

April 1, 2013

HINDUSTAN PETROLEUM CORPORATION LTD

BSE Code: 500104

NSE Code: HINDPETRO

Reuters Code:

HPCL.NS

Bloomberg Code: HPCL:IN

Hindustan Petroleum Corporation Ltd (HPCL) is an integrated oil refining and marketing company. HPCL operates in two segments: downstream, and exploration and production of hydrocarbons. The downstream segment is engaged in refining and marketing of petroleum products. HPCL operates two refineries in Mumbai (West Coast) and Vishakapatnam. Its products and services include Refineries, aviation, bulk fuels & specialties, international trade, liquefied petroleum gas (LPG) (HP gas), Lubes (HP lubes), retail, exploration & production, joint ventures and alternate energy. As of March 31, 2012, it held 16.95% interest in Mangalore Refinery & Petrochemicals Ltd.

Investor's Rationale

Topline grew 10.1% YoY on higher market sales and product realisation - HPCL, an Indian state-owned oil marketing company, posted a growth in topline by 10.1% YoY (8.8% QoQ) at ₹527.5 bn in Q3FY'13 on standalone basis mainly on account of back of 2.5% YoY growth in market sales (7.7mmt) and 8.2% surge in product realizations.

Bottom-line declined 94.6% YoY on lower operating margin and higher depreciation - HPCL managed to report profits during Q3FY'13 with the help of government's subsidy support (company bearing only 2.2% of total under-recoveries during the quarter). PAT during the quarter stood at ₹1.5bn, down 94.6% YoY (93.7% QoQ). Interest expenditure increased 57.4% QoQ on account of higher working capital borrowings, while other income was down 30.4% QoQ at ₹2bn. Thus, NPM crashed 538bps YoY and 443bps QoQ at 0.3%.

EBITDA margin crashed 560bps YoY on higher raw material and change in inventory cost - EBITDA of the company fell 71.1% YoY to ₹10.5 bn during the quarter, mainly on account of higher operating cost (18.1% YoY) which was due to increase in raw material cost and change in inventory cost by 20.9% YoY and 111.7% YoY respectively. Thus OPM contracted by 560bps YoY at 2.0% against 7.6%.

Capacity Expansion - HCPL, planned to set up 9 MMTPA root refinery cum petrochemical complex in Barmer in Rajasthan. It has sought central government approval to start work on ₹370 bn project. This refinery will also have capability to process other type of crudes.

Market Data

CMP (₹)	285.1
Target Price (₹)	320
Stop Loss (₹)	265
Duration	Short-term
52-week High-Low (₹)	281.4/275.3
Rise from 52WL (%)	3.6
Correction from 52WH (%)	1.3
Beta	1.8
1 year Average Volume (mn)	1.1
Stock Return (%)	3M- (2.4) 6M- (9.3) 1Y- (6.6)
Market Cap (₹bn)	96.5
Book Value (₹)	387.5

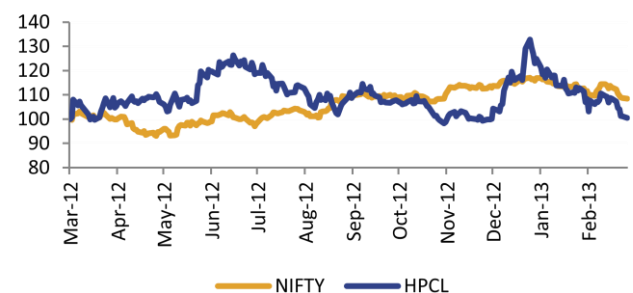
Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	51.11	51.11	-
FII (%)	7.31	6.24	1.07
DII (%)	24.85	26.96	(2.11)
Public & Others (%)	16.73	15.69	1.04

Quarterly Performance Standalone

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	527.5	479.2	484.6	10.1	8.8
Op. exp	523.6	443.4	462.2	18.1	13.3
EBITDA	10.5	36.3	29.1	(71.1)	(63.9)
OPM (%)	2.0	7.6	5.9	(560bps)	(396bps)
Net profit	1.5	27.3	23.3	(94.6)	(93.7)
NPM (%)	0.3	5.7	4.7	(538bps)	(443bps)
EPS (₹)	4.3	80.5	68.7	(94.6)	(93.7)

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.