

Management Discussion

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited

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 Corporation Limited. We have with us Mr. VRK Gupta, Director Finance, Mr. Pankaj Kumar, ED Corporate Finance, Mr. Ashish Kaur, CGM Corporate Treasury, Ms. Anusuya Watsal Thakkar, DGM Finance, Pricing and Insurance, Mr. Balagiris, Senior Manager Pricing and Insurance.

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

CA Balagirish J - Senior Manager of Finance, Bharat Petroleum Corporation Limited

Thank you, Mr. Bharat Rajan. 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.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Good morning, everyone. A warm welcome to the participants of today's investor call. Our Q1 26-27 results were released on the exchanges yesterday. I hope you had an opportunity to go through the same. The first quarter of FY27 unfolded again as 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, 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 interests 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 worked 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 Q1.

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 two new crude grades from Venezuela and Angola. The procurement strategy was achieved by overcoming multiple hurdles

including vessel availability, placement of freight, insurance, etc. 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 '26, 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 '27 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 two 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 RIC. 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 standalone BPCL at Srinagar Airport, marking our entry into commercial locations other than our retail outlets and expanding our BKFI network to 220 outlets across India by the end of this quarter. I'm also happy to share that we recently launched Bharat Gas Lite JEEP 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 strength and momentum in this important growth segment. In line with our go-to-market strategy for petrochemicals, we recently launched our brand BPCL 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 Vidocan Energy Brazil Limited, making it a wholly owned subsidiary of BPCL. 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 TIKTAR and Shell India Private Limited through a 40% investment in the value-added bitumen venture at a value of INR85 crore.

This marks our entry into a growing specialty business aligned with India's infrastructure ambitions. We're combining Shell's technology, TIKTAR'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 MW at an estimated CAPEX of INR860 crore 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 Bharat Petroleum Corporation Limited and refined expansion project, We achieved a cumulative progress of 30.7% with INR5,900 crore incurred and INR30,000 crore 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 have 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 29th. The polypropylene project at Kochi, the scheduled commissioning date is May 28th. The project is completed 40% as on date. And the POL and LOBS installations at Vashiini are also progressing in line with the plan. During the quarter, capital expenditure stood at INR4,433 crore. The 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 crore, remains unchanged. Our proposed Andhra Pradesh refinery project has also progressed through key developments including license tender evaluation. Land registration process for around 3,082 acres has been completed. Environmental clearance is expected from MOEFCC by Q2 26-27, 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. Again, at 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 7.5 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 crore after adjusting for the installments received against the already announced LPG compensation of INR7,594 crore. 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 crore and loss of INR3,962 crore on standalone basis.

Further, the debt equity at standalone, gross borrowing leverage at 0.19 with borrowings of INR17,396 crore 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.

Questions & Answers

Operator

Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. 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 comes from the line of Probal Singh from ICICI Securities. Please go ahead.

Probal Sen - Analyst, ICICI Securities

Good afternoon, sir. Thank you for the opportunity. First question is more of a housekeeping one. You mentioned about the GRM being basically a gross number excluding the SAD and other cess. Is it possible to share the net number?

CA Balagirish J - Senior Manager of Finance, Bharat Petroleum Corporation Limited

Yeah, net number after--

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

SAD, you can roughly take around 17.

Probal Sen - Analyst, ICICI Securities

Net number would have been closer to about \$17.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

\$17 per barrel if you remove the SAD component. If you remove the SAD component.

Probal Sen - Analyst, ICICI Securities

Understood, sir. And so one thing in the details shared, uh, 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, uh, you know, prices for crude also dropped a bit by the end of the quarter. Just wanted to understand how the -- sorry.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, yeah. What we have communicated, only marketing, uh, trading ends means every fortnight when we see the RTP movement the RTP differential multiply with the what is the inventory we have, that we call it as advances gain losses, uh, that we separately disclose. That is what that is the marketing. Because if you, if you compare with starting from 1st April, uh, in the first 2, 2 and a half months, the price is increasing trend. Only in the back end of June only the price decreasing has happened.

