

October 31, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		ACCUMULATE	
Target Price	476		458	
Sales (Rs. bn)	4,923	5,011	4,958	4,920
% Chng.	(0.7)	1.9		
EBITDA (Rs. bn)	260	220	223	224
% Chng.	16.2	(1.8)		
EPS (Rs.)	72.9	56.6	62.7	61.4
% Chng.	16.3	(7.9)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	4,341	4,515	4,923	5,011
EBITDA (Rs. bn)	166	248	260	220
Margin (%)	3.8	5.5	5.3	4.4
PAT (Rs. bn)	67	148	155	120
EPS (Rs.)	31.6	69.7	72.9	56.6
Gr. (%)	(57.9)	120.1	4.6	(22.3)
DPS (Rs.)	10.5	18.9	19.4	14.1
Yield (%)	2.2	4.0	4.1	3.0
RoE (%)	13.7	26.2	22.9	15.5
RoCE (%)	9.1	14.5	13.6	9.3
EV/Sales (x)	0.4	0.4	0.3	0.3
EV/EBITDA (x)	10.1	6.5	6.3	7.4
PE (x)	15.0	6.8	6.5	8.4
P/BV (x)	2.0	1.6	1.4	1.2

Key Data

HPCL.BO | HPCL IN

52-W High / Low	Rs.484 / Rs.288
Sensex / Nifty	83,939 / 25,722
Market Cap	Rs.1,013bn / \$ 11,410m
Shares Outstanding	2,128m
3M Avg. Daily Value	Rs.1977.7m

Shareholding Pattern (%)

Promoter's	54.90
Foreign	14.48
Domestic Institution	22.25
Public & Others	8.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.4	25.7	25.0
Relative	2.7	20.2	18.2

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Earnings beat led by refining & marketing performance

Quick Pointers:

- Reported GRM stood at USD8.8/bbl. Core GRM stood at USD 8.0/bbl in Q2FY26
- Debt/Equity ratio reduced from 1.4x in Q1FY26 to 1.1x in Q2FY26.

HPCL's Q2FY26 refining throughput rose 4.3% YoY to 6.6mmt (0.2mmt above estimates) but dipped 1.4% QoQ, with reported GRM at USD 8.8/bbl. (Ple: USD7.0/bbl), including an inv. gain of USD0.8/bbl. Marketing volumes met our expectation at 12.1mmt in Q2FY26 with an implied GMM of Rs5.9/lit (Ple: Rs4.9/lit) aided by an inventory gain of Rs5.7bn vs loss of Rs.6.5bn in Q1FY26. Improvement in GRM & GMM led to 152.9% YoY increase in standalone EBITDA (incl. forex loss of Rs7.3bn) to Rs68.9bn (Ple Rs53.6bn, BBGe Rs58.1bn). Improved performance in Q1/Q2FY26 led to a 200.0%/737.6% YoY growth in EBITDA/PAT in H1FY26, albeit on a lower base last quarter. Co. declared Rs.5/per share of interim equity dividend this quarter. We continue to build in a GRM of USD7/bbl for FY27E/28E each. On the marketing front, we estimate GMM at Rs5.6/5.3/lit for FY27E/28E. Standalone debt/equity ratio stands at 1.1x vs 1.4x QoQ. However, if we consolidate debt of HMEI and HRRL, the debt/equity ratio increases to 1.8x as of Q2FY26, which remains a concern. Moreover, the recent rally limits further upside potential and the stock appears fairly valued. Therefore, we downgrade the stock to "Hold" from Accumulate with a target price of Rs476, valuing it at 1.3x FY27/28E PBV.

