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**HOLD**
**TP: Rs 427 | ⮝ 11%**

## HINDUSTAN PETROLEUM CORP | Oil & Gas | 23 July 2026

# Operationally weak driven by marketing segment losses

- **Revenue grew by 26.9%YoY while EBITDA was impacted by elevated marketing losses. GRM stood at USD23.8/bbl, higher by 65%YoY**
- **Positive on volume growth supported by healthy demand though crude price and product crack volatility remains near term challenge**
- **Maintain HOLD; cut TP to Rs427 from Rs438 due to pressure on retail margins from elevated crude prices**

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**Revenue better than expectations:** Hindustan Petroleum Corporation (HPCL) standalone reported revenue at Rs1,398bn (+26.9%YoY, +22.4% QoQ); 15% above our estimates. EBITDA loss came in at Rs161bn vs EBITDA profit of Rs76bn in Q1FY26 and losses were higher than above our estimates.

**Refining performance:** GRM came at USD23.8/bbl vs USD3.1/bbl in Q1FY26, due to benefit of higher product cracks. GRM was USD14.5/bbl in Q4FY26. Crude brent price for Q1FY27 averaged USD105/bbl, up by USD37/bbl YoY. It was USD76/bbl in Q4FY26. Cracks improved YoY: Petrol cracks stood at USD25.0/bbl vs USD12.0 in Q1FY26. HSD (Diesel) cracks at USD50.0 vs USD15.6 in Q1FY26.

**Marketing business:** Domestic sales volumes were 12.2mnt (-0.2%YoY, -1.5%QoQ), while exports volumes at 0.9mnt (+12.8%YoY, +54.4%QoQ).

**Capex:** HPCL incurred Rs17bn in Q1FY27 and guided a capex of Rs97bn for FY27E with a focus on strengthening the refining and marketing infrastructure. Management commented that actual capex would likely be lower considering dynamic macro situation on crude and product cracks.

**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 got commissioned in Jan, which will likely result in an incremental GRM of USD2.5/bbl with stabilization in macro situation.

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.

**Maintain HOLD; reduce TP:** We maintain HOLD. Considering a challenging outlook and rollover to June 28E EBITDA, we reduce TP to Rs427 from Rs 438 earlier; based on 6.0xEV/EBITDA on June'28E EBITDA.

### Key changes

| Target | Rating |
|---|---|
| ▼ | ◀ ▶ |

| | |
|---|---|
| Ticker/Price | HPCL IN/Rs 385 |
| Market cap | US$ 8.6bn |
| Free float | 45% |
| 3M ADV | US$ 28.9mn |
| 52wk high/low | Rs 508/Rs 316 |
| Promoter/FPI/DII | 55%/14%/23% |

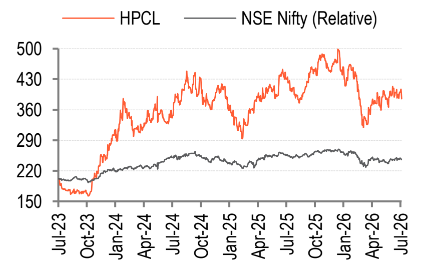
Source: NSE | Price as of 23 Jul 2026

### Key financials

| Y/E 31 Mar | FY26A | FY27E | FY28E |
|---|---|---|---|
| Total revenue (Rs mn) | 4,396,335 | 4,868,443 | 4,783,475 |
| EBITDA (Rs mn) | 306,327 | 140,779 | 217,467 |
| Adj. net profit (Rs mn) | 180,469 | 49,212 | 117,390 |
| Adj. EPS (Rs) | 84.8 | 23.1 | 55.2 |
| Consensus EPS (Rs) | 71.3 | 64.0 | 59.0 |
| Adj. ROAE (%) | 30.9 | 7.3 | 15.9 |
| Adj. P/E (x) | 4.5 | 16.7 | 7.0 |
| EV/EBITDA (x) | 4.5 | 9.2 | 5.8 |
| Adj. EPS growth (%) | 167.9 | (72.7) | 138.5 |

