

Retail Equity Research

Hindustan Petroleum Corporation Ltd.

Oil, Gas & Consumable Fuels

BSE CODE: 500104

NSE CODE: HINDPETRO

Bloomberg CODE: HPCL:IN

SENSEX: 51,017

BUY

12 Months Investment period Rating as per Large Cap

CMP Rs. 284 TARGET Rs. 336 RETURN 18% ↑
(Closing: 26-05-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Efficient demand planning delivered growth

HPCL, a subsidiary of ONGC, is an Indian public-sector company engaged in refining, transportation and marketing of petroleum products.

- Q4FY21 revenue grew 13.1% YoY on account of strong demand recovery observed post-lockdown relaxation in FY21. GRM stood at US\$ 8.11/bbl (inventory gains of US\$ 4.61/bbl) driven by higher volumes in lubes and other high margin products.
- EBITDA reported at Rs. 4,666cr (vs. Rs. 707cr loss in Q4FY20), as margin improved to 6.2% (vs. 1.1% loss in Q4FY20) on low material and operational costs. Adj. PAT declined 24.0% YoY on higher taxes.
- HPCL's operational capabilities supported by proper demand planning to varying macro trends have enabled them sail through FY21 comfortably. Outlook remains positive with improvement in GRM and potential to execute planned projects. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 336 based on SOTP valuation.

Continued demand recovery drives topline growth

In Q4FY21, revenue grew by 13.1% YoY (+9.0% QoQ) to Rs. 74,843cr, primarily on strong demand recovery in the second half of FY21. Utilization rate for FY21 improved to 104% vs. industry average of 89.7%. Crude throughput for Q4FY21 stood at 4.4mmt vs. 4.5mmt in Q4FY20, whereas domestic and export sales volumes reported at 9.8mmt (+6.3% YoY) and 0.3mmt (-3.1% YoY), respectively. Despite demand declines and tough economic conditions in FY21, HPCL added 2,158 new retail outlets (highest in a year) to drive volumes further.

Lower operational cost aids margins

HPCL's Q4FY21 GRM stood at US\$ 8.11/bbl with inventory gain of US\$ 4.61/bbl as sales volume of high margin products increased. EBITDA reported at Rs. 4,666cr in Q4FY21 (vs. Rs. 707cr loss in Q4FY20) and EBITDA margin rose to 6.2% (vs. 1.1% loss in Q4FY20) on account of lower material and operational costs. Reported PAT rose 1.6% YoY to Rs. 3,018cr, however after adjusting for exceptional items, adj. PAT was down 24.0% YoY.

Key concall highlights

- Company completed its share buy-back through open market and acquired 10.5cr equity shares worth Rs. 2,400cr (Rs. 2,954cr including tax).
- Being committed to focus on CNG, HPCL added CNG facilities at 203 outlets (taking total to 674 outlets). 102 additional LPG distributions were added taking total count to 6,192.
- By acquiring remaining 50% stake in JV project, Chhara LNG regasification port became 100% subsidiary of HPCL which strengthens LNG value chain.
- FY21 capex stood at Rs. 14,036cr, of which refining capex was close to Rs. 6,000cr.
- Company announced a final dividend of Rs. 22.75/share for FY21.

Valuation

Considering the robust project pipeline, near-term capacity addition coupled with HPCL's focus on innovation, we expect the company's GRM to improve further as demand normalizes in coming quarters. Therefore, with a positive outlook on the company's growth prospects, we reiterate our BUY rating on the stock with a revised target price of Rs. 336 based on SOTP valuation.

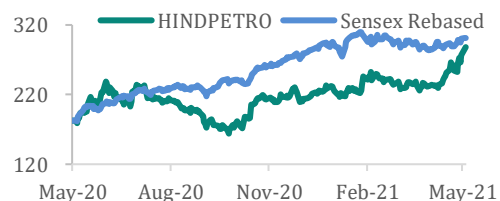
Company Data

Market Cap (cr)	Rs. 35,741
Enterprise Value (cr)	Rs. 89,456
Outstanding Shares (cr)	151.1
Free Float	49.0%
Dividend Yield	7.9%
52 week high	Rs. 292
52 week low	Rs. 163
6m average volume (lacs)	3.6
Beta	0.8
Face value	Rs. 10

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	51.1	51.6	53.5
FII's	15.5	15.9	16.3
MFs/Insti	22.3	20.8	18.9
Public	8.5	8.3	8.6
Others	2.6	3.4	2.7
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.2%	36.0%	58.2%
Absolute Sensex	-0.8%	15.5%	65.1%
Relative Return*	15.0%	20.4%	-6.9%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Sales	232,997	275,872	299,957
Growth (%)	(13.3)	18.4	8.7
EBITDA	15,925	11,449	13,072
EBITDA Margin (%)	6.8	4.2	4.4
Adj. PAT	10,664	6,240	6,896
Growth (%)	192.9	(41.5)	10.5
Adj. EPS	70.6	41.3	45.6
Growth (%)	195.4	(41.5)	10.5
P/E	3.3	7.0	6.3
P/B	1.0	1.1	0.9
EV/EBITDA	4.8	7.8	7.1
ROE (%)	29.5	15.3	14.9
D/E	1.2	1.1	1.1

