INDIA ENERGY · OMC · NSE HINDPETRO · BSE 500104

HPCL — a *state refiner* printing record profits at a 4.6× P/E.

FY26 PAT up **153% to ₹17,047 cr**. Highest-ever crude throughput. The ₹73,000 cr Barmer refinery just lit up. ₹19.25 final dividend — biggest payout in five years. The PSU discount is the entire opportunity, and the entire risk.

BY AZIZ SAIF · DUBAI · 21 JUNE 2026

₹392.75	₹83,570 cr	4.63×	₹19.25
LAST CLOSE (NSE)	MARKET CAP	TTM P/E	FINAL DIVIDEND FY26

§ I · THE COMPANY

What *HPCL* actually is.

> *A 1974-incorporated, ONGC-controlled state oil marketing company that refines about 26 million tonnes of crude a year and sells petrol, diesel, LPG, jet fuel and lubricants through ~25,100 retail outlets — the second-largest fuel retail network in India.*

The business in *plain English*.

HPCL does three things and earns differently from each. **Refining** — converts imported crude into finished fuels at Mumbai (9.5 MMTPA), Visakh (15 MMTPA expanded), and now Barmer (9 MMTPA from FY27). Earnings here swing on the **Gross Refining Margin**, the spread between crude in and product out, set by global cracks. **Marketing** — runs 25,098 petrol stations, 6,200+ LPG distributors, 47 aviation facilities. Earnings come from a regulated retail margin set indirectly by the government.

And third, **integration & adjacencies** — a 24%+ stake in pipelines, JVs in lube oil and gas, exposure to renewables (wind, ethanol, CBG), city gas distribution, and a growing EV fast-charging network at retail outlets.

HPCL is a subsidiary of **ONGC** (which holds 54.9%) — meaning the government of India is the controlling shareholder via ONGC. The CMD is **Vikas Kaushal**, since June 2025. Headquartered in Mumbai. **8,154 employees**. The 2024 Maharatna status gives it operational autonomy on capex up to ₹5,000 cr without cabinet clearance.

TICKER	**HINDPETRO · NSE/BSE 500104**
INCORPORATED	**1974 (HPCL); 1910 (legacy)**
LISTED	**2 January 1996**

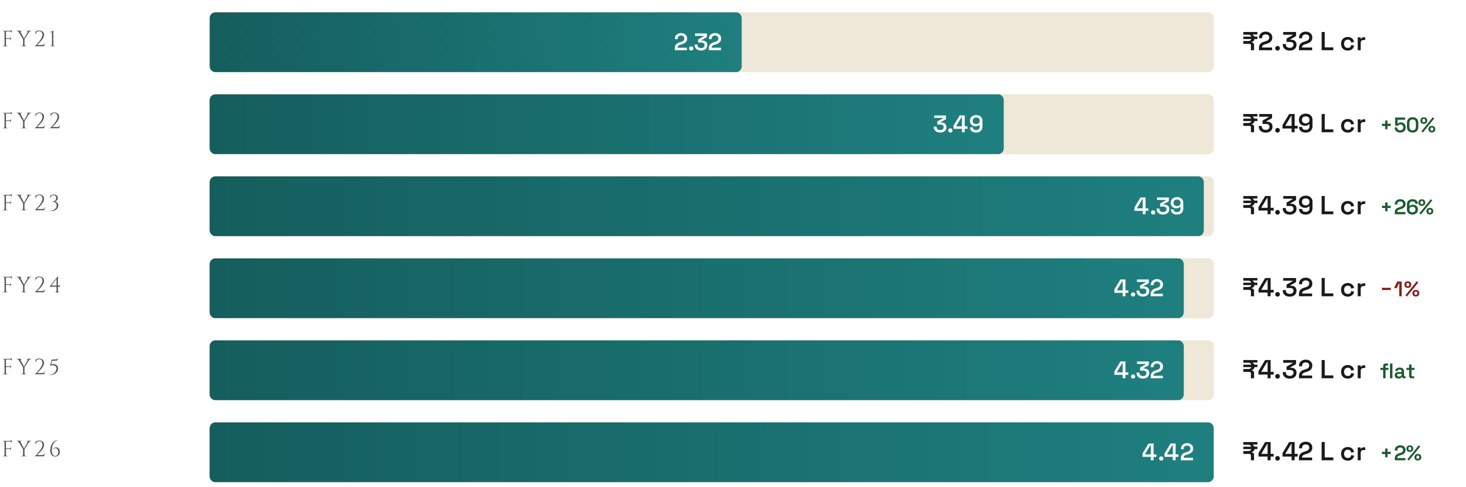
SECTOR	Energy · O&G Refining & Marketing
CMD	Vikas Kaushal
HQ	Mumbai, India
PARENT	ONGC (54.90%)
EMPLOYEES	8,154
REFINING CAPACITY	26 MMTPA (35 MMTPA incl. HRRL)
RETAIL OUTLETS	25,098 (Q4 FY26)
FY26 CRUDE THROUGHPUT	26.04 MMT (record)
STATUS	Maharatna PSU