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance




Source: NSE

### Fig 1 – Quarterly performance (Consol.)

| (Rs mn) | Q1FY27 | Q4FY26 | QoQ (%) | Q1FY26 | YOY (%) |
|---|---|---|---|---|---|
| **Revenue** | **1,399,775** | **1,144,079** | **22.3** | **1,102,677** | **26.9** |
| **EBITDA** | **(161,223)** | **92,108** | **-** | **75,719** | **-** |
| EBITDA margin (%) | (11.52) | 8.05 | - | 6.87 | - |
| Depreciation | 18,777 | 24,568 | (23.6) | 16,043 | 17.0 |
| Interest | 8,184 | 10,204 | (19.8) | 8,171 | 0.2 |
| Other income | 6,189 | 6,200 | (0.2) | 5,074 | 22.0 |
| PBT | (181,995) | 63,535 | - | 56,579 | - |
| Tax | (59,054) | 15,784 | - | 14,357 | - |
| **Reported PAT** | **(122,647)** | **60,653** | **-** | **41,109** | **-** |
| PATM (%) | (8.76) | 5.30 | - | 3.73 | - |
| **EPS (Rs)** | **(57.64)** | **28.50** | **-** | **19.32** | **-** |

Source: Company

### Fig 2 – Quarterly performance (Standalone)

| (Rs mn) | Q1FY27 | Q4FY26 | QoQ (%) | Q1FY26 | YOY (%) |
|---|---|---|---|---|---|
| Net revenue | 1,398,899 | 1,143,186 | 22.4 | 1,102,126 | 26.9 |
| EBITDA | (161,408) | 89,784 | - | 76,018 | - |
| PAT | (115,264) | 49,015 | - | 43,709 | - |

Source: Company

### Fig 3 – Q1FY27 Actual v/s Estimates (Standalone)

| Particulars | Q1 Actual | Estimates | VAR (%) |
|---|---|---|---|
| Revenue (Rs mn) | 1,398,899 | 1,213,275 | 15.3 |
| EBITDA (Rs mn) | (161,408) | (53,764) | (200.2) |
| EBITDA margin (%) | (11.5) | (4.4) | (711bps) |
| PAT (Rs mn) | (115,264) | (52,792) | (118.3) |
| EPS (Rs) | (54.2) | (24.8) | (118.3) |

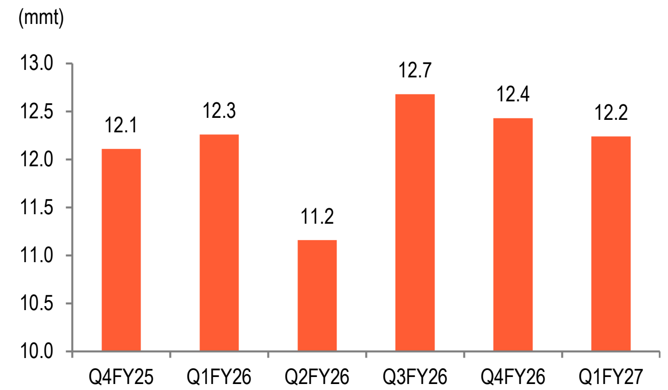
Source: Bloomberg, Company

### Fig 4 – Business performance

| Particulars | Q1FY27 | Q4FY26 | QoQ (%) | Q1FY26 | YOY (%) |
|---|---|---|---|---|---|
| Domestic sales (mnt) | 12.2 | 12.4 | (1.5) | 12.3 | (0.2) |
| Export sales (mnt) | 0.9 | 0.6 | 54.4 | 0.8 | 12.8 |
| Crude throughput (mnt) | 6.5 | 6.4 | 1.4 | 6.7 | (2.1) |
| Pipelines throughput (mnt) | 6.6 | 6.5 | 2.0 | 6.7 | (1.3) |
| **Average GRM ($/bbl)** | **23.8** | **14.5** | **64.6** | **3.1** | **672.7** |