So the majority of these are the price increasing trend. That was the reason, uh, for the quarter, uh, it is recognized as advances gains. Half around INR3,000 crore.

Probal Sen - Analyst, ICICI Securities

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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

We don't know how it ends up by September, no, because we thought the same thing in the

beginning of 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 - Analyst, ICICI Securities

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? On the crude supply?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Broadly, I can explain the numbers. For example, if we are processing around 39 or 40 million metric tons of crude, around 3 MMT we source domestically from Mumbai. That means balance requirement around 36 to 37 million metric tons. Every month we need to import around 3 MMT, 3 or 3.2. Give the numbers, as on June 26th, we have inventory of around 3.8 MMT of crude. That means around 35 days of crude already we have. That is 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. Maybe we may not, we may not take that cargoes or they may not be in a position to supply. But otherwise, till 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.

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

Probal Sen - Analyst, ICICI Securities

That is very useful. So 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

I cannot share that. Yeah, no, I can give it directionally. In fact, the pre-war situation, uh, the India basket benchmark and landing will be maybe \$4-5 loading, okay, the benchmark and landing, excluding the discount, excluding the discounts of Russian oil. Sometimes that is going to be \$2. If I remove that Russian, the benchmark and landing will be \$4-5. But this quarter, April to June, if you ask me, the benchmark and landing will be more than \$15.

Probal Sen - Analyst, ICICI Securities

Perfect. That is extremely useful, sir. Thank you so much. I'll come back.

Operator

Ladies and gentlemen, you are requested to restrict your questions to 2 questions per participant. The next question comes from the line of Rishabh Shivkumar from Motilal Oswal Financial Services

Limited. Please go ahead.

Abhishek - Analyst, Motilal Oswal

Yeah, hi, this is Abhishek from Motilal Oswal. So just, uh, there was some issue with the sound, with the sound April to June, you said the crude premium will be-- the landing premium will be about \$15 or so, right?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

15. Ah, benchmark. When I say benchmark, that is the Indian basket. Indian basket means it is a combination of all oil companies procurement. It is not only for BPCL. When you say that benchmark, uh, the differential of BPCL landing and benchmark will be around \$13 to \$15. You can take that. That is directionally.

Abhishek - Analyst, Motilal Oswal

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

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

No, no, I'm saying pre-war. Pre-war it was around \$4 to \$5. Okay, around \$13 to \$15. Now, uh, we have to wait for the second quarter, how it evolves.

Abhishek - Analyst, Motilal Oswal

How it was-- okay, fair enough. But I'm seeing shipping rates come off quite sharply. So are you seeing lower, you know, I can--

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Give the benchmarks. For example, pre-war, YG ka wall scale was hovering around 55 to 60 wall scale. That is the benchmark. It went up to the peak level of 600, the world scale. It came down to around 300. Now it is hovering around 380 to 400. So that is the current benchmark indices.

Abhishek - Analyst, Motilal Oswal

Okay. Perfect. And so just last question on the overseas DNP assets, you know, what progress have you there? If you can update us on that.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, actually we, we have achieved great milestones in the last quarter, April to June quarter. One may-- 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 2029. 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-- we are in the first phase, we are developing 13.2 million metric tons of gas production, out of which BPCL, BPRL, one of our subsidiaries, is having 10% of the stake.

That means our stake of molecule rate is around 1.3 MMT in the first phase of development. In the subsequent development, whenever it happens, additional volumes will come. That is on

Mozambique. In terms of Brazil, uh, we have earlier, uh, 40% stake through one of our JV, uh, in the particular project. Out of that 40% stake, we have a 61% stake by BPCL and 39% by Videocan. During the insolvency proceedings, we have submitted our bid and we are successful, and then entire transaction has been concluded.

The entire stake has been transferred to BPCL. Now we are having a 100% stake in 40% of the project PI. So this project milestone is during this quarter, uh, the operator has signed the FPSO contract, uh, and the work will be starting very shortly. The projected completion of the project will be '30, '31, the first oil will come. '31, '32, the first gas will come from Brazil. The expected reserve size is around 88,000 barrels per day, out of which BPCL will have a 40% stake. So this is the two major projects, and other projects are small compared to these two.

