Management Discussion

Varatharajan Sivasankaran - Analyst, Antique Stock broking ltd
Thank you, Nisha. A very good morning, ladies and gentlemen. It's my pleasure to welcome all the participants as well as the management of Indian Oil Corporation. We have with us today Mr. Anuj Jain, Director Finance, Mr. Nitin Kumar, ED Corporate Finance and Treasury, and Mr. Pramod Jain, CGM Treasury, along with his team. I'd like to hand over the call to Mr. Anuj Jain for his opening remarks. Over to you, sir.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Thank you. Dear investors and analysts, a very good morning to all of you. I take this opportunity to welcome all of you to the conference call organized by us post-announcement of the 2nd quarterly results of financial year 2026-27. I trust you had, had an opportunity to review the financial results and accompanying disclosures Published on our website and stock exchanges, along with the updates shared with you. In today's call, we would like to walk you through our performance for the quarter gone by, provide some insights on the broader macroeconomic context, and also share with you the strategic initiatives we are pursuing to strengthen our position as India's largest energy company.

Before I move to the operational and financial highlights, let me briefly touch upon the evolving geopolitical developments and their implications for the global energy markets. We are meeting at a time when geopolitical tensions continue to drive volatility in global energy markets. Following the onset of US-Iran hostilities towards the end of February 2026, global Crude oil prices witnessed a significant spike. The Indian basket crude price, which averaged around USD 65 to 70 per barrel in Feb, remained above the USD 100 per barrel mark during most of Q1 financial year 26-27.

During Q2, crude oil prices remained relatively moderate, with Indian average Basket largely ranging between USD 85 to $95 per barrel during July and August, before witnessing renewed upward pressure and escalating geopolitical tensions in September. Supply-side uncertainties continue to persist, with disruptions to commercial shipping in vicinity of the Strait of Hormuz coupled with elevated freight and war risk insurance costs. The Indian basket has remained above USD $100 per barrel mark on a sustained basis since September, averaging around USD 120 per barrel in October 2026.

Amid these heightened geopolitical uncertainties and evolving global trade flows, Indian Oil continues importing secure, reliable, economically competitive crude oil grades from diverse countries while managing challenges of high market volatility. Logistic challenges in terms of ships, insurance, freight cost, among other things, remains a cause of concern. Amidst disruption, we diversified our sourcing by increasing imports from other geographies like Russia, Venezuela, Brazil, and even some from African countries.

Thereby Ensuring continuity of crude oil imports to maintain our planned refinery operations. The spot imports for the half year stood at about 87% against 50% during the last financial year. As regards our performance for Q2 financial year 26-27, we reported a net profit of Rs. 21,630 crore. Compared to net loss of Rs. 2,661 crore in the preceding quarter and profit after tax of Rs. 7,610 crore in the corresponding quarter of financial year 25-26. From a half-year perspective, the PAT is Rs. 1,896.9 crore as against Rs.

1,329.9 crore in H1 financial year 25-26. High inventory gains and other multiple factors have contributed towards the profitability for the period. Revenue from operations during this quarter

stood at Rs. 262,936 crore against Rs. 275,972 crore in the preceding quarter for this year. The revenues for the corresponding quarter of financial year '26 was Rs. 202,992 crore. Beyond navigating the near-term challenges in the global energy environment, Indian Oil continues to focus on strengthening operational excellence across its integrated business.

Our refining capabilities, extensive pipeline infrastructure, and nationwide marketing network remain key strengths in ensuring supply reliability improving operational efficiency and supporting the country's growing energy requirements. At the same time, we continue to pursue opportunities in cleaner energy and emerging businesses as part of our long-term growth strategy to support India's evolving energy requirements and transition objectives. Friends, now the operational and financial highlights will be briefed by Shri Nitin Kumar, Executive Director, Corporate Finance and Treasury, Indian Oil.

Thank you.

Nitin Kumar - Executive Director, Corporate Finance and Treasury, Indian Oil Corporation Limited
Thank you, sir. Dear investors and analysts, good morning to you all. Kindly note that today's discussion may include forward-looking statements which are based on currently available information, assumptions, and expectations, and are subject to uncertainties that could cause actual results, performance, or achievements to differ materially from those expressed or implied. Participants are advised to refer to the company's latest filings with regulatory authorities for a more detailed discussion on the risks and uncertainties.

Before turning to our numbers, let me briefly touch upon the macro backdrop against which this quarter played out. The quarter saw a notable shift in the global macroeconomic environment. Environment developments in West Asia pushed crude prices higher and revived inflation concerns, taking global sovereign bond yields to multi-year highs. Central banks responded firmly. The US Fed raised rates by 25 basis points in September, and the RBI followed suit in October with a 25 basis repo rate increase to 5.5%, reinforcing its commitment to price stability.

Coming to the forex market, the rupee remained highly volatile during Q2 of this financial year. It depreciated to a quarterly low of about 96.58 per USD in July after US-Iran escalations. However, it recovered to around 94.5 per USD, aided by strong FCNR-B inflows under RBI facility. The rupee could not hold the gains and closed the quarter at 95.84 per USD after Fed rate hike. Recently, rupee recovered to below 95 per USD levels after RBI measures. The rupee is expected to remain volatile under these uncertain global geopolitical environments.

On the growth front, India continues to stand out. The IMF has raised India's financial year 26-27 growth forecast to 7%, well above global growth of 3.1%, citing resilient domestic demand. The strength is reflected in energy demand. As per PPAC data, domestic consumption of petrol, that is MS, and diesel, that is HSD, grew by 8.5% and 7.5% respectively in Q2 of financial year 26-27 compared with Q2 of financial year 25-26. This provides a strong foundation for demand across our businesses. The average price of crude, that is Indian basket, declined to $96.16 per barrel in Q2 of this year from $100.74 per barrel in Q1 of last year of this year, sorry.

