

Estimate change



TP change



Rating change



Bloomberg	HPCL IN
Equity Shares (m)	2128
M.Cap.(INRb)/(USD\$)	1012.8 / 11.4
52-Week Range (INR)	484 / 288
1, 6, 12 Rel. Per (%)	3/20/19
12M Avg Val (INR M)	2183

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	3,870	3,550	3,399
EBITDA	292	260	223
Adj. PAT	167	135	99
Adj. EPS (INR)	79	64	47
EPS Gr. (%)	148	-19	-27
BV/Sh.(INR)	297	343	376

Ratios

Net D:E	0.9	0.7	0.6
RoE (%)	29.3	19.9	13.0
RoCE (%)	15.0	11.9	9.1
Payout (%)	28.3	27.1	29.1

Valuations

P/E (x)	6.1	7.5	10.2
P/BV (x)	1.6	1.4	1.3
EV/EBITDA (x)	5.5	6.0	6.9
Div. Yield (%)	4.7	3.6	2.8
FCF Yield (%)	15.5	12.2	8.5

Shareholding pattern (%)

As Of	Sep-25	Jun-25	Sep-24
Promoter	54.9	54.9	54.9
DII	22.3	23.2	21.7
FII	14.5	13.6	14.1
Others	8.4	8.4	9.3

FII includes depository receipts

CMP: INR476

TP: INR590 (+24%)

Buy

Strong refining, marketing momentum to continue

- HPCL's 2QFY26 EBITDA came in at INR76.2b (29% beat), aided by a higher-than-estimated reported GRM of USD8.9/bbl (48% beat). GRM, adj. for inventory gains, stood at USD8/bbl. Marketing margin (including inv.) stood at ~INR5.8/lit (est. INR5.4/lit). The resultant PAT came in 29% above our estimate at INR38.3b.
- The MoP&NG, through letters dated 3rd and 24th Oct'25, approved a compensation of INR79.2b to HPCL for under-recoveries on the sale of domestic LPG up to 31st Mar'25 and those expected up to 31st Mar'26. The amount will be released in 12 equal monthly installments, with accruals recognized monthly starting Nov'25.
- We factor in LPG under-recovery compensation of INR6.6b per month over Nov'25-Oct'26 under revenue. Additionally, we raise our MS/HSD marketing margin assumptions for 2HFY26-FY28 slightly to INR3.5/lit (from INR3.3/lit earlier). These revisions collectively drive a 23/27% upward revision in our FY26/27 EBITDA estimates.
- In line with management's indication of deferring the lubricant business spinoff and associated value unlocking, we exclude the earlier embedded value of ~INR37.5/sh from our TP. We now value HPCL's standalone operations at 6.5x Dec'27E EV/EBITDA (vs 6.5x FY27E earlier), resulting in a revised SoTP-based target price of INR590/sh.
- We continue to prefer HPCL among OMCs due to the following factors: 1) HPCL's higher leverage toward the marketing segment, 2) higher dividend yield as HPCL's capex cycle is tapering off, and 3) start-up of HPCL's multiple mega-projects in the next 12 months, providing a push to earnings.
- HPCL currently trades at 1.4x FY27E P/B. We estimate the company to deliver 29.3%/19.9% RoE during FY26/27 and estimate a 3.6% FY27E dividend yield. Our earnings assumptions remain conservative as we build in a refining GRM of USD6.5/bbl and an MS/HSD gross marketing margin of INR3.5/lit. We have not assumed any significant benefit from 1) the start-up bottom-upgradation unit and 2) Project Samriddhi, which has unlocked savings worth USD0.5/bbl in 1HFY26. We reiterate our BUY rating on the stock with our SoTP-based TP of INR590.

