Hindustan Petroleum Corporation Limited

Oil and Gas

Credit Perspective

December 2020

RATING ACTION

Ratings reaffirmed

Long - term Rating

[ICRA]AAA (Stable)

Issuer Rating

[ICRA]AAA (Stable)

Short - term Rating

[ICRA]A1+

Total Limits Rated

Rs. 77,500.0 crore

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Rating Rationale

The reaffirmation of ratings takes into account the strategic importance of Hindustan Petroleum Corporation Limited (HPCL/ the company) in the domestic energy sector; its strong parentage (Oil and Natural Gas Corporation Limited/ONGC ([ICRA]AAA (stable)/[ICRA]A1+) owns 51.1% equity stake); its established brand name and its leading position in the domestic oil marketing business. The ratings favourably consider the proximity of the company's refineries to the coast, which provides logistical advantage for import of crude oil and export of petroleum products. The ratings also factor in the company's strong operational efficiencies—both its refineries (Mumbai and Vishakhapatnam) have been operating at consistently high utilisation levels. HPCL is undertaking modernisation and capacity expansion at both its refineries to improve the profitability of the refining operations.

The company has witnessed steady growth in its marketing volumes (CAGR of 4.4% over the last five years and 2.4% YoY in FY2020), driven by network expansion of retail outlets, favourable demand environment for motor spirit (MS) and high-speed diesel (HSD), and its established presence in the MS and the HSD segments. The gross refining margins (GRMs) of domestic refiners, including HPCL, witnessed a sharp decline in FY2020 because of weak crack spreads and large inventory losses caused by a sharp fall in crude price in March 2020. In the current fiscal, the overall marketing volume is likely to drop due to weak demand following the Covid-19 pandemic and the consequent lockdown. The GRMs were expected improve over FY2020 levels but remained subdued owing to weak demand globally. However, as the average crude oil price in the current fiscal is expected to remain lower than the preceding fiscal, the fuel and loss component for refineries will be lower, which in turn would support the refining margins. The expected rise in refining margins, along with inventory gains owing to increase in crude oil prices, would also aid GRMs. HPCL's liquidity profile remains strong, backed by an expected healthy cash flow from operations, a sizeable portfolio of liquid investments and an adequate availability of working capital bank limits.

HPCL's operations are subject to regulatory risk pertaining to the pricing of sensitive petroleum products. Nonetheless, over the last few years, the Government of India (GoI) has been ensuring that the net under recoveries borne by the Public Sector Undertaking (PSU) of oil marketing companies (OMCs) are either nil or within manageable levels by absorbing most of the gross under-recoveries (GURs) and sharing the remaining with upstream companies. Any adverse change in the GoI's policy in this regard that weakens the key credit metrics of HPCL will be a key rating sensitivity. The gross under-recoveries (GURs) of public sector oil marketing companies (OMCs) was lower in FY2020 on YoY basis at Rs 245 billion as against Rs 374 billion in FY2019, due to fall in crude oil prices. As per ICRA's estimates, the subsidy requirement for FY2021 is expected to be Rs. 11 billion, assuming the Indian basket of crude price at $45/bbl and an exchange rate of INR/USD 75. Accordingly, the subsidy provided for FY2021 at Rs. 388 billion in the Union Budget of 2020-21 would be adequate to clear the backlog.

HPCL is exposed to project implementation risks as it is implementing large-scale projects spanning the entire downstream value chain as well as through subsidiaries and joint ventures (JVs). Depending on the scale of HPCL's expansion plans, the debt coverage metrics might moderate over the next three-four years; however, ICRA expects them to remain comfortable. Nonetheless, any material time or cost overruns that could lead to larger-than-estimated funding requirements would be a key rating sensitivity. ICRA also notes that the company has moderately rationalised its capex plans for the next three years, considering the impact of the Covid-19 pandemic.

Rating Outlook

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that HPCL will continue to benefit from its established position in the domestic energy sector, its strategic importance to the GoI, and its strong parentage.

Key Rating Drivers/Considerations

Credit Strengths

- Demonstrated support of GoI to ensure profitability of OMCs despite high under-recoveries
- Coastal refinery provides logistical advantages in terms of sourcing of crude and exports
- Established brand name and position in domestic marketing business
- Healthy refining operations
- Healthy financial flexibility

Credit Challenges

- Vulnerability of refining segment's profitability to global refining margin cycle, crude price volatility, import duty protection, and INR-US$ parity levels
- Moderate financial profile
- Significant capex planned over next three-year period
- Lack of freedom in pricing of sensitive petroleum products

Rating Sensitivities

Positive Triggers

Not Applicable

Negative Triggers

Downward pressure on HPCL's ratings could arise if a) a significant increase in net under-recoveries, due to changes in Government policies on pricing/subsidy sharing on sensitive petroleum products, erodes the company's profits and cash flows b) Reduction in ONGC's shareholding below 50%

Company Profile

HPCL is a public sector enterprise that owns and operates two refineries, one in Mumbai with 7.5 million metric tonnes per annum (MMTPA) capacity and one in Visakhapatnam with a 8.3 MMTPA capacity. The company was incorporated in 1952 as Standard Vacuum Refining Company of India Limited. HPCL has a 49% stake in a JV with Mittal Energy Investments Pte Limited for operating an 11.3 MMTPA refinery in Bhatinda, Punjab. HPCL has a 16.95% equity stake in Mangalore Refinery and Petrochemicals Ltd. (MRPL), which operates a 15 MMTPA refinery in Mangalore. Majority shareholding of HPCL (51.1%) is held by ONGC which had been acquired from the GoI in January 2018. In October 2019, the company was granted 'Maharatna' status implying higher operational and financial autonomy.

