BUY
TP: Rs 453 | ⮝ 33%

HINDUSTAN PETROLEUM CORP

| Oil & Gas | 23 October 2026

Operationally strong driven by improved refining margins

- **Revenue grew by 33.4%YoY, EBITDA grew by 32.0%YoY aided by volume growth and strong GRM at USD32.2/bbl - up 265%YoY**
- **Positive on volume growth supported by healthy demand though crude price and product crack volatility remains a challenge**
- **Raise to BUY from HOLD; raise TP to Rs453 from Rs427 due to improved performance and roll over to Sept.28E EBITDA**

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Performance better than expectations: Hindustan Petroleum Corporation (HPCL) standalone reported revenue at Rs1,338bn (+33.5%YoY, -4.3% QoQ); 4% above our estimates. EBITDA came in at Rs90bn (+31.7%YoY) as against loss in Q1FY27. Improved performance is on account of better refining and marketing margins.

Refining performance: GRM came at USD32.2/bbl vs USD8.8/bbl in Q2FY26, due to benefit of higher product cracks. GRM was USD23.6/bbl in Q1FY27. Crude brent price for Q2FY27 averaged USD94/bbl vs USD68/bbl in Q2FY26, up by USD26/bbl on YoY. It was USD98/bbl in Q1FY27. Cracks improved YoY: Petrol cracks stood at USD34.0/bbl vs USD12.3 in Q2FY26. HSD (Diesel) cracks at USD62.0 vs USD19.0 in Q2FY26.

Marketing business: Domestic sales volumes were 11.7mnt (+4.9%YoY, -4.3%QoQ), while exports volumes at 1.0mnt (+12.1%YoY, +15.9%QoQ).

Capex: HPCL incurred Rs38bn in H1FY27 and we expect capex of Rs90-95bn for FY27E with a focus on strengthening the refining and marketing infrastructure.

Outlook on growth: The demand for products remains strong. HPCL has diversified its crude sources post reduced supply of crude from Middle East. Refinery upgradation project at Visakhapatnam refinery - commissioned in Q4FY26 will result in an incremental GRM of USD2.5/bbl with stabilization in macro situation. Ramp up in Rajasthan refinery will help in reducing dependence on third party sourcing. We are positive on the business growth that is being driven by a healthy demand for petroleum products. However, the environment is challenging on crude prices and product cracks.

Raise to BUY; incrrased TP: We raise to BUY from HOLD. On account of improved performance and rollover to Sept. 28E EBITDA, we increase TP to Rs453 from Rs427 earlier based on 6.0xEV/EBITDA on June'28E EBITDA.

Key changes

Target	Rating
▲	▲

Ticker/Price	HPCL IN/Rs 341
Market cap	US$ 7.6bn
Free float	45%
3M ADV	US$ 20.0mn
52wk high/low	Rs 508/Rs 316
Promoter/FPI/DII	55%/14%/23%

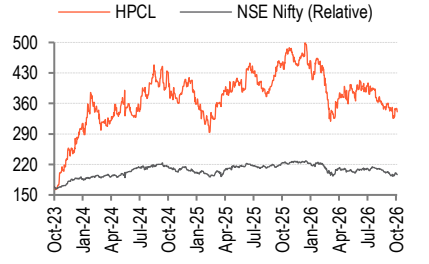
Source: NSE | Price as of 22 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	4,396,335	5,471,574	5,265,842
EBITDA (Rs mn)	306,327	81,176	227,851
Adj. net profit (Rs mn)	180,469	9,680	120,418
Adj. EPS (Rs)	84.8	4.5	56.6
Adj. ROAE (%)	30.9	1.5	17.0
Adj. P/E (x)	4.0	74.9	6.0
EV/EBITDA (x)	4.2	15.1	5.4
Adj. EPS growth (%)	167.9	(94.6)	1144.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance (Consol.)

