

BPCL

Refer to important disclosures at the end of this report

BPCL board approves NRL sale at Rs160bn total valuation

- BPCL board has approved the sale of its 61.65% stake in Numaligarh Refinery to a consortium of Oil India and Engineers India, and the Assam govt. for Rs98.8bn. The sale is expected to close within a month post all approvals, including BPCL shareholders'.
- The deal implies a valuation of Rs160.2bn for NRL as a whole. With Rs30-40bn of average annual EBITDA and Rs12.8bn of net cash equivalent, the deal implies 5.5-7.9x PE and 3.6-4.7x EV/EBITDA – lower than the ballpark rate of 8-10x and 5-7x, respectively.
- It is also 6% lower than our valuation of Rs171bn for NRL. Though, it lowers BPCL's FV-TP by just ~Rs3/sh. It is sizably higher than what was quoted by media reports and Assam govt's budgeted valuation of Rs100-130bn. Hence, we view the deal as neutral to positive.
- The sale is an important milestone in BPCL's disinvestment process, and cash proceeds may also be paid to BPCL shareholders as a special dividend of Rs40-50/sh in the next 1-2 months. Retain Buy and OW on BPCL, with a TP of Rs495.

BPCL board approves NRL sale to OIL, EIL and Assam govt: BPCL's board of directors has approved a proposal to sell its entire 61.65% stake (453.5mn shares) in Numaligarh Refinery Ltd (NRL) to a consortium of Oil India and Engineers India, and the Assam govt for Rs98.76bn. The participation of the Assam govt is subject to the Right of First Refusal (RoFR). In case Assam govt does not exercise the RoFR, the entire stake will be acquired by the consortium. The transaction requires approval of BPCL's shareholders and is expected to close within one month after obtaining all requisite approvals.

Transaction valuation implies 3.6-4.7x EV/EBITDA or 2.5x PB: Based on NRL's annual EBITDA (average Rs31bn in FY17-19 and Rs40bn based on 9MFY21 run rate) and an EV of Rs147.4bn, the transaction implies 3.6-4.7x EV/EBITDA and 5.5-7.9x PE (Rs20-30bn PAT), which is lower than the ballpark rate of 5-7x and 8-10x, respectively, but on a PB basis it is reasonable at 2.5x based on 9MFY21 balance sheet. In our BPCL SOTP, we valued NRL at 6x FY18-20 average annual EBITDA to come at a Rs171bn valuation. Hence, the Rs160.2bn transaction value is 6% lower than our estimate. However, it lowers BPCL's TP-FV by just Rs3.4/sh. Compared to the Assam govt's indicative budgeted valuation of Rs110bn and what was quoted in recent media reports (Rs100bn+), the transaction value is sizably higher. Hence, we view it as neutral to positive and maintain our bullish stance on BPCL.

Deal implies progress of BPCL disinvestment: The sale is an important milestone in BPCL's disinvestment process, which is expected to complete by early Q2FY22. The cash proceeds may be distributed as special dividends of Rs40-50/sh to BPCL shareholders. We maintain our estimates and TP of Rs495 for BPCL, valuing core business at 6.5x FY23E EV/EBITDA. Valuation set in financial bids can lead to further upsides in FV. Retain Buy/OW.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(Page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2,972,751	2,843,830	2,360,556	3,200,247	3,462,461
EBITDA	126,646	83,017	148,011	146,577	163,718
EBITDA Margin (%)	4.3	2.9	6.3	4.6	4.7
APAT	71,320	37,689	88,701	87,820	97,952
EPS (Rs)	36.3	19.2	44.1	43.7	48.7
EPS (% chg)	(10.6)	(47.2)	130.1	(1.0)	11.5
ROE (%)	22.1	18.6	27.5	21.0	20.3
P/E (x)	12.5	23.7	10.3	10.4	9.3
EV/EBITDA (x)	9.0	15.9	8.7	8.4	7.2
P/BV (x)	2.4	2.7	2.4	2.0	1.8

Source: Company, Emkay Research

CMP	Target Price
Rs 455 as of (March 1, 2021)	Rs 495 (■) 12 months
Rating	Upside
BUY (■)	8.8 %

Change in Estimates

EPS Chg FY21E/FY22E (%)	NA
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	44.1	43.7
Consensus	40.4	44.0
Mean Consensus TP (12M)	Rs 491	

Stock Details

Bloomberg Code	BPCL IN
Face Value (Rs)	10
Shares outstanding (mn)	2,169
52 Week H/L	481 / 252
M Cap (Rs bn/USD bn)	987 / 13.42
Daily Avg Volume (nos.)	9,695,228
Daily Avg Turnover (US\$ mn)	53.7