We have certain project development in lower Jhukum. One is in production 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 four are the major working projects.

Abhishek - Analyst, Motilal Oswal

Oh, perfect, sir. Thank you so much.

Operator

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

Amit Murarka - Analyst, Axis Capital

Uh, yeah, hi, good afternoon. Thanks for the opportunity.

Operator

Sorry to interrupt, sir. Your voice is not clear. Can you please use a handset?

Amit Murarka - Analyst, Axis Capital

Yeah, is it better?

Operator

Oh yes, sir, better. Please go ahead.

Amit Murarka - Analyst, Axis Capital

Yeah, 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 have purchased, give a percentage split of the two.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Uh, we have already the numbers. Approximately I can give, uh, our sales requirement may around 80% our sourcing only. Maybe 10 to 15% we procure on month-on-month basis. It may vary, otherwise indicative with 10 to 15%.

Amit Murarka - Analyst, Axis Capital

Is it the same for both the MS, HSD, or like are you giving a product?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

MS will be lesser, diesel will be higher, but it depends on the, uh, realization. For example, if you feel a diesel realization is more than MS, optimization point of view produce more diesel and lesser MS. In those quarters, it slightly changes, 5 to 6% is slightly changes. We have a swing of around 10% in

one of the refineries, so we can take a MS more or HHD more, depends on the product realizations.

Amit Murarka - Analyst, Axis Capital

Okay, so broadly 15% is purchased in action, right? And, and, uh, secondly, on, um, You shared the marketing gains. Would you give a ballpark number on the crude gains as well?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Well, that is what I'm-- earlier also how 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 - Analyst, Axis Capital

Sure, but fair to share that losses would have been minimal in the quarter, as in for crude?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

I don't know whether 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 too Bharat Petroleum Corporation Limited.

Amit Murarka - Analyst, Axis Capital

Understood. That's all for me.

Operator

Before we take the next question, a reminder to all the participants: to ask a question, please press star and 1. The next question comes from the line of Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshwari - Analyst, Morgan Stanley

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? And even if you take the SAE 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, etc.-- 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.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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 yield also we have maintained at the same level, around 84, all three refineries put together. But if you see individual refinery-wise, BPCL is at 87%, better performance, and Kutchi also better performance, 85, beyond 84-85 range comparatively on refinery side performance. Performance. In respect of GRM's individual refinery, Bina will be definitely higher.

Bina will be around \$57 per barrel at gross level, means before special 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 BNI had contributed a

lot.

Mayank Maheshwari - Analyst, Morgan Stanley

Okay, so answer 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Two things, let me clarify. Venezuela, uh, one is technically, can 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 the Venezuelan crude is available, we can very well take. But certain point of time, why there is no continuity of Venezuelan crude procurement? Because certain point of time, certain months, the offers what they are giving, it commercially they are 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 comparatively cheaper in terms of the crude value, then accordingly we take the Nigerian crude.

Mayank Maheshwari - Analyst, Morgan Stanley

Got it. And so the last question I had was more in terms of marketing. Uh, you had had, uh, like in terms of, uh, non-retail, which is basically the industrial side on fuel marketing, uh, 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 where refining cracks sit and the SED?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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

Mayank Maheshwari - Analyst, Morgan Stanley

Marketing volumes for the industrial side.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, marketing volumes. Already there is a dip in terms of diesel, but other products, due to non-availability of the products, uh, there is a degrowth in the commercial segment. Mainly most of our refined production we have shifted to LPG Corporation Limited. So certain grades are not available for marketing. That was the reason there is a dip in INC. But these are 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 operated price, means without any losses, or we want to maintain the standard margin, there the volumes are Bharat Petroleum Corporation Limited.

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 - Analyst, Morgan Stanley

Okay, Thank you.

Operator

Thank you. The next question comes from the line of Gagan Dixit from Alara Capital. Please go ahead.

