

August 8, 2025

## Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>SELL</b>	
<b>Target Price</b>	<b>422</b>		<b>360</b>	
Sales (Rs. m)	4,028	4,052	3,932	4,049
% Chng.	2.4	0.1		
EBITDA (Rs. m)	186	223	199	220
% Chng.	(6.3)	1.2		
EPS (Rs.)	49.4	63.0	54.0	62.4
% Chng.	(8.4)	1.1		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	4,339	4,341	4,028	4,052
EBITDA (Rs. bn)	249	166	186	223
Margin (%)	5.7	3.8	4.6	5.5
PAT (Rs. bn)	160	67	105	134
EPS (Rs.)	75.2	31.6	49.4	63.0
Gr. (%)	(329.4)	(57.9)	56.1	27.6
DPS (Rs.)	21.0	10.5	12.3	15.8
Yield (%)	5.2	2.6	3.0	3.9
RoE (%)	40.4	13.7	19.1	20.9
RoCE (%)	18.5	9.1	9.7	11.4
EV/Sales (x)	0.3	0.3	0.4	0.4
EV/EBITDA (x)	5.9	9.2	7.9	6.7
PE (x)	5.3	12.7	8.1	6.4
P/BV (x)	1.8	1.7	1.5	1.2

### Key Data

HPCL.BO | HPCL IN

52-W High / Low	Rs.457 / Rs.288
Sensex / Nifty	80,623 / 24,596
Market Cap	Rs.856bn/ \$ 9,763m
Shares Outstanding	2,128m
3M Avg. Daily Value	Rs.2165.95m

### Shareholding Pattern (%)

Promoter's	54.90
Foreign	12.55
Domestic Institution	23.56
Public & Others	8.99
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(10.2)	17.5	1.4
Relative	(7.0)	13.5	-

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## Poor GRM results in miss

### Quick Pointers:

- GRM came in at USD3.08/bbl vs USD5.0/bbl in Q1FY25 and USD8.4/bbl in Q4FY25
- Under-recovery of Rs21.5bn on sale of LPG in Q1FY26

**Hindustan Petroleum Corporation (HPCL) reported refining throughput of 6.66mmt during the quarter with a reported GRM of USD3.08/bbl and implied gross marketing margin (GMM) of Rs7/lit (Rs3.0/lit in Q1FY25). Due to better GRM and GMM, standalone EBITDA grew 261% YoY to Rs76bn (Ple Rs89bn, BBGe Rs81bn) but came in lower-than-estimate due to poorer-than-estimated GRM (Ple USD6.2/bbl). We believe GRMs will rebound to the long-term average of USD5-7/bbl in FY26/27 and build in a GRM of USD6/7/bbl for FY26/27E. On the marketing front, we build in a GMM of Rs4.4/4.5/4.9/lit for FY25/26/27E. The company has reduced its debt from Rs633bn in FY25-end to Rs510bn in the quarter. The stock has corrected by ~10% in past few days. Due to possible strength in GMM in near term along with crude oil correction, we upgrade the stock to Accumulate with target price of Rs422 (earlier Rs360), valuing it at 1.3x FY27 PBV.**

