RESULT REVIEW

BUY
TP: Rs 460 | ⮝ 16%

HINDUSTAN PETROLEUM CORPs | Oil & Gas | 31 July 2024

Growth delivery remains on track, maintain BUY

- **Q1 results was below consensus. However, underlying margins show benefit of progress at Vizag and healthy fuel margins**
- **We expect HPCL to clock a 14% CAGR on ramp-up of Vizag refinery to full potential over FY24-27; highest earnings growth within OMCs**
- **Maintain BUY with a higher TP of Rs 460 (from Rs 300); progress on Vizag and Rajasthan refineries are key upside drivers**

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Q1 below consensus: Q1 EBITDA at Rs 21bn was 28% below consensus and 39% below our forecasts. EBITDA was down 56% QoQ impacted by weaker refining margin and under-recovery on LPG (Rs 25bn). While headline GRM was down US$ 2/bbl, underlying GRM excluding inventory loss was down only US$ 0.6/bbl and may have benefitted from higher utilisation at Vizag refinery. HPCL's marketing EBITDA per tonne has reduced to Rs 900/t and was impacted by Rs ~2,100/t of under-recovery on LPG. This indicates that underlying fuel margins were higher than historical average.

Raise estimates: We raise our FY25/FY26 EBITDA forecasts by 10%/14%, raising refining margin to account for higher benefit of Russian crude usage and faster ramp-up of Vizag refinery. We account for US$ 1.5/bbl and US$ 2.5/bbl increase in GRM at Vizag refinery in FY26 and FY27 with ramp-up of Reside Upgrade facility. While underlying fuel margin has been higher-than-historical average in Q1, we still consider a normalised margin for FY25 at Rs 2,250/t given uncertainty at the level of crude price, cracks as well as retail margin.

Valuation outlook: We raise TP to Rs 460 (from Rs 300) factoring in changes to our estimates, lower net debt with reduction in working capital in FY24 while maintaining 1Y forward EV/EBITDA at 6x. For investments, we factor in increase in market value of quoted investments and now use 1.3x (from 1x) P/B on unquoted investments to reflect progress on Rajasthan Refinery, Chhara LNG terminal and other investments. We roll-forward our valuation to Sep'25 (from Dec'24).

Maintain BUY: We maintain our BUY rating on HPCL with 16% upside to our revised TP. With ~150% run-up in stock price since 27 October 2023, the stock has closed a substantial gap with its fair value zone now factoring in the benefit of healthy refining as well as marketing margins. Further upside is linked to timely delivery on Vizag Bottom residue upgrade project and Rajasthan Refinery.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HPCL IN/Rs 396
Market cap	US$ 10.1bn
Free float	45%
3M ADV	US$ 37.1mn
52wk high/low	Rs 402/Rs 160
Promoter/FPI/DII	55%/13%/21%

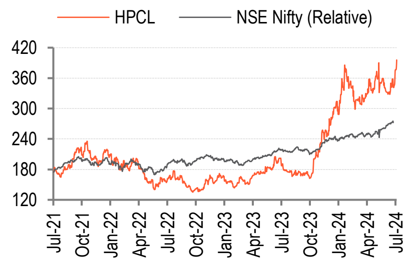
Source: NSE | Price as of 30 Jul 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	43,38,565	41,86,228	43,26,641
EBITDA (Rs mn)	2,49,278	1,72,685	2,02,734
Adj. net profit (Rs mn)	1,60,146	93,826	1,16,785
Adj. EPS (Rs)	75.2	44.1	54.9
Consensus EPS (Rs)	75.2	45.9	50.6
Adj. ROAE (%)	40.4	18.6	20.1
Adj. P/E (x)	5.3	9.0	7.2
EV/EBITDA (x)	5.5	8.5	7.0
Adj. EPS growth (%)	(329.4)	(41.4)	24.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HPCL Q1 results weak owing to weaker R&M margins

Q1 below consensus and us: HPCL's Q1 EBITDA at Rs 21bn was 28% below Bloomberg consensus and 39% below our forecasts with weaker refining as well as marketing margins.

