October 31, 2025

HPCL-Mittal Energy Limited: Rating reaffirmed; rated amount enhanced for bank facilities

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based - Term loan	14,785.0	19,135.0	[ICRA]AA+(Stable); reaffirmed/assigned for enhanced amount
Non-convertible debenture	1,000.0	1,000.0	[ICRA]AA+ (Stable); reaffirmed
Total	**15,785.0**	**20,135.0**	

**Instrument details are provided in Annexure I*

Rationale

To arrive at the rating of HPCL-Mittal Energy Ltd (HMEL), ICRA has taken a consolidated view of HMEL and its 100% subsidiary HPCL Mittal Pipelines Ltd (HMPL), owing to the highly integrated operations of the two entities. HMEL receives its entire supply of crude oil through HMPL's pipeline and thus the operations are highly integrated. The Group is in the process of merging HMPL into HMEL to simplify the corporate structure and reduce the overhead costs.

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+} – along with the high complexity of its refinery which aids its gross refining margins (GRMs) and the exceptional financial flexibility which has enabled the company 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 GRM for HMEL to service its near-term debt obligations and meet the operational expenses remains comfortable vis-à-vis the GRMs expected for the company. Moreover, HMEL's refinery is also one of the most complex refineries in India with a high Nelson Complexity Index (NCI), and its distillate yield is healthy with more than 50% of the product slate comprising diesel. HMEL has commissioned the 1.2-MMTPA petrochemical plant, which has led to downstream integration as well as revenue diversification.

Further, HMEL is strategically important for HPCL to meet the demand in northern India as HPCL does not have any refinery in this region. HMEL has a product offtake agreement with HPCL with a take-or-pay clause for its liquid products till the end of CY2026. Additionally, HPCL has provided operational and financial support to HMEL in the past. Going forward, the timeliness and key terms of the renewal of the supply agreement with HPCL will remain a key monitorable.

However, the rating is tempered by the elevated debt levels on account of the large petrochemical project commissioned in March 2023 (1.2-MMTPA mixed feed cracker). 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.

The GRMs moderated due to a lacklustre global demand scenario, which along with the low petrochemical spreads exerted pressure on the profit generation in FY2025. In FY2026, the operating profitability is likely to improve, driven by the efficiency improvement steps taken by the company which is expected to lower the operating costs.

The ratings also take into account the vulnerability of the company's profitability to the global refining margin cycle, import duty protection and INR-USD parity levels. The ratings also consider 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.

The Stable outlook reflects ICRA's expectation of adequate cash generation from the refinery and petrochemical operations, driven by healthy capacity utilisation of the refinery, to meet the debt obligations. The profitability is expected to improve in FY2026, and the near-term debt repayments remain modest owing to the recent fresh term loans raised by the company which is likely to result in a comfortable cash flow generation vis-à-vis the repayment obligations. ICRA also takes note of the impending merger between HMEL and HMPL, which is expected to be credit neutral for both the entities owing to their integrated nature of operations. The merger is expected to be completed in FY2026, once the approval is received.

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 does not have any 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 CY2026 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 is in the process of commissioning a 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 mostly heavy and sour crude oil and achieve a high distillate yield. As the demand for middle distillates is expected to increase in the domestic market, the configuration has been 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 13 MMTPA in FY2025, indicating a capacity utilisation of around 115%. Though there could be some moderation in the throughput as there is a planned shutdown during November 2025, the overall utilisation levels should remain healthy owing to the robust demand.

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 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 heathy financial flexibility of HMEL, reflected in its ability to repay and refinance its term loan obligations. Going forward, an expected improvement in profitability may improve the debt metrics.

Credit challenges

Modest credit profile because of recently concluded 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 and has coincided with the weak realisations in the petrochemical segment, causing the debt metrics to moderate during FY2025. However, the debt tied up for the petrochemical project has a long moratorium and repayment tenure, which provides comfort from a credit perspective, and the company has consistently elongated the maturities of the upcoming maturities.

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 cyclicality 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 liquidity position of the company is expected to remain adequate with the capex cycle largely over and the presence of free cash balances on consolidated level of around Rs. 1,740 crore as on March 31, 2025. The liquidity position is likely to remain adequate, given the expectations of improved profitability in FY2026 along with some cushion in the working capital limits amid low repayment requirements.

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 (IFCI – 0.96%, SBI – 0.65% and HDFC Life – 0.4%).

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.