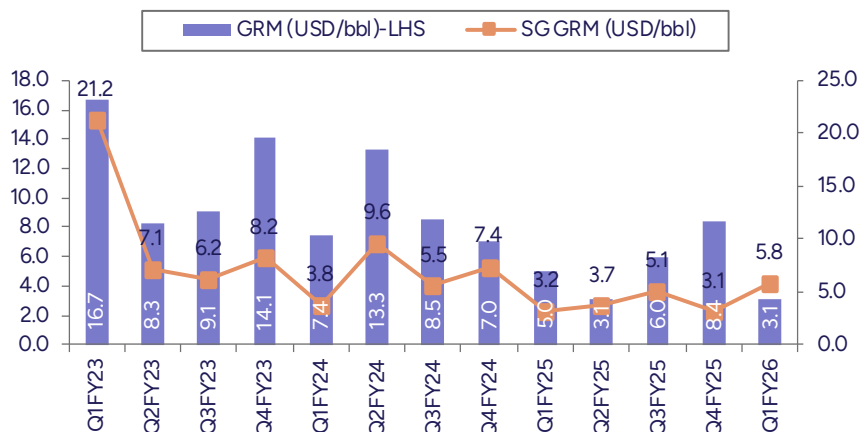
- GRM disappoints:** Core GRM stood at USD6.6/bbl vs USDUSD5.3/bbl in Q1FY25 and USD7.1/bbl in Q4FY25. Due to inventory loss stood at USD3.5/bbl during the quarter. As a result, HPCL reported a GRM of USD3.08/bbl during the quarter against USD5/bbl in Q1FY25 and USD8.4/bbl in Q4FY25. We had estimated a reported GRM of USD6.2/bbl. Throughput came in at 6.66mmt vs 5.8mmt in Q1FY25 and 6.7mmt in Q4FY25.
- Implied marketing margin at Rs7.0/lit:** Implied GMM stood at Rs7.0/lit vs our estimate of Rs7.4/lit. GMM in Q1FY25 stood at Rs3.0/lit and in Q4FY25 and Rs4.5/lit. Total sales volume including exports stood at Rs13mmt vs 12.6mmt in Q1FY25 and 12.7mmt in Q4FY25.
- LPG under-recovery stays uncompensated:** Cumulative under-recovery on LPG now stands at Rs130bn along with Rs21.5bn incurred during the quarter. We strongly believe that since the OMCs are making strong GMM on petrol and diesel, the under-recovery on LPG would remain uncompensated.
- Conference call highlights:** 1) pre-commissioning at bottom-upgradation project at Vizag ongoing, 2) Barmer- refinery 95% completed, Petrochem 73% completed, expect first crude in by FY26-end, 3) targeting Rs10-15bn improvement in EBITDA through operational efficiencies, 4) inventory loss of Rs14bn in refining, Rs6bn in marketing, 5) core refining margin was lower QoQ due to maintenance ein one of the diesel units, 6) Russian crude stood at 13.2% of the basket in Q1FY26, 7) LPG under-recovery during the quarter at ~Rs165/cyl, 8) expect 10-15% utilization at Chhara LNG terminal and expect to rise to 35-40% in FY27 post completion of breakwater facility.

Exhibit 1: HPCL's Quarterly financials

Quarterly Financials (Rs bn)	Q1 FY26	Q4 FY25	QoQ gr.	Q1 FY26E	% Var	Q1 FY25	YoY gr.	FY26E	FY25	YoY gr.
Net Sales	1,107.7	1,094.9	1.2%	976.2	13.5%	1138.0	-2.7%	4024.3	4337.3	-7.2%
YoY Change (%)	-2.7	-4.4		-14.2		1.6				
Total Expenditure	1031.7	1036.9	-0.5%	887.0	16.3%	1117.0	-7.6%	3837.6	4171.2	-8.0%
EBITDA	76.0	58.0	31.0%	89.2	-14.7%	21.1	260.7%	186.7	166.1	12.4%
Margins (%)	6.9	5.3		9.1		1.9		4.6	3.8	
Depreciation	15.5	15.8	-2.1%	16.8	-7.5%	14.8	5.0%	67.0	60.9	10.0%
Interest	7.5	7.1	5.7%	6.7	11.3%	7.3	2.6%	26.9	33.1	-18.6%
Other Income	5.2	7.9	-34.1%	5.5	-4.9%	5.7	-8.3%	22.0	24.2	-9.0%
PBT	58.3	43.0	35.3%	71.2	-18.1%	4.7	1136.4%	114.8	96.2	19.3%
Tax	14.6	9.5	53.2%	17.9	-18.8%	1.2	1161.1%	28.8	22.6	27.5%
Rate (%)	25.0	22.1		25.2		24.5		25.1	23.5	
Reported PAT	43.7	33.5	30.3%	53.3	-17.9%	3.6	1128.5%	86.0	73.6	16.8%
<b>Key Operating Metrics</b>										
Refining throughput (mmt)	6.7	6.74	-1.2%	6.4	4.9%	5.8	15.6%	25.4	25.3	0.5%
Reported GRM (USD/bbl)	3.1	8.4	-63.5%	6.2	-50.1%	5.0	-38.4%	6.0	5.6	6.5%
Marketing sales volume incl exports (mmt)	13.0	12.7	2.7%	12.8	2.2%	13	3.2%	51.8	49.8	4.0%
Marketing GM incld inv (INR/litre)	7.0	4.5	54.9%	7.4	-4.4%	3.0	131.9%	4.5	4.4	2.7%