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	74,843	66,155	13.1	68,659	9.0	232,997	268,766	(13.3)
EBITDA	4,666	(707)	<i>n.m.</i>	3,302	<i>41.3</i>	15,925	5,123	<i>210.8</i>
EBITDA margins	6.2	(1.1)	<i>n.m.</i>	4.8	140bps	6.8	1.9	490bps
Depreciation	937	811	15.5	881	6.4	3,553	3,304	7.5
EBIT	3,729	(1,518)	<i>345.7</i>	2,420	<i>54.1</i>	12,373	1,819	<i>580.2</i>
Interest	205	337	(39.2)	127	61.1	915	1,082	(15.4)
Other Income	545	424	28.4	865	(37.0)	2,789	1,838	51.7
Exceptional Items	-	(1,003)	<i>n.m.</i>	-	<i>n.m.</i>	-	(1,003)	<i>n.m.</i>
PBT	4,069	(2,434)	<i>n.m.</i>	3,158	<i>28.8</i>	14,247	1,573	<i>805.9</i>
Tax	1,051	(2,461)	<i>n.m.</i>	803	30.8	3,583	(1,065)	<i>n.m.</i>
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	3,018	2,970	<i>1.6</i>	2,355	<i>28.2</i>	10,664	2,637	<i>304.4</i>
Adjustments	-	1,003	<i>n.m.</i>	-	<i>n.m.</i>	-	1,003	<i>n.m.</i>
Adj. PAT	3,018	3,973	<i>(24.0)</i>	2,355	<i>28.2</i>	10,664	3,640	<i>192.9</i>
No. of shares	151.1	152.4	(0.8)	151.8	(0.5)	151.1	152.4	(0.8)
Adj. EPS (Rs.)	20.0	26.1	<i>(23.4)</i>	15.5	<i>28.8</i>	70.6	23.9	<i>195.4</i>

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	235,648	-	275,872	299,957	17.1	-
EBITDA	16,778	-	11,449	13,072	(31.8)	-
Margins (%)	7.1	-	4.2	4.4	(297bps)	-
Adj. PAT	9,698	-	6,240	6,896	(35.7)	-
Adj. EPS	63.7	-	41.3	45.6	(35.2)	-

Sum of the parts (SOTP) valuation

Particulars	Methodology	Multiple	Year	Value (Rs. cr.)	Value Per Share (Rs.)
HPCL	EV/EBITDA	6.5	FY23E	84,423	581
Less: Net debt				41,652	287
Total					295
Investments					52
- MRPL	Market Price			1,498	10
- Oil India	Market Price			348	2
- HMEL	Net Profit	8.0	FY19	5,753	40
			20% holding discount to investments		(10)
			Target price		336

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	275,215	268,766	232,997	275,872	299,957
% change	25.5	(2.3)	(13.3)	18.4	8.7
EBITDA	11,402	5,123	15,925	11,449	13,072
% change	5.5	(54.0)	229.6	(27.0)	21.3
Depreciation	3,013	3,304	3,553	4,226	4,768
EBIT	8,390	1,819	12,373	7,223	8,304
Interest	726	1,082	915	1,291	1,423
Other Income	1,675	835	2,789	2,759	3,000
PBT	9,339	1,573	14,247	8,691	9,880
% change	1.5	(83.2)	805.9	(39.0)	13.7
Tax	3,310	(1,065)	3,583	2,451	2,984
Tax Rate (%)	35.4	(67.7)	25.1	28.2	30.2
Reported PAT	6,029	2,637	10,664	6,240	6,896
Adj*	-	1,003	-	-	-
Adj PAT	6,029	3,640	10,664	6,240	6,896
% change	(5.2)	(39.6)	192.9	(41.5)	10.5
No. of shares (cr)	152.4	152.4	151.1	151.1	151.1
Adj EPS (Rs.)	39.6	23.9	70.6	41.3	45.6
% change	(5.2)	(39.6)	195.4	(41.5)	10.5
DPS (Rs.)	15.9	9.8	22.8	15.7	17.3
CEPS (Rs.)	59.3	45.6	94.1	69.3	77.2

