

**SELL****TP: Rs 435 | ▼ 9%****HINDUSTAN  
PETROLEUM CORP**

| Oil &amp; Gas

| 31 October 2025

## Results above expectation on improved product cracks

- Performance was above expectations due to better-than-expected refining performance; GRM came at USD8.8 vs USD3.0 in Q2FY25
- Low crude prices are key for growth performance. However, increase in crude prices remain a risk
- Assuming coverage with SELL and TP of Rs435, based on 6.5x EV/EBITDA on Sept'27

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**Results above expectation:** Revenue came in at Rs1,003bn (+0.9%YoY, -9.0%QoQ) and was 4.4% above consensus estimates. EBITDA came in at Rs68bn (+153.0%YoY, -9.5%QoQ) and was 19% above consensus estimates, due to a better-than-expected performance in the refining segment.

**Refining performance:** GRM came at USD8.8/bbl vs USD3.0/bbl in Q2FY25, due to higher product cracks. Crude brent prices for Q2FY26 averaged USD68/bbl, down USD11/bbl YoY. Cracks improved YoY: MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25.

**Marketing business:** Domestic sales volumes were 11.2mnt (+3.4%YoY, -9.0%QoQ). Exports volumes were 0.9mnt (+9.6%YoY, +16.7%QoQ).

**LPG under-recovery:** HPCL received communication in October 2025 regarding a compensation of Rs79bn towards the under recoveries incurred on the sale of domestic LPG up to 31<sup>st</sup> Mar 2025 and to be incurred up to 31<sup>st</sup> Mar 2026. This will be disbursed in 12 equal monthly instalments. The 1<sup>st</sup> payment will be Rs7bn in Nov 2025.

**Outlook on growth:** HPCL has an ongoing project of refinery upgradation at Visakhapatnam refinery, which is under pre-commissioning testing and is expected to be commissioned by Nov' 2025. This is likely to result in the improvement in refining margin to an extent of USD0.5/bbl. The company has Rs10bn cost saving project with timeline of FY26 end. Beyond that, we don't see major growth drivers in terms of business specific drivers.

**Coverage with SELL:** Although we are positive on business, we see lack of growth drivers in terms of margin expansion from hereon on a sustained basis. We are assuming coverage with SELL and TP of Rs435, based on 6.5x EV/EBITDA on Sept' 27.

## Key changes

Target	Rating
▼	▼

Ticker/Price	HPCL IN/Rs 476
Market cap	US\$ 11.4bn
Free float	45%
3M ADV	US\$ 21.2mn
52wk high/low	Rs 484/Rs 288
Promoter/FPI/DII	55%/14%/24%

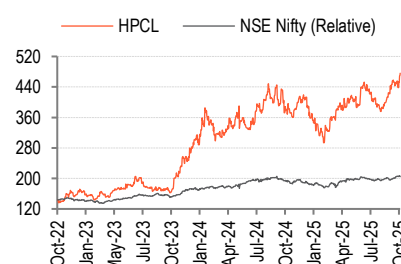
Source: NSE | Price as of 31 Oct 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	4,320,087	3,883,116	4,071,925
EBITDA (Rs mn)	165,512	244,736	229,923
Adj. net profit (Rs mn)	67,357	127,675	111,085
Adj. EPS (Rs)	31.6	60.0	52.2
Consensus EPS (Rs)	31.6	62.9	54.3
Adj. ROAE (%)	13.7	23.0	17.4
Adj. P/E (x)	15.0	7.9	9.1
EV/EBITDA (x)	9.7	6.5	6.7
Adj. EPS growth (%)	(72.0)	89.5	(13.0)

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance**

(Rs mn)	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YOY (%)	H1FY26	H1FY25	YOY (%)
Revenue	1,003,345	1,102,677	(9.0)	994,644	0.9	2,106,022	2,128,516	(1.1)
EBITDA	68,522	75,719	(9.5)	27,079	153.0	144,241	48,148	199.6
EBITDA margin (%)	6.83	6.87		2.72		6.85	2.29	
Depreciation	16,122	16,043	0.5	15,295	5.4	32,165	30,131	6.7
Interest	8,242	8,171	0.9	9,445	(12.7)	16,413	16,779	(2.2)
Other income	5,223	5,074	3.0	5,063	3.2	10,297	10,335	(0.4)
PBT	49,381	56,579	(12.7)	7,402	567.1	105,960	11,572	815.7
Tax	12,716	14,357	(11.4)	2,055	518.7	27,073	3,767	618.8
Reported PAT	38,593	41,109	(6.1)	1,427	2605.1	79,702	7,766	926.3
PATM (%)	3.85	3.73		0.14		3.79	0.35	
EPS (Rs)	18.14	19.32	(6.1)	0.67	2605.1	37.46	3.65	926.3