However, the ongoing US-Iran conflict and heightened geopolitical uncertainties continue to exert upward pressure on global crude oil prices, keeping energy market volatile. Now let me briefly touch upon the quarterly performance highlights. While navigating a volatile global energy environment, we have continued to balance market stability with commercial considerations. Our strong volume base, extensive marketing network, and focus on operational efficiencies and product mix

optimization provide a sound foundation to support earnings, earnings resilience, and position us to benefit from an improvement in marketing margins as market conditions evolve.

Talking about the numbers now, let me briefly touch upon the major verticals. Refineries. During the quarter, refineries achieved crude throughput of 18.1 MMT with a, with a capacity utilization of 102.3%, in comparison to throughput of 19.2 MMT with a capacity utilization of 109.4% during the preceding quarter. For the corresponding quarter of 25, uh, of financial year 25-26, the throughput was at 17.6 MMT with a capacity utilization of 99.4%. On July 12th, 2026, Panipat Refinery became the first Indian oil refinery to produce all-weather grade high-speed diesel, reinforcing Indian Oil's commitment for meeting the fuel requirements of the nation's armed forces operating under extreme conditions.

Pipeline: During the quarter, pipeline throughput was 25.3 MMT with a capacity utilization of 64.3% vis--vis 28.5 MMT during the preceding quarter with capacity utilization of 79.9%. During the corresponding quarter of financial year '25-'26, the capacity utilization was about 66.7% with throughput of 24.1 MMT. Marketing: the total sales volume during the quarter was 25.228 MMT as compared to 26.211 MMT during the preceding quarter and 24.262 MMT in Q2 of financial year '25-'26. During the quarter, 126 retail outlets were commissioned, taking the total number to 43,245.

Under a significant strategic development, Indian Oil signed a sale-purchase agreement with the State Trading Corporation of Mauritius under G2G framework MoU between Government of India and Government of Mauritius. Pursuant to this, Indian Oil will meet 100% requirement of, uh, motor gas and gas oil, that is HSD and Jet A-1 ATF, of Mauritius on delivered basis for next 5 years. Petrochemicals. The sale of petrochemical products including exports during this quarter was 0.858 MMT compared to sale of 0.768 MMT in the preceding quarter.

Gas. During the, during the quarter, we registered gas sales of 1,933 TMT, which includes CGD sales of 76 TMT, as compared to total gas sales of 1,873 TMT including CGD sales of 67 TMT. During the preceding quarter. In a significant development, Indian Oil has been entrusted with development, uh, interested with developing the gas supply infrastructure for supply of natural gas in the Andaman and Nicobar Islands. Indian Oil has signed a 25-year gas sale agreement with NTPC Vidyut Vipar Nigam Limited, a subsidiary of NTPC, for the supply of regasified LNG to the upcoming gas-based power projects in Andaman and Nicobar Islands.

Additionally, Indian Oil is also developing a floating storage and regasification unit, that is FSRU-based infrastructure, to supply natural gas to power plants in the islands. Renewable energy. Indian Oil is working to strengthen its position at the forefront of India's biofuel and energy transition agenda, aligning with nation's twin objective of energy security and decarbonization across hydrogen and green hydrogen, ethanol, biodiesel, CBG, and SAF. The corporation continues to scale commercial capacity and deepen its partner ecosystem.

As informed earlier, TerraClean Limited, our wholly owned subsidiary, is working in renewable energy activities including wind and solar projects. The company has received connectivity approvals for 2.65 gigawatt capacity on Central Transmission Unit, that is CTU, and State Transmission Utility, that is STU. Further, the company has been allotted 423 acres of land in the state of Uttar Pradesh for development of solar power plant of around 100 million 100 megawatt. Terra Clean Limited is aggressively exploring commercial and industrial customers across India for providing reliable green power through long-term power purchase agreements under the group captive open access mode.

During April to September '26, the company incurred a total CapEx of 12,162 crore And capacity

investment across all verticals. The budgeted CapEx target for the, for the financial year 26-27 is 32,700 crore. These investments are aligned with our long-term strategic roadmap and national energy priorities. In September 2026, Paradip PX-PTA project has been mechanically completed. Commissioning activities are in progress. The major refining expansion project in Panipat, Barauni in Gujarat are at advanced stages of execution and are targeted for completion during 26-27.

Phasewise commissioning of process unit utilities and offset facilities are being undertaken in a structured manner to enable progressive capacity buildup and integration. Borrowings. With respect to the borrowing levels, the borrowing as on 30th September 2026 was at Rs. 1,16,578 crore level compared to Rs. 1,41,453 crore as on 30th June 2026. The reduction in borrowing levels is primarily driven by higher profitability and favorable working capital changes. As of 30th September 2026, the company's gross debt-to-equity ratio stood at 0.54, reflecting a comfortable leverage profile.

After adjusting for financial investments, the net debt-to-equity ratio further strengthens to 0.35, positioning us well to pursue growth opportunities, absorb market volatility, and maintain financial strength across cycles. With this, I take a pause and request Director Finance for his further remarks.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Thank you, Nitin. I would like to extend my sincere appreciation to investors and all stakeholders for their continued confidence and support. We remain focused on delivering consistent performance, maintaining financial discipline, and strengthening our competitiveness While creating sustainable long-term value for our shareholders and all stakeholders. With that, I will end our briefing here. We would now be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. The first question is from the line of Probal Sen from ICICI Securities. Please go ahead.

