

Estimate change 

TP change 

Rating change 

CMP: INR397

TP: INR455 (+15%)

Buy

Start-up of multiple projects set to boost earnings

Bloomberg	HPCL IN
Equity Shares (m)	2128
M.Cap.(INRb)/(USD\$b)	844.6 / 10
52-Week Range (INR)	457 / 288
1, 6, 12 Rel. Per (%)	2/-1/6
12M Avg Val (INR M)	3183

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	4,341	3,332	3,409
EBITDA	166	193	204
Adj. PAT	67	94	94
Adj. EPS (INR)	32	44	44
EPS Gr. (%)	-58	39	1
BV/Sh.(INR)	240	269	298

Ratios

Net D:E	1.3	1.1	1.0
RoE (%)	13.7	17.3	15.6
RoCE (%)	8.2	9.1	9.0
Payout (%)	33.2	34.1	35.4

Valuations

P/E (x)	12.5	9.0	9.0
P/BV (x)	1.7	1.5	1.3
EV/EBITDA (x)	9.1	7.6	7.2
Div. Yield (%)	2.6	3.8	3.9
FCF Yield (%)	5.7	12.9	7.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	54.9	54.9	54.9
DII	23.6	21.8	22.2
FII	12.6	14.4	13.8
Others	9.0	8.8	9.1

FII Includes depository receipts

- HPCL's 4QFY25 EBITDA was 61% above our est., fueled by higher-than-estimated GRM (USD8.5/bbl). GRM adj. for inventory gains stood at USD7.1/bbl. Marketing margin, though weaker than BP/IOC, stood in line with our estimates at INR4.5/lit. Resultant PAT stood 114% above our est. at INR33.5b.
- While we think the rally in OMC stocks is now entering the last phase, we still see a few positive catalysts: 1) 1QFY26 earnings will likely benefit from lower LPG under-recoveries due to an INR50/cyl domestic LPG price hike recently. The decline in propane prices as winter demand wanes provides additional upside; 2) Russian crude proportion for OMCs is expected to rise again in 1QFY26, supporting GRMs; 3) marketing business earnings momentum has remained robust.
- However, the earnings outlook for OMCs is clouded by: 1) expected inventory losses in 1QFY26 amid weak crude price environment (vs. inventory gain in 4QFY25) and 2) the risk of further excise duty hikes for MS/HSD, which can crimp marketing margins; historically OMCs have rarely made over INR8-10/ltr gross marketing margin on MS/HSD for more than two quarters (based on data for the last eight years).
- We continue to prefer HPCL among OMCs due to the following factors: 1) HPCL's higher leverage toward the marketing segment, 2) higher dividend yield as HPCL's capex cycle is tapering off, and 3) start-up of HPCL's multiple mega-projects in the next 12 months providing a push to earnings.
- HPCL currently trades at 1.5x FY26E P/B, slightly above its 10Y average P/B. We have a Buy rating on HPCL.

Key takeaways from the conference call

- In 4Q, INR6b/5.5b inventory gain pertained to refining/marketing.
- HRRL's CDU is expected to commence operations shortly, with MS/HSD production anticipated to begin by 3QFY26. HRRL will generate USD20/bbl integrated GRM (mid-cycle GRMs considered). Opex will be ~USD5-6/bbl.
- LPG cavern (80tmt) in Mangalore and Bottom Upgradation Unit at Visakh will be commissioned in 2QFY26.
- HPCL is targeting a capex of INR130b-140b in FY26. INR50b/INR50b/INR40b will be spent on Refining/Marketing/Equity contribution in JVs.
- HPCL's gas sales volume stood at 1mmt+ (+40% YoY). It expects 25-30% YoY growth in volumes.

4Q beat fueled by robust refining performance

- HPCL's EBITDA stood at INR57.6b in 4QFY25 (61% beat).
- The beat was driven by higher-than-estimated GRM, which was 55% above our estimate at USD8.5/bbl.
- Refining throughput was in line with our estimate at 6.7mmt. Marketing volumes stood at 12.7mmt (est. 12.5mmt).
- Marketing margin (including inv.) stood at ~INR4.5/lit (est. INR4.6/lit).
- LPG under-recovery stood at INR33b (similar QoQ), which we believe could be reversed in due course as LPG remains a controlled product.

