Management Discussion

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
Thank you, Nadine. Very good morning, ladies and gentlemen. It is my pleasure to welcome all the participants on the call and the BPCL management to the 2Q FY '27 call of BPCL. We have with us Mr. V.R.K. Gupta, Director Finance; Mr. Pankaj Kumar, ED Corporate Finance; Mr. Ashish Goyal, CGM Corporate Treasury; Ms. Anushiya Vatsal Thakker, DGM Finance; Mr. Balagirish, Senior Manager Finance, Bharat Petroleum Corporation.I would like to hand over to Mr. Balagirish for the disclaimer.

Balagirish J - Senior Manager of Finance, Bharat Petroleum Corporation Limited
Thank you, Mr. Varatharajan. Good morning, and on behalf of the BPCL team, I welcome you all to this post Q2 results con call.Before we begin, I would like to mention that some of the statements that we will be making during this con call are based on our assessments 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 Q2 results.I now request our Director of Finance, Mr. V.R.K. Gupta, who is heading 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, and thank you for joining us today. As you are aware, our quarter two results were announced. Let me begin by putting the quarter in context, particularly how the operating environment evolved since we last spoke. When we met in July, the energy markets were under significant stress due to the escalation of the West Asia crisis, which had a considerable impact on our quarter one performance.As tensions showed some signs of easing at the time, we were hopeful that the opening environment would gradually stabilize. However, quarter two unfolded quite differently. The quarter began on a relatively calm note with Brent crude at around $70 per barrel from mid-July. However, geopolitical tension intensified, pushing crude prices above $90 per barrel by August. The situation escalated further in September following attacks on Saudi export infrastructure and tankers, with Brent averaging around $116 per barrel during this month.Tensions around the Strait of Hormuz and the Red Sea also remained elevated. While we continued to secure supplies without disruption, the escalation kept crude premiums and freight costs at elevated levels. Against this challenging backdrop, strong diesel and ATF cracks supported refining economics, while lower LPG under recoveries provided some relief to marketing margin during the quarter. At the same time, the rupee remained under pressure, averaging around INR95.6 against U.S. dollar, adding to the cost of our dollar-denominated imports. Through all this volatility, our priorities remained clear. We stayed focused on our four things, securing supplies, serving our customers without disruption, protecting shareholder value and maintaining momentum on our growth program.Let me start with sourcing. Our spot crude share remained at around 67% in Q2, while Russian grades accounted for approximately 37% of our total crude procurement, both broadly in line with previous quarter. As flows from Middle East improved, we progressively restored sourcing from the region, while retaining the flexibility and diversification we had built during Q1. I am also pleased to share that our efforts to strengthen our international crude sourcing capabilities have begun to yield results.

BPCL became the first in the industry to leverage sourcing opportunities from inside the Strait of Hormuz at a price advantage. This was achieved through our international crude desk in Singapore, which commenced the operations in September 2026. This marks an important step in strengthening

our global sourcing capabilities and improving our ability to respond quickly to opportunities in an increasingly dynamic crude market. As of 30 September , we held around 22 days of crude inventory, and importantly, our crude sourcing requirements are tied up through December 2026.Moving to LPG. Despite disruption to traditional supply routes, we maintained domestic availability through a more diversified import portfolio. Supplies from the Arab Gulf improved during the quarter, while U.S. origin cargoes accounted for around 48% of our total LPG imports in Q2. Currently, we are holding 32 days of LPG inventory, including in-transit.On LNG, disruptions to our long-term supply contracts required us to actively diversify our sourcing. We secured alternate spot supplies from the U.S., Oman and West Africa, supported by flexible logistics arrangement to bridge supply gaps despite elevated market prices.Coming to refining. Our refineries continued to deliver a superlative operational performance during the quarter. We achieved a throughput of 10.4 million metric tonnes in Q2 with overall capacity utilization at 117%. Our gross refining margin stood at $32.53 per barrel, and after adjusting SAED, the GRM was around $14 per barrel. Distillate yield remained strong at 84.38%.Moving to marketing. Our domestic sales volume stood at 13.47 million metric tonnes in Q2 compared to 13.62 MMT in Q1. We continued to strengthen our retail network, taking the number of outlets to 25,592 compared with 25,485 at the end of Q1. At the same time, we continued to build our premium fuel and non-fuel portfolio. Speed 97 conversion stood at 5.21% during the quarter. Speed 100 is now available at 162 outlets, and our BKF network has expanded to 234 locations.On LPG, we commissioned our Matia LPG plant in Goalpara, Assam, our first LPG bottling plant in the state, with a capacity of 30 TMT per annum. This is an important step towards strengthening our LPG infrastructure and product availability in that region. We are also pleased to share that our premium composite cylinder, Bharatgas Lite ZIP, is now available across India and can be conveniently booked through the Hello BPCL app.I am proud to share with you that BPCL has recently launched extreme weather-grade diesel, developed entirely in-house to keep military vehicles operating reliably in extreme winters and at high altitudes. The first rake was dispatched from Bina in August. For us, this is more than just a new product. It demonstrates what we can achieve when innovation and technological capability come together in support of national priorities.Our gas business maintained strong growth momentum. Bulk gas achieved a record H1 sales performance of 979 TMT, registering 53% year-on-year growth, while CGD sales reached 177 TMT, growing 65% year-on-year. The recently announced GOBARdhan scheme has made CBG projects increasingly attractive, and we are actively pursuing this opportunity through both our own plants and joint ventures. Additionally, our CBG blending reached 6.5% in H1, more than double the mandated target of 3%.Coming to LPG compensation, the softening of Saudi CP prices during Q2 provided some relief on under recoveries. Average under recovery declined to around INR290 per cylinder in Q2 compared to INR507 per cylinder in Q1. As of 30 September, the cumulative buffer stood at INR17,334 crores, after adjusting for INR3,796 crores of compensation received during the first half. For future, we remain hopeful of the government's continued support to OMC toward domestic LPG compensation.Let me now brief on our growth program. Our capex program remains on track. And since we last spoke, our key projects have continued to make steady progress. As of September '26, our Bina Petrochemical and Refinery expansion project has reached 40.2% progress, while the polypropylene project at Kochi has reached 55%. The PRFCC project at Mumbai is also progressing.We have also taken an important step in our sustainable aviation fuel journey. In October, we signed India's first co-processing licensing agreement for our SAF project at Mumbai refinery. Phase 1 involves revamping the existing kerosene hydrotreater unit and is targeted for commissioning by January 2027. This positions us well for India's SAF blending requirement for