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
Revenue	**1,338,519**	**1,399,775**	**(4.4)**	**1,003,345**	**33.4**	**2,738,294**	**2,106,022**	**30.0**
EBITDA	**90,483**	**(161,223)**	**156.1**	**68,522**	**32.0**	**(70,740)**	**144,241**	**(149.0)**
EBITDA margin (%)	*6.76*	*(11.52)*	*1828 bps*	*6.83*	*(7 bps)*	*(2.58)*	*6.85*	*(943 bps)*
Depreciation	19,036	18,777	1.4	16,122	18.1	37,813	32,165	17.6
Interest	12,592	8,184	53.9	8,242	52.8	20,776	16,413	26.6
Other income	4,619	6,189	(25.4)	5,223	(11.6)	10,808	10,297	5.0
PBT	63,474	(181,995)	134.9	49,381	28.5	(118,521)	105,960	(211.9)
Tax	31,949	(59,054)	154.1	12,716	151.2	(27,105)	27,073	(200.1)
Reported PAT	**36,252**	**(122,647)**	**129.6**	**38,593**	**(6.1)**	**(86,394)**	**79,702**	**(208.4)**
PATM (%)	*2.71*	*(8.76)*	*1147 bps*	*3.85*	*(114 bps)*	*(3.16)*	*3.78*	*(694 bps)*
EPS (Rs)	**17.04**	**(57.64)**	**129.6**	**18.14**	**(6.1)**	**(40.60)**	**37.46**	**(208.4)**

Source: Company

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
Net revenue	1,338,839	1,398,899	(4.3)	1,002,616	33.5	2,737,738	2,104,742	30.1
EBITDA	90,747	-161,408	156.2	68,910	31.7	(70,661)	144,927	(148.8)
PAT	34,826	-115,264	130.2	38,304	(9.1)	(80,438)	82,012	(198.1)

Source: Company

Fig 3 – Q2FY27 Actual v/s Estimates (Standalone)

Particulars	Q2 Actual	Estimates	VAR (%)
Revenue (Rs mn)	1,338,839	1,294,395	3.4
EBITDA (Rs mn)	90,747	30,868	194.0
EBITDA margin (%)	6.8	2.4	439 bps
PAT (Rs mn)	34,826	11,680	198.2
EPS (Rs)	16.4	5.5	198.2

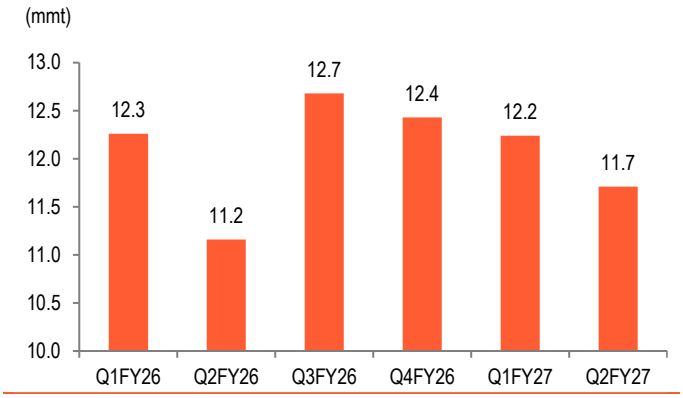
Source: BOBCAPS, Company

Fig 4 – Business performance

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
Domestic sales (mnt)	11.7	12.2	(4.3)	11.2	4.9	24.0	23.4	2.3
Export sales (mnt)	1.0	0.9	15.9	0.9	12.1	1.9	1.7	12.4
Crude throughput (mnt)	6.2	6.5	(4.9)	6.6	(5.6)	12.7	13.2	(3.9)
Pipelines throughput (mnt)	7.0	6.8	2.2	6.1	14.2	13.8	12.8	7.9
Average GRM ($/bbl)	**32.2**	**23.6**	**36.1**	**8.8**	**264.5**	**27.9**	**6.0**	**368.7**