§ 2 · THE NUMBERS

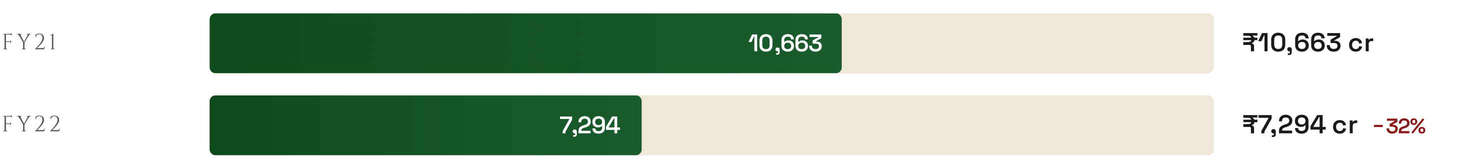
Six years of *cycle in motion*.

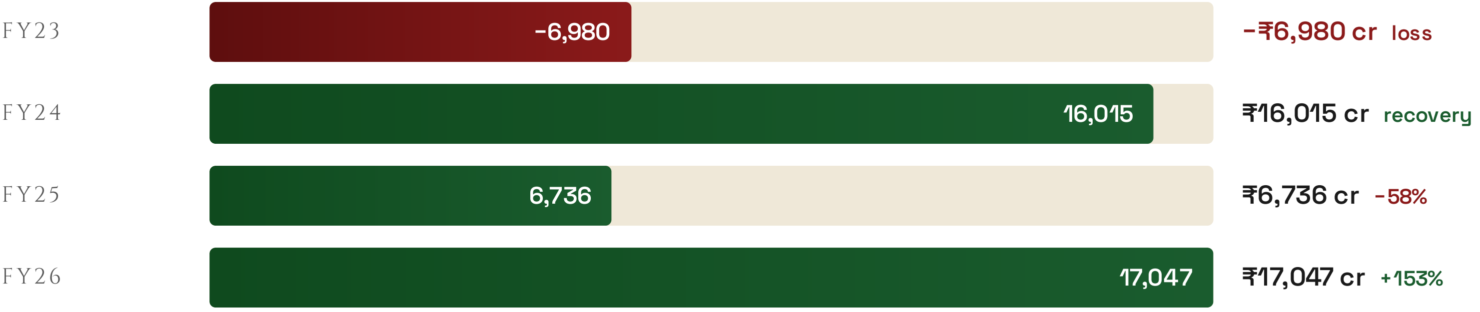
HPCL's earnings are not a staircase like Shalibhadra's — they're a sine wave riding the global refining cycle, with a sharp inversion in FY23 (under-recoveries / pricing controls) followed by a roaring FY24 / FY26 rebound. **FY26 PAT of ₹17,047 cr is the all-time record**, more than double FY25, almost reaching the EBITDA-rich shape of FY24.