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- PAT came in 114% above our est. at INR33.5b. Other income and finance costs were below our estimates.
- In 4Q, HPCL had a forex gain of INR468m.
- In FY25, HPCL's SA net sales were flat YoY at INR4.3t, while EBITDA/RPAT declined 32%/50% to INR171b/73.7b.
- As of Mar'25, HPCL had a cumulative negative net buffer of INR109b due to the under-recovery on LPG cylinders (INR76b as of Dec'24).
- As of Mar'25, gross debt stood at INR633.2b (up INR93b QoQ).
- The Board recommended a final dividend of INR10.5/sh (FV: INR10/sh).

Valuation and view

- **HPCL** remains our preferred pick among the three OMCs. We model a marketing margin of INR3.3/lit for both MS and HSD in FY26/27, while the current MS and HSD marketing margins are above INR10/lit, respectively. We view the following as key catalysts for the stock: 1) the de-merger and potential listing of the lubricant business, 2) the commissioning of its bottom upgrade unit in 2QCY26, 3) the start of its Rajasthan refinery in FY26, and 4) LPG under-recovery compensation.
- HPCL currently trades at 1.5x FY26E P/B, which we believe offers a reasonable margin of safety as we estimate FY26E RoE of 17.3%. **We value the stock at our SoTP-based TP of INR455/sh. Reiterate BUY.**

Standalone - Quarterly Earning Model

Y/E March	FY24				FY25				FY24	FY25	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4Q	4QE	4QE	(%)
Net Sales	1,120	957	1,113	1,146	1,138	999	1,105	1,095	4,335	4,337	940	17%
YoY Change (%)	-2.2	-11.7	1.6	6.1	1.6	4.4	-0.7	-4.4	-1.6	0.0	-18.0	
Total Expenditure	1,024	871	1,092	1,097	1,117	972	1,041	1,037	4,084	4,167	904	15%
EBITDA	95	86	21	49	21	28	65	58	251	171	36	61%
Margins (%)	8.5	9.0	1.9	4.2	1.8	2.8	5.8	5.3	5.8	3.9	3.8	
Depreciation	14	12	13	16	15	15	15	16	56	61	15.5	
Forex loss	-1	4	0	1	0	0	5	0	3	4	0.0	
Interest	6	6	6	7	7	9	9	7	25	33	8.4	
Other Income	6	3	6	9	6	6	5	8	24	24	9.1	
PBT	83	67	8	33	5	8	40	43	192	96	20.9	106%
Tax rate (%)	25.5	24.1	31.1	14.2	24.5	24.4	24.6	22.1	23.3	23.5	25.2	
Reported PAT	62	51	5	28	4	6	30	34	147	74	15.7	114%
YoY Change (%)	LP	LP	206.8	-11.8	-94.3	-87.7	471.4	18.0	LP	-49.9	-44.9	
Key Assumptions												
Refining throughput (mmt)	5.4	5.8	5.3	5.8	5.8	6.3	6.5	6.7	22.3	25.3	6.6	2%
Reported GRM (USD/bbl)	7.4	8.3	14.0	6.9	5.0	3.1	6.0	8.5	9.2	5.7	5.5	55%
Marketing sales volume incl exports (mmt)	11.9	10.7	11.9	12.3	12.6	11.6	12.9	12.7	46.8	49.8	12.5	2%
Marketing GM incl inv (INR/litre)	8.4	7.3	1.4	4.8	3.0	4.2	5.7	4.5	5.5	4.4	4.6	-1%

SoTP-based valuation

Particulars	Earning metric	Val metric	Multiple	Amount (INR m)
HPCL standalone	Dec'26E EBITDA	EV/EBITDA	6.0	12,23,388
(-) Standalone FY27E Net Debt				6,18,331
Standalone Market Cap				6,05,057
+ Lubricant business- value unlocking	FY24 EBITDA	EV/EBITDA	8.0	80,000
+ MRPL	MOFSL TP			35,650
+ HMEL	FY24 PAT	P/E	10.0	93,100
+ Chhara terminal	Book Value	P/B	1.0	12,232
+ HRRL	Equity invested till date	P/B	0.5	1,40,000
SoTP				9,66,038
(/) shares outstanding				2,128
TP (INR/share)				455

