Management Discussion

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
Thank you, Anu. Very good morning, ladies and gentlemen, and it's my pleasure to welcome all of you to the 2Q FY '27 earnings call of HPCL. We have with us, Mr. Vikas Kaushal, Chairman, Managing Director; Mrs. Srividya Venkataraman, Director Finance; Mr. S. Bharathan, Director Refineries; and Mr. K Vinod, ED, Corporate Finance.I'd like to hand over the call to Mr. Vikas Kaushal for his opening remarks. The floor is yours, sir.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Thank you, Mr. Varatharajan, and good morning, everyone. Pleasure talking to you again on our quarterly analyst call. Since the introductions are already done, I will get on with the agenda. We will do the same as we have done in the last few calls, so maybe speak for about 5, 7 minutes, 10 minutes, giving our perspective on the situation. Numbers you already have, and some of you have already commented or written about the numbers. Then we will keep the floor open for questions. Just to start off with the business overview. We all know the challenging times continue. If you see today's crude price, you will know where it is. It keeps on fluctuating widely, and currently is quite high. In this whole crisis, which has now gone on for over eight months, our teams have been resilient and agile and basically kept the wheels in motion.As a management team, our focus has been on, first of all, to meet our customer expectations to the lakhs and crores who depend on us for mobility and cooking fuels. That has been the primary objective, and I am sure we have lived up to the expectations in the trying times. Obviously, running the assets in an optimized manner is a precursor to that, trying our best to manage the financial situation. With the quarter one we had, we had a challenging financial situation. But in all of this, we are not losing thought on what we need to do to prepare for the future and how do we want to transform ourselves in the future. We will touch upon all of these elements in the opening comments. You all know we had a tough quarter one with significant losses both on standalone and consolidated basis. Q2 clearly was a bounce back, which all of us are very proud of. Numbers you have already seen, but I will talk of a few things. If you look at one of the pivotal numbers, the EBITDA numbers, against the loss of INR14,816 crores in quarter one, we posted INR9,822 crores of profit in EBITDA in quarter two. This is a swing of INR24,681 crores. As a management team, that is a swing too much, but at least the positive side is we are able to swing it. Obviously, the questions you will have is what drove it. I think three or four factors. One, a very strong physical performance, both on refining and sales. I am not talking just about headline numbers which get published, but as we peer between the layers, there was very strong performance on both these aspects. Our refinery GRMs in quarter two were -- I think we have declared the number at $32.15 pre SAED. I am sure there will be questions on this. We will answer them later. That is significantly higher than what it was in quarter one, and our refineries performed quite strongly. The marketing margins were decent as compared to significant under-recovery in quarter one. Small help from inventory gains, though not very significant. A lot of it is operational performance. Very tight cost and working capital and even capex control helped it. The PBT for the quarter was INR6,768 crores versus INR17,446 crores negative last quarter. Again, a difference of -- swing of INR24,214 crores, resulted in a PAT of INR3,438 crores. Probably the PAT is a bit subdued on account of tax treatments. But nevertheless, if you look at PBT, the number at INR6,700 odd crores was a good one.As a result of this improved performance, we were able to recover some balance sheet strength. Those of you who have been on calls last year would recall that as a management team, we have been very focused on deleveraging. We managed to get it down from

1.4 odd at the beginning of last financial year to 0.8. Then it jumped to 1.52. We are happy that it is back at 1.38, though it is still at a higher level than where we are comfortable in terms of our standalone leverage. Our consolidated numbers also had a lift-off, primarily on account of strong performance of both our refinery joint ventures. HMEL turned in a solid quarter with its -- if I recall, it is one of the best H1s or probably the best ever, at least in a long time. MRPL also contributed strongly in that process.Just to recap, our consolidated PAT last quarter was INR12,265 crores negative, and this time consolidated INR3,625 crores, a swing of about INR15,890 crores. I am sure you have some questions on it. We can answer them, and there are a lot of technical details and Director of Finance can get into the details. I will cover some of the other aspects which you will be keen to understand. I am sure you want to know what is happening at Rajasthan. You have been asking questions, and we have told them that at the right time, we will come out with the right information. We are now at a stage where we can share a lot more details. As you know, the refinery was scheduled, commercial operation date was declared on 22nd June. We gave a guidance that it will run at around 55%, 60% utilization. It has been running at that utilization. Of course, being a new asset, there are periods in between when you have to take a shutdown or do some minor tweaking. But even as we speak, it runs at around 60% utilization. Almost all secondary units in the refinery are working in hot sync. Only two secondary units are left for hot sync. One is VGO HDT, which probably will get hot synced by this weekend. Then there is another one, which probably is in the final stages and get hooked up before Diwali. Post that, we will be completing our sulfur recovery unit and taking it up to full capacity. We had given a guidance of quarter three -- that towards the end of quarter three, we will run on that, give or take a week or two. We are holding onto that guidance. Sometime towards the end of quarter three, sometime in December, we are hoping to touch the refinery throughput at a run rate of 8 to 9 MMTPA. The GRMs for the quarter were $12 for quarter two, but that's again a lot of stop and start. In the current month, these are net of SAED, because for HRRL, the RTP matters. It's currently 16 plus, and we are still running on low sulfur. The moment we move on to high sulfur crudes, which the refinery is capable of, with the current level of assumptions, this will be 20 plus in Q4. Petchem is on track as per latest guidelines, with first of the units starting to come on stream towards quarter four of this year. There has been another major development on HRRL. Post the commissioning, we have significantly altered the debt structure of the company. We have refinanced the entire debt of HPCL, INR45,000 crores, INR50,000 crores. All agreements were signed end of September, and from October 3, it has taken place. So the entire debt has been restructured, and we are probably about 105 basis points lower than what the original rate was. It will give in an annual benefit of about INR470 crores to INR500 crores. Actually, the benefits start flowing in from October 3 itself when the revised rates got applicable. The third part has been equity infusions. We have been further capitalizing and infusing equity. Government of Rajasthan infused INR1,500 crores of equity in this quarter, its share. Correspondingly, HPCL converted INR4,300 odd crores of the subordinate loans into equity. This itself will lower the interest burden about INR350 crores. We are expecting to make further equity calls in the next one or two quarters and getting the total debt burden down. An apple-to-apple comparison would say that we'll probably get the debt burden down by INR1,000 odd crores in the next -- sorry, interest, not the debt burden. I stand corrected. Thanks, Srividya. The interest lower INR1,000 crores, which is a significant improvement over last year. In terms of working capital, we have got reworking capital limits revised. Now that it is an operational refinery, the rate is lowered. The state is committed for about INR1,100 crores of interest-free loans per annum for, I think, a 15-year period or something. That money has started flowing in. Already, we have received the first tranche. They are giving it in three tranches every

