

Estimate change 

 TP change 

 Rating change 

	BPCL IN
Bloomberg Equity Shares (m)	2,093
M.Cap.(INRb)/(USD\$)	1014.7 / 14
52-Week Range (INR)	488 / 313
1, 6, 12 Rel. Per (%)	7/10/-20
12M Avg Val (INR M)	4631

**Financials & Valuations (INR b)**

Y/E March	2021	2022E	2023E
Sales	2,302	2,797	2,864
EBITDA	211	105	141
PAT	132	58	82
EPS (INR)	63.2	27.5	39.0
EPS Gr. %	165.6	-56.5	41.5
BV/Sh. INR	255.9	218.7	248.0

**Ratios**

Net D:E	0.6	1.1	1.0
RoE (%)	29.4	11.6	16.7
RoCE (%)	15.9	6.8	9.0
Payout (%)	95.5	24.3	24.9

**Valuation**

P/E (x)	7.4	17.0	12.0
P/BV (x)	1.8	2.1	1.9
EV/EBITDA (x)	4.6	9.3	6.9
Div yield (%)	16.9	1.4	2.1
FCF yield (%)	14.7	-3.6	6.0

**Shareholding pattern (%)**

As On	Mar-21	Dec-20	Mar-20
Promoter	53.0	53.0	53.0
DII	24.2	20.9	20.5
FII	14.4	13.6	12.3
Others	8.4	12.5	14.3

FII Includes depository receipts

**CMP: INR468**
**TP: INR570 (+22%)**
**Buy**
**Upping our faith in privatization**

- BPCL posted better-than-estimated profitability, driven by better marketing volumes and refining/marketing margin, further aided by inventory gains.
- **The company made huge progress towards privatization in FY21, despite challenges posed by COVID-19**, by streamlining its subsidiaries (divested its entire stake in NRL, consolidated its stake in BORL, merged BGRL with BPCL) and sold off its trust shares.
- In our Feb'21 report, titled '[BPCL: Moves closer to divestment, upgrade to Buy](#)', we presented our optimism on the privatization process, with just two challenges, which were answered in its 4QFY21 result:
  - Impairment of upstream assets – BPRL by INR20.3b, thus the carrying value now stands at INR62.8b.
  - It further rationalized its employee count by 19% YoY to ~9,100 in FY21.
- **The management reiterated that it has no intention of divesting its stakes in IGL and PLNG.** It is working with the government to avoid an open offer in these subsidiaries.
- **A virtual data room has been open since 10th Apr'21. After this study, the next two steps are discussion with senior management and check on physical assets.** Though the latter is possible only with the opening up of international travel, **our faith in the privatization of BPCL has gone up a notch post its 4QFY21 result.** We value BPCL at 2.3x FY23E P/BV and reiterate our Buy rating with a TP of INR570/share.

**Developments on BPCL privatization in FY21**

- Completed sale of its entire stake in NRL to a consortium of Oil India and Engineers India, and to the Government of Assam for INR98.8b.
- Acquired 36.62% stake in BORL for INR24b, resulting in a total consideration of INR65.5b (transaction to be completed in 1QFY22).
- It sold equity shares from 'BPCL Trust for investment in shares' via a bulk deal on the stock exchange for INR55.1b (now ~1.52% shares remain).
- Proposed merger of BGRL with BPCL to be completed after obtaining approval from the respective authorities.