Revenue (₹ lakh crore)

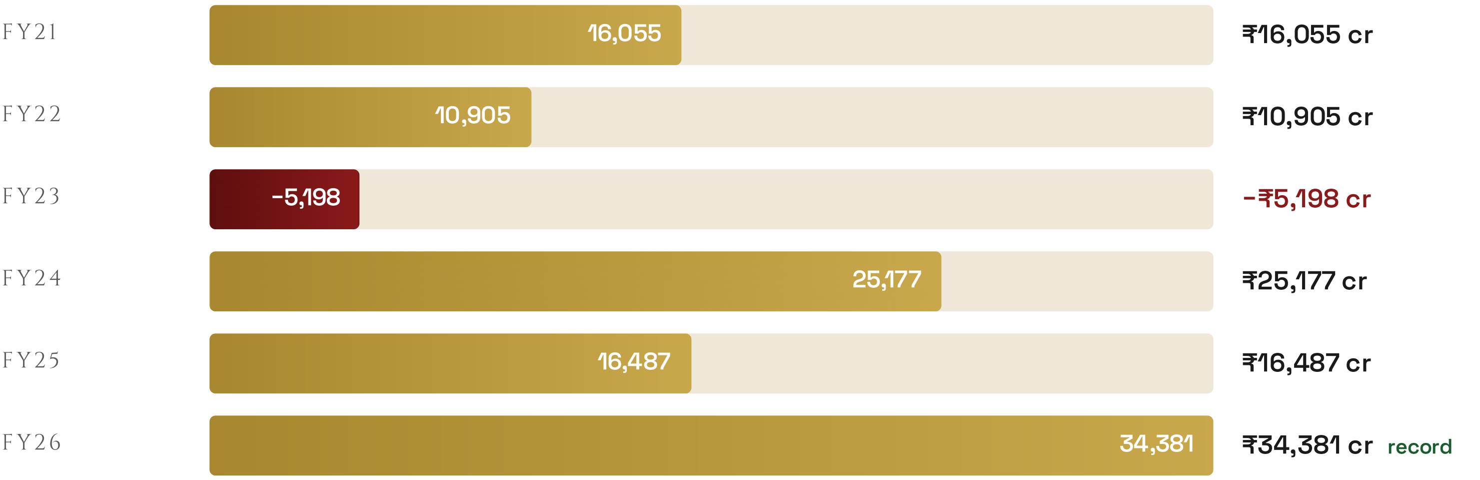


Net Profit / PAT (₹ crore) — the cycle in one chart





EBITDA (₹ crore) — the operating engine



★ THE CYCLE QUESTION IN ONE PARAGRAPH

Is FY26 the peak or the start of a new plateau? The bull view: FY26 only reflects 2-3 months of Barmer crude processing and zero contribution from the Vizag Residue Upgradation Facility (RUF). With Barmer ramping to full 9 MMTPA capacity through FY27 and Vizag adding $2.5/bbl GRM, structural earnings power is materially higher than FY26. The bear view: GRMs are already $11.40/bbl in FY26 versus a 10-year average closer to $5-6/bbl. Mean-reversion alone could knock 30-40% off PAT in FY27.

