

May 21, 2026

HPCL-Mittal Energy Limited: Rating reaffirmed; assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loans	19,135.0	23,053.37	[ICRA]AA+ (Stable) reaffirmed and assigned for enhanced amount
Non-convertible debenture	1,000.0	1,000.0	[ICRA]AA+ (Stable) reaffirmed
Total	20,135.0	24,053.37	

*Instrument details are provided in Annexure II

Rationale

To arrive at the rating of HPCL-Mittal Energy Ltd (HMEL), ICRA has used the consolidated financials, which include the entities in Annexure III.

The rating reaffirmation factors in HMEL's strategic importance and operational linkages with the parent – Hindustan Petroleum Corporation Limited {HPCL, [ICRA]AAA(Stable)/[ICRA]A1+}. The rating also draws comfort from the high complexity of HMEL's refinery, which aids its gross refining margins (GRMs), and the company's exceptional financial flexibility which has enabled it to keep its near-term repayment liabilities moderate by raising fresh loans at highly competitive interest rates and long tenors. As a result, the break-even gross refining margin (GRM) for HMEL to service its near-term debt obligations and meet the operational expenses remains comfortable vis-à-vis the GRM expected for the company.

Further, HMEL has one of the most complex refineries in India with a high Nelson Complexity Index (NCI), and its distillate yield is healthy with a sizeable portion of the product slate comprising diesel. Additionally, the downstream integration into manufacturing of petrochemicals has supported revenue diversification.

Moreover, HMEL is strategically important for HPCL to meet the demand in northern India. HMEL has a product offtake agreement with HPCL for its liquid products, backed by a take-or-pay clause, and the agreement is expected to be renewed shortly. Additionally, HPCL has provided operational and financial support to HMEL in the past. Going forward, a timely renewal and the key terms of the supply agreement with HPCL will remain the key monitorable.

The rating is tempered by the subdued credit metrics of the company owing to the sizeable debt funded capex program undertaken by the company in the recent past. Moreover, the petrochemical spreads have been subdued owing to excess capacities in West Asia as well as muted demand from China and Europe and the company remains exposed to the inherent volatility in the petrochemical spreads. While recently there has been an uptick in the polymer margins driven by the West Asia conflict, the same will remain exposed to the overcapacity situation being faced in the Chinese market which remains an overhang on global polymer margins.

Although the GRMs have been on an uptick in H2 FY2026 owing to supply disruptions and the West Asia conflict, the overall GRMs are expected to remain healthy. However, any changes in the refinery transfer pricing (RTP) mechanism may limit the upside in the company's GRMs. Further, HMEL has been able to effectively navigate the crude supply disruptions caused by the West Asia conflict by sourcing from alternative regions. However, a prolonged disruption constraining the availability of crude oil could impact the throughput adversely.

The rating also takes into account the vulnerability of the company's profitability to the global refining margin cycle, import duty protection and INR-USD parity levels. The rating also considers the asset concentration risk from being a single-location refinery and the sensitivity of the profits to crude oil price volatility as inventory losses/gains are likely to be higher for land-locked refineries like HMEL when there is a sharp fall/rise in crude oil prices because of the high inventory holdings.

ICRA notes that the merger between HMPL and HMEL has been completed with the aim of simplifying the corporate structure and reducing overhead costs.

The Stable outlook reflects ICRA's expectation of adequate cash generation from operations over the next 12 to 18 months which should enable the company to comfortably service its debt obligations and keep the overall credit profile stable. The profitability is expected to remain healthy in FY2027, and the near-term debt repayments remain modest.

Key rating drivers and their description

Credit strengths

Long and established track record of HPCL in domestic refining and marketing business – The rating of HMEL considers the support from HPCL, the lead sponsor, which has a long track record in the refining segment and provides financial flexibility. HPCL, which has a strong credit profile, is also responsible for product marketing through a take-or-pay agreement with HMEL for the liquid products and has set up the relevant marketing infrastructure to facilitate the same. HMEL is also of strategic importance to HPCL as the latter only has one upcoming other refinery in the petroleum product-deficit northern region of the country. ICRA takes note that the offtake arrangement with HPCL is due for renewal in the near term and will remain a key monitorable, going forward.