**4QFY21: Beat led by better marketing volume and margin**

- **Marketing** margin stood at INR6/liter (est. INR4). Marketing sales volumes were 7% higher than our estimate at 11.2mmt (+4% YoY).
- **Core GRM** stood at USD2.46/bbl (est. USD1.5/bbl). Reported GRM came in at USD6.6/bbl (est. USD4.5). Refining throughput was in line at 8.4mmt.
- **BPCL reported inventory gains of INR36.4b** (refining/marketing gains of INR18.1b/INR18.3b). Adjusted EBITDA for inventory gains stood at INR14.2b. Reported EBITDA came in at INR50.6b (v/s INR5.9b in 4QFY20).
  - Expense of INR6.5b was recognized as a reduction in the carrying value of the PMUY loan in other expenditure. Employee expense was higher, as INR0.7b (INR7.8b for FY21) was charged as VRS expense.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- It opted to move to the new tax regime and recognized DTL of INR18.2b, thus the tax rate stood at 2.4% in 4QFY21. Reported PAT came in at INR119.4b, while adjusted PAT (for exceptional items) stood at INR51.2b.
- **The company reported exceptional gains of INR69.9b on account of:**
  - Gain on sale of (61.65%) investment in NRL at INR94.2b.
  - Impairment of BPRL by INR20.3b (carrying value now at INR62.8b).
  - Employee share expense stood at INR4b (INR9.4b in FY21).

#### **FY21 aided by huge inventory gains (INR74.3b)**

- EBITDA/PBT stood at INR172b/INR226b (v/s INR83b/INR27b in FY20). Reported/adjusted PAT stood at INR190b/INR126b (v/s INR27b/INR34b in FY20).
- **Refining throughput/marketing sales fell 17%/10% YoY to 26.4mmt/38.7mmt.** HSD/MS/ATF volumes declined by 11%/8%/40% YoY, while LPG was up 6% YoY.
- **Marketing margin** averaged INR6.9/liter (up from INR4.7 in FY20). The company added 762/2,044 outlets in 4Q/FY21, totaling 18,657.
- **Core GRM** averaged USD1.8/bbl (v/s USD4.3 in FY20). Reported GRM stood at USD4.06/bbl (v/s USD2.5 in FY20).

#### **Valuation and view – Buy**

- **Capex for FY21 stood at INR111b and guidance for FY22 is INR120b** (refining: INR30b, marketing: INR40b, petchem: INR10b, BRPL equity investment: INR13b, and the rest in other smaller projects including CGDs).
- **Government receivables stands at a mere INR3b** (down from INR40b/INR62b in 3QFY21/FY20). **Standalone/consolidated debt decreased 44%/28% YoY at INR213b/INR400b.** It announced a final dividend of INR58/share (in addition to INR21 announced before), totaling INR79 (~17% dividend yield in FY21).
- **BPCL stated that 1QFY22 will be impacted by the second COVID wave – with refining throughput down to 86% at present (v/s 112% in 4QFY21). Since demand for its products has fallen by a similar amount, we revise down our FY22E consolidated EBITDA by 12%. The impact on FY22E EPS is ~9% as the company moved to the lower tax rate of 25.17%.**
- **Upside risk to our call** is further improvement in GRMs, with the opening up of global economies and marketing margin above normalized levels (of INR3/liter). **Downside risk to our call** is a deferral in the privatization process owing to further lockdowns/delay in opening up of international borders.

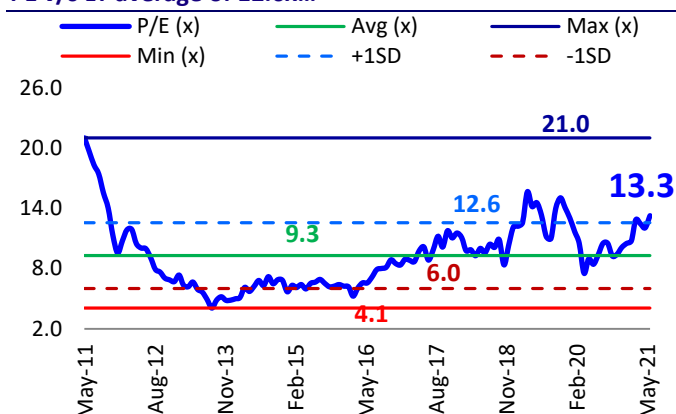
**Standalone - Quarterly Earning Model**

(INR Billion)

