Hindustan Petroleum Corporation Ltd

ISIN :INE094A01015 | NSE :HINDPETRO

Price: 379
Recommendation: Buy
Industry: Refineries & Marketing
Sector: Energy
Report Date: 01-May-2025

Hindustan Petroleum Corporation Limited (HPCL) is a leading Indian oil and gas company, excelling in refining, marketing, and green energy initiatives. With advanced technologies, operational efficiencies, and a diversified portfolio, HPCL drives growth through modernization projects, retail expansion, and sustainability efforts, delivering value to stakeholders and ensuring energy security.

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	11.8	Sales Growth	2.79 %	Sales Growth	10.59 %
PEG Ratio	0.60	PAT Growth	-263.38 %	Sales Growth QYoY	-0.72 %
EV/EBITDA	8.29	EPS Growth	-53.4 %	PAT Growth	379.08 %
P/B	2.00	Dividend Yield	5.55	PAT Growth QYoY	471.46 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	42.7 %	Promoter	54.9 %	Debt/Equity	1.73
RoA	8.92 %	FII	12.6 %	Debt	69686 Cr
RoCE	21.5 %	DII	23.6 %	Market Cap	80581 Cr
RoIC	25.4 %	Public	8.98 %	Enterprise value	149833 Cr
		No of Shares	213 Cr	Cash Equivalents	433 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

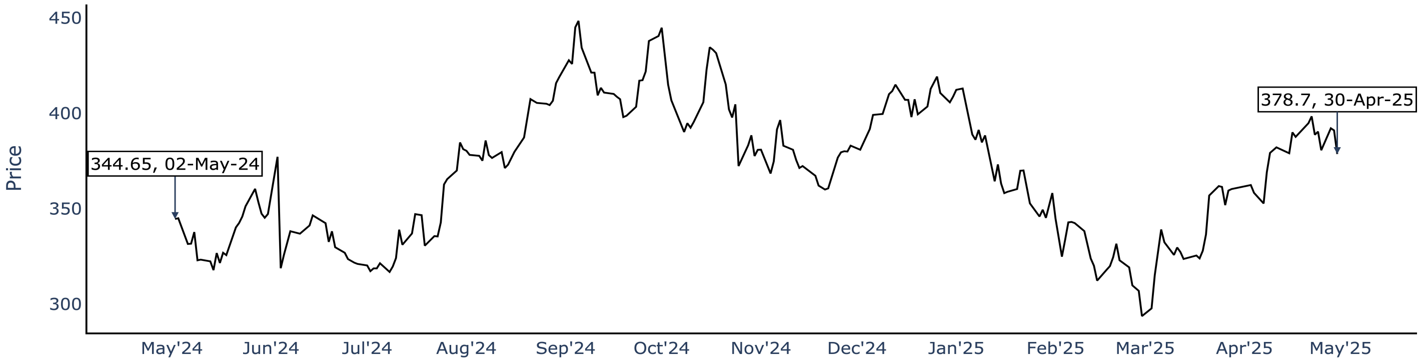
Hindustan Petroleum Corporation Limited (HPCL) showcased robust performance in Q3 FY'25, with a profit after tax of 3,023 crores, a significant leap from 529 crores in Q3 FY'24. This growth was driven by operational efficiencies, improved margins, and record crude throughput of 18.53 MMT, operating at 106% capacity. Sales volumes reached 37.12 MMT for April-December, marking a 7.6% growth, outperforming industry growth rates. Key initiatives include the commissioning of the Vizag refinery at full capacity, the Chhara LNG regasification plant, and the Mumbai Refinery's lube modernization and bottom-upgradation project, which aims to enhance base oil production and bitumen capacity. HPCL also expanded its retail footprint with 450 new outlets and strengthened its presence in the eastern region through CNG and PNG sales.

HPCL is actively diversifying its portfolio with green energy projects, including solar and wind hybrid initiatives in Rajasthan and Bihar, and issuing 12 LoIs for compressed biogas plants, bringing the total capacity to 878 TMT per annum. The company achieved 16.2% ethanol blending during the quarter and expanded EV charging facilities to over 5,000 outlets. The Barmer refinery and petrochemical complex, with a CAPEX commitment of 71,814 crores, is progressing well, targeting mechanical completion by March '25 and full commissioning by FY'27. The Vizag refinery's residue upgradation unit, using LC-Max technology, promises significant margin accretion by converting bottoms into high-value distillates, adding $3-$4 per barrel to GRMs.

HPCL's strategic focus on operational excellence, market share growth, and value unlocking initiatives is evident. The lubricant business carve-out is being actively pursued, while the non-fuel retail segment, including HaPpy Shops, is under expansion to capitalize on retail opportunities. The company is leveraging its LNG terminal for captive use and market opportunities, aiming for breakeven at 25%-30% utilization. Debt reduction by 12,000 crores in Q3 reflects strong cash flows, supported by better operational performance and oil bond maturity. HPCL remains optimistic about government support for LPG subsidy under-recoveries, which totaled 7,600 crores for April-December.