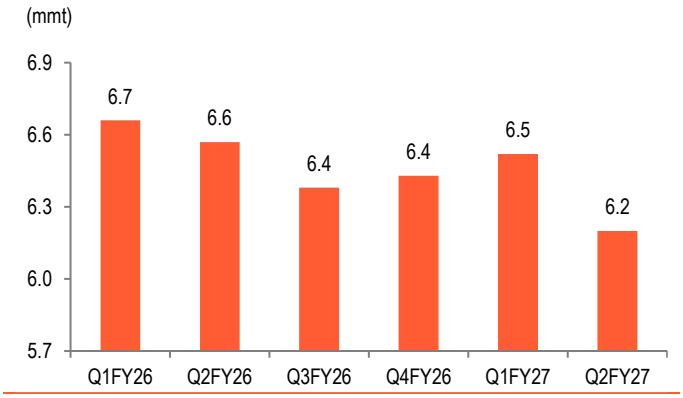
Source: Company

Fig 5 – Domestic sales



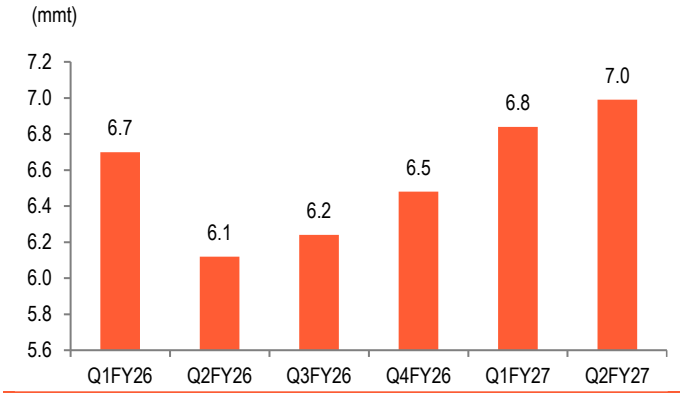
Source: , Company

Fig 6 – Crude throughput



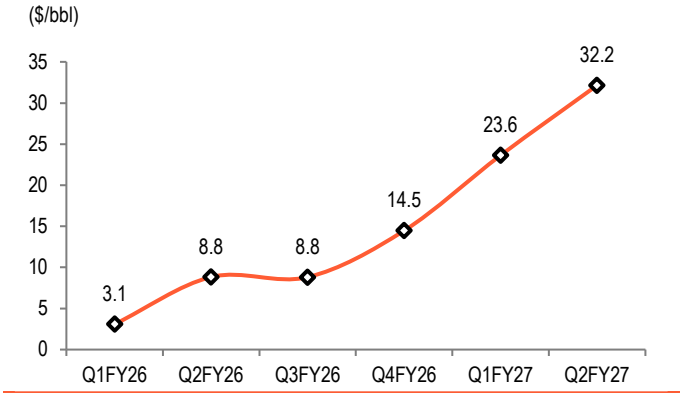
Source: , Company

Fig 7 – Pipeline throughput



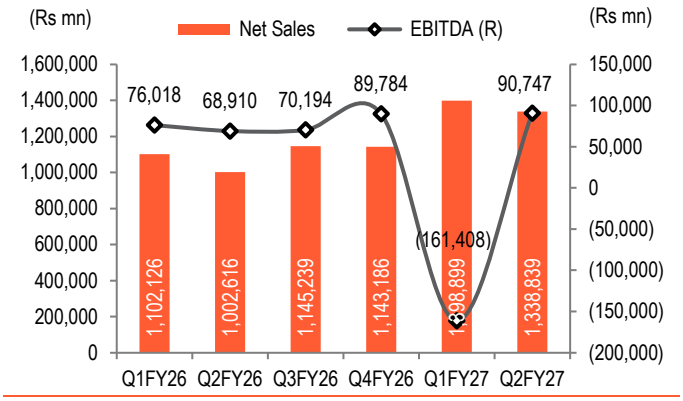
Source: Company

Fig 8 – Average gross refining margin



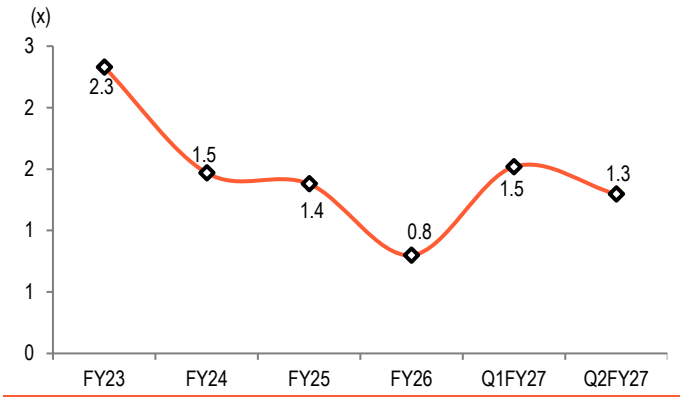
Source: Company

Fig 9 – Revenue & EBITDA trend



Source: Company

Fig 10 – Net D/E



Source: Company

Call Highlights

- **Refining performance:** HPCL's refinery throughput stood at 6.2mnt in Q2FY27, down 5.6% YoY from 6.6mnt in Q1FY26, and lower 4.9%QoQ from 6.5mnt in Q1FY27. Mumbai refinery utilization was 108% and Vizag refinery utilization was 101%. Pipeline throughput stood at 7.0mnt, +14.2%YoY from 6.1mnt in Q2FY26.
    - Reported GRM was US$32.2/bbl, sharply higher than US$8.8/bbl in Q2FY26 and US$23.6/bbl in Q1FY27, an increase of 265% YoY and 36% QoQ. Refinery margin performance was healthy due to higher product cracks. Cracks improved YoY: Petrol cracks stood at USD34.0/bbl vs USD12.3 in Q2FY26. HSD (Diesel) cracks at USD62.0 vs USD19.0 in Q2FY26.
- **Marketing business:** Domestic sales volume increased by 4.9%YoY to 11.7mnt. Export volumes were strong with 12.1%YoY & 15.9% QoQ growth to 1.0mnt. We expect volume performance to be maintained, given the continued economic activity, demand for petroleum products is likely to remain healthy. Management indicated LPG losses were at Rs245/cylinder in October and Rs327/cylinder in Nov.
- **Sourcing:** Management indicated that crude sourcing has been a challenge on freight cost with volatility on premium on cost. Sourcing is more on spot basis rather than on term basis.