Key assumptions for HPCL

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY26E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	86.0	86.2
Brent Crude (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	65.0	65.0
Market Sales (MMT)	38.7	39.6	36.6	39.1	43.5	46.8	49.8	51.6	53.7
YoY (%)	5	2	(8)	7	11	8	6	4	4
GRM (USD/bbl)	5.0	1.0	3.9	7.2	12.1	9.1	5.7	6.2	6.5
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	3.8	5.0	5.0
Prem/(disc) (USD/bbl)	0	(2)	3	2	1	2	1.9	1.2	1.5
Total Refinery throughput (MMT)	18.4	17.2	16.4	14.0	19.1	22.3	25.3	27.0	27.0
YoY (%)	1%	-7%	-4%	-15%	37%	17%	13%	7%	0%
Refining capacity utilization (%)	117%	109%	104%	88%	85%	91%	103%	110%	110%
Blended marketing margin incl inventory (INR/lit)	4.3	4.0	6.3	4.3	(0.8)	5.5	4.4	4.5	4.5
Consolidated EPS	31.4	17.1	50.1	34.3	-32.8	75.2	31.6	44.0	44.2


Highlights from the management commentary
Robust operational performance:

- HPCL achieved its highest-ever refinery throughput of 25.3mmt.
- The Visakh Refinery, following its recent expansion, operated at full capacity and processed over ~15mmt of crude oil. The Mumbai Refinery also processed ~10mmt of crude oil.
- Additionally, HPCL recorded its highest-ever sales volume of 49.8mmt, marking a domestic market sales growth of 5.5% (industry average growth rate: 4.2%).
- The company achieved a record-high pipeline throughput of 26.9mmt during FY25.
- A total of 1,725 new retail outlets were commissioned in FY24-25, bringing HPCL's nationwide network to 23,747 outlets.

Inventory gain/losses:

- In 4Q, INR6b/5.5b inventory gain pertains to refining/marketing.
- In FY25, INR5.5b/INR5b inventory loss pertains to refining/marketing.

HRRL:

- The CDU is expected to commence operations, with MS/HSD production targeted to begin by 3QFY26.
- Petchem unit will begin from Jan'26.
- Debt as of Mar'25 amounts to INR350b. Total debt tie-up: INR480b.
- At full capacity, HRRL will generate USD20/bbl integrated GRM (mid-cycle GRMs considered). Opex will be ~USD5-6/bbl.
- Product slate: Gasoline/Diesel and Petrochemicals only (no other products).
- Barmer crude proportion: 20% of total (at certain discount).
- Management believes that HRRL could cover depreciation and interest cost from EBITDA generated by HRRL post commissioning.

Update on ongoing projects:

- LPG cavern (80tmt) (underground LPG storage) in Mangalore will be commissioned in 2QFY26.
- Bottom Upgradation Unit, Visakh: Pre-commissioning activities have been completed, along with the commissioning of utilities. Inspections by OISD and

PESO have also been concluded, with PESO approval granted in Apr'25. The unit is now preparing for commissioning in 2QFY26.

- It will take a few weeks post commissioning for full operations to stabilize.

Capex & Debt

- FY26 capex target: INR130b-140b (INR50b/INR50b/INR40b on Refining/Marketing/Equity contribution in JVs).
- Next phase of capex will start after the consolidation of ongoing projects.
- SA D/E ratio is expected to reduce from 1.4x to 1.1x. Long-term debt is likely to decrease YoY.

Marketing segment:

- Diesel sales: HPCL is not facing any issues in evacuating Diesel sales currently.
- Current LPG under-recovery: INR165-170/cyl.
- Domestic vs commercial LPG sale volume proportion: 90% of LPG volumes are domestic volumes.
- Excise duty increase on MS/HSD will be used for compensating OMCs against LPG under-recovery.
- FY25 market share: 24.76%/20%+ in motor fuels/all products. 4QFY25 motor fuel market share stood at 24.2%.