Source: Company

**Fig 2 – Q2FY26 Actual v/s consensus**

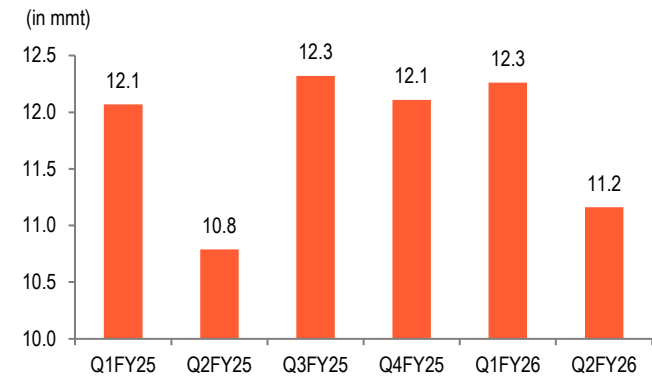
Particulars	Q2 Actual	Consensus	VAR (%)
Revenue (Rs mn)	1,003,345	961,494	4.4
EBITDA (Rs mn)	68,522	57,488	19.2
EBITDA margin (%)	6.8	5.5	
PAT (Rs mn)	38,593	23,524	64.1
EPS (Rs)	18.1	16.8	7.8

Source: Bloomberg, Company

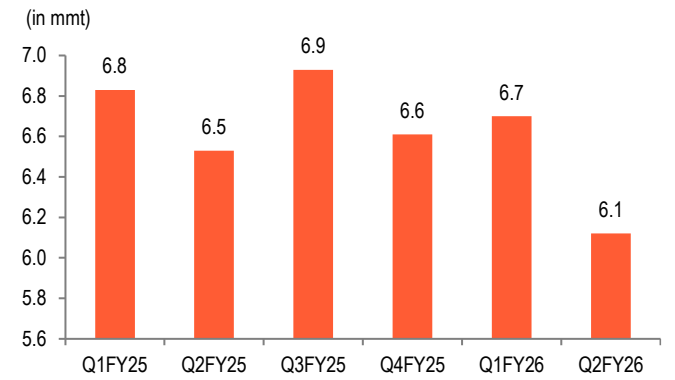
**Fig 3 – Business performance**

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Domestic sales (mnt)	11.2	12.3	(9.0)	10.8	3.4	23.4	22.9	2.4
Export sales (mnt)	0.9	0.8	16.7	0.8	9.6	1.7	1.4	21.6
Crude throughput (mnt)	6.6	6.7	(1.4)	6.3	4.3	13.2	12.1	9.7
Pipelines throughput (mnt)	6.1	6.7	(8.7)	6.5	(6.3)	12.8	13.4	(4.0)
Average gross refining margin (USD/bbl)	8.8	3.1	186.4	3.0	191.1	6.0	4.0	47.6