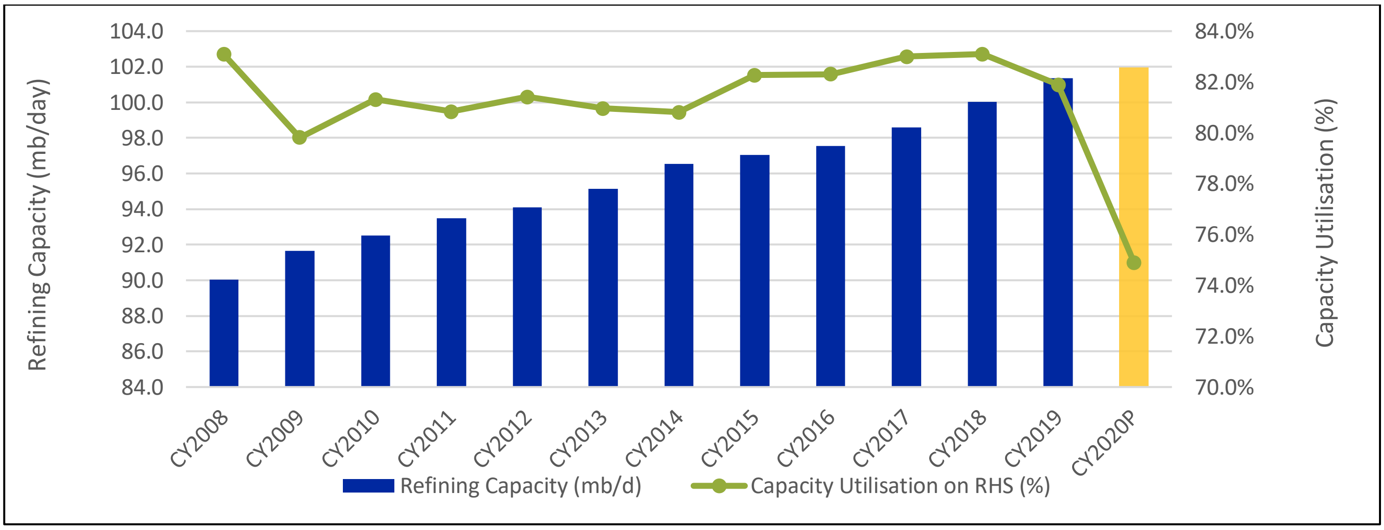
BUSINESS RISK PROFILE

Global refining capacity utilisation levels moderated in CY2019 and expected to be moderate in medium term

Global refining capacity net of closures increased to 100.0 mb/day from 98.6 mb/d over CY2017-2018. The refinery throughput was broadly in line with the refinery capacity additions. In CY2019, the capacity utilisation decreased because of new refining capacity addition and lower refinery closures. Global refinery runs have declined in YTD CY2020, as the Covid-19 pandemic eroded the demand for petroleum products particularly, transportation fuel

Many simple refineries in Europe, Japan, and Australia and those with high debt and weak liquidity remained vulnerable to closures. The global refining capacity utilisation is expected to taper over the medium term as new capacities come online in the near to medium term. Accordingly, the refining capacity utilisation level is estimated to witness a decline in the medium term owing to weak demand and refinery capacity additions.

EXHIBIT 1: Trend in Global Refining Capacity and Utilisation



Decline in throughput levels in H1FY2021 due to Covid-19 pandemic

HPCL has been operating its refineries at more than 100% capacity utilisation, as seen in Exhibit 2. HPCL's refineries recorded a throughput of 17.2 million tonnes, a decline of 6.6% on YoY basis in FY2020, with an average capacity utilisation of 109%. HPCL's crude throughput declined in FY2020 owing to a planned maintenance shutdown at the Mumbai refinery in Q1FY2020 and Visakh refinery in Q2FY2020 and mild impact of the lockdown in March 2020. In H1FY2021, the refineries witnessed moderation in capacity utilisation as the lockdown reduced the product demand but still it remained above 100%. Going forward with the pickup in economic activity, the utilisation is expected to witness further improvement in H2FY2021.

