

March 2, 2021

## Event Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	505		505	
Sales (Rs. m)	27,42,219	31,88,178	27,42,219	31,88,178
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,58,749	1,65,658	1,58,749	1,65,658
% Chng.	-	-	-	-
EPS (Rs.)	52.8	58.0	52.8	58.0
% Chng.	-	-	-	-

### Key Financials - Standalone

Ye Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	2,846	1,969	2,742	3,188
EBITDA (Rs. bn)	83	161	159	166
Margin (%)	2.9	8.2	5.8	5.2
PAT (Rs. bn)	37	100	104	114
EPS (Rs.)	18.6	50.9	52.8	58.0
Gr. (%)	(57.0)	173.3	3.7	9.8
DPS (Rs.)	18.2	22.4	20.1	20.2
Yield (%)	4.0	4.9	4.4	4.4
RoE (%)	9.2	22.8	21.0	20.4
RoCE (%)	4.9	12.1	10.4	10.2
EV/Sales (x)	0.5	0.6	0.4	0.3
EV/EBITDA (x)	16.1	7.1	7.1	6.4
PE (x)	24.4	8.9	8.6	7.8
P/BV (x)	2.2	1.9	1.7	1.5

### Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.481 / Rs.252
Sensex / Nifty	49,850 / 14,762
Market Cap	Rs.988bn/ \$ 13,427m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.7696.93m

### Shareholding Pattern (%)

Promoter's	54.98
Foreign	11.56
Domestic Institution	20.07
Public & Others	13.39
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	15.8	11.8	6.8
Relative	12.9	(12.8)	(18.0)

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## NRL Stake Sale; A step closer to divestment

### Quick Pointers:

- BPCL board approved the 61.65% stake in NRL for Rs98.8bn to Oil India, Engineers India and Government of Assam.
- Precursor to BPCL divestment likely to close by H1FY22E, proceeds can either be paid as dividend or reduce debt of Rs240bn as on Q3 end.
- BPCL remains well placed as crude oil prices to likely remain range bound, given comfortable inventory and uneven demand scenario.

**BPCL board approved the sale of 61.65% stake in Numaligarh Refinery (NRL) to a consortium of Oil India, Engineers India and Government of Assam for an EV of Rs160bn. The transaction values NRL at P/E of 8x/10x and EV/E of 5x/8x FY19/20 respectively. The transaction is likely to be closed within a month of getting all the approvals. This is in line with BPCL management commentary to close the transaction by Q4FY21 end. Proposed stake sale is a precursor to eventual divestment of BPCL, which will likely conclude by H1FY22E. Reiterate BUY as BPCL remains a prized asset given its footprint across energy value chain. We value BPCL at PER 9X FY22 and add value of investment and E&P.**

**BPCL divestment gathers steam:** BPCL divestment inched a step closer to reality when BPCL board approved sale of 61.65% stake in NRL to a consortium of OIL India, Engineers India (EIL) and Government of Assam. NRL is a 3MTPA refinery in North East India with BPCL, Oil India and the Assam government owning 61.65%, 26% and 12.35% share respectively. Media reports suggest that Oil India and EIL will together hold 49% and balance 13.65% stake will be acquired by the Assam government. The share of Assam government will be shared by Oil and EIL, in case the Assam government were to not participate.

**Excise benefits adds to NRL profits:** NRL remains a highly profitable entity given duty benefits it enjoys. Accordingly, 9MFY21 GRMs were at USD34/bbl (including excise benefits) and PAT was at Rs21.5bn. Excluding duty benefits, 9MFY21 GRMs were at USD1.44/bbl. In FY20, NRL profits were impacted by plant shutdown and inventory losses, due to sharp drop in crude oil prices. Accordingly, FY20 PAT was at Rs16.1 vs Rs19.7bn in FY19.

**Valuation range in line with BPCL multiple:** The transaction values NRL at an EV of Rs160bn, P/E of 8x/10x and EV/E of 5x/8x FY19/20 respectively. This is in line with our BPCL valuation of 9x FY22E P/E. We maintain our estimates and Price Target pending closure of the NRL deal.