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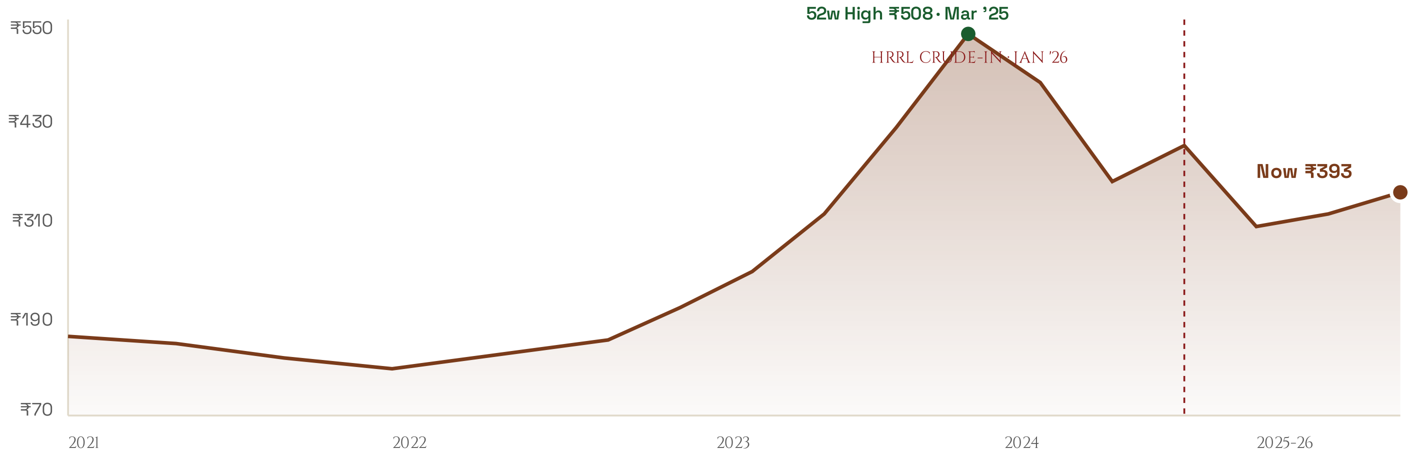
§ 3 · PRICE HISTORY

The chart that *refuses* to celebrate.

Here's the strange part. PAT just hit an all-time high, the dividend just rose 83% YoY, and the stock is **23% off its 52-week high**. The market is pricing in cycle reversion, the HRRL fire incident risk, and a structural PSU-discount overhang. Five years total return is still solid (~+97%), but the last 12 months have been a chop fest between ₹316 and ₹508.



52-WEEK HIGH	52-WEEK LOW	FROM 52W HIGH	5-YEAR RETURN
₹508.45	₹316.20	−23%	+97%

⚠ THE HRRL FIRE FOOTNOTE

April 21, 2026 — a localised fire in the CDU vacuum residue section at Barmer. The Prime Minister's scheduled dedication of the refinery was postponed. Six heat exchanger bays were damaged. Restoration completed by May 2026; CDU restarted in second half of May. Initial operations at ~60% utilisation expected in June with Q2 FY27 ramp-up. Management stated the financial impact "is not expected to be material to overall operations" — but the market is treating it as a real catalyst delay.

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§ 4 · CAPEX & CAPITAL RETURN

Where the cash *actually goes.*

> *Unlike Shalibhadra's loan-book reinvestment, HPCL's capex is heavy iron — refinery upgrades, new petrochemical complexes, retail solarisation, EV charging, city gas networks. And unlike a small NBFC, capital return at HPCL is a real story: ₹19.25 final dividend just declared, the highest in five years.*

Capex distribution — six years

Capex peaks at ₹15,705 cr in FY26 driven by HRRL Barmer completion, Vizag Residue Upgradation, retail solarisation (829 new solar outlets in FY26) and CBG/CGD investments. The shape of the spend is shifting — pure refining capex is declining, while petrochemicals, renewables and downstream digital are climbing.

FY	CAPEX (₹ CR)	OCF (₹ CR)	FCF (₹ CR)	DIVIDEND PAID (₹ CR)	PAYOUT %
FY21	11,666	17,829	6,163	1,484	14%
FY22	12,345	15,810	3,465	3,223	44%
FY23	9,447	-3,466	-12,913	1,986	n/m
FY24	10,071	23,852	13,781	2,131	13%
FY25	9,579	14,228	4,648	2,336	35%
FY26	8,331*	33,021	24,690	3,298	19%
6Y Total	**61,439**	**101,274**	**39,834**	**14,458**	**~24% avg**

**FY26 standalone capex per cash-flow statement was ₹8,331 cr; consolidated FY26 capex incl. JVs/subs was ₹15,705 cr per management. The gap is HRRL JV and other subsidiary spends not consolidated above the PPE line.*

₹61,439 cr

Total capex, *6 years*

Heavy iron. Mostly Vizag modernisation (~₹30,609 cr scheme), HRRL Barmer (~₹73,000 cr JV total), and retail network. FY26 alone deployed ₹15,705 cr consolidated.