EXHIBIT 2: Capacity Utilisation and Distillate Yield Annual Trend

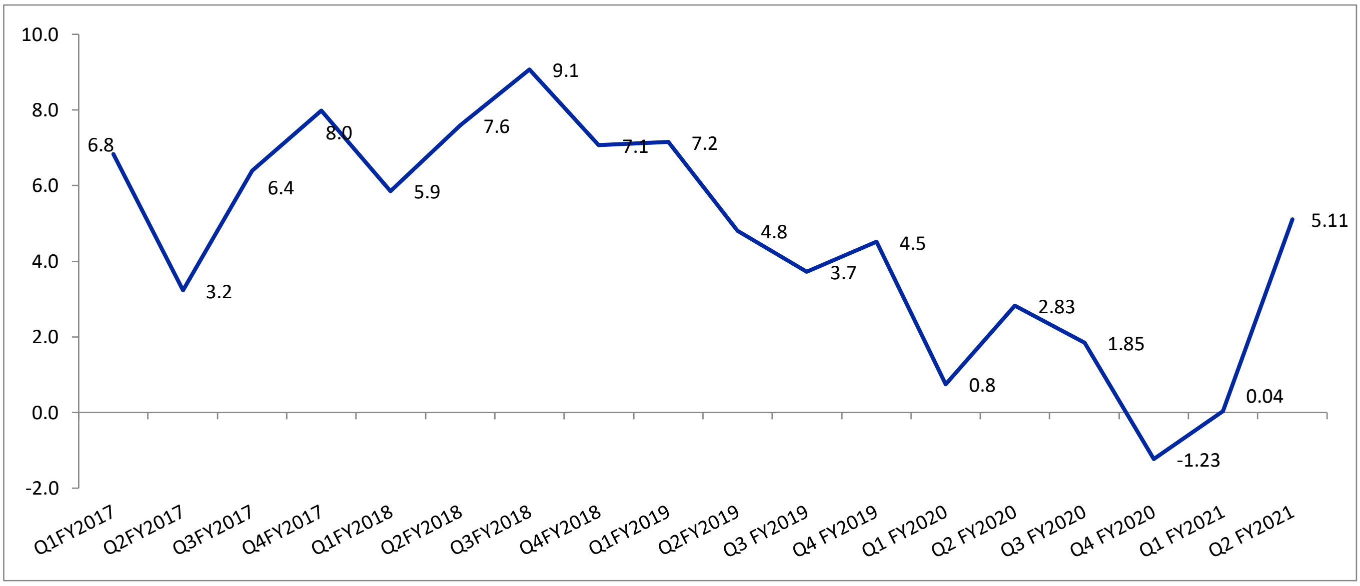
Particulars	FY2016	FY2017*	FY2018	FY2019	FY2020	H1 FY2021
Installed Capacity (MMTPA)	14.8	15.8	15.8	15.8	15.8	15.8
Crude Throughput (MMT)	17.2	17.8	18.3	18.4	17.2	8.03
Production (MMT)	16.0	16.5	16.9	17.1	17.3	NA
Capacity Utilisation (%)	116%	113%	116%	117%	109%	102%
Distillate Yield (%)	73.3%	73.3%	73.5%	73.3%	74.4%	77.2%

*Source: Company, ICRA research; *Increase in Mumbai refinery capacity from 6.5 MMTPA to 7.5 MMTPA took place in July 2016*

GRMs declined significantly in FY2020; however, recovered in H1FY2021 backed by strong inventory gains

HPCL's GRM declined significantly to US$ 1.02/bbl in FY2020 from US$ 5.01/bbl in FY2019. The decline was due to a steep fall in crude oil prices, which resulted in huge inventory losses in FY2020 (of US$ 3.17/bbl in FY2020 as against an inventory gain of US$ 0.51/bbl in FY2019) and weakened the cracks of diesel, MS and fuel oil. In H1FY2021, the GRMs were at $2.58/bbl (Q1 FY2021: $0.04/bbl and Q2 FY2021: $5.11/bbl), an improvement driven by inventory gain of $1.64/bbl.

EXHIBIT 3: Quarterly Trend in HPCL's GRMs



Source: Company, ICRA research

Locational advantages of being a coastal refinery for sourcing of crude as well as exports

Since both of HPCL's refineries are in coastal regions, the company enjoys logistical benefits in terms of lower costs and time taken to transport the imported crude to the refineries and to export the refined products. This also lowers the company's inventory requirement to a significant extent when compared to other OMCs with inland refineries.

Decline in Gross Under-Recoveries (GURs) due to decrease in crude prices in FY2020; demonstrated support of GoI despite high under-recoveries

On a YoY basis, gross under-recoveries of the OMCs remained lower in FY2020 at Rs 245 billion as against Rs 374 billion in FY2019; the fall in crude oil prices and the increase in the prices of sensitive products led to the decline in GURs. The GoI continues to share the complete burden as opposed to the earlier periods of high GURs when the upstream oil companies and OMCs also had to participate in under-recovery sharing. The GUR of OMCs were significantly lower at Rs. 11.3 billion (including cash reimbursement under DBTL) in H1FY2021 when compared to Rs 126 billion in H1FY2020, a significant 91% decline, majorly due to the steep decline in crude oil prices. Overall, a decline in gross under recoveries is a positive for OMCs such as HPCL as it significantly reduces the overhang of subsidy receivables due from the government.