Y/E March	FY20				FY21				FY20	FY21	FY20	Var. vs 4QE Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Sales</b>	<b>763</b>	<b>643</b>	<b>747</b>	<b>690</b>	<b>388</b>	<b>501</b>	<b>667</b>	<b>769</b>	<b>2,844</b>	<b>2,325</b>	<b>852</b>	<b>-10</b>
YoY Change (%)	6	-11	-6	-7	-49	-22	-11	11	-4	-18	23	
<b>EBITDA</b>	<b>22</b>	<b>28</b>	<b>28</b>	<b>6</b>	<b>40</b>	<b>39</b>	<b>43</b>	<b>51</b>	<b>83</b>	<b>172</b>	<b>26</b>	<b>98</b>
Margins (%)	3	4	4	1	10	8	6	7	3	7	3	
<b>EBITDA adj. for inventory/one-offs</b>	<b>26</b>	<b>28</b>	<b>23</b>	<b>55</b>	<b>34</b>	<b>14</b>	<b>35</b>	<b>14</b>	<b>132</b>	<b>98</b>	<b>-8</b>	<b>-267</b>
Forex loss	0	4	1	12	1	-2	-1	0	17	-2	-1	
Depreciation	9	10	10	9	10	10	10	10	38	40	11	-6
Interest	5	6	5	6	6	0	3	5	22	13	3	71
Other Income	5	9	5	12	6	4	14	16	30	41	9	92
<b>PBT</b>	<b>14</b>	<b>17</b>	<b>17</b>	<b>-21</b>	<b>29</b>	<b>33</b>	<b>42</b>	<b>122</b>	<b>27</b>	<b>226</b>	<b>21</b>	<b>475</b>
Rate (%)	20	-3	27	34	29	32	33	2	0	16	33	
<b>Adj PAT</b>	<b>11</b>	<b>17</b>	<b>13</b>	<b>-6</b>	<b>21</b>	<b>23</b>	<b>31</b>	<b>51</b>	<b>34</b>	<b>126</b>	<b>14</b>	<b>260</b>
YoY Change (%)	-53	40	155	-121	93	37	143	-887	-52	271	-318	
<b>Key Assumptions</b>												
Refining throughput (mmt)	7.5	7.7	8.4	8.4	5.1	5.6	7.2	8.4	31.9	26.4	8.3	1
Core GRM (USD/bbl)	3.7	3.8	2.2	7.4	1.9	1.6	1.2	2.5	4.3	1.8	1.5	64
Marketing sales excld exports (mmt)	11.1	10.3	11.0	10.7	7.5	8.9	11.1	11.2	43.1	38.7	10.4	7
Marketing GM incld inv (INR/litre)	4.4	5.0	4.8	4.4	8.9	6.6	6.1	6.0	4.7	6.9	4.0	49