Fig 1 – Q1 vs consensus and our forecasts

Parameter	Unit	Q1FY25	Consensus	Delta (%)	BOBCAPS	Delta (%)
Revenue	Rs bn	1,138	1,101	3.4	1,160	(1.9)
EBITDA	Rs bn	21	29	(27.5)	34	(38.7)
Net income (adjusted)	Rs bn	4	10	(64.0)	15	(76.4)

Source: Company, Bloomberg, BOBCAPS Research

HPCL faced highest sequential fall: Q1 EBITDA was down 56% QoQ driven by pullback in both refining and marketing margins. The sequential decline was the highest among oil marketing companies (OMCs) with BPCL posting -39% and IOCL clocking 39%.

Refining EBITDA down ~50% QoQ: Refining EBITDA at Rs 7bn (as per our calculation) was down 49% QoQ and the trend was in line with other OMCs (BPCL -47%, IOL -37%).

- **GRM (including inventory gain) pullback:** Sequential decline of US$2/bbl was similar to IOCL but lower than that of BPCL (US$ 4/bbl down). Absolute GRM for HPCL at US$ 5/bbl was lower than BPCL (US$ 7.9/bbl) and IOCL (US$ 6.4/bbl).
- **Core GRM (excluding inventory gain) better than IOCL:** HPCL indicated an inventory loss of Rs 1.1bn in refining. Adjusting for the same, core GRM works out to US$ 5.4/bbl which was better than US$ 2.8/bbl reported by IOCL.

Marketing EBITDA was down ~60% QoQ: Marketing EBITDA at Rs 14bn (as per our calculation) was down -59% QoQ. The decline was sharper than that of BPCL (-20%) and IOCL (4%). While marketing margin was impacted by under-recovery on LPG, underlying fuel margins appears to be higher than historical average.

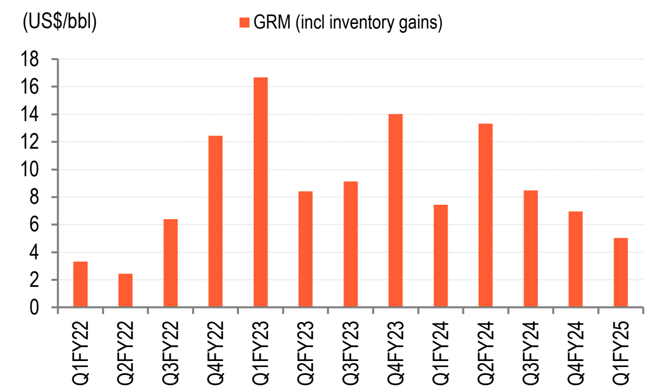
- HPCL's Marketing EBITDA per tonne was down 71% QoQ to ~Rs 700/t. This is well below BPCL (~Rs 1,740/t) and IOCL (~Rs 1,340/t). While arriving at Marketing EBITDA per tonne, we exclude our estimate of pipeline EBITDA.
- Adjusting for inventory gain/loss, marketing margin works out at ~Rs 900/t QoQ and compares with ~Rs 1,440/t of BPCL.
- Marketing loss on LPG alone was Rs 25.4bn QoQ and impacted marketing margin by Rs 2,100/t, according to our calculations. This is similar to the LPG loss reported by BPCL (Rs 23bn) and IOCL (Rs 52bn).

Fig 2 – HPCL quarterly performance

Parameter	Unit	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
Revenue	Rs bn	1,138	1,146	(0.7)	1,120	1.6
EBITDA	**Rs bn**	**21**	**48**	**(56.1)**	**97**	**(78.2)**
EBITDA+ Other income	Rs bn	27	57	(52.7)	103	(74.0)
Net income (adjusted)	Rs bn	4	25	(85.7)	63	(94.3)
EBITDA breakup						
Refining incl inventory gains	Rs bn	7	14	(49.1)	14	(50.5)
Marketing incl inventory gains	Rs bn	14	34	(59.0)	82	(83.0)
Subtotal	**Rs bn**	**21**	**48**	**(56.1)**	**97**	**(78.2)**
EBITDA breakdown separating out inventory gains						
Refining excluding inventory gains	Rs bn	8	11	(21.3)	16	(50.3)
Marketing excl inventory gains	Rs bn	11	35	(68.0)	96	(81.7)
Inventory gains	Rs bn	(4)	(3)	(42.3)	(20)	136.2
Pipeline EBITDA	Rs bn	5	5	5.1	5	136.2
BPCL	**Rs bn**	**21**	**48**	**(56.1)**	**97**	**(64.3)**
Operational parameters						
Volume						
Refining throughput	Mt	5.8	5.8	(1.4)	5.4	6.7
Pipeline throughput	Mt	6.8	6.5	5.1	6.5	5.2
Market sales- domestic	Mt	12.1	11.8	2.3	11.4	5.6
Market sales- domestic+ export	Mt	12.6	12.3	2.4	11.9	6.6
Margin						
GRM (incl inventory gains)	US$/bbl	5.0	7.0	(27.6)	7.4	(32.4)
Marketing EBITDA incl inventory gains	Rs/t	697	2,362	(70.5)	6,517	(89.3)
Marketing EBITDA excl inventory gains	Rs/t	891	2,850	(68.7)	8,140	(89.1)