Probal Sen - Analyst, ICICI Securities
Yeah, good morning, sir. Thank you for the opportunity and congratulations for a very strong set of numbers. Firstly, can I have the refining margins for this quarter broken down into core and inventory gains like you generally give?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, you can note down during Q2 '26-'27, we had gross refining margins of $18.52 per barrel. Which is including SAED, and considering the SAED impact, the GRMs too is $36.67 per barrel.

Probal Sen - Analyst, ICICI Securities
Sorry, $36.67?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, this is for yeah.

Probal Sen - Analyst, ICICI Securities
Okay. And sir, inventory number, is it possible to share roughly?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, in Q2, uh, basically, uh, on overall basis, we have a benefit of 6,900 crore benefit on account of inventory.

Probal Sen - Analyst, ICICI Securities
Got it, sir. Thank you. The second question was with respect to the crude sourcing environment. If we can get a sense of, you know, what kind of premium we are paying right now on top of benchmark crude in terms of what we see on the exchanges, what is the actual premium on the ground that we are paying right now on a blended basis? And second part of that question is if we can get a sense of what percentage of crude is from Russia and whether we are also looking at Venezuela as a potential import.

If you can just throw some color on this.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
So as you know, the crude oil prices have remained highly volatile during this quarter also. Since I think March, we are facing the huge volatility in the crude oil prices. So it is very difficult to give an exact number. Because it depends on various factors, whether it is on FOB, DAP, geographies, freight cost, type of crude. But I will give you a broad number that on a benchmark basis, the crude oil in Q2 has ranged from even from -$5 to +$12 per barrel. So it has been hugely volatile. And in Q1 itself, it was $0 to $18. That means I would say that in Q1 it was almost on the positive side.

In Q2, for some part of the period it became minus, and again it has gone to plus. So from minus 5 to plus 12, it has ranged during this quarter. And coming to the second question, uh, from Russia, we have bought 55% during the half year. And if you say in Q2, it has also remained in the range-bound manner. So we continue to purchase significant volumes of Russian crude at very optimal prices, and I think that is giving benefit to us. And as far as Venezuela is concerned, yes, the company has been continuously buying Venezuelan crude and processing it.

And all these factors have contributed to the profitability of the company.

Probal Sen - Analyst, ICICI Securities
One last question, if I may. Uh, given the kind of spike in crude and product prices as well as LPG prices also in Q3, uh, you know, the, the losses from that division would obviously be expanding. So how are we looking at basically managing the retail marketing segment? And the LPG segment in Q3, any discussions on pricing changes or additional compensation from the government? If you can highlight to us. See, I would

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
like to refrain from any providing forward-looking guidance, particularly matters relating to government, but I can say only that Indian Oil has been successfully managing the procurement of crude oil and LPG. During the entire crisis period. And you would have seen consistently that all the refineries are running at the most optimum throughput. In fact, we have achieved the highest ever throughput in refining, pipelines, marketing in all segments, our physical performance is exceptionally good.

Our teams are working day and night to ensure that on the operational front, we remain the best

performing metrics. As far as the 3rd quarter is concerned, I can say only thing that we have managed both quarter 1 and quarter 2, you have seen, and we are very confident even in quarter 3 we will be able to manage these things. And many factors are affecting the profitability of the company. So I would say that even on LPG and other things, the flows from Strait of Hormuz has increased. We have diversified our sources.

So I think a lot of mitigation steps are in place to ensure that both on financial front and operational front, company is able to manage this ongoing crisis.

Probal Sen - Analyst, ICICI Securities
Okay, sir, thank you so much for the detailed answers. I'll come back if I have more questions.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, thank you.

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

Yogesh Patil - Analyst, Dolat Capital
Thanks for taking my question, sir, and congratulations for the good set of numbers. Considering the latest, uh, price increase in propane and the butane, uh, recently, just a day back, Saudi Aramco has announced Uh, how much domestic LPG under recovery we can expect in the month of December and how it was during the month of October and November?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, I will give you, uh, the, the Saudi CP has gone up to $756 per metric ton. So as far as my under recovery is concerned, uh, you know that In September, it was Rs. 184 per cylinder, which went up to Rs. 229 per cylinder in the month of October. And going forward in the month of November, I we feel that it would be somewhere in the range of Rs. 309 in the month of December, and it may go to Rs. 370 per cylinder in the month of December.

Yogesh Patil - Analyst, Dolat Capital
Okay, fair enough. Sir, next question related to the renewable power and the clean energy projects. Can you give us a detail how much solar, wind, battery capacities are already installed? That's one. Again, on the capital expenditure side towards the RE power and the clean energy projects, in the next 2 to 3 years, how much CapEx IOC is going to spend on these projects? Can you provide some details?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, I will go one by one. The current capacity is, uh, 259.68 megawatts. Solar is 92 and wind is the balanced one. As, uh, you have seen that we have given an ambitious target of 31 gigawatts by in another 5 years. And to achieve that target, we have opened a 100% subsidiary of Indian Oil Terra Green company, which is focusing on our renewable path. And already we have a joint venture company with NTPC to give us a 2 gigawatt renewable power, and that should be available in next 5 to 6 months from that joint venture company.

From our 100% subsidiary company Terra Green, we aim to Uh, we have already received connectivity approvals of 2.6 gigawatts. And as far as the target is concerned, we are going to spend almost, you can say, uh, 5,000 crores, 10,000 crores per annum to equity contribution in our

subsidiary company, because these type of companies are highly leveraged companies. So if you take a good debt-equity ratio of 1:2 or 1:3, Equity contribution of 5,000 to 10,000 crores is being targeted in next 5 years.

