

HOLD

TP: Rs 464 | ▲ 8%

**HINDUSTAN
PETROLEUM CORP**

| Oil & Gas

| 22 January 2026

Revenue above expectation on volume growth

- Revenue grew by 4.1%YoY and EBITDA by 17.4%YoY; GRM came at USD8.8 vs USD6.1 in Q3FY25
- Positive on business growth, driven by strong demand in petroleum products and improved product cracks
- Due to improved performance; upgrade to HOLD from SELL and revise TP to Rs464 from Rs435, based on 6.5x EV/EBITDA on Dec'27 EBITDA

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Revenue better than expectations: Revenue came in at Rs1,146bn (+4.1%YoY, +14.2% QoQ) and was 15.2% above our estimates. EBITDA came in at Rs70bn (+17.4%YoY, +2.1%QoQ) and was 4% below our estimates. This was due to lower-than-expected GRM impacted by operational issues at Mumbai refinery. .

Refining performance: GRM came at USD8.8/bbl vs USD6.1/bbl in Q3FY25, due to higher product cracks. Crude brent price for Q3FY26 averaged USD62/bbl, down USD12/bbl YoY. Cracks improved YoY: Petrol cracks stood at USD13.0/bbl vs USD11.4 in Q3FY25. HSD (Diesel) cracks at USD21.0 vs USD14.7 in Q3FY25.

GRM was negatively impacted by US\$3.5/bbl due to operational issues at Mumbai refinery. Refinery experienced corrosion in downstream units caused by processing of high salt crude oil which led to temporary shutdown. Consequently, average GRM for the quarter stood at USD 8.8. Without this impact, GRM would have been approximately US\$10.2/bbl.

Marketing business: Domestic sales volumes were 12.7mnt (+2.9%YoY, +13.6%QoQ) while exports volumes at 0.7mnt (+20%YoY, -27.5%QoQ).

Capex: HPCL incurred Rs70bn of capex in Q3FY26, totaling to Rs110bn in 9MFY26. This was focused on strengthening refining and marketing infrastructure.

Outlook on growth: Refinery upgradation project at Visakhapatnam refinery got commissioned in the 1st week of January, which would likely result in an incremental GRM of USD2.5/bbl. Retail volume growth is expected to be maintained. In terms of cost, Venezuela crude oil would likely result in low cost input opportunity, given its heavy, sour nature and thus, available at a discount to Brent.

Revise rating and TP raised: We are positive on the business growth that is driven by strong demand for petroleum products and improved product cracks. Due to improved 9M performance, we upgrade to HOLD from SELL. ReviseTP to Rs464 from Rs435, based on 6.5x EV/EBITDA on Dec'27 EBITDA.

Key changes

Target	Rating
▲	▲

Ticker/Price	HPCL IN/Rs 428
Market cap	US\$ 9.9bn
Free float	45%
3M ADV	US\$ 21.9mn
52wk high/low	Rs 508/Rs 288
Promoter/FPI/DII	55%/14%/24%

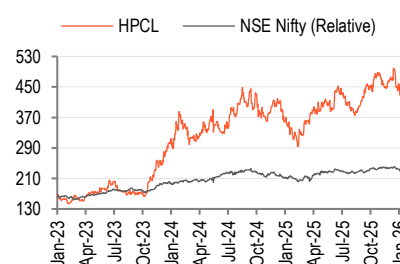
Source: NSE | Price as of 22 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	4,320,087	3,945,188	4,216,363
EBITDA (Rs mn)	165,512	265,447	251,914
Adj. net profit (Rs mn)	67,357	148,960	128,779
Adj. EPS (Rs)	31.6	70.0	60.5
Consensus EPS (Rs)	31.6	71.3	59.5
Adj. ROAE (%)	13.7	26.4	19.5
Adj. P/E (x)	13.5	6.1	7.1
EV/EBITDA (x)	9.1	5.6	5.6
Adj. EPS growth (%)	(72.0)	121.1	(13.5)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	1,146,235	1,003,345	14.2	1,100,824	4.1	3,252,256	3,229,340	0.7
EBITDA	69,977	68,522	2.1	59,592	17.4	214,219	107,740	98.8
EBITDA margin (%)	6.10	6.83		5.41		6.60	3.33	
Depreciation	16,742	16,122	3.8	15,177	10.3	48,907	45,309	7.9
Interest	7,340	8,242	(10.9)	9,307	(21.1)	23,753	26,086	(8.9)
Other income	6,065	5,223	16.1	4,623	31.2	16,362	14,958	9.4
PBT	51,960	49,381	5.2	39,732	30.8	157,920	51,304	207.8
Tax	13,056	12,716	2.7	9,650	35.3	40,129	13,417	199.1
Reported PAT	40,114	38,593	3.9	25,437	57.7	119,816	33,203	260.9
PATM (%)	3.50	3.85		2.31		3.69	1.00	
EPS (Rs)	18.85	18.14	3.9	11.95	57.7	56.31	15.60	260.9