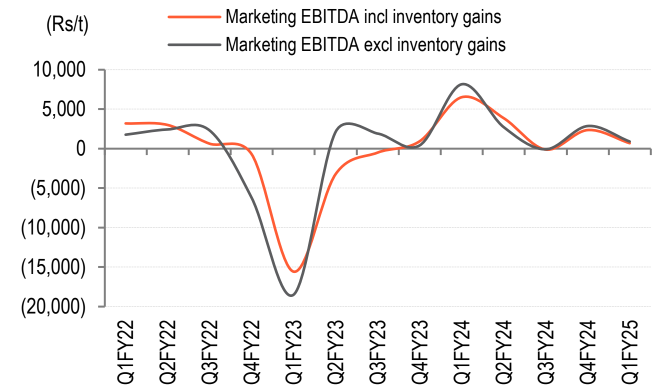
Source: Company, BOBCAPS Research

Fig 3 – GRM (including inventory gains) US$/bbl



Source: Company, BOBCAPS Research

Fig 4 – Marketing margin (Rs/t)



Source: Company, BOBCAPS Research

Outlook/Guidance

- **Q2 volume guidance:** Vizag refinery could further ramp-up to 14-15mtpa throughput level in Q2. There is no planned maintenance at either of the refineries.
- **Refining outlook:** HPCL expects GRM to remain in the range of US$ 5-8/bbl. HPCL has increased the use of Russian crude to 30-35% of crude mix from 25% a year ago.
- **Capex outlook:** HPCL confirmed the capex will remain around Rs140bn-150bn annually for the next two to three years.
- **Vision:** HPCL expects to raise EBITDA to Rs 400bn with planned growth projects.

Update on growth projects

- **Capex spend** was Rs 20.2bn during Q1 against the annual target of Rs 140bn-150bn.
- **Vizag – Residue Upgrade facility:** The residue upgrade facility (3.55mtpa capacity) is still on track for mechanical completion in Q2FY25 and commissioning in Q3FY25 with a capacity of 3.55mt. The project aims to improve distillate yield to 85-86% (from 75% currently) and could aid US$ 3-4/bbl improvement in refining margin for Visakh refinery at full utilisation.
- **9mmtpa greenfield Barmer refinery:** The Q1 capex spend was Rs 35bn taking the total spend to Rs 480bn out of a commitment of Rs 698bn so far. Diesel hydrotreater and hydrogen unit have continued to remain under pre-commissioning at a similar status as of Q4. The physical progress at key units improved to 92% from >90% at Q4. HPCL is targeting commissioning the Barmer refinery in Mar'25 and aims to achieve mechanical completion for petrochemicals unit two to three quarters thereafter.
- **Retail outlets:** HPCL added 126 retail outlets taking the total tally to 22,148.

Investment thesis

We believe HPCL is well positioned to deliver profit growth ahead of other OMCs over FY24-FY27. However, it is important to look beyond the initial stabilisation phase and focus on earnings growth potential after delivery on projects.

Capex: Management is guiding for a total capex of Rs 740bn over the next five years with an average annual capex spend of Rs 140bn-150bn. Broad capex split includes refining capacity expansion (Rs 310bn), equity investment in JVs and subsidiaries (Rs 100bn), expansion of CGD network (Rs 20bn), biofuels and renewables (Rs 10bn), and other projects including downstream marketing (Rs 300bn).

Not yet past peak debt cycle: While Rajasthan Refinery (RRL) is marked as an affiliate (with an intention of paring holdings to 49% stake from 74% currently), we believe it is a material project and should be considered on a pro-rata consolidation basis to evaluate overall group leverage. While the consolidated net debt will start coming down after implementation of expansion projects including at HMEL, implementation of RRL, continuing higher capex spend and dividend payouts will keep group net debt elevated.

