

14 May 2026

FY27 challenging; policy support key now

We downgrade HPCL (HPCL IN) to **Accumulate** from Buy and cut our TP to INR 444 from INR 627, as elevated crude prices and ballooning retail/LPG under-recoveries are impacting near-term earnings sharply. We cut FY27E/FY28E EPS estimates by 96%/64% to INR 4.3/36.6 and introduce FY29E EPS of INR 80.2. While HPCL delivered a beat on PAT in Q4FY26, the focus has shifted to scale and duration of under-recoveries in FY27. Key concerns are: i) crude remaining above USD 100/bbl in FY27, ii) gasoline/diesel/LPG losses, and iii) timing of any relief from the government. We believe the stock will be driven less by Q4 results and more by policy support and crude normalization.

Q4 strong, but pain ahead in Q1FY27: Q4 PAT was at INR 49.0bn, up 46% YoY and 20% QoQ (Elara estimate: INR 43.7bn loss), led by strong retail margin in Jan-Feb and a crude-lag benefit in March. HPCL consumed February-priced crude in March despite crisis starting in March. However, HPCL clearly indicated that Q1FY27 would be tough due to expensive crude, low product price and high volatility, while refrained from quantifying the loss run-rate.

Marketing and LPG losses to hurt FY27 earnings: LPG losses worsened with FY26 LPG under-recovery of ~INR 52bn and Q4 under-recovery of ~INR 13.5bn. Per-cylinder LPG loss rose from ~INR 84 in Q4 to ~INR 170 in April and ~INR 670 in May, implying that FY27 earnings sensitivity to crude and policy support has increased meaningfully. As per our calculations, Q4 gross margin on retail gasoline was INR 3.3/lit and on diesel was INR 1.8/lit. However, per May 2026 data, OMCs are losing INR 10/lit on gasoline and INR 24/lit on diesel.

Balance sheet, the key cushion: Standalone debt declined from ~INR 633bn to ~INR 476bn in FY26. Management attributed this to strong 9MFY26 profit, capex discipline, working-capital reduction and refinancing. This provides HPCL with better ability to absorb FY27 volatility, although earnings visibility is highly dependent on crude.

RUF and HRRL to prop FY28/FY29 earning recovery, but benefits are delayed: Vizag Residual Upgrade (RUF) was commissioned in January 2026, but the management expects benefits to start from late H1FY27. HPCL Rajasthan Refinery (HRRL) was delayed by a localized fire, and now the management expects ramp-up at the refinery from Q2FY27.

Capex discipline to protect cash flows: In line with management view, we assume FY27E capex at INR 58bn, below ~INR 79bn FY26 capex. Elevated crude and under-recovery should lead to deferment of discretionary retail, depot, logistics and non-critical growth capex.

Downgrade to Accumulate from Buy; TP pared to INR 444: Given the sharp EPS cut for FY27E-28E, policy uncertainty and high crude sensitivity, we downgrade HPCL to **Accumulate** (from Buy) with TP pared to **INR 444 (from INR 627)**. Expect nil diesel margin in FY27E (from INR 5.2/liter) and FY27E GRM at USD 12.4/bbl (from USD 6.5/bbl). We value HPCL on FY27E P/B, assuming FY29E BVPS of INR 363 (from INR 470), 17.2% ROE (from 15.6%), 11.7% cost of equity (unchanged) and 1% long-term growth (unchanged). We introduce FY29E.