Shareholding Pattern Dec '20

Promoters	53.0%
FIIIs	11.6%
DIIIs	20.1%
Public and Others	15.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	20	12	7
Rel. to Nifty	12	7	(13)	(19)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: BPCL's NRL sale

BPCL Board Meeting held on	01-Mar'21	
Stake in NRL	61.65%	
Oil India	38.00%	
Engineers India	10.00%	
Assam Govt	13.65%	Subject to exercise of RoFR
Consideration (Rs mn)	98,760	For 61.65% stake (453.55mn shares of NRL)
Shareholders' Approval Required		
Expected Completion		Within a month from receiving all approvals
NRL's Implied Value (Rs mn)	160,194	

NRL Shareholding

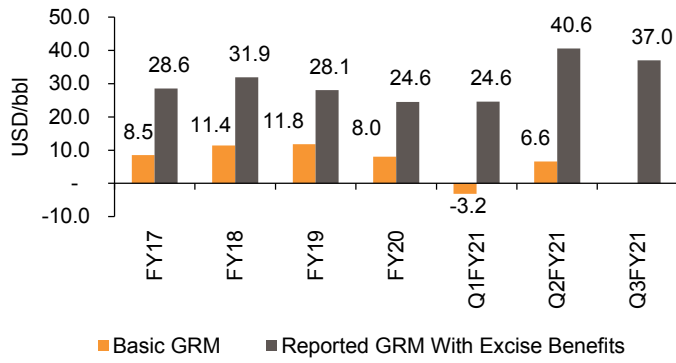
%	Existing so far	After-Assam RoFR	After-No Assam RoFR
BPCL	61.65%	0.00%	0.00%
Oil India	26.00%	64.00%	77.65%
Assam Govt	12.35%	26.00%	12.35%
Engineers India		10.00%	10.00%
Total	100.00%	100.00%	100.00%

Source: Company, Emkay Research; OIL and EIL boards have already approved the transaction but valuation was not indicated

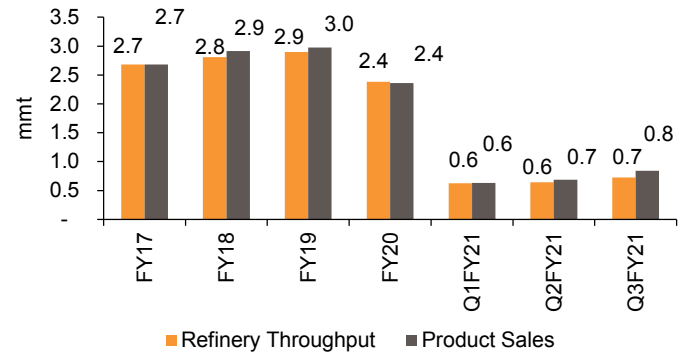
Exhibit 2: NRL – Transaction Valuation

Rs mn			
NRL EBITDA		Sale EV/EBITDA (x)	
FY17-19 Annual Average Case 1	31,077	Case 1	4.7
FY20	20,434	Case 2	3.6
9MFY21	29,598		
FY21E Annualized Case 2	41,437	FY20 End BV Case 1	53,044
		9MFY21 End BV Case 2	63,964
NRL Sale Value	160,194	Sale P/BV (x)	
Q3FY21 Net Cash Eqvt	12,786	Case 1	3.0
NRL EV	147,408	Case 2	2.5
		FY17-19 Avg Ann PAT Case 1	20,378
Emkay Target Value	170,996	FY21 Annualized PAT Case 2	29,327
Difference	-6%	Sale PE (x)	
BPCL SOTP Impact (Rs/sh)	3.4	Case 1	7.9
In %	0.7%	Case 2	5.5