international flights, beginning at 1% in 2027 and progressively increasing to 5% by 2030.On the Andhra Pradesh refinery and petrochemical complex, I am pleased to share that on Friday, our board approved the incorporation of a wholly owned subsidiary as a dedicated project company, with an initial authorized share capital of up to INR4,900 crores, subject to requisite approvals. The dedicated project company will facilitate swift due diligence, lender engagement and development of the financing and partnership structures. The detailed feasibility reports are in their final stages, following which the final investment decision will be taken shortly.Moving to our upstream portfolio. The Mozambique project continues to progress steadily, reaching 47% completion as of September 2026, with gas production expected by mid-2028. In Brazil, following the award of the FPSO tender in May 2026, the BM C-11 project is also progressing in line with planned timelines. Overall, against our FY '26-'27 capex target of INR25,000 crores, we have incurred INR13,749 crores during the first half, including INR9,300 crores in Q2.Now coming to our financial performance. Revenue from operations for the quarter stood at INR1.5 lakh crores, with a standalone profit after tax of INR4,993 crores. For the first half, standalone profit after tax stood at INR1,031 crores. On a consolidated basis, profit after tax for Q2 stood at INR4,863 crores, while profit for the first half was INR2,990 crores.Despite the challenging operating environment, our Q2 performance demonstrates the resilience of our integrated business model. The quarter benefited from our agile sourcing strategy, robust refining performance and a reduction in marketing and LPG under recoveries. Our balance sheet also remains strong. Standalone gross borrowings reduced to INR15,246 crores as of 30 September compared with INR17,386 crores at the end of June. The standalone debt-to-equity ratio improved to 0.16 from 0.19 in Q1. Our borrowings, net of short-term investments, stood at INR7,106 crores as against INR4,800 crores in Q1.As we enter the second half of the year, the external environment continues to remain uncertain. However, our performance in Q2 demonstrates our ability to adapt quickly and operate with resilience through periods of significant turbulence. We remain confident in BPCL's ability to navigate near-term volatility while building long-term value.With that, I will conclude my brief on our Q2 performance and will be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen - Analyst, ICICI Securities
Thank you for the opportunity, sir, and congratulations on a good set of numbers. A few questions for you. You talked about the crude sourcing mix for the second quarter, with spot crude at 67% and Russia at 37%. Just wanted to get a sense, given that Middle East crude flows have improved, as you mentioned, have we seen any material change in that mix in the month of October so far? And how are we looking at the mix till December, when you said you already have crude tied up till at least the end of December?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Let me give you in terms of the brief numbers. This Saudi side, Persian Gulf, compared to Q1, definitely it has improved in Q2. Even October, November also, we are expecting the similar lines of higher volume from Middle East. Mainly after Yanbu pipeline connection by Saudi, they have started

increasing their volumes and certain cargoes are coming from ADNOC also. Only cargoes from Iraq and Kuwait still not coming in full-fledged, but otherwise, a good amount of volume is coming from Middle Eastern side.October, our requirement from Russia has slightly come down, but in the month of November, the cargoes from Russia significantly has reduced due to the commercial viability of Russian cargoes, mainly the increase in the freight. We are not getting good offer from the Russia. Now for December cargoes, slightly it has improved. Whatever they were expecting a good amount of premium for Russian cargoes, now the premiums, slightly they have reduced. Maybe it is now comparable with other Persian Gulf grades, Russian Urals. Maybe for December, some couple of cargoes we can take Russian. November will be definitely low in terms of Russian availability. Not availability, Russian cargoes, what we have procured.

Probal Sen - Analyst, ICICI Securities
Right, sir. Just a follow-up on that. If I remember correctly, sir, I think you had mentioned at the Q1 briefing that blended crude cost was somewhere around Indian benchmark plus-minus about $12 to $15. Has that number changed in terms of delivered crude price to us in terms of actual cost of crude?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Still the freight rates are high. The insurance rates is slightly higher. Still benchmark plus $10 to $12, it depends on which side you are taking the product. For example, if it is from Fujairah, definitely it will be lesser, but if it is from Yanbu, the freight rates will be higher. But from benchmark, we can take on an average, the landing level is $10 to $12.

Probal Sen - Analyst, ICICI Securities
Right, sir. The second question was with respect to the LPG. Now sir, obviously, you mentioned, I think INR290-odd a cylinder for Q2. Now we have seen Asia LPG prices spike quite a bit in October. So if we can get a sense month-wise, what was the per cylinder under recovery in October and what was it in September and what are you looking at in November at this point of time?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
See, if you see the numbers, July it was INR490, August INR179, September INR199. We are expecting October will be INR245, and it is going up in the month of November. November expecting at INR328 per cylinder.

Probal Sen - Analyst, ICICI Securities
Okay, okay. And one last question, sir, if I may. In terms of the marketing margins, is there any discussion at all in terms of relooking at the pricing, given how sharply product spreads and prices have increased? I know you can't answer in terms of timeline, but just wanted your sense on how you are looking to navigate the stronger retail -- I mean higher retail marketing losses, which I am sure you are encountering, at least in October. How are you looking at the situation?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
If you see the quarter two numbers, integrated side, there is no big stress on the balance sheet and profitability. We are almost at a normal level of profitability for the quarter, slightly on the lower side, mainly for the higher losses in the marketing under recoveries. But we thought crude prices will stabilize, but still the war is continuing. There is no clarity by what time things will improve. But one thing we are sure, once this war resolves, crude cannot come in at this price, because supplies are there, production is there.Only thing, this route is the disturbing thing. And this Red Sea side,

volumes are coming, Yanbu side. Even there are certain Houthi attacks on Saudi side, but still good amount of volumes are coming from the Red Sea. But once this route is resolved, we are hopeful crude can come back to the reasonable levels. But some more time, we have to wait and see. We are reviewing every month on month, what is the under recoveries, how long this will continue. But there is no further discussions on any improvement on the marketing margins at this point of time.

Probal Sen - Analyst, ICICI Securities
Understood, sir. Thank you so much for your detailed answers. I will come back in the queue.

Operator
Thank you. [Operator Instructions] Next question is from the line of Vivekanand from Ambit Private Limited. Please go ahead.