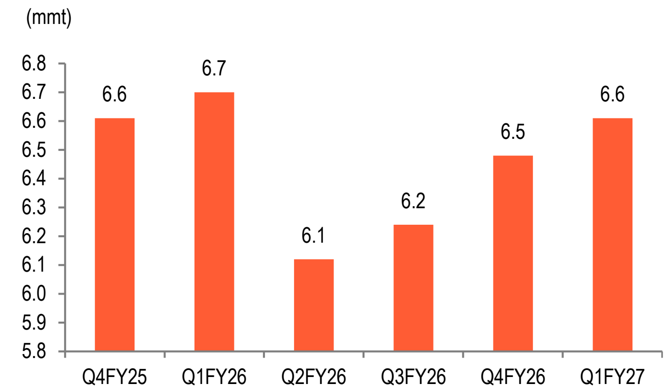
Source: Company

### Fig 5 – Domestic sales



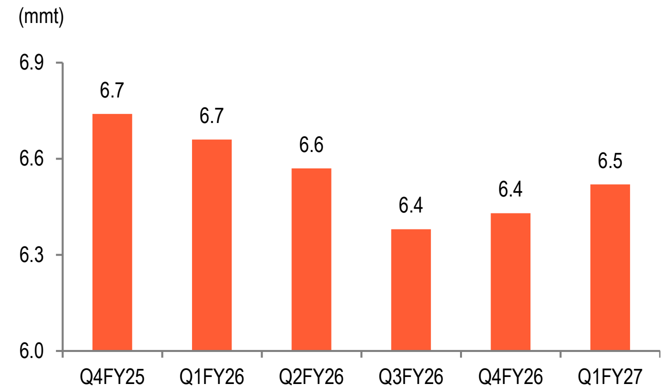

Source: , Company

### Fig 6 – Crude throughput



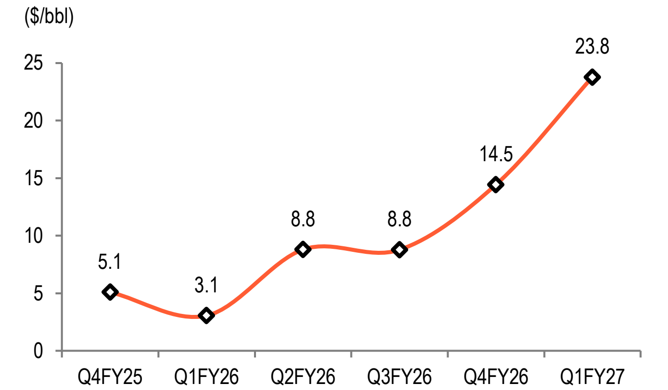

Source: , Company

### Fig 7 – Pipeline throughput



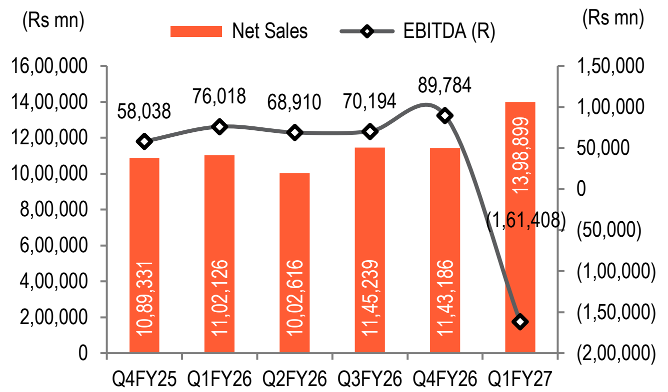

Source: Company

### Fig 8 – Average gross refining margin



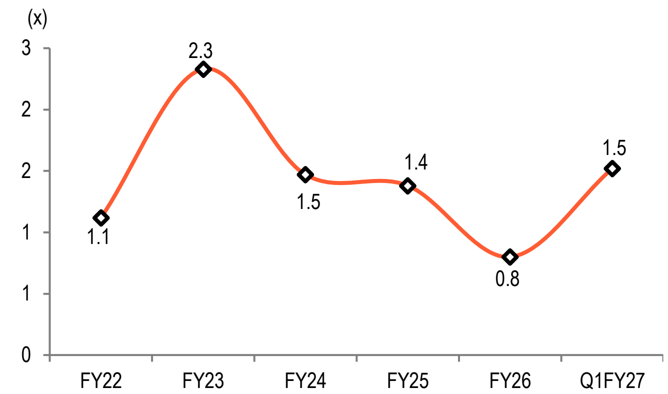

Source: Company

### Fig 9 – Revenue & EBITDA trend




Source: Company

### Fig 10 – Net D/E




Source: Company

## Call Highlights

- **Refining performance:** HPCL's refinery throughput stood at 6.52 MMT in Q1 FY27, down 2.1% YoY from 6.66 MMT in Q1 FY26, but up 1.4% QoQ from 6.43 MMT in Q4 FY26. Overall refinery utilization was 107%. Visakh Refinery processed 3.97 MMT, Mumbai Refinery processed 2.55 MMT. Pipeline throughput stood at 6.61 MMT, down 1.3% YoY from 6.70 MMT in Q1 FY26, but up 2.0% QoQ from 6.48 MMT in Q4 FY26.
    - Reported GRM was US$23.8/bbl, sharply higher than US$3.08/bbl in Q1 FY26 and US$14.4/bbl in Q4 FY26, implying an increase of 673% YoY and 65% QoQ. Refinery margin performance was healthy due to higher product cracks. Cracks improved YoY: Petrol cracks stood at USD25.0/bbl vs USD12.0 in Q1FY26. HSD (Diesel) cracks at USD50.0 vs USD15.6 in Q1FY26
- **Marketing business:** Total sales volume, including exports, stood at 13.12 MMT. Domestic sales growth was broadly flat at 12.2 MMT, down by 0.1% YoY, and 1.5% QoQ. Export volumes were strong with 12.8%YoY & 54.5% QoQ growth to 0.9 MMT. Combined MS and HSD sales stood at 8.8 MMT, up 8.1% YoY. LPG sales stood at 1.729 MMT, down around 21.8% YoY from 2.21 MMT in Q1 FY26. 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 remained significant, with under-recovery at around Rs680/cylinder in June and Rs490/cylinder in July, while the quarter average was indicated at around Rs510/cylinder.
- **Sourcing:** Management indicated that HPCL's HSD sourcing mix could improve materially as HRRL ramps up. In Q1, around 50% of HSD came from own refineries, 27% from JVs, and 24% from third parties; by next year, management expects own refinery plus JV sourcing to cover nearly the entire HSD requirement, with third-party purchases falling sharply.