Nonetheless, going forward, any sustained high prices of crude and LPG may force the GoI to pass on the subsidy burden to PSU upstream or downstream companies. Further, a consistent high growth in LPG consumption, as seen over the last few years due to various GoI promotional initiatives including the Pradhan Mantri Ujjwala Yojana (PMUY), would also push up LPG subsidies in the near to medium term. Overall, crude oil prices would continue to have a significant bearing on the GURs. However, the subsidy on PDS SKO has been eliminated by the GoI.

Performance of Bhatinda-based refinery operated through JV remains healthy; retail sales for refinery carried out by HPCL

HPCL operates a 11.3 MMTPA refinery at Bhatinda, Punjab through a joint venture (JV) with Mittal Energy Limited, in which both partners have 48.99% stake (with the remaining 2.02% with financial institutions). HPCL-Mittal Energy Limited (HMEL) completed the expansion of its refining capacity from 9 MMTPA to 11.3 MMTPA, which commenced operations from June 21, 2017 and will be comfortably absorbed in north and north-western deficit parts of the country

Besides, HMEL has signed the "take or pay off-take agreement" with HPCL for liquid fuels, which has similar terms as the earlier agreement for 9 MMTPA refinery. The expansion entailed a total capital outlay of ~Rs. 3,200 crore. The product slate of HMEL (post expansion) has relatively high share of petrol and naphtha. The company has also achieved production flexibility between bitumen and petcoke in the slate to gain from scenarios of high bitumen prices, while in case of low bitumen prices, it will continue to produce petcoke.

EXHIBIT 4: HMEL – Operational Details

Particular	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Capacity	MMTPA	9.0	9.0	9.0	11.3*	11.3	11.3
Crude Throughput	MMT	7.3	10.7	10.5	8.9	12.5	12.2
Utilisation	%	81%	119%	117%	106%	110%	108%
GRM	US$/bbl	3.1	14.3	15.9	15.1	12.2	9.2

*Source: HMEL; *Effective capacity utilisation*

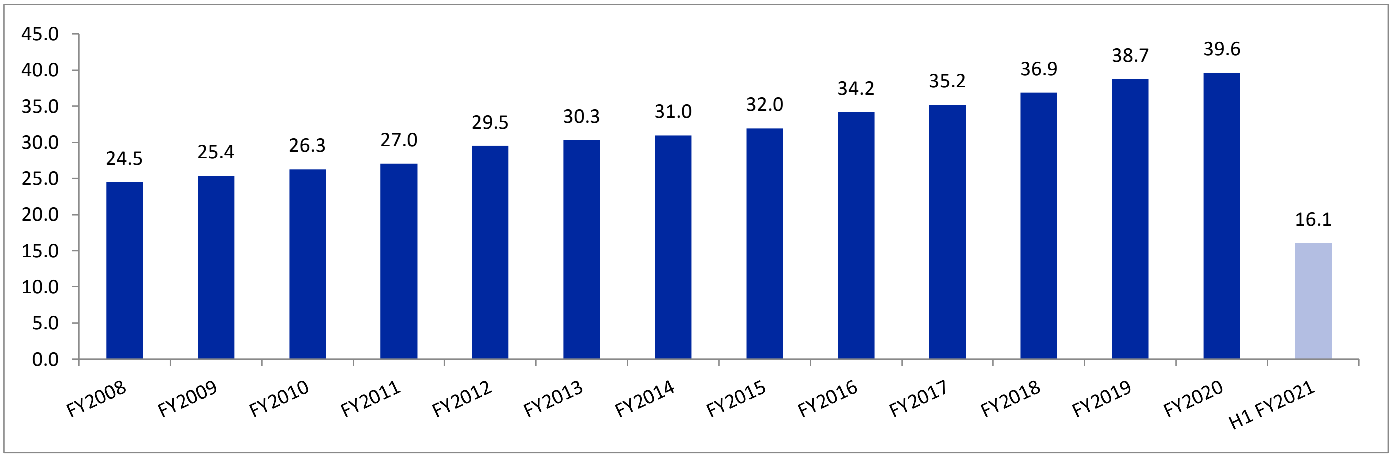
HMEL is also setting up a 1.2 MMTPA ethylene cracker (dual feed both naphtha and gas based) to produce High Density Polyethylene (HDPE), Linear Low-Density Polyethylene (LLDPE) and Polypropylene (PP) among other products. The company is targeting the completion of the project by September 2021. The total capital outlay for the project is Rs. 20,158 crore (net of CENVAT credit) and is planned to be funded in a debt-to-equity mix of 2:1. The equity requirement would be funded through internal accruals with no financial support from HPCL envisaged. The company has hired Technimont Spa as the EPC contractor for the project.

HPCL has provided and continues to provide operational and financial support to HMEL in the form of letters of comfort, backing part of the borrowing programme as well as 'Sponsor Support Agreement' (SSA) for funding cost overruns in the petrochemical capex undertaken by HMEL.

