

May 26, 2022

## Q4FY22 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>416</b>		<b>416</b>	
Sales (Rs. m)	3,516,323	3,755,265	3,505,008	3,735,746
% Chng.	0.3	0.5		
EBITDA (Rs. m)	115,801	181,811	114,886	178,737
% Chng.	0.8	1.7		
EPS (Rs.)	35.5	59.4	35.5	59.4
% Chng.	(0.2)	-		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	2,302	3,943	3,516	3,755
EBITDA (Rs. bn)	213	189	116	182
Margin (%)	9.3	4.8	3.3	4.8
PAT (Rs. bn)	121	109	74	124
EPS (Rs.)	57.6	51.9	35.5	59.4
Gr. (%)	209.0	(9.9)	(31.7)	67.6
DPS (Rs.)	79.0	16.0	11.1	23.9
Yield (%)	24.2	4.9	3.4	7.3
RoE (%)	26.8	20.6	13.8	21.2
RoCE (%)	17.0	14.3	6.9	13.8
EV/Sales (x)	0.4	0.3	0.3	0.2
EV/EBITDA (x)	4.7	5.4	7.8	4.5
PE (x)	5.7	6.3	9.2	5.5
P/BV (x)	1.3	1.3	1.2	1.1

### Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.470 / Rs.324
Sensex / Nifty	53,749 / 16,026
Market Cap	Rs.707bn/ \$ 9,126m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.2013.04m

### Shareholding Pattern (%)

Promoter's	53.30
Foreign	13.69
Domestic Institution	19.85
Public & Others	13.17
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(11.8)	(18.5)	(25.7)
Relative	(7.1)	(10.8)	(30.0)

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## Marketing loss remains a concern

### Quick Pointers:

- Recovery in refining profits drive Q4 earnings; Refining profitability to improve in Q1 as fuel prices soar- Singapore GRMs at ~USD20/bbl v/s USD8 bbl in Q4.
- High marketing losses of over ~Rs12/litre in diesel create earnings overhang despite sharp improvement in GRMs.

**We change our FY23/24E estimates as we incorporate FY22 actuals. BPCL reported lower than expected Q4 results with standalone EBITDA of Rs42.4bn (+1%QoQ; PLe Rs 50.7bn) and PAT of Rs21.3bn (-13%QoQ; PLe Rs33.2bn), due to lower than expected marketing earnings as calculated marketing EBITDA loss increased to Rs56.9bn in Q4 vis-à-vis gains of Rs31.4bn in Q3. For FY22, EBITDA/PAT was at Rs161.9bn (-6%YoY) and Rs88.7bn (-30%YoY). We believe OMCs earnings will be hit by sharp jump in marketing losses, despite improvement in refining profitability. However, softening diesel spreads from recent highs of \$45/bbl to ~\$30/bbl will reduce marketing losses as more refiners come back from maintenance shutdown. Maintain BUY.**

- Refining margins drive earnings:** BPCL reported EBITDA/PAT of Rs42.4bn (+1%QoQ) and Rs21.3bn (-13%QoQ), led by strong refining performance. Q4 refining margins were at USD15.3/bbl (Q3FY22 at USD9.7/bbl; PLe USD10.0/bbl). Refining throughput improved to 8.1MTPA (8.0 in Q3) as product demand recovered. For FY22, GRMs were at USD9.1/bbl vs USD3.7/bbl last year.
- For Q4, benchmark HSD and MS margins were higher at USD18.4/bbl (Q3: 11.9) and USD16.3/bbl (flat QoQ) respectively. We expect GRMs to improve as high global economic activity, low product inventory and gas to oil switch (given high spot LNG prices) drive product spreads. Accordingly, we have factored FY23E GRMs of USD14/bbl. FY24E GRMs are maintained at USD7.8/bbl.
- Marketing profitability comes under pressure:** BPCL's marketing volumes came in higher vis-à-vis the industry. MS demand was at 2.1MTPA (3.9% QoQ vs industry rate of -3.4%) and HSD demand was at 5.18MTPA (+3.2% QoQ vis-a-vis industry rate of 0.7%). However, we calculate marketing EBITDA loss of Rs56.9bn vs Q3 gains of Rs31.3bn, due to lower retail price revision. We have factored diesel and petrol margins of ~Rs3/0litre given high losses due to unchanged retail prices in a crude inflationary environment.
- However, as global refiners resume production post maintenance shutdown, we expect spreads to soften which will reduce marketing losses. We maintain our positive view on BPCL given attractive valuations.