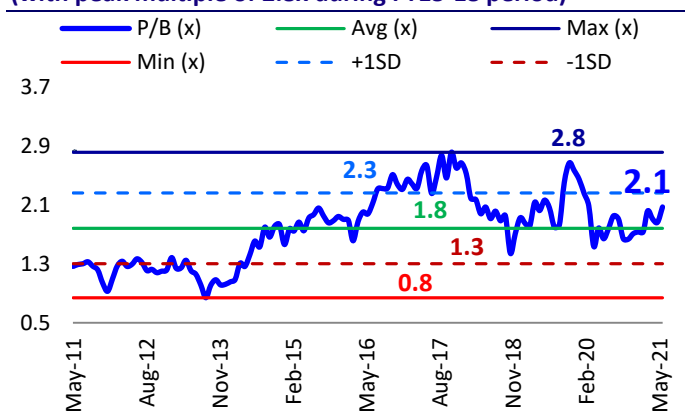
E: MOFSL Estimates

**Exhibit 1: On a one-year forward basis: BPCL trades at 13.3x PE v/s LT average of 12.6x...**



Source: Company, MOFSL

**Exhibit 2: ...and at 2.1x PB v/s its long-term average of 1.8 (with peak multiple of 2.8x during FY15-18 period)**



Source: Company, MOFSL

**Exhibit 3: BPCL – key assumptions**

Year-end March 31	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Exchange Rate (USD:INR)	65	67	64	70	71	74	73	75
Crude cost (USD/bbl)	48	49	57	70	61	44	60	60
Domestic market sales (MMT)	37	38	41	43	43	39	41	43
YoY (%)	6%	3%	9%	5%	0%	-10%	7%	4%
<b>Reported GRM (USD/bbl)</b>	<b>6.6</b>	<b>5.3</b>	<b>6.9</b>	<b>4.6</b>	<b>2.5</b>	<b>4.1</b>	<b>3.7</b>	<b>5.5</b>
Singapore GRM (USD/bbl)	7.5	5.8	7.3	4.9	3.2	0.5	3.7	5.0
Prem./(disc.) (USD/bbl)	(1)	(1)	(0)	(0)	(1)	4	0	0
Refinery throughput (MMT)	24.1	25.4	28.5	31.1	31.9	26.4	30.4	32.0
YoY (%)	3%	5%	12%	9%	3%	-17%	15%	5%
<b>Marketing Margin (INR/liter)</b>								
Blended gross marketing margin incl. inventory	4.0	4.2	4.0	4.8	4.7	6.9	4.2	4.2

Source: Company, MOFSL

## Key charts from 4QFY21

### Performance highlights of subsidiaries

- **NRL:** GRM stood at USD45.12/bbl (including excise duty benefit), with PAT at INR9b/INR31b in 4Q/FY21.
- **BORL:** GRM stood at USD8.3/bbl, with PAT at INR1.4b in 4Q (loss of INR0.8b in FY21). The company has available VAT benefits of INR13b.

Exhibit 4: Product sales (mmt)

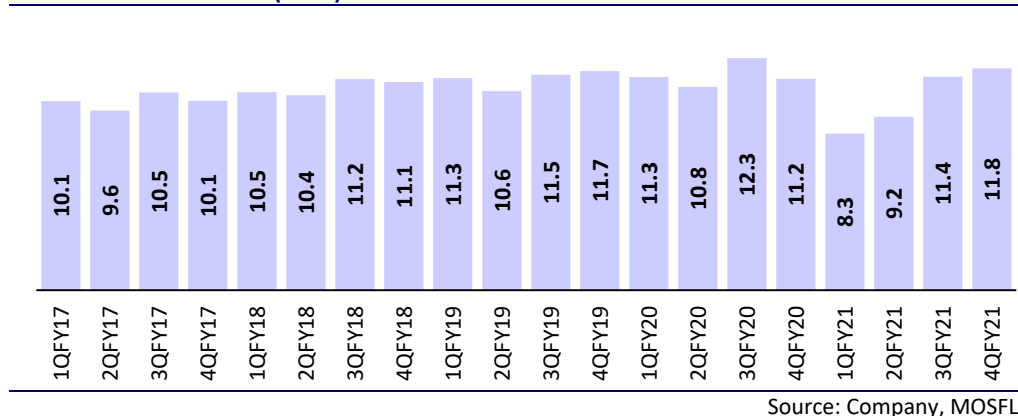


Exhibit 5: Reported GRM (USD/bbl)