Yogesh Patil - Analyst, Dolat Capital
Okay, and the last one, sir, uh, the target of 31 gigawatts set up by the IOC, all this power generation will be consumed for our own purpose, uh, captive, or we are also planning to sell this power to the grid and any DISCOMs?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Oh no, it is going to be both for captive, but majority of that will be for the, uh, for the market. So we have a for the PPAs and those things. So we are focusing, uh, apart from the initial 2 gigawatt power which we entered joint venture company with the NTPC, that is for my captive usage. But whatever we are targeting through our subsidiary company TerraClean It is predominantly for the competitive market.

Yogesh Patil - Analyst, Dolat Capital
Okay, thanks, thanks a lot, sir.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
And I would also like to add that both the 31 GW will be we are targeting both from organic and inorganic route. So both of the options are being kept open.

Yogesh Patil - Analyst, Dolat Capital
Thanks a lot, sir.

Operator
Thank you. The next question is from the line of Vivekanand Subbaraman from Ambit Private Limited. Please go ahead.

Vivekanand Subbaraman - Analyst, Ambit Private Limited
Yeah, hi, the opportunity, uh, this quarter you reported trading gains in your gas segment. When I look at the segmental results, you have a positive EBIT on the gas side. Is that attributable to your Trading business, or is it the CGD business? And can you give us some details of the ramp-up that you're doing in the gas business? And could you also help us understand the structure you have? You have some CGD stations of your own, some with the Adani Group, and I think some in other JVs. If you can help us understand your plan there.

Plus, you also have an LNG terminal in Indore and certain gas pipelines. So if you can help us understand the gas business better, it'll be great. Thank you.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, I will tell you, Indian Oil remains a very, very important player in the gas segment. It is a major importer of L LNG in the country. We are into CGD segment, we are into the, uh, you know, CPG segment, we are into PNG. So all these verticals are very actively playing in the market. As far as this quarter positive gas margins are concerned, because we have good long-term contracts of RLNG in our portfolio, so when the international prices went up in domestic market, because of this long-term contracts, we were able to earn higher margins during both Q1 and more in Q2 because gas prices went up more significantly higher in the So, uh, that is a basic reason.

And Indian Oil, apart from being an oil and petchem company, is also a major player in gas segment. So you will see more and more positives coming from the gas story of the company.

Vivekanand Subbaraman - Analyst, Ambit Private Limited
Great, sir.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
And also, I will say we have an ethanol terminal, LNG import terminal, we have gas pipelines. So we are physically available in all the segments of gas in the country. Yeah, thank you.

Vivekanand Subbaraman - Analyst, Ambit Private Limited
Thanks a lot.

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

Mayank Maheshwari - Analyst, Morgan Stanley
Uh, thank you for the call, sir. First question related to refineries. If you can talk to us in terms of all the 3 refineries that you were expanding, where are we in terms of project execution? Where have the first crudes gotten? And any timelines in terms of ramp-ups, if you can talk about that.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, see, uh, the all the 3 projects, Panipat, Barauni in Gujarat are at advanced stages of execution, and the targeted completion is financial year '26-'27. Uh, the actual crude intake will take some time because after the initial commissioning, you generally know that it takes some time to ramp up. But if you I will give you refinery-wise status. Panipat Refinery is 95% complete. Gujarat Refinery is at 90%, and Barauni is at 92.5%. Expected commissioning remains this financial year, but actual crude our throughput will start coming in 5 to 6 months thereafter.

Uh, so it's a gradual ramp-up. Many units have started commissioning, uh, even we speak today. So all the projects are at the advanced stage of commissioning.

Mayank Maheshwari - Analyst, Morgan Stanley
Yeah, got it, sir. And I think the second question was more a strategic question related to this entire energy security at the country level. Um, I think all of you at OMC level have kind of struggled on the logistics side. You have been talking about it on the earnings call for the last 2 quarters as well. This quarter as well, you're highlighting that as well. So is there a thinking process for you to kind of think about now we need to kind of invest in shipping as well? Because previously the thinking process was it's just 2.5 days away from Middle East, so we don't need so much of that, uh, CapEx.

But is there some change in the thinking process at the government level or at your level of how you manage the next crisis? Hopefully it doesn't happen, but is there some thinking there?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Uh, see, uh, I will tell you, uh, for the shipping business, first of all, on a day-to-day basis, even today, you have to optimize between your time charter vessel and the voyage charter vessel. So even during this crisis, we had a good number of time charter vessels with us, which significantly helped us, uh, because when the freight market is at all-time high, all the time charter vessels helped us significantly in Managing not only the supplies but optimizing the cost also. Number two, now we have two more possibilities going forward.

One is started owning the ships now. So instead of time charters, we start owning the ships. For that also, the work is on. You would have seen the board has already given go ahead. Our board of Indian Oil has already given go ahead to buy a few vessels now, which Indian Oil will start owning up in time to come. And the third possibility is, uh, which is more of a strategic call at a country level, is Make in India the ships. That activity is also going on. So shipping is a very, very focused area, not only for us but for the entire energy sector in the country today.

And Indian Oil is also focusing on all the 3 verticals. I would say work on, on the first front, optimizing between the time charter and voyage charter, is being done. On the second part, tenders were already out in the market few months back where we wanted to buy some vessels. And the third part is also the discussions, discussions are on with all the stakeholders. So it remains our focus area going forward. Country needs the oil sector companies to focus more on shipping area now.

Mayank Maheshwari - Analyst, Morgan Stanley
Sir, if you can just give us the number of what exposure do you have on TC rates and DES? Sourcing of crude versus your spot exposure today?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, if you see normally, uh, if you see today, we have almost we have 3 number of crude oil vessels on time charter with us. So the rates would be, if, if you talk about Indian oil, generally should be around $2 to $2.25 or $2.50 per barrel. But if you go to the market, it is as high as $8 to $10. So it gives a significant benefit to anyone having a time charter today in the market. Same is the case with LPG. Today, uh, if you talk about the normal times, generally the LPG should be $40 per metric ton, which today it is as high as $160, $180 per metric ton in the market.

