Hindustan Petroleum Corporation Ltd

ISIN :INE094A01015 | NSE :HINDPETRO

Price: 363
Recommendation: Buy
Industry: Refineries & Marketing
Sector: Energy
Report Date: 03-Apr-2025

Hindustan Petroleum Corporation Limited (HPCL) showcased a remarkable Q3 performance, with profits soaring to Rs.3,023 crores from Rs.529 crores last year, driven by operational efficiencies and improved margins. The company achieved a record crude throughput of 18.53 million metric tons. HPCL is expanding its market presence with new retail outlets and LPG distributorships, while investing in renewable energy projects. Despite challenges like inventory losses, HPCL's strategic initiatives position it for future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	438793 Cr	Operating Profit(Year)	15606 Cr	Operating Profit Margin	3.56 %
Previous Year	440403 Cr	Operating Profit(Quarter)	5970 Cr	EBITDA Margin	6.19 %
Current Quarter	110505 Cr	PAT (Year)	14662 Cr	Net Profit Margin	3.38 %
Previous Quarter	99926 Cr	PAT (Quarter)	3023 Cr	EPS	32.2
Revenue (QYoY)	111306 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	11.3	Sales Growth	2.79 %	Sales Growth	10.59 %
PEG Ratio	0.58	PAT Growth	-263.38 %	Sales Growth QYoY	-0.72 %
EV/EBITDA	8.10	EPS Growth	-53.4 %	PAT Growth	379.08 %
P/B	1.93	Dividend Yield	5.83	PAT Growth QYoY	471.46 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	42.7 %	Promoter	54.9 %	Debt/Equity	1.73
RoA	8.92 %	FII	14.4 %	Debt	69686 Cr
RoCE	21.5 %	DII	21.8 %	Market Cap	77283 Cr
RoIC	25.4 %	Public	8.82 %	Enterprise value	146535 Cr
		No of Shares	213 Cr	Cash Equivalents	433 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

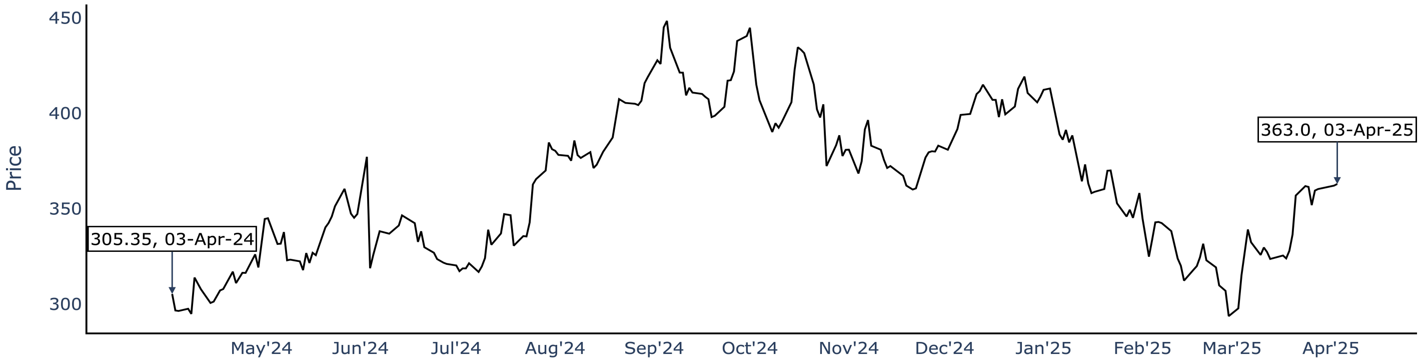
Hindustan Petroleum Corporation Limited (HPCL) reported an exceptional Q3 performance, with a profit after tax of Rs.3,023 crores compared to Rs.529 crores in the previous year. This improvement is attributed to robust physical performance and operational efficiencies in both the refinery and marketing divisions, coupled with improved margins. The company achieved its highest ever crude throughput of 18.53 million metric tons, operating at 106% of installed capacity, marking a 12.4% increase over the previous year. The standalone revenue from operations was Rs.1,18,936 crores, with an average GRM of $6.01 per barrel. HPCL's refineries recorded a significant increase in throughput, with the Vizag refinery now operating at full capacity of 15 million metric tons.

HPCL is actively pursuing new initiatives and business strategies to enhance its market position. The company has commissioned around 450 retail outlets, bringing the total to 22,953, and expanded its LPG distributorship to 6,370. It has also commenced CNG sales in several regions, strengthening its presence in the eastern part of India. The HP Green R&D; Center has entered into an MOU with EIL for the commercialization of HPPSA technology and has filed 14 patents this quarter. The company is also focusing on its non-fuel business, adding three HaPpy Shops to its portfolio, and is investing in solar and wind hybrid projects, having signed MoUs with the governments of Rajasthan and Bihar.