Source: Company

Fig 2 – Q3FY26 Actual v/s Estimates

Particulars	Q3 Actual	Consensus	VAR (%)
Revenue (Rs mn)	1,146,235	995,167	15.2
EBITDA (Rs mn)	69,977	72,939	(4.1)
EBITDA margin (%)	6.1	7.3	
PAT (Rs mn)	40,114	39,668	1.1
EPS (Rs)	18.9	18.6	1.1

Source: Bloomberg, Company

Fig 3 – Business performance

Particulars	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Domestic sales (mnt)	12.7	11.2	13.6	12.3	2.9	36.1	35.2	2.6
Export sales (mnt)	0.7	0.9	(27.5)	0.6	20.0	2.4	1.9	21.1
Crude throughput (mnt)	6.4	6.6	(2.9)	6.5	(1.4)	19.6	18.5	5.8
Pipelines throughput (mnt)	6.2	6.1	2.0	6.9	(10.0)	19.1	20.3	(6.1)
Average gross refining margin (USD/bbl)	8.8	8.8	(0.2)	6.1	43.6	6.9	4.7	45.9

Source: Company

Fig 4 – Domestic sales

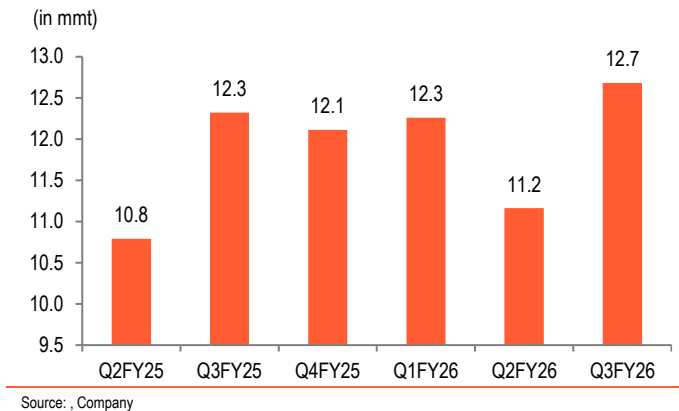


Fig 5 – Crude throughput

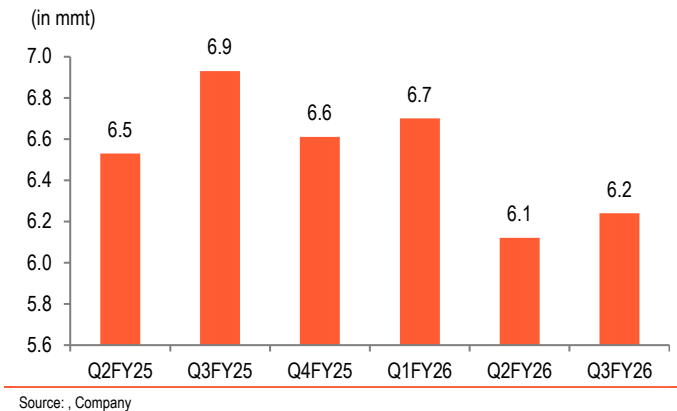


Fig 6 – Pipeline throughput

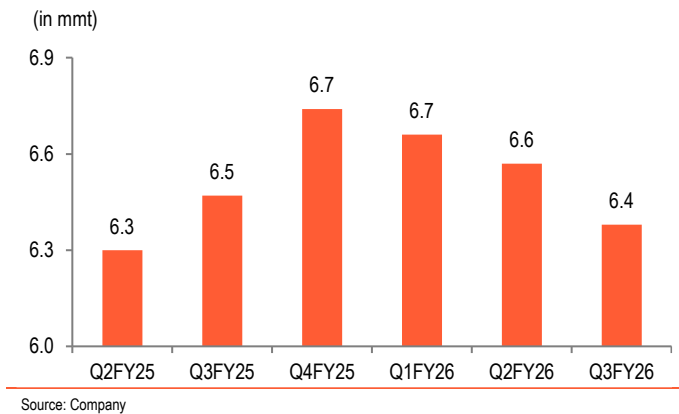
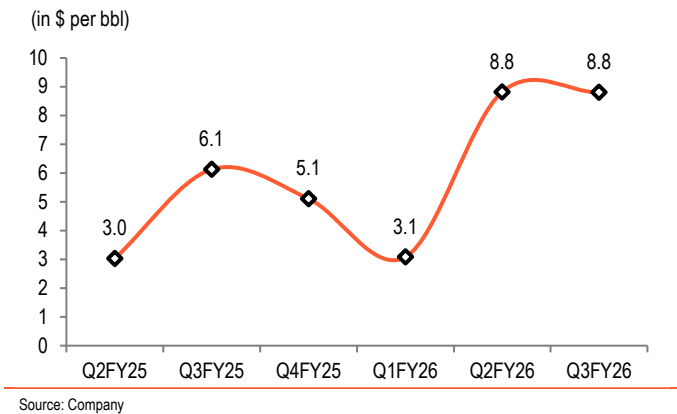