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	4,337,282	4,414,484	5,691,198	5,529,104	5,327,499
YoY (%)	0.0	1.8	28.9	(2.8)	(3.6)
EBITDA (INR mn)	166,060	304,906	105,681	192,724	311,365
EBITDA margin (%)	3.8	6.9	1.9	3.5	5.8
Adj PAT (INR mn)	73,649	171,752	9,220	77,862	170,663
YoY (%)	(49.9)	133.2	(94.6)	744.5	119.2
Fully DEPS (INR)	34.6	80.7	4.3	36.6	80.2
RoE (%)	16.9	32.5	1.5	12.3	23.9
RoCE (%)	9.5	20.5	2.2	9.4	20.0
P/E (x)	11.3	4.8	90.0	10.7	4.9
EV/EBITDA (x)	8.5	4.7	13.4	7.4	4.6

Note: Pricing as on 13 May 2026; Source: Company, Elara Securities Estimate

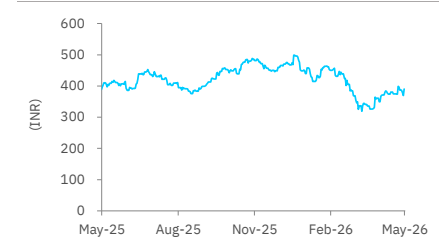
Rating: **Accumulate**
 Target Price: **INR 444**
 Upside: **14%**
 CMP: **INR 390**
 As on 13 May 2026

Key data

Bloomberg	HPCL IN
Reuters Code	HPCL.NS
Shares outstanding (mn)	2,128
Market cap (INR bn/USD mn)	830/8,673
EV (INR bn/USD mn)	1,419/14,827
ADTV 3M (INR mn/USD mn)	3,397/35
52 week high/low	508/316
Free float (%)	45

Note: as on 13 May 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q1	Q2	Q3	Q4
	FY26	FY26	FY26	FY26
Promoter	54.9	54.9	54.9	54.9
% Pledge	0.0	0.0	0.0	0.0
FII	13.6	14.5	16.4	17.3
DII	23.2	22.2	20.6	19.6
Others	8.4	8.4	8.1	8.3

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(8.1)	(9.5)	(4.7)
Hindustan Petroleum	(13.4)	(19.7)	0.3
NSE Mid-cap	(2.8)	(4.5)	2.7
NSE Small-cap	5.0	(1.6)	6.1

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	4,337,282	4,414,484	5,691,198	5,529,104	5,327,499
Gross Profit	391,264	562,478	351,923	457,280	586,790
EBITDA	166,060	304,906	105,681	192,724	311,365
EBIT	105,159	233,658	25,382	107,835	222,766
Interest expense	33,109	31,495	38,791	32,117	26,503
Other income	24,164	26,910	27,448	27,997	28,557
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	96,215	229,073	14,039	103,715	224,819
Tax	22,566	57,320	4,819	25,853	54,157
Minority interest/Associates income	-	-	-	-	-
Reported PAT	73,649	171,752	9,220	77,862	170,663
Adjusted PAT	73,649	171,752	9,220	77,862	170,663
Balance Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Shareholders' Equity	459,583	598,471	605,125	657,330	771,548
Minority Interest	-	-	-	-	-
Trade Payables	296,701	310,258	430,049	408,507	381,838
Provisions & Other Current Liabilities	344,876	410,632	420,898	431,421	442,206
Total Borrowings	683,222	536,963	558,000	474,141	325,396
Other long term liabilities	77,571	82,378	83,080	88,266	99,507
Total liabilities & equity	1,861,953	1,938,701	2,097,152	2,059,664	2,020,494
Net Fixed Assets	991,602	1,033,171	1,010,797	1,001,332	993,158
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	272,305	273,483	273,483	273,483	273,483
Cash, Bank Balances & treasury investments	1,668	1,021	11,608	9,278	10,996
Inventories	381,457	394,085	546,243	518,881	485,005
Sundry Debtors	117,960	74,000	88,007	85,500	82,383
Other Current Assets	96,962	162,941	167,015	171,190	175,470
Total Assets	1,861,953	1,938,701	2,097,152	2,059,664	2,020,494
Cash Flow Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Cashflow from Operations	213,502	282,345	23,630	155,755	260,030
Capital expenditure	(88,418)	(78,508)	(57,925)	(75,425)	(80,425)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(23,334)	(43,999)	-	-	-
Free Cash Flow	101,751	159,838	(34,295)	80,330	179,605
Cashflow from Financing	(103,606)	(160,485)	44,882	(82,660)	(177,888)
Net Change in Cash / treasury investments	(1,856)	(647)	10,587	(2,330)	1,717
Key assumptions & Ratios	FY25	FY26	FY27E	FY28E	FY29E
Dividend per share (INR)	10.5	24.3	1.0	10.0	22.0
Book value per share (INR)	216.0	281.3	284.4	308.9	362.6
RoCE (Pre-tax) (%)	9.5	20.5	2.2	9.4	20.0
ROIC (Pre-tax) (%)	9.6	20.5	2.2	9.5	20.2
ROE (%)	16.9	32.5	1.5	12.3	23.9
Asset Turnover (x)	4.5	4.4	5.6	5.5	5.3
Net Debt to Equity (x)	1.5	0.9	0.9	0.7	0.4
Net Debt to EBITDA (x)	4.1	1.8	5.2	2.4	1.0
Interest cover (x) (EBITDA/ int exp)	5.0	9.7	2.7	6.0	11.7
Total Working capital days (WC/rev)	(3.7)	(7.4)	(2.8)	(3.6)	(4.7)
Valuation	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	11.3	4.8	90.0	10.7	4.9
P/Sales (x)	0.2	0.2	0.1	0.2	0.2
EV/ EBITDA (x)	8.5	4.7	13.4	7.4	4.6
EV/ OCF (x)	6.6	5.0	60.1	9.1	5.5
FCF Yield	0.1	0.1	0.0	0.1	0.1
Price to BV (x)	1.8	1.4	1.4	1.3	1.1
Dividend yield (%)	2.7	6.2	0.3	2.6	5.6