Vivekanand Subbaraman - Analyst, Ambit Institutional Equities
Yeah, hi. Thanks for the opportunity. Just two questions. Number one is on the Mozambique asset. You said that the construction is I think 40%, I guess, is what -- 47% is what you said. Can you refresh us on the targets that are there in terms of by when should this project come on stream and first gas, and what will be your share of gas in, let's say, FY '30 from this asset? That is number one.The second one is in terms of your capex outlook. Any change versus the guidance given, I believe it was around INR25,000 crores in the past. Any change on the annual target for FY '27 and '28, along with maybe a key update on the Bina expansion, if you could talk about that? Thank you.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. Let me explain on Mozambique first, because the project is progressing very well. 47% project progress has achieved. We are expecting mid of 2028, either June or July, the commissioning date. They have declared June 20, the first gas we can see. As of date, there is no change in the scheduled date. Based on the current progress of the project, we are hopeful mid of '28, we can see the gas. That is one.In terms of the gas flow, size of the gas, the first phase development is for 13 million metric tonnes of two trains development, out of which BPCL is having a 10% share. That means our sharehold will be around 1.3 million metric tonnes of gas. This is only for Phase 1 development. And subsequently, based on the reserves, we can develop two more trains. Once this particular project is completed, other trains, we can plan it. So the total size will be around, BPCL share will be around roughly 4.2 to 4.5 million metric tonnes of gas. The first three trains are developed based on the reserves.The second question, in terms of the capex program, our financial year FY '25-'26, the target -- '26-'27, the target is INR25,000 crores. In the six months period, we have already reached around INR13,000 crores. We are keeping the same target, but in case if any good progress on the project side, slightly it may go up beyond INR25,000 crores. Depends on the project progress. Even certain activities, if the progress is good, maybe this capex program can go up slightly.

Vivekanand Subbaraman - Analyst, Ambit Institutional Equities
Right, sir. Thanks for the answers. Just one follow-up. Any plans on tying up the Mozambique gas to get to Indian customers given that now you have visibility of completion of the project by mid of '28?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
In Mozambique, we have already tied up SPA for 1 million metric tonnes of gas to bring it to India. Out of 1 million metric tonnes already we have started marketing in Q2. Q2 itself, we have started marketing. And certain customers already we have tied up, but small volumes. We have started

marketing of the gases.

Vivekanand Subbaraman - Analyst, Ambit Institutional Equities
Right. By when can we expect this gas for you to get tied up, the whole 1 MMTPA? And do you have plans to bring the entire 1.3 MMTPA?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
We have started in Q2 on the sales side. On the sales side, we have started marketing of this gas in Q2. Maybe in next two, three quarters, we can complete 1 MMT.

Vivekanand Subbaraman - Analyst, Ambit Institutional Equities
Right. Thank you very much.

Operator
Thank you. Next question is from the line of Sarthak from DSP Asset Managers. Please go ahead.

Sarthak Tita - Analyst, DSP AMC
Hi. Thank you for the opportunity. Sir, just a couple of questions on the Mozambique side as well. So if we see the balance sheet on the intangibles under development, can you please split as to how much of the INR19,000-odd crores intangibles as well as under the equity method of INR29,000 crores would be pertaining to Mozambique? And how much have we spent post the force majeure? And what can we expect as an incremental spending on the Mozambique side?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. Mozambique as of date, cumulative basis, we have spent around $2.8 billion. It's almost around INR27,461 crores. And the future capex commitments based on the current approved project cost is $1.8 billion in the next coming couple of years, we have to spend. The total investment in this Mozambique project will become $2.8 billion plus $1.8 billion around $4.5 billion, $4.6 billion of investment, including the exploration activity, everything.

Sarthak Tita - Analyst, DSP AMC
Okay. And this will be up till the gas will be started. So that is till 2028, right?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
'28, mid of '28.

Sarthak Tita - Analyst, DSP AMC
Okay. And how much incremental interest cost is there? Has there any uptick on the interest cost for this project?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
For this project, this project development is happening under the project cost -- project financing. There are a consortium of around eight or nine bankers consortium at project level. The interest cost will be varying actually. It starts from 6% to 8.5%, 9% based on the current interest rate. So different lenders have different terms and conditions, this project financing has been concluded.

Sarthak Tita - Analyst, DSP AMC
Fair. This was very clear, sir. Thank you. And one last thing. The delta that we see in the balance sheet of intangibles, that is mostly pertaining to Mozambique. Is my understanding correct? So

INR16,000 crores has increased to INR19,700 crores, the intangibles under development and a similar increase has been there on the investment under equity method as well.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, investment under equity method is mainly, mainly due to, the particular project, Mozambique project. Earlier it was under PI holding. PI holding means whatever capex is straight away due to common under capex program. But subsequently in the last quarter, last two quarters, there was a development. All the assets in development has been moved to AssetCo. That means instead of capex, you will see in the investments. At project level, all the assets and the work in progress moved to equity under AssetCo. So that this capex program, whatever incurred a capex program under development, it has moved to equity.

Sarthak Tita - Analyst, DSP AMC
Okay. Got it. This was helpful. Yeah, that's it from my side. Thank you.

Operator
Thank you. Next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patel - Analyst, Dalit Capital
Thanks for taking my question, sir, and congrats for the good set of numbers. BPCL GRM has dropped the quarter-on-quarter closer to $32 per barrel compared to the Q1. What's driving this decline in the BPCL GRM, because most of the independent refiners actually saw their GRM jump on a sequential basis. Could you walk us through what's behind this quarter-on-quarter dip in our reported GRM? And was there any crude inventory gains during Q2?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Crude inventory gain, generally, we don't calculate because our average inventory is around 22 to 25 days. So there won't be any big impact on crude inventories. If any inventory gains are there. To the extent of intermediates, if you are holding a very big amount of intermediaries, then there may be an impact. Otherwise, compared to Q1, the GRM reduction is mainly two reasons. One is slightly the -- more or less GRMs are in the same level, Q1 and Q2. Q1 average gas oil spreads are $55, now it is $56 in Q2. Gasoline also $24 and $24. There is no big change in the spread, but two important things have happened in the crude procurement. One is the crude freight costs have significantly increased compared to Q1.The Q2 freight costs are very high. And second is Q1, at least most of the period, we used to get Russian crude either at benchmark discount or around the benchmark. But in Q2, certain cargoes we don't get any discounts on the Russian crude, we have to buy either at the premium of benchmarks or benchmarks. So these two have impacted, mostly on the high sulfur grades, impacted the refining GRMs compared to Q1. Otherwise, if you compare the Singapore benchmark GRMs, still our GRMs are much higher.