year. We received the first tranche of INR375 crores, and the next one is due next month. So a lot of effort has gone into restructuring the financials now that the refinery is in operation and getting it leaner so that we can turn towards more profitable operations or quickly come to profit.Overall, we are working on both physically and financially, making the asset work for our shareholders. We are very excited on Rajasthan. We are very bullish on it. All of us monitor it on a daily basis. Just for context, yesterday, 15 TMT of product actually was shipped out of that refinery. Three months ago, nothing was being shipped out. In October, we will ship out over 400 TMT, translate that into revenue. This asset will produce a revenue of over INR4,000 crores in the month of October itself. If the luck holds it -- again, I am just saying it as sharing our excitement rather than as a guidance. Just in the month of October, we expect to be PBT positive on the refinery. This is not a guidance because it is in the early stages. The numbers change month on month, depending on which crude we are running. But we were very excited to see an asset of this scale can turn in a PBT positive month so early in its cycle. It bodes well for how we are planning about it. Moving on to the other big asset, RUF. It is working steadily. As you all know, we have had challenges in adjusting to the technology. It is the first unit of this technology globally. Even the licensor is finding it difficult to fully stabilize it, but we are getting there. We have been able to consistently run it at 60%, 70% capacity, and we are gradually improving our understanding of the asset and how to take it into the sweet spot zone. With all the efforts we have done, I think we are getting there. You will have a logical question, is it giving the $2 to $3 uplift? No, not as yet, but we will get there. There are periods when it has touched close to $1 per barrel uplift. In October, we are expecting a $0.65, $0.7 per barrel uplift, and translating to a GRM of about INR500 crores. So it is starting to spin off money, not as much as we want, but we will get there. Two focus areas: needing to increase the utilization, gradually upping it, and making it more consistent so that we can have longer runs in the sweet spot zone. Tough asset, but we are very, very confident that it is going to give us -- the moment we are able to get it into the sweet spot, and run it consistently well, it is going to spin off a lot of money. The third major thing I wanted to highlight was on Samriddhi. We have always declared this in all our analyst call. This year, we delayed the start to second quarter. In the results, we have already declared that there is INR327 crores of accrued numbers translating to about $0.18 per barrel. On a run rate basis, we have locked in about INR600 crores, INR700 crores, because I am sure you would have a question that, are we going to meet our numbers? We think we will get to the guidances we have given. This year, we are addressing some of the more fundamental things. Just to give you two examples, how do we aggregate all of our metals buying across? We are doing the initiative on that. Can we buy catalyst differently looking at ratios? All of these, which are fundamental steps in trying to improve the operations. We have also, as part of Samriddhi, also done some interesting initiatives of moving intermediates around to release capacities in our refineries.The fourth major update I wanted to give you was on the digital progress. There is very strong progress on that. We are just launching out -- implementing a new supply chain tool, which will upgrade all our supply chain optimization capabilities and make it AI-enabled. That exercise is underway. We have, in the last few months, upgraded our crude buying platform. Multiple AI use cases are being used across businesses. We are also saturating digital/automation tools across our BUs. For example, using RTO APCs across all our refineries, whichever unit we want to do it, we will complete it this year. Similarly, all our LPG bottling plants are being automated, and by end of this year, we will have smoother operations on those. Just to give you how prevalent this is, we just ran a hackathon across our organization, a digital hackathon. We had 1,600 participants, which is one-fifth of our organization, from the youngest to the most tenured and most aged people, all participated in it.

There are 30 such ideas, which were the finalists, and of which, 25 are actually being implemented by our teams internally. Let me move on to a few highlights on marketing. As you know, we have been doing a retail transformation. We call it Project Abhyuday. 2.0 is underway. The TPO targets, we are actually ahead of the targets, so this year, we are not measuring ourselves on TPO targets because, given the market situations, a lot of the private sector volume has shifted to OMCs. Nevertheless, the foundational steps are going on. There are some other very interesting initiatives which are underway. On non-fuel retail, I am happy to share that about 10% of our pan-India retail outlets have non-fuel retail activity. This is up from 5.5% at the beginning of the year. So there is significant movement in each of these initiatives, and they are revenue accretive, and some of it will start showing up regularly. On branded fuels, we remain the market leader in branded MS, and also pushing some -- for the last two quarters, we are the market leaders for branded MS. Last time, we had talked about a new product on LPG, Navya, which we had launched. It's a composited LPG cylinder. All three OMCs have launched it. But right from the day one of the launch till today, HPCL is the market leader on that. It's a different way we are marketing that. And I will also do a sales pitch. It's book-to-cook in 90 minutes. Some of you can order it for your homes. I'm sure you will enjoy that premium experience. We are on track to target about 1 lakh primary sales on Navya by Diwali. The other initiative on marketing I wanted to talk about was Chhara. We have increased the flow of cargoes. I think the terminal now works about 10 months a year. There is still a bit of mechanical stuff to be done in terms of aligning breakwaters, etc., because the waves are unpredictable there. But we are now starting to unload cargoes. In H2, we are expecting five to six cargoes depending on how the market would be. It would give us about 15% to 20% utilization in H2. Interestingly, we've also figured out how to make better use of this asset, and of late, we have been picking up opportunity cargoes backing the asset.Just if I club our Chhara and bulk gas purchase, which Chhara allows us, we are expecting to be cash positive for this whole year. Not the terminal, but the terminal plus natural gas buying, which we are doing, which actually we wouldn't have done if we didn't have the terminal. So it's a positive sign, and hopefully Chhara itself will turn around fully next year. Touching on the sixth topic on new energies. After our assets got completed last year, the big ones, we increased the focus on our solar and the green portfolio, but we are only doing it for internal use. We are not doing any third-party renewable, at least the solar or wind. We now have a line of sight of 1 gigawatt plus of portfolio over the next two years, 275 megawatts is actually running. This looks at wind and solar. Another 270 megawatts, if I remember correctly, is of solar plus BESS is under construction, and another 500 megawatts is under development. I again reiterate, this is all for captive use. We are not doing third-party renewable. On CBG, we already have a couple of plants. We have been trying to get our act together in terms of higher utilizations there. Under the government scheme, we have, if I remember correctly, about 10 or 11 plants we have filed, of which five are under construction. Next six are also likely to go. CBG is one area where we are clear that we are going to be building a platform around it. We've also been focusing a bit on EV charging. At the first effort, we were trying to get our infrastructure of 5,500 odd retail EV chargers to be much more effective. I'll just throw out one indicative number. From beginning of the year to now, our weekly revenues from our charging has gone up 3 times. It is still a very, very small number. It will not move your Excel sheets. But it is exciting for us that from an initiative which we had put in place, we have increased the weekly revenue. We are also continuing our push on CNG. The last point I wanted to touch is a very interesting development we had. As you all know, we have HP Pay, which is a platform which we have been using for -- essentially, it is sort of a wallet for our payments. Some of you might be using it. Those who don't, please use it. It is a good platform. We