Key takeaways from the management commentary

- HRRL has achieved **89% overall physical progress**, with the **refinery section surpassing 95%**. Crude feed into the CDU is anticipated within the current calendar year.
- HRRL shall be depreciated over a period of 40 years (~INR20b depreciation p.a.). Interest cost shall be ~INR40b p.a. (before refinancing).
- At the **Residue Upgradation Facility (RUF) in Visakhapatnam**, **pre-commissioning activities were completed on 30 Oct'25**.
- The Mumbai refinery, which was temporarily shut down due to contaminated fuel, is now fully operational and ramping up to its full capacity.
- In 2Q, the Russian crude proportion stood at 5% only.
- **Capex** for 2QFY26 was INR32.6b, bringing the total for 1HFY26 to INR61.2b.
- India's **largest LPG storage cavern**, with a capacity of 80 TMT, was commissioned in Mangalore during the quarter.

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Beat fueled by higher-than-estimated GRM

- HPCL's EBITDA stood at INR76.2b (29% beat), aided by a higher-than-estimated reported GRM of USD8.9/bbl (48% beat).
- Marketing margin (including inv.) stood at ~INR5.8/lit (est. INR5.4/lit). Refining throughput was in line at 6.6mmt. Marketing volumes also came in line at 12.1mmt.
- LPG under-recovery stood at INR12.4b (down 42% QoQ).
- PAT came in 29% above our estimate at INR38.3b. Other income, depreciation, and finance costs were below our estimates.
- However, forex loss stood at INR7.3b. As of Sep'25, HPCL had a cumulative negative net buffer of INR142.4b due to the under-recovery on LPG cylinders (INR130b as of Jun'24).
- As of Sep'25, net debt stood at INR549.2b (vs. INR631.6b as of 31st Mar'25).
- The Board has declared an interim dividend of INR5/sh (FV: INR10/sh).

Valuation and view

- **HPCL** remains our preferred pick among the three OMCs. We model a marketing margin of INR3.5/lit for both MS and HSD in 2HFY26/FY27/FY28, while the current MS and HSD marketing margins are significantly above these levels. We view the following as key catalysts for the stock: 1) the commissioning of its bottom-upgrade unit by the end of 3QFY26, and 2) the start of its Rajasthan refinery by Dec'25.
- HPCL currently trades at 1.4x FY27E P/B, which we believe offers a reasonable margin of safety as we estimate FY27E RoE of 19.9%. **We value the stock at our SoTP-based TP of INR590. Reiterate BUY.**

Standalone - Quarterly Earnings Model

Standalone - Quarterly Earnings Model												(INR b)
Y/E March	FY25				FY26				FY25	FY26E	FY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var (%)
Net Sales	1,138	999	1,105	1,095	1,108	1,008	869	882	4,337	3,867	905	11%
YoY Change (%)	1.6	4.4	-0.7	-4.4	-2.7	0.9	-21.3	-19.4	0.0	-10.8	-9.4	
EBITDA	21	28	65	58	77	76	65	73	171	291	59	29%
Margins (%)	1.8	2.8	5.8	5.3	6.9	7.6	7.5	8.3	3.9	7.5	6.5	
Depreciation	15	15	15	16	15	16	16	18	61	65	16.3	
Forex loss	0	0	5	0	1	7	0	0	4	8	0.0	
Interest	7	9	9	7	7	8	10	11	33	36	9.7	
Other Income	6	6	5	8	5	5	5	12	24	29	6.5	
PBT	5	8	40	43	58	51	45	57	96	211	39.5	29%
Tax rate (%)	24.5	24.4	24.6	22.1	25.0	25.2	25.2	25.2	23.5	25.1	25.2	
Adj PAT	3.6	6.3	30.2	33.5	43.7	38.3	33.7	42.4	73.6	158.2	29.6	29%
YoY Change (%)	-94.3	-87.7	471.4	18.0	1,128.5	506.9	11.5	26.5	-49.9	114.8	368.8	
Key Assumptions												
Refining throughput (mmt)	5.8	6.3	6.5	6.7	6.7	6.6	6.7	6.7	25.3	26.6	6.6	-1%
Reported GRM (USD/bbl)	5.0	3.1	6.0	8.5	3.1	8.9	6.5	6.5	5.7	6.2	6.0	48%
Marketing sales volume incl exports (mmt)	12.6	11.6	12.9	12.7	13.0	12.1	13.6	14.1	49.8	52.8	12.3	-2%
Marketing GM incl inv (INR/litre)	3.0	4.2	5.7	4.6	7.0	5.8	5.3	5.7	4.4	6.0	5.4	7%