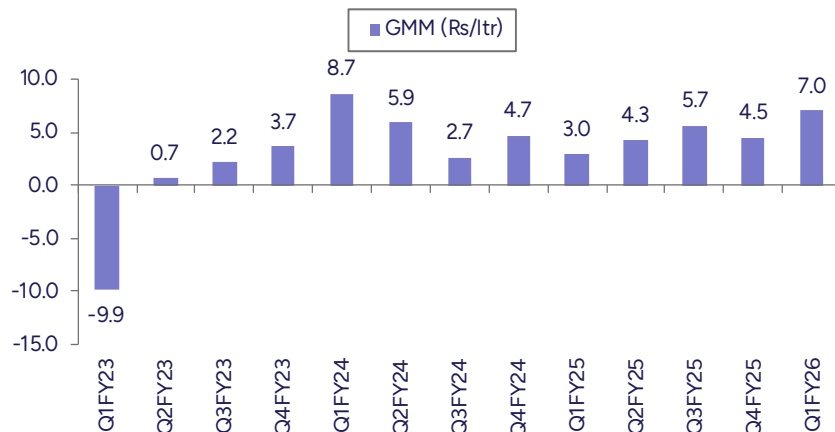
Source: Company, PL

Exhibit 2: GRM declined QoQ to USD3.1/bbl



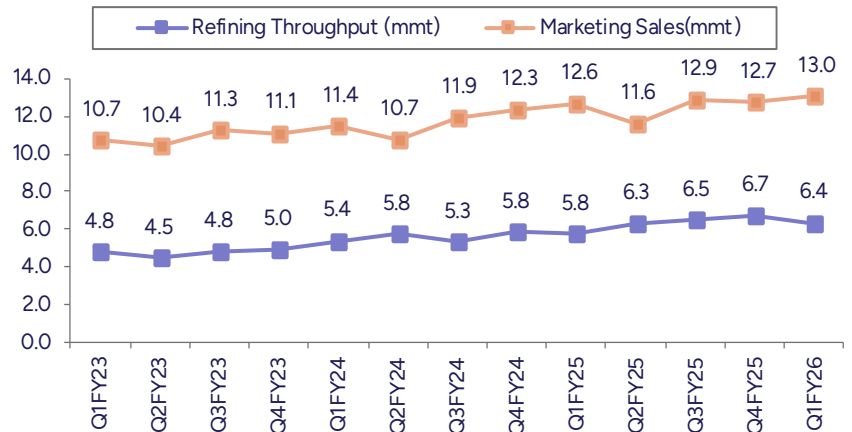
Source: Company, PL

Exhibit 3: GMM improved QoQ to Rs7.0/lit



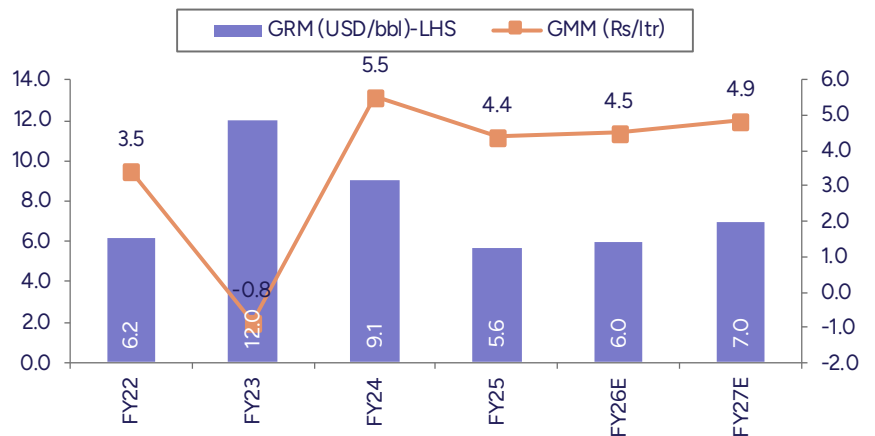
Source: Company, PL

**Exhibit 4: Refining throughput at 6.7mmt in Q1FY26**



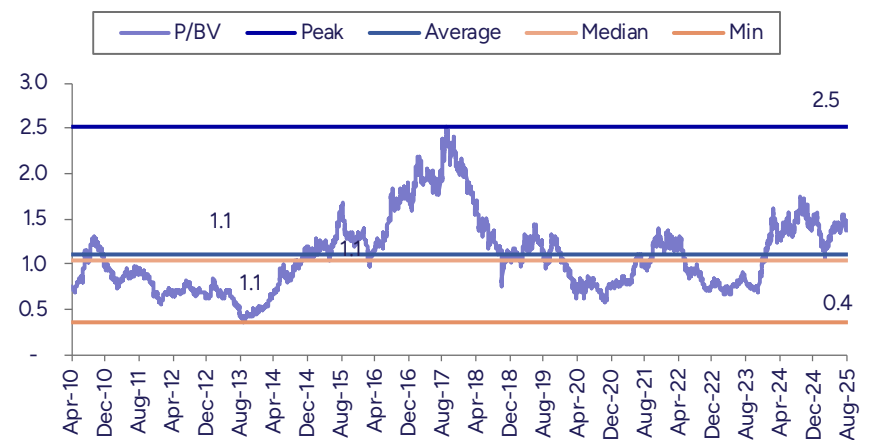
Source: Company, PL

**Exhibit 5: GRM estimated at USD6/7/bbl for FY26/27E**



Source: PL

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



Source: Company, PL

## Financials

### Income Statement (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>4,339</b>	<b>4,341</b>	<b>4,028</b>	<b>4,052</b>
YoY gr. (%)	(1.6)	0.1	(7.2)	0.6
Cost of Goods Sold	3,876	3,949	3,616	3,598
Gross Profit	463	392	412	454
Margin (%)	10.7	9.0	10.2	11.2
Employee Cost	-	-	-	-
Other Expenses	213	227	226	231
<b>EBITDA</b>	<b>249</b>	<b>166</b>	<b>186</b>	<b>223</b>
YoY gr. (%)	(445.9)	(33.6)	12.5	19.8
Margin (%)	5.7	3.8	4.6	5.5
Depreciation and Amortization	56	62	67	68
<b>EBIT</b>	<b>193</b>	<b>104</b>	<b>119</b>	<b>155</b>
Margin (%)	4.5	2.4	3.0	3.8
Net Interest	26	34	26	27
Other Income	19	21	28	33
<b>Profit Before Tax</b>	<b>187</b>	<b>91</b>	<b>122</b>	<b>161</b>
Margin (%)	4.3	2.1	3.0	4.0
Total Tax	45	23	35	45
Effective tax rate (%)	24.0	24.8	29.1	28.1
<b>Profit after tax</b>	<b>142</b>	<b>69</b>	<b>86</b>	<b>116</b>
Minority interest	(18)	1	(19)	(19)
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>160</b>	<b>67</b>	<b>105</b>	<b>134</b>
YoY gr. (%)	(329.4)	(57.9)	56.1	27.6