have now got TPAP status on that. We became the first PSU and OMC to achieve the TPAP status. This allows us to offer seamless UPI payment service and opens up new avenues for customer acquisition and engagement, strengthening our digital ecosystem. There are many who have struggled in this business for creating the platforms, etc. We now have a platform, HP Pay, which is TPAP-enabled, and we will start deploying it much more widely. Our vision is to transform HP Pay from just a fuel-centric application into a broader digital payment and lifestyle platform around our businesses. We are not going to do esoteric things, but around our businesses, we will use a lot more, given that we have a TPAP status now. That was a quick summary of where we are. We do have short-term challenges. Crude, I just checked on the TV screen in my room before coming in, was at $114. Brent was $114, an abnormally high number. We have challenges. We are fighting them. But in parallel, as you could see from some of the narratives here, we are getting HPCL ready for the future. We are absolutely committed to transforming ourselves and creating a stronger HPCL, and creating greater value for our shareholders. I will stop here. Thank you for your continued interest in HPCL, and look forward to all your questions. And those of you who have put in your flash reports on the performance, I received some of them, have gone through some of them, so thank you for your quick judgments on our results. Thank you. Varatharajan, back to you.

Questions & Answers

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

Probal Sen - Analyst, ICICI Securities
Yeah, thank you for the opportunity. Very good morning, sir, and congrats on a strong set of numbers. I just wanted to understand two things. Firstly, as far as the crude sourcing is concerned today, not just the mix, I just wanted to understand what is the effective cost that we are basically sourcing through that, in the sense that, I mean how much of an inherent premium is now built in? If we assume Brent as a benchmark, Brent plus how much dollars a barrel are we having to pay as Indian companies? Any range you can share, that will be very useful.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Okay, that was one, and you said two things.

Probal Sen - Analyst, ICICI Securities
Yeah. And the other thing was basically in terms of what is happening in Q3. You did mention the short-term challenges. There's obviously been quite a sharp reversal back to fairly high marketing losses, I would presume, as well as higher crude costs and LPG prices. So if you can kindly share what was sort of the average LPG price that we saw in Q2? And what are we seeing right now? And how much impact does it have on the outstanding subsidy losses as far as LPG is concerned, just the general operating environment, how it has turned in the third quarter?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Okay. Great, Probal. And thanks. We, in our place, have a wager on who's going to go first. So -- now the good point is nobody puts on wager because your question is always the first one. But thank you for your continued interest in HPCL.Two questions. Crude sourcing. I wish I could give you a straight answer on this one. Actually, I would say crude sourcing is like the wild west right

now. It is very unpredictable, very volatile, which actually makes it difficult for stable companies like ours to work on it, but I'm very proud of the way our processes work. You will be astound -- and I'm not going to give you specific numbers, but you'll be astounded to see sometimes what kind of discounts you can pick up on something. And yes, the freights are very high. So it's a very difficult thing to predict. And for same cargo, I'll just give you an example, cargo X floating around being offered at a particular day, three days later, it goes $10 higher just on the premium. Five days later it might be cheaper. So timing has become a lot more. I think what is more important is how it has shifted -- the pattern has shifted. We used to buy a lot of term and actually a lot on FOB. These days the way we are looking at and also how the market is shaping up, we are buying a lot on delivered. In fact, almost everything is that basis right now because at the end of it, all of us are conscious in terms of what is it costing me and how does it fit in?So the sourcing varies, as you know, we are looking at what is the cheapest available crude, and there are some times when you have to really look at emergency crudes, but it is also because the shipping lanes are very disruptive. So it will be very hard to discern a pattern from this. All I can say is the crude premiums and landed costs, if you look at it, there are times when there are premiums. There are times when you can even pick it up at discounts. It's a very wild west right now.On Q3, obviously, with the high crude prices, they are a challenging number for us right now for everyone. And we do hope it comes down. It is obviously leading to under-recoveries. You guys are good at math and can quickly do that. Specifically on LPG because that's a much more widely recognized number, just to give you a sense, October under-recovery was INR245 per cylinder, November, it has gone to INR327 per cylinder, I don't know, Srividya, you have the Q2 number or...

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
The total under-recovery for the Q2 has increased to around INR500 crores, has been the under-recovery, and the buffer has increased to INR18,049 crores is the total buffer balance which we have, which is receivable from the government.

Probal Sen - Analyst, ICICI Securities
I am sorry, the audio wasn't clear. In November, you said the under-recovery has gone to INR340 a cylinder?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
INR327 November, INR245 October.

Probal Sen - Analyst, ICICI Securities
Understood, sir. That is good. Got it. Sir, one last question, if I may slip in. Again, staying on the sort of crude purchases, what you did mention obviously makes more sense. But as a trend, I mean, effectively, is it fair to say that the effective premium on whatever benchmark crude, whether it's the Indian basket or Brent, there is obviously still an inherent premium that is there on the delivered cost of crude, much higher than what it was maybe even three months or four months ago. Is that a fair way to look at it?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Very difficult to make that judgment. It is so volatile, it's very difficult to make that judgment.

Probal Sen - Analyst, ICICI Securities
Fair enough, sir. Fair enough.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
I couldn't say yes or no to that statement because if I say yes today and tomorrow it might be different. It's actually a very volatile situation on how the market is reacting.

Probal Sen - Analyst, ICICI Securities
Got it, sir. Thank you for your answers. I'll come back if I have more. Thanks a lot and all the best.

Operator
Thank you. The next question is from the line of Vivekanand from Ambit Capital. Please go ahead. Mr. Vivekanand, you are not audible.

Vivekanand - Analyst, Ambit Capital
Yeah, am I audible now? Am I audible now?

Operator
You are audible now, yes. Go ahead.