**Value unlocking opportunity abounds:** BPCL remains a prized asset and there is potential to unlock value given their impressive retail outlets spread over 17,000 which can be sweat better by private and global players.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>28,45,719</b>	<b>19,69,473</b>	<b>27,42,219</b>	<b>31,88,178</b>
YoY gr. (%)	(4.6)	(30.8)	39.2	16.3
Cost of Goods Sold	25,36,652	15,82,846	23,23,890	27,46,574
Gross Profit	3,09,067	3,86,627	4,18,329	4,41,604
Margin (%)	10.9	19.6	15.3	13.9
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>83,490</b>	<b>1,60,586</b>	<b>1,58,749</b>	<b>1,65,658</b>
YoY gr. (%)	(44.8)	92.3	(1.1)	4.4
Margin (%)	2.9	8.2	5.8	5.2
Depreciation and Amortization	40,801	46,892	58,077	62,396
<b>EBIT</b>	<b>42,689</b>	<b>1,13,694</b>	<b>1,00,672</b>	<b>1,03,262</b>
Margin (%)	1.5	5.8	3.7	3.2
Net Interest	26,370	12,696	14,334	12,256
Other Income	19,293	37,052	57,846	61,821
<b>Profit Before Tax</b>	<b>22,509</b>	<b>1,38,050</b>	<b>1,44,184</b>	<b>1,52,827</b>
Margin (%)	0.8	7.0	5.3	4.8
Total Tax	(142)	35,353	33,338	31,645
Effective tax rate (%)	(0.6)	25.6	23.1	20.7
<b>Profit after tax</b>	<b>22,651</b>	<b>1,02,697</b>	<b>1,10,846</b>	<b>1,21,182</b>
Minority interest	(14,007)	2,499	6,973	7,104
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>36,657</b>	<b>1,00,198</b>	<b>1,03,873</b>	<b>1,14,078</b>
YoY gr. (%)	(57.0)	173.3	3.7	9.8
Margin (%)	1.3	5.1	3.8	3.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>36,657</b>	<b>1,00,198</b>	<b>1,03,873</b>	<b>1,14,078</b>
YoY gr. (%)	(57.0)	173.3	3.7	9.8
Margin (%)	1.3	5.1	3.8	3.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	36,657	1,00,198	1,03,873	1,14,078
<b>Equity Shares O/s (m)</b>	<b>1,967</b>	<b>1,967</b>	<b>1,967</b>	<b>1,967</b>
<b>EPS (Rs)</b>	<b>18.6</b>	<b>50.9</b>	<b>52.8</b>	<b>58.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>8,87,558</b>	<b>9,57,058</b>	<b>10,36,558</b>	<b>10,96,058</b>
Tangibles	8,87,558	9,57,058	10,36,558	10,96,058
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,68,620</b>	<b>2,19,286</b>	<b>2,81,259</b>	<b>3,47,673</b>
Tangibles	1,68,620	2,19,286	2,81,259	3,47,673
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>7,18,938</b>	<b>7,37,772</b>	<b>7,55,299</b>	<b>7,48,385</b>
Tangibles	7,18,938	7,37,772	7,55,299	7,48,385
Intangibles	-	-	-	-
Capital Work In Progress	1,04,547	24,535	25,576	26,722
Goodwill	2,631	2,631	2,631	2,631
Non-Current Investments	1,70,313	1,86,701	2,04,728	2,24,557
Net Deferred tax assets	(60,418)	(71,119)	(83,818)	(1,00,577)
Other Non-Current Assets	13,536	942	1,036	1,140
<b>Current Assets</b>				
Investments	60,041	66,045	72,649	79,914
Inventories	2,49,951	1,56,875	2,19,738	2,65,034
Trade receivables	72,244	45,433	64,277	79,771
Cash & Bank Balance	1,020	1,68,946	1,54,283	1,92,692
Other Current Assets	16,312	17,943	19,738	21,711
<b>Total Assets</b>	<b>14,96,892</b>	<b>15,03,917</b>	<b>16,25,659</b>	<b>17,58,830</b>
<b>Equity</b>				
Equity Share Capital	19,669	19,669	19,669	19,669
Other Equity	3,93,545	4,46,669	5,04,364	5,73,764
<b>Total Networkth</b>	<b>4,13,214</b>	<b>4,66,337</b>	<b>5,24,033</b>	<b>5,93,432</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,93,701	2,61,312	2,33,878	2,09,417
Provisions	15,956	17,552	19,307	21,238
Other non current liabilities	3,817	4,199	4,619	5,081
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,19,365	2,23,580	2,28,217	2,33,317
Trade payables	1,51,093	94,952	1,32,947	1,59,557
Other current liabilities	3,20,449	3,46,631	3,81,295	4,19,344
<b>Total Equity &amp; Liabilities</b>	<b>15,25,801</b>	<b>15,18,205</b>	<b>16,36,657</b>	<b>17,71,370</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	35,612	1,38,050	1,44,184	1,52,827
Add. Depreciation	40,801	46,892	58,077	62,396
Add. Interest	26,370	12,696	14,334	12,256
Less Financial Other Income	19,293	37,052	57,846	61,821
Add. Other	(6,502)	20,554	9,592	13,340
Op. profit before WC changes	96,281	2,18,193	2,26,187	2,40,819
Net Changes-WC	23,769	79,561	(20,452)	(8,675)
Direct tax	(3)	(24,133)	(25,096)	(25,311)
<b>Net cash from Op. activities</b>	<b>1,20,047</b>	<b>2,73,621</b>	<b>1,80,640</b>	<b>2,06,833</b>
Capital expenditures	(1,61,954)	3,724	(88,263)	(69,407)
Interest / Dividend Income	-	-	-	-
Others	878	(288)	(317)	(348)
<b>Net Cash from Inv. activities</b>	<b>(1,61,075)</b>	<b>3,436</b>	<b>(88,580)</b>	<b>(69,755)</b>
Issue of share cap. / premium	50,847	(32,856)	(26,747)	(18,480)
Debt changes	83,921	(28,175)	(22,797)	(19,360)
Dividend paid	(42,017)	(44,022)	(39,530)	(39,767)
Interest paid	(26,370)	(12,696)	(14,334)	(12,256)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>66,381</b>	<b>(1,17,749)</b>	<b>(1,03,408)</b>	<b>(89,863)</b>
<b>Net change in cash</b>	<b>25,354</b>	<b>1,59,308</b>	<b>(11,348)</b>	<b>47,215</b>
Free Cash Flow	(41,906)	2,77,345	92,377	1,37,426