So the it is very high in the spot market today. So Indian Oil is having good numbers of, uh, 3 numbers of crude oil vessels and 9 numbers of LPG vessels. All these vessels are giving us good, you know, security nowadays and good savings also.

Mayank Maheshwari - Analyst, Morgan Stanley
Got it, sir. Thank you.

Operator
Thank you. The next question is from the line of Kishan Mundhra from DAM Capital. Please go ahead.

Kishan Mundhra - Analyst, DAM Capital
Hi, sir. Thank you for taking my questions. A couple of them. So firstly, if you could share the depreciation for your petrochemicals segment for the quarter.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yes. Okay, give me some time. If you have any other question, we can move to that. I will come back to you on this.

Kishan Mundhra - Analyst, DAM Capital
Yeah, a couple of them. So, so, so, uh, particularly on your, uh, refining expansions, so on Panipat, Barauni, and Gujarat. So I'm assuming the CDUs that you're putting up are all new CDUs. So just to ramp them up, would you need to take any shutdowns in your existing refineries or it can be done

without existing without taking a shutdown. And then while you ramp up, I mean, how would the product slate change versus your existing product output? And so I'm assuming there is sufficient capacity in the secondary units to ensure that our product slate remains what it is currently.

So is that understanding correct?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, I would say any expansion will require a brief shutdown, but it is not required to be done immediately. It is like for Panipat in Gujarat, already in multiple stages we have taken shutdowns and revamp work has been done. Barauni, we are yet to do that, but that will not be a significant one. So I would say being all the Brownfield expansions, the kind of hookups are required would be smoothly done, and no major disruption on the supply side is expected in the system. And in any case, Indian Oil is a very, very diversified company.

We have more than 10 refining systems. So at any point of time, you will find one or two refineries under shutdown. So that is a continuous process what we do. But because of the expansion, we don't expect any major, you know, any reduction in our volumes. And number two, I would say that the product fleet, what you are saying, definitely all these are modern units. So our although it is similar to my existing fleet, but yet we expect that. In Panipat, uh, HSD production will go from 46% to 49%, and district yield will go from 83.4% to 85.2%.

As far as Gujarat is concerned, yield is expected to go from 79.3% to 82.5%, and HSD production remains almost the same. Okay. In Barauni, uh, HSD will go from 48% to 50%. And yield will remain in the range-bound manner. And our residue hydrocracker unit at Panipat will also result into better distillate yield of 3.8%. So all these multiple factors will contribute to the better distillate yield in times to come. And coming to your first question, uh, what is the depreciation in petchem segment in Indian Oil?

In Q2, depreciation on petchem segment was 381 crores.

Kishan Mundhra - Analyst, DAM Capital
Okay, and for if you have a number ready for FY26 in total as well?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, uh, I would say you can just extrapolate this figure, you will be near to the same figure.

Kishan Mundhra - Analyst, DAM Capital
Understood. So last question from my end, sir. I mean, after we are done with the current phase of expansions in, um, in these refineries and petrochemicals, what are the next hydrocarbon-focused, big hydrocarbon-focused projects that, that we are working on? One is Paradip, but apart from that, any other ones that you could highlight?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, actually, uh, after the major as you said that after the expansion of these 3 major refining projects, next would be the Paradip Refinery naphtha cracker. After that, we are also focusing on Small, small, uh, projects on petrochemicals. Uh, we already board has already approved, uh, CapEx for almost 10,000 crores in the past 1 year, uh, on these, uh, new projects of petrochemicals, which is already in the public domain. With the business specialty chemicals, what we are trying to focus apart from that, we already said we are going to invest heavily into our subsidiary company TerraClean.

On the renewable power projects. We are also going to invest into the battery business, which we already doing in a major way by the battery swapping business. We are also focusing on our modernization of all our retail outlets in a major way. We are also investing heavily into wayside amenities. If you go to any now express highway You see huge wayside amenities. So Indian Oil is focusing major way in the those sectors also. But as far as specific question is concerned, I will tell you that in the medium term we are expecting we are also augmenting our PBR unit at Panipat Refinery, butyl butyl activate project at Gujarat Refinery integrated.

PX-PTA plant at Paradip Refinery. So I see, for a very diversified company, I would say a company will remain a CapEx of 30,000 crore to 40,000 crore in next 4 to 5 years. So that is a standard CapEx what we target. Nowadays we are focusing on expansion of 3 refinery projects, but already a lot of CapEx plans are there in multiple sectors for next 5 years.

Kishan Mundhra - Analyst, DAM Capital
Understood, sir. Understood. So as I understand, so Paradip expansion, Paradip Petrochemicals master cracker is, is the key hydrocarbon project that we have been working on. And on that, any particular reason that, uh, we've, uh, it has not got a we have not finalized it or closed it as of now?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, the work is going on. Um, any major expansion project takes some time to kickstart because of the availability of land and approvals. So that activity is going on. See, as you know, that Stage 1 approval was already given by the board. So, uh, now the various how to make best use of the configuration studies are going on. And, uh, I think the petrochemical remains a very focused area for the company. Detailed engineering work is going on. So multiple Because one of the most complex petchem units which is being thought So it will take some time to, you know, start working on the ground.

Kishan Mundhra - Analyst, DAM Capital
Yeah, that's it. Thank you, sir. Thank you.

Operator
Thank you. The next question is from the line of Ramesh, an Individual Investor. Please go ahead.