Vivekanand - Analyst, Ambit Capital
So you are currently receiving compensation for LPG under-recovery till end of March '25, about INR660 crores a month, right? That has been a very helpful thing from a working capital standpoint. Is there any dialogue you have opened up with the Government for extending this compensation beyond the current month? That is question one. Secondly, did I get this right on the Vizag upgrade commentary? You said that the current uplift is between $0.6 to $1 a barrel? And you are targeting the full benefit of the upgrade -- last time you had said March, right? Is that still on or is there any change in the uplift that you will get for that? Thanks.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Great. No, thank you, Vivekanand. Thank you for the questions. Yes, you are right, we said $0.7 to $1, and we gave the guidance that this month it will be $0.7, and we hit $1 in a period some time ago, depending on crude prices and other things. So it is literally turning in, say, 40%, 50% of expected benefits right now. In terms of full, I think the guidance is exactly what we had said earlier. We are holding towards that. Having said that, we have been very transparent with you all in the calls that this is a really, really complex asset to look at it. It is like doubles or quits wala thing. So it is going to give a lot of money, but it is a challenge everybody is mastering to run that asset. We are getting there. We are hopeful of getting there in March, or even before that.But we are not going to start screaming at our people if we get there in April, because everybody is trying their best to do that. Once it gets stable, we'll -- nobody has run this technology globally as yet. Even licensor is finding new things. But we are getting there. Every month is better than the previous one. That gives us hope. On what is being discussed with the government, I don't think this is the right forum for me to comment on that entire thing. I think as Srividya just said, there is a recognized number of buffer. It was recognized by the government in the past. There were monies which were given on the entire thing, and all you can rest assured is the management of your company and other companies are all taking the efforts which are required. What specific dialogues are going on, I will keep that outside. It is not the forum to discuss those. Not my remit to also comment on what government is going to do. But all efforts are being made, is all I would say.

Vivekanand - Analyst, Ambit Capital
Sure. Just one small follow-up on the Vizag upgrade. You said that the complication is on the

technology and stabilizing it. Can you give a bit more details on the markers that you are monitoring as far as the licensor and you are concerned in ensuring that you can get to the two markers: utilization and then consistency?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah, those are the right ones we are looking at. See, it is a high pressure, high temperature reaction where you are taking some of the hardest bottom-of-the-barrel things and breaking it up. If there is a follow-on question, then I am going to ask Bharathanji to answer because he is going to give you a long technical answer on it. But I think we are figuring it out how to keep all parameters on the reactor in control to make sure it gets to a consistent run. That is the layman's way of looking at it. That is why I am answering it. Technical question, we can have an offline discussion also with Mr. Bharathan. He will give you a very detailed answer. We are getting better at predicting operating parameter of this will lead to this. Remember, we have told you earlier that we have deployed a digital twin also. As we are populating the digital twin also on this, we are starting to get better and better at that entire thing. Any deviations on high pressure and temperature, we are able to catch them earlier and keep them into the control zone. So there is nothing wrong with the reactors, there is nothing wrong with the infrastructure around it. But it is just that you have to go through this stabilization period because it is a highly complex asset. In Rajasthan, we took lesser because the parts which are operating is a simpler refinery that way. This RUF is a much more complicated asset. But we are getting better. It is about operating parameters, and we are very hopeful that in the next analyst call, when we do quarter three, we will be able to report higher utilization and higher GRM impact.

Vivekanand - Analyst, Ambit Capital
All right, thanks, Vikas, for the detailed answers. All the very best.

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

Sabri Hazarika - Analyst, Emkay Global
Yeah, good morning, and congratulations on good set of numbers. I have two questions. Firstly, if I look into your unit cost per barrel, in terms of both raw material cost as well as purchase of product, what we noticed is that between Q1 and Q2, there is almost a $30, $40 per barrel decline in the sourcing cost, despite dated Brent declining from, say, around $104 to $97 per barrel. So there was like sharp reduction. I mean I was of the view that Q1 could have had older crude, which were sourced way before the crisis happened, and that's why the cost would have gone up Q-o-Q, but somehow it seems to have fallen. So any color on that?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah. So if you recall the last analyst call, we did talk about the fact that we carried a bit more of inventory at the end of quarter one, because of -- the units had changes or stopped in between. Primarily from the RUF, we carried a lot more inventory, where we had taken a mark to market. So that actually helped us a bit in July. If you have any specifics, then I can ask Srividya or Vinod to give more details.

Sabri Hazarika - Analyst, Emkay Global
No, it's just that you were able to benefit from that time line, right? When there was some sort of pull-up [Phonetic], that is, towards the end of June and probably early part of July and also some

part of August. Was that the reason?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yes, exactly. Exactly. Actually, if you look at how the crude cycle went, September, the crude cycle turned again. July and August, it was reasonably okay. By end of August started turning, so that the September deliveries happened at higher price. So we actually had very strong July and August. It is September which probably had a minor negative impact, or pulled down the numbers. Otherwise July and August was very strong for us, primarily based on the momentum we carried from end of June.

Sabri Hazarika - Analyst, Emkay Global
Got it. Thank you so much. Second, just a small -- couple of small questions. First is this INR470 crore of share of profit from associates in JV, how is it distributed between HMEL, HRRL, and MRPL?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
The HRRL is not giving anything right now. It is the first year, we are not even anticipating anything to come out of it, which is going to be negative on our consolidated numbers in the next year. A lot of it is between HMEL and MRPL, and maybe Srividya, you might have some numbers.

Sabri Hazarika - Analyst, Emkay Global
Right, got it. So it is HMEL and MRPL only which is -- yeah. Yeah, please.

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
For the HMEL, it is INR1,300 crores for H1. INR1,300 crores for H1.

Sabri Hazarika - Analyst, Emkay Global
INR1,400 crore for H1, that is HPCL's share, right?

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
Yes, yes, INR1,300 crores.

Sabri Hazarika - Analyst, Emkay Global
Okay, fair enough. That's all from my side. Thank you so much, and all the best.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Thank you.

Operator
Thank you. The 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, and congratulations on a strong result in this environment. Just a first question on HRRL debt. You mentioned that it had been restructured, and interest costs came down by, I think, 105 bps, you mentioned. So what are the changes in the terms of the debt? Also, if you could highlight if any corporate guarantees have been provided from your end to kind of bring the interest cost down.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
So the net end result was, it is the same terms. See, earlier it was project finance. We shifted it to operating. In the end, it was -- I will not go through the whole journey because there were different

techniques used in between, but in the end, it was mostly the same consortium, same terms there. And three new bankers were introduced in it to balance out. Those were the schemes, you leave it to us in terms of how we handled it. But in the end, converted project finance to operating and by induction of three new bankers. Every banker also wants this asset on their books. So we could use that to get a lower rate.

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
And no corporate guarantees.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
No corporate guarantees. It's the same , whatever were the earlier agreements, same holds true.