Margin (%)	3.7	1.6	2.6	3.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>160</b>	<b>67</b>	<b>105</b>	<b>134</b>
YoY gr. (%)	-	-	-	-
Margin (%)	3.7	1.6	2.6	3.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (bn)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>EPS (Rs)</b>	<b>75.2</b>	<b>31.6</b>	<b>49.4</b>	<b>63.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,120</b>	<b>1,245</b>	<b>1,320</b>	<b>1,420</b>
Tangibles	1,120	1,245	1,320	1,420
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>325</b>	<b>387</b>	<b>457</b>	<b>525</b>
Tangibles	325	387	457	525
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>795</b>	<b>859</b>	<b>862</b>	<b>894</b>
Tangibles	795	859	862	894
Intangibles	-	-	-	-
Capital Work In Progress	201	180	289	369
Goodwill	3	3	3	3
Non-Current Investments	295	270	270	270
Net Deferred tax assets	(69)	(77)	(77)	(77)
Other Non-Current Assets	45	40	40	40
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	342	383	270	272
Trade receivables	93	118	62	63
Cash & Bank Balance	5	3	81	111
Other Current Assets	35	40	40	40
<b>Total Assets</b>	<b>1,827</b>	<b>1,947</b>	<b>1,971</b>	<b>2,115</b>
<b>Equity</b>				
Equity Share Capital	14	21	21	21
Other Equity	455	490	569	670
<b>Total Network</b>	<b>469</b>	<b>511</b>	<b>591</b>	<b>691</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	628	664	698	739
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	273	298	209	211
Other current liabilities	387	397	397	397
<b>Total Equity &amp; Liabilities</b>	<b>1,827</b>	<b>1,947</b>	<b>1,971</b>	<b>2,115</b>