- GRM improves:** Overall, reported/core GRM improved driven by increase in throughput as refineries were running higher than their nameplate capacity, in addition to stronger product spreads. Reported GRM stood at USD8.8/bbl, vs USD3.1/bbl in Q2FY25 & Q1FY26. Core GRM stood at USD8.0/bbl vs USD4.8/6.6/bbl in Q2FY25/Q1FY26. Company reported an inventory gain of USD 0.8/bbl in Q2FY26 vs loss of USD1.7/3.5/bbl in Q2FY25/Q1FY26.
- Marketing volumes:** Implied GMM stood at Rs5.9/lit vs Rs4.3/lit in Q2FY25 and Rs7.0/lit in Q1FY26. Total sales volume, including exports, stood at Rs12.1mmt (+3.9%/-7.4% YoY/QoQ).vs 11.6mmt in Q2FY25 and 12.1mmt in Q1FY26. Aviation sales grew 6.1% during the quarter vs Industry degrowth of -2%.
- Russia Crude Sourcing –** In Q2FY26, HPCL processed 6mmtpa of crude (1.1mmtpa domestic, 5mmtpa imported), with Russian crude forming ~5% of the mix. Co. is mainly sourcing Middle Eastern and West African grades.
- LPG under-recovery compensated:** MoP&NG approved Rs79.20bn LPG under-recovery compensation to be disbursed in 12 equal monthly instalments starting November 2025.
- Conference call highlights:** 1) Vizag Project: Pre-commissioning residue upgradation project has commenced, Feed-in expected on 24th Nov'25.

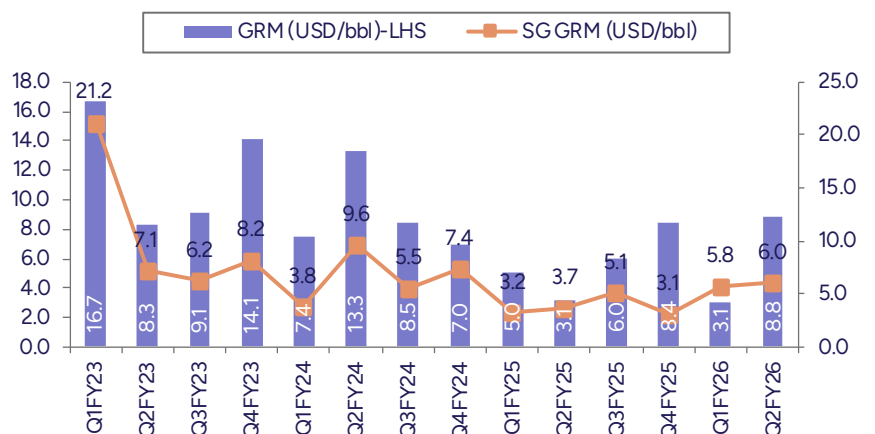
Expected to be on stream in next 3-4 weeks. **2)** Barmer Project: Overall – 89% complete. Refinery is complete >95%. Without pet-chem, refinery should run at 8mmtpa, (broad plan as of now), with expected ramp up from 50-60% to 85-90%, **3)** Standalone debt/equity- guidance of 1.1 FY26 end, but Co. remains confident to achieve sub 1.0 by year end. HMEI/HRRL debt stood at Rs.360/Rs400bn. **4)** Chlorine contamination led to a partial refinery shutdown, leading to an impact of Rs3bn for selling Naphtha at discount and due to unit movements. All units have resumed normal operations. **5)** Co. is aiming for deleveraging their balance sheet. Capex expected in range of Rs.120/140bn in FY27/28, with an aim on deleveraging rather than growth. In FY26, capex allocation is at~30%/60%/10% for refining/marketing/new businesses. **6)** Project Samriddhi: Achieved Rs8.2bn savings in H1FY26 (~USD0.5/bbl of total sales), with 35% recurring and Rs5.2bn one-time; on track for cost savings of ~Rs.10bn (may increase to Rs.15bn) and plans to launch **Samriddhi 2.0** from April 2026. **7)** Aims to build consumer facing business first before going for value unlocking for lube business.