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>6,89,914</b>	<b>3,87,851</b>	<b>5,01,464</b>	<b>6,67,314</b>
YoY gr. (%)	(6.8)	(49.2)	(22.1)	(10.7)
Raw Material Expenses	6,29,243	3,06,223	4,12,369	5,76,248
Gross Profit	60,672	81,628	89,095	91,066
Margin (%)	8.8	21.0	17.8	13.6
<b>EBITDA</b>	<b>(6,189)</b>	<b>39,158</b>	<b>38,512</b>	<b>43,058</b>
YoY gr. (%)	(112.9)	79.6	61.7	59.3
Margin (%)	(0.9)	10.1	7.7	6.5
Depreciation / Depletion	9,474	9,959	9,888	9,936
<b>EBIT</b>	<b>(15,663)</b>	<b>29,200</b>	<b>28,624</b>	<b>33,122</b>
Margin (%)	(2.3)	7.5	5.7	5.0
Net Interest	5,786	5,871	126	2,510
Other Income	11,567	5,933	5,726	15,146
<b>Profit before Tax</b>	<b>(20,689)</b>	<b>29,262</b>	<b>34,223</b>	<b>45,757</b>
Margin (%)	(3.0)	7.5	6.8	6.9
Total Tax	3,730	8,500	10,500	13,786
Effective tax rate (%)	(18.0)	29.0	30.7	30.1
<b>Profit after Tax</b>	<b>(24,419)</b>	<b>20,762</b>	<b>23,723</b>	<b>31,971</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(35,227)</b>	<b>20,762</b>	<b>22,478</b>	<b>27,776</b>
YoY gr. (%)	(212.7)	93.1	13.2	120.3
Margin (%)	(5.1)	5.4	4.5	4.2
Extra Ord. Income / (Exp)	10,808	-	1,246	4,195
<b>Reported PAT</b>	<b>(24,419)</b>	<b>20,762</b>	<b>23,723</b>	<b>31,971</b>
YoY gr. (%)	(178.1)	93.1	19.5	153.6
Margin (%)	(3.5)	5.4	4.7	4.8
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>(24,419)</b>	<b>20,762</b>	<b>23,723</b>	<b>31,971</b>
Av g. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	18.6	50.9	52.8	58.0
CEPS	39.4	74.8	82.3	89.7
BVPS	210.1	237.1	266.4	301.7
FCF	(21.3)	141.0	47.0	69.9
DPS	18.2	22.4	20.1	20.2
<b>Return Ratio(%)</b>				
RoCE	4.9	12.1	10.4	10.2
ROIC	3.0	9.0	7.2	6.9
RoE	9.2	22.8	21.0	20.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.1	0.5	0.4	0.3
Net Working Capital (Days)	22	20	20	21
<b>Valuation(x)</b>				
PER	24.4	8.9	8.6	7.8
P/B	2.2	1.9	1.7	1.5
P/CEPS	11.6	6.1	5.5	5.1
EV/EBITDA	16.1	7.1	7.1	6.4
EV/Sales	0.5	0.6	0.4	0.3
Dividend Yield (%)	4.0	4.9	4.4	4.4