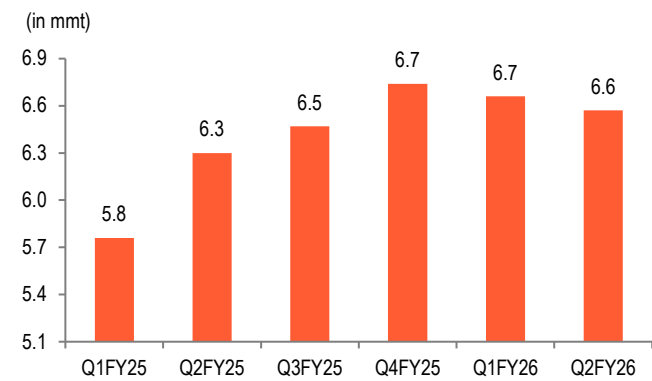
Source: Company

**Fig 4 – Domestic sales**

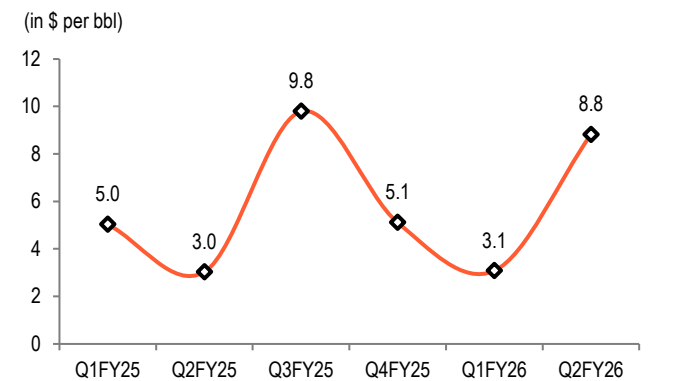
Source: , Company

**Fig 5 – Crude throughput**

Source: , Company

**Fig 6 – Pipeline throughput**

Source: Company

**Fig 7 – Average gross refining margin**

Source: Company

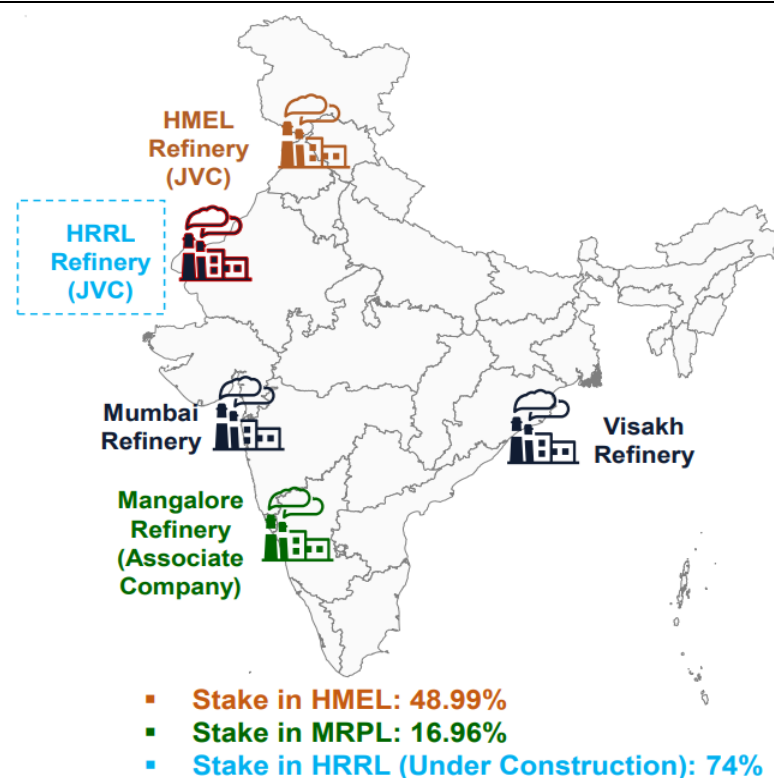
## Call Highlights

- **Refining performance:** Refinery margin performance was strong due to higher product cracks. GRM came at USD8.8/bbl vs USD3.0/bbl in Q2FY2. Normalised GRM stood at USD5.0/bbl in Q2FY26. MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25.
- Management expects benign environment for crude prices and expects it to remain range-bound around USD60/bbl. On the pricing of products, they expect steady prices for fuel products and the company is in a strong position to absorb small variation in product prices.
- **Cost-saving project:** HPCL has a target of cost saving of Rs10bn for end FY26E. Out of this, Rs8bn has been achieved till Sept'2025. Overall cost saving will benefit to an extent of USD0.5/bbl.
- **Russian crude usage:** Russian crude accounted for 5% of HPCL's crude basket in Q2FY26 down from the level of 35% in Q2FY25 level, due to low price economics. Discount stands at USD1-2/bbl. Management commented that they can easily shift to other crudes, therefore not concerned about any impact of decline in Russian crude.
- **Marketing business:** Domestic volumes growth was good at 3.4%YoY. However, it decreased by 9.0%QoQ because of the above-normal monsoon. Management is positive about volume performance, due to the continuation of economic activity, which will keep the demand strong for petroleum products.
- **Capex:** It incurred a capex of Rs40bn in H1FY26. It guided a capex of Rs120-140bn each in FY27E and FY28E.
- **Net debt:** Net debt decreased to Rs579bn on Sept'25 vs Rs662bn on Mar'25 due to strong cashflow generation. Gross debt was Rs589bn as on Sept'25. Net Debt/Equity stood at 1.0x. Management targets to bring this ratio below 1.0x by March 2026.
- **Barmer refinery:** 9.0mnt greenfield refinery has achieved 89% completion. The company expects the refinery to have GRM higher than that of the refineries in Mumbai and Vizag.. It expects 50-60% utilisation within 3 months post commissioning.
- **Lubes business:** Management remains committed to value unlocking through demerger process.