- **Net debt:** Gross debt increased to Rs759bn on June 26 from debt of Rs509bn on Mar.26 and debt-equity rising to around 1.5x, compared with 0.8x at FY26-end. The increase is due to the increased working capital requirement owing to elevated input costs. Management remains committed to reduce debt on normalization of macro situation.
- **Capex:** HPCL incurred capex of Rs17,340 mn in Q1 FY27. FY27 capex guidance is around Rs97,000 mn.
- **Project updates: Barmer refinery:** 9.0mnt greenfield refinery started commercial operation in June 2026. It is operating at 60% utilization rate and expects a structural uplift in refinery margins and lower dependence on third-party product purchases. Management expects to run at full utilization in Q3FY27E and expects petchem unit to start by end FY27E.

## 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 and product cracks.

### We revise our estimates downwards to account for weak retail margins amidst elevated crude prices

- We estimate marketing margin to be lower than estimated earlier. Estimate marketing margin for
    - Petrol at Rs500/Kl vs earlier Rs2,250 for FY27E; at Rs2,000/kl vs earlier Rs2,300 for FY28E and Rs2,300 vs earlier Rs2,500 for Fy29E.
    - Diesel at Rs200/Kl vs earlier Rs2,500 for FY27E; at Rs2,200/kl vs earlier Rs2,500 for FY28E and Rs2,500 vs earlier Rs2,600 for Fy29E.
    - No alteration in the GRM estimates for FY27E, FY28E, FY29E.
- USD/INR assumption revised to Rs97 vs Rs95 for FY27E; FY28E and 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 | 4,868,443 | 4,783,475 | 5,119,412 | 4,321,433 | 4,530,913 | 4,917,888 | 12.7 | 5.6 | 4.1 |
| EBITDA | 306,327 | 140,779 | 217,467 | 244,949 | 222,888 | 228,712 | 249,660 | (36.8) | (4.9) | (1.9) |
| EBITDA % margin | 7.0 | 2.9 | 4.5 | 4.8 | 5.2 | 5.0 | 5.1 | (227bps) | (50bps) | (29bps) |
| PAT | 180,469 | 49,212 | 117,390 | 137,262 | 126,005 | 120,205 | 139,072 | (60.9) | (2.3) | (1.3) |
| EPS (Rs) | 84.8 | 23.1 | 55.2 | 64.5 | 59.2 | 56.5 | 65.3 | (60.9) | (2.3) | (1.3) |