Valuation methodology

Forecast changes

We raise our FY25/FY26 EBITDA forecasts by 10%/14%, raising refining margin from our conservative assumptions earlier.

For our estimates we effectively factor in normalisation of refining and marketing margins, which will translate to a 44% YoY decline in FY25E. We introduce our FY27 estimates. We build in 17% YoY growth in FY26E EBITDA and 14% EBITDA CAGR over FY25E-FY27E on ramp-up of expansion and Reside Upgrade facility at Vizag.

- **Refining throughput:** We factor in increase in Vizag refining throughput from full commissioning through FY25E and expect marketing volumes to grow in line with sector.
- **Raise refining margin assumptions:** We raise FY25E and FY26E GRM by ~US$ 1/bbl to US$ 7.1/bbl and US$ 8.2/bbl factoring in higher benefit of Russian crude usage with continuing discount of US$ 3.5-4/bbl. With expansion at the Vizag refinery, HPCL indicated that it had increased usage of Russian crude to 30-35% levels.
- **Residue upgradation at Visakh refinery:** In FY26, we expect HPCL to clock 17% YoY growth in EBITDA, ahead of its OMC peers as HPCL stabilises bottom residue upgrade project at Visakh refinery. We still conservatively pencil in only US$ 1.5/bbl and US$ 2.5/bbl upside in gross refining margin at Visakh refinery in FY26 and FY27 against management guidance of US$ 3/bbl upside factoring in typical delays in stabilising to 100% utilisation.
- **Fuel margin:** While we reckon underlying fuel margin has remained higher In Q1, we still consider a normalised margin for the full year FY25 at Rs 2,250/t given uncertainty on the level of crude price, cracks as well as retail margin. With Indian consumers accepting current level of petrol and diesel prices and crude likely to remain range bound within US$ 80-90/bbl, marketing margin is likely to stay in a healthy zone and we now factor in Rs 2,300/t for FY26 and Rs 2,350/t for FY27 as HPCL leverages the benefit of increased production at the Vizag refinery.
- **Rajasthan Refinery:** We do not account for earnings accretion from Rajasthan Refinery at this stage due to typical challenges in delivering large-scale greenfield refinery on time.

Fig 5 – HPCL: Revised estimates

(Rs bn)	Actuals	New			Old		Change (%)	
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY25E	FY26E
Revenue excl other operating income	4,320	4,171	4,312	4,374	4,088	4,200	2.0	2.7
EBITDA	**249**	**173**	**203**	**223**	**158**	**178**	**9.6**	**14.2**
Adj Net profit	160	94	117	127	86	100	8.7	16.7
EPS	75.2	44.1	54.9	59.6	40.5	47.0	8.7	16.7

Source: Company, BOBCAPS Research

Fig 6 – HPCL: Key assumptions

(Rs bn)	FY24	FY25E	FY26E	FY27E
Refining EBITDA	86	64	87	98
Marketing EBITDA	163	108	116	124
Consolidated EBITDA	**249**	**173**	**203**	**223**
YoY Growth (%)	445.9	(30.7)	17.4	10.0
Throughput (mt)	23.0	24.0	25.0	25.8
YoY Growth (%)	20.5	4.1	4.4	3.0
Domestic marketing sales (mt)	44.7	46.5	48.8	51.2
YoY Growth (%)	5.9	4.0	5.0	5.0
Exchange rate (US$/Rs)	82.8	83.5	83.5	83.5
Crude price (US$/bbl)	82.1	85.0	85.0	85.0
GRM (US$/bbl)	9.2	7.1	8.2	8.7
Marketing EBITDA (Rs/t)	3,472	2,250	2,300	2,350

Source: Company, BOBCAPS Research

Valuation

We maintain our BUY rating on HPCL with 16% upside to our revised TP. With ~150% run-up in stock price since 27 October 2023, the stock has closed a substantial gap with the fair value zone now factoring in the benefit of healthy refining as well as marketing margins. Further upside is linked to timely delivery on Vizag Bottom residue upgrade project and Rajasthan Refinery.

- **Target price raised to Rs 460:** We base our valuation on FY26E earnings, and apply 1Y forward target multiple to arrive at Mar'25 TP and then roll forward to Sep'25 to arrive at a 1Y forward TP of Rs 460 (from Rs 300 post 1:2 bonus issuance on 21 Jun). The increase in TP is on account of (i) change in estimates, (ii) reduction in net working capital at the end of FY24, (ii) increase in market value of quoted investment, (iv) use of higher valuation multiple for other unquoted investments, and (v) roll forward of valuation to Sep'25 (from Dec'24).