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	9,041	5,942	14,217	10,465	11,664
Non-cash adj.	(3,941)	1,265	6,066	(3,059)	751
Changes in W.C	3,350	(1,753)	(2,560)	5,958	96
C.F. Operation	8,450	5,453	17,722	13,364	12,511
Capital exp.	(11,257)	(13,785)	(11,177)	(13,735)	(11,940)
Change in inv.	(739)	(932)	(2,245)	(1,084)	(1,300)
Other invest.CF	612	551	694	763	839
C.F - Investment	(11,383)	(14,166)	(12,728)	(14,056)	(12,401)
Issue of equity	-	-	-	-	-
Issue/repay debt	5,134	11,434	569	4,322	3,889
Dividends paid	(1,653)	(1,725)	(1,484)	(2,278)	(2,518)
Other finance.CF	(790)	(1,231)	(3,478)	(1,291)	(1,423)
C.F - Finance	2,691	8,478	(4,393)	752	(52)
Chg. in cash	(243)	(234)	601	60	59
Closing cash	96	113	237	297	356

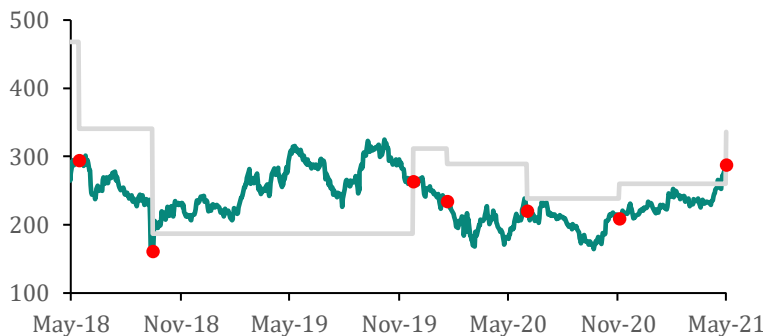
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	96	113	237	297	356
Accounts Receivable	5,653	3,923	6,856	6,897	6,899
Inventories	20,193	19,141	28,592	25,708	26,657
Other Cur. Assets	17,276	14,117	7,925	9,303	10,639
Investments	7,881	8,589	10,728	10,828	10,828
Gross Fixed Assets	52,722	66,507	77,684	91,419	103,359
Net Fixed Assets	40,523	47,747	49,261	58,746	65,894
CWIP	9,496	17,047	24,053	24,077	24,101
Intangible Assets	456	640	820	828	836
Def. Tax (Net)	-	-	-	-	-
Other Assets	2,265	2,697	2,767	3,043	3,652
Total Assets	103,839	114,015	131,239	139,728	149,863
Current Liabilities	43,210	40,865	47,230	46,546	46,050
Provisions	55	50	52	53	53
Debt Funds	25,110	38,433	41,889	46,211	50,100
Other Liabilities	7,289	5,704	5,882	6,008	7,532
Equity Capital	1,524	1,524	1,452	1,452	1,452
Reserves & Surplus	26,651	27,438	34,734	39,458	44,676
Shareholder's Fund	28,175	28,962	36,186	40,911	46,128
Minority Interest	-	-	-	-	-
Total Liabilities	103,839	114,015	131,239	139,728	149,863
BVPS (Rs.)	185	190	239	271	305

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	4.1	1.9	6.8	4.2	4.4
EBIT margin (%)	3.0	0.7	5.3	2.6	2.8
Net profit mgn.(%)	2.2	1.0	4.6	2.3	2.3
ROE (%)	21.4	9.1	29.5	15.3	14.9
ROCE (%)	15.7	2.7	15.8	8.3	8.6
W.C & Liquidity					
Receivables (days)	7.5	5.3	10.7	9.1	8.4
Inventory (days)	29.7	28.3	52.1	38.3	36.5
Payables (days)	25.0	16.7	32.2	31.0	29.9
Current ratio (x)	0.8	0.7	0.7	0.7	0.7
Quick ratio (x)	0.2	0.2	0.2	0.2	0.2
Turnover & Leverage					
Gross asset T.O (x)	5.5	4.5	3.2	3.3	3.1
Total asset T.O (x)	2.9	2.5	1.9	2.0	2.1
Int. coverage ratio (x)	11.6	1.7	13.5	5.6	5.8
Adj. debt/equity (x)	0.9	1.3	1.2	1.1	1.1
Valuation					
EV/Sales (x)	0.2	0.3	0.3	0.3	0.3
EV/EBITDA (x)	5.8	13.1	4.8	7.8	7.1
P/E (x)	6.9	8.0	3.3	7.0	6.3
P/BV (x)	1.5	1.0	1.0	1.1	0.9

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
14-Sep-17	HOLD	468
7-Jun-18	HOLD	341
9-Oct-18	HOLD	187
18-Dec-19	BUY	312
13-Feb-20	BUY	289
26-Jun-20	HOLD	239
27-Nov-20	BUY	260
26-May-21	BUY	336

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/ event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, Sheen.G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: GEOJIT's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership*:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company and is in receipt of compensation from the subject company." (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen.G , Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customer@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