Source: Company, BOBCAPS Research

**Fig 12 – Key assumptions**

| | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Refinery Utilisation (%)** | | | | | |
| Mumbai | 109 | 105 | 106 | 106 | 106 |
| Vizag | 90 | 107 | 106 | 106 | 106 |
| **GRM (USD/bbl)** | **5.7** | **8.8** | **7.5** | **7.5** | **8.0** |
| **Marketing margin (Rs/KL)** | | | | | |
| Petrol | 2,500 | 2,800 | 500 | 2,000 | 2,300 |
| Diesel | 2,500 | 2,800 | 200 | 2,200 | 2,500 |
| **Growth in key products (%)** | | | | | |
| Petrol | 3.0 | 3.2 | 3.5 | 3.8 | 4.0 |
| 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 | 80.0 | 80.0 | 80.0 |

Source: Company, BOBCAPS Research

## EV/EBITDA-based valuation rationale

We maintain HOLD. Considering a challenging outlook and rollover to June 28E EBITDA, we reduce TP to Rs427 from Rs 438 earlier; based on 6.0xEV/EBITDA on June'28E EBITDA

### Fig 13 – Valuation summary

| Particular | June 28E EBITDA (Rs mn) | Multiple (x) | EV (Rs mn) | Value (Rs/share) |
|---|---|---|---|---|
| HPCL (Standalone) | 224,338 | 6.0 | 1,346,027 | 633 |
| Valuation of Investments | | | | |
| MRPL | | | | 24 |
| Oil India | | | | 9 |
| Investments - Total | | | | 33 |
| Net debt | | | 507,279 | 238 |
| **Target price** | | | **838,748** | **427** |

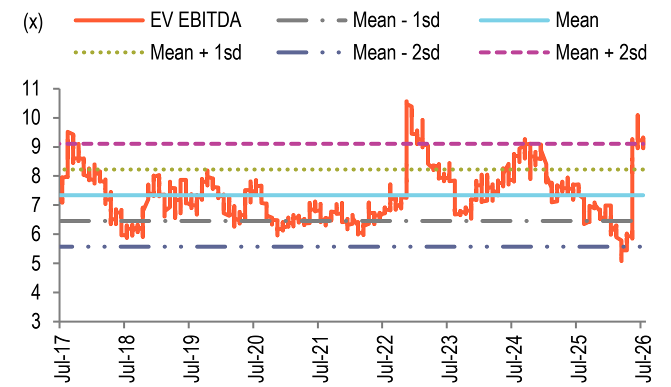
Source: Company, BOBCAPS Research

## Key Risks

Key downside risk to our estimates:

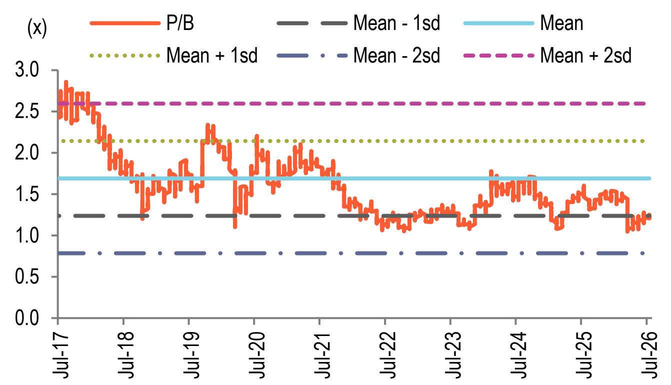
- **Refining business:** Refining performance has been strong in the recent months, owing to a high demand leading to strong product cracks. Any moderation in the demand or a significant rise in crude prices can impact GRM and thus, the operational performance. Further, any upside to crude oil due to 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** | **4,868,443** | **4,783,475** | **5,119,412** |
| EBITDA | 165,512 | 306,327 | 140,779 | 217,467 | 244,949 |
| Depreciation | (61,541) | (73,475) | (80,851) | (78,398) | (84,335) |
| EBIT | 124,850 | 255,413 | 83,618 | 163,943 | 185,736 |
| Net interest inc./(exp.) | (33,655) | (33,958) | (34,577) | (28,229) | (23,677) |
| 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 | 49,041 | 135,714 | 162,059 |
| Income taxes | (22,642) | (55,912) | (15,203) | (34,159) | (40,790) |
| 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** | **49,212** | **117,390** | **137,262** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **67,357** | **180,469** | **49,212** | **117,390** | **137,262** |

### Balance Sheet

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Accounts payables | 298,008 | 311,944 | 343,771 | 337,771 | 361,492 |
| 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 | 508,489 | 470,489 | 430,489 |
| 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 | 671,173 | 759,351 | 855,540 |
| Shareholders' fund | 511,443 | 655,561 | 692,455 | 780,634 | 876,822 |
| **Total liab. and equities** | **1,947,446** | **2,030,392** | **2,098,614** | **2,142,792** | **2,222,702** |
| Cash and cash eq. | 2,538 | 1,709 | 5,866 | 12,475 | 16,009 |
| Accounts receivables | 117,807 | 74,038 | 81,592 | 80,168 | 85,798 |
| Inventories | 383,253 | 395,588 | 435,949 | 428,340 | 458,422 |
| 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 | 1,005,963 | 1,052,565 | 1,093,230 |
| 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** | **2,098,614** | **2,142,792** | **2,222,702** |

### Cash Flows

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **92,476** | **329,433** | **133,178** | **211,215** | **217,291** |
| Capital expenditures | (104,601) | (116,635) | (97,000) | (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)** | **(97,000)** | **(125,000)** | **(125,000)** |
| Equities issued/Others | 7,093 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 36,158 | (155,300) | (500) | (38,000) | (40,000) |
| Interest expenses | (33,655) | (33,958) | (34,577) | (28,229) | (23,677) |
| Dividends paid | (22,342) | (51,600) | (12,318) | (29,212) | (41,073) |
| Other financing cash flows | (8,095) | 38,168 | 15,374 | 15,835 | 15,993 |
| **Cash flow from financing** | **(20,842)** | **(202,690)** | **(32,021)** | **(79,606)** | **(88,757)** |
| **Chg in cash & cash eq.** | **(2,196)** | **(829)** | **4,157** | **6,609** | **3,534** |
| **Closing cash & cash eq.** | **2,538** | **1,709** | **5,866** | **12,475** | **16,009** |

### Per Share

| Y/E 31 Mar (Rs) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Reported EPS | 31.7 | 84.8 | 23.1 | 55.2 | 64.5 |
| Adjusted EPS | 31.7 | 84.8 | 23.1 | 55.2 | 64.5 |
| Dividend per share | 10.5 | 24.3 | 5.8 | 13.7 | 19.3 |
| Book value per share | 240.4 | 308.1 | 325.4 | 366.8 | 412.0 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| EV/Sales | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| EV/EBITDA | 8.6 | 4.5 | 9.2 | 5.8 | 5.0 |
| Adjusted P/E | 12.2 | 4.5 | 16.7 | 7.0 | 6.0 |
| P/BV | 1.6 | 1.3 | 1.2 | 1.1 | 0.9 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Tax burden (Net profit/PBT) | 75.2 | 74.8 | 69.0 | 74.8 | 74.8 |
| Interest burden (PBT/EBIT) | 73.0 | 86.7 | 58.6 | 82.8 | 87.3 |
| EBIT margin (EBIT/Revenue) | 2.9 | 5.8 | 1.7 | 3.4 | 3.6 |
| Asset turnover (Rev./Avg TA) | 2.3 | 2.2 | 2.4 | 2.3 | 2.3 |
| Leverage (Avg TA/Avg Equity) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted ROAE | 13.7 | 30.9 | 7.3 | 15.9 | 16.6 |