Fig 7 – Average gross refining margin



Call Highlights

- **Refining performance:** Refinery margin performance was strong due to higher product cracks. GRM came at USD8.8/bbl vs USD6.1/bbl in Q3FY25. This is due to a strong demand resulting in improved product cracks. Cracks improved YoY: MS petrol cracks stood at USD13.0/bbl vs USD11.4 in Q3FY25. HSD (Diesel) cracks are at USD21.0 vs USD14.7 in Q3FY25.
 - GRM was impacted by US\$3.5/bbl due to operational issues at Mumbai refinery where it experienced corrosion in downstream units caused by the processing of high salt and chloride content crude oil from HOEC. This resulted in temporary operational shutdown. Refinery returned to normal operations in Jan'26.
- **Marketing business:** Domestic volumes growth was good at 2.9%YoY but rose 13.6%QoQ. We expect volume performance to improve given the continuation in economic activity, which will likely sustain strength in the demand for petroleum products.
- **Cost benefits:** The company has realised Rs13bn of benefits during 9MFY26 under Samriddhi 1.0 project. This includes recurring benefit of Rs5bn and one-time benefit of Rs8bn. This includes stronger digital focus, creation of a dedicated CGD vertical, entry into the petrochemicals business, deeper customer engagement, and strengthening of the consumer business.
- HPCL has signed a USD3bn deal with Abu Dhabi National Oil Company(ADNOC) under which ADNOC will supply 0.5mn t of LNG per year to HPCL for a 10Y period, starting 2028.
- **Capex:** It incurred a capex of Rs110bn in 9MFY26 **and** guided for Rs130-140bn in FY26E. It commissioned 321 outlets during Q3, taking the total to 24,572.
- **Net debt:** Net debt has decreased QoQ from Rs579bn on Sept'25. It was Rs662bn on Mar'25. Leverage at the beginning of the year stood at 1.3x. Management expects leverage to come to a level below 1.1-1.2x by Mar.26. 9MFY26 interest cost has decreased by 9.0%YoY.
- **Barmer refinery:** 9.0mnt greenfield refinery has achieved 90% completion. The company expects the refinery to have higher GRM vs the refineries in Mumbai and Vizag. It spent Rs645bn on this until Dec'25.

Valuation Methodology

We are positive on the business growth that is driven by a strong demand for petroleum products and improved product cracks.

Changes in assumptions:

- We estimate GRM of USD9.5/bbl vs earlier USD8.8 for FY26E; GRM of USD8.5 vs earlier USD7.5 for FY27E and USD8.0 vs earlier USD7.5 for FY28E
- USD INR assumption revised to Rs89.0 vs earlier Rs87.0 for FY26E, Rs91.0 vs earlier Rs89.0 for FY27E and Rs91.0 vs earlier Rs89 for FY28E.

Fig 8 – Revision in estimates

(Rs mn)	Actual		New		Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,320,087	3,945,188	4,216,363	4,420,324	3,883,116	4,071,925	4,272,960	1.6	3.5	3.4
EBITDA	165,512	265,447	251,914	241,393	244,736	229,923	236,477	8.5	9.6	2.1
EBITDA % margin	3.8	6.7	6.0	5.5	6.3	5.6	5.5	-	-	-
PAT	67,357	148,960	128,779	122,069	127,675	111,085	110,371	16.7	15.9	10.6
EPS (Rs)	31.6	70.0	60.5	57.4	60.0	52.2	51.9	16.7	15.9	10.6

