

Hindustan Petroleum Corporation

Rs. 317

Hindustan Petroleum Corporation Ltd (HPCL), a Fortune 500 company, is one of the largest integrated oil refining and marketing companies in India. HPCL accounts for about 20% of the market share and about 10% of the nation's refining capacity. Company has 15 MMTPA (Million Metric Tonnes Per Annum) of refining capacity, split across Mumbai and Vishakapatnam. HPCL owns the country's largest Lube Refinery with a capacity of 335,000 Metric Tonnes which amounts to 40% of the national capacity of Lube Oil production.

HPCL's vast Supply & Distribution infrastructure comprises of 100 Terminals, 2400 km long Pipeline network, 35 Aviation Service Stations, 45 LPG Bottling Plants, 3200 LPG Distributors and over 12200 Retail Outlets.

In addition to this, HPCL holds a 17% stake in Mangalore Refinery & Petrochemicals (MRPL is a Rs 10,500 cr market cap company) with a capacity of 9 MMTPA. HPCL also has a 49% stake in 9 MTPA refinery in Punjab.

HPCL has not been a very rewarding stock for investors for the past many years due to unfavourable policies by the Govt which has resulted in huge under-recoveries. But the Govt has since initiated a number of policy changes and the industry is slowly moving towards normal functioning. The petrol prices were de-regulated, subsidy for bulk diesel users were removed and diesel prices are being hiked regularly to ultimately remove diesel subsidy. Once the diesel subsidy is removed, there will be a substantial reduction in under-recoveries which will ease the working capital requirements and thereby improve margins.

At Rs 317 per share, HPCL has a market cap of Rs 10,500 cr and HPCL is expected to post revenues of over Rs 2,00,000 cr for FY14. Profit is expected to come in below Rs 1000 cr due to delay in subsidy pay-out by the Government.

HPCL has huge wealth and is currently available at deep value as a result of the unfavourable policies followed earlier by the Govt and delays in subsidy pay-out. But with diesel de-regulation and subsidy rationalisation on the cards, the industry is moving towards normal operation. The next government is expected to speed up this process.

Stock Data

Market Cap (Cr):	10540
Year high:	335
Year Low:	158
Book Value	372
P/BV:	0.85

Shareholding Pattern

Govt of India:	51.11%
FII:	10.65%
DII:	22.11%
Public:	16.13%

Financial Performance

	FY13	FY12
Revenue	217771	187693
Net Profit	500	176
EPS	13.4	3.5

Key Financial Data

Loan Funds (Rs Cr)	30041
Inventories (Rs Cr)	23066