Yogesh Patel - Analyst, Dalit Capital
But sir, the freight cost has gone up for every independent refiner. So why, in our case, crude cost is mattering to the GRM calculation?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
I don't know other industries, what is the impact of crude inventory gain or intermediary inventory gain, what is the carryforward from Q1 to Q2, we don't have any such information. We generally track what is your performance compared to the trend of the spread, what is the crude procurement

compared to the market trends. As long as we are better than the market trends, that we can conclude our refinery performance is better.

Yogesh Patel - Analyst, Dalit Capital
So one of the reason is the freight cost that has gone up and that is impacting on our GRM. Is that the correct understanding?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
And Russia and Russian side, discounts are not there in Q2. Like, for example, earlier, our most of the total procurement, around 37% of Russian procurement-- if Russian procurement is not available at discount, particular refineries who are using the high sulfur grades, definitely the margins are compared to Q1, or it is on the lower side.

Yogesh Patel - Analyst, Dalit Capital
Okay. My next question, sir, on again a GRM side, the freight cost has already gone up for the fuel. So here I'm trying to figure out, are those higher freight cost or expenses actually negatively impacting to our GRM? That's one thing. And are you, because, are you, passing those ex -- the oil product prices when you set up the RTP. Our understanding on this RTP side is that it is a combination of import plus export parity side, and the imports is making up the bigger chunk out of that RTP. That, that freight cost is also the part of that. So considering all these equations, the question is very simple that the freight rates are impacting on a GRM or not?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
RTP for the product pricing formula. Product pricing formula, product freight is one component, like my procurement of crude, crude freight is another component. If both the freights are in tandem, if it is moving, there won't be any impact. Sometimes if the crude freight component is going up, whereas freight component is not going up, there is a squeezing on the refining margins. Or on other side, for example, product freight costs are going up and crude freight cost is not going up, there is an advantage. So these are the market trends. There is no change in the formula, but this time whatever the freight cost on crude has gone up, similar extent the product freight is not gone up.

Yogesh Patel - Analyst, Dalit Capital
Okay, sir. Thanks a lot for this clarity.

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

Mayank Maheshwari - Analyst, Morgan Stanley
Hi, sir. Just an extension of the previous question around crude sourcing. Can you just give us a bit of an idea about how September quarter crude sourcing was and what you are doing for the current months and the next few months since you're loading, I suppose, for November and December as well? What's going on and how you've seen premium shift? Freight, you've kind of addressed partly, but what's going on in the crude market and what you're seeing on your cost side? Thank you.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Let me explain on the Q2 side. In terms of the volumes, 37% of volumes come from Russia and 17% is coming from Abu Dhabi and 19% coming from Saudi, Q2 and around 6% from Oman and 9% from

U.S. and other countries, only 4% to 2%, 1%. Broadly, in Q2, our term contract for Saudi and Abu Dhabi, majority of the volumes are coming from the same side. These two countries a little bit gone to the spot, but Russian still we have maintained at 32%.Coming to October and November, in terms of the percentage, more or less same. But in terms of the November, Russian volumes have come down compared to PG grades. PG grades actually more commercially viable compared to Russian grade. That is the reason November, Russian will be lesser. But December completely, we have not concluded. Maybe another couple of cargoes still it is pending. Maybe another one week or 10 days, we can conclude on the December side also. And overall, we are getting the full volume, but there are challenges, certain cargoes, unplanned receipt, for example, cancellation of the cargoes. Immediately, you have to replace with some other cargoes. There were challenges. But during the quarter, we have come across all the challenges. We have addressed all the challenges. We are getting the full volumes and our throughput is clear.In terms of the market pricing, we are completely volatile. I can say certain period of time, crude is available at a discount, certain period of time, crude is available at a premium. For example, certain cargoes, we are the first one. We have taken one cargo for SOMO, crossing the SOH. Earlier, we never tried, but this time, we have tried with a good amount of discount. We got the SOMO cargo. But the second cargo, again, there are certain issues. So there are some challenges getting crude at discount, getting crude at a premium. So it's a mix. So daily it varies. So there is no clear trend, whether crude is on premium side or discount side. But volumes, we are sure volumes we will get.

Mayank Maheshwari - Analyst, Morgan Stanley
Got it, sir. Very clear. I think that's very helpful. And I think the second question was more related to the Andhra refinery. Can you just give us a sense of the steps now going forward? And what will be the time lines around FID, etc.?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. One is, in the last board meeting, our board has approved for creation of a separate subsidiary company initially with 100%, and whenever the potential partners are ready to join, or subsequently, the dilutions will happen. So for that, the first step, we have approved for creation of the WOS, and it will go to the DIPAM, MoPNG. After MoPNG recommendation, the incorporation of the company will happen. In terms of the DFR, we are almost at final stages. The numbers have been frozen, just reviews are going on.Maybe another couple of weeks we will conclude on the number. Broadly, we are looking at a configuration of 10 million metric tonnes of refinery with a high intensity of petrochemicals, around 32-33% of petrochemicals. And the cost numbers, once we are finalizing and take it to the board, that time we can share full details. In the scheduled timelines, we are expecting maybe in next two to three weeks we will take it to the board for a final investment decision, subject to financial closure and subject to CCEA approval because this investment is happening through subsidiary company. It requires, based on the Maharatna powers, it has to go to the ministry and CCEA approvals.We are expecting, maybe once board is approving, another two to three months, the CCEA approvals will come. But parallel activities, pre-project activities and licensor selection and other things are going on. Parallelly, the selection of licensors and CCEA approvals, the notes will move. Maybe three, four months, we are hopeful the entire approvals will be completed. In terms of environmental clearance, the discussions are completed, the minutes have been recommended, by the committee to the EC authorities. We are expecting shortly that EC clearance also.Once it is there, maybe we can start the actual physical work in the site, on the site. In terms of the land procurement, around 4,700 acres of land has been registered in the name of

Bharat Petroleum. So that is sufficient for initial work for refinery, but another 1,400 acres which is required for mainly for greenbelt and other things. So we are expecting by November the entire 6,000 acres requirement of land will be fulfilled by the AP government. So this is the status of here.