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Refinery Utilization (%)					
Mumbai	102	109	113	108	106
Vizag	85	90	110	108	108
GRM (USD/bbl)	9.1	5.7	9.5	8.5	8.0
Marketing margin (Rs/KL)					
Petrol	8,500	2,500	2,800	2,650	2,600
Diesel	1,000	2,500	2,800	2,850	2,600
Growth in key products (%)					
Petrol	5.0	3.0	5.8	4.0	4.0
Diesel	3.0	2.5	2.9	2.5	2.5
USD-INR rate	82.8	87.0	89.0	91.0	91.0
Brent (US\$/bbl)	81.0	80.0	60.0	60.0	60.0

Source: Company, BOBCAPS Research

EV/EBITDA-based valuation rationale

We upgrade rating to HOLD from SELL and revise TP to Rs464 from Rs435, based on 6.5x EV/EBITDA on Dec'27 EBITDA. t

Revision in TP considers the improved performance in refining business and changes in USD-INR rate.

Fig 10 – Valuation summary

Particular	Dec'27 EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
HPCL (Standalone)	244,023	6.5	1,586,149	745
Valuation of Investments				
MRPL				22
Oil India				8
Investments - Total				30
Net debt			661,751	311
Target price			924,398	464

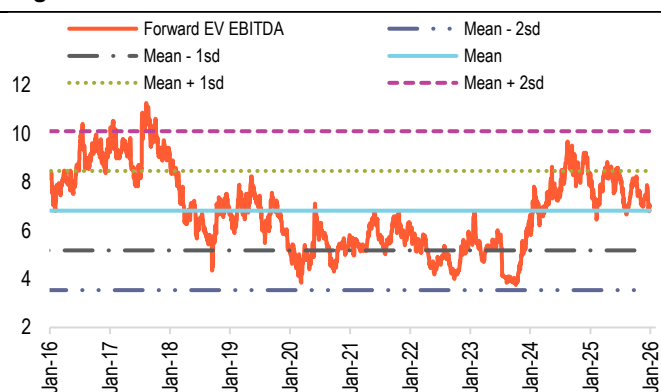
Source: Company, BOBCAPS Research

Key Risks

Key downside risk to our estimates:

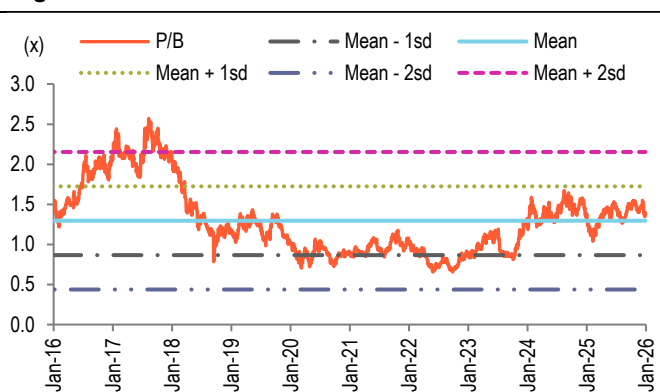
- **Refining business:** Refining performance has been strong in recent months, owing to a high demand leading to strong product cracks. Any moderation in demand can impact GRM and thus, the operational performance. Further, any upside to crude oil due to geopolitical risk can raise the crude cost for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

Fig 11 – EV/EBITDA 1YF



Source: Bloomberg

Fig 12 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	4,320,347	4,320,087	3,945,188	4,216,363	4,420,324
EBITDA	249,278	165,512	265,447	251,914	241,393
Depreciation	(55,964)	(61,541)	(66,781)	(75,393)	(74,379)
EBIT	212,483	124,850	219,545	197,399	187,892
Net interest inc./(exp.)	(25,560)	(33,655)	(23,546)	(25,303)	(24,763)
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	196,000	172,096	163,129
Income taxes	(44,857)	(22,642)	(47,040)	(43,317)	(41,060)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	18,080	(1,196)	0	0	0
Reported net profit	160,146	67,357	148,960	128,779	122,069
Adjustments	0	0	0	0	0
Adjusted net profit	160,146	67,357	148,960	128,779	122,069

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	273,000	298,008	269,865	288,414	302,366
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	562,289	550,289
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	595,714	685,789	773,159
Shareholders' fund	469,214	511,443	616,996	707,071	794,441
Total liab. and equities	1,827,847	1,947,446	1,934,857	2,031,481	2,120,803
Cash and cash eq.	4,734	2,538	22,715	23,265	22,058
Accounts receivables	93,241	117,807	52,361	55,960	58,667
Inventories	342,115	383,253	332,713	355,582	372,783
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	930,893	1,000,500	1,071,121
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
Total assets	1,827,847	1,947,446	1,934,857	2,031,481	2,120,803