**Exhibit 1: Standalone Q4FY22 Result Overview (Rs mn)**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
<b>Net sales</b>	<b>12,35,509</b>	<b>9,87,556</b>	<b>25.1</b>	<b>11,85,367</b>	<b>43,34,065</b>	<b>30,18,650</b>	<b>43.6</b>
Inc/dec in stock	-27,112	-27,899	(2.8)	4,954	-42,887	-36,336	18.0
Raw material cons	4,44,595	2,86,022	55.4	3,69,669	13,87,085	7,11,536	94.9
Staff cost	9,140	11,328	(19.3)	8,921	33,145	44,772	(26.0)
Purchases	5,59,254	4,00,247	39.7	5,37,444	18,90,858	12,78,009	48.0
Duties, taxes, etc	1,47,774	2,18,733	(32.4)	1,74,915	7,11,297	6,93,199	2.6
Other expenditure	59,366	48,547	22.3	47,334	1,92,639	1,56,165	23.4
Exp	-11,93,016	-9,36,978	27.3	-11,43,237	-41,72,136	-28,47,344	46.5
<b>Operating profit</b>	<b>42,493</b>	<b>50,579</b>	<b>(16.0)</b>	<b>42,130</b>	<b>1,61,928</b>	<b>1,71,306</b>	<b>(5.5)</b>
Interest	-5,338	-4,776	11.8	-4,460	-18,606	-13,284	40.1
Depreciation	-12,736	-9,998	27.4	-11,680	-47,543	-39,781	19.5
Other income	5,976	16,640	(64.1)	6,826	24,124	43,445	(44.5)
<b>Profit before tax</b>	<b>30,396</b>	<b>52,445</b>	<b>(42.0)</b>	<b>32,815</b>	<b>1,19,904</b>	<b>1,61,687</b>	<b>(25.8)</b>
Current tax	-8,578	-20,433	(58.0)	-7,592	-28,015	-39,789	(29.6)
<b>Profit after current tax</b>	<b>21,817</b>	<b>32,012</b>	<b>(31.8)</b>	<b>25,223</b>	<b>91,889</b>	<b>1,21,898</b>	<b>(24.6)</b>
Deferred tax	-512	17,460	(102.9)	-600	-3,232	4,030	(180.2)
<b>Actual PAT</b>	<b>21,305</b>	<b>49,472</b>	<b>(56.9)</b>	<b>24,623</b>	<b>88,657</b>	<b>1,25,928</b>	<b>(29.6)</b>
Exceptional	0	69,930	(100.0)	0	-771	64,489	
<b>Reported PAT</b>	<b>21,305</b>	<b>1,19,401</b>	<b>(82.2)</b>	<b>24,623</b>	<b>87,886</b>	<b>1,69,655</b>	<b>(48.2)</b>

Source: Company, PL

**Exhibit 2: Q4 internals**

	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Refining thrupt (MTPA)	7.95	7.16	11.0	7.16	21.95	18.01	21.9
GRMs (USD/bbl)	9.69	6.04	60.4	6.04	5.11	3.19	60.2
Inventory gains/loss (Rs m)							
Marketing	-14,230	2,270	820	2,270	-3,810	24,220	(115.7)
Refining	0	0	4,550	0	0	13,670	
Forex gains/loss (Rs m)	-360	520	(960)	520	-310	1,705	(118.2)
Gross debt (Rs m)	2,41,640	2,10,010	3,01,340	2,10,010	2,41,640	2,46,740	(2.1)