Source: Company Data, PL Research

**Cash Flow (Rs bn)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	205	90	141	179
Add. Depreciation	56	62	67	68
Add. Interest	26	34	26	27
Less Financial Other Income	19	21	28	33
Add. Other	(17)	(2)	-	-
Op. profit before WC changes	269	183	233	275
Net Changes-WC	(28)	(44)	80	(1)
Direct tax	(3)	4	(35)	(45)
<b>Net cash from Op. activities</b>	<b>239</b>	<b>142</b>	<b>278</b>	<b>229</b>
Capital expenditures	(99)	(96)	(180)	(180)
Interest / Dividend Income	-	-	-	-
Others	(31)	(31)	-	-
<b>Net Cash from Invt. activities</b>	<b>(130)</b>	<b>(127)</b>	<b>(180)</b>	<b>(180)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(100)	26	33	42
Dividend paid	(21)	(23)	(26)	(34)
Interest paid	(41)	(44)	(26)	(27)
Others	51	25	-	-
<b>Net cash from Fin. activities</b>	<b>(111)</b>	<b>(17)</b>	<b>(19)</b>	<b>(19)</b>
<b>Net change in cash</b>	<b>(2)</b>	<b>(1)</b>	<b>79</b>	<b>30</b>
Free Cash Flow	239	142	278	229

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	75.2	31.6	49.4	63.0
CEPS	101.5	60.6	80.8	95.1
BVPS	220.5	240.3	277.5	324.7
FCF	112.1	66.9	130.4	107.5
DPS	21.0	10.5	12.3	15.8
<b>Return Ratio(%)</b>				
RoCE	18.5	9.1	9.7	11.4
ROIC	10.6	5.3	6.3	7.7
RoE	40.4	13.7	19.1	20.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.3	1.3	1.0	0.9
Net Working Capital (Days)	14	17	11	11
<b>Valuation(x)</b>				
PER	5.3	12.7	8.1	6.4
P/B	1.8	1.7	1.5	1.2
P/CEPS	4.0	6.6	5.0	4.2
EV/EBITDA	5.9	9.2	7.9	6.7
EV/Sales	0.3	0.3	0.4	0.4
Dividend Yield (%)	5.2	2.6	3.0	3.9