Ramesh - Analyst, Individual Investor
Good morning and thank you very much, and congratulations on your performance. So if you can share some thoughts on your Terra Green subsidiary in terms of when you expect them to turn EBITDA positive and cash flow positive, and what is the kind of scale you're looking at once you reach full scale in terms of revenue and, say, IRR for Terra Green. And the second thought is in terms of your gas segment. Can you give us some specific details in terms of what was the positive contribution from your standalone City Gas Distribution stations and the Indore LNG terminal.

Those are the 2 questions.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, see, first question is on Terra Green Limited. See, target of Terra Green is 31 GW renewable power by in next 5 years, which includes 6 GW organic build-up and around 7.5 GW through M&A. And remaining is through joint venture companies, uh, and as already you know, we have already had a joint venture company 3 years back with NTPC. So mix of all these 3 segments will contribute almost 31 gigawatts in next, next 5 years. So already if you talk about Terra Queen, board has

already approved 5.3 gigawatts of investment under TCL.

And we are targeting a debt-to-equity ratio of 75:25, and we expect that the EBITDA positive should be somewhere around 29-30. These all multiple projects are highly you have to compete in PPAs and other things, and connectivity. You know, the renewable sector has a lot of challenges itself in the power sector. So all these put together, we expect that the company projects should start coming on ground from '28, '29, '30, and land procurement is already underway at many of the sites. So all these things put together, EBITDA positive, I would say financial '29-'30 should be the year where we become EBITDA positive.

And I also like to say that TerraClean is also aggressively exposing commercial and industrial customers tie-up from today itself because it takes some time to tie up with the customers. So Indian Oil has a marketing expertise and that expertise will definitely help the company to have very effective tie-ups with the commercial and industrial customers across India, and that would be our major strength going forward. And as far as the

Ramesh - Analyst, Individual Investor
Yeah, sorry.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Second question is concerned on ethanol terminal. As you know that its capacity is 5 MMTPA, and, uh, today the utilization is almost 28%. Due to multiple factors, pipelines connectivity and other things, utilization has remained low. But with the kind of, you know, gas demand we are witnessing and multiple pipelines coming into commissioning, we expect the utilization to go up in times to come, in

Ramesh - Analyst, Individual Investor
So yeah, is Anoil likely to show EBITDA positive in the next 1 or 2 years? And secondly, what was the contribution from the standalone CGDs in our, um, 2Q segment performance in the gas segment?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, I would say that this, uh, Anoil has been done through a joint venture mode, so the We are, as an Indian Oil company, we have done the equity investment and, uh, we are yet to receive, uh, uh, basically the profitability still remains in the books of the joint venture company, although, uh, although we will be start getting dividend from this company. As far as your CGD question is concerned, I am pleased to say that this company has already become EBITDA positive. And even at the profit before tax stage, in Q2 itself, it contributed to 90 crores in my PBT, profit before tax, CGD segment.

So one last segment.

Ramesh - Analyst, Individual Investor
Yeah, yeah,

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
no, please carry on.

Ramesh - Analyst, Individual Investor
Yeah, so one last thought on the refinery expansion projects. Uh, once you ramp up to 70-80%, when do you expect these projects to start contributing to your EBITDA and cash flows, would it be

somewhere in FY27-28 or more likely in FY29?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
No, no, see, we are expecting commissioning by in the financial year '26-'27, and after the ramp-up, we expect that we will start getting the benefit of higher throughput in '27-'28 itself.

Ramesh - Analyst, Individual Investor
Thank you, that was very useful. Thank you very much and wish you all the best.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Thank you.

Operator
Thank you. The next question is from the line of Saarthak, PhillipCapital India. Please go ahead.

Saarthak Tita - Analyst, PhillipCapital India
Hi, um, good day, sir. Thanks for the opportunity. Uh, so my question was the first question was with respect to marketing inventory losses or gain. I mean, if you can give us a figure if we had any in this quarter.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
This quarter we had inventory gains. We almost have a 7,000 crore of inventory gain during quarter 2. So that figure was made by me. So

Saarthak Tita - Analyst, PhillipCapital India
that's on the refining side or on the marketing side?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
That is cumulative, both on the refining and marketing side, both put together.

Saarthak Tita - Analyst, PhillipCapital India
Uh, okay. Any, any possibility of giving us a bifurcation between the 2 segments?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, we have even finished goods sitting in the refining segment as well, so it's very difficult for me to immediately give the figures. But on a cumulative basis, I would say that, uh, my, uh, I would give the exact figure. It was 6 it is 6,948 crore inventory gains in Q2.

Saarthak Tita - Analyst, PhillipCapital India
All right, so I got it. And so secondly, just wanted to understand the refinery margin dynamics a little bit better. So if we adjust for this, uh, inventory gain that you mentioned, right, um, and if we compare the refinery margins with the previous quarter, the, the reported post-SAED number, so adjusted for inventory gain or loss, the refinery margins have actually come down, whereas the cracks have mostly stayed flattish. So Um, if you can help us understand that movement, that, um, how, uh, refinery margins have moved, um, and, and why there is a decline.

And also if you can give us some prognosis for rest of the year, that how should we look at this number given the environment we are operating in.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, my GRMs number has not come down. In Q1 it was 15.59, in Q2 it is 18.52. Sorry, sir, I'm

Saarthak Tita - Analyst, PhillipCapital India
interrupting in between. I'm adjusting for the inventory gain or losses. In the first quarter, you had an inventory loss of $3.50. In this quarter, you roughly have an inventory gain of about $4 to $5, right? So if we adjust for that, then the core margin is what I'm talking about. I mean, if you look at that number, then perhaps there will be a marginal decline is what I'm trying to say.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, if you see, you know, today, uh, as per the system, our refining margins are capped, whether it is a standalone refiner or Indian Oil or any other company. Our refining margins are capped with the SAED impact. So if you even if I have shared the figure, if you see the SAED-adjusted refining margins, in Q1 it was 36.10. In Q2, because it is capped, it is still remaining 36.67. So on an overall basis, refining margins remain range-bound. I would say, uh, if you want to have a separate discussion, you can call me after this call, but, uh, I would say that my refining margins are remaining range-bound.