Source: Company, PL

**Exhibit 3: BPCL's core EBIDTA is not strictly comparable due to non-availability of inventory gains**

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>EBIDTA breakup</b>	<b>(6,189)</b>	<b>39,158</b>	<b>38,512</b>	<b>43,058</b>	<b>50,579</b>	<b>32,528</b>	<b>44,778</b>	<b>42,130</b>	<b>42,493</b>
Adj for forex	(12,110)	(566)	1,520	751	292	(470)	520	(360)	(1,970)
Adj for inventory	(38,220)	5,650	24,530	7,710	36,420	8,150	2,270	(14,230)	-
<b>Core EBIDTA</b>	<b>44,142</b>	<b>34,074</b>	<b>12,462</b>	<b>34,597</b>	<b>13,866</b>	<b>24,848</b>	<b>41,988</b>	<b>56,720</b>	<b>44,463</b>
Marketing	26,273	35,728	15,360	39,734	13,436	18,854	28,221	25,338	(12,497)
Refining	17,869	(1,654)	(2,898)	(5,137)	431	5,994	13,767	31,382	56,960

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>2,301,626</b>	<b>3,942,800</b>	<b>3,516,323</b>	<b>3,755,265</b>
YoY gr. (%)	(19.1)	71.3	(10.8)	6.8
Cost of Goods Sold	1,873,988	3,520,016	3,147,403	3,289,523
Gross Profit	427,639	422,785	368,920	465,743
Margin (%)	18.6	10.7	10.5	12.4
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>212,964</b>	<b>189,353</b>	<b>115,801</b>	<b>181,811</b>
YoY gr. (%)	155.1	(11.1)	(38.8)	57.0
Margin (%)	9.3	4.8	3.3	4.8
Depreciation and Amortization	43,342	54,947	55,343	58,252
<b>EBIT</b>	<b>169,622</b>	<b>134,407</b>	<b>60,458</b>	<b>123,559</b>
Margin (%)	7.4	3.4	1.7	3.3
Net Interest	17,234	22,757	23,361	21,781
Other Income	22,530	24,124	44,910	46,822
<b>Profit Before Tax</b>	<b>174,918</b>	<b>135,774</b>	<b>82,007</b>	<b>148,600</b>
Margin (%)	7.6	3.4	2.3	4.0
Total Tax	51,122	27,121	7,808	24,241
Effective tax rate (%)	29.2	20.0	9.5	16.3
<b>Profit after tax</b>	<b>123,796</b>	<b>108,653</b>	<b>74,199</b>	<b>124,359</b>
Minority interest	3,255	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>120,541</b>	<b>108,653</b>	<b>74,199</b>	<b>124,359</b>
YoY gr. (%)	228.8	(9.9)	(31.7)	67.6
Margin (%)	5.2	2.8	2.1	3.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>120,541</b>	<b>108,653</b>	<b>74,199</b>	<b>124,359</b>
YoY gr. (%)	228.8	(9.9)	(31.7)	67.6
Margin (%)	5.2	2.8	2.1	3.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	120,541	108,653	74,199	124,359
<b>Equity Shares O/s (m)</b>	<b>2,093</b>	<b>2,093</b>	<b>2,093</b>	<b>2,093</b>
<b>EPS (Rs)</b>	<b>57.6</b>	<b>51.9</b>	<b>35.5</b>	<b>59.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>819,535</b>	<b>1,019,646</b>	<b>1,074,646</b>	<b>1,129,646</b>
Tangibles	819,535	1,019,646	1,074,646	1,129,646
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>183,647</b>	<b>258,595</b>	<b>313,938</b>	<b>372,191</b>
Tangibles	183,647	258,595	313,938	372,191
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>635,888</b>	<b>761,051</b>	<b>760,708</b>	<b>757,455</b>
Tangibles	635,888	761,051	760,708	757,455
Intangibles	-	-	-	-
Capital Work In Progress	171,401	37,298	14,710	15,169
Goodwill	5,094	7,433	7,433	7,433
Non-Current Investments	253,334	207,617	228,379	251,217
Net Deferred tax assets	(37,729)	(52,294)	(63,717)	(80,987)