- **Unchanged target multiple at the same level as OMCs:** We continue to value the refining and marketing business at an unchanged multiple of 6x 1Y forward EV/EBITDA, in line with our target multiple of 6x for OMC peers.

- **Discount on investments:** For quoted investments in MRPL and OINL, we assume a 20% discount (30% previously) on the market value. For investment in HMEL (HPCL Mittal Energy), we value underlying equity applying a 6x 1Y forward EV/EBITDA. For other unquoted investments on books, we now use a P/B of 1.3x factoring in substantial progress on Chhara LNG terminal and Rajasthan Refinery.

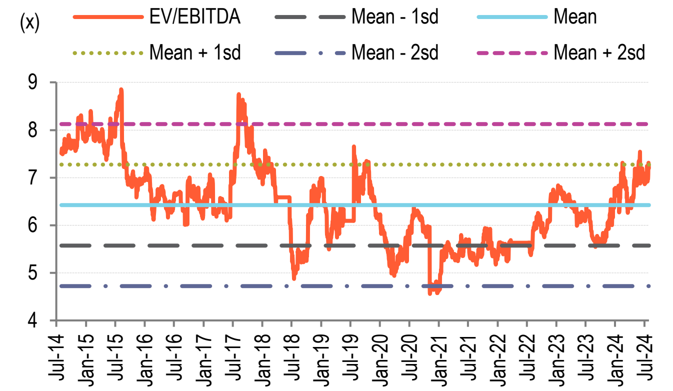
- **Catalysts: Positive triggers ahead –** (a) crude likely to be muted in US$ 80-85/bbl range, lowering pressure on marketing margin, (b) timely delivery of Bottom Residue Upgrade facility at Vizag refinery, Chhara LNG terminal and Rajasthan Refinery. **Downside risks:** (a) floating of retail prices on downside to pass on benefit of lower crude price, (b) pullback in refining margin.

Fig 7 – HPCL: Valuation summary

Business segments	New		Comments	Old
	EV (Rs bn)	Value (Rs/sh)		Value (Rs/sh)
Refining standalone	519	244	6x FY26E EBITDA	177
Marketing	697	328	6x FY26E EBITDA	324
Refining and marketing EV, Mar'25	**1,216**	**572**	**-**	**501**
Less: Net Debt FY25E	589	277	-	281
HMEL Bhatinda equity value	47	22	6x FY26E	21
Equity value of core business, Mar'25	**674**	**317**	**-**	**240**
Investment in MRPL and Oil India	70	33	20% holding discount to CMP	17
Other subsidiaries/ JVs/ Affiliates	187	88	At P/B of 1.3x	51
Total equity value for HPCL, Mar'25	**931**	**438**	**-**	**308**
Total equity value discounted to Sep'25	**-**	**459**	**-**	**301**
Target price rounded to nearest Rs 5	**-**	**460**	**-**	**300**

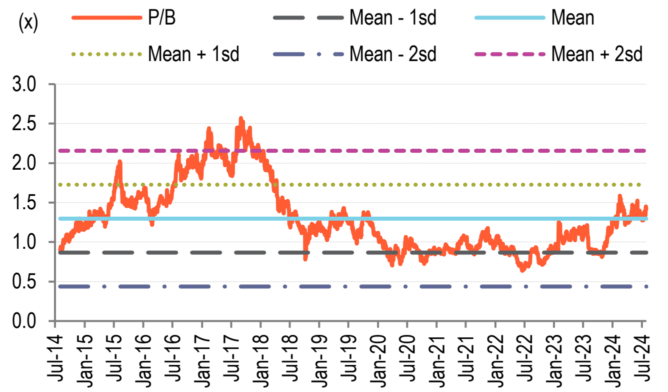
Source: BOBCAPS Research

Fig 8 – EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 9 – P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

Key risks

OMC valuations are highly sensitive to refining and marketing profitability. Key factors that can lower our refining and marketing profitability are as follows:

- We assume oil price remaining within the US$ 80-90/bbl range over FY25-26 as OPEC retains control to rebalance the market. Higher oil prices than our assumptions would expose OMCs to the risk of under-recovery on marketing margins for retail sales of petrol and diesel.
- We currently assume a modest benefit due to use of Russian crude over medium term assuming current discount level of US$ 3-3.5/bbl. If usage of Russian crude or discount changes materially downwards, this could lead to lower refining margin than our forecasts.
- An extended slowdown in global economies could lead to below-expected refining margins and petrochemical spreads for longer period. An adverse change in global demand-supply balance for the refining or petrochemical product chain could also lower margins versus our current assumptions.