Exhibit 1: Q2FY26 Result Overview

Quarterly Financials (Rs bn)	Q2 FY26	Q1 FY26	QoQ gr.	Q2 FY26E	% Var	Q2 FY25	YoY gr.	H1FY26	H1FY25	YoY gr.
Net Sales	1007.8	1107.7	-9.0%	1204.5	-16.3%	999.3	0.9%	2115.5	2137.3	-1.0%
<i>YoY Change (%)</i>	<i>0.9</i>	<i>-2.7</i>		<i>20.5</i>		<i>4.4</i>				
Total Expenditure	938.9	1031.7	-9.0%	1150.9	-18.4%	972.0	-3.4%	1970.6	2089.0	-5.7%
EBITDA	68.9	76.0	-9.4%	53.6	28.5%	27.2	152.9%	144.9	48.32	199.9%
<i>Margins (%)</i>	<i>6.8</i>	<i>6.9</i>		<i>4.5</i>		<i>2.7</i>		<i>6.9</i>	<i>2.3</i>	
Depreciation	15.6	15.5	0.5%	16.8	-7.1%	15.2	2.3%	31.1	30.0	3.6%
Interest	7.6	7.5	1.6%	6.7	13.0%	9.4	-19.2%	15.1	16.7	-9.7%
Other Income	5.5	5.2	4.5%	5.5	-0.7%	5.7	-5.0%	10.7	11.4	-6.7%
PBT	51.2	58.3	-12.1%	35.6	43.6%	8.4	512.7%	109.4	13.1	737.6%
Tax	12.9	14.6	-11.4%	9.0	43.7%	2.0	530.8%	27.4	3.2	758.3%
<i>Rate (%)</i>	<i>25.2</i>	<i>25.0</i>		<i>25.2</i>		<i>24.4</i>		<i>25.1</i>	<i>24.5</i>	
Reported PAT	38.3	43.7	-12.4%	26.7	43.6%	6.3	506.9%	82.0	9.9	730.9%
Key Operating Metrics										
Refining throughput (mmt)	6.6	6.7	-1.4%	6.4	3.5%	6.3	4.3%	13.2	12.1	9.7%
Reported GRM (USD/bbl)	8.8	3.1	185.7%	7.0	25.7%	3.1	183.9%	6.0	4.0	47.6%
Marketing sales volume incl exports (mmt)	12.1	13.0	-7.4%	12.1	-0.1%	11.6	3.9%	25.1	24.3	3.5%
Marketing GM incld inv (INR/litre)	5.9	7.0	-16.9%	4.9	18.6%	4.3	36.3%	6.5	3.6	77.8%