Note: Pricing as on 13 May 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

(INR mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Variance (%)
Revenue	1,148,461	1,094,924	4.9	1,150,538	(0.2)	1,248,656	(8.0)
EBITDA	89,784	58,038	54.7	70,194	27.9	(34,840)	NA
Depreciation	23,998	15,831	51.6	16,189	48.2	16,513	45.3
Interest expense	9,650	7,087	36.2	6,741	43.2	6,818	41.5
Other income	9,361	7,925	18.1	6,862	36.4	7,160	30.8
Exceptional item/prior period adj	0	0		0		0	NA
Tax	16,483	9,495	73.6	13,402	23.0	(15,890)	NA
PAT	49,015	33,550	46.1	40,725	20.4	(43,737)	NA
Adj. PAT	49,015	33,550	46.1	40,725	20.4	(43,737)	NA
EPS (INR)	23.0	15.8	46.1	19.1	20.4	(20.6)	NA

Source: Company, Elara Securities Estimate

Exhibit 2: Quarterly performance

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
GRM (USD/bbl)	14.3	8.4	69.1	8.9	61.2
Refinery Throughput (mn tonne)	6.4	6.7	(4.6)	6.4	0.8
Marketing sales (mn tonne)	13.4	12.7	5.2	13.3	0.1
Pipeline throughput (mn tonne)	6.5	6.6	(2.0)	6.2	3.8

Source: Company, Elara Securities Research

Conference call highlights

Refining

- ▶ Normally, HPCL procures ~two months of crude supply. Earlier sourcing was roughly equally split between term contracts and spot volume. Recently, it has relied much more on spot purchases. However, crude supply procurement was maintained at ~two months. HPCL has already procured nearly half of July supply.
- ▶ Crude sourcing was largely from the Persian Gulf pre-war and Iraq volumes have declined considerably. Post start of war, a large portion of crude is sourced from Russia, with some volumes from the US.
- ▶ GRMs were impacted to some extent as HPCL could not fully optimize its product slate due to unavailability of certain crude grades.
- ▶ Normally, refineries could have optimized the product slate better given current product cracks. However, required grades of crude to optimize products slate were unavailable. Stabilization of Residue Upgradation Facility at Vizag is progressing and full ramp-up is expected in 1–2 months, with benefits likely visible from Q2.
- ▶ The Rajasthan refinery is initially expected to operate at ~60% utilization and it should fully ramp up from Q2FY27. At present, LPG needs to be produced instead of propylene. In the second fortnight of May, some products may be produced at the Rajasthan refinery.
- ▶ HPCL indicated inventory gains in Q4, but did not disclose the amount.
- ▶ HPCL maintain crude storage of 45–50 days for the Vizag refinery and ~35–40 days for Mumbai refinery. LPG is not expected to face shortages in May and June as the company keeps two months of supply. Product availability was ~30 days earlier and is broadly similar at present.
- ▶ Insurance premiums have increased, and availability of some grades is lower. Different producers are quoting varying prices.
- ▶ External dependence for refined products is expected to reduce once the Rajasthan refinery comes online and may potentially lead to diesel surplus.
- ▶ When buying from other refineries, export tax is partially reflected in the purchase price.