Established brand name in the domestic refining and marketing business

HPCL has an established brand name and boasts of a strong retail network. As on December 31, 2020, the company had 17,837 retail outlets throughout the country. The company commissioned 1370 new retail outlets in 9MFY2021. HPCL's marketing volumes grew 2.4% YoY to 39.64 MMT in FY2020 mainly due to a significant growth (~138% YoY) in export volumes (accounting for 4.7% of overall volumes), while domestic volume, which accounted for 95.3% of the overall marketing volume, contracted at 0.4% YoY during the period. The H1FY2021 sales stood at 16.05 MT compared to 19.49 MT in H1FY2020, a decline of 18% due to Covid-19 related lockdown restrictions. In H1FY2021, sales of ATF were adversely impacted by a 63% decline on YoY basis, followed by HSD which declined by 25% and MS by 22% on a YoY basis. HPCL enjoys a leading position in the domestic lubricants market and with a large network of retail outlets, HPCL continues to be one of the leading players in the auto fuels segment.

EXHIBIT 5: Annual Trend in Marketing Volumes (MMT)



Source: Company, ICRA research

Vulnerability of the refining segment's profitability to global refining margin cycle, crude price volatility, import duty protection, and INR-US$ parity levels

Given the nature of the business, the company would remain exposed to the movement in the commodity price cycles and the volatility in the crude prices. Any adverse changes in the import duty on its products would impede the company's domestic sales. The company's profitability is also exposed to the forex rates (INR-US$) given the business is largely dollarized on sales, crude procurement and forex loans.

FINANCIAL RISK PROFILE

Mild contraction in operating income in FY2020 because of sharp fall in crude prices; decline in profitability following lower GRM levels; lower revenues but better profitability in H1FY2021 on the back of inventory gains

HPCL's OI contracted by 2.3% YoY in FY2020 because of a decline in crude prices (average Indian basket crude prices went down by 13.4% YoY during the fiscal), partly offset by 2.4% YoY increase in total marketing volumes during the fiscal. Further, the company's operating profits declined significantly by ~50% YoY due to a sharp decline in the GRM levels from $5.01/bbl in FY2019 to $1.03/bbl in FY2020. The OPM in FY2020 was at 2.2% compared to 4.4% in FY2019. The YoY decline in PAT in FY2020 was 56.3%, slightly higher than the decline in OPBITDA. This was mainly because the company reported a higher depreciation of Rs. 3,304 crore and interest expense of Rs. 1082 crore in FY2020 (due to adoption of IND AS 116) as against a depreciation of Rs. 3,013 crore and interest expense of Rs. 726 crore in FY2020. The NPM in FY2020 was 1.0% compared to 2.2% in FY2019.

In H1FY2021, the company's OI decreased by 23% on YoY basis mainly because of the dip in crude oil prices. However, the PAT increased by 184% due to healthy inventory gains and the OPBITDA increased by 100%. The OPM and NPM in H1FY2021 stood at 8.9% and 5.9% compared to 3.0% and 1.4% in H1FY2020. Going forward there will be moderation in inventory gains but profitability will be aided by core GRMs. For the full year, while the top line is expected to witness decline due to lower volumes and prices, the margins are expected to witness improvement, partly benefiting from the inventory gain in H1 FY2021.

Low working capital intensity built in the nature of operations

All OMCs including HPCL enjoy low to negative working capital intensity owing to the nature of transactions. These companies receive a 30-60 days credit period from their suppliers (domestic and foreign oil companies) and receive payment from petrol pump dealers for fuel one day in advance/ the same day. Further, payments for other products also is usually received on an immediate basis. The company maintains an inventory of 30~35 days.

Capital structure and coverage indicators witness some modertaion but remain comfortable

HPCL's gearing increased from 1.0 as on March 31, 2019 to 1.4 time as of March 31, 2020, due to increase in debt and subdued profitability. The company's coverage metrics have also moderated in the current fiscal owing to the steep decline in profitability. The company is in the midst of significant capex plans phased over the next 3-4 years. The company has raised NCDs of Rs. 7,500 crore in FY2020 to fund its ongoing capex and going forward also will raise debt in the form of NCD or bank debt for capex funding. In YTD FY2021, the company raised NCD of Rs. 3200 crore. However, the gearing is expected to witness a gradual improvement in the next three years, with expected improvement in margins, although the long-term debt will remain at elevated level during this period. Gearing will be aided by modernisation of assets; and the overall increase in scale of operations would ensure improved cash flow from operations, thereby allowing the company to maintain comfortable coverage metrics.

CAPITAL EXPENDITURE AND FUNDING PLANS

Sizeable capex plans

HPCL plans to undertake sizeable capex plans of ~Rs. 39,000 crore between FY2021 and FY2023 which includes equity commitments to its Rajasthan-based refinery-cum-petrochemicals complex. Exhibit 6 provides the function-wise estimated capex plans for HPCL.

Visakh refinery modernisation project: This project includes a new 9 MMTPA refining facility/crude distillation unit (CDU) (which will replace one of Visakh's three existing CDUs) and modernisation and capacity expansion of existing units, augmentation of utilities systems, integrated effluent treatment system, captive power plant and other associated facilities. The project is expected to be completed by Q3FY2022.

Mumbai refinery expansion project: This project includes capacity expansion of the existing refinery in Mumbai. It includes a new integrated Propylene Recovery Unit and Hydrogen Generation Unit (HGU), augmentation of Utilities systems, and other associated facilities. The project is expected to be completed by Q1FY2022.