## Business Overview

- Hindustan Petroleum Corporation Limited (HPCL) is in the business of refining and marketing in India with interests in downstream and upstream value chain. Its standalone refining capacity is 24.5mnt and consolidated refining capacity is 32.6mnt.
- It operates 2 refineries, one in Mumbai with capacity of 9.5mnt and other in Visakhapatnam with capacity of 15.0mnt.
- In addition, it has Bhatinda refinery and a stake in MRPL.
- Bhatinda refinery in Punjab is owned and operated by HPCL Mittal Energy Ltd. (H MEL). H MEL is a JV between HPCL with Mittal Energy Investments Pte Ltd. Singapore with equity holding of 48.99% each. It has a capacity of 11.3mnt.
- HPCL has a 16.96% equity stake in MRPL, which owns and operates a 15mnt refinery at Mangalore, Karnataka.
- The company has a product pipeline length of 5,134km with capacity of 35.3mntpa.
- HPCL is the No 1 Lube marketer among OMC's and is India's largest lube marketer.
- **Geographic presence:**

**Fig 8 – Geographical presence**



Source: Company

### Pipeline segment:

- Total pipeline length is 5,134km, which is about 18% of the overall pipeline network for products.
- Pipeline business has higher length relative to BPCL.

**Fig 9 – Pipeline network (km) of IOC, HPCL & BPCL**

	IOC	HPCL	BPCL
Product pipeline (Km)	20,005	5,134	3,537

Source: Company

## Ongoing projects

HPCL has ongoing projects - Visakhapatnam refinery upgradation project, Barmer refinery, cost saving projects and demerger of Lubes business. These will likely result in the margin expansion in near term. But we don't see any further major growth drivers.

### Key projects

- **Visakh refinery project:** Residual upgradation project at refinery is near commissioning, which will enable the highest conversion of bottoms (heavy residues), thereby improving GRM for the refinery on full capacity.
- **Barmer refinery:** The company is putting up 9.0mnt greenfield capacity at Barmer, Rajasthan. This is integrated Refinery-cum-Petrochemical facility. It has achieved 89% mechanical completion. This will not be consolidated with HPCL core business
  - Rajasthan Refinery is a JV between the HPCL and Rajasthan government. HPCL has a 74% stake and Rajasthan government has a 26% stake in the project. It has a debt of Rs400bn.
  - The refinery will have a Nelson complexity Index of 13-14 with an integrated Petrochemical complex. It will have a captive power plant and will be Euro-VI compliant. It will be able to process Cairn's waxy crude and imported crudes.
  - The project will have 2mnt Ethylene Cracker, which will produce Ethylene and its derivatives for the petrochemicals business.
  - Expects the refinery to have GRM of USD20/bbl (higher than Mumbai and Vizag refinery's GRM) and annual EBITDA of Rs70-80bn.
- **Cost-saving projects:** HPC targets cost saving with a target of Rs10bn by the end of FY26E. Out of this, Rs8bn have been achieved till Sept'2025. Overall cost saving will benefit to an extent of USD0.5/bbl.
- **Lubricant business demerger:** HPCL plans to demerge its lubricant business that would lead to value unlocking.
  - HPCL is the No 1 Lube marketer among OMC's as also the largest in India.. This business handles lubricants and greases requirement of public and private industrial customers in sectors such as Agriculture, Chemical, Defence, Energy and Transportation sectors and Retail sales of Lubricants through retailers. Brands are Racer, Milcy, Neosmyth and Enklo.
  - It has 5 lube blending plants. Recorded sales volumes of 704kt tonnes, 8%YoY in FY25.
  - Lubricant sales are about 2-2.5% of the overall sales. However, its share in the marketing business's EBITDA is significant.
  - In the exports of lubricants; HPCL is the largest exporter among OMCs, which has aided profitability of the marketing business. It exports to 13 countries and has a 100% subsidiary – HPCL Middle East, which sells to countries in the Middle East and Africa.