Our SoTP-based valuation

Particulars	Earning metric	Val metric	Multiple	Amount (INR m)
HPCL standalone	Dec'27E EBITDA	2,31,504	EV/EBITDA	6.5
(-) Standalone Dec'27E Net Debt				4,79,867
Standalone Market Cap				10,20,279
+ MRPL	25% disc. to CMP	37,210		37,210
+ HMEL	FY24 PAT	9,310	P/E	8.0
+ Chhara terminal	Book Value	12,232	P/B	1.0
+ HRRL	Equity invested till date		P/B	0.5
SoTP				12,53,305
(/) shares outstanding				2,128
TP (INR/share)				590

Key assumptions for HPCL

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	87.1	88.2	90.0
Brent Crude (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	66.9	65.0	60.0
Market Sales (MMT)	38.7	39.6	36.6	39.1	43.5	46.8	49.8	52.8	54.9	57.1
YoY (%)	5	2	(8)	7	11	8	6	6	4	4
GRM (USD/bbl)	5.0	1.0	3.9	7.2	12.1	9.1	5.7	6.2	6.5	6.5
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	3.8	5.2	5.0	5.0
Prem/(disc) (USD/bbl)	0	(2)	3	2	1	2	2	1.1	1.5	1.5
Total Refinery throughput (MMT)	18.4	17.2	16.4	14.0	19.1	22.3	25.3	26.6	26.6	26.6
YoY (%)	1%	-7%	-4%	-15%	37%	17%	13%	5%	0%	0%
Refining capacity utilization (%)	117%	109%	104%	88%	85%	91%	103%	108%	109%	109%
Blended marketing margin including inventory (INR/lit)	4.3	4.0	6.3	4.3	(0.8)	5.5	4.4	6.0	5.3	4.5
Consolidated EPS	31.4	17.1	50.1	34.3	-32.8	75.2	31.6	78.6	63.5	46.6



Key highlights from the management commentary

Operational performance:

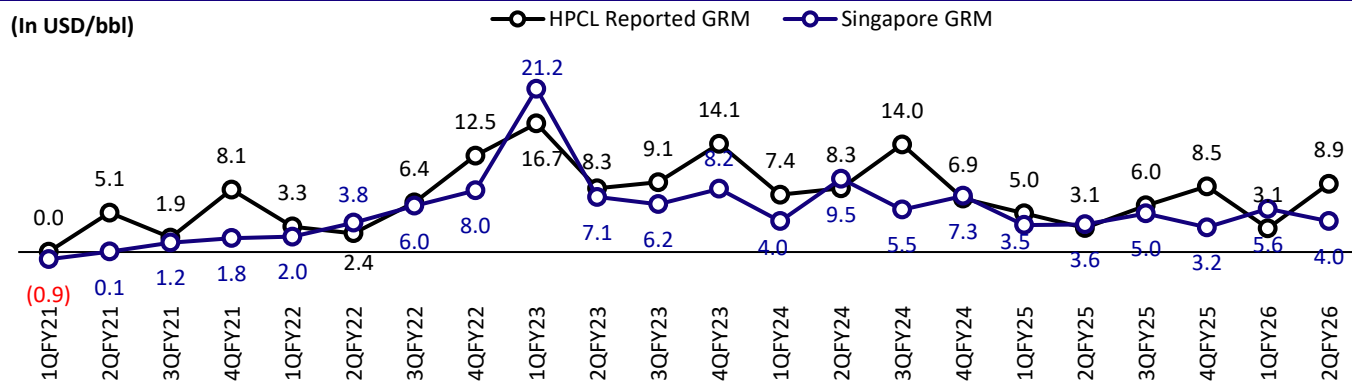
- In 2Q, HPCL's core GRM stood at ~USD8/bbl (implying a ~USD0.9/bbl inventory gain (~INR3.4b).
- Refining opex is ~USD2.5/bbl.
- Product slate:
 - Diesel: 50%
 - MS: 20-25%
 - Rest: LPG, bottom products, and specialty chemicals
- In 2Q, marketing inventory gain stood at INR5.7b.
- HPCL achieved a quarterly throughput of 6.6mmt (+14% YoY).
- Visakh Refinery posted a record quarterly crude throughput of 3.98mmt, while Mumbai Refinery recorded 2.59mmt.
- The company has processed one new crude grade during the quarter, taking the total number of new grades processed in 1HFY26 to five.
- The company achieved a pipeline throughput of 6.12mmt during 2QFY26.
- Market sales volume for the quarter reached a record 12.07mmt (including exports) (+3.9% YoY).
- Combined sales of Petrol (MS) and Diesel (HSD) stood at 7.07mmt, (+2.8% YoY), while total LPG sales (domestic and non-domestic) reached 2.39mmt (+5.9% YoY).
- The aviation business recorded a growth of 6.1% during the quarter, vs. the industry decline of 2%