Amit Murarka - Analyst, Axis Capital
Sure. Got it. Also, on the Vizag RUF unit, I believe, in case the asset kind of takes longer to stabilize, it has already been quite a long time, just wanted to understand, is there any penalty clause or anything on the technology provider for, let's say, if the delivery of the technology doesn't come through?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah, yeah. So, two parts to it. One, obviously all these contracts have penalty clauses. But we are not even remotely hoping or planning to invoke any of those because the licensor is working with us, and we are very close to the sweet spot. So it is not that the technology is not working, it is just that the parameters have to be there. And you also have to realize that in this period, even the feed which has to go in -- see, we were never able to buy or predict the best available crudes from what we would want to optimize. We were running crudes at times. So sometimes the crude has lesser optimal parameters there. So it is not a case that, oh, technology is bad. It is just that it has taken a bit longer to get it stabilized. We will get there, and we are very close to the sweet spot.So we are not even remotely thinking on, oh, licensor this and licensor that. They are hand-in-glove. There is a lot of experts working on it, and we know the day-to-day improvement on the entire thing. Between Director of Refineries and me, we keep an eye every day on it, and it is getting better and better. So we are going to see the flowers of this investment come out very soon. It is not that the technology is bad. It is just getting there. It has taken a bit longer to get there. That is it.

Amit Murarka - Analyst, Axis Capital
Got it. That is helpful. Just a last question, if I may. On the Rajasthan refinery, by when do you expect to achieve optimal utilization and operating rates, particularly, given the strong refining environment right now?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
At the earliest, as you can imagine, because we also understand the strong refining margin, that is why I made that comment that October could actually be PBT positive for the refinery, which, for a greenfield refinery in the first four months of operation, would probably be unheard of. I can't think of too many examples of people getting to that. Having said that, we are expecting to stick to the -- or we are hoping to stick to the guideline which we had given in the last analyst call, that by end of quarter three, the refinery section will run at full steam. There is only one unit which is to be completed. That unit is going for audits just around Diwali time, and commissioning cycle will start. It takes about one month to commission it. So sometime in December, we should start getting the high sulfur crudes in, once that unit stabilizes, and we will run it at full refining capacity at 8 to 8.5 million

tonnes per annum equivalent run rate, we will be able to run. Petchem numbers will kick in later, but given where the cracks and the product prices are right now, we are less worried about Petchem numbers because we have that window of next six, eight months. If we can just sell diesel, LPG, naphtha, etc., even naphtha is getting good prices, we can get good margins going in, and we want to absolutely capitalize on this window.

Amit Murarka - Analyst, Axis Capital
Sure, thanks a lot for the detailed answers. I'll come back in the queue. Thank you.

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

Mayank Maheshwari - Analyst, Morgan Stanley
Thank you for the call, sir. The first question was, I think, an addition to the earlier question around freight rates, sir. What are you seeing in terms of increase in freight rates for December loadings versus what you would have seen for the last quarter? As you said, a large part of your cargoes are on DES basis. Can you give us a percentage of what it was in DES in September quarter versus what you are kind of getting for forward loadings beyond December?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah. I think the team is just trying to see if they have the data on the second question. On the freight rates, if you look at from quarter-to-quarter basis, definitely, there is an increase in the freight rates. Srividya is showing me some numbers. So maybe she will read out some numbers and give you the data. There is definitely an increase in the freight rate. But Mayank, what is also very interesting is the impact on landed prices might not be as much as you guys might think from outside, because, see, the producers of oil are also stuck. So at times, the astronomical freight rates which you see, actually, if you strike a good deal, you can get it almost managed on the producer. So the netback to the producers in many situations, especially those who are stuck or where there is stranded oil right now, the netbacks are much lower than what is in the public domain in terms of netback. In terms of how much is DES, again, I do not know the specific numbers. I will ask my team if they have the numbers specifically, maybe Srividya can give you details. But from our practical purposes right now, almost everything we are looking at landed basis, except where we think we can send a ship and pick it up cheaper. Earlier it would have been 50-50 or even less than that would have been landed delivered, I think. But right now, it is also partly we don't want to take the risks of somebody hitting the ships on the way, etc. So a lot of it -- it becomes easier for us to think in terms of landed, but maybe Srividya, you will have some things to add.

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
Yeah. So just to add to it, is that the freight costs have almost doubled between Q1 and Q2. So that is the overall guidance, which is there. For a Suezmax, which was probably coming at around $4 per barrel, has now gone up to even $9 per barrel. This is the kind of the increase which has happened as regards the freight rates are concerned. As Chairman was mentioning, yes, we are looking at most of the cargoes only on a landed cost basis, so the freight rates are really increasing.

Mayank Maheshwari - Analyst, Morgan Stanley
Got it. I think the second question, ma'am, to you was also related to the capital structure of Rajasthan refinery. In a year or two's time, when you want to stabilize the capital structure, where do

you think the net debt sits and the ratios sit on the capital structure?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah. Mayank, we haven't yet done that projection. Maybe by next analyst call or whenever we have a chance to meet you separately, we can have a discussion on that. Right now, we are just ranging it into the initial project things. We have not yet got to level on how fast we can get the debt under -- lowering the debt. It will also depend on if diesel cracks hold like this for a year, then we will be actually in a very, very good position considering this refinery is going to put 4 million tonnes per annum.

Mayank Maheshwari - Analyst, Morgan Stanley
Okay. So I think just on that, I think if you look at your October, as you said, your breakeven at PBT, what was the GRM you are getting in October for Rajasthan?

Operator
Hello, sir, you are not audible.

Mayank Maheshwari - Analyst, Morgan Stanley
Can you hear me?

Operator
Yes, I can hear you. Just a second. Ladies and gentlemen, the line for the management seems to have disconnected. Please hold while we reconnect. Ladies and gentlemen, the management line has been reconnected. Over to you, sir.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Sorry, folks, we got disconnected and there was some trouble in getting reconnected. I don't know, Mayank, if you got the answer fully. If there is something which is not answered before we got cut off.

Mayank Maheshwari - Analyst, Morgan Stanley
Vikas, I think you were talking about the capital structure change, and I think we got disconnected from there. You said that you are still working on it, and then it kind of stopped.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
We'll have a good handle next quarter on it. Right now, we are very focused on just trying to see where the physical production numbers land. Just making sure, all our -- see, as I said earlier, we are starting to evacuate 400 TMT. Now we have to just make sure our own supply chains, everything is there, pipelines are working fine. So a lot of effort has gone on to that. We started to look at profitability, I did comment that October -- we are hopeful of a PBT positive October, which is -- it won't be the guidance for the whole quarter because there will be the flips around it. But next quarter, we'll give you some broad sense on how we think the debt repayment would happen.

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
Once we have...

Mayank Maheshwari - Analyst, Morgan Stanley
Do you want to give us the GRM for October?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
October, I already said, first 18 days was $16.1 or somewhere, post SAED. It was $12 for quarter two, now running at $16 currently.

