

A Research reports

ON

" HINDUSTAN PETROLEUM CO-OP LTD"

SUBMITTED BY

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“Reaching New Heights”

[2021-23]

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History & Background

The Company is mainly engaged in the business of refining of crude oil and marketing of petroleum products production of hydrocarbons as well as providing services for management of exploration and production (E&P) Blocks. Hindustan Petroleum Corporation Ltd was incorporated on July 5th 1952 with the name Standard Vacuum Refining Company. Then the name was changed to ESSO India.

When ESSO and Lube India were nationalized, the company was renamed to Hindustan Petroleum Corporation Ltd in the year 1974. The Caltex undertaking was nationalized in the year 1976 which were subsequently merged with the company in the year 1978. In the year 1979 the undertakings of Kosan Gas Company the concessionaires of HPCL in the domestic LPG market was merged with the company.

Vision

“To be a world-class energy company known for caring and delighting the customers with high-quality products, innovative services across domestic & international markets with aggressive growth and delivering superior financial performance.

The company will be a model of excellence in meeting social commitment, environment, health and safety norms and in employee welfare & relations”.

Mission

“HPCL along with its joint ventures will be a fully integrated company in the hydrocarbons sector of exploration and production, refining and marketing; focusing on enhancement of productivity, quality & profitability, caring for customers and employees, caring for environment protection and cultural heritage. It will also attain scale dimensions by diversifying into other energy-related fields and by taking up transnational operations”.

Mukesh Kumar Surana named to be new chairman and MD of HPCL.

Organizational Details

Hindustan Petroleum Corporation Limited (HPCL) is Indian state-owned oil and natural gas company with its headquarters at Mumbai, Maharashtra Oil and Natural Gas Corporation owns 1.11% shares in HPCL and others are distributed amongst financial institution, public and other investors. HPCL operates two major refineries producing a wide variety of petroleum fuels and specialties, one in Mumbai of 6.5 million metric tons per annum capacity and the other in Vishakhapatnam.

With a capacity of 7.5 MMTPA HPCL also owns and operates the largest lube refinery in the country producing lube base oils of international standards, with a capacity of 335 TMT. This lube refinery accounts for over 40% of India's total lube base oil production HPCL, over the years, has moved from strength to strength on all fronts. HPCL's vast marketing network consists of 13 zonal offices in major cities and 90 regional offices facilitated by a supply and distribution infrastructure comprising terminals, aviation service stations, LPG bottling plants and inland relay depots and retail outlets, lube and LPG distributorships.

The refining capacity steadily increased from 5.5 MMTPA in 1984/85 to 13 MMTPA presently. HPCL has the second largest share of product pipelines in India with a pipeline network of more than 2,500 kms for transportation of petroleum products and a vast marketing network consisting of 13 Zonal offices in major cities and 101 Regional Offices facilitated by a Supply & Distribution infrastructure comprising Terminals, Pipeline networks, Aviation Service Stations, LPG Bottling Plants, Inland Relay Depots & Retail Outlets, Lube and LPG Distributorships. HPCL has successfully integrated information technology into its activities at different levels.

Market

1) LPG: Liquefied Petroleum Gas or LPG consists mainly of propane, propylene, butane, and butylene in various mixtures. It is used as a fuel for many residential, commercial and agricultural heat applications, including cooking, hot water systems and heating.

2) Naphtha: Naphtha is a flammable liquid made from distilling petroleum. It looks like gasoline. Naphtha is used to dilute heavy oil to help move it through pipelines, to make high octane gas, to make lighter fluid, and even to clean metal.

3) Petrol: Petroleum is a mixture of a very large number of different hydrocarbons; the most commonly found molecules are alkanes, cycloalkanes, aromatic hydrocarbons. Petroleum products include transportation fuels; fuel oils for heating and electricity generation; asphalt and road oil and feedstock for making the chemicals, plastics, and synthetic materials that are in nearly everything we use. Known as Motor Spirit (MS) in Oil Industry.

4) ATF: Aviation fuel is a specialized type of petroleum-based fuel used to power aircraft. It is generally of a higher quality than fuels used in less critical applications, such as heating or road transport, and often contains additives to reduce the risk of icing or explosion due to high temperature, among other properties.

5) Kerosene: Kerosene, also known as paraffin, lamp oil, and coal oil (an obsolete term), is a combustible hydrocarbon liquid which is derived from petroleum. It is widely used as a fuel in industry as well as households.

6) Diesel: Diesel fuel used in diesel engines, whose fuel ignition takes place, without any spark, as a result of compression of the inlet air mixture and then injection of fuel. Diesel engines have found broad use as a result of higher thermodynamic efficiency and thus fuel efficiency.

7) Lubricants: Riding on its brand - HP Lubes, HPCL is the market leader in lubricant and associated products. It commands over 30% of market share in this sector. The popular brands of HP lubes are LaalGhoda, Milcy, Thanda Raja, Koolgard, Racer4, etc.

9) Fuel oil: Fuel oil is a fraction obtained from petroleum distillation, either as a distillate or a residue. In general terms, fuel oil is any liquid fuel that is burned in a furnace or boiler for the generation of heat or used in an engine for the generation of power.

9) Asphalt: Asphalt, also known as bitumen is a sticky, black, and highly viscous liquid or semi-solid form of petroleum. The primary use (70%) of asphalt is in road construction, where it is used as the glue or binder mixed with aggregate particles to create asphalt concrete. Its other main uses are for bituminous waterproofing products, including production of roofing felt and for sealing flat roofs.