Saarthak Tita - Analyst, PhillipCapital India
Understood. It is the marketing

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
margins which are affecting me, uh, in a major way. Yeah.

Saarthak Tita - Analyst, PhillipCapital India
And if, if you can help us, uh, like, you know, understand the refining costs a little bit, that would be really helpful. In terms of dollar per barrel, what is the cost you might be incurring at this juncture for operation of refineries?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, if you see my refining costs, uh, in Q1 and Q2, if I put all if I take a half-yearly figure, my operating remains $2.73 per barrel if I remove depreciation and exchange fluctuation. And if I add both the components, then it becomes $3.93 per barrel in the half year of '26-'27.

Saarthak Tita - Analyst, PhillipCapital India
Okay, so that's very helpful, sir. Thank you so much. Um, it has come down,

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
uh, cumulative basis last year it was $4.64, uh, sorry, it was $4.45, which has come down to $3.93, uh, during this year because of the various, uh, cost-effective measures we have taken. So cost has been optimized during this year.

Saarthak Tita - Analyst, PhillipCapital India
That's really helpful, sir. Thank you, thank you so much. I'll get back in queue for more questions.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, please.

Operator
Thank you. The next question is from the line of Achal Shah from Access Capital. Please go ahead.

Achal Shah - Analyst, Access Capital
Uh, hi sir. So, uh, sir, what is the share of bulk diesel for Indian Oil out of the total diesel sold broadly?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, just give me one minute please. The exact numbers are being worked out by my team, but I would say definitely it is in the range of 15% generally. So exact number I will give you in a minute.

Achal Shah - Analyst, Access Capital
Sir, just one follow-up on this. Uh, so the current understanding is that, uh, on this 15%, uh, it is kind of a pass-through where the customer is charged

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
some

Achal Shah - Analyst, Access Capital
margin plus RTP. So, uh, is that margin, uh, same pre-conflict versus the current times, or is it at a certain loss or certain discount to the customer so that the customer is not feeling the pinch?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, uh, the industrial segment I give you a 15% figure. Exact is 13% actually in the half year of 26-27. Okay, so if you see, this business is highly negotiated business. There are at least multiple segments we have a long-term contract of diesel where some ways that spot if we have a long-term contract of 3 years, we need to continue to our discounts whatever we were part of the tender or as a part of the contracted amount. And if it is a spot, we are definitely we have reduced our discounts in the market.

But I would say one thing, that consumer segment is a pass-through segment, as you said. So if the international cracks are higher, we definitely realize higher cracks from this segment in the term of crisis. But there are many segments like State Transport Undertakings and other undertakings where We have a long-term contract, we continue to sell at the old prices. So, uh, there are thousands of customers having each customer having its own contract. Somewhere we would have passed on full, somewhere we would not have been able to pass anything.

So it's very difficult to give one answer, but I would say definitely in terms of higher cracks in HSD, in most of the cases we would have passed through the higher cracks in the market.

Achal Shah - Analyst, Access Capital
So state transport, we can assume like 3-4%. So broadly, 10% is where your losses are lower versus the rest 90%, where, uh, since the prices are capped, you have to kind of incur higher losses than RTP or more.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Broadly, yes. I would say the answer to this question is broadly yes. But within this 10% also, you will have so many customers which have a long-term term discount or commercial negotiated rates with us. So it somebody would I would say our endeavor is always to pass on, but depending upon the long-term commitments, we take a decision on day-to-day basis.

Achal Shah - Analyst, Access Capital
Understood. And sir, just one final question if I may. Uh, you mentioned the crude Russian crude sourcing was around 55% for 1H FY27. Uh, can you give a broad breakup of any other major, uh, sources of crude, roughly or broadly, from other countries for this same period?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, if I talk about a half year of '26-'27, my Russian crude, uh, apart from Russian crude, my Middle Eastern is 24%. Within 24%, uh, major one All remaining my Saudi and Dubai crudes, and in almost 10% is coming from African market. The the lower sulfur crudes majorly comes from African market. I would can say Angola, Nigeria country. Seven percent has come from Brazil. Two to five percent comes from USA, almost 3 to 4% come from Venezuela. So this is a broad breakup of my crude oil sourcing in 6 months of '26-'27.

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

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, I would say another one thing, that my spot versus term now my almost 87% is coming as spot against Initially it used to be 50%, so that major change is also being seen nowadays.

Achal Shah - Analyst, Access Capital
And sir, spot will be at, uh, at a higher price or at a premium to what you used to source when it was See,

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
now within spot you have Russian crude. Sometimes we are getting a high discount, sometimes we are paying premium to Russian crude as well. Now in the few months you have seen huge discounted crude coming from Iraq, SOMO. So that the moment it is available, we are buying huge quantities now from Iraq also. That used to be our staple diet before the crisis as well. So I will not say that all the spot volumes are coming at a higher price, but I would say in that other way around. The benchmark goes high, but we are able to negotiate better discounts from these benchmarks doing our negotiations.

Achal Shah - Analyst, Access Capital
Got it.