Mayank Maheshwari - Analyst, Morgan Stanley
Post SAED.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
[Speech Overlap] light sulfur crude. We will probably be able to flip to HS in December. That will give another lift of a few dollars. Once we do that, we anticipate, at today's prices and cracks, etc., a 20-plus run, post December.

Mayank Maheshwari - Analyst, Morgan Stanley
Okay. Thank you.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
We are quite happy how it is shaping up now. After -- obviously, the project was delayed, but a lot of effort has gone into just getting everything back. If you guys track the sector, you can map which refinery in India got all the units literally going in three or four months. I think that our team has done a fabulous job on that.

Mayank Maheshwari - Analyst, Morgan Stanley
Thank you. Congratulations on -- yeah, ma'am.

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
Just to add Mayank -- yeah, just once we get a little more clarity on the cash flow projections on the consistent refinery performance, then I think it could be the right time for us to look at how to do a debt repayment and then how do we bring down the debt equity ratio from 2:1.

Mayank Maheshwari - Analyst, Morgan Stanley
Yeah, sure. Thank you.

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

Maulik Patel - Analyst, Equirus Securities
Yeah, hi, thanks, thanks for the opportunity. So you just mentioned about Chhara terminals utilization, and you have some of this long-term contract which you have signed in the past. All this volume at Chhara, which is there, is part of that long-term contract? Or is it -- are you looking -- are you booking in spot cargoes and bringing the volume there?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
It's a mix of those. The long-term contracts, actually, initial few years were slowly ramped up because we did not want to overcommit. Also there were disruption in long-term contracts in a couple of cargoes. Of late, in the last month itself, we've done two or three spot cargoes. As I mentioned, having that asset actually is giving us a lot of flexibility on opportunity cargo. Just two, three weeks ago, we picked up an opportunity cargo at a significant discount to the market because nobody else in India had that ability to absorb that cargo at that time, and the seller needed the ship

back. So it's allowing us to play the opportunity game quite well. So we are happy with the way it's shaping up right now. Of course, we want to get the utilization to reasonable levels, 20%, 30%. At that, I think a terminal combined with your gas sales gives you a lot of flexibility and opportunity to make money. So it's shaping up well.

Maulik Patel - Analyst, Equirus Securities
Got it, sir. The last question, which you said that HRRL ramp up, which you are probably looking in a quarter or two complete full ramp up. So at that time, when a full ramp up takes place, what kind of GRM you are looking, higher than the, let's say, benchmark GRM, whatever the benchmark GRM at that point of time, what can be an uptick, I mean, higher number for the HRRL, given you have some state incentives are also part of the project? What number one should take it for the HRRL?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
See, right now, we just -- to a question Mayank had asked earlier, we had just given a broad sense that it will be upwards of 20. We have not yet added the state incentives and all those calculations. But, see, once the refinery settles down, just purely on the refinery section, we can then focus on getting our operating costs down, our energy efficiency even sharper. The results will start coming in. It is a very, very advanced refinery, and moment it settles down, which it will in the near future, it will start giving results. But I already gave the answer to Mayank's question earlier that we are looking at 20% plus, and till now we have not done the calculation of state incentive means this and that. We are just looking at a broad crude to the product equation and saying at least a $4, $5 lift off on the October GRMs. It could be more also.

Maulik Patel - Analyst, Equirus Securities
Got it, got it, sir. Thanks, thanks for the opportunity.

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

Nitin Tiwari - Analyst, PhillipCapital
Hi, sir. Morning. Thanks for the opportunity, and congratulations on a good set of earnings in the second quarter and a very strong recovery after a weak first Q. Sir, my first question was with respect to the refinery environment. If you can give us some perspective, because the waters are quite muddled. I mean, on one hand, there are strong cracks, on the other hand, there are higher freight rates. So if you can provide us some perspective how to read this refining environment and how long can we see elevated cracks. I mean if you can help us understand that, that's one. Secondly, in that backdrop, do we see structural changes in the refining cycle as such, and what kind of mid-cycle refining margins can we expect, especially for the Rajasthan refinery?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Okay. I think on the refinery outlook, if you read the reports, they say this is the golden era for refining. Again, the diesel cracks and some of the product cracks are definitely high. Again, we are not in the business of forecasting those things, so I also read the same documents which you read, and so do my colleagues here. We believe the cracks would sustain. At least they will not come down significantly during the winter months, given all the political stuff here. I have no better way of crystal gazing on cracks than you might have or any one of us. We can all do our own little projections around it. So we do [Technical Issues]

Operator
Sir, you're not audible.

Nitin Tiwari - Analyst, PhillipCapital
Hello? I think the line is again disconnected for the management.

Operator
Yeah, give me a moment while we reconnect. The management line has been reconnected. Please go ahead, sir.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Sorry, we got disconnected again. So I was just saying that for a company which does not do exports of bulk products, frankly, only part of that benefit comes to us. On Rajasthan also, we are not looking at -- see, all the products from Rajasthan is going to be absorbed by HPCL. It is just that it is our own refinery. The way we are looking, it is just structured as a joint venture and hence maintains a separate book, or you can say a separate project SPV. But all that will go towards meeting our shortfall of our refining to marketing gap. With these projects fully coming on stream in the next quarter or two, HPCL will be self-sufficient on its own product, and very little will be needed from outside. So we are hoping for that situation soon, and that will allow us to be more flexible in the market. What happens on the cracks six months down the line, 12 months down the line, very difficult to predict right now.

Nitin Tiwari - Analyst, PhillipCapital
Sir, appreciate that clarification. I mean I asked about the mid-cycle refinery margin because I wanted to understand the motivation for equity infusion at this juncture in Rajasthan refinery when our own profitability in the first half hasn't been very strong. So I mean if you can just help us understand that and especially, what's the total equity that we have infused so far in Rajasthan and where it's going to land after you have completed your equity infusion plans?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah. See, all the monies which HPCL has to put in into the project have already been put in. I think there is only INR200 crores, INR300 crores which is left for commitment on the entire thing. All the monies -- because it's a joint venture and we have to maintain a ratio of the joint venture, when the Rajasthan government commitment hadn't come in, that money had already gone in as a subordinate loan, which was sitting in the books of HRRL. That is being converted. No fresh equity is being put into the entire thing from HPCL side. The moment Rajasthan government put in INR1,500 crores, we converted our subordinate loan to this, and remaining INR1,600 crores also, which Rajasthan government puts in, the corresponding amount will be converted, and I think HPCL has a balance INR300 crores,INR400 crores left to put into the project for meeting the overall project finances of 79,800 or whatever 500 number, which was approved by the cabinet, Government of India, and which is in public domain. So no fresh cash has gone into the entire thing. But restructuring allows us to lower the debt, because Rajasthan government infused in INR1,500 crores of cash. We converted INR4,200 crores, INR4,300 crores equivalent of a 74:26 ratio mix, and that allows us to lower the subordinate debt interest. That's what I meant by financial restructuring on this. It's not that we have pumped in fresh equity. All we have to pump in -- INR300 crores, INR400 crores has already gone into the project fully.