- **Net debt:** Net debt stood at Rs683bn on Sept.26 vs Net debt of Rs507bn on Mar.26. Gross debt reduced QoQ from June 26. Gross debt reduced to Rs688bn from gross debt of Rs759bn on June 26. Gross debt was Rs509bn on Mar.26. Net D/E stood at 1.3x. The decrease on QoQ is due to the working capital release on improved cashflows. Management remains committed to reduce debt further on normalization of macro situation.
- **Capex:** HPCL incurred capex of Rs20,850mn in Q2 with total of Rs38,190mn in H1FY27.
- **Project updates: Barmer refinery:** 9.0mnt greenfield refinery started commercial operation in June 2026. It is operating at 60% utilization rate and expects near 100% utilization by Dec. 2026. Currently GRM is at USD12/bbl and will lower dependence on third-party product purchases.

Valuation Methodology

We are positive on business growth that is being driven by a demand for petroleum products and healthy GRM. However, the environment is challenging owing to volatility in crude prices (input costs and product cracks).

We revise our estimates upwards on revenue to account for improved revenue performance and revision in crude prices

- Brent revised to USD90/bbl vs earlier USD80/bbl for FY27E, FY28E and FY29E
- We estimate marketing margin to be lower than estimated earlier. Estimate marketing margin:
  - Petrol at Rs250/KL vs earlier Rs500/Kl for FY27E; at Rs1,750 vs earlier 2,000/kl for FY28E and Rs2,100 vs earlier Rs2,300 for FY29E.
  - Diesel at RS100 vs earlier Rs200/Kl for FY27E; at Rs2,000 vs earlier Rs2,200/kl for FY28E and Rs2,400 vs earlier Rs2,500 for FY29E.
- Moderate increase in GRM : USD9.0 vs earlier USD7.5 for FY27E; USD8.5 vs earlier USD7.5 for FY28E and USD9.0vs earlier USD8.0 for FY29E

