate, we are not in a position to get any crude at benchmark.

So compared to pre-war period, the benchmark plus premiums is high. In certain cargoes, the premiums have gone up beyond \$10. That was the reason. And pre-war situation, most of the cargoes are available at benchmark level without having any premiums or sometimes it may be a \$0.5 or \$1 discount.

Whereas post war, there is no discount, there is no benchmark price available, always you have to pay the premium. If you ask me current, what is the situation? Yes, definitely, the freight rates have been improved current period, maybe last 1 week or 10 days, if you ask me. So, freight rates VLCC has been improved.

But the AG side still the benchmark versatility is hovering around 380, 370. So that is the reason still I'm saying the benchmark and landing, it is covering a big component. Maybe 1 or 2 months, it may settle it.

Pratyush Kamal:

Got it. Understood, sir. And do you see the VLCC supply glut coming up in the fleet market because of a lot of conversions of the Aframax' and Suezmax' tankers into the product slate -- into the crude slate because of taking the arbitrage advantage of the higher freight rate, which was at the peak war level in the crude market compared to the product market. And so, do you see any VLCC supply glut coming up, which will lower the prices going forward even more compared to what it was at the pre-war level?

V.R.K. Gupta:

Everything demand supply. Everything demands supply will balance out over a long period of time. Maybe temporary 1 or 2 months or 3 months during the war period, everything is on a higher side, but we are expecting everything will balance it out.

Whatever, for example, free supply and free demand, everything will change. So, this is only temporary. Every component on a higher side, freight is higher, insurance is higher and your premiums are higher. Now premiums no more, they are commanding a \$10 premium. Already the premiums have come down.

Sometimes in the first week of July, even we got a good amount of discounts of \$3, \$4 discounts of Russian Urals. So, everything depends on the market, market dynamics, how it moves. temporary, you should not take it as a benchmark. We have to see long term only.



- Pratyush Kamal:** Got it, sir. Just last one question regarding the marketing inventory gain which you posted. So, I wanted to understand what kind -- what component of it is coming from the higher retail diesel and petrol prices because, again, the marketing gain could either come from the higher realized diesel and petrol prices or from the lower, I'll say, the crude prices or definitely higher inventory, which you would have posted in Q1 compared to Q4. So what components are coming up from?
- V.R.K. Gupta:** It's a simple calculation. There is no component. What is the RTP of the fortnight and what is the RTP of second Fortnight? The differential in the RTP multiply what is the quantity we are holding. That is a simple calculation. There is no...
- Pratyush Kamal:** So, have you increased the quantity of the holding of the final product?
- V.R.K. Gupta:** Holding up the inventory with the adjustment of change of inventory.
- Pratyush Kamal:** Okay, got it, thankyou sir.
- Moderator:** Thank you. Participants who wish to ask a question may press * and 1, Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Varatharajan for closing comments. Thank you, and over to you, sir.sss
- Varatharajan:** Thank you, operator. Gupta ji, if you have any closing comments, sir?
- V.R.K. Gupta:** Thank you.
- Varatharajan:** I wish to thank all the participants and the senior management of BPCL for taking time out to participate in the call and share all the details. Thanks, everyone. Have a nice day.
- Moderator:** Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.