## Valuation Methodology

We are positive on business growth, However sustainability of product cracks and low low crude prices remains a challenge owing to disruption to Russian oil from the market

Based on assumptions:

- We estimate growth in petroleum products to be in line with industry growth. Considering the competition among OMCs, we estimate petrol growth to be 4.5% in FY27E and 2.5% in FY28E; diesel growth is likely to be 2.5% for FY27E and 2.5% for FY28E.
- Blended GRM is estimated to moderate from USD8.8 in FY26E to a level of USD7.5 in FY27E and FY28E.

**Fig 10 – Key assumptions**

	FY24	FY25	FY26E	FY27E	FY28E
<b>Refinery Utilization (%)</b>					
Mumbai	102	109	109	106	106
Vizag	85	90	108	108	108
Bhatinda	110	100	100	100	100
<b>GRM (USD/bbl)</b>					
Blended GRM	9.1	5.7	8.8	7.5	7.5
Bhatinda	17.0	10.0	11.0	11.0	10.5
<b>Marketing margin (Rs/KL)</b>					
Petrol	8,500	2,500	3,000	3,050	3,050
Diesel	1,000	2,500	2,600	2,650	2,650
<b>Growth in key products (%)</b>					
Petrol	5.0	3.0	5.0	4.5	4.5
Diesel	3.0	2.5	2.5	2.5	2.5
USD-INR rate	82.8	87.0	87.0	87.0	87.0
Brent (US\$/bbl)	80.0	80.0	60.0	60.0	60.0

Source: Company



## EV/EBITDA-based valuation rationale

We are assuming coverage with SELL and TP of Rs435, based on 6.5x EV/EBITDA on Sept'27.

**Fig 11 – Valuation summary**

Particular	Sept'27 EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
HPCL (Standalone)	233,200	6.5	1,520,466	714
<b>Valuation of Investments</b>				
MRPL				23
Oil India				8
Investments - Total				31
Net debt			661,751	311
<b>Target price</b>			<b>858,715</b>	<b>435</b>

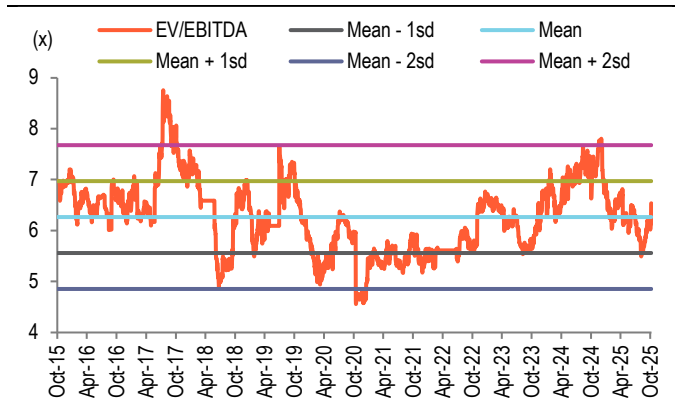
Source: BOBCAPS Research

## Key Risks

Key downside risk to our estimates:

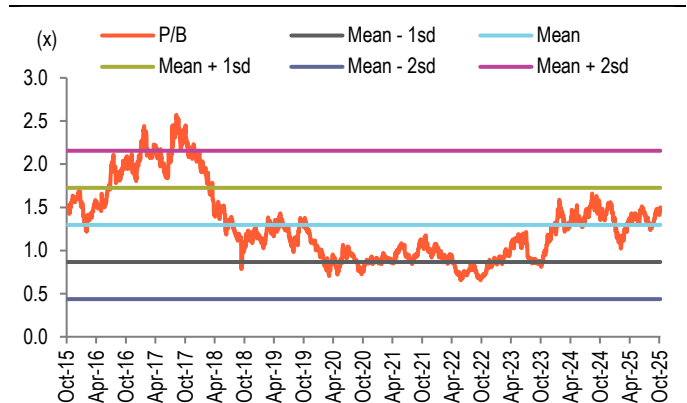
- **Refining business:** Above expectation demand can lead to strong product cracks and thus higher level of GRM which can risk our estimates and improve operational performance on the upside. Thus, low crude prices and robust cracks are key for performance.