Nitin Tiwari - Analyst, PhillipCapital
Understood, sir. That is helpful. My second question was on, again, on refinery margin. So if you can help us with the refinery-wise, refinery margins that you used to give. So if you can give us a breakup between Mumbai and Vizag?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
We have been giving consistently what we have given this time, and we committed to all of you that we will consistently give the margins, and we will give it at this level. I do not want to get into refinery-wise breakups.

Nitin Tiwari - Analyst, PhillipCapital
All right, sir, that's all from my end.

Operator
Thank you. The next question is from the line of Sumit Rohra from Smartsun Capital. Please go ahead.

Sumeet Rohra - Analyst, Smartsun Capital
Yeah. Hi, sir. A very good morning to you and your team. Firstly, sir, I have to tell you that congratulations. You guys are doing a splendid job in a very tough environment, which is far beyond anyone's control. So very well done to you and your entire team, sir. Sir, I just had a couple of things which I wanted to get my head around. So, with your complex refineries now running, and your residue obligation of Vizag as well, is it possible that we can source a very heavy discounted crude from countries like Venezuela, which are heavy salvage? Earlier only companies like Reliance could process, but now you are as capable as them, too. So that can kind of offset some of the high crude pressures, which are from the other regions.Sir, secondly, is my understanding correct that you said that by Q3 and hopefully Q4, the Barmer refinery should be fully up and running, which basically means that our dependence to buy products from other refiners would completely cease? So, which basically means that we will be fully integrated as a company, as our refining throughput, marketing throughput match. So is that understanding correct? And sir, one question now, this is more from an investor angle and not necessarily from an analyst. When the Ukraine-Russia war started, there were thoughts that this could prolong for one month, then one year, but this has been on for four. Now, when this war has gone on, this has been the seventh or the eighth month, and frankly, nobody knows this, right? I mean, it is an unknown. So, what are your thoughts on this, sir, because if crude kind of stays elevated for longer periods of time, how are we thinking about this? Because it is definitely going to affect the overall business, right? Because, I mean, we are not in the business to kind of subsidize fuel to such a strong level. So how are you looking at all these things, sir? It would be much appreciated to get your thoughts.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Thanks, Sumeet. I will go question by question. First, can we do more heavier crudes? Absolutely. That is the intent we are moving towards. Even in Vizag, we have run Venezuela already. Of course, technically, there are some changes you always need to do, but we have been figuring out how we could blend it even more and more. I am not so sure, and, Bharathanji, maybe you can add if Venezuela for Barmer might be easy because of the pipeline transfer, because heavy crudes might be more suitable for a coastal refinery.

S. Bharathan - Director - Refineries, Hindustan Petroleum Corporation Limited
Yeah. I mean, heavy crudes, along with the more bottoms, it also comes with other properties like high viscosity, acid number, and all. Overall basis, we will have to see. We keep it in our basket and evaluate as per the economics whenever it is possible to be processed.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
But Barmer, it might be difficult to transport a very viscous -- but we are always -- Sumeet, to your question, always looking for those opportunities, and we have already run some Venezuela in the previous quarter. We could figure out how much we can blend with other things. To increase those blends, what are the technical changes which we need to do? All those things are being planned for there. Given both the three refineries working now, it also gives us flexibility of where we will store crude, etc. So those all avenues are being explored. I think that was your point number one. The second question was? Just remind me of the second question.

Sumeet Rohra - Analyst, Smartsun Capital
Yeah, sir. The second question was more related to that once your Barmer refinery is fully stabilized, our dependence on buying products from other third parties will be ceased. Is that correct, sir?

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
Yeah. Once Barmer is online, if fully the throughput is there, then we should be able to take care of the entire requirement of HPCL should be taken care of from both -- all the two refineries which are there on the HPCL as well as the two JV refineries which we have, the HMEL and the HRRL.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
I think we will be able to get 95% of our requirement. There might be some small pockets here and there where it is better to take from a standalone refinery, but our portfolio will move towards internal, whether on our own balance sheet or through the joint ventures.

Sumeet Rohra - Analyst, Smartsun Capital
Great, sir. That's very good. And lastly, , just your thoughts on...

Operator
Sir, your line is -- sir, you're not audible.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Sumeet, can you repeat please? Your line was going bad.

Sumeet Rohra - Analyst, Smartsun Capital
Yeah, sir. Yeah, sir. Sir, firstly, thanks for answering the first two. Now, on my third point...

Operator
Sir, you're still not sounding well.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
No, I got reminded of the question, so I can answer that, Sumeet.

Operator
Okay, sure.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
I think if the crisis goes long, I think it is not only a question of what will we do as a company, but it is also a broader macroeconomic question for country and countries. I am sure there will be a lot of thought being given to this at various levels. At company level, we give it a thought, but I am sure government and other governments are also giving thoughts on how to look at it. Obviously, the current prices of crude and the way the situation is not sustainable. We have seen what has happened in parts of Europe where economic costs have gone up and cost of living has gone up. So I am sure governments across the world are conscious of that entire thing, and if this persists for a long period of time, then something will give away somewhere.From our side, we are trying to look at how best we can manage it in the short run, and obviously, share our perspectives on the situations with key stakeholders as required, including with the government. They are also fully aware of all our perspectives at various points of time. So idea is to collectively manage that.

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

Operator
Thank you. The next question is from the line of Ajayraj Singhal [Phonetic] from Mihir A Shah and Company. Please go ahead.

Ajayraj Singhal - Analyst, Mihir A Shah and Company
Hi, sir. Thanks for the opportunity. My first question is, in the net profit figure, in the notes, there is this mention of Visakhapatnam refinery having net profit of INR2,800 odd crores. So in the total net profit for this quarter of INR3,600 crores, does Mumbai only contribute INR800 crores? That's my first question.

K. Vinod - Executive Director, Corporate Finance, Hindustan Petroleum Corporation Limited
See, this is the number that the auditors are required to report when there is a branch auditor looking at, who is different from the corporate auditor. So when you do a consolidation, there will be a net off of the profit between the entities, and that is forming part, not exactly the difference that you speak. We net it out and after making intercompany adjustments, that forms part of the consolidated figure.