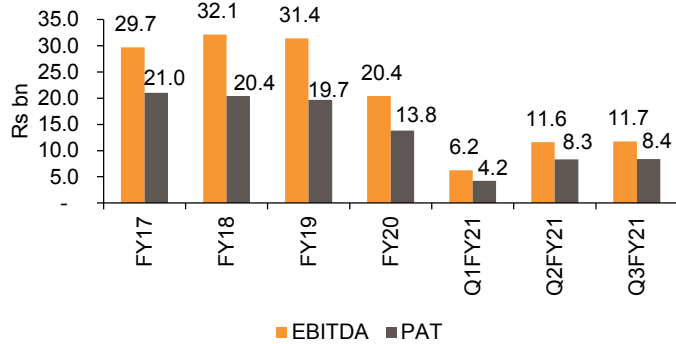
Source: Company, Emkay Research

Exhibit 3: NRL - GRMs

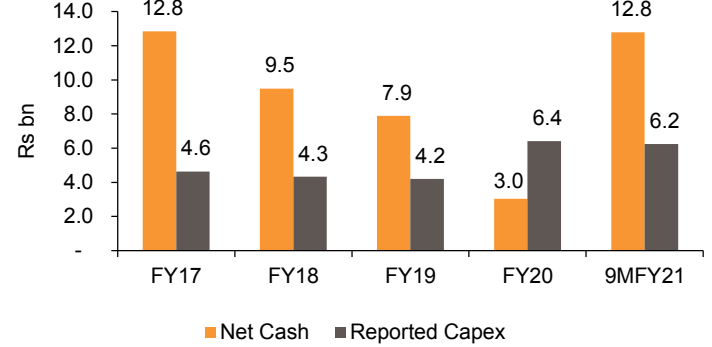
Source: Company, PPAC, Emkay Research

Exhibit 4: NRL – Throughput and Sales

Source: Company, Emkay Research

Exhibit 5: NRL – Financial Snapshot

Source: Company, Emkay Research

Exhibit 6: NRL's net cash position and reported capex

Source: Company, PPAC, Emkay Research

Valuation - BPCL

Exhibit 7: Value of investments

Rs/sh/mn	Shares (mn)	Price	Value
IGL	158	550	86,625
Petronet LNG	188	245	45,938
Oil India	27	120	3,210
Total			135,773
Investment value at 30% haircut			95,041
Upstream value at 40% discount to latest transaction value			39,932
BORL at 5x EV/EBITDA			2,462
NRL at 6x EV/EBITDA			105,419
Total Investment Value (Rs/sh)			121

Source: Company, Emkay Research

Exhibit 8: Core business valuation

Mar'23E (Rs.bn)	EBITDA	Multiple (x)	EV	EV/Share
Refining	54	6.0	322	160
Pipelines	9	6.5	56	28
Petrochemicals	9	4.0	35	17
Marketing	93	7.0	649	322
Total EV	164	6.5	1,062	528
Less: Net Debt (Mar'22 End)			309	154
Fair Value/M-Cap			753	374
No. Of Shares O/S (bn)			2.0	

Source: Company, Emkay Research

Exhibit 9: SOTP valuation

Rs/sh	Value
EV/EBITDA	374
Investments	121
Target Price	495

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2,972,751	2,843,830	2,360,556	3,200,247	3,462,461
Expenditure	2,846,104	2,760,813	2,212,546	3,053,670	3,298,742
EBITDA	126,646	83,017	148,011	146,577	163,718
Depreciation	31,893	37,869	39,858	46,134	53,581
EBIT	94,754	45,148	108,153	100,443	110,137
Other Income	29,836	30,813	33,772	36,351	38,692
Interest expenses	13,190	21,819	11,736	19,386	17,876
PBT	111,400	54,142	130,190	117,407	130,952
Tax	33,076	(10,979)	31,189	29,587	33,000
Extraordinary Items	(7,004)	(27,432)	(10,300)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	71,320	26,832	80,326	87,820	97,952
Adjusted PAT	71,320	37,689	88,701	87,820	97,952

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	19,669	19,669	20,118	20,118	20,118
Reserves & surplus	347,708	312,475	367,619	429,093	497,660
Net worth	367,377	332,144	387,737	449,211	517,778
Minority Interest	0	0	0	0	0
Loan Funds	290,993	478,187	424,187	404,187	384,187
Net deferred tax liability	61,690	59,673	73,673	83,673	93,773
Total Liabilities	720,060	870,004	885,596	937,071	995,737
Net block	464,881	569,511	610,149	684,925	746,436
Investment	175,470	173,343	169,347	171,509	173,702
Current Assets	445,264	426,789	389,089	535,992	598,506
Cash & bank balance	954	1,158	1,473	47,308	74,788
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	436,213	394,686	387,540	538,997	581,456
Net current assets	9,051	32,103	1,549	(3,005)	17,050
Misc. exp	0	0	0	0	0
Total Assets	720,060	870,004	885,596	937,071	995,737