Favourable location of refinery in petroleum product-deficit and high-growth northern region – HMEL's refinery is situated in the petroleum product-deficit northern region of the country, where demand has been growing faster than the other parts of the country. There are only three refineries in the north – at Panipat in Haryana and Mathura in Uttar Pradesh, both owned by Indian Oil Corporation Limited (IOC, rated [ICRA]AAA(Stable)/[ICRA]A1+), and HMEL's unit Bathinda. The demand in this region surpasses the combined capacity of these refineries. Hence, the products are transported from the western part of the country. After the commissioning of HMEL's refinery, the shortage has decreased in the northern region. While HPCL will shortly commence operations at its 9-MMTPA refinery under its joint venture, HPCL Rajasthan Refinery Limited (HRRL) in Barmer, Rajasthan, the additional capacity is not expected to impact the offtake from HMEL.

Superior refining capability, high operational efficiency and healthy capacity utilisation in last couple of years – HMEL's refinery can process most of the heavy and sour crude oil grades and achieve a high distillate yield. As the demand for middle distillates is expected to increase in the domestic market, the configuration was selected to maximise the yield. The refinery also has the flexibility to change its product slate marginally. Overall, the Nelson Complexity Index (NCI), a measurement of the complexity, is high for the refinery allowing it to process heavier grades of crude. The operational performance of the refinery has been healthy in the recent past, characterised by higher capacity utilisation levels (>100%). The throughput was ~11.7 MMTPA in FY2026, indicating healthy capacity utilisation. Currently the capacity utilisation remains over 100% as company has been able to source crude oil from alternate sources since the start of West Asia conflict.

Downstream integration with commencement of petrochemical project – The commencement of the 1.2-MMTPA petrochemical ethylene cracker plant in March 2023 helped HMEL to diversify its product portfolio, producing a range of petrochemical products. This diversification reduces the company's reliance on traditional fuel products and expands its offerings to cater to different market demands. The new petrochemical plant also created an additional revenue stream for the company. HMEL, being an integrated energy company, can leverage the synergy between its existing refining operations and the new petrochemical plant. By using the refinery's by-products as feedstock for the petrochemical plant, the company also optimises the operational efficiency and cost-effectiveness.

Healthy financial flexibility – The rating factors in the healthy financial flexibility of HMEL, reflected in its ability to repay and refinance its term loan obligations. Going forward, further improvement in profitability may improve the debt metrics.

Credit challenges

Modest credit profile because of debt-funded capex programme – HMEL commissioned a petrochemical project in March 2023 to diversify its product slate. The project is a 1.2-MMTPA (ethylene) multi-feed cracker with fuel gas, naphtha and other petroleum outputs of the refinery as feedstock. This was a sizeable capex funded through debt causing the debt metrics to remain subdued. While recently there has been an uptick in the polymer margins driven by the West Asia conflict, the same will remain exposed to the overcapacity situation being faced in the Chinese market, which remains an overhang on global polymer margins. However, the debt tied up for the petrochemical project has a long moratorium and repayment tenure, which provides comfort from a credit perspective.

Vulnerability of profitability to volatility in refining margins and petrochemical spreads, USD-INR parity, import duty differentials – The refining of crude oil is a capital-intensive industry and the large lumpy capacity additions result in cyclicity in GRMs globally. Being a deregulated sector, HMEL's profits are exposed to the international refining cycle. Besides, crude oil and most petroleum products are priced in \$/bbl or \$/MT, which along with the foreign currency debt, makes the profits vulnerable to foreign currency movements (especially INR-USD levels). Further, the domestic refining industry, including HMEL, has duty protection due to the differential in the duties of finished petroleum products and crude oil, and any adverse regulatory development will negatively impact the profits. HMEL's refinery at Bathinda is land-locked, which makes it more vulnerable to the crude oil price volatility as inventory losses/gains are likely to be higher for such refineries when there is a sharp fall/rise in crude oil prices because of the high inventory holdings.

Asset concentration risk as a single-location refinery – HMEL has refining operations only at Bathinda, Punjab, and derives all its revenues from this single unit. The operations at one location expose it to asset concentration risks related to natural calamities, accident at the plant etc. Nonetheless, the risk is partly mitigated by various insurance covers.

Liquidity position: Adequate

The company's liquidity position is expected to remain adequate on expectation of healthy cash accruals, supported by the strong operational profile of the integrated refinery complex, sizeable cash balances of Rs. 2,081 crore as on March 31, 2026 (provisional) and healthy cushion in the working capital limits. The company's capex programme remains limited to a maintenance capex of Rs. 1,500-2,000 crore per annum over the next few years and low repayment liability of Rs. 47 crore in FY2027. The company is also planning to enhance its working capital limits in the near term, which should provide further liquidity cushion in an elevated crude oil price environment.