Ajayraj Singhal - Analyst, Mihir A Shah and Company
Okay. My second question is related to HRRL and HMEL. They have now been connected via a gas pipeline network from GIGL that goes on to Bathinda, that connects to HRRL. Are we expecting to see some benefit of having some gas feedstock in the near future?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
We are already using gas. Both -- HMEL is already -- and HMEL is connected to this pipeline. It is also connected to another pipeline. It is connected to two pipelines, if I remember correctly. It is already been sourcing for gas for a long period of time, and HRRL is also already sourcing gas. We do all those analysis. On the days it is better to run naphtha, we run naphtha for our feedstock, or for our SMR, etc. On other days, we run gas. That is being done literally by our teams on a daily basis. That part is working already.

Ajayraj Singhal - Analyst, Mihir A Shah and Company
That is it from my end. Thank you.

Operator
Thank you. The next question is from the line of Piyush [Phonetic] from HPC [Phonetic]. Please go ahead.

Piyush - Analyst, HPC
Hello?

Operator
Yes, sir, please go ahead.

Piyush - Analyst, HPC
Hi, am I audible?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah.

Piyush - Analyst, HPC
First of all, thank you for the opportunity and for such a great outlook also for the company. My first question was, what is the capacity utilization percentage of HRRL Rajasthan refinery in Q2, and when will the production of PE and polypropylene and other petrochemicals start?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah. See, capacity utilization for Q2 is probably not the right benchmark to look at it because when you start a refinery, run it for a few days, then there are some small kinks you have to improve and all those kind of things. I would say, from September onwards, we have been consistently running -- after removing some of the kinks, so we have been consistently running the CDU. As I said, it is running at about 55% to 60% utilization, which we had already given as a guideline there. For last two months, it has been running at 60% utilization, and we hope to maintain that trend. On polymer, propylene will come in a bit earlier. The cracker of polymer is under the commissioning cycle. It takes six months to start a cracker. We are already in that journey, so somewhere in Q4, we are expecting to have the DFCU, as it is called, the cracker unit on petrochemical started. It actually is a six-month cycle. So we are hoping that -- we are not expecting benefits of Petchem production, barring propylene, to happen in this financial year. But with the diesel cracks and LPG, etc., which is needed here, all the product will be evacuated. We have schemes done, all the homework done for evacuation of all those products.

Piyush - Analyst, HPC
Okay, so basically from next financial year is when we'll see the benefits being contributed?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yes.

Piyush - Analyst, HPC
Okay. Clear. My next question was, so the debt arrangement of I think around INR51,970 crore for HRRL was refinanced, the Rajasthan refinery was refinanced at a [Indecipherable]. So what was the average interest rate for this refinery loan earlier, and to what percentage has it been revised now? Basically, how many basis points did we save in the interest rate?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
I think we do not need to have those details. From your perspective, we gave you the guidance that 105 basis points was the reduction we have had on the entire debt.

Piyush - Analyst, HPC
On the entire thing? Okay.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yes.

Piyush - Analyst, HPC
The next one is, even though the Brent price has been higher, how did the GRM increase from $8.79 in FY'26 to the $27.89 in Q2 of FY '27? Was there any one-off reason for this?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
We were doing a lot of hard work, no? No, we did carry -- earlier in the call, we clarified that we carried more inventory at the end of June. We had clarified in the June quarter and this call also that we did carry more inventory, and we mark to market all the inventory, and June end was a lower price. So we did benefit a bit from a lower price opening inventory in July. As I said earlier in the call, we had fabulous July and August. So that helped take up the refining margins. But obviously, at the same time, I have to give credit to our refinery setup. They ran a very good physical performance in a very tough environment, which allowed them to capitalize more in terms of the small, small things you do, this product more, this product more, squeeze in a bit more money here, then make more money there. A lot of that optimization was done by our teams.

Piyush - Analyst, HPC
Got it. So you mentioned the lower inventory. Was it because of the discounted purchase...

Operator
I'm sorry to interrupt, Piyush sir. If you have follow-up questions, please rejoin the queue.

Piyush - Analyst, HPC
No. I t's just a follow-up question to this one, actually. It shouldn't take long, if the Board allows it.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Already, the crude was with us and the prices fell, and we had to take a mark to market. That was inventory in our tanks at that point of time in June 30.

Piyush - Analyst, HPC
Okay, so it was not Venezuela crude, or was it?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
This is too technical. Leave it to us to run the refineries.

Piyush - Analyst, HPC
Okay.

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

Aman Sharma - Analyst, AS Capital
Yeah, am I audible?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Yeah.

Aman Sharma - Analyst, AS Capital
Thank you for this opportunity. So basically I want to understand what is the approximate time line to get your crude procured?

Operator
I'm sorry to interrupt you, sir, your voice is not clear. Can you please use your handset?

Aman Sharma - Analyst, AS Capital
Am I audible now?

Operator
Yes, sir.

Aman Sharma - Analyst, AS Capital
I want to understand what is the approximate time line between your crude procurement and the time you actually process it. So basically, let's say, you process the crude in April, and I want to know how old is the crude that is used for processing. Is it Feb, March or then?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
It is roughly about 30 days, probably 30, 35 days. For East Coast it is about 45 days, approximately. And HRRL will be slightly longer because we have to account for a pipeline transfer in between.

Aman Sharma - Analyst, AS Capital
45 days for what?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
East Coast.

Aman Sharma - Analyst, AS Capital
East Coast.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
That's the rough number. Sometimes it can be more and all, but average there's 10 days extra for East Coast.

Aman Sharma - Analyst, AS Capital
Understood. My second question is on what is the approximate days of crude and petrol, diesel inventories do you hold?

Aman Sharma - Analyst, AS Capital
We have enough, yaar. Do not worry about that. It is not much of a consequence on financials. We have enough to keep it. We are keeping our standard stocks on all of those. 20?

Srividya Venkataraman - Director - Finance, Hindustan Petroleum Corporation Limited
20 days.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Roughly 20 days of product, and then there is crude and there is also line packs, etc. But we are keeping the same ratios which we were doing earlier, and of course, the change for any operational parameters which have changed at our end.

Aman Sharma - Analyst, AS Capital
Okay, thanks.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Thank you.

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

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
Request your closing comments if you have any, sir?

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
No, I would just like to thank everybody for their interest in HPCL. If you have follow-on questions, do reach out to our finance team, they will be happy to answer those. If you have any suggestions and even critique for us, please share it with us. We will be very happy to hear your views and learn from your perspectives. Varatharajan, thank you for hosting this call.

Varatharajan Sivasankaran - Analyst, Antique Stock Broking Limited
Thank you, sir, and thanks everyone for attending the call and for the management for a very, very detailed discussion. Thanks, everyone, and an advanced Diwali wishes to all of you. Thank you.

Vikas Kaushal - Chairman and Managing Director, Hindustan Petroleum Corporation Limited
Thank you.

Operator
[Operator Closing Remarks]