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	81,564	23,329	96,417	81,056	92,261
Other Non-Cash items	5,089	(9,066)	(10,300)	0	0
Chg in working cap	(19,685)	(24,865)	44,869	60,388	17,526
Operating Cashflow	76,449	63,578	143,016	177,378	148,244
Capital expenditure	(93,072)	(166,889)	(90,000)	(100,000)	(90,000)
Free Cash Flow	(16,623)	(103,311)	53,016	77,378	58,244
Investments	(3,556)	2,127	3,996	(2,162)	(2,193)
Other Investing Cash Flow	(9,653)	41,173	14,981	0	0
Investing Cashflow	(76,445)	(92,776)	(37,251)	(65,811)	(53,502)
Equity Capital Raised	0	0	449	0	0
Loans Taken / (Repaid)	57,486	187,194	(54,000)	(20,000)	(20,000)
Dividend paid (incl tax)	(41,883)	(57,378)	(40,163)	(26,346)	(29,386)
Other Financing Cash Flow	(3,288)	(78,595)	0	0	0
Financing Cashflow	(875)	29,402	(105,449)	(65,733)	(67,262)
Net chg in cash	(871)	204	316	45,834	27,481
Opening cash position	1,825	954	1,158	1,473	47,308
Closing cash position	954	1,158	1,474	47,308	74,788

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	4.3	2.9	6.3	4.6	4.7
EBIT Margin	3.2	1.6	4.6	3.1	3.2
Effective Tax Rate	29.7	(20.3)	24.0	25.2	25.2
Net Margin	2.6	2.3	4.2	2.7	2.8
ROCE	18.5	9.6	16.2	15.0	15.4
ROE	22.1	18.6	27.5	21.0	20.3
RoIC	21.5	8.4	17.9	16.1	16.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	36.3	19.2	44.1	43.7	48.7
CEPS	56.0	52.4	69.0	66.6	75.3
BVPS	186.8	168.9	192.7	223.3	257.4
DPS	19.0	16.5	20.0	13.1	14.6

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	12.5	23.7	10.3	10.4	9.3
P/CEPS	7.5	8.0	6.1	6.3	5.6
P/BV	2.4	2.7	2.4	2.0	1.8
EV / Sales	0.4	0.5	0.5	0.4	0.3
EV / EBITDA	9.0	15.9	8.7	8.4	7.2
Dividend Yield (%)	4.2	3.6	4.4	2.9	3.2

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.7	1.3	1.0	0.7	0.5
Net Debt/EBIDTA	1.9	5.1	2.5	2.1	1.6
Working Cap Cycle (days)	12.0	16.3	16.4	14.9	14.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25.7	(4.3)	(17.0)	35.6	8.2
EBITDA	6.7	(34.5)	78.3	(1.0)	11.7
EBIT	2.8	(52.4)	139.6	(7.1)	9.7
PAT	(10.6)	(62.4)	199.4	9.3	11.5

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	747,328	689,914	387,851	501,464	667,314
EBITDA	28,021	5,923	39,724	44,852	43,782
EBITDA Margin (%)	3.7	0.9	10.2	8.9	6.6
PAT	12,606	(13,610)	20,762	22,478	27,776
EPS (Rs)	6.4	(6.9)	10.6	11.4	14.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	53.0	53.0	53.0	53.0	53.0
FII	14.1	12.3	12.0	12.0	11.6
DII	18.5	19.6	20.5	20.6	20.1
Public and Others	14.5	15.1	14.6	14.5	15.4