- Market share losses on fuel product sales could result in the below-expected volumes and affect marketing business earnings.
- OMCs are implementing large expansion projects. Any delay in implementation of projects beyond our current assumptions could result in lower earnings estimates than our current assumptions.
- Refiners are exposed to the requirement of additional investments to lower their carbon footprint, including potential investments in green hydrogen.
- Adverse pipeline tariff orders or regulations by Petroleum and Natural Gas Regulatory Board (PNGRB) mandating third-party use of pipelines could hurt marketing positioning.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**44,07,093**	**43,38,565**	**41,86,228**	**43,26,641**	**43,88,774**
EBITDA	(72,071)	2,49,278	1,72,685	2,02,734	2,22,974
Depreciation	(45,602)	(55,964)	(63,219)	(69,021)	(76,384)
EBIT	(1,17,672)	1,93,314	1,09,465	1,33,713	1,46,590
Net interest inc./(exp.)	(21,741)	(25,560)	(25,489)	(26,155)	(27,202)
Other inc./(exp.)	14,659	19,169	20,000	20,000	20,000
Exceptional items	0	0	0	0	0
EBT	(1,24,754)	1,86,923	1,03,977	1,27,558	1,39,388
Income taxes	30,037	(44,857)	(26,472)	(32,463)	(35,492)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(24,915)	(18,080)	(16,322)	(21,690)	(22,874)
Reported net profit	**(69,802)**	**1,60,146**	**93,826**	**1,16,785**	**1,26,770**
Adjustments	0	0	0	0	0
Adjusted net profit	**(69,802)**	**1,60,146**	**93,826**	**1,16,785**	**1,26,770**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,29,132	2,73,000	2,59,707	2,67,682	2,70,344
Other current liabilities	69,185	78,188	1,09,960	1,12,984	1,14,132
Provisions	27,667	34,759	34,759	34,759	34,759
Debt funds	7,06,710	6,66,838	6,71,838	7,01,838	7,26,838
Other liabilities	2,63,883	3,05,848	3,11,310	3,18,009	3,25,332
Equity capital	14,189	14,189	21,284	21,284	21,284
Reserves & surplus	3,08,443	4,55,024	5,17,492	6,04,479	6,98,684
Shareholders' fund	3,22,633	4,69,214	5,38,776	6,25,764	7,19,968
Total liab. and equities	**16,19,211**	**18,27,847**	**19,26,350**	**20,61,036**	**21,91,374**
Cash and cash eq.	65,518	73,596	99,341	97,379	1,04,912
Accounts receivables	68,324	93,241	68,568	70,876	71,898
Inventories	2,95,750	3,42,115	3,11,648	3,21,219	3,24,413
Other current assets	71,573	93,950	93,950	93,950	93,950
Investments	1,78,097	2,26,541	2,77,363	3,22,552	3,68,926
Net fixed assets	6,80,825	7,94,576	9,02,957	9,75,536	10,40,752
CWIP	2,56,074	2,00,778	1,69,474	1,76,474	1,83,474
Intangible assets	3,049	3,049	3,049	3,049	3,049
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**16,19,211**	**18,27,847**	**19,26,350**	**20,61,036**	**21,91,374**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**(50,394)**	**2,03,126**	**2,32,448**	**1,93,315**	**2,12,945**
Capital expenditures	(1,12,195)	(1,12,337)	(1,40,296)	(1,48,600)	(1,48,600)
Change in investments	(49,695)	(48,444)	(67,143)	(66,880)	(69,247)
Other investing cash flows	16,136	9,102	20,000	20,000	20,000
Cash flow from investing	**(1,45,754)**	**(1,51,679)**	**(1,87,439)**	**(1,95,480)**	**(1,97,847)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,21,733	(39,872)	5,000	30,000	25,000
Interest expenses	0	0	0	0	0
Dividends paid	0	(67,045)	(24,264)	(29,798)	(32,565)
Other financing cash flows	(21,440)	53,480	0	0	0
Cash flow from financing	**2,00,293**	**(53,437)**	**(19,264)**	**202**	**(7,565)**
Chg in cash & cash eq.	**4,144**	**(1,990)**	**25,745**	**(1,962)**	**7,533**
Closing cash & cash eq.	**6,724**	**4,734**	**30,479**	**28,517**	**36,050**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	(32.8)	75.2	44.1	54.9	59.6
Adjusted EPS	(32.8)	75.2	44.1	54.9	59.6
Dividend per share	0.0	31.5	11.4	14.0	15.3
Book value per share	151.6	220.5	253.1	294.0	338.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	(17.1)	5.5	8.5	7.0	6.4
Adjusted P/E	(12.1)	5.3	9.0	7.2	6.6
P/BV	2.6	1.8	1.6	1.3	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	56.0	85.7	90.2	91.6	90.9
Interest burden (PBT/EBIT)	106.0	96.7	95.0	95.4	95.1
EBIT margin (EBIT/Revenue)	(2.7)	4.5	2.6	3.1	3.3
Asset turnover (Rev./Avg TA)	278.4	251.7	223.0	217.0	206.4
Leverage (Avg TA/Avg Equity)	4.3	4.4	3.7	3.4	3.2
Adjusted ROAE	(19.0)	40.4	18.6	20.1	18.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	25.9	(1.6)	(3.5)	3.4	1.4
EBITDA	(170.4)	(445.9)	(30.7)	17.4	10.0
Adjusted EPS	(195.7)	(329.4)	(41.4)	24.5	8.5
Profitability & Return ratios (%)					
EBITDA margin	(1.6)	5.7	4.1	4.7	5.1
EBIT margin	(2.7)	4.5	2.6	3.1	3.3
Adjusted profit margin	(1.6)	3.7	2.2	2.7	2.9
Adjusted ROAE	(19.0)	40.4	18.6	20.1	18.8
ROCE	(12.2)	13.6	7.0	7.9	7.9
Working capital days (days)					
Receivables	5	7	7	6	6
Inventory	95	94	101	89	88
Payables	20	22	24	23	24
Ratios (x)					
Gross asset turnover	5.1	4.3	3.5	3.2	3.0
Current ratio	1.0	0.9	0.9	0.9	0.9
Net interest coverage ratio	0.0	7.6	4.3	5.1	5.4
Adjusted debt/equity	2.0	1.3	1.1	1.0	0.9