Key financial indicators (audited)

HMEL Consolidated	FY2024	FY2025
Operating income	74,173.6	81,474.8
PAT	1,843.5	-602.0
OPBDIT/OI	9.7%	5.5%
PAT/OI	2.5%	-0.7%
Total outside liabilities/Tangible net worth (times)	3.3	3.6
Total debt/OPBDIT (times)	5.1	7.9
Interest coverage (times)	2.6	1.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: 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 (FY2026)			Chronology of rating history for past 3 years					
	Type	Amount rated (Rs. crore)	Oct 31, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
NCD programme	Long term	1,000.0	[ICRA]AA+ (Stable)	Oct 08, 2024	[ICRA]AA+ (Stable)	Dec 15, 2023	[ICRA]AA+ (Stable)	Jul 29, 2022	[ICRA]AA+ (Stable)
				May 23, 2024	[ICRA]AA+ (Stable)	Jul 28, 2023	[ICRA]AA+ (Stable)	-	-
Term loans	Long term	19,135.0	[ICRA]AA+ (Stable)	Oct 08, 2024	[ICRA]AA+ (Stable)	Dec 15, 2023	[ICRA]AA+ (Stable)	Jul 29, 2022	[ICRA]AA+ (Stable)
				May 23, 2024	[ICRA]AA+ (Stable)	Jul 28, 2023	[ICRA]AA+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD programme	Very 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 I: 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**	FY2018-FY2026	7.5%-9%	FY2025-FY2046	19,135.0	[ICRA]AA+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	HMEL ownership	Consolidation approach
HPCL-Mittal Pipelines Limited	100%	Full consolidation
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

Source: HMEL annual report FY2025

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Varun Gogia
+91 124 4545 319
varun.gogia1@icraindia.com

Sahaj Gugliani
+91 124 4545 814
sahaj.gugliani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

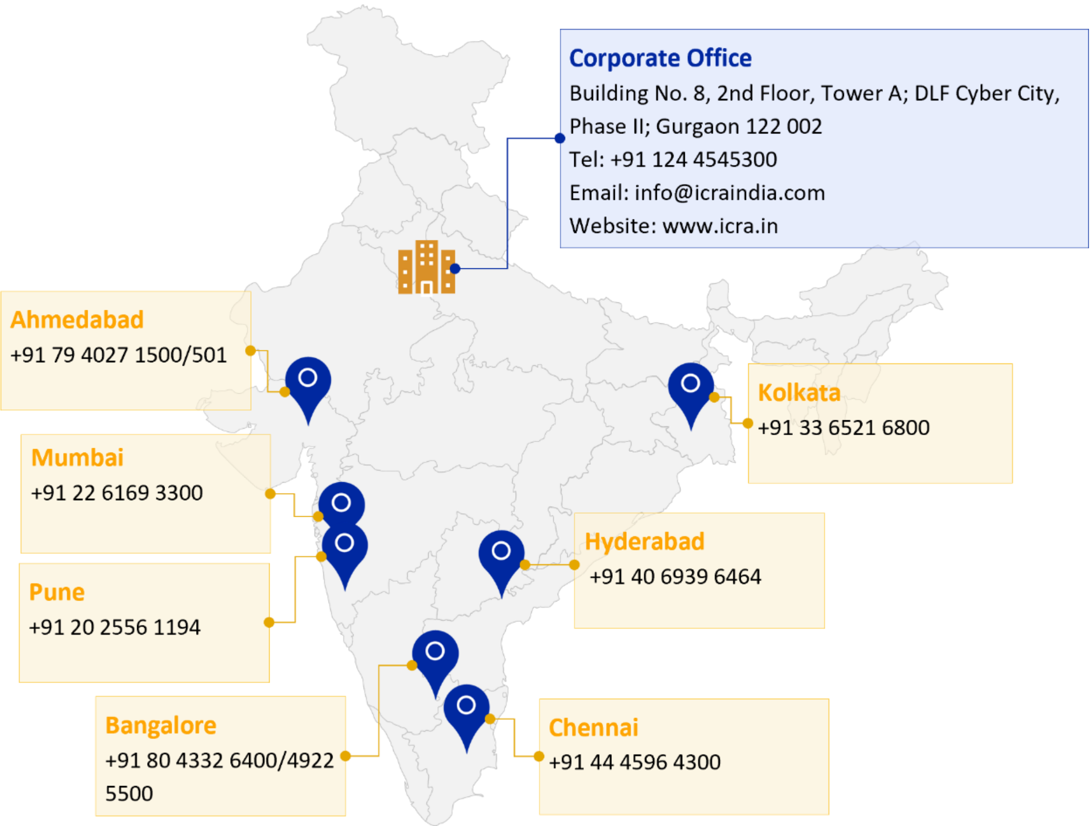
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.