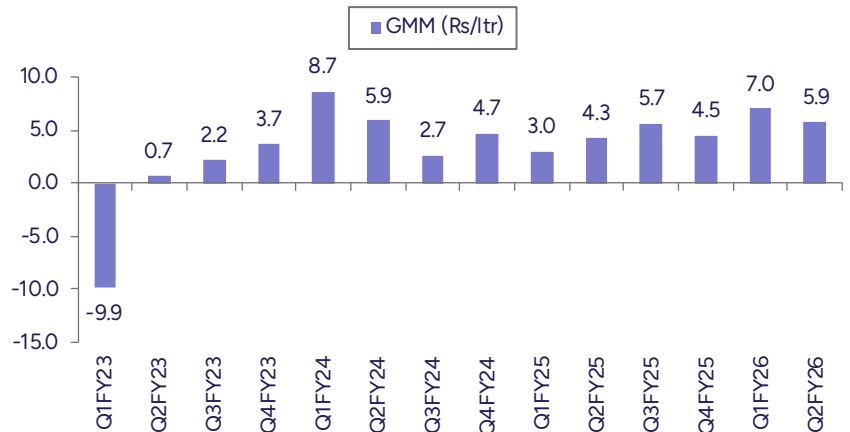
Source: Company, PL

Exhibit 2: GRM improved QoQ to USD8.8/bbl



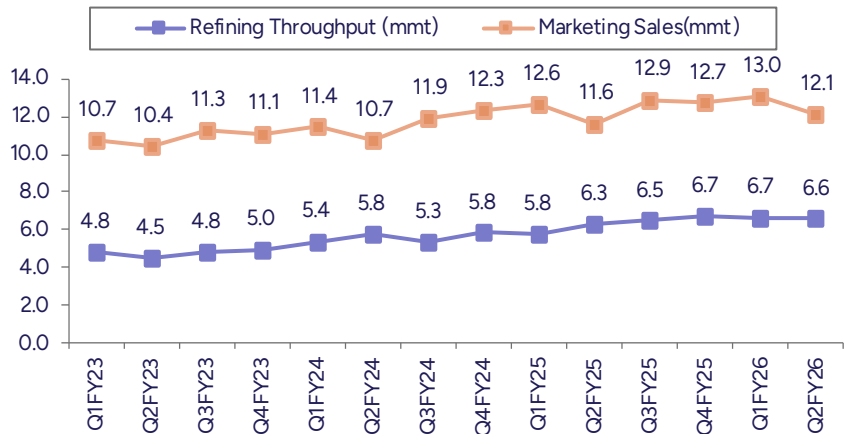
Source: Company, PL

Exhibit 3: GMM improved YoY to Rs5.9/lit



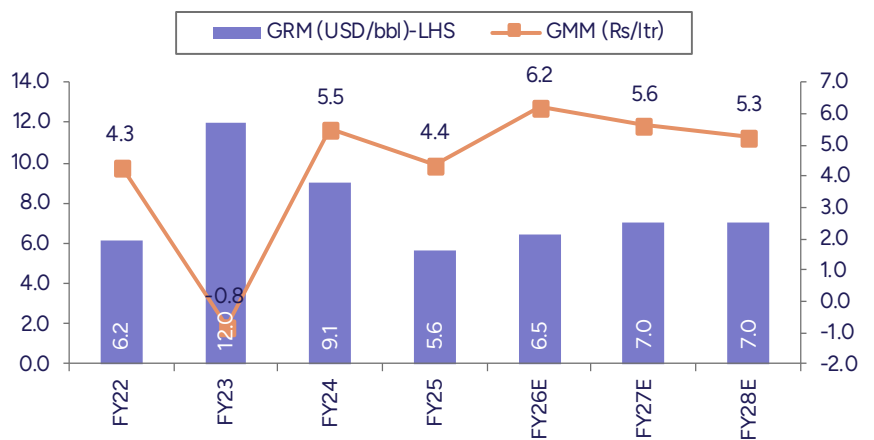
Source: Company, PL

Exhibit 4: Refining throughput at 6.6mmt in Q2FY26



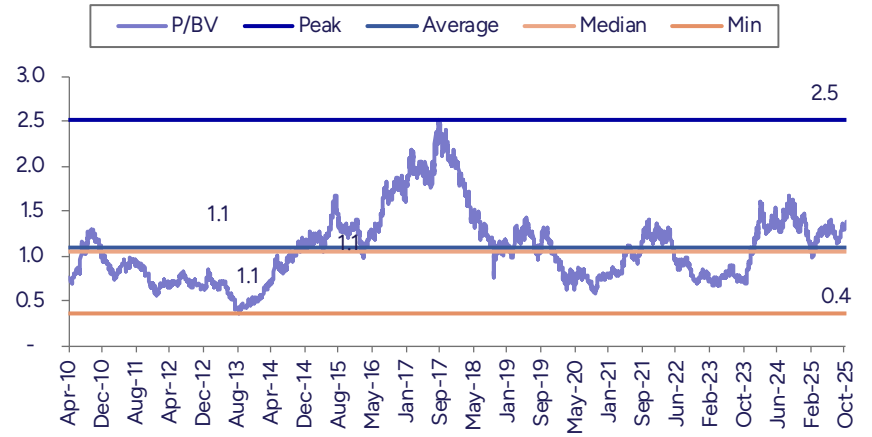
Source: Company, PL

Exhibit 5: GRM estimated at USD7/bbl for FY27E/28E each.