Gagan Dixit - Analyst, Elara Capital

Yes, sir, thanks for taking my question, sir. Your standalone debt increased to INR174 billion from INR105 billion, although your balance sheet is very strong. But, uh, uh, but it's the fuel margins remains 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, BPCL, uh, or all other projects?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah. One is 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 comes to the borrowing side, we have a gross borrowings of INR17,000 crore, but at the same time, if you refer the balance sheet, we have an investment of around INR12,500 crore. So the net borrowing is very small, INR5,000 crore only. Even, even there is a cash losses during this quarter, uh, the net borrowings will be around INR5,000 crore compared to the size of the balance sheet.

The debt equity is very small. So based on this, uh, even, even, uh, 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, we are looking at a stable performance. So with that, we are hopeful whatever cash flow requirement for our all future projects, uh, those cash flows should be generated and accordingly we can complete the project without any, uh, big stress on the balance sheet.

Gagan Dixit - Analyst, Elara Capital

So my next question is about the ENP business. So the consolidated loss was lower than the standalone loss due to 18.8 billion exceptional income that's from the SPTL classification 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Uh, first question, uh, rightly said, it is not any incremental cash flow generation. It is pure accounting requirement because that JV becomes subsidiary. Uh, on account of this, when you do the accounting according with the FCTR reserves, you have to route it through P&L and take it to the reserves. That was the reason, uh, this, 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 the FY28-29. Uh, the volume molecule rate of the volume in the first phase of the development will be around 1.3 MMT per BPCL Group. And we are expecting with 100% volumes, we may generate around \$350 million on the revenue side. Before interest and/or debt repayments, every year we will get around \$350 million from Majambit 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 the Brazil, uh, one big milestone we have achieved in Brazil is, uh, this entire 100% stake in 40% IA, uh, PA, we have acquired. Through NCLT process, Videocon share also we have acquired. The shares have been transferred in the name of BIBV. 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, FPSO contract has been signed with vendors. So now the project has started. The project commissioning will be '31-'32, '30-'31 will be the first tile will come, '31-'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 two are the major projects on upstream side.

Gagan Dixit - Analyst, Elara Capital

And this is just a Quick question, just if allowed. Just, uh, 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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

Gagan Dixit - Analyst, Elara Capital

Yeah, that's it. Thanks, sir. Thanks for your presence.

Operator

Thank you. The next question comes from the line of Kishan Mundra from Dam Capital Limited. Please go ahead.

Kishan Mundhra - Analyst, DAM Capital

Hi, sir. Thank you for taking the question. So, two questions. So firstly, on, uh, can you share the profitability, uh, or the contribution that you have received from the PDPP unit, uh, during the quarter? And the second question would be, sir, is how is the availability of Russian crude now for the month of September? And, 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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 Bharat Petroleum Corporation Limited. And second comes to the Russian crude availability. Till October-- till August we have completed the deals, even including the Russian Urals at Expo. September offers are coming.

We have to wait maybe next one week. We will come to know what would be the discount scenario. But definitely, based on the recent development in the crude market, now no one is offering any discount for.

Kishan Mundhra - Analyst, DAM Capital

Understood. Thank you, sir.

Operator

Thank you. The next question comes from the line of Sumit Rohra from Smart Sun Capital Private Limited. Please go ahead.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited

Yeah, yeah. Hi, sir. Very good afternoon to you and your entire team. Sir, firstly, congratulations on keeping, you know, 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, you know, what is your LPG negative buffer? If I'm not wrong, it's about INR15,000-16,000 crore. And so the matter of fact is that we are subsidizing products and selling in the bigger interest of the country.

So, you know, 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.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, first is on LPG compensation, um, cumulative compensation buffer is INR15,804 crore as on 30th June. This is the 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, subsidized, and they 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 is gone up to \$100, you have to see an integrated level what is your losses.

So it is not fair on our account showing a refining side good margin and showing marketing under-equities 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. Yeah, there are under-equities 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-equity. So we have to see an integrated level, what is our under-equity.