Mayank Maheshwari - Analyst, Morgan Stanley
Yeah. And sir, is there an equity level you're comfortable with in terms of a minimum that you want to have in this project?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
We are planning either 70-30 or 65-30 debt-equity. And we are keen to dilute at least 30% of equity dilution when the project is in progress because discussions are still going on. Once the terms are agreed, then the partners will join with us. So with this, we are comfortable in terms of the investment. Even earlier also, we have discussed our peak debt to equity on a stand-alone basis, our target debt to equity around 1. It should not cross beyond one in a significant way at the project peak capex. Once the projects are commissioned, again, we'll come back to 0.3, 0.4 level of debt equity. That is what we are projecting. When we take any capex project, a similar trend we follow at the peak capex, we take debt equity at 1, 1.1 level of leveraging. And once projects are commissioned, we are hopeful it can come back to 0.4, 0.45 of debt equity. That is where we are comfortable on a standalone basis.

Mayank Maheshwari - Analyst, Morgan Stanley
Very clear, sir. Thank you.

Operator
Thank you. Next question is from the line of Nitin Tiwari from PhillipCapital India. Please go ahead.

Nitin Tiwari - Analyst, PhillipCapital India
Hi, sir. Good morning. Thanks for the opportunity. Sir, just for the sake of summarizing, if you can give us a summary of all your ongoing and planned capex projects, the large ones and also a guidance for FY '28 and '29 capex numbers.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. Major projects, I can say one is the Bina Petrochemical complex. Bina is now scheduled completion around 40%. The total project cost is -- Approved project cost for Bina is 43,367 crore. This is excluding taxes, ITC. Cumulative capex till date is INR7,566 crores already incurred and progress is 40%. Scheduled commissioning is mid of '28. We are hopeful Bina project will be completed as per the schedule line. There is no revision at this point of time. The next major project is PP at Kochi Refinery polypropylene project at Kochi Refinery. The total approved capex is INR4,850 crores.Till September 2026, we have incurred around INR1,178 crores. And most of the commitments are done, like, for example, tendering activity and prices have been frozen. And actual progress 55.10% and scheduled completion date is October 27. This is on polypropylene at Kochi. And power project, we have recently approved PRFCC at Mumbai refinery. The total project cost is INR13,626. As of date, the initial activity has started. The capex till Q2, we have incurred only INR130 crore, and the planned capex for this year is around INR1,500 crore. And actual progress 9.2% completed, and scheduled completion date is September 29th.This is the project. And other major projects are small projects compared to this; all are INR1,000 crores and INR1,500 crores projects. All projects are going well, including the IDPL. There is one pipeline project, it's almost delayed by seven, eight years. That also, it is taking a good momentum in Q2. We are expecting the project will

be completed by December-January. So otherwise, all projects are in full swing. We are expecting as per the schedule projects will be completed.

Nitin Tiwari - Analyst, PhillipCapital India
Right. And the guidance for F '28 and '29 for the capex?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
'28-'29, capex, '28-'29, we are expecting INR40,000 crores plus. It depends on the project progress, maybe INR40,000 crores to INR45,000 crore. And '26-'27, INR25,000 crore, our target project cost. Maybe slightly it will go up because the projects are in full swing. Projects are actually progressing very well. Maybe this INR25,000 crores may go up maybe 5% to 10%.

Nitin Tiwari - Analyst, PhillipCapital India
Right. So INR25,000 crores in '27, and then, like, you know, about INR30,000 crores, INR35,000 crores is what we can expect in FY '28?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. FY '27-'28, INR40,000 crores you can expect, INR40,000 crores to INR45,000 crores. We have to finalize a major project anyhow, the plan we have. But other than major project, beginning of the year, generally we review. But other than INR40,000 crores as per our cash flow projection, INR40,000 crores we have taken.

Nitin Tiwari - Analyst, PhillipCapital India
Sorry. And this INR40,000 crores includes your capex in Andhra as well?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
No, Andhra will be addition. Once FID is approved, then Andhra will be an addition. My equity commitments, whatever equity commitments, I will honor that.

Nitin Tiwari - Analyst, PhillipCapital India
Understood. And last piece, I just like, you know, sort of a clarification question again. So, so what's our dependence on, basically petrol and diesel when it comes to taking it from other refineries as a percentage of our sales?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, yeah. Our dependence, this year we are expecting around, 6 million metric tonnes of products we may take, by end of this year because the-- this year the growth is very high. Our own requirement, 89.27%, it is coming from own refineries for MS, and HSD we are expecting 79.34% comes from our own refineries.

Nitin Tiwari - Analyst, PhillipCapital India
So 6 million tonnes, in total, I mean both MS and HSD, this is what you're going to take?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, yeah, we are expecting by end of H2.

Nitin Tiwari - Analyst, PhillipCapital India
Okay. Thanks, V.R.K. That is very helpful. I will get back in next week.

Operator
Thank you. Next question is from the line of Bineet Banka from Nomura. Please go ahead.

Bineet Banka - Analyst, Nomura Co Ltd
Hi, sir. Thanks for the opportunity. On throughput, I think the number has been very strong over the last few quarters. So this quarter was 118% and it has been consistently over 110%. So can we expect similar run rates in future as well? And is there a refinery turnaround over the next few quarters?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, this year there are turnarounds. Mumbai Refinery Q3, we have certain planned shutdowns around 30 days for Mumbai Refinery. And Bina, a small shutdown of 4.5 days. Kochi refinery will be around 30 days, 30-40 days, because three units are going for shutdown. It's a regular maintenance. Maybe slightly Q3, Q4, we may not be at 118%. So if you remove the adjustment from the shutdown, definitely our refining throughput will continue on similar lines.

Bineet Banka - Analyst, Nomura Co Ltd
Okay. And on a follow-up question on Andhra Pradesh, so can you share the IRR at mid-cycle cracks, not at the current level of cracks, maybe around $15-$20 per barrel of diesel gasoline crack? What will be the IRR from this project?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Generally, we take any projections-- when we take a large project, we take a 10-year average. We cannot, we cannot deploy any capital based on the short-term trend. We will share the numbers very shortly once FID is clear, we can share. But otherwise, when we take the assumptions, any crude assumptions or price assumption, we take a 10-year price trends.