Marketing

- ▶ HPCL consumed February priced crude in March
- ▶ Earlier HPCL was importing LPG from the Persian gulf countries and now more volume is procured via spot cargoes sourced outside the Persian Gulf.
- ▶ Per HPCL, LPG loss per cylinder was INR 170 in April-26 and increased to INR 670 per cylinder in May-26.
- ▶ LPG under-recoveries were INR 52bn in FY26 and INR 13.5bn in Q4.
- ▶ Typically, long-term US LPG price would be only marginally higher than Saudi CP price, but the current situation is abnormal. LPG benchmark prices have risen, and premiums are also elevated. The short term challenge with LPG sourcing from the USA is that there is lack of global LPG surplus and longer shipping distances. Turnaround time for ships from the USA is ~80 days versus ~14 days for the Middle East.

Others

- ▶ The company is currently incurring losses in Q1FY27.
- ▶ HMRL and MRPL too contributed meaningfully to consolidated profit in Q4.
- ▶ Net debt-to-equity declined to 0.8x.
- ▶ Per management, discretionary capex may be postponed if required and indicated that projected capex in FY27 is slightly lower YoY.
- ▶ Depreciation has increased as the residue upgradation facility was capitalized in Q4 and there was also an impairment loss of INR 4.5bn on certain assets.
- ▶ HMEL’s GRM was ~USD 17/bbl with EBITDA of INR 33bn in Q4.
- ▶ Project Samriddhi delivered savings of INR 16.91bn (INR 9.47bn one-time savings , with the balance as recurring savings).
- ▶ In FY26, opex per tonne was at INR 1,344.
- ▶ Chhara breakwater will be completed post-monsoon as breakwater facility of 100m is yet to be constructed.
- ▶ 2G ethanol project is expected to commence in 2-3 months.

Exhibit 3: Assumptions

	FY25	FY26	FY27E	FY28E	FY29E
Refining throughput (mn tonne)	25.3	26.0	30.5	35.0	35.0
GRM (USD/bbl)	5.7	8.8	12.4	8.0	7.0
Marketing Sales volume Growth (%)	6.4	3.3	5.0	4.5	4.6
Exchange rate (USD-INR)	84.6	88.4	95.6	95.6	95.6
Brent crude (USD/bbl)	78.9	70.4	97.5	85.0	80.0
Retail Diesel Margin (INR/lit)	6.4	5.2	(9.0)	1.5	4.0
Retail Gasoline Margin (INR/lit)	9.2	8.4	0.0	2.5	5.0

Source: Company, Elara Securities Estimate

Exhibit 4: Valuation

(INR/share)	
FY29E BVPS (INR/share), (A)	363
Long-term ROE from FY29E (%), (B)	17.2
Cost of equity taken from Bloomberg (%), (C')	11.7
Long-term earnings growth rate (%), (D)	1.0
Equity value by FY29E, excluding dividend payout value (INR/share), (E') = (B-D)/(C-D) X (A)	492
Present value of equity, excluding dividend payout value (INR/share) (F) = (E') discounted by three years @Cost of Equity(C')	440
Present value of dividend payout during FY27E-FY29E (INR/share), (G)	4
HPCL: Target price by end-FY28E (INR/share) (H) = (F) + (G)	444