HPCL has a number of refineries in India:

1. Mumbai Refinery - 6.5 Million Metric Tons (MMT) Capacity
2. Visakhapatnam Refinery - 8.3 MMT at Visakhapatnam
3. Mangalore Refinery Pvt. Ltd. - 9.69 MMT at Mangalore, Karnataka (HPCL has 16.65% Stake).
4. Guru Gobind Singh Refinery - 9 MMT at Bathinda, Punjab (HPCL & Mittal Energy each have 49% stake).
5. Barmer Refinery - 9 MMT Capacity. It is a Joint Venture with Rajasthan Government.

Major competitor to HPCL is IOCL & BPCL.

Financials

11 Additional Disclosures as per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 :

Particulars	Quarter Ended			Six Months Ended		Year Ended
	30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
(a) Debt Equity Ratio (Times) Long-Term Borrowings Including Current Maturity of Long term borrowings / Equity	0.77	0.71	0.74	0.77	0.74	0.68
(b) Debt Service Coverage Ratio - Not Annualised (Times) (Profit before tax + Finance cost + Depreciation) / (Finance cost + Principal Repayment (Long term borrowing))	10.40	9.38	9.32	9.84	10.64	3.47
(c) Interest Service Coverage Ratio (Times) (Profit before tax + Finance cost + Depreciation) / Finance Cost	21.82	14.81	18.33	17.48	15.39	19.50
(d) Capital Redemption Reserve (₹ in Crore)	106.83	106.83	1.56	106.83	1.56	73.36
(e) Debenture Redemption Reserve (₹ in Crore)	753.48	775.43	750.26	753.48	750.26	753.97
(f) Net Worth (₹ in Crore) (Equity share Capital + Other Equity)	38,167.17	39,168.62	34,830.13	38,167.17	34,830.13	38,080.86
(g) Current Ratio (Times) Current Assets / Current Liabilities	0.69	0.69	0.69	0.69	0.69	0.71
(h) Long Term debt to working capital (Times) (Long Term Borrowing including Current Maturity of Long Term Borrowing) / Working Capital	(1.48)	(1.55)	(1.48)	(1.48)	(1.48)	(1.41)
(i) Bad Debt to Account receivable ratio (Times) Bad Debt / Average Trade Receivable	0.00	-	0.00	0.00	0.00	0.00
(j) Current Liability Ratio (Times) Current Liability / Total Liabilities	0.63	0.62	0.66	0.63	0.66	0.65
(k) Total debts to total assets (Times) [Borrowings (Long Term + Short Term)] / Total Assets	0.28	0.27	0.27	0.28	0.27	0.30
(l) Debtor Turnover - Not Annualised (Times) Sale of Product/Average Trade Receivable	14.29	12.48	14.29	24.27	25.00	49.89
(m) Inventory Turnover - Not Annualised (Times) Cost of Goods Sold/Average Inventory	2.86	2.55	2.64	5.18	4.51	9.89
(n) Operating Margin (%) (EBIT - Other Income) / (Revenue from Operations - Excise Duty)	2.51%	3.54%	6.43%	2.99%	6.98%	5.37%
(o) Net Profit Margin (%) Profit after Tax / (Revenue from Operations - Excise Duty)	2.31%	2.76%	5.74%	2.52%	5.83%	4.57%

12 Previous period figures have been regrouped/reclassified, wherever necessary.

**FOR IDENTIFICATION
IN TERMS OF OUR SEPARATE REPORT**

Place : Mumbai
Date : November 02, 2021



02 NOV 2021



By order of the Board

Mukesh Kumar Surana
Mukesh Kumar Surana
Chairman & Managing Director
DIN - 07464675



Governance

CRISIL has assigned its 'CRISIL AAA/Stable' rating to the Rs 4,000 crore non-convertible debenture (NCD) issue of Hindustan Petroleum Corporation Limited (HPCL), and has reaffirmed its 'CRISIL AAA/FAAA/Stable/CRISIL A1+' ratings on the company's bank facilities and other debt programmes.

HPCL remains strategically important to the Government of India (GoI) along with other oil marketing companies (OMCs), given the role these entities play in India's economic development. The ratings, therefore, continue to reflect HPCL's strategic importance to, and expectation of continued support from, GoI. The ratings also factor in an established market position in the oil refining and marketing sector. These strengths are partially offset by exposure to project implementation risks, average financial risk profile, and limited pricing flexibility for superior kerosene oil (SKO) and liquefied petroleum gas (LPG).

A steep reduction in crude prices in the fourth quarter of fiscal 2020 owing to the outbreak of the Covid-19 pandemic, coupled with geopolitical factors, resulted in sizable one-time inventory losses for all oil refining & marketing entities in India, including HPCL. The pandemic has affected demand for petroleum products, thereby constraining refining margins. However, lower input costs will cushion the blow to an extent. The impact will also be partly offset by higher marketing margins for some of the products. As on date, both refineries of HPCL are running at full capacity.

AWARDS AND RECOGNITION

1. NDTV Profit Business Leadership Award.
2. Reader's Digest 'Trusted Brand Asia Platinum' Award.
3. Golden Peacock Corporate Governance Award 2008.
4. CIO100 Award 2008.
5. India Star Award.
6. OISD Safety Award.
7. National Award for Excellence in Cost Management.
8. Greentech Environment Excellence Award 2008.
9. Best HR Practices in 'People Management.

Conclusion

In a nutshell, HPCL is strong on its financial and capital fronts. All while capturing a large market share and maintaining its product quality. With a long operation history, HPCL has been able to perform well and make a mark for itself in the industry.