₹14,458 cr

Total dividends, *6 years*

A ~24% average payout ratio. PSU mandate gives the government of India ~⅔ of every dividend rupee back to the exchequer via ONGC's 54.90% stake.

5.0%

Trailing *dividend yield*

₹19.25 + ₹0.50 interim = ₹19.75 paid for FY26 on ₹392.75 share price. The income story is real and ranks among the highest-yielding NSE-500 names.

Capital-return policy — decoded

HPCL's policy is genuinely shareholder-friendly compared to smaller NBFCs because of its PSU obligations:

FY22 · MAY 2022

₹14.00 dividend

First post-pandemic peak payout — 14% of face value. ~44% of PAT, reflecting government pull on cash.

FY23 · AUG 2023

₹14.00 dividend (despite losses)

Critical signal — PSU paid dividend even in a loss year, funded from reserves. Tells you the government view of HPCL is "cash machine first, growth second."

FY24 · MAY 2024

₹15.00 dividend

On record FY24 recovery — payout ratio dropped to ~13%, retained earnings rebuilding.

FY25 · AUG 2024 + NOV 2024

₹16.50 total (₹10.50 final + ₹6.00 interim)

35% payout — high in a slow year. Confirms HPCL targets a dividend floor regardless of cycle.

FY26 · NOV 2025

₹0.50 interim dividend

Token interim. Reads as a placeholder pending Q4 results & final dividend visibility.

FY26 · 13 MAY 2026

₹19.25 final dividend — record date 14 Aug 2026

Highest payout in 5 years. **192.5% of face value.** On ₹17,047 cr PAT, payout ratio ~19%. The ONGC parent pulls ~₹1,810 cr of this directly.

★ BOTTOM LINE ON CAPITAL RETURN

HPCL is the textbook PSU dividend story. Government of India needs the cash via ONGC, so HPCL must distribute a meaningful share of profits regardless of cycle stage. There is **no buyback in HPCL's history** and effectively none possible given the ONGC overhang. The play is: collect ₹15-20+ dividend per year (5%+ yield) and ride the cyclical re-rate when GRMs are kind. The dividend is the moat.

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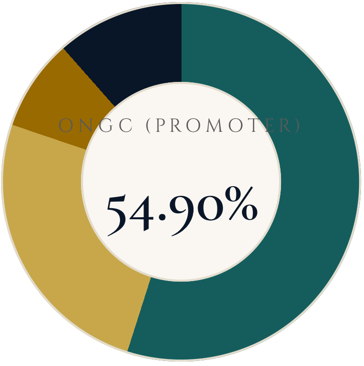
§ 5 · WHO OWNS IT

The *shareholder map*, March 2026.

HPCL is the cleanest "government-controlled-but-listed" structure in Indian energy. Here is the picture from the latest disclosure:



Promoter (ONGC — Govt. of India)	**54.90%**
FIIs / Foreign Institutional	**25.30%**
DIIs (MFs, Insurance, LIC)	**8.30%**
Retail public + others	**11.50%**

What this tells us: Inverted from Shalibhadra. **33.6% institutional ownership** (FII + DII) means HPCL has deep professional defenders — LIC alone holds a chunky stake, and active India-focused funds (HDFC, ICICI Prudential, SBI MF) feature in DII top holders. Retail at just 11.5% means price moves are driven by foreign flow + cyclical positioning, not by retail sentiment. This explains the more orderly drawdowns versus a small cap.

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§ 6 · THE THESIS BOX

What could *go right*, what could *break*.

Bull case

- ▲ **Barmer ramp-up** — 9 MMTPA new refinery, ~60% utilisation by June 2026, full capacity Q2 FY28. Adds ~25% to HPCL's standalone refining footprint.
- ▲ **Vizag RUF +$2.5/bbl GRM uplift** — Residue Upgradation Facility commissioned. CMD Kaushal publicly guided a $2.5/bbl improvement on Vizag's 15 MMTPA throughput.
- ▲ **Petrochemicals integration** — Barmer comes with a petchem complex that lifts product yields toward higher-margin polymers. Lowers GRM cyclicality.
- ▲ **Rapid deleveraging** — FY26 net debt down from ₹70,558 cr to ₹55,964 cr (−21%) thanks to record cash generation. Interest expense falling.
- ▲ **Dividend yield floor** — 5%+ yield at current price provides downside cushion. PSU obligation to pay cash to ONGC keeps yield reliable.
- ▲ **Cheapest OMC** — 4.6× P/E vs BPCL ~6×, IOC ~7×. PSU re-rating thesis remains live as fiscal positioning shifts.