Source: Company Data, PL Research

**Quarterly Financials (Rs bn)**

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Net Revenue</b>	<b>916</b>	<b>1,021</b>	<b>1,007</b>	<b>1,014</b>
YoY gr. (%)	3.2	(2.0)	(6.4)	(5.0)
Raw Material Expenses	919	983	979	976
Gross Profit	(2)	37	27	38
Margin (%)	(0.3)	3.7	2.7	3.8
<b>EBITDA</b>	<b>27</b>	<b>60</b>	<b>58</b>	<b>76</b>
YoY gr. (%)	(66.8)	175.9	20.8	260.7
Margin (%)	3.0	5.8	5.8	7.5
Depreciation / Depletion	15	15	16	15
<b>EBIT</b>	<b>12</b>	<b>45</b>	<b>42</b>	<b>61</b>
Margin (%)	1.3	4.4	4.2	6.0
Net Interest	9	9	7	7
Other Income	6	5	8	5
<b>Profit before Tax</b>	<b>8</b>	<b>40</b>	<b>43</b>	<b>58</b>
Margin (%)	0.9	3.9	4.3	5.7
Total Tax	2	10	9	15
Effective tax rate (%)	24.4	24.6	22.1	25.0
<b>Profit after Tax</b>	<b>6</b>	<b>30</b>	<b>34</b>	<b>44</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>6</b>	<b>30</b>	<b>34</b>	<b>44</b>
YoY gr. (%)	(87.7)	471.4	18.0	1,128.5
Margin (%)	0.7	3.0	3.3	4.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>6</b>	<b>30</b>	<b>34</b>	<b>44</b>
YoY gr. (%)	(87.7)	471.4	18.0	1,128.5
Margin (%)	0.7	3.0	3.3	4.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Avg. Shares O/s (m)	2	2	2	2
<b>EPS (Rs)</b>	<b>3.0</b>	<b>14.2</b>	<b>15.8</b>	<b>20.5</b>

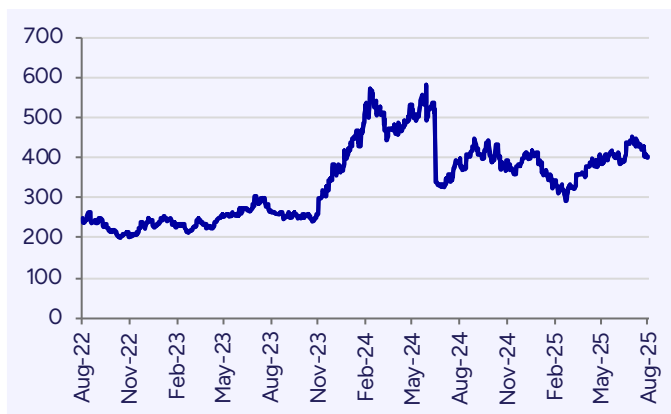
Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
Crude (US\$/bbl)	83.3	78.9	72.0	75.0
GRM (US\$/bbl)	9.1	5.6	6.0	7.0
Refining throughput (mmtpa)	22.3	25.3	25.4	25.4
Gross Marketing Margins (Rs/ltr)	5.5	4.4	4.5	4.9
Marketing Sales (mmtpa)	46.4	49.8	51.8	52.8

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Jul-25	Sell	360	437
2	16-May-25	Sell	321	410
3	07-May-25	Sell	319	397
4	22-Apr-25	Sell	322	395
5	08-Apr-25	Hold	322	353
6	25-Feb-25	Hold	319	319
7	24-Jan-25	Hold	373	353
8	08-Jan-25	Hold	391	386
9	09-Dec-24	Hold	392	399
10	26-Oct-24	Accumulate	412	372

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	420	407
2	Bharat Petroleum Corporation	Reduce	311	332
3	Bharti Airtel	Accumulate	2,090	1,930
4	Clean Science and Technology	Hold	1,425	1,445
5	Deepak Nitrite	Reduce	1,799	1,963
6	Fine Organic Industries	BUY	5,440	5,269
7	GAIL (India)	Hold	180	181
8	Gujarat Fluorochemicals	Hold	3,580	3,486
9	Gujarat Gas	Hold	432	431
10	Gujarat State Petronet	Hold	348	335
11	Hindustan Petroleum Corporation	Sell	360	437
12	Indian Oil Corporation	Reduce	138	148
13	Indraprastha Gas	Reduce	186	205
14	Jubilant Ingrevia	Hold	743	777
15	Laxmi Organic Industries	Reduce	179	196
16	Mahanagar Gas	Accumulate	1,559	1,483
17	Mangalore Refinery & Petrochemicals	Accumulate	152	139
18	Navin Fluorine International	Accumulate	5,559	5,198
19	NOCIL	Reduce	172	200
20	Oil & Natural Gas Corporation	Accumulate	284	241
21	Oil India	BUY	566	436
22	Petronet LNG	Hold	311	302
23	Reliance Industries	Accumulate	1,555	1,476
24	SRF	Hold	3,071	3,150
25	Vinati Organics	Accumulate	1,882	1,944

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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