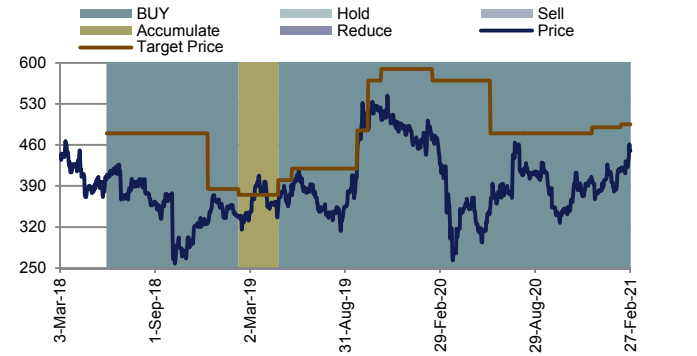
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
9-Feb-21	419	495	12m	Buy	Sabri Hazarika
16-Dec-20	400	490	12m	Buy	Sabri Hazarika
26-Nov-20	378	480	12m	Buy	Sabri Hazarika
30-Oct-20	354	480	12m	Buy	Sabri Hazarika
28-Sep-20	385	480	12m	Buy	Sabri Hazarika
23-Sep-20	388	480	12m	Buy	Sabri Hazarika
6-Sep-20	403	480	12m	Buy	Sabri Hazarika
15-Aug-20	413	480	12m	Buy	Sabri Hazarika
17-Jul-20	444	480	12m	Buy	Sabri Hazarika
4-Jun-20	357	480	12m	Buy	Sabri Hazarika
3-Jun-20	349	570	12m	Buy	Sabri Hazarika
6-May-20	344	570	12m	Buy	Sabri Hazarika
11-Mar-20	404	570	12m	Buy	Sabri Hazarika
14-Feb-20	476	570	12m	Buy	Sabri Hazarika
24-Jan-20	466	590	12m	Buy	Sabri Hazarika
4-Dec-19	501	590	12m	Buy	Sabri Hazarika
8-Nov-19	503	590	12m	Buy	Sabri Hazarika
25-Oct-19	524	570	12m	Buy	Sabri Hazarika
14-Oct-19	486	570	12m	Buy	Sabri Hazarika
23-Sep-19	451	485	12m	Buy	Sabri Hazarika
13-Aug-19	343	420	12m	Buy	Sabri Hazarika
10-Jun-19	390	420	12m	Buy	Sabri Hazarika
21-May-19	374	420	12m	Buy	Sabri Hazarika
25-Apr-19	358	400	12m	Buy	Sabri Hazarika
8-Feb-19	337	375	12m	Accumulate	Sabri Hazarika
28-Jan-19	349	385	12m	Buy	Sabri Hazarika
31-Dec-18	363	385	12m	Buy	Sabri Hazarika
11-Dec-18	327	385	12m	Buy	Sabri Hazarika
4-Sep-18	351	480	12m	Buy	Sabri Hazarika
13-Jul-18	387	480	12m	Buy	Sabri Hazarika
8-Jun-18	410	480	12m	Buy	Sabri Hazarika
31-May-18	404	480	12m	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Oil & Gas



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Sector

Oil & Gas

Analyst bio

Sabri Hazarika holds an MBA and comes with 11 years of research experience. His team currently covers 12 stocks in the Indian Oil & Gas space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Oil & Gas	10.72	10.72	0%	0	100.00
BPCL	0.44	0.49	10%	4	4.53
GAIL	0.31	0.32	1%	0	2.95
Gujarat Gas	0.10	0.10	-7%	-1	0.91
Gujarat State Petronet	0.09	0.09	1%	0	0.83
Gulf Oil Lubricants	0.00	0.05	NA	5	0.50
HPCL	0.22	0.24	10%	2	2.26
Indian Oil	0.31	0.28	-7%	-2	2.63
Indraprastha Gas	0.21	0.21	2%	0	2.00
Petronet LNG	0.24	0.23	-2%	0	2.16
Oil India	0.06	0.03	-42%	-2	0.30
ONGC	0.50	0.55	10%	5	5.12
Reliance Industries	8.25	8.13	-2%	-12	75.80
Cash	0.00	0.00	NA	0	0.02

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	28-Feb-20	28-Aug-20	27-Nov-20	25-Jan-21	26-Feb-21
EAP - Oil & Gas	100.0	88.8	127.5	118.7	121.3	131.4
BSE200 Neutral Weighted Portfolio (ETF)	100.0	89.6	126.7	117.7	120.5	130.5

*Performance measurement base date 1st April 2019

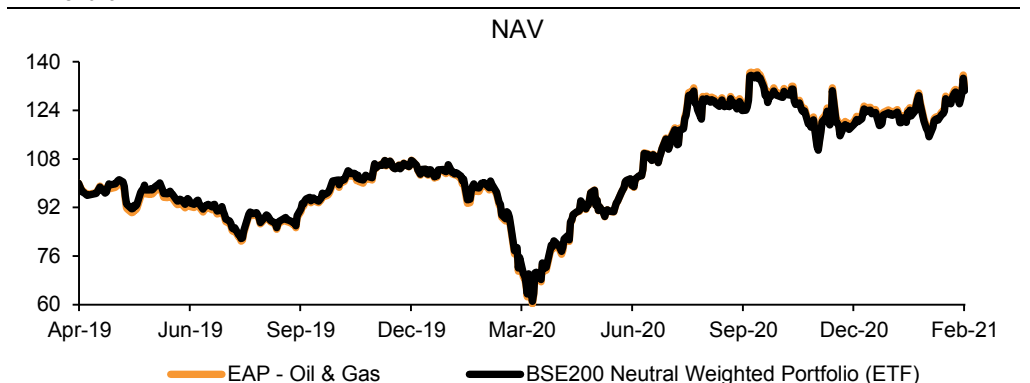
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	8.3%	10.7%	3.0%	48.0%
BSE200 Neutral Weighted Portfolio (ETF)	8.3%	10.8%	3.0%	45.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 02 Mar 2021 04:04:25 (SGT)

Dissemination Date: 02 Mar 2021 04:05:25 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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