- A Joint Development and Cooperation Agreement (JDCA) was signed with Technology partner M/s Lummus Technology, USA, for the commercialization of HP-NTO technology
- **Russian crude:**
 - 2Q: 5% proportion (1Q: 13.2% proportion). Hence, if the Russian crude share goes to zero, HPCL will not have a very big impact.
 - The proportion of West-African crude increased in 2Q. A major source for HPCL is the Middle East.
- **Update on ongoing projects:**
 - India's largest LPG storage cavern, with a capacity of 80 TMT, was commissioned in Mangalore during the quarter.
 - HPCL Rajasthan Refinery Limited (HRRL) has achieved 89% overall physical progress, with the refinery section surpassing 95%. Of the thirteen process units, three - Diesel Hydrotreating (DHDT), Hydrogen Generation Unit (HGU), and Crude/Vacuum Distillation - are currently in the pre-commissioning stage. Crude feed into the Crude Distillation Unit (CDU) is anticipated within the current calendar year.
 - Within three months, the refinery section shall be capable of running at 100%. Without petchem, it would run at ~8mmtpa.
 - Current debt is ~INR400b.
 - Refinery shall be depreciated over a period of 40 years (~INR20b depreciation p.a.).
 - Interest cost shall be ~INR40b p.a. (before refinancing).
 - HRRL shall not be consolidated.
 - At the Residue Upgradation Facility (RUF) in Visakhapatnam, pre-commissioning activities were completed on 30 Oct'25. The ISBL hydrogen and flare headers have been successfully commissioned. Integrity testing of the unit under high-pressure and high-temperature conditions using hydrogen has been completed, and catalyst loading is currently underway.
 - Full impact shall be visible from Feb'26.
- **Chlorine contamination:**
 - Part refinery was down, and the other part was running at a lower throughput.
 - The part refinery is now up and running.
 - Impact:
 - Naphtha of ~100tmt had to be exported at a discount, resulting in an excess loss of INR1.5b.
 - Other activities took ~INR1.5b.
- **Project Samriddhi:**
 - Under Project Samriddhi, the company's EBITDA enhancement initiative, accruals during 1HFY26 amounted to INR8.2b, translating to ~USD0.52/bbl.
 - 35% of the accrual amount is recurring, and the rest is one-time.
 - The company believes it to exceed the target of INR10b set for FY26.
- **Lubricant business spin-off:**