### Ratio Analysis

| Y/E 31 Mar | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Revenue | 0.0 | 1.8 | 10.7 | (1.7) | 7.0 |
| EBITDA | (33.6) | 85.1 | (54.0) | 54.5 | 12.6 |
| Adjusted EPS | (72.0) | 167.9 | (72.7) | 138.5 | 16.9 |
| **Profitability & Return ratios (%)** | | | | | |
| EBITDA margin | 3.8 | 7.0 | 2.9 | 4.5 | 4.8 |
| EBIT margin | 2.9 | 5.8 | 1.7 | 3.4 | 3.6 |
| Adjusted profit margin | 1.6 | 4.1 | 1.0 | 2.5 | 2.7 |
| Adjusted ROAE | 13.7 | 30.9 | 7.3 | 15.9 | 16.6 |
| ROCE | 9.9 | 19.6 | 6.3 | 12.0 | 13.1 |
| **Working capital days (days)** | | | | | |
| Receivables | 10 | 6 | 6 | 6 | 6 |
| Inventory | 32 | 33 | 33 | 33 | 33 |
| Payables | 26 | 28 | 27 | 27 | 27 |
| **Ratios (x)** | | | | | |
| Gross asset turnover | 4.2 | 4.1 | 4.5 | 4.3 | 4.4 |
| Current ratio | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 |
| Net interest coverage ratio | 3.7 | 7.5 | 2.4 | 5.8 | 7.8 |
| Adjusted debt/equity | 1.2 | 0.7 | 0.7 | 0.5 | 0.4 |

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

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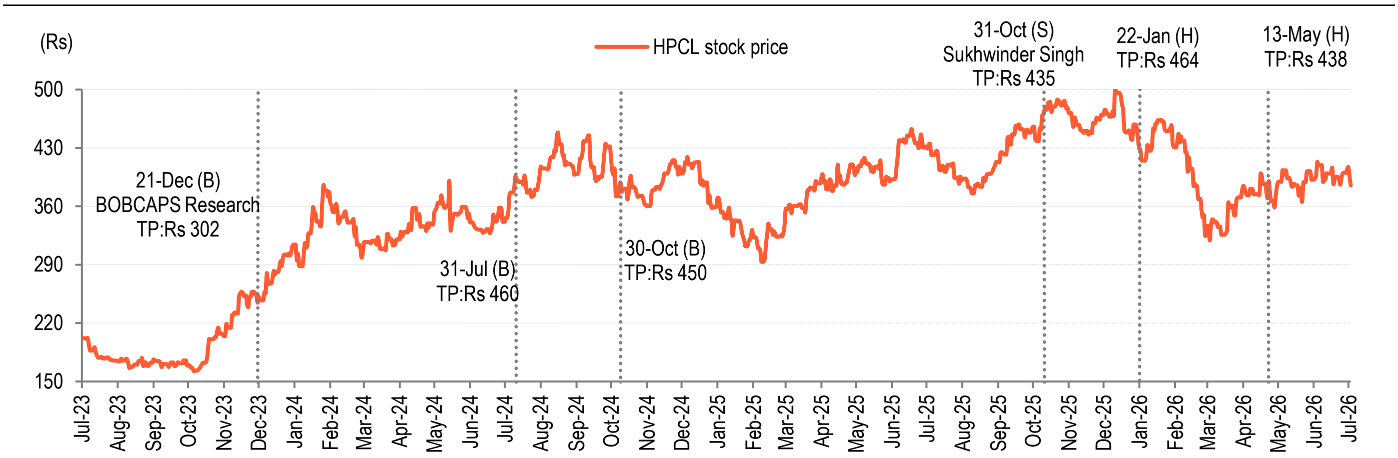
**HOLD** – Expected return from -6% to +15%

**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)**




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

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