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 afternoon. Uh, congratulations on good set of numbers. So just 2 questions. Uh, firstly, you have mentioned that your CapEx would be 38,000 to 40,000 crore, right? Uh, for the next like 4-5 years per annum, is that right?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
I have said 30,000 to 40,000. Okay, 30,000

Sabri Hazarika - Analyst, Emkay Global
to 40,000 crore. Okay, enough. And second question is, uh, on this, uh, Aviation Fuel, are you, uh, are you currently making good margins? And should we look at it from an integrated margin point of view, given that you are allowed to retain the customs duty benefit and all? Or is it still, uh, lower than what the normative margins or what you desire should

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
be? See, in the aviation business, there are 2 types of Segment. One is the international, one is the domestic. So the strategy for both international and domestic sector is different. In the international sector, since the crisis, we have been able to pass on our cost. As the domestic domestic market is concerned, again, it's a highly negotiated segment with the long-term commitments between the buyer and seller. So the strategy for both international and domestic is absolutely different. So as I would say, uh, so both are both of the segments are definitely giving us a positive segment as on date.

Sabri Hazarika - Analyst, Emkay Global
Okay, so there is no pressure on your side as far as aviation fuel is concerned at the moment, right?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Oh, as I said, there is no pressure means, uh, as far as the domestic segment is concerned, uh, definitely it's a discussions, uh, And we have long-term commitments between the buyer and seller which we are always honoring on day-to-day basis.

Sabri Hazarika - Analyst, Emkay Global
But for international, even the higher cracks are fully passed, so that is like a net benefit. That is also

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
negotiated deals between the buyer and sellers, and all these contracts are having long-term commitments actually. So I will not be able to disclose the exact commercial, but I would say that the aviation segment is a positive segment for us as a company. With the negotiated deals with each airline on an individual basis.

Sabri Hazarika - Analyst, Emkay Global
Got it. Fair enough. Thank you so much and all the best.

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, good afternoon. Thank you for this opportunity. Uh, first of all, I would like to congratulate the management for a very good set of numbers. So my first question is, uh, what is the approximate days of crude and petroleum petrol/diesel inventories do the company hold?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Okay, see, uh, on an average, I would say that for crude, uh, we generally maintain 33 to 35 days of inventory, uh, but because of geopolitical situation going on today, my crude inventory is almost 39 days. And as far as my finished goods are concerned, HSD and MS, I generally maintain almost 25 days of inventory, which today also I am able to maintain 23 to 25 days of inventory. In LPG, we are definitely trying because to ensure the energy LPG security, we used to have inventory of almost

range-bound 17 to 20 to 25 days.

It's very difficult to say, but today we are having 20 days of inventory in the books. So as a strategy, we are definitely having a higher side of inventory for crude oil, LPG, and finished goods to ensure the continuous availability of products in the country.

Aman Sharma - Analyst, AS Capital
Okay, understood. And my second question would be, uh, also, could you clarify like how you calculate your inventory gain or loss? And specifically, is the crude inventory impact captured under the cost of material consumed? And the refining product impact is reflected in the purchase of stock-in-trade and changes in inventory. Uh, can you give us a brief understanding on that?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Accounting, it's a pure accounting. Uh, whatever you said is absolutely correct. And I would say that, uh, basically the price, definitely whatever we, we definitely, as I said just now, we carry an inventory of 39 to 40 days. So whenever the prices go up, we definitely have inventory gains. And if the prices start coming down in times to come, we will have we may have inventory losses also. So that is the pure accounting we have to do. So in the whatever we are definitely results show that inventory gains have contributed to our profitability.

And in times to come We will be depending upon the prices once again.

Aman Sharma - Analyst, AS Capital
Okay, no problem, understood. Uh, and, uh, if I may sorry.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, please go ahead.

Aman Sharma - Analyst, AS Capital
Uh, if I may, my third question would be on the, uh, refinery transfer price. So basically, when you transfer the refined products from your refinery arm to marketing arm, How do you calculate the refinery transfer price? Uh, do you also include any discount, uh, while transferring the, uh, products?

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
See, uh, we have we maintain a concept called RTP. And today, suppose government has introduced SAED. So even when the product is transferred from our refinery division to marketing, that SAED impact is Reduced from refining margins of refinery division and passed on to the marketing division. Then marketing division, whether it is buying the product from our own refinery or from the third party, all of our marketing division, it remains the same. So from there they will calculate their cost of procurement, how much they could pass on, and what is the net losses suffered by the marketing division on sales of retail segment of MS HSD and LPG, domestic LPG.

Aman Sharma - Analyst, AS Capital
Understood. Uh, that was very helpful. Okay, that's it from my side. Thank you and congratulations again for the good set of numbers.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Thank you.

Operator
Thank you, ladies and gentlemen. That was the last question for the day, and now I would like to hand the conference over to the management for the closing comments.

Anuj Jain - Director of Finance, Indian Oil Corporation Limited
Yeah, uh, thank you all for the time and insightful questions. I would summarize that many factors have contributed to the profitability of the corporation, whether it was higher margins on petrochemicals, gas, many feed-to-end products like bitumen, rubes, and other products inventory gains. We forgot to discuss about the cost efficiency. We are running a very effective cost control initiative in our system. We have reduced our borrowing that is resulting into the lower cost of capital, and we are also having other business segments like HSD Consumer and other segments.

So we are also having export market. So Indian Oil is a very, very diversified company, and all these segments put together give us good profitability. Yes, we remain fully you know, the cause of concern is continuously remain the geopolitical crisis, which affects our margins to a major extent. But being a truly diversified company, we have been able to mitigate a lot of these losses in our books of accounts. So, uh, thanks once again for all your time and insightful questions. On behalf of entire Indian Oil team, I would like to thank our investors and stakeholders for the continued trust, confidence, and support.

We value your engagement and look forward to continued interactions. Thank you. As we share our progress and future developments. I also extend my warm wishes to you and your families for a very, very happy, safe, and prosperous Diwali. Thank you, and please stay safe and take care. Jai Hind, Jai Indira.

Operator
[Operator Closing Remarks]