



IDEA2ACT : Hindustan Petroleum Ltd	
Reco Price	12-months Target Price
BUY @ ₹ 225-233	₹ 274

**Hindustan Petroleum Corporation Ltd (HPCL) is the third largest public sector refining and marketing company in India and sells over 38mtpa of petroleum products. HPCL refines less than half the volume that it sells, and hence, has the highest leverage to marketing margins. It operates two refineries i.e. one in Mumbai and other in Visakhapatnam.**

**Focus on shareholder value:** HPCL management, during the post-earnings call, highlighted that (1) Product sales are recovering fast, and October has seen sales retrace to pre-Covid levels, driven by the gradual opening up of the economy; (2) In FY21, ~1,800 retail outlets are to be added and 5,000 new outlets in the next 3 years; (3) Strategically, it is focusing on scaling up presence in the gas value chain via commissioning of the LNG importing terminal, LNG dispensing stations and marketing; (4) Share buy-back at a maximum price of Rs250/share was aimed to create value for shareholders, and will be followed up with a final dividend.

**Buy Back:** HPCL has announced to buy back shares (worth Rs25bn) through open market operations.

**We upgrade EPS:** We upgrade HPCL's FY21ii EPS by 54%, to reflect the strong 1H performance. We note its earnings are sensitive to changes in the marketing margin and GRMs; a Rs0.25/litre change in margin can swing consol EPS by 7%, while a US\$1/bbl GRM can move EPS by 9%. The stock is currently trading at ~1x FY22ii BV. The proposed buyback can be seen as a key trigger for the stock re-rating. We recommend a "BUY" on HPCL with a target price of 274.

**Technically,** HPCL has restarted trading in a higher top higher bottom chart structure and has given a classical "Inverse head & shoulder" chart pattern breakout on the daily chart. The stock is also showing positive signs on the ADX index and MACD histogram. If the current impulse move accentuates the way it should, we expect HPCL to trend higher and test our immediate target price of Rs274.

**Previous Recommendations:**

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	10%	Active Call (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	2%	Active Call
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	6%	Active Call
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
01-Oct-20	Manappuram Finance Ltd	155.5	186	10%	Active Call
15-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved
3-Dec-20	Bharat Electronics	112	139	24%	Target Achieved
16-Dec-20	RBL Bank	233	273	17%	Target Achieved
6-Jan-21	Alembic Pharmaceuticals	1075	1252	1%	Active call

*Closing Price as on 13th January 2021 for Active Calls.*



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