Otherwise we can say some number, 40,000 crore, 50,000 INR1,000 crore. But whether, whether this number is having a relevance or not, I'm not sure when you have a good amount of crash.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited

But so 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, you know, that there is the economic interest of companies which are getting affected. So can you basically, you know, help understand on that point as well?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

That is what I am 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 or \$85 in the coming months, definitely whatever we are seeing is an under-recuperation, definitely we would be in a position to recoup those. But things again changed, again 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 is the availability of crude overall world side.

And what is the demand? Still crude is surplus, at least 2 million barrels per day 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 has to come down to \$80. Only thing is that short-term,

this war-like situation, say sometimes so state of harmony issues, sometimes Red Sea issues. Let us see, these things should resolve maybe another 1 month or 1.5 months. So we'll see the stable markets.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited

Okay, sir, thank you so much and wish you all the best. Thank you.

Operator

Thank you. A reminder to all the participants, to ask a question please press star and 1. The next question comes from the line of Vikash Jain from CLSA. Please go ahead.

Vikash Jain - Analyst, CLSA

Hi sir, thanks for taking my questions. I have two of them. Firstly is, I just want to understand this whole inventory gain in marketing, you know, 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, you know, 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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 the-- what is the net realizable value from the RSP side. Okay, so that means my-- if current RSP is a tax-free amount at \$95 crude at landing level, so I can value at \$95. I need not value at the replacement cost.

In case if it-- if I'm a trading entity, if I have holding the crude, then if I don't have any marketing, then crude replacement, I have to value it. That is the difference. Even when you say Brent, 30th June, if it is \$72, why we have 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, marketing gain or marketing losses, when we give, they are only advances gain losses only.

We are giving a separate indication. If I would have continued with the 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 addition or deletion to my standard margin. So that is specifically we give it separately.

Vikash Jain - Analyst, CLSA

Sorry, sir, just took 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 year it, year mark it down.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

I mean, for example, my RSP is at INR90, then definitely I would have write down. If my RSP is at INR105 per ml, now BPCL is maybe INR95 something, still I can value at INR94, INR95, up to my cost of production.

Vikash Jain - Analyst, CLSA

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, uh, 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, you know, the prices over there?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

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 last revision INR115 have increased, and next, since the prices have come down again, we have reduced to INR110. Now according to the ETF pricing We are moving in, in there with the market price movements.

Vikash Jain - Analyst, CLSA

Okay, and what is the loss for the quarter, in the quarter for ETF? Can you give me that?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

We are not working out separately. There are losses, there are losses in domestic segment, uh, there are more recoveries in international segment, but domestic segment, uh, we are not calculated because if you calculate whether including export duty or excluding export duty, so many, many confusions can create. Yes, there are losses. April May, June, we have not passed on the full price cut to the market. There will be some losses.

Vikash Jain - Analyst, CLSA

And what proportion of your sales is international?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

For it, I can give roughly 55 to 60% international and 40 to 45% domestic.

Vikash Jain - Analyst, CLSA

Okay, thank you so much, sir. Thanks a lot.

Operator

Thank you. The next question comes from the line of Sarthak Peeta from DSP Asset Managers. Please go ahead.

Sarthak Tita - Analyst, DSP AMC

Hi, thank you so much for the opportunity and congratulations to the team, you know, to weather the impact of this difficult quarter. So 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, you know, 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, you know, under recovery in terms of rupees in Q1, that would be awesome.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yes, we have seen the LPG domestic degrowth in Q1, significant degrowth. It's doubled it almost to 14 or 15% degrowth, and we are expecting a little bit degrowth even during this quarter also. Main reason for degrowth in the One 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 say 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 BPCL 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 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'll see from LPG consumption to PNG consumption, mainly for the urban segments. Wherever we have geographical area, definitely this is going to happen. And this quarter, definitely we are not showing any big growth in LPGs. Definitely there will be, uh, a little bit same to same level of volume, or there will be a degrowth in LPG. And Bharat Petroleum Corporation Limited under recovery July CP, if you take as a base, the per cylinder is INR490, and August CP already announced by Saudi, it is \$5.92.