Looking ahead, HPCL is poised for growth with its CAPEX plans nearing completion, enabling incremental benefits from modernization projects and refinery expansions. The company targets higher GRMs, driven by operational efficiencies and new technologies, while maintaining a diversified crude basket to mitigate supply disruptions. With a focus on green energy, advanced refining capabilities, and retail expansion, HPCL is well-positioned to deliver sustained growth and shareholder value. Management's commitment to evaluating investor-friendly measures, such as buybacks, further underscores its proactive approach to enhancing market valuation.

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	9117.85	42.59	2.51%	33.45%	-2.66%	2161.45%	-25.16%
HPCL	80580.64	11.76	42.66%	10.59%	-0.72%	378.93%	471.42%
MRPL	23521.63	418.46	0.43%	12.46%	-2.89%	19.83%	-67.60%
IOCL	194675.39	16.04	6.56%	0.65%	-1.70%	396.19%	57.76%
Reliance Industr	1901297.87	27.30	8.51%	8.92%	10.51%	4.68%	2.41%

Aspect	Commentary
Revenue	HPCL's revenue shows stable performance with a slight YoY decline of 0.72%, while QoQ growth is strong at 10.59%. Quarterly sales reached Rs.110,505 Cr, reflecting operational efficiency and retail expansion. The company’s modernization projects and crude throughput support consistent revenue generation.
Profit & Loss	HPCL achieved a PAT of Rs.3,023 Cr in Q3 FY'25, a significant QoQ growth of 379.08%. However, YoY PAT declined by 263.38%, indicating volatility. EPS stands at Rs.32.2, reflecting profitability challenges despite operational improvements and capacity utilization at 106%.
Profitability Matrix	Operating profit margin is 3.56%, and EBITDA margin is 6.19%, showcasing moderate efficiency. Net profit margin of 3.38% highlights profitability constraints. Margin accretion from modernization projects and LC-Max technology could improve future metrics.
Valuation Matrix	Trailing P/E of 11.8 and PEG ratio of 0.60 indicate undervaluation relative to growth potential. EV/EBITDA at 8.29 suggests reasonable enterprise value. Dividend yield of 5.55% reflects shareholder returns, while P/B ratio of 2.00 shows balanced market valuation.
Growth (YoY)	Sales growth of 2.79% YoY reflects steady performance, while PAT growth declined sharply by 263.38%, indicating profitability challenges. EPS growth of -53.4% highlights earnings pressure despite operational efficiencies and modernization initiatives.
Growth (QoQ)	QoQ sales growth of 10.59% and PAT growth of 379.08% reflect strong quarterly recovery. PAT QYoY growth of 471.46% underscores improved profitability. Sales QYoY decline of 0.72% suggests minor revenue pressure despite retail expansion and crude throughput.
Capital Allocation	HPCL's RoE of 42.7% and RoCE of 21.5% indicate strong returns on equity and capital employed. Debt reduction by Rs.12,000 Cr in Q3 reflects improved cash flows. CAPEX commitments for refinery expansions and green energy projects support long-term growth.
Holdings	Promoter holding is stable at 54.9%, ensuring control. FII and DII holdings at 12.6% and 23.6% reflect institutional confidence. Public holding of 8.98% indicates limited retail participation. Cash equivalents of Rs.433 Cr provide liquidity for operational needs.
Leverage	Debt/Equity ratio of 1.73 reflects moderate leverage, supported by debt reduction efforts. Total debt stands at Rs.69,686 Cr, manageable given strong cash flows and operational performance. Enterprise value of Rs.1,49,833 Cr highlights market confidence in HPCL's growth.

Analyst viewpoint: Hindustan Petroleum Corporation Limited (HPCL) demonstrates strong potential for short to mid-term growth, supported by robust QoQ sales growth of 10.59% and an impressive PAT growth of 379.08%. The company's modernization projects, including the Vizag refinery and LC-Max technology, are expected to drive margin accretion and enhance profitability. HPCL's strategic retail expansion, with 450 new outlets and increased CNG and PNG sales, further strengthens its market presence. Additionally, its green energy initiatives, such as ethanol blending and compressed biogas plants, align with sustainability goals while unlocking new revenue streams. Valuation metrics, including a trailing P/E of 11.8 and PEG ratio of 0.60, suggest the stock is undervalued relative to its growth potential, making it an attractive investment opportunity. Debt reduction of 12,000 crore in Q3 reflects improved cash flows, while CAPEX commitments for refinery expansions and green energy projects position HPCL for long-term growth.

Despite these positives, HPCL's YoY PAT decline of 263.38% and EPS contraction of 53.4% highlight earnings volatility, which warrants close monitoring. However, the company's operational efficiencies, record crude throughput, and diversification into non-fuel retail segments provide a solid foundation for sustained growth. With a focus on advanced refining capabilities, retail expansion, and green energy projects, HPCL is well-positioned to deliver shareholder value. Management's proactive approach, including evaluating buybacks, further underscores its commitment to enhancing market valuation.

Please read detailed disclosure on next page.

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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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