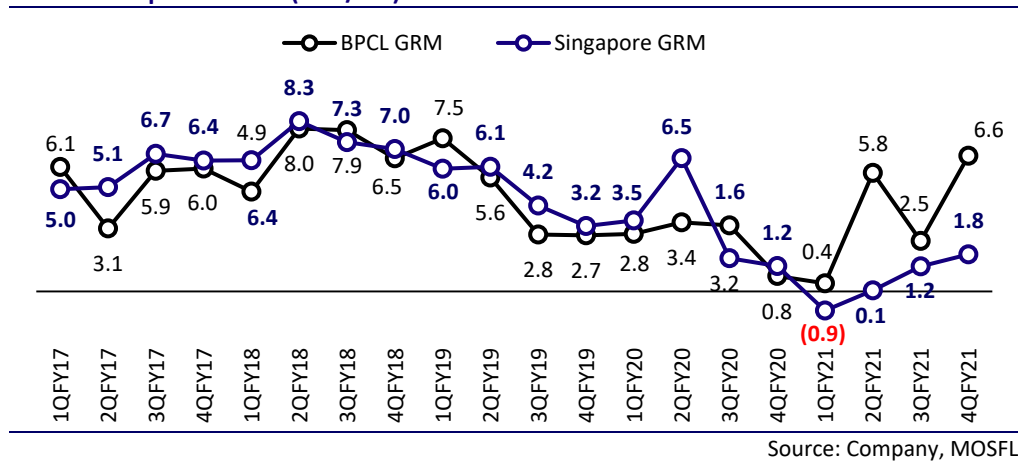
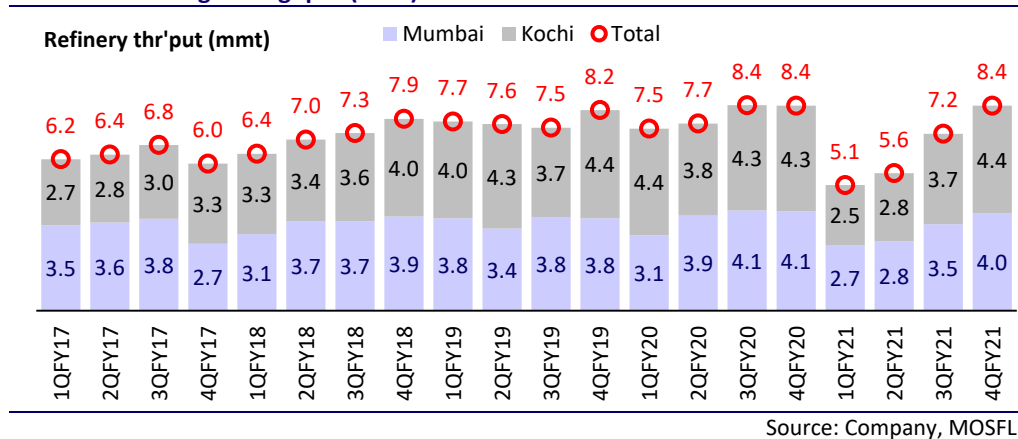
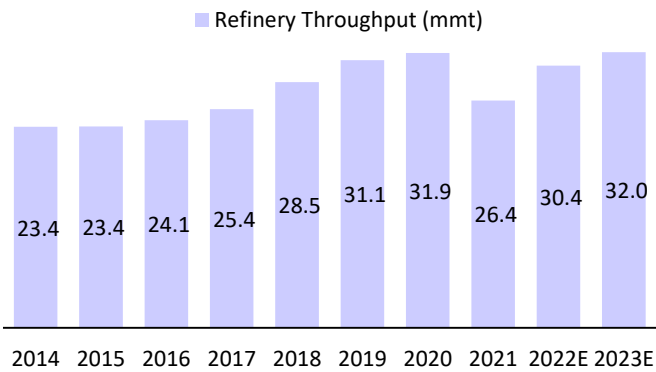


Exhibit 6: Refining throughput (mmt)