With this \$5.92 CP, it is INR210. And since the crude prices have gone up, maybe next month if they increase again CP, then this, uh, NSE Corporation Limited can change.

Sarthak Tita - Analyst, DSP AMC

Understood, fair enough, sir. Just one small 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?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Q2, we are expecting growth will be there, growth will be there. Everything depends on price. If, for example, if consumer fuels prices are going up, there we are, 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 - Analyst, DSP AMC

Fair enough. That's it from my side. Thank you very much and all the best. Thank you.

Operator

Thank you. Before we take the next question, a reminder to all the participants: to ask a question, please press star and 1. The next question comes from the line of Prityush Kamal from Incred Equities. Please go ahead.

Pratyush Kamal - Analyst, Incred Equities

Hello, I'm audible, sir?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, please.

Pratyush Kamal - Analyst, Incred Equities

Okay, so there are two questions in my mind which I wanted to ask. One is regarding the difference between the landed cost and the index such as, you know, 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, you know, \$13-14, the question which arises in my mind that, you know, if you-- if I look at the VLCC rates, it has come down to the pre-war level because, you know, that is something which is pretty evident from the Dirty Tanker Index.

At the same time, if I look at the US Gulf Coast to India free trade, it has also come down to a pre-war level of about \$8.14 per barrel. The only thing which is left is, you know, the Middle East to India free trade, which is still elevated of about, you know, 68% to 70% compared to what it was at the pre-war level. So just wanted to understand why is the difference-- you know, near to \$7 to \$8 per barrel coming up between the pre-war and the post-war. Is it because of, you know, you sourcing a lot of crude from Middle East, or partially it is because of insurance and other stuffs because of which you are paying higher cost? So just wanted to, you know, get a-- I'll say a glance on that.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Yeah, when we say post-war means it is during Q1. Q1, this particular benchmark and landing, the differential 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 these 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 are high. In certain cargo, 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. Which 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 one week or 10 days if you ask me.

So freight rates, VLCC, that has been improved. But the AG side, still the benchmark world scale, still it is hovering around 380, 370. So that is the reason still I'm saying, uh, the benchmark and landing, it is hovering at a big component. Maybe, maybe one or two months it may settle it.

Pratyush Kamal - Analyst, Incred Equities

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

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Everything demand-supply, everything demand-supply will balance out over a long period of time. Maybe temporarily, 1 or 2 months or 3 months during the war period, everything is a higher side, but we are expecting everything will balance it out. Uh, whatever, for example, free supply and free demand, everything will change. So this is only temporary. Every component on a higher market,

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 also, \$3, \$4 discounts of Russian Urals. So everything depends on the market, market dynamics, how it moves. Temporarily, you should not take it as a benchmark. Maybe you have to see long term only.

Pratyush Kamal - Analyst, Incred Equities

Got it, sir. Just last one question regarding the marketing inventory gain which you posted. So wanted to understand what kind of-- what component of it is coming from the higher, you know, retail diesel and petrol prices? Because again, the marketing gain could either come from the higher, uh, you know, realized diesel and petrol prices, or from the lower, I'll say, the crude prices, or definitely your higher inventory which you would have posted in Q1 compared to Q4. So what components are, you know, coming up from--

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

It's a simple calculation, there is no component. What is the RTP of Fortnate and what is the RTP of second fortnight, the differential in the RTP, multiply what is the quantity we are holding. That is simple calculation. There is no complete analysis

Pratyush Kamal - Analyst, Incred Equities

Quantity. So have you increased the quantity of the holding of the final product?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Holding of the inventory with the adjustment of change of inventory.

Pratyush Kamal - Analyst, Incred Equities

Oh, thank you, sir.

Operator

Thank you. Participants who wish to ask a question may press star. And one. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Vartarajan for closing comments. Thank you, and over to you, sir.

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited

Thank you, Apurva. Mukherjee, let me know if you have any closing comments.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited

Thank you, thank you. Nothing else. Thank you.

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited

I wish to thank all the participants and the senior management at BPCL for taking time out to participate in the call and share all the details. Thanks everyone, have a nice day.

Operator

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