Fig 11 – Revision in estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	4,396,335	5,471,574	5,265,842	5,501,503	4,868,443	4,783,475	5,119,412	12.4	10.1	7.5
EBITDA	306,327	81,176	227,851	240,298	140,779	217,467	244,949	(42.3)	4.8	(1.9)
EBITDA % margin	*7.0*	*1.5*	*4.3*	*4.4*	*2.9*	*4.5*	*4.8*	*(141 bps)*	*(22 bps)*	*(42 bps)*
PAT	180,469	9,680	120,418	132,268	49,212	117,390	137,262	(80.3)	2.6	(3.6)
EPS (Rs)	84.8	4.5	56.6	62.1	23.1	55.2	64.5	(80.3)	2.6	(3.6)

Source: Company, BOBCAPS Research

Fig 12 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
Refinery Utilisation (%)					
Mumbai	109	105	105	105	104
Vizag	90	107	105	105	103
GRM (USD/bbl)	**5.7**	**8.8**	**9.0**	**8.5**	**9.0**
Marketing margin (Rs/KL)					
Petrol	2,500	2,800	250	1,750	2,100
Diesel	2,500	2,800	100	2,000	2,400
Growth in key products (%)					
Petrol	3.0	3.2	3.0	3.2	3.5
Diesel	2.5	2.3	2.5	2.5	2.5
USD-INR rate	87.0	89.0	97.0	97.0	97.0
Brent (US$/bbl)	**80.0**	**60.0**	**90.0**	**90.0**	**90.0**

Source: Company, BOBCAPS Research

EV/EBITDA-based valuation rationale

We raise to BUY from HOLD. On account of improved performance and rollover to Sept. 28E EBITDA, we increase TP to Rs453 from Rs427 earlier based on 6.0xEV/EBITDA on June'28E EBITDA

Fig 13 – Valuation summary

Particular	Sept 28E EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
HPCL (Standalone)	234,074	6.0	1,404,445	660
Valuation of Investments				
MRPL				23
Oil India				8
Investments - Total				31
Net debt			507,279	238
Target price			**897,166**	**453**

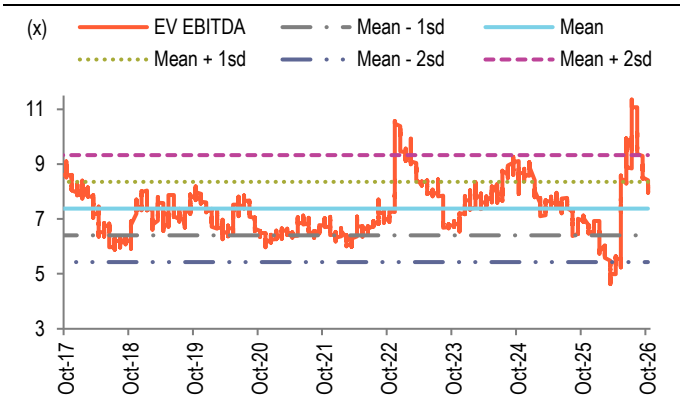
Source: Company, BOBCAPS Research

Key Risks

Key downside risk to our estimates:

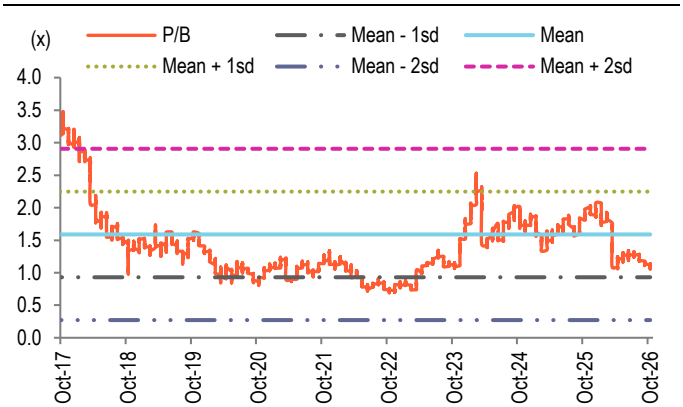
- **Refining business:** Refining performance has been strong in the recent months, owing to a high demand leading to strong product cracks and supply constraints. Any moderation in the demand or a significant rise in crude prices can impact GRM and thus, the operational performance. Further, any upside to crude oil due to geopolitical risk can raise the cost of crude for the company.