CGD

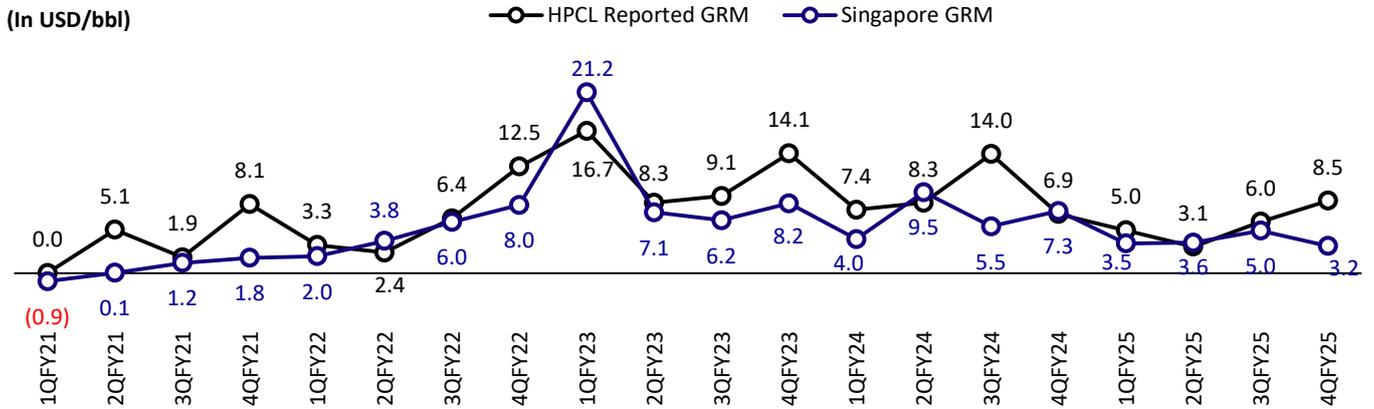
- Sale volume: 1mmt+ gas sales in total (+40% YoY). HPCL expects 25-30% growth in volumes.
- 600+ retail outlets in HPCL's GAs (all HPCL GAs are profitable). Total 2100+ retail outlets.
- Capex: INR10b-11b capex is being incurred and this run rate will be maintained.

HMEL:

- During 4Q/FY25, refinery GRM was at USD12/9.3 per bbl.
- As of Mar'25, HMEL's ND stood at INR330b.
- In FY25, PAT was negative, while EBITDA stood at ~INR40b. In 4QFY25, HMEL's EBITDA stood at INR18b (7% EBITDA margin).

Story in charts – 4QFY25

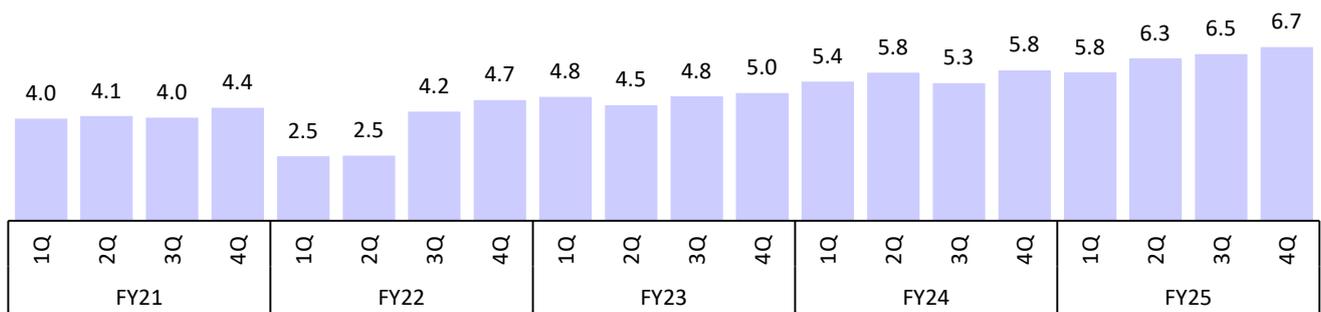
Exhibit 1: Reported GRM stood at USD8.5/bbl, up 23% YoY