**Fig 12 – EV/EBITDA 2YF**



Source: Bloomberg

**Fig 13 – P/B 1YF**



Source: Bloomberg

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>4,320,347</b>	<b>4,320,087</b>	<b>3,883,116</b>	<b>4,071,925</b>	<b>4,272,960</b>
EBITDA	249,278	165,512	244,736	229,923	236,477
Depreciation	(55,964)	(61,541)	(69,152)	(76,509)	(83,867)
EBIT	212,483	124,850	196,462	174,292	173,489
Net interest inc./(exp.)	(25,560)	(33,655)	(25,843)	(25,843)	(25,994)
Other inc./(exp.)	19,169	20,879	20,879	20,879	20,879
Exceptional items	0	0	0	0	0
EBT	186,923	91,195	170,619	148,449	147,496
Income taxes	(44,857)	(22,642)	(42,945)	(37,365)	(37,125)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	18,080	(1,196)	0	0	0
<b>Reported net profit</b>	<b>160,146</b>	<b>67,357</b>	<b>127,675</b>	<b>111,085</b>	<b>110,371</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>160,146</b>	<b>67,357</b>	<b>127,675</b>	<b>111,085</b>	<b>110,371</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	273,000	298,008	265,619	278,534	292,285
Other current liabilities	308,784	312,873	312,873	312,873	312,873
Provisions	33,853	34,115	34,115	34,115	34,115
Debt funds	628,131	664,289	574,289	574,289	571,289
Other liabilities	114,865	126,719	126,719	126,719	126,719
Equity capital	14,189	21,282	21,282	21,282	21,282
Reserves & surplus	455,024	490,161	579,143	656,528	733,318
Shareholders' fund	469,214	511,443	600,425	677,810	754,600
<b>Total liab. and equities</b>	<b>1,827,847</b>	<b>1,947,446</b>	<b>1,914,040</b>	<b>2,004,340</b>	<b>2,091,881</b>
Cash and cash eq.	4,734	2,538	10,329	13,709	20,495
Accounts receivables	93,241	117,807	51,537	54,043	56,711
Inventories	342,115	383,253	327,478	343,401	360,355
Other current assets	35,520	39,741	39,741	39,741	39,741
Investments	243,576	237,939	237,939	237,939	237,939
Net fixed assets	783,718	847,674	928,522	997,012	1,058,146
CWIP	200,483	179,352	179,352	179,352	179,352
Intangible assets	10,859	11,069	11,069	11,069	11,069
Deferred tax assets, net	0	0	0	0	0
Other assets	304,272	332,304	332,304	332,304	332,304
<b>Total assets</b>	<b>1,827,847</b>	<b>1,947,446</b>	<b>1,914,040</b>	<b>2,004,340</b>	<b>2,091,881</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>236,324</b>	<b>92,476</b>	<b>312,326</b>	<b>207,923</b>	<b>214,361</b>
Capital expenditures	(114,420)	(104,601)	(150,000)	(145,000)	(145,000)
Change in investments	(58,512)	24,939	0	0	0
Other investing cash flows	(6,631)	5,831	0	0	0
<b>Cash flow from investing</b>	<b>(179,562)</b>	<b>(73,830)</b>	<b>(150,000)</b>	<b>(145,000)</b>	<b>(145,000)</b>
Equities issued/Others	0	7,093	0	0	0
Debt raised/repaid	(42,352)	36,158	(90,000)	0	(3,000)
Interest expenses	(25,560)	(33,655)	(25,843)	(25,843)	(25,994)
Dividends paid	(44,697)	(22,346)	(38,692)	(33,700)	(33,582)
Other financing cash flows	53,858	(8,091)	0	0	0
<b>Cash flow from financing</b>	<b>(58,751)</b>	<b>(20,842)</b>	<b>(154,535)</b>	<b>(59,543)</b>	<b>(62,575)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(1,990)</b>	<b>(2,196)</b>	<b>7,791</b>	<b>3,381</b>	<b>6,785</b>
<b>Closing cash &amp; cash eq.</b>	<b>4,734</b>	<b>2,538</b>	<b>10,329</b>	<b>13,709</b>	<b>20,495</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	112.9	31.6	60.0	52.2	51.9
Adjusted EPS	112.9	31.6	60.0	52.2	51.9
Dividend per share	31.5	10.5	18.2	15.8	15.8
Book value per share	330.7	240.3	282.1	318.5	354.6