- The company is now focusing on the consumer side of the business. The business is growing at high-teens.
- **The spinoff decision has been postponed as of now.**
- **Future initiatives:**
 - Focus on non-fuel retail.
 - Barmer petchem stream to go online in the middle of next year.
 - Working to expand gas portfolios with two gas fields already announced.
- **HP Green R&D Centre (HPGRDC):**
 - By 30 Sep'25, HPGRDC filed a total of 684 patents, of which 272 have been granted.
- **Capex for 2QFY26 stood at INR32.6b, bringing the total for 1HFY26 to INR61.2b.**
 - In 2Q, capex split was 30%/60%/10%: refinery/marketing/others.
 - The company will not enter any mega capex cycle before de-leveraging.
- **Network expansion:**
 - In 2QFY26, 351 retail outlets were commissioned, taking the total to 24,252. Additionally, 3 new LPG distributors were added, bringing the total to 6,387.
 - In 2QFY26, 563 inch-km of steel and 116 km of MDPE pipeline were laid under the CGD network. Additionally, 8,950 new domestic PNG connections were added, taking the total to 1,33,410.
 - One CBG plant was commissioned during the quarter, taking the total to 17. Additionally, 9 LOIs were issued, bringing the total active LOIs to 136 with a combined capacity of 332 TMT.
 - A total of 42 new CNG outlets were commissioned in 2QFY26, bringing the total to 2,113. Additionally, 304 retail outlets were solarized, taking the cumulative count to 22,747.
- **HMEL:**
 - Debt: INR350b
 - During 2Q, EBITDA: ~INR14b (petchem: 35% EBITDA contribution, PAT: ~1.7b).

Story in charts – 2QFY26

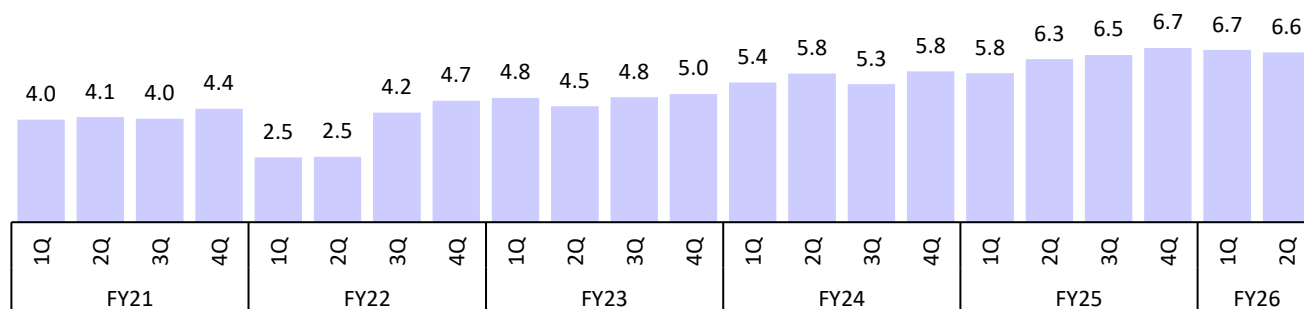
Exhibit 1: Reported GRM stood at USD8.9/bbl, up ~184% YoY



Source: Company, MOFSL

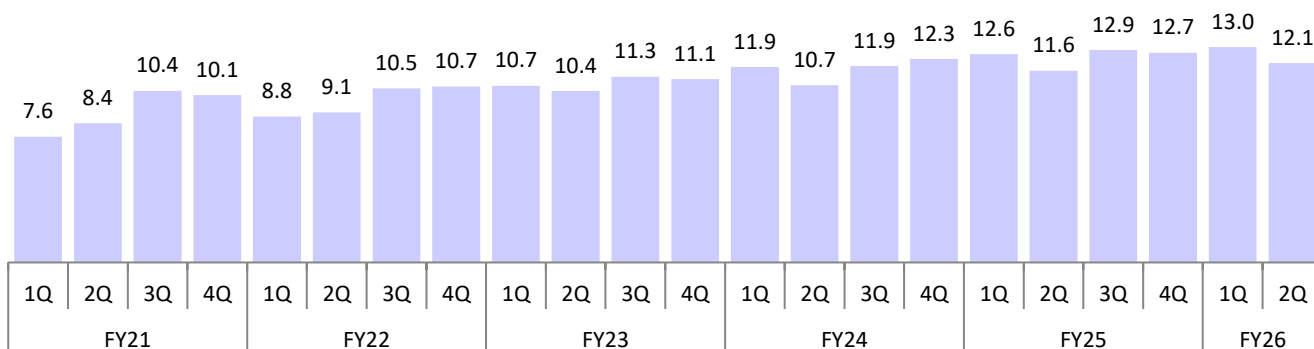
Exhibit 2: Throughput was 6.6mmt, up ~4% YoY