Source: Company Data, PL Research

**Key Operating Metrics**

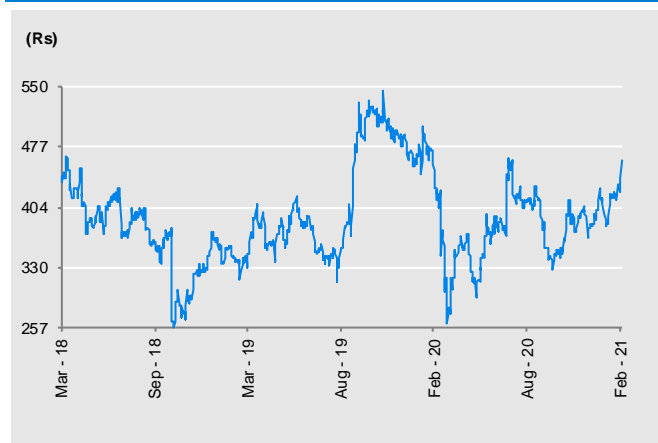
Y/e Mar	FY20	FY21E	FY22E	FY23E
Crude /bbl	61	45	55	60
US\$/Rs	71	74	77	79
GRM (US\$/bbl)	6	4	5	5
Refining volume (MTPA)	31	26	30	31

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Feb-21	BUY	505	422
2	08-Jan-21	BUY	479	392
3	30-Oct-20	BUY	479	342
4	07-Oct-20	BUY	515	342
5	14-Aug-20	BUY	515	413
6	07-Jul-20	BUY	515	380
7	04-Jun-20	BUY	515	357
8	08-Apr-20	BUY	517	342

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	BUY	1,314	1,159
2	Bharat Petroleum Corporation	BUY	505	422
3	GAIL (India)	Accumulate	139	134
4	Gujarat Gas	BUY	528	380
5	Hindustan Petroleum Corporation	BUY	315	230
6	Indian Oil Corporation	BUY	124	96
7	Indraprastha Gas	BUY	662	557
8	Mahanagar Gas	BUY	1,313	1,129
9	NOCIL	BUY	182	143
10	Oil & Natural Gas Corporation	BUY	125	97
11	Oil India	Accumulate	117	113
12	Petronet LNG	BUY	403	242
13	Reliance Industries	BUY	2,232	2,008

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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