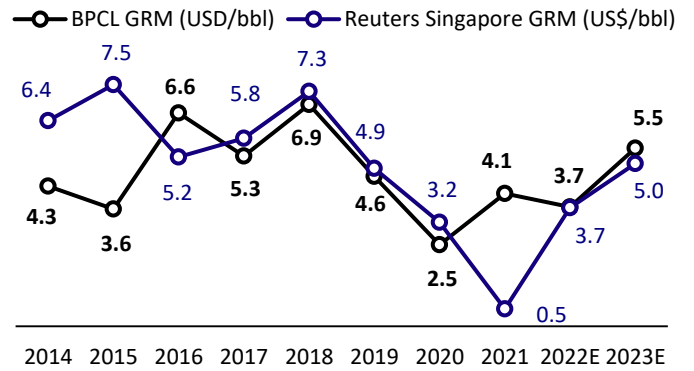
## Story in charts

**Exhibit 7: Throughput of BPCL (mmt)**



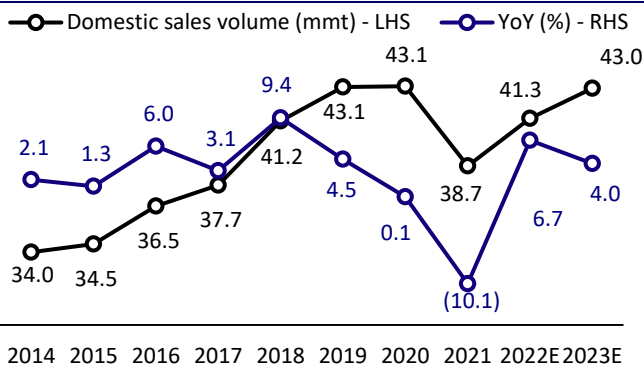
Source: Company, MOFSL

**Exhibit 8: GRM trend for BPCL**



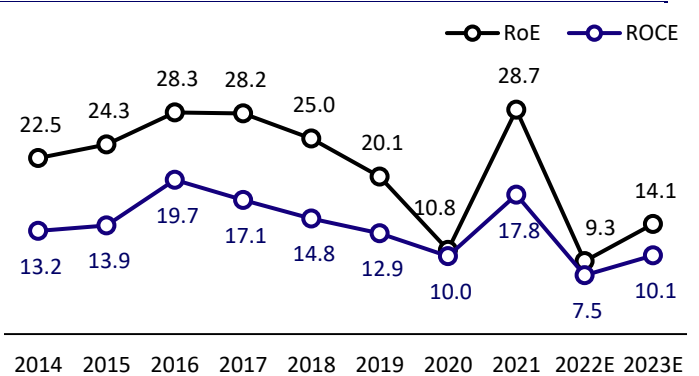
Source: Company, MOFSL

**Exhibit 9: Domestic marketing sales volumes**



Source: Company, MOFSL

**Exhibit 10: Standalone return ratios (%)**



Source: Company, MOFSL

## Financials and valuations (consolidated)

### Consolidated - Income Statement

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Total Income from Operations</b>	<b>1,878</b>	<b>2,013</b>	<b>2,358</b>	<b>2,982</b>	<b>2,846</b>	<b>2,302</b>	<b>2,797</b>	<b>2,864</b>
<b>EBITDA</b>	<b>129</b>	<b>138</b>	<b>152</b>	<b>158</b>	<b>100</b>	<b>211</b>	<b>105</b>	<b>141</b>
Margin (%)	6.9	6.8	6.4	5.3	3.5	9.2	3.8	4.9
Depreciation	21	21	29	34	41	43	44	47
<b>EBIT</b>	<b>109</b>	<b>116</b>	<b>123</b>	<b>124</b>	<b>59</b>	<b>168</b>	<b>61</b>	<b>95</b>
Net forex loss	0	0	0	7	17	-2	0	0
Int. and Finance Charges	7	7	12	18	26	17	21	27
Other Income	16	18	18	20	19	23	26	26
<b>PBT bef. EO Exp.</b>	<b>118</b>	<b>128</b>	<b>129</b>	<b>120</b>	<b>36</b>	<b>175</b>	<b>66</b>	<b>94</b>
EO Items	0	0	0	0	-13	53	0	0
<b>PBT after EO Exp.</b>	<b>118</b>	<b>128</b>	<b>129</b>	<b>120</b>	<b>23</b>	<b>228</b>	<b>66</b>	<b>94</b>
Total Tax	40	42	44	44	0	51	17	24
Tax Rate (%)	34.3	32.9	34.0	36.6	-0.6	22.5	25.2	25.2
Minority Interest/Share of JVs/associates	4	9	13	9	14	-3	8	11
<b>Reported PAT</b>	<b>81</b>	<b>95</b>	<b>98</b>	<b>85</b>	<b>37</b>	<b>173</b>	<b>58</b>	<b>82</b>
<b>Adjusted PAT</b>	<b>81</b>	<b>95</b>	<b>98</b>	<b>85</b>	<b>50</b>	<b>132</b>	<b>58</b>	<b>82</b>
Change (%)	68.3	17.5	3.0	-12.9	-41.6	165.6	-56.5	41.5
Margin (%)	4.3	4.7	4.2	2.9	1.8	5.8	2.1	2.8