Looking ahead, HPCL is poised for future growth and scaling. The company is progressing with its 9 million metric tons grass-root refinery in Barmer, with mechanical completion expected by March 2025. The Vizag refinery's residue upgradation unit, using LC-Max technology, is set to significantly improve GRMs. HPCL is also enhancing its base oil production and bitumen capacity at the Mumbai Refinery, with a project cost of Rs.4,700 crores. The company is targeting a breakeven utilization of 25% to 30% for its Chhara LNG terminal and is exploring long-term offtake contracts. HPCL's focus on renewable energy and green initiatives, such as CBG plants and ethanol blending, further underscores its commitment to sustainable growth.

While HPCL's performance is commendable, there are areas for improvement. The company faces challenges with inventory losses, amounting to Rs.355 crores in refineries and Rs.460 crores in marketing for Q3. The petchem segment also reported a loss due to subdued polymer prices. To enhance value, HPCL could expedite the value unlocking of its lubricant business, which is significantly larger than competitors like Castrol. Additionally, the company should consider a liberal buyback to improve its market valuation. Despite these challenges, HPCL's strategic initiatives and operational efficiencies position it well for continued success in a competitive market.

HINDPETRO Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
CPCL	9087.34	24.44	35.89%	6.94%	-25.61%	103.28%	-94.31%
HPCL	77282.58	11.33	42.66%	10.59%	-0.72%	378.93%	471.42%
MRPL	23975.58	28.88	31.93%	-12.40%	-11.34%	144.38%	-21.11%
IOCL	184988.21	19.00	25.66%	10.88%	-2.95%	369.74%	-81.87%
Reliance Industr	1689651.57	24.38	9.25%	3.65%	6.62%	11.94%	7.38%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating a need for strategic initiatives to boost sales. However, the quarterly growth suggests potential recovery, driven by increased market activities and operational efficiencies. The focus should be on sustaining this momentum to achieve consistent annual growth.
Profit & Loss	The profit and loss statement reveals a significant improvement in quarterly profits, attributed to operational efficiencies and improved margins. Despite annual challenges, the quarterly performance indicates a positive trend. Continued focus on cost management and margin improvement is essential for sustained profitability.
Profitability Matrix	The profitability matrix highlights a moderate operating profit margin, with EBITDA and net profit margins reflecting operational efficiencies. The EPS indicates shareholder value creation, though there's room for improvement. Strategic cost management and revenue enhancement can further boost profitability metrics.
Valuation Matrix	The valuation matrix shows a reasonable P/E ratio, suggesting the stock is fairly valued. The PEG ratio indicates growth potential, while EV/EBITDA and P/B ratios reflect market confidence. Maintaining growth and profitability will be key to enhancing valuation metrics and attracting investor interest.
Growth (YoY)	Year-over-year growth metrics show challenges, with negative PAT and EPS growth. However, sales growth remains positive, indicating potential for recovery. Strategic initiatives to enhance profitability and shareholder value are crucial to reversing negative growth trends and achieving sustainable growth.
Growth (QoQ)	Quarter-over-quarter growth metrics are strong, with significant improvements in sales and PAT growth. This reflects effective operational strategies and market positioning. Sustaining this growth trajectory will require continued focus on market expansion and operational efficiencies to capitalize on emerging opportunities.
Capital Allocation	The capital allocation metrics indicate strong returns on equity, assets, and capital employed, reflecting efficient use of resources. The focus on strategic investments and cost management is crucial to maintaining these returns and supporting long-term growth objectives. Enhancing capital efficiency remains a priority.
Holdings	The holdings structure shows a balanced mix of promoter, institutional, and public ownership, indicating market confidence. The number of shares suggests a stable shareholder base. Maintaining transparency and shareholder engagement will be key to sustaining investor confidence and supporting market valuation.
Leverage	The leverage metrics indicate a moderate debt-to-equity ratio, suggesting manageable financial risk. The company's market cap and enterprise value reflect market confidence. Effective debt management and strategic investments are essential to maintaining financial stability and supporting growth initiatives.

Analyst viewpoint: Hindustan Petroleum Corporation Limited (HPCL) has demonstrated impressive growth and strategic foresight, positioning itself as a leader in the energy sector. With a remarkable quarterly profit increase of Rs.3,023 crores, up from Rs.529 crores last year, the company has effectively leveraged operational efficiencies and improved margins. The company's focus on expanding market presence through new retail outlets and renewable energy investments reflects a solid growth trajectory. Notably, HPCL's quarterly revenue growth of 10.59% and PAT growth of 379.08% underscores its robust financial performance and operational success, setting a strong foundation for future growth.

Yet, amidst this optimism, HPCL's high debt-to-equity ratio and inventory losses highlight areas where caution is warranted. Nevertheless, with strategic initiatives already underway to mitigate these risks, including focusing on capital allocation and efficiency, HPCL is well-positioned to enhance its market valuation. Their ambitious plans, including technological advancements and strategic partnerships, are expected to drive continued success in a competitive landscape, ensuring solid investor returns in the short to mid-term horizon.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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