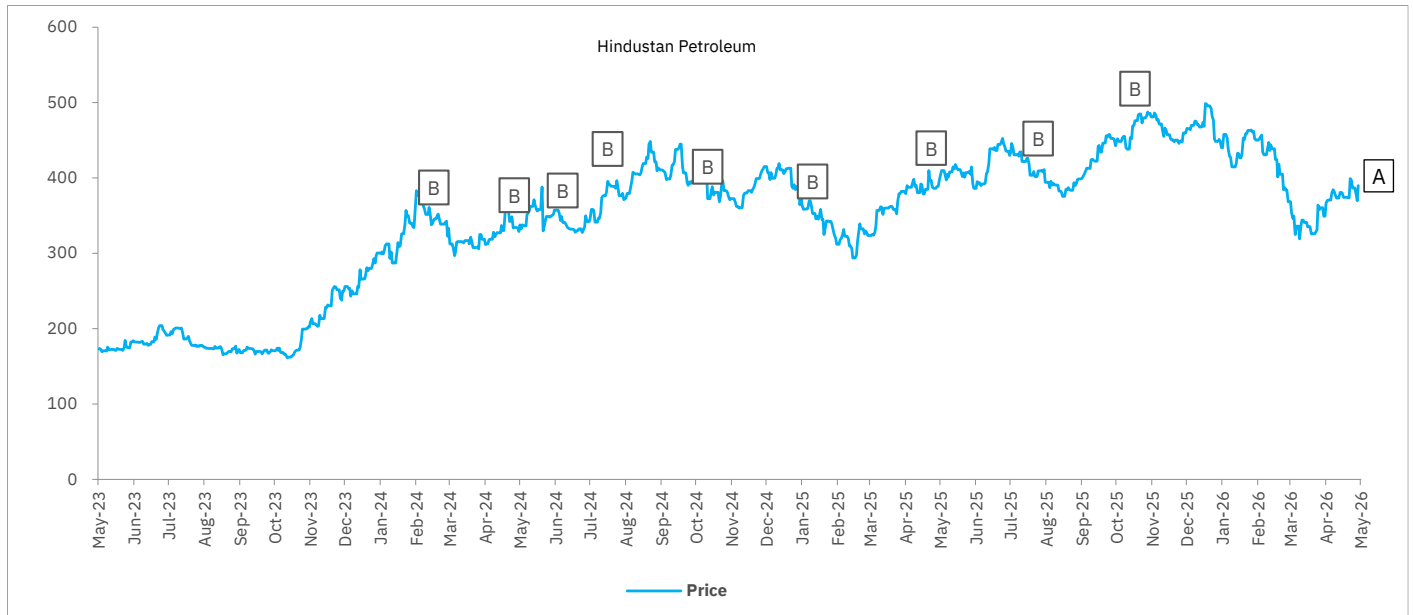
Source: Elara Securities Estimate

Exhibit 5: Change in estimates

(INR bn)	Previous estimates		Revised estimates		% Change		New
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY29E
Revenue	4,856	4,865	5,691	5,529	17.2	13.6	5,327
EBITDA	360	363	106	193	(70.6)	(47.0)	311
EBITDAM	7.4	7.5	1.9	3.5	(554.7)	(398.2)	5.8
Net Profit	215	218	9	78	(95.7)	(64.4)	171
EPS (INR)	101.3	102.7	4.3	36.6	(95.7)	(64.4)	80.2
Target price (INR)		627		444		(29.1)	
Rating		Buy		Accumulate			

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
01-Mar-2024	Buy	755	517
10-May-2024	Buy	716	502
21-Jun-2024	Buy	477	340
30-Jul-2024	Buy	499	396
25-Oct-2024	Buy	471	372
24-Jan-2025	Buy	449	353
07-May-2025	Buy	608	397
08-Aug-2025	Buy	578	410
31-Oct-2025	Buy	627	476
31-Oct-2025	Buy	627	476
13-May-2026	Accumulate	444	390

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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