Bineet Banka - Analyst, Nomura Co Ltd
Okay, sir. Lastly, one more on the LPG compensation. The buffer has continued to go up, and because the underrecoveries are higher than what you have been recovering from the government, so are there any discussions going on for -- regarding the same from the government side? How do we do or go about it?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
LPG already, industry, we have submitted our representation to Ministry for support. As a precedence earlier also, whenever LPG under the coverage, ministry is always helpful and they give the support. But it's a process. There is a process of getting budgetary support. After that, the announcements will happen. Otherwise, we are in consultation with the ministry for LPG subsidy.

Bineet Banka - Analyst, Nomura Co Ltd
Okay, sir. Thank you.

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

Amit Murarka - Analyst, Axis Capital
Yeah, hi. Thanks for the opportunity. So I missed, if you have already shared the number on the call, but what was the GRM net of SAED in the quarter?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
$14 per barrel.

Amit Murarka - Analyst, Axis Capital
$14. Okay, okay. And ballpark inventory gain, if you could give, like, like last quarter I remember you had mentioned $3 to $4 as inventory loss. So this quarter ballpark number, if you could share?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Very difficult to calculate inventory gain/losses because the crude procurement is so volatile, the freight components are so volatile. Earlier when the prices are stable, now maybe one can calculate what is the inventory gain/losses. Today, very difficult today. How we are doing the valuation, there are different principles. By crude cost itself with one cargo to another cargo, the cost differential is around $20 to $25 due to freight and other things. So we stopped calculating what is the inventory gain/losses because our average inventory is 25 to -- around 25 days only. So if you are bringing any cost efficiency in the crude procurement, that is an efficiency, that it is not an inventory gain/loss. So it is not right to calculate as an inventory gain/loss in terms of the crude.

Amit Murarka - Analyst, Axis Capital
Sure. Got it. And just a question on other expenses, so it seems to have gone up quite a bit in the quarter. Even if I exclude the FX loss of about INR400-odd crores, even then it's like INR9,000-odd crores. Usually it's a number of close to INR7,000 crores. So could you highlight what are the specific reasons for this jump?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, yeah. There are certain one-time items, there are certain regular items. Mainly the transportation, because of increase of the diesel cost, the transportation cost has gone up slightly on account of volume. That is around INR150 crores for Q2 increase compared to earlier quarters. And second impact is like normal increase of octroi and taxes around INR150 crores increase. Forex, anyhow you said you are aware. The one-time impact is generally as a risk management policy to cover my refining operating expenses.Every year, certain percentage of volumes, so we sell the spreads in advance. Those spreads, whatever we have sold in advance, for the next 12 months requirement, again, as to my refinery throughput, certain percentage of spreads we sell it. But due to this very high spread, there is MTM losses, significant amount of MTM losses during this quarter. These are the major things. Maybe in case if the spreads are normalized in next six months, this MTM reversal can happen. That is the one-time hit because this particular period the spreads are very high.

Amit Murarka - Analyst, Axis Capital
Sure. Could you give that number of that the MTM loss?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
MTM will be INR1,300 crores other than revised MTM derivatives, around INR1,200 crores, INR1,300 crores something, MTM.

Amit Murarka - Analyst, Axis Capital
Got it. So that's the bulk of the movement on Q2 basically.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, that is it.

Amit Murarka - Analyst, Axis Capital
Sure. And generally, like, you mentioned a lot about the crude sourcing already. But if I have to kind of just understand the whole movement around the various crude and the discount premium, so I believe you were getting a meaningful advantage from high Russian crude sourcing which was coming at a discount and which is gone now. So to that extent, is it fair to say that the premium over Singapore which was being high would probably now moderate now to more normal levels, let's say, as we have been seeing, for other refineries, or let's say in the prior years for you?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
The Russian discount, definitely it helps a lot in terms of availability of the crude and commercial margins for the refineries. In fact, if you see the trend, in the month of October, Russian crude is at a premium of $12 to $13. Now, recent numbers, I can say it is only $1 to $2. Maybe in the next month, if the Russian is available at benchmark or discounts, maybe we are much better than Singapore.If it is at a premium, definitely we may not be at the Singapore level. But as for the refining performance efficiency side, definitely our efficiency is much higher than Singapore side. One is our distillate yield is 83-84%, in fact 84% plus only. In fact, last couple of quarters we are ensuring 84% plus of distillate yield. And second is our swing between gas oil and gasoline. So these are the unique advantages for our refineries. So most of the times our GRMs, even there is, you know, Russian discount, so our margins will be better than Singapore.

Amit Murarka - Analyst, Axis Capital
Sure. And just the last question on capex. You mentioned INR40,000 crores to INR45,000 crores for next year. Does this include the planned spends on Mozambique as well?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, yeah, Mozambique, Brazil is already factored. Only AP refinery we are not factored in our capex program. Maybe once the board is approved for the AP refinery, accordingly we'll rework our capex program and we can share the revised numbers.

Amit Murarka - Analyst, Axis Capital
Sure. And these are all committed capex, right, irrespective of like the cash flow situation next year or something?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Almost. Maybe a little bit percentage we don't commit because as and when requirement, like for example maintenance or upgradations during the year, we plan it. There won't be any commitment at it. Maybe 15% to 20% non-committed. Every year we have to plan it, and during the year we commit it.

Amit Murarka - Analyst, Axis Capital
Sure. That is all from me. Thank you.

Operator
Thank you. [Operator Instructions] Next question is from the line of Sumeet Rohra from Smartsun Capital. Please go ahead.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited
Yeah. Hi, sir. Good morning to you. So just, two questions only. One is on the LPG. So last year, sir, what was approved for us, I think, what a quarter-- I mean, the monthly payments till November, or something of that sort. So can you explain? So if my understanding is correct, that means, for the last tranche, we will get paid in November and then, we will not get paid further, or what is my understanding? Can you just explain on that, sir? So secondly, is that...