Source: Company, MOFSL

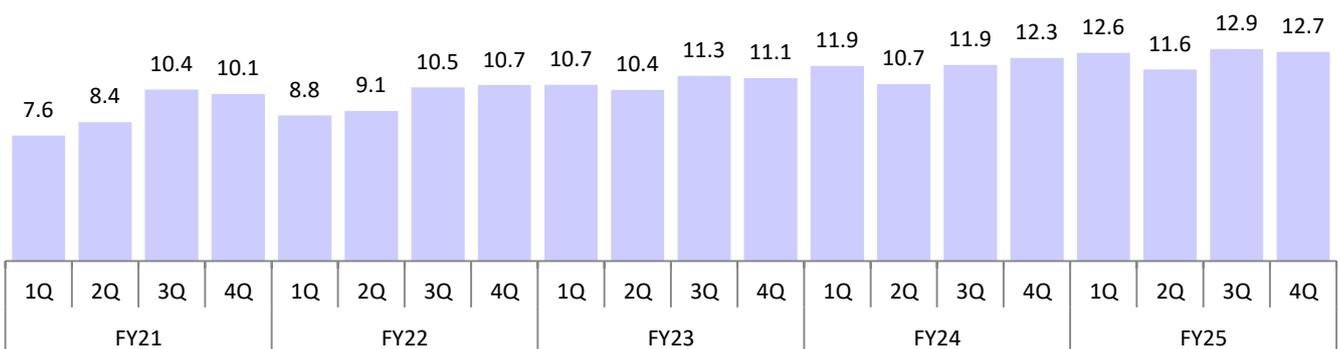
Exhibit 2: Throughput was 6.7mmt, up ~15% YoY

Refinery throughput (mmt)



Source: Company, MOFSL

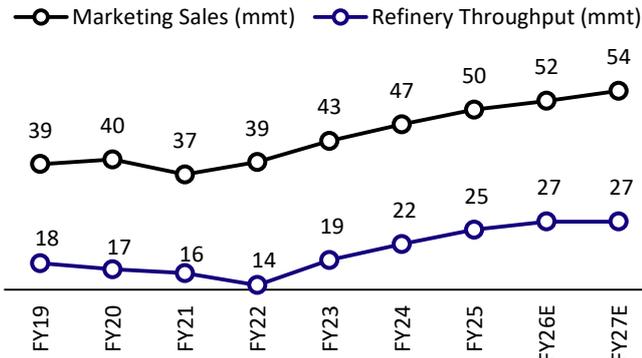
Exhibit 3: Marketing volumes grew ~3% YoY to 12.7mmt



