

21 August 2021

Result Update – Q1FY22

- Hindustan Petroleum Corporation Limited (HPCL) has recorded Profit after Tax (PAT) of ₹ 20.04 billion compared to ₹ 22.53 billion lower by 11.0 % for the same quarter last year due to a planned shutdown of the refinery, some on the industrial products which they directly supply from the refineries and an exchange rate loss. EBITDA came at ₹ 31.93 billion decline by 26.8% on YoY and 32.6% on QoQ. Gross sales for the quarter ended June was ₹ 735.6 billion as compared ₹ 459.5 billion for the same period last year.
- During April-June 2021, HPCL achieved total sales volume of 8.83 MT against 7.62 MT in previous year for the same period representing a growth of 15.9 %.The sales of major products have shown significant growth compared to same period last year despite an aggressive second wave of Covid-19 pandemic forcing partial lockdowns across the country. The sale of petrol was up 36.6 %, diesel 22.2 % and Aviation Turbine Fuel, 118.8 %. While petrol sales in July reached pre-pandemic levels, diesel is about 10% short.
- During the quarter, Mumbai refinery was shut for 45 days in the quarter for completing the expansion of the capacity and unit revamps. This brought down crude throughput (or the amount of crude oil turned into fuel) to 2.51 MT in April-June from 3.97 MT a year back. While the Mumbai refinery operated at 25 % of its capacity due to the shutdown, HPCL's Vizag unit operated at 98 % capacity in April-June.
- HPCL commissioned another 142 new retail outlets were opened during the quarter taking the total retail outlet network to 18,776. CNG facilities were added to another 50 retail outlets. With this, now 724 retail outlets have got CNG facilities. Almost 25% of total network is solarized, it works on solar power now, which is around more than 5,000 retail outlets. In order to provide multiple choices to the customers for their energy needs, HPCL has entered into a strategic partnership with Tata Power, India's largest integrated power company, to provide EV charging at its petrol pumps in various cities and major highways.
- The crude prices are likely to stay in the range of \$70-75 per barrel in the near term or at least till March 2022 unless there was a major third wave of coronavirus infections which would impact demand. On the demand side because there was quicker recovery, especially, in some parts of the world. The Management reiterated capex guidance of ₹ 145 billion each year for FY22 and FY23, tapering down from FY24 onwards. 1QFY22 capex spend was at ₹ 30 billion, including ₹12 billion on equity investments in JVs.
- We have a positive outlook on HPCL given its earnings growth visibility on the back of its capex plans and improvement marketing margin environment. Company also is doubling its existing capacity at Visakh and Mumbai refinery, this will drive the earnings for its refinery business. We value HPCL at 6X FY23 EPS and maintain our **BUY** rating on the stock with revised target price of ₹ 306.

Quarterly Results

Financial Results

Consolidated			
(In ₹ mn)	Q1-FY22	Q1-FY21	Chg
Net Sales	724,915	377,820	91.9%
Operating Expense	692,978	334,207	107.3%
EBITDA	31,937	43,613	-26.8%
Other Income	3,465	5,334	-35.0%
Depreciation	9,267	8,831	4.9%
EBIT	26,136	40,116	-34.8%
Interest	2,593	3,340	-22.4%
PBT	23,543	36,776	-36.0%
Tax	6,506	8,671	-25.0%
PAT	17,037	28,106	-39.4%
Minority /Other Adj.	3,002	(5,579)	
Consolidated PAT	20,039	22,527	-11.0%
Consolidated			
Margins	Q1-FY22	Q1-FY21	Chg
Operating Margin %	4.4%	11.5%	-714
PBT Margin %	2.4%	7.4%	-509

Source: Company, Anand Rathi Research

Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	2,690,915	2,332,485	2,862,715	3,034,478
Operating Expense	2,634,290	2,172,451	2,755,477	2,914,209
EBITDA	56,625	160,034	107,238	120,269
Other Income	16,816	26,437	30,403	32,227
Depreciation	33,699	36,255	44,524	45,059
EBIT	39,742	150,216	93,117	107,437
Interest	11,389	9,633	10,388	10,799
Misc. items	(10,029)	-	-	-
PBT	18,325	140,583	82,729	96,639
Tax	(12,644)	35,431	20,850	24,356
Minority Interest	(4,582)	1,387	-	-
PAT	26,387	106,539	61,879	72,283
Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-2.3%	-13.3%	22.7%	6.0%
Operating Margin %	2.1%	6.9%	3.7%	4.0%
Net Margin %	1.0%	4.6%	2.2%	2.4%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<u>Liabilities</u>				
Equity Share Capital	15,242	14,524	14,524	14,524
Reserves & Surplus	294,564	366,285	428,164	500,446
Total Shareholder's Funds	309,806	380,809	442,688	514,971
Minority Interest	-	-	-	-
Long-Term Liabilities	231,096	277,644	287,644	295,644
Other Long-term Liabilities	2,802	4,719	4,719	4,719
Deferred Tax Liability	54,914	54,622	54,622	54,622
Short-term Liabilities	570,444	623,803	630,973	659,669
Total	1,169,062	1,341,597	1,420,646	1,529,625
<u>Assets</u>				
Net Fixed Assets	661,215	762,479	862,956	827,897
Long-Term L&A	36,133	40,525	40,525	40,525
Non Current Investments	90,508	93,339	93,339	93,339
Other Non-Current Assets	5,028	4,164	4,364	4,314
Current Asset	376,178	441,090	419,463	563,551
Total	1,169,062	1,341,597	1,420,646	1,529,625
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	17.3	70.6	43.6	51.0
P/E (x)	16.1	3.7	6.4	5.5
P/B (x)	1.4	1.0	0.9	0.8
ROE	8.5%	28.0%	14.0%	14.0%

Source: Company, Anand Rathi Research

Key Risks:

- ❑ Adverse petroleum prices/margins, currency
- ❑ Delay in post-Covid-19 recovery
- ❑ Project delays and capex-cost over-runs.



Rating and Target Price history:

HINDPETRO rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 21 August 2021 close.

HINDPETRO rating details

Date	Rating	Target Price (₹)	Share Price (₹)
17-Mar-2021	BUY	293	236
25-May-2021	BUY	351	288
21-Aug-2021	BUY	306	247

Source: Bloomberg, Anand Rathi Research



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