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	236,324	92,476	327,129	221,557	215,255
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
Cash flow from investing	(179,562)	(73,830)	(150,000)	(145,000)	(145,000)
Equities issued/Others	0	7,093	0	0	0
Debt raised/repaid	(42,352)	36,158	(90,000)	(12,000)	(12,000)
Interest expenses	(25,560)	(33,655)	(23,546)	(25,303)	(24,763)
Dividends paid	(44,697)	(22,346)	(43,406)	(38,705)	(34,699)
Other financing cash flows	53,858	(8,091)	0	0	0
Cash flow from financing	(58,751)	(20,842)	(156,952)	(76,008)	(71,462)
Chg in cash & cash eq.	(1,990)	(2,196)	20,177	549	(1,207)
Closing cash & cash eq.	4,734	2,538	22,715	23,265	22,058

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	112.9	31.6	70.0	60.5	57.4
Adjusted EPS	112.9	31.6	70.0	60.5	57.4
Dividend per share	31.5	10.5	20.4	18.2	16.3
Book value per share	330.7	240.3	289.9	332.2	373.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.3	0.3	0.4	0.3	0.3
EV/EBITDA	6.0	9.1	5.6	5.6	5.8
Adjusted P/E	3.8	13.5	6.1	7.1	7.5
P/BV	1.3	1.8	1.5	1.3	1.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.0	75.2	76.0	74.8	74.8
Interest burden (PBT/EBIT)	88.0	73.0	89.3	87.2	86.8
EBIT margin (EBIT/Revenue)	4.9	2.9	5.6	4.7	4.3
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
Adjusted ROAE	40.4	13.7	26.4	19.5	16.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(1.6)	0.0	(8.7)	6.9	4.8
EBITDA	(445.9)	(33.6)	60.4	(5.1)	(4.2)
Adjusted EPS	(329.4)	(72.0)	121.1	(13.5)	(5.2)

Profitability & Return ratios (%)

EBITDA margin	5.8	3.8	6.7	6.0	5.5
EBIT margin	4.9	2.9	5.6	4.7	4.3
Adjusted profit margin	3.7	1.6	3.8	3.1	2.8
Adjusted ROAE	40.4	13.7	26.4	19.5	16.3
ROCE	18.7	9.9	16.8	14.5	13.1

Working capital days (days)

Receivables	8	10	5	5	5
Inventory	29	32	31	31	31
Payables	24	26	27	27	26

Ratios (x)

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	9.3	7.8	7.6
Adjusted debt/equity	1.2	1.2	0.8	0.7	0.6

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%

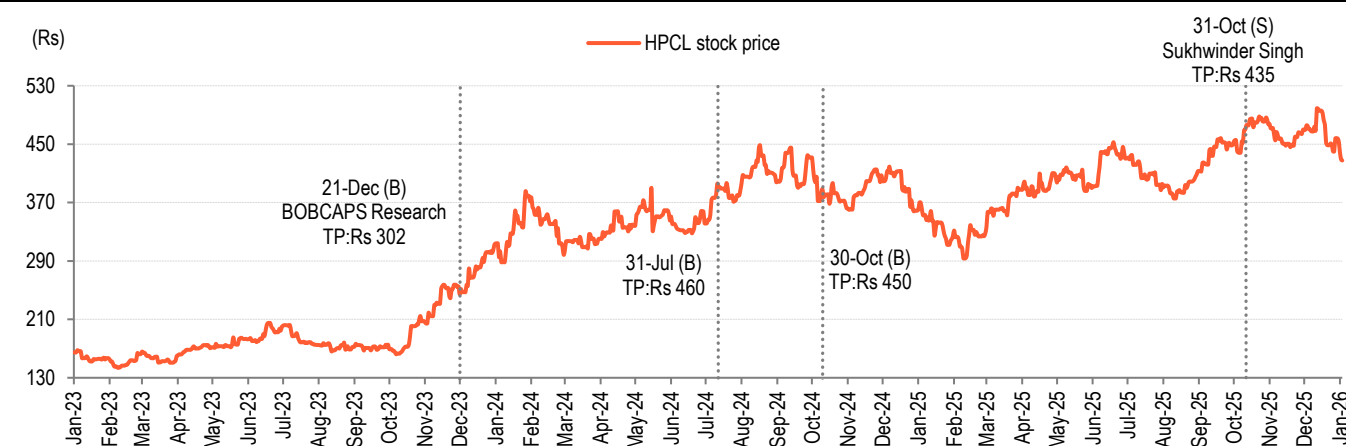
HOLD – Expected return from -6% to +15%

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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