Source: Company, MOFSL

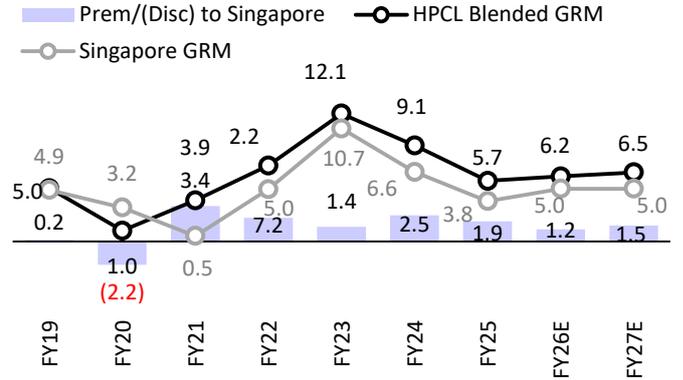
Story in charts

Exhibit 4: Refining throughput/marketing sales of HPCL



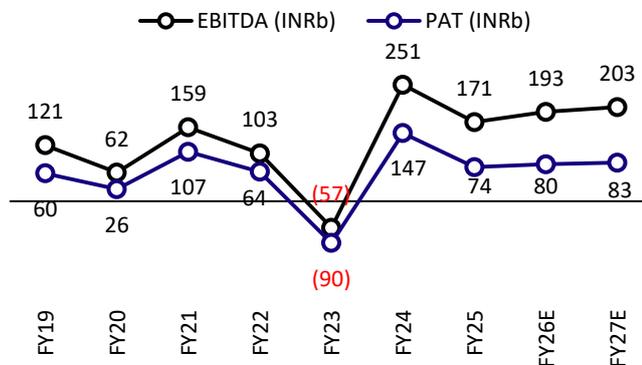
Source: Company, MOFSL

Exhibit 5: GRM trend of HPCL



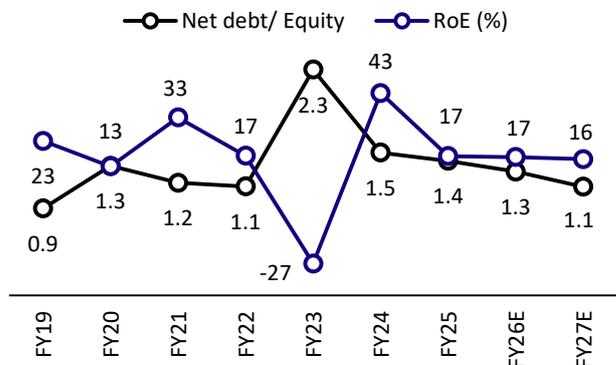
Source: Company, MOFSL

Exhibit 6: EBITDA vs. PAT (standalone)



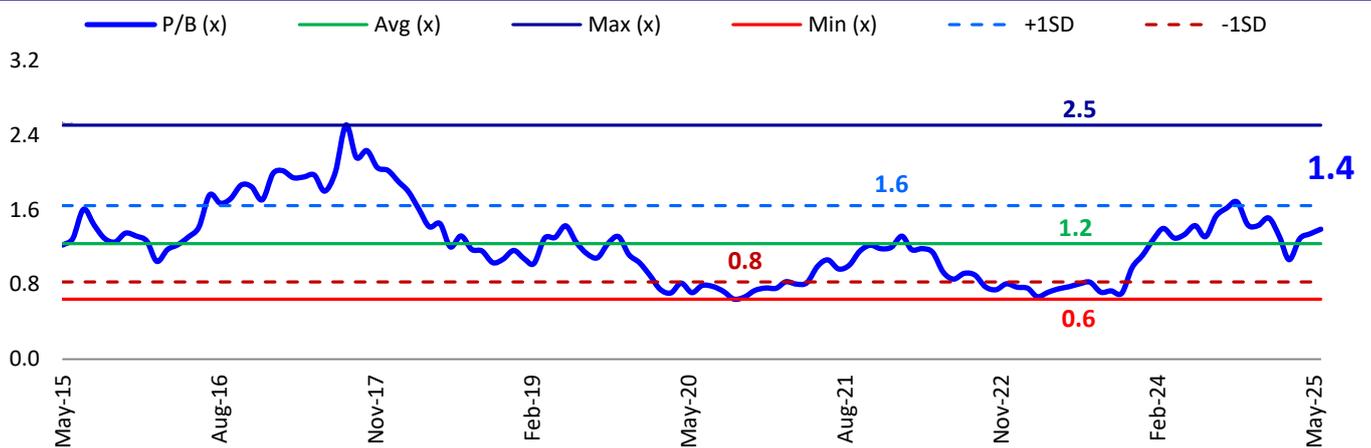
Source: Company, MOFSL

Exhibit 7: Standalone ratios



Source: Company, MOFSL

Exhibit 8: HPCL – One-year forward P/B trades at 1.4x (long-term P/B average at 1.2x)



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement					(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	4,407	4,339	4,341	3,332	3,409
Change (%)	26%	-2%	0%	-23%	2%
EBITDA	-72	249	166	193	204
Margin (%)	-1.6	5.7	3.8	5.8	6.0
Depreciation	46	56	62	67	73
EBIT	-118	193	104	126	131
Interest Charges (incld forex)	22	26	34	36	38
Other Income	15	19	21	24	28
PBT bef. JVs/associates EO	-125	187	91	114	121
EO Items	0	0	0	0	0
JV and Associate Income	25	18	-1	11	5
PBT after EO Exp.	-100	205	90	125	126
Tax Rate (%)	30.1	21.9	25.2	25.2	25.2
Reported PAT	-70	160	67	94	94
Adjusted PAT	-70	160	67	94	94
Change (%)	PL	LP	-58%	39%	1%
Margin (%)	-1.6	3.7	1.6	2.8	2.8