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	6.4	9.7	6.5	6.7	6.5
Adjusted P/E	4.2	15.0	7.9	9.1	9.2
P/BV	1.4	2.0	1.7	1.5	1.3

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.0	75.2	74.8	74.8	74.8
Interest burden (PBT/EBIT)	88.0	73.0	86.8	85.2	85.0
EBIT margin (EBIT/Revenue)	4.9	2.9	5.1	4.3	4.1
Asset turnover (Rev./Avg TA)	2.5	2.3	2.0	2.1	2.1
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
<b>Adjusted ROAE</b>	<b>40.4</b>	<b>13.7</b>	<b>23.0</b>	<b>17.4</b>	<b>15.4</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	(1.6)	0.0	(10.1)	4.9	4.9
EBITDA	(445.9)	(33.6)	47.9	(6.1)	2.9
Adjusted EPS	(329.4)	(72.0)	89.5	(13.0)	(0.6)
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	5.8	3.8	6.3	5.6	5.5
EBIT margin	4.9	2.9	5.1	4.3	4.1
Adjusted profit margin	3.7	1.6	3.3	2.7	2.6
Adjusted ROAE	40.4	13.7	23.0	17.4	15.4
ROCE	18.7	9.9	15.1	13.0	12.3
<b>Working capital days (days)</b>					
Receivables	8	10	5	5	5
Inventory	29	32	31	31	31
Payables	24	26	27	26	26
<b>Ratios (x)</b>					
Gross asset turnover	2.5	2.3	2.0	2.1	2.1
Current ratio	0.6	0.6	0.5	0.5	0.5
Net interest coverage ratio	8.3	3.7	7.6	6.7	6.7
<b>Adjusted debt/equity</b>	<b>1.2</b>	<b>1.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>

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

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

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CIN: **U65999MH1996GOI098009**



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

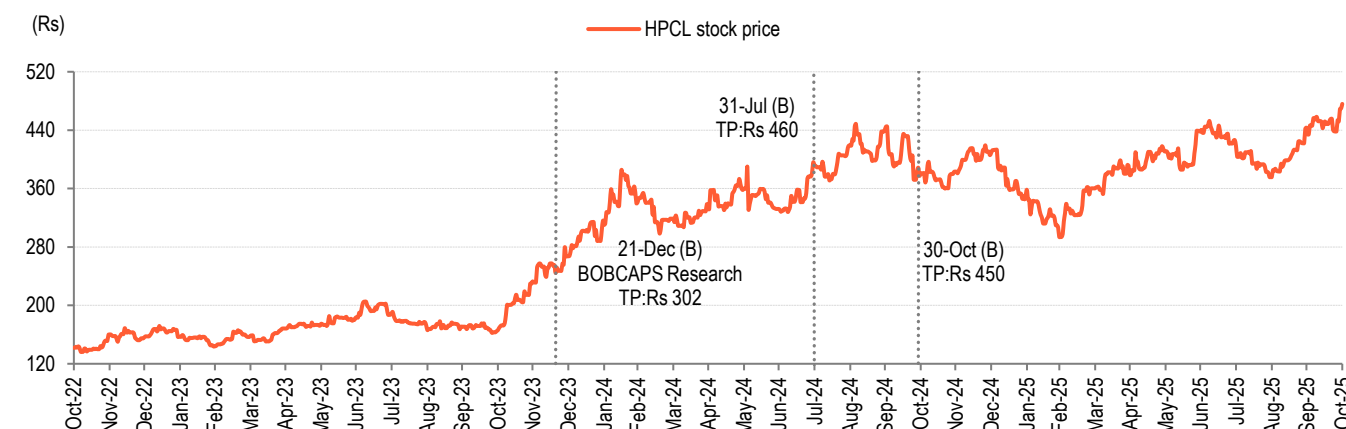
**HOLD** – Expected return from -6% to +15%

**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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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