Source: PL

Exhibit 6: Currently trading at 1.4x FY26 P/BV



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	4,341	4,515	4,923	5,011
YoY gr. (%)	0.1	4.0	9.0	1.8
Cost of Goods Sold	3,949	4,028	4,418	4,528
Gross Profit	392	488	504	483
Margin (%)	9.0	10.8	10.2	9.6
Employee Cost	-	-	-	-
Other Expenses	227	239	245	263
EBITDA	166	248	260	220
YoY gr. (%)	(33.6)	50.0	4.6	(15.2)
Margin (%)	3.8	5.5	5.3	4.4
Depreciation and Amortization	62	67	70	77
EBIT	104	181	189	143
Margin (%)	2.4	4.0	3.8	2.8
Net Interest	34	26	27	29
Other Income	21	24	27	29
Profit Before Tax	91	179	189	143
Margin (%)	2.1	4.0	3.8	2.9
Total Tax	23	50	52	41
Effective tax rate (%)	24.8	27.8	27.7	28.4
Profit after tax	69	129	136	102
Minority interest	1	(19)	(19)	(18)
Share Profit from Associate	-	-	-	-
Adjusted PAT	67	148	155	120
YoY gr. (%)	(57.9)	120.1	4.6	(22.3)
Margin (%)	1.6	3.3	3.2	2.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	67	148	155	120
YoY gr. (%)	-	-	-	-
Margin (%)	1.6	3.3	3.2	2.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	31.6	69.7	72.9	56.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	1,245	1,346	1,486	1,626
Tangibles	1,245	1,346	1,486	1,626
Intangibles	-	-	-	-
Acc: Dep / Amortization	387	457	528	605
Tangibles	387	457	528	605
Intangibles	-	-	-	-
Net fixed assets	859	889	959	1,021
Tangibles	859	889	959	1,021
Intangibles	-	-	-	-
Capital Work In Progress	180	262	302	342
Goodwill	3	3	3	3
Non-Current Investments	270	270	270	270
Net Deferred tax assets	(77)	(77)	(77)	(77)
Other Non-Current Assets	40	40	40	40
Current Assets				
Investments	-	-	-	-
Inventories	383	303	330	336
Trade receivables	118	70	76	78
Cash & Bank Balance	3	96	129	159
Other Current Assets	40	40	40	40
Total Assets	1,947	2,025	2,202	2,342
Equity				
Equity Share Capital	21	21	21	21
Other Equity	490	598	712	802
Total Networth	511	620	733	824
Non-Current Liabilities				
Long Term borrowings	664	698	739	784
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	298	235	256	261
Other current liabilities	397	397	397	397
Total Equity & Liabilities	1,947	2,025	2,202	2,342

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	90	198	207	161
Add. Depreciation	62	67	70	77
Add. Interest	34	26	27	29
Less Financial Other Income	21	24	27	29
Add. Other	(2)	-	-	-
Op. profit before WC changes	183	291	305	267
Net Changes-WC	(44)	65	(12)	(3)
Direct tax	4	(50)	(52)	(41)
Net cash from Op. activities	142	306	240	224
Capital expenditures	(96)	(180)	(180)	(180)
Interest / Dividend Income	-	-	-	-
Others	(31)	-	-	-
Net Cash from Invst. activities	(127)	(180)	(180)	(180)
Issue of share cap. / premium	-	-	-	-
Debt changes	26	33	42	44
Dividend paid	(23)	(40)	(41)	(30)
Interest paid	(44)	(26)	(27)	(29)
Others	25	-	-	-
Net cash from Fin. activities	(17)	(33)	(27)	(15)
Net change in cash	(1)	93	34	29
Free Cash Flow	142	306	240	224