Consolidated - Balance Sheet					(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	14	14	21	21	21
Total Reserves	308	455	490	552	613
Net Worth	323	469	511	573	634
Total Loans	671	628	664	704	746
Deferred Tax Liabilities	29	69	77	77	77
Capital Employed	1,023	1,167	1,253	1,354	1,457
Net Fixed Assets	681	795	859	891	918
Capital WIP	256	201	180	215	250
Total Investments	189	295	270	270	270
Curr. Assets, Loans&Adv.	447	489	596	561	607
Inventory	296	342	383	294	301
Account Receivables	68	93	118	90	93
Cash and Bank Balance	7	5	3	84	121
Cash	5	3	2	83	120
Bank Balance	2	2	1	1	1
Loans and Advances	11	13	53	53	53
Others	64	36	40	40	40
Curr. Liability & Prov.	591	661	695	625	631
Account Payables	229	273	298	229	234
Other Current Liabilities	334	353	360	360	360
Provisions	28	35	36	36	36
Net Current Assets	-144	-172	-99	-65	-24
Appl. of Funds	1,023	1,167	1,253	1,354	1,457

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	-32.8	75.2	31.6	44.0	44.2
Cash EPS	-11.4	101.5	60.6	75.7	78.3
BV/Share	151.6	220.5	240.3	269.3	297.8
DPS	0.0	21.0	10.5	15.0	15.7
Payout (%)	0.0	27.9	33.2	34.1	35.4
Valuation (x)					
P/E	-12.1	5.3	12.5	9.0	9.0
Cash P/E	-34.9	3.9	6.6	5.2	5.1
P/BV	2.6	1.8	1.7	1.5	1.3
EV/Sales	0.3	0.3	0.3	0.4	0.4
EV/EBITDA	-20.9	5.9	9.1	7.6	7.2
Dividend Yield (%)	0.0	5.3	2.6	3.8	3.9
FCF per share	-60.2	65.3	22.5	51.2	31.0
Return Ratios (%)					
RoE	-19.0	40.4	13.7	17.3	15.6
RoCE	-7.8	15.9	8.2	9.1	9.0
RoIC	-16.2	24.4	10.6	11.9	12.2
Working Capital Ratios					
Fixed Asset Turnover (x)	4.6	3.9	3.5	2.5	2.4
Asset Turnover (x)	4.3	3.7	3.5	2.5	2.3
Inventory (Days)	24	29	32	32	32
Debtor (Days)	6	8	10	10	10
Creditor (Days)	19	23	25	25	25
Leverage Ratio (x)					
Current Ratio	0.8	0.7	0.9	0.9	1.0
Interest Cover Ratio	-5.4	7.6	3.1	3.5	3.5
Net Debt/Equity	2.1	1.3	1.3	1.1	1.0

Consolidated - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
(INR b)					
OP/(Loss) before Tax	-100	205	90	125	126
Depreciation	46	56	62	67	73
Interest expense	22	26	34	36	38
Interest income and dividend	-4	-4	-4	0	0
Direct Taxes Paid	-2	-3	4	-31	-32
MI and others	-10	-13	1	0	0
(Inc)/Dec in WC	13	-28	-44	47	-4
CF from Operations	-35	239	142	244	201
(Inc)/Dec in FA	-93	-99	-94	-135	-135
Free Cash Flow	-128	139	48	109	66
Others	12	4	-31	0	0
CF from Investments	-114	-130	-106	-135	-135
Inc/(Dec) in Debt	213	-100	26	40	42
Interest Paid	-32	-41	-44	-36	-38
Dividend Paid	-20	-21	-23	-32	-33
CF from Fin. Activity	151	-111	-38	-28	-29
Inc/Dec of Cash	3	-2	-1	81	37
Opening Balance	2	5	3	2	83
Closing Balance	5	3	2	83	120

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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