Bear case

- **GRM mean-reversion** — FY26 GRMs near 10-year highs. If Asia GRMs normalise to $5-6/bbl, ₹30,000+ cr of EBITDA could evaporate.
- **Retail pricing risk** — Government controls pump prices. Before any election, OMCs absorb price hikes via under-recoveries. ~1,000 cr per month is the historic hit during such episodes.
- **HRRL execution overhang** — Fire incident already cost time; further commissioning delays would force HPCL to fund the JV at higher leverage. ₹1,123 cr/yr interest-free loan from Rajasthan only kicks in from commercial production.
- **EV penetration in 2-wheelers** — Petrol demand growth slowed to ~2% YoY in FY26. Two-wheeler EVs at 8-9% penetration and rising. Diesel still grows.
- **PSU discount permanence** — Five years of "PSU re-rating" calls, still 4.6× P/E. The market is structurally skeptical of state-controlled cyclicals.
- **Crude price risk** — Brent below $60 narrows GRMs (inventory losses); Brent above $90 forces retail under-recoveries. The OMC sweet spot is $65-80.

§ 7 · THE MATH

What the *FY28 print* could look like.

Three scenarios. All assume Barmer is operational, the Vizag RUF delivers, and the share count remains at ~2.13 bn shares. Anchor multiple is 7× P/E — the BPCL/IOC steady-state midpoint, which is a fair PSU benchmark.

SCENARIO	FY28 GRM	FY28 PAT	FY28 EPS	FAIR VALUE @ 7× P/E	+5% DIV YIELD	TOTAL RETURN
Bear — GRM crashes	$4.5/bbl	₹6,000 cr	₹28	₹197	+₹19/yr	-50% net of div
Base — cycle holds	$7.5/bbl	₹14,000 cr	₹66	₹462	+₹19/yr	+18% + div
Bull — Barmer + RUF stack	$10/bbl	₹22,000 cr	₹103	₹724	+₹22/yr	+85% + div

These ranges are wider than Shalibhadra's because OMC earnings *are* wider — that's the asset class. The expected value at ~₹393 today, weighted 25% bear / 50% base / 25% bull, lands around **₹460 fair value over 18-24 months, plus a ~5% dividend yield**. Risk-reward is positive but the variance is real.

⚠ WHY 7× P/E AS THE ANCHOR

Indian OMCs have traded between 5-9× P/E for the past decade. 7× is the steady-state midpoint. Bharat Petroleum trades at ~6.4×, Indian Oil at ~7.1×. HPCL at 4.6× is at the discount end — either because the market expects PAT to drop or because the PSU discount has widened. The math shows that even normalising HPCL to a peer-average multiple, on base-case earnings, gets to ₹460.

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§ 8 · RISK CHECKLIST

What I'd *watch every quarter*.

GRM trajectory

FY26 GRM ~$11.40/bbl. Watch quarterly print — sustained below $6 means earnings reset. The Q1 FY27 result (Aug 2026) is the first big tell.

HRRL utilisation

Management guidance: 60% util by June 2026, full ramp Q2 FY28. Any delay past Q4 FY27 puts the FY28 PAT bridge at risk.

Retail margin under-recovery

If global crude rallies above $90 with state elections in the window, expect government-mandated price freezes. Each ₹1/litre retained loss ≈ ₹4,200 cr annualised.

Net debt path

FY26 net debt fell 21% to ₹55,964 cr. If it climbs again toward ₹70,000 cr, interest cost re-rises and dividend coverage thins.