HPCL Rajasthan Refinery Limited: In August 2017, HPCL signed a MOU with the government of Rajasthan to set up a JV (HPCL: 74% stake; Govt. of Rajasthan: 26% stake) for a Rs. 43,129 crore refinery-cum-petrochemical complex at Barmer, Rajasthan. The project would be funded at a debt-to-equity ratio of 2:1 and would entail an equity infusion of ~Rs. 10,638 crore by HPCL. The refinery is expected to be completed in FY2023. All approvals and environmental clearance for the refinery are in place and the financial closure for Rs. 28,753 crore has been completed. As per the JV agreement, the government of Rajasthan would provide a 15-year interest-free loan of Rs. 1,135 crore for the project.

EXHIBIT 6: Function-wise capex plans

	Estimated capex (Rs. crore)		
Function	**FY2021**	**FY2022**	**FY2023**
Refinery/ R&D	8,000	9,000	4,000
Marketing/Corp.	2,800	3,500	4,500
JVs	2,200	2,500	2,500
Total	**13,000**	**15,000**	**11,000**

Source: Company, ICRA research

DEBT REPAYMENT AND LIQUIDITY PROFILE

HPCL's liquidity is expected to remain strong, aided by healthy cash flow generation and sizeable cash and cash equivalents (Rs. 5,458 crore on standalone books as on March 31, 2020). The capital expenditure of Rs. 13,000 Crore in FY2021 is likely to be met through internal accruals and external borrowing. The company has repayment obligations of ~Rs. 4,306 crore in FY2021, however the liquidity profile remains strong aided by expected healthy cash accruals and bank balances. Further, the company has adequate fund based and non-fund based working capital limits with average utilization of fund based limits at 33% for the past 12 months ending October 2020. HPCL also enjoys high financial flexibility given the Maharatna status and its strong parentage linkages with GoI.

EXHIBIT 7: Trend in Debt Repayments

Rs. Crore	FY2021	FY2022	FY2023	FY2024	FY2025
Debt Repayment	4,306	725	3,725	5,075	5,325

Source: Company Data, ICRA research

BUSINESS & FINANCIAL OUTLOOK

The GRMs in H1FY2021 improved from the low levels at the end of FY2020 on the back of inventory gains; however, core GRMs remain muted with weak crack spreads. Going forward, core GRMs of the Indian refiners are expected to remain weak given the subdued crack spreads due to weak demand. However, inventory gains with the increase in the crude oil prices from record low levels will support refining margins. Additionally, crude oil prices are expected to remain low which will result in low fuel and loss component for refineries, thus supporting the refining margins. Low crude oil prices also result in low working capital borrowings, besides which lower interest rates will lead to lower interest outgo.

Despite muted GRMs, the capacity utilisation is expected to remain healthy and the overall profitability and credit protection metrics of HPCL are expected to remain healthy over the medium term.

Going forward, HPCL is expected to benefit from the upcoming refinery capacity additions at its Mumbai and Visakh refineries. The capacity expansion would increase the share of HPCL's own volumes in its total marketing volumes, thereby leading to an improvement in the company's margins. Overall, the company's scale of operations is expected to increase given the multiple pipeline expansion projects and the refinery-cum-petrochemical complex coming up in Rajasthan. However, the ability of the company to complete these projects without any significant time or cost overruns would remain important from a credit perspective.

EXHIBIT 8: Financial outlook

Parameters	ICRA's Comments
Revenue Growth	Expected to witness moderation in FY2021 due to the impact of covid-19 pandemic; revenues are expected to achieve pre-Covid-19 levels in FY2022 and FY2023 with demand pickup and increase in crude oil prices. Refining volumes expected to increase in FY2022 after completion of capacity expansion at both refineries
Profitability Indicators	Operating margins are likely to remain stable supported by healthy utilisation of existing refinery capacity coupled with expected improvement in complexity levels post-commissioning of enhanced refining capacities
Repayment Obligations	Repayment obligations of Rs. 4,306 crore in FY2021, Rs. 725 Crore in FY2022 and Rs.3,725 crore in FY2023
Capital Expenditure Plans	Capex of ~Rs. 39,000 crore (including equity contribution towards JV projects) planned over the FY2021-FY2023 period
Leverage and Coverage Indicators	Gearing expected to increase in the near to medium term owing to large-scale debt-funded capex plans on own books and through JVs; the gearing is expected to witness gradual improvement in next three years with expected improvement in margins although the long-term debt will remain at elevated level during this period
Working Capital Intensity	Working capital intensity is expected to remain low in line with past trends
Retained Cash Flows	To remain healthy supported by increase in scale of operations and steady operating margins
Liquidity	Expected to remain strong supported by undrawn bank limits, healthy cash flow generation and significant financial flexibility