### Consolidated - Balance Sheet

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	7	13	20	20	20	21	21	21
Total Reserves	271	295	347	368	346	515	437	498
<b>Net Worth</b>	<b>278</b>	<b>308</b>	<b>366</b>	<b>388</b>	<b>365</b>	<b>536</b>	<b>458</b>	<b>519</b>
Minority Interest	17	20	19	21	21	0	0	0
Total Loans	211	315	370	429	558	400	520	520
Deferred Tax Liabilities	31	41	55	68	62	49	49	49
<b>Capital Employed</b>	<b>537</b>	<b>683</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,027</b>	<b>1,088</b>
Gross Block	566	788	962	1,039	1,223	1,286	1,346	1,406
Less: Accum. Deprn.	276	302	331	365	406	449	513	568
<b>Net Fixed Assets</b>	<b>289</b>	<b>486</b>	<b>631</b>	<b>674</b>	<b>817</b>	<b>836</b>	<b>833</b>	<b>838</b>
Capital WIP	175	168	99	137	178	171	231	280
<b>Total Investments</b>	<b>58</b>	<b>64</b>	<b>61</b>	<b>68</b>	<b>55</b>	<b>72</b>	<b>72</b>	<b>72</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>342</b>	<b>372</b>	<b>412</b>	<b>491</b>	<b>459</b>	<b>530</b>	<b>381</b>	<b>396</b>
Inventory	146	212	225	229	222	267	216	218
Account Receivables	22	48	52	69	54	78	53	54
Cash and Bank Balance	42	19	14	7	12	81	9	20
Cash	20	6	6	4	8	76	4	15
Bank Balance	22	13	8	2	4	5	5	5
Loans and Advances	131	94	121	186	171	103	103	103
<b>Curr. Liability &amp; Prov.</b>	<b>328</b>	<b>408</b>	<b>393</b>	<b>464</b>	<b>503</b>	<b>625</b>	<b>490</b>	<b>497</b>
Account Payables	302	382	216	430	466	590	453	458
Provisions	26	26	178	33	36	36	37	39
<b>Net Current Assets</b>	<b>14</b>	<b>-35</b>	<b>19</b>	<b>27</b>	<b>-44</b>	<b>-95</b>	<b>-109</b>	<b>-101</b>
<b>Appl. of Funds</b>	<b>537</b>	<b>683</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,027</b>	<b>1,088</b>