Fig 14 – EV/EBITDA 1YF



Source: Bloomberg

Fig 15 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**4,320,087**	**4,396,335**	**5,471,574**	**5,265,842**	**5,501,503**
EBITDA	165,512	306,327	81,176	227,851	240,298
Depreciation	(61,541)	(73,475)	(77,241)	(82,424)	(84,240)
EBIT	124,850	255,413	27,625	170,300	181,180
Net interest inc./(exp.)	(33,655)	(33,958)	(35,216)	(30,539)	(25,794)
Other inc./(exp.)	20,879	22,561	23,689	24,874	25,122
Exceptional items	0	0	0	0	0
EBT	91,195	221,455	(7,592)	139,761	155,385
Income taxes	(22,642)	(55,912)	1,898	(35,178)	(39,110)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1,196)	14,926	15,374	15,835	15,993
Reported net profit	**67,357**	**180,469**	**9,680**	**120,418**	**132,268**
Adjustments	0	0	0	0	0
Adjusted net profit	**67,357**	**180,469**	**9,680**	**120,418**	**132,268**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	298,008	311,944	386,359	371,832	388,472
Other current liabilities	312,873	378,850	378,850	378,850	378,850
Provisions	34,115	36,757	36,757	36,757	36,757
Debt funds	664,289	508,989	558,989	508,989	468,989
Other liabilities	126,719	138,292	138,292	138,292	138,292
Equity capital	21,282	21,282	21,282	21,282	21,282
Reserves & surplus	490,161	634,279	644,151	732,995	825,248
Shareholders' fund	511,443	655,561	665,434	754,277	846,530
Total liab. and equities	**1,947,446**	**2,030,392**	**2,164,680**	**2,188,996**	**2,257,890**
Cash and cash eq.	2,538	1,709	6,207	9,817	12,900
Accounts receivables	117,807	74,038	91,700	88,252	92,201
Inventories	383,253	395,588	489,957	471,534	492,637
Other current assets	39,741	62,305	62,305	62,305	62,305
Investments	237,939	249,053	249,053	249,053	249,053
Net fixed assets	847,674	989,814	1,007,573	1,050,149	1,090,909
CWIP	179,352	78,941	78,941	78,941	78,941
Intangible assets	11,069	12,807	12,807	12,807	12,807
Deferred tax assets, net	0	0	0	0	0
Other assets	332,304	383,131	383,131	383,131	383,131
Total assets	**1,947,446**	**2,030,392**	**2,164,680**	**2,188,996**	**2,257,890**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**92,476**	**329,433**	**69,148**	**224,890**	**217,898**
Capital expenditures	(104,601)	(116,635)	(95,000)	(125,000)	(125,000)
Change in investments	24,939	(9,658)	0	0	0
Other investing cash flows	5,831	(1,279)	0	0	0
Cash flow from investing	**(73,830)**	**(127,572)**	**(95,000)**	**(125,000)**	**(125,000)**
Equities issued/Others	7,093	0	0	0	0
Debt raised/repaid	36,158	(155,300)	50,000	(50,000)	(40,000)
Interest expenses	(33,655)	(33,958)	(35,216)	(30,539)	(25,794)
Dividends paid	(22,342)	(51,600)	192	(31,575)	(40,015)
Other financing cash flows	(8,095)	38,168	15,374	15,835	15,993
Cash flow from financing	**(20,842)**	**(202,690)**	**30,350**	**(96,279)**	**(89,816)**
Chg in cash & cash eq.	**(2,196)**	**(829)**	**4,497**	**3,610**	**3,083**
Closing cash & cash eq.	**2,538**	**1,709**	**6,207**	**9,817**	**12,900**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	31.7	84.8	4.5	56.6	62.1
Adjusted EPS	31.7	84.8	4.5	56.6	62.1
Dividend per share	10.5	24.3	(0.1)	14.8	18.8
Book value per share	240.4	308.1	312.7	354.4	397.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.3	0.3	0.2	0.2	0.2
EV/EBITDA	8.0	4.2	15.1	5.4	4.9
Adjusted P/E	10.8	4.0	74.9	6.0	5.5
P/BV	1.4	1.1	1.1	1.0	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.2	74.8	75.0	74.8	74.8
Interest burden (PBT/EBIT)	73.0	86.7	(27.5)	82.1	85.8
EBIT margin (EBIT/Revenue)	2.9	5.8	0.5	3.2	3.3
Asset turnover (Rev./Avg TA)	2.3	2.2	2.6	2.4	2.5
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	13.7	30.9	1.5	17.0	16.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	0.0	1.8	24.5	(3.8)	4.5
EBITDA	(33.6)	85.1	(73.5)	180.7	5.5
Adjusted EPS	(72.0)	167.9	(94.6)	1144.0	9.8
Profitability & Return ratios (%)					
EBITDA margin	3.8	7.0	1.5	4.3	4.4
EBIT margin	2.9	5.8	0.5	3.2	3.3
Adjusted profit margin	1.6	4.1	0.2	2.3	2.4
Adjusted ROAE	13.7	30.9	1.5	17.0	16.5
ROCE	9.9	19.6	2.1	12.3	12.7
Working capital days (days)					
Receivables	10	6	6	6	6
Inventory	32	33	33	33	33
Payables	26	28	26	27	27
Ratios (x)					
Gross asset turnover	4.2	4.1	5.0	4.7	4.7
Current ratio	0.6	0.6	0.7	0.7	0.7
Net interest coverage ratio	3.7	7.5	0.8	5.6	7.0
Adjusted debt/equity	1.2	0.7	0.8	0.6	0.5