PROMOTER AND MANAGEMENT PROFILE

HPCL is a Central Public Sector Undertaking with 51.1% stake held by ONGC. The company has an 8-member board consisting of five whole-time directors. The company's Chairman and MD, Mr. Mukesh Kumar Surana, took over his current position in April 2016, prior to which he was serving as the CEO of Prize Petroleum Company Ltd. He has over 33 years in the petroleum industry and has been closely involved in important strategic projects related to refinery operations, acquisition of upstream assets, etc. in his career. The company's refinery operations are headed by Mr. Vinod Shenoy, who took over the position of Director – Refineries in November 2016 but has been with HPCL since 1985.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Downstream Oil Companies
Parent/Group Support	Parent: Oil and Natural Gas Corporation Limited The assigned rating factors in the systemic importance that HPCL holds, which we expect should induce the Government/ONGC to extend timely policy/financial support to the rated entity, should there be a need
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HPCL. ICRA has factored in the rated entity's support to fund the equity component of the investment in its JV projects, any cost overruns, and debt servicing support in the initial stage of operations. The subsidiaries and JVs of HPCL that have been considered are enlisted in Annexure IV.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

ANNEXURE I: Key Financial Indicators - Consolidated

In Rs. crore	FY2016	FY2017	FY2018	FY2019	FY2020	H1 FY2021*
Accounting Method	IGAAP	Ind AS	Ind AS	Ind AS	Ind AS	Ind AS
Revenue & Profitability Indicators						
Operating Income (OI)	177,910	187,493	219,510	275,473	269,092	89,614
Growth in OI (%)	-18.2%	5.4%	17.1%	25.5%	-2.3%	
OPBDITA	8,335	10,887	10,804	12,148	5,662	7,969
Profit After Tax (PAT)	4,675	8,236	7,218	6,691	2,639	5,228
Net Cash Accruals (NCA)	6,732	6,955	7,379	8,348	4,399	7,092
OPBDITA/OI (%)	4.7%	5.8%	4.9%	4.4%	2.1%	8.9%
PAT/OI (%)	2.6%	4.4%	3.3%	2.4%	1.0%	5.8%
ROCE (%)	18.9%	26.4%	22.0%	20.4%	4.4%	NA
Short-term Debt	3,888	10,914	10,879	13,909	16,276	6,856
Long-term Debt	17,280	11,216	11,073	14,283	23,110	28,449
Total Debt	21,167	22,130	21,952	28,192	39,386	35,305
Tangible Net Worth (TNW)	17,970	21,071	25,532	30,401	30,981	34,830
Capitalisation & Coverage Indicators						
Total Debt/TNW	1.2	1.1	0.9	0.9	1.4	1.0
Total Debt/OPBDITA	2.5	2.0	2.0	2.3	7.8	4.4
Interest Coverage	11.5	17.9	17.5	15.5	5.0	13.1
TOL/TNW	2.9	2.8	2.5	2.5	2.8	NA
NCA /TD (%)	32%	31%	34%	30%	10%	NA
DSCR (excl. STD/prepayments)	2.2	1.6	2.3	4.9	2.1	NA
Working Capital Indicators						
Debtor Days	7	7	8	7	5	NA
Creditor Days	22	28	30	28	17	NA
Inventory Days	29	39	33	29	27	NA
NWC/OI (%)	-1%	-1%	-2%	0%	0%	NA
Cash Flow Analysis						
Fund Flows from Operations	6,159	8,043	7,785	6,676	7,288	NA
Retained Cash Flows	5,640	7,930	9,009	5,633	5,075	NA
Free Cash Flows	128	1,174	2,275	-6,097	-13,103	NA

Source: *Company, ICRA research; Note: Amounts in Rs. crore NA: Not Available; *as per quarterly release;*

ANNEXURE II : Rating History for Past Three Years

	Instrument	Current Rating (FY2021)					Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Rating		FY2020		FY2019	FY2018		
					07-Jan-21	23-July-20	10-Jan-20	1-Oct-19	8-Jan-19	29-Mar-18	24-Jan-2018	4-Dec-17
1	NCDs	Long Term	10,000	3,200^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-	-	-	-
2	NCDs	Long Term	7,500	7,500	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-
3	Commercial Paper	Short term	15,000	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-
4	Cash Credit	Long term	4,000	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-
5	Fund Based Limits	Long term	18,254	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-
6	Non-Fund Based Limits	Short term	22,746	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-
7	Issuer Rating	-	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

Amount in Rs. Crore ^amount placed till now

ANNEXURE III: Details of Rated Facility

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NCDs	Yet to be placed	-	-	6,800.0	[ICRA]AAA (Stable)
INE094A08085	NCDs	October 2020	4.79%	October 2023	2,000.0	[ICRA]AAA (Stable)
INE094A08077	NCDs	August 2020	5.36%	April 2025	1,200.0	[ICRA]AAA (Stable)
INE094A08069	NCDs	March 2020	7.03%	April 2030	1,400.0	[ICRA]AAA (Stable)
INE094A08051	NCDs	January 2020	6.38%	April 2023	600.0	[ICRA]AAA (Stable)
INE094A08044	NCDs	October 2019	6.8%	December 2022	3,000.0	[ICRA]AAA (Stable)
INE094A08036	NCDs	August 2019	7.0%	August 2024	2,000.0	[ICRA]AAA (Stable)
INE094A08028	NCDs	April 2019	8.0%	April 2024	500.0	[ICRA]AAA (Stable)
NA	Commercial Paper	-	-	7-365 days	15,000.0	[ICRA]A1+
NA	Cash Credit Limits	-	-	-	4,000.0	[ICRA]AAA (Stable)
NA	Fund Based Limits	-	-	-	18,254.0	[ICRA]AAA (Stable)
NA	Non-Fund Based Limits	-	-	-	22,746.0	[ICRA]A1+
NA	Issuer Rating	-	-	-	-	[ICRA]AAA (Stable)