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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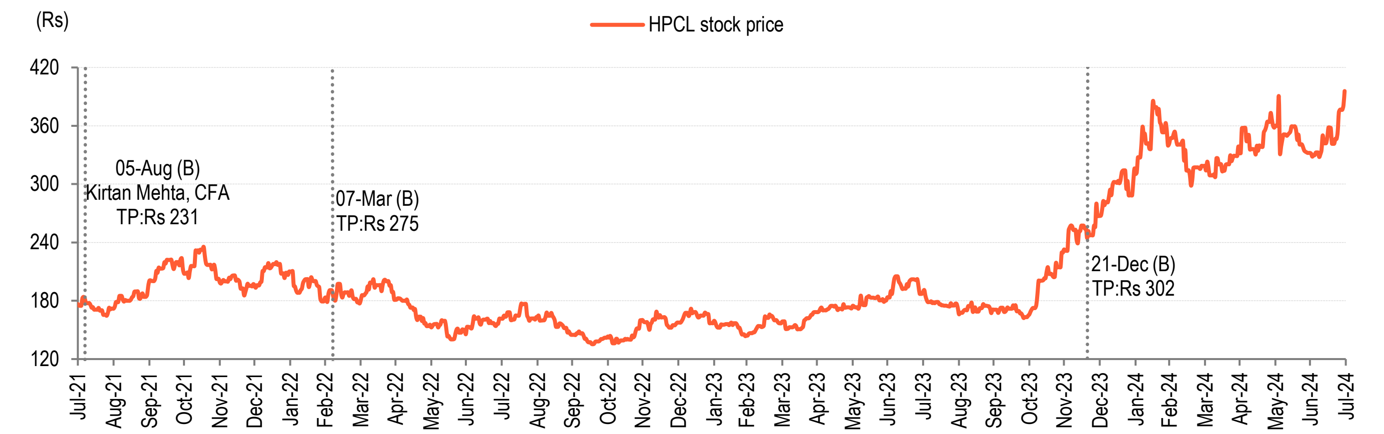
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HINDUSTAN PETROLEUM CORP (HPCL IN)



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