Refinery throughput (mmt)



Source: Company, MOFSL

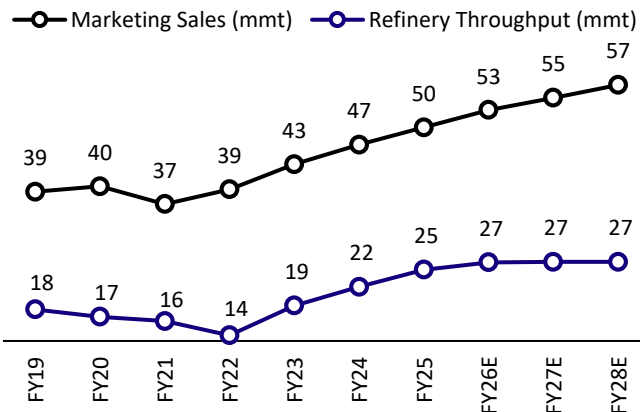
Exhibit 3: Marketing volumes grew ~4% YoY to 12.1mmt



Source: Company, MOFSL

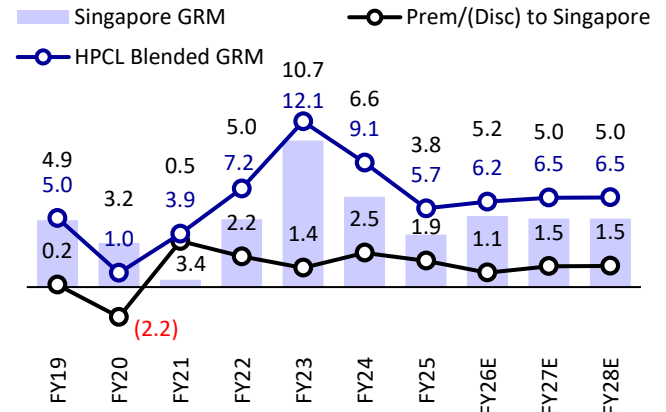
Story in charts

Exhibit 4: Refining throughput/marketing sales of HPCL



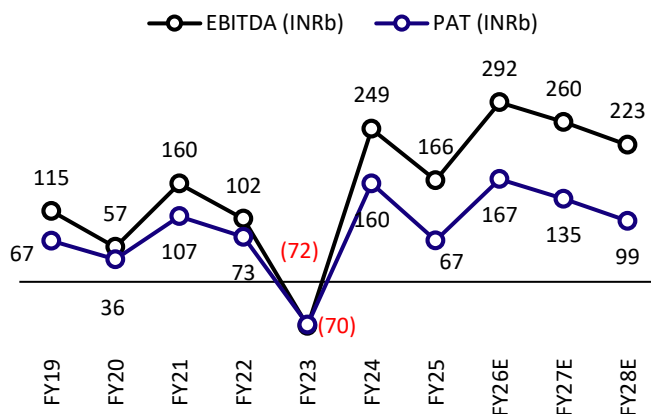
Source: Company, MOFSL

Exhibit 5: GRM trend of HPCL



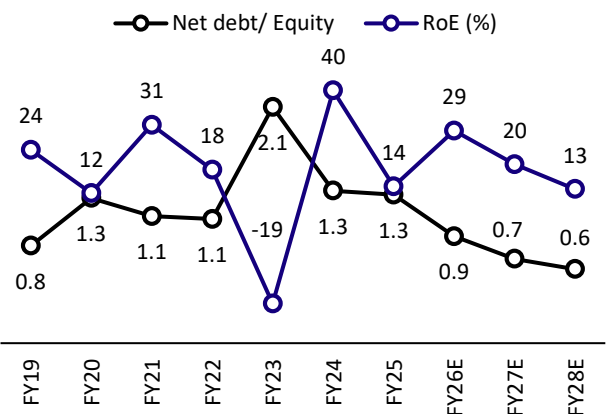
Source: Company, MOFSL

Exhibit 6: EBITDA vs. PAT (standalone)



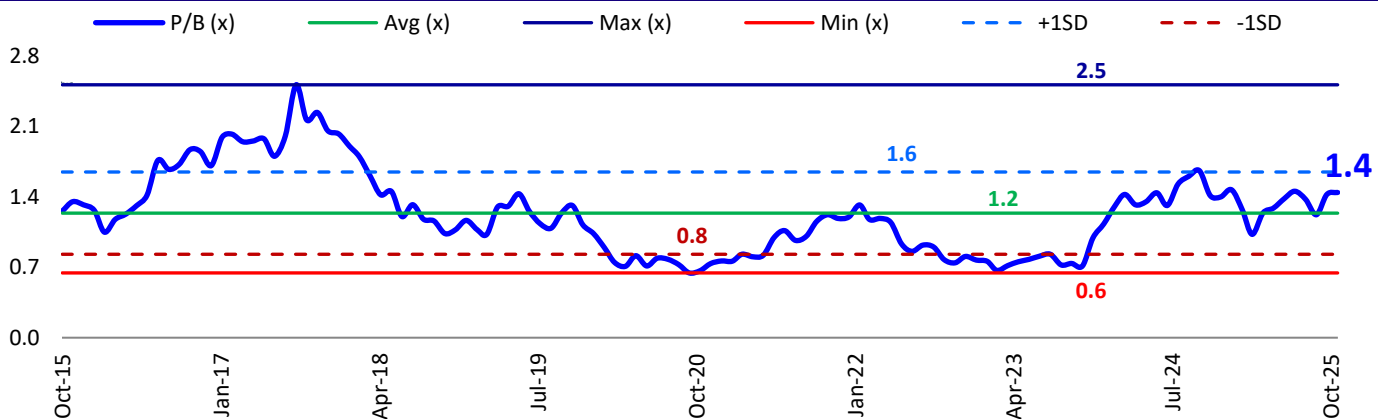
Source: Company, MOFSL

Exhibit 7: Standalone ratios



Source: Company, MOFSL

Exhibit 8: HPCL – One-year forward P/B trades at 1.4x (long-term P/B average at 1.2x)



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	4,407	4,339	4,341	3,870	3,550	3,399
Change (%)	26%	-2%	0%	-11%	-8%	-4%
EBITDA	-72	249	166	292	260	223
Margin (%)	-1.6	5.7	3.8	7.6	7.3	6.6
Depreciation	46	56	62	67	73	78
EBIT	-118	193	104	225	188	145
Interest Charges (incl'd forex)	22	26	34	35	36	37
Other Income	15	19	21	24	30	34
PBT bef. JVs/associates EO	-125	187	91	214	182	142
EO Items	0	0	0	0	0	0
JV and Associate Income	25	18	-1	10	-1	-10
PBT after EO Exp.	-100	205	90	224	181	133
Tax Rate (%)	30.1	21.9	25.2	25.2	25.2	25.2
Reported PAT	-70	160	67	167	135	99
Adjusted PAT	-70	160	67	167	135	99
Change (%)	PL	LP	-58%	148%	-19%	-27%
Margin (%)	-1.6	3.7	1.6	4.3	3.8	2.9