OFS / govt stake sale

The single largest overhang. Government has 54.9% via ONGC and may need fiscal monetisation. An Offer-For-Sale at a discount would cap re-rating for 12+ months.

EV adoption pace

2-wheeler EV penetration ~9% and accelerating. Petrol volume growth dropping below 2% YoY would force HPCL to migrate retail to non-fuel/CNG/EV faster than it's currently structured for.

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§ 9 · THE FIELD-NOTE VERDICT

So — *is it a bet*?

Three statements I'm prepared to defend:

1. HPCL is the cleanest OMC dividend-cum-Barmer-call available. The Vizag upgrade is done, Barmer is fizzing into life despite the April fire, debt is rolling off, and the dividend yield is real cash, not financial-engineering optics.

2. The "cheap PSU" thesis is a trap unless the cycle holds. A 4.6× P/E is only "cheap" if FY26 earnings are repeatable. The market is pricing in roughly half of FY26 PAT as the through-the-cycle baseline — and they may be right. The bull case requires GRM normalisation at $7+/bbl rather than reverting to the long-term $5/bbl mean.

3. The catalyst calendar is dense and visible. Q1 FY27 result (Aug 2026) shows Barmer trial run impact. Q2 FY27 (Nov 2026) shows partial Barmer + full Vizag RUF. Final dividend ex-date 14 Aug 2026. Any one of these prints in line with management guidance is a re-rating event.

FIELD-NOTE VERDICT

A *dividend-paid wait* on a Barmer re-rate.

Worth a 2-4% position in an India energy / cyclical allocation. The 5%+ dividend yield pays you to be patient. Add only on weakness toward ₹360. Sell discipline: trim above ₹490 (52w high zone) where the Barmer catalyst is already priced. The catalyst is the Q3-Q4 FY27 Barmer run-rate prints, not Brent or any rupee-level oil thesis.

NOT INVESTMENT ADVICE · THIS IS A FIELD NOTE, NOT A BROKERAGE CALL

TAKE IT WITH YOU

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A clean PDF for offline reading, or the self-contained HTML if you want the live charts and links. Both are mirror copies of this page — no analytics, no tracking.

§ 10 · PUBLIC DATA SOURCES

Where these *numbers* came from.

Every figure in this field note is verifiable. Here are the public sources behind each section:

- **Company website & filings:** hindustanpetroleum.com — refining capacity, retail outlets, investor presentations, board disclosures.

- **HPCL Q4 FY26 & FY26 results:** Business Standard — Q4 FY26 net profit ₹6,065 cr (+78%); IIFL — FY26 standalone PAT ₹17,175 cr.
- **Final FY26 dividend ₹19.25:** BottomStreet board outcome 13 May 2026 — record 14 Aug 2026; Economic Times — highest payout in 5 years.
- **HRRL Barmer refinery:** HPCL refineries page — HRRL JV structure 74:26; Moneycontrol — Vizag $2.5/bbl GRM uplift, CMD Kaushal interview; Domain-B — ₹73,000 cr project, 180,000 bpd CDU; Parliament Q&A — HRRL project status 9 Feb 2026.
- **HRRL fire incident:** ScanX — HRRL fire timeline, CDU restart, May 2026 recovery; Multibagg AI — FY26 capex ₹15,705 cr, 60% utilisation June.
- **Q4 FY26 deeper analysis:** Finology Ticker — Q4 FY26 ₹4,902 cr standalone PAT, +46% YoY; Indian Masterminds — major developments including CBG plant, 829 solar outlets.
- **Dividend history:** India Infoline — multi-year dividend table; Choice India — dividend declarations 2026.
- **Refining capacity expansion plan:** AlphaStreet — 35.8 → 45.3 MMTPA by FY28 target.
- **Historical financials (6Y):** Pulled from Perplexity Finance — income, balance sheet, cash flow tables. income.csv, balance.csv, cash_flow.csv, prices.csv, quote.csv in the post folder.
- **Live quote (close 19 Jun 2026):** ₹392.75 INR, NSE — verifiable via NSE/BSE app or Google Finance for HINDPETRO.

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