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, please go ahead.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited
Yeah. And my second question is, sir, you know, on the Brent, you know, see that today the matter of fact is that, you know, a dated Brent trades at about $127, $130 and Brent futures trade at about $115. So basically, what is more relevant for us, the physical oil when you buy, is, you know, we should look at the $127, $130 level or should we look at the $115 level which is, you know, the Brent futures which trades every month. Because, you know, I mean, if my understanding is correct, we are benchmarked about $90, $95, and beyond that then our marketing side starts kind of losing money.So I just want to understand, like, you know, what's the thought process? Because, you know, the war is absolutely an unknown, right? I mean, nobody knows it. It may finish today, it may finish after two years after President Trump leaves. So we don't-- nobody knows anything. So we are dealing with a very big unknown. So, sir, I just wanted your thoughts on how are you looking at the scenario, you know, and, what's the timeline of saying that, okay, we'll make a decision if, prices, you know, kind of, you know, stay longer for higher periods. So, I mean, I just want to understand your thought process on, on evaluating, you know, the, the crude, you know, I mean, on the marketing side of our business. Thank you.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. One is on LPG, last time whatever subsidy support government has announced that is for 12 months, that will be ending in the month of October, around INR632 crores per month for BPCL. It will be ending in the month of October. Any new support, if it comes in this quarter or maybe next quarter, we are not sure what form, what amount the support will come, then accordingly that will be an addition. But otherwise, last subsidy mechanism, it will be ending in the month of October. And comes to crude sourcing, yes, I agree there is a big gap created between the ICE Brent and dated Brent. What we see in the TV channels, it's only ICE Brent. The dated Brent, yes, presently it is hovering around $125, $127.Most of our contracts, I can say significant contracts, are linked to ICE Brent-- dated Brent, not to ICE Brent. And certain cargoes may be Dubai-based, it happens, but most of the cargoes are dated Brent. As long as dated Brent is on a higher side, our cost of crude will be definitely on the higher side. Most of the times, if you see the trends, I know recently I have not seen that much of gap between, the ICE Brent and dated Brent, but last two months is due to certain issues of war issues, so the dated Brent is on a higher side, so the cost of crude procurement will be, on dated Brent. This is definitely our cost of crude will be on a higher side.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited
Sure, sir. And sorry, I mean, if I just make a very quickly ask you one thing, sir, with, you know, as you mentioned that October we will see the end of, the whatever money we were getting on the LPG account. And so the matter of fact is that, if I heard correctly, you highlighted that the LPG under recoveries are going up to 300+ in November, and October also has been very high. Plus, you know,

we are seeing, you know, dated Brent or normal Brent or whatever being at such high levels. So, you know, I mean, my question more to you is as an investor, so how do we look at it? Because, you know, we are losing money on practically every product we sell today. And, you know, so I mean, it's definitely not a very exciting environment. So, what's the thought process, you know, on, on pricing, etc.? I mean, can we look at some pricing method changing going ahead?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
LPG, definitely LPG controlled product. We don't have any control over the price declarations of LPG. It's completely under control. And only the -- under recovery support mechanism, government will support some point of time. So there are some precedences, it is not the first time. Otherwise we don't have any control over the LPG pricing because there are periods, for example, September the LPG under recovery is only INR199, maybe July it was INR290, so now we are expecting INR328. So all the things will move, what decisions will be taken, maybe ministry will take appropriately, on the LPG and the recovery. In terms of MS, HSD, one should not see on the short-term basis. So one has to see-- everyone is hoping the war will resolve. In case if it is continuing for a longer period of time, again we have to review. But at this point of time, we are not hoping this war will continue for a longer period of time.Once the war is resolved, crude is available. It is not that crude is shortage, only the transit is the issue. Otherwise crude is available, sufficient production is there everywhere. Only refining side, there are production losses because there are production facilities has been hit. Refining spreads will continue. So on the refining side, definitely we are hoping the higher refining cycle will continue. In terms of the crude, we are expecting that if war resolves, there won't be any higher level of crude. It will come back to the reasonable levels. So that is what we are expecting.

Sumeet Rohra - Analyst, Smartsun Capital PTE Limited
Sure, sir. Okay, sir. Thank you so much, and wish you all the best and good luck.

Operator
Thank you. Next question is from the line of Achal Shah from Axis Capital. Please go ahead.

Achal Shah - Analyst, Axis Capital
Hi, sir. Am I audible?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah. We can hear you.

Achal Shah - Analyst, Axis Capital
So just wanted to know, so could you quantify the incentives available for the AP refinery project, with respect to GST or power concessions? Broadly, what would-- what could be the ballpark figure as a percentage of total capex or absolute number?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
No, there are good incentives. Still we are under discussion. Earlier, Government of AP approved based on our earlier estimations of capex, roughly in couple of elements, maybe tax refunds or GST and capex refund during the work in progress. There are certain incentives, but roughly I can say, it is like a percentage of capex what we have invested. For example, if you are investing some INR50,000 crores or INR1 lakh crores, principally AP government initially they have indicated 75% of capital what we have invested in the asset they may reimburse over a period of 15 or 18 or 20 years. Okay, but otherwise, the subsidy support will come from the AP government. We are expecting the

same principle of 75% of capital subsidies over a period of 15 or 20 years, or in between, maybe in the discussions we'll finalize with the AP government.

Achal Shah - Analyst, Axis Capital
Got it. And sir, second is a more structural question. So sir, how do you see the medium to long-term demand outlook for MS, HSD in India? So specifically where I am coming from is like factors such as increasing EV and CNG penetration impacting MS growth. And then changes in transportation and industrial activity affecting HSD demand. So, any on that near to medium term and even longer?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, at least, we can forecast a little bit, medium term, maybe three to five years, because India is growing at a 7%, 7.5% growth level, and the exports also slowly, slowly, if there is no tariff impact of US and most of the FTAs we are signing with various countries, it will help a lot in terms of the export of manufactured goods. So with this background, definitely diesel will grow. Initially we thought 2% or 2.5% growth diesel. Now based on the current trend, when we see the diesel growth can go up to 3.5% to 4%. And MS, even earlier years also almost 5% to 6% growth we are witnessing. We are expecting the similar level of growth for MS also. Even there is a little bit improvement in the EV penetration, but in terms of the number, still, the volumes are coming for MS, HSD.

Achal Shah - Analyst, Axis Capital
Got it. So sir, any sense of where BPCL could end up with respect to the number of retail outlets, from the current level next five years, 10 years?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
In the last advertisement, we have almost advertised 4,000 to 5,000 retail outlets, but every year we are taking 1,000 outlets. Maybe next three years, maybe one can add maybe 3,000. It depends on the land availability. Main issue of land, getting land in the proper locations, market, that is more important. Otherwise, every year we are planning in the capex, for 1,000 ROEs, we are planning for capex of INR500 crores.