Rating sensitivities

Positive factors – A material improvement in the cash generation, resulting in a deleveraging of the balance sheet, would be a positive trigger.

Negative factors – Worsening of the credit risk profile of HPCL, or weakening of linkages of HMEL with HPCL, or any significant deterioration in HMEL's financial risk profile could result in a downward revision of the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Refining and Marketing
Parent/Group support	Parent: Hindustan Petroleum Corporation Limited The rating takes into account the parentage of HPCL given the strategic importance of HMEL to the parent as HPCL currently does not have any refinery capacity in the petroleum product deficit Northern-India. Given HPCL has shared its name with HMEL and the company remains strategically important for HPCL, ICRA expects HPCL to extend any financial support to HMEL in case a need arises.
Consolidation/Standalone	The rating is based on the consolidated financials of HMEL

About the company

HPCL-Mittal Energy Limited (HMEL), incorporated as Guru Gobind Singh Refinery Limited (GGSRL) in 2000, is a joint venture between HPCL and Mittal Energy Investment Pte Ltd (MEIL, Singapore - an LN Mittal group company). Both the JV partners hold 48.99% stake each in the company, while the remaining 2.02% is held by financial institutions

In February 2012, HMEL commercially commissioned a greenfield refinery complex with a 9-MMTPA capacity at Bathinda (Punjab) along with a captive power plant of 165 MW. The refinery is configured to process a wide range of crude, including heavy crude, and achieved EURO III/EURO IV specifications for auto fuels. In June 2017, HMEL completed the expansion of its refining capacity to 11.3 MMTPA from 9 MMTPA. The company commissioned a 1.2-MMTPA ethylene cracker at its Bathinda facility in March 2023.

To meet the crude receipt and storage facilities as well as to transport the crude for the company, its wholly-owned subsidiary - HPCL-Mittal Pipelines Ltd (HMPL) - set up a crude oil terminal (COT) and a single point mooring (SPM) at Mundra port, Gujarat, and a cross-country pipeline to transport crude oil from Mundra to Bathinda. The merger between HMEL and HMPL was sanctioned in December 2025.

Key financial indicators (audited)

HMEL Consolidated	FY2024	FY2025	9MFY2026*
Operating income	74,173.6	81,474.8	53,012.9
PAT	1,843.5	-602.0	-18.4
OPBDITA/OI	9.7%	5.5%	6.0%
PAT/OI	2.5%	-0.7%	0.0%
Total outside liabilities/Tangible net worth (times)	3.3	3.6	3.7
Total debt/OPBDITA (times)	5.1	7.9	8.5
Interest coverage (times)	2.6	1.6	1.6

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for past 3 years					
	Type	Amount rated (Rs. crore)	May 21, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
NCD programme	Long term	1,000.0	[ICRA]AA+ (Stable)	Oct 31, 2025	[ICRA]AA+ (Stable)	Oct 08, 2024	[ICRA]AA+ (Stable)	Dec 15, 2023	[ICRA]AA+ (Stable)
						May 23, 2024	[ICRA]AA+ (Stable)	Jul 28, 2023	[ICRA]AA+ (Stable)
Term loans	Long term	23,053.37	[ICRA]AA+ (Stable)	Oct 31, 2025	[ICRA]AA+ (Stable)	Oct 08, 2024	[ICRA]AA+ (Stable)	Dec 15, 2023	[ICRA]AA+ (Stable)
						May 23, 2024	[ICRA]AA+ (Stable)	Jul 28, 2023	[ICRA]AA+ (Stable)

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI

6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Simple
Term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE137K07042	NCD	Feb 28, 2020	9.18%	Feb 28, 2030	1,000.0	[ICRA]AA+ (Stable)
-	Term loans	NA	NA	FY2027-FY2046	23,053.37	[ICRA]AA+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis

Company name	HMEL ownership	Consolidation approach
HMEL Organics Pvt Ltd	100%	Full consolidation
HMEL Green Energy Pvt Ltd	100%	Full consolidation
HMEL Retail Private Limited	100%	Full consolidation
HPCL Mittal Foundation	100%	Full consolidation

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