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March (INR)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>EPS</b>	<b>38.6</b>	<b>45.4</b>	<b>46.8</b>	<b>40.7</b>	<b>23.8</b>	<b>63.2</b>	<b>27.5</b>	<b>39.0</b>
Cash EPS	48.5	55.5	60.6	57.1	43.3	84.0	48.6	61.2
BV/Share	132.8	147.3	175.0	185.2	174.6	255.9	218.7	248.0
DPS	11.4	21.7	22.3	20.2	17.6	79.0	6.7	9.7
Payout (%)	32.5	52.4	52.5	54.6	110.2	95.5	24.3	24.9
Valuation (x)								
P/E	12.1	10.3	10.0	11.5	19.7	7.4	17.0	12.0
Cash P/E	9.6	8.4	7.7	8.2	10.8	5.6	9.6	7.6
P/BV	3.5	3.2	2.7	2.5	2.7	1.8	2.1	1.9
EV/Sales	0.5	0.5	0.4	0.3	0.3	0.4	0.4	0.3
EV/EBITDA	7.1	6.7	6.1	5.8	9.2	4.6	9.3	6.9
Dividend Yield (%)	2.4	4.6	4.8	4.3	3.8	16.9	1.4	2.1
FCF per share	4.8	-2.6	16.9	-1.7	-21.8	68.8	-17.0	28.0
<b>Return Ratios (%)</b>								
RoE	32.1	32.4	29.0	22.6	13.2	29.4	11.6	16.7
RoCE	17.7	16.2	13.7	11.8	9.1	15.9	6.8	9.0
RoIC	31.4	22.5	15.2	11.8	8.2	18.3	6.6	9.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.3	2.6	2.5	2.9	2.3	1.8	2.1	2.0
Asset Turnover (x)	3.5	2.9	2.9	3.3	2.8	2.3	2.7	2.6
Inventory (Days)	28	38	35	28	29	42	28	28
Debtor (Days)	4	9	8	8	7	12	7	7
Creditor (Days)	59	69	33	53	60	94	59	58
<b>Leverage Ratio (x)</b>								
Current Ratio	1.0	0.9	1.0	1.1	0.9	0.8	0.8	0.8
Interest Cover Ratio	16.0	16.7	10.4	7.0	2.3	9.7	2.9	3.5
Net Debt/Equity	0.6	1.0	1.0	1.1	1.5	0.6	1.1	1.0

### Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	121.3	137.0	141.7	129.1	36.5	224.3	65.7	93.6
Depreciation	20.7	21.1	28.9	34.2	40.8	43.3	44.2	46.6
Direct Taxes Paid	-33.8	-40.2	-34.5	-30.1	-22.2	-38.0	-16.5	-23.6
(Inc)/Dec in WC	3.3	-17.9	-12.7	-35.3	-6.9	37.8	-58.4	3.3
<b>CF from Operations</b>	<b>111.2</b>	<b>90.4</b>	<b>110.7</b>	<b>101.6</b>	<b>78.8</b>	<b>235.5</b>	<b>64.5</b>	<b>158.6</b>
(Inc)/Dec in FA	-101.7	-95.4	-77.4	-105.0	-121.7	-91.5	-100.0	-100.0
<b>Free Cash Flow</b>	<b>9.5</b>	<b>-5.0</b>	<b>33.3</b>	<b>-3.4</b>	<b>-42.9</b>	<b>144.0</b>	<b>-35.5</b>	<b>58.6</b>
(Pur)/Sale of Investments	0.3	4.4	6.9	-1.9	12.1	-22.0	0.0	0.0
<b>CF from Investments</b>	<b>-78.0</b>	<b>-152.7</b>	<b>-68.6</b>	<b>-105.4</b>	<b>-111.4</b>	<b>-25.7</b>	<b>-100.0</b>	<b>-100.0</b>
Inc/(Dec) in Debt	31.0	126.9	14.6	65.9	124.2	-119.9	119.9	0.0
Dividend Paid	-33.5	-56.2	-43.7	-49.0	-65.2	-49.2	-135.4	-20.3
CF from Fin. Activity	-13.3	48.0	-42.2	2.1	36.4	-142.1	-36.6	-47.4
<b>Inc/Dec of Cash</b>	<b>19.8</b>	<b>-14.3</b>	<b>-0.1</b>	<b>-1.8</b>	<b>3.9</b>	<b>67.7</b>	<b>-72.1</b>	<b>11.2</b>
Opening Balance	0.5	20.4	6.1	5.9	4.1	8.0	75.7	3.6
<b>Closing Balance</b>	<b>20.4</b>	<b>6.1</b>	<b>5.9</b>	<b>4.1</b>	<b>8.0</b>	<b>75.7</b>	<b>3.6</b>	<b>14.7</b>

E: MOSL Estimates

**NOTES**



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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