Achal Shah - Analyst, Axis Capital
Understood. Thanks a lot, sir.

Operator
Thank you. Next question is from the line of Saurabh Jain from HSBC. Please go ahead.

Saurabh Jain - Analyst, HSBC
Thank you for the opportunity. Sorry, I'm going back to the point that has been discussed a lot in this call. Is it possible to give a sense in terms of your overall procurement of crude? What could be the, you know, premium that you would have paid over the benchmark Brent? Some sense of that number can be helpful for us.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Very difficult to how much premium because different terms. Some cargoes are on FOB, some cargoes are on DES, some are, for example, through STS. Means, for example, in the, in the enroute, maybe some portion of the distance they will incur, some portion of the distance we will incur. So terms are completely different. So one has to see what is the cost of procurement. One should not

see what is premium or discount. Certain cargoes, for example Iraqi cargoes, you got a $20 discount, but finally after the freight if you are adding, maybe it is at benchmark or $5, $6 benefit.So various components are involved, so very difficult to say how much premium from the benchmark. Even someone is calculating it, it is not a representative figure of market trends. One has to see what is the cost of landing, cost of the crude, and what is the value the crude is giving. The differential is the GRM only. This particular period of time when both are volatile. The spreads are also volatile, the crude is volatile, the freight is volatile. So it won't give any representation if I say even it is available at a benchmark, it is available at a discount or premium.

Saurabh Jain - Analyst, HSBC
Okay, no worries. You also made a comment that the Russian crude is now available at only a premium of $1 to $2, but then you also mentioned some time back that you are still preferring the Middle East crude. So does it imply the Middle East crude is actually available at a discount to the benchmark?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
No, no, I'm talking November. November, the trend is Russian is available at $10 to $12. Okay, compared to $10 to $12 benchmark, then PG side is commercially viable. Now December month, for December month there are certain offers of Russia, $1 to $2 premium over benchmark, that is a delivered product when freight rates are very high. Maybe today if anyone is offering Russian cargo, Russian cargo is preferable than Middle Eastern cargo for December month because November month already we have concluded.

Saurabh Jain - Analyst, HSBC
Okay. And what you're sourcing for Middle East? Is it on a delivered basis or, you know, how is the arrangement?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Term contracts are on FOB, Middle East, but spot basis, cargo to cargo, it varies. Some traders, if the cargo is available, if the cargo is on the float, then they may offer at a delivered basis. Otherwise, if the cargo is available, the tanks, the supply point, they offer at FOB. If the vessel idle from their side, they may offer DES, mean delivered. So different combinations. There is no standard combination whether delivered or FOB.

Saurabh Jain - Analyst, HSBC
Okay. Separately, Aramco sometime back had, you know, announced that they will not ship cargoes to India. So I'm a bit confused, is it into place? Is it into effect or it's-- you are easily getting available, you know, crude from Aramco?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Nothing, nothing. There is nothing, nothing. There is no such communication. Actually, we have not received anything from Aramco. I don't know which news article you are referring to.

Saurabh Jain - Analyst, HSBC
Okay, maybe some wrong news that we are looking at. Lastly, is it possible to also share the refining margins by the refinery?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Refining margin we have shared already. Individual, refinery one, you want?

Saurabh Jain - Analyst, HSBC
Yeah, yeah.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
We will share separately.

Saurabh Jain - Analyst, HSBC
Okay. No worries, sir. Thank you so much, and all the best.

Operator
Thank you. The last question for today is from the line of Aman Sharma from AS Capital. Please go ahead.

Aman Sharma - Analyst, AS Capital
Yeah. Am I audible?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yeah, we can hear you.

Aman Sharma - Analyst, AS Capital
Thank you for this opportunity. So basically, as you have mentioned, the after SAED, the GRM is $14 per barrel, right?

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

Aman Sharma - Analyst, AS Capital
So basically, I want to understand, when you transfer the refined products from your refinery arm to marketing arm, how do you calculate this refinery transfer price? Is it take-- is it after taking the SAED adjustment?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
When we purchase product from any of other private refineries, it is after SAED. Similar principles we apply for transfer pricing between our refinery to marketing.

Aman Sharma - Analyst, AS Capital
But if I'm not wrong, it is, the SAED is only on the export volumes, right? Even then you pass on the benefits, to the marketing arm?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yes, yes. Even when we purchase from private refineries, we will pay only after SAED.

Aman Sharma - Analyst, AS Capital
Okay. And my second question is again on the inventory gain calculation. So I understand you are not calculating the gain/loss this time, but could you clarify like, how you, you usually do the inventory gain or loss calculation?

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Inventory gain/losses, we have stopped calculating long back for crude. For finished goods, we calculate because inventory gain generally when any refinery is holding crude of around 20 days, my monthly pricing is for 30 days monthly pricing. So it won't give any inventory gain/loss. Only for example in the processing side, some old batches if you are not processing, keep it in the inventory tank, it will have an impact. But otherwise our continuous process, mostly first-in-first-out, last cargo processed, after that a new cargo will come and replace. So in that scenario, generally we don't calculate any inventory gain/losses. Whatever refining margin is based on the current market trend that is the refining they have generated.

Aman Sharma - Analyst, AS Capital
Okay, okay. That's all from my side.

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

Operator
Thank you. As that was the last question for today, I now hand the conference over to Mr. Varatharajan sir for closing comments.

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
I think that's done. Sir, if you have any closing comments, please go ahead.

Vetsa Ramakrishna Gupta - Director of Finance, Bharat Petroleum Corporation Limited
Yes. Thank you for your questions and for your engagement on today's call. Above all, we sincerely appreciate the trust and confidence you continue to place in BPCL. It motivates us to keep delivering and creating sustainable long-term value. Should you wish to discuss any aspect of the quarterly results further, our investor relations team will be happy to assist. I look forward to speaking with you again. Thank you once again, and let me take this opportunity to wish you and your families a very happy and prosperous Diwali in advance. Thank you.

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
Thanks, sir. I would like to thank all the participants and the management for engaging in this call and spending time in answering all the questions, and wish you all an advanced Diwali. Thank you.

Operator
[Operator Closing Remarks]