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	31.6	69.7	72.9	56.6
CEPS	60.6	101.2	106.0	93.0
BVPS	240.3	291.1	344.5	387.0
FCF	66.9	143.8	113.0	105.3
DPS	10.5	18.9	19.4	14.1
Return Ratio(%)				
RoCE	9.1	14.5	13.6	9.3
ROIC	5.3	9.4	9.1	6.5
RoE	13.7	26.2	22.9	15.5
Balance Sheet				
Net Debt : Equity (x)	1.3	1.0	0.8	0.8
Net Working Capital (Days)	17	11	11	11
Valuation(x)				
PER	15.0	6.8	6.5	8.4
P/B	2.0	1.6	1.4	1.2
P/CEPS	7.9	4.7	4.5	5.1
EV/EBITDA	10.1	6.5	6.3	7.4
EV/Sales	0.4	0.4	0.3	0.3
Dividend Yield (%)	2.2	4.0	4.1	3.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	1,105	1,095	1,108	1,008
YoY gr. (%)	(0.7)	(4.4)	(2.7)	0.9
Raw Material Expenses	983	979	976	878
Gross Profit	122	115	132	130
Margin (%)	11.0	10.5	11.9	12.9
EBITDA	60	58	76	69
YoY gr. (%)	175.9	20.8	260.7	152.9
Margin (%)	5.4	5.3	6.9	6.8
Depreciation / Depletion	15	16	15	16
EBIT	45	42	61	53
Margin (%)	4.0	3.9	5.5	5.3
Net Interest	9	7	7	8
Other Income	5	8	5	5
Profit before Tax	40	43	58	51
Margin (%)	3.6	3.9	5.3	5.1
Total Tax	10	9	15	13
Effective tax rate (%)	24.6	22.1	25.0	25.2
Profit after Tax	30	34	44	38
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	30	34	44	38
YoY gr. (%)	471.4	18.0	1,128.5	506.9
Margin (%)	2.7	3.1	3.9	3.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	30	34	44	38
YoY gr. (%)	471.4	18.0	1,128.5	506.9
Margin (%)	2.7	3.1	3.9	3.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	14.2	15.8	20.5	18.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Crude (US\$/bbl)	78.9	72.0	75.0	75.0
GRM (US\$/bbl)	5.6	6.5	7.0	7.0
Refining throughput (mmtpa)	25.3	26.2	26.2	26.2
Gross Marketing Margins (Rs/ltr)	4.4	5.6	5.6	5.3
Marketing Sales (mmtpa)	49.8	51.8	52.8	54.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-25	Accumulate	458	446
2	08-Aug-25	Accumulate	422	402
3	03-Jul-25	Sell	360	437
4	16-May-25	Sell	321	410
5	07-May-25	Sell	319	397
6	22-Apr-25	Sell	322	395
7	08-Apr-25	Hold	322	353
8	25-Feb-25	Hold	319	319
9	24-Jan-25	Hold	373	353
10	08-Jan-25	Hold	391	386

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	395	377
2	Bharat Petroleum Corporation	Hold	347	342
3	Bharti Airtel	Accumulate	2,090	1,930
4	Clean Science and Technology	Hold	1,111	1,068
5	Deepak Nitrite	Hold	1,924	1,844
6	Fine Organic Industries	BUY	5,571	4,651
7	GAIL (India)	Accumulate	199	177
8	Gujarat Fluorochemicals	Hold	3,742	3,643
9	Gujarat Gas	Hold	442	436
10	Gujarat State Petronet	Accumulate	339	325
11	Hindustan Petroleum Corporation	Accumulate	458	446
12	Indian Oil Corporation	Accumulate	166	155
13	Indraprastha Gas	Reduce	192	209
14	Jubilant Ingrevia	Hold	695	677
15	Laxmi Organic Industries	Reduce	192	198
16	Mahanagar Gas	BUY	1,531	1,271
17	Mangalore Refinery & Petrochemicals	Accumulate	159	142
18	Navin Fluorine International	Accumulate	5,601	5,009
19	NOCIL	Hold	187	181
20	Oil & Natural Gas Corporation	BUY	278	244
21	Oil India	BUY	525	415
22	Petronet LNG	Hold	290	279
23	Reliance Industries	BUY	1,668	1,417
24	SRF	Hold	3,123	3,028
25	Vinati Organics	BUY	1,946	1,690

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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