Source: *Company*

ANNEXURE IV: List of Entities Considered for Consolidated Analysis

Company Name	Ownership	Consolidation Approach
Prize Petroleum Co. Ltd.	100.00%	Full Consolidation
HPCL Biofuels Ltd.	100.00%	Full Consolidation
HPCL Middle East FZCO	100.00%	Full Consolidation
HPCL Rajasthan Refinery Limited	74.00%	Limited Consolidation
HPCL Shapoorji Energy Private Ltd.	50.00%	Limited Consolidation
Ratnagiri Refinery and Petrochemicals Limited	25.00%	Limited Consolidation
HPCL Mittal Energy Ltd.	48.99%	Limited Consolidation
Bhagyanagar Gas Ltd.	48.73%	Limited Consolidation
Aavantika Gas Ltd.	49.99%	Limited Consolidation
IHB Pvt. Ltd.	25.00%	Limited Consolidation
Petronet MHB Ltd.	50.00%	Limited Consolidation
Godavari Gas Ltd.	26.00%	Limited Consolidation
Hindustan Colas Pvt. Ltd.	50.00%	Limited Consolidation
South Asia LPG Co. Pvt. Ltd.	50.00%	Limited Consolidation
Mumbai Aviation Fuel Farm Facility Pvt. Ltd.	25.00%	Limited Consolidation
HPOIL Gas Pvt. Ltd.	50.00%	Limited Consolidation
Mangalore Refinery and Petrochemicals Limited	16.96%	Limited Consolidation
GSPL India Gasnet Limited	11.00%	Limited Consolidation
GSPL India Transco Limited	11.00%	Limited Consolidation

Source: *Company;*

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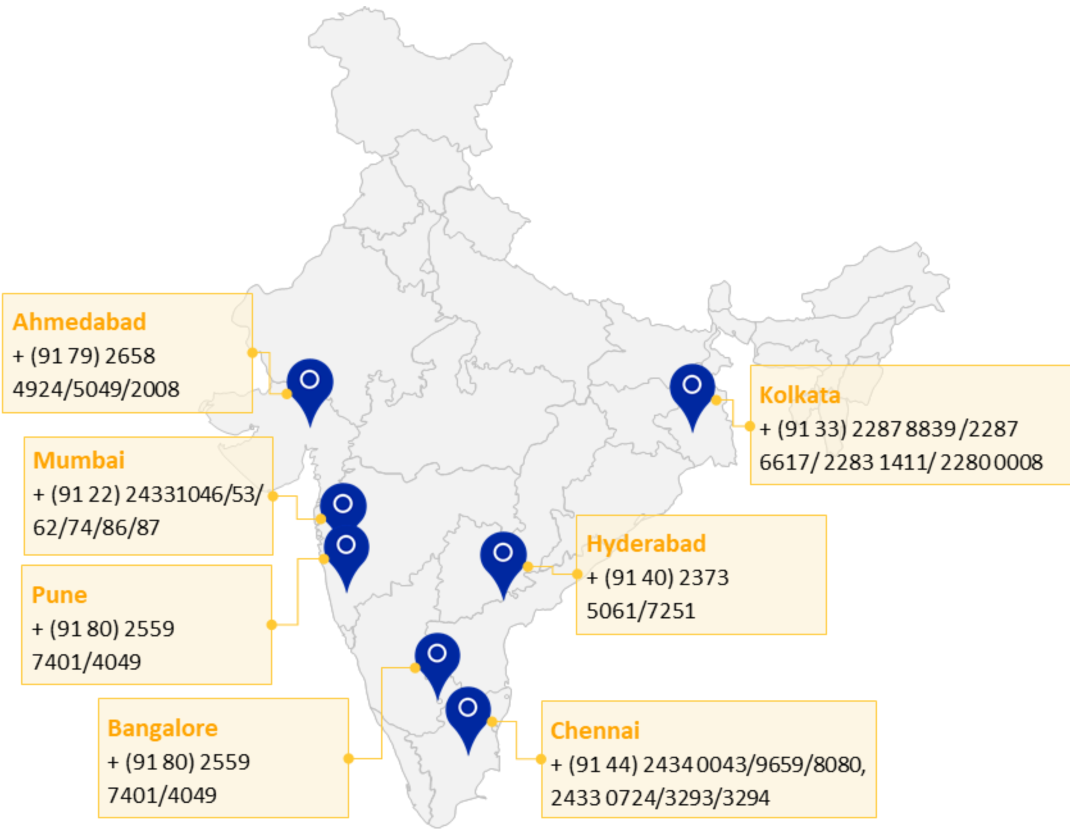
Branches



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