Consolidated - Balance Sheet

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	14	14	21	21	21	21
Total Reserves	308	455	490	610	709	779
Net Worth	323	469	511	631	730	800
Total Loans	671	628	664	684	705	726
Deferred Tax Liabilities	29	69	77	77	77	77
Capital Employed	1,023	1,167	1,253	1,393	1,512	1,603
Net Fixed Assets	681	795	859	891	918	941
Capital WIP	256	201	180	215	250	285
Total Investments	189	295	270	270	270	270
Curr. Assets, Loans&Adv.	447	489	596	636	671	695
Inventory	296	342	383	342	313	300
Account Receivables	68	93	118	105	96	92
Cash and Bank Balance	7	5	3	97	168	210
Cash	5	3	2	96	168	209
Bank Balance	2	2	1	1	1	1
Loans and Advances	11	13	53	53	53	53
Others	64	36	40	40	40	40
Curr. Liability & Prov.	591	661	695	662	640	630
Account Payables	229	273	298	266	244	233
Other Current Liabilities	334	353	360	360	360	360
Provisions	28	35	36	36	36	36
Net Current Assets	-144	-172	-99	-26	30	65
Appl. of Funds	1,023	1,167	1,253	1,393	1,512	1,603

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	-32.8	75.2	31.6	78.6	63.5	46.6
Cash EPS	-11.4	101.5	60.6	110.3	97.6	83.2
BV/Share	151.6	220.5	240.3	296.6	342.9	376.0
DPS	0.0	21.0	10.5	22.3	17.2	13.6
Payout (%)	0.0	27.9	33.2	28.3	27.1	29.1
Valuation (x)						
P/E	-14.5	6.3	15.0	6.1	7.5	10.2
Cash P/E	-41.9	4.7	7.9	4.3	4.9	5.7
P/BV	3.1	2.2	2.0	1.6	1.4	1.3
EV/Sales	0.4	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	-23.3	6.6	10.1	5.5	6.0	6.9
Dividend Yield (%)	0.0	4.4	2.2	4.7	3.6	2.8
FCF per share	-60.2	65.3	22.5	73.7	58.2	40.6
Return Ratios (%)						
RoE	-19.0	40.4	13.7	29.3	19.9	13.0
RoCE	-7.8	15.9	8.2	15.0	11.9	9.1
RoIC	-16.2	24.4	10.6	20.9	17.2	13.1
Working Capital Ratios						
Fixed Asset Turnover (x)	4.6	3.9	3.5	2.9	2.5	2.2
Asset Turnover (x)	4.3	3.7	3.5	2.8	2.3	2.1
Inventory (Days)	24	29	32	32	32	32
Debtor (Days)	6	8	10	10	10	10
Creditor (Days)	19	23	25	25	25	25
Leverage Ratio (x)						
Current Ratio	0.8	0.7	0.9	1.0	1.0	1.1
Interest Cover Ratio	-5.4	7.6	3.1	6.4	5.2	3.9
Net Debt/Equity	2.1	1.3	1.3	0.9	0.7	0.6

Consolidated - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	-100	205	90	224	181	133
Depreciation	46	56	62	67	73	78
Interest expense	22	26	34	35	36	37
Interest income and dividend	-4	-4	-4	0	0	0
Direct Taxes Paid	-2	-3	4	-56	-45	-33
MI and others	-10	-13	1	0	0	0
(Inc)/Dec in WC	13	-28	-44	22	15	7
CF from Operations	-35	239	142	292	259	221
(Inc)/Dec in FA	-93	-99	-94	-135	-135	-135
Free Cash Flow	-128	139	48	157	124	86
Others	12	4	-31	0	0	0
CF from Investments	-114	-130	-106	-135	-135	-135
Inc/(Dec) in Debt	213	-100	26	20	21	21
Interest Paid	-32	-41	-44	-35	-36	-37
Dividend Paid	-20	-21	-23	-47	-37	-29
CF from Fin. Activity	151	-111	-38	-63	-52	-45
Inc/Dec of Cash	3	-2	-1	94	72	41
Opening Balance	2	5	3	2	96	168
Closing Balance	5	3	2	96	168	209

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

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
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