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

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

BUY – Expected return >+15%

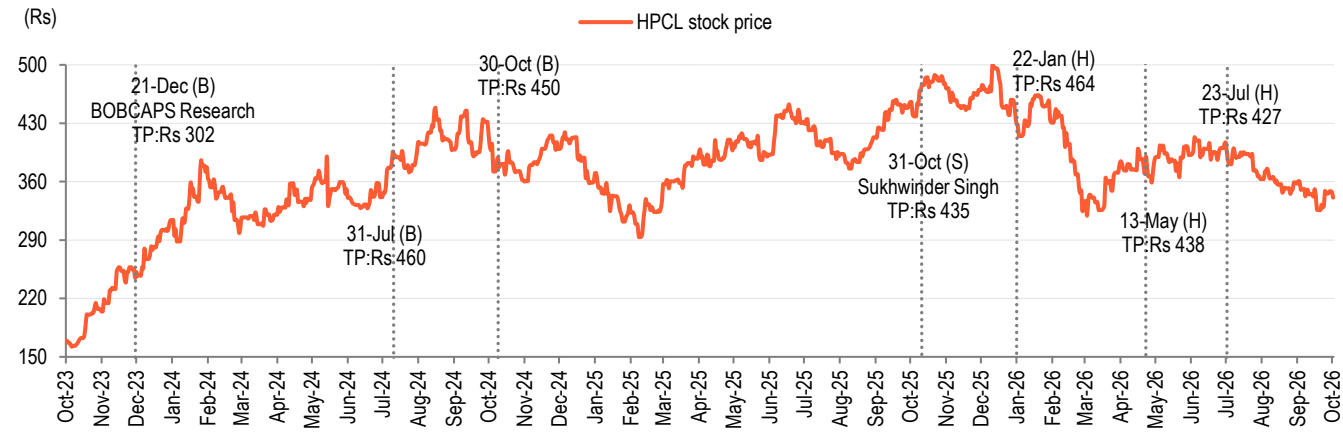
HOLD – Expected return from -6% to +15%

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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