Other Non-Current Assets	12,762	21,710	1,917	2,108
<b>Current Assets</b>				
Investments	67,943	44,423	48,865	53,751
Inventories	267,060	398,363	342,379	365,448
Trade receivables	78,348	108,947	99,493	106,134
Cash & Bank Balance	81,101	(28,311)	52,348	101,633
Other Current Assets	17,834	26,361	28,997	31,897
<b>Total Assets</b>	<b>1,609,920</b>	<b>1,592,563</b>	<b>1,593,668</b>	<b>1,701,528</b>
<b>Equity</b>				
Equity Share Capital	20,929	20,929	20,929	20,929
Other Equity	514,622	497,180	534,972	595,521
<b>Total Network</b>	<b>535,551</b>	<b>518,109</b>	<b>555,901</b>	<b>616,450</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	433,553	258,390	229,103	203,531
Provisions	16,089	2,108	2,319	2,551
Other non current liabilities	5,500	6,577	7,235	7,958
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	42,328	91,998	91,998	91,998
Trade payables	162,627	327,124	241,750	258,332
Other current liabilities	364,349	348,462	383,309	421,640
<b>Total Equity &amp; Liabilities</b>	<b>1,609,920</b>	<b>1,605,627</b>	<b>1,575,953</b>	<b>1,684,129</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	174,918	135,774	82,007	148,600
Add. Depreciation	43,342	54,947	55,343	58,252
Add. Interest	17,234	22,757	23,361	21,781
Less Financial Other Income	22,530	24,124	44,910	46,822
Add. Other	(9,862)	(3,375)	27,174	12,632
Op. profit before WC changes	225,632	210,103	187,886	241,265
Net Changes-WC	100,715	(21,951)	11,507	21,459
Direct tax	(50,300)	(28,015)	(9,616)	(20,755)
<b>Net cash from Op. activities</b>	<b>276,047</b>	<b>160,137</b>	<b>189,777</b>	<b>241,969</b>
Capital expenditures	(56,588)	(3,213)	(47,449)	(71,999)
Interest / Dividend Income	-	-	-	-
Others	(1,360)	(3,343)	(758)	(834)
<b>Net Cash from Inv. activities</b>	<b>(57,947)</b>	<b>(6,556)</b>	<b>(48,207)</b>	<b>(72,833)</b>
Issue of share cap. / premium	190,386	(91,714)	(11,422)	(67,296)
Debt changes	(140,602)	(125,493)	(29,287)	(25,572)
Dividend paid	(165,340)	(33,487)	(23,177)	-
Interest paid	(17,234)	(22,757)	(23,361)	(21,781)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(132,789)</b>	<b>(273,450)</b>	<b>(87,247)</b>	<b>(114,649)</b>
<b>Net change in cash</b>	<b>85,310</b>	<b>(119,869)</b>	<b>54,323</b>	<b>54,488</b>
Free Cash Flow	219,459	156,925	142,328	169,970

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>709,213</b>	<b>815,367</b>	<b>1,010,452</b>	<b>1,087,736</b>
YoY gr. (%)	82.9	62.6	51.4	41.5
Raw Material Expenses	626,675	719,577	912,067	976,737
Gross Profit	82,538	95,790	98,385	110,999
Margin (%)	11.6	11.7	9.7	10.2
<b>EBITDA</b>	<b>32,528</b>	<b>44,778</b>	<b>42,130</b>	<b>42,493</b>
YoY gr. (%)	(16.9)	16.3	(2.2)	(16.0)
Margin (%)	4.6	5.5	4.2	3.9
Depreciation / Depletion	11,446	11,681	11,680	12,736
<b>EBIT</b>	<b>21,082</b>	<b>33,096</b>	<b>30,450</b>	<b>29,758</b>
Margin (%)	3.0	4.1	3.0	2.7
Net Interest	4,867	3,940	4,460	5,338
Other Income	4,517	6,805	6,826	5,976
<b>Profit before Tax</b>	<b>20,732</b>	<b>35,961</b>	<b>32,815</b>	<b>30,395</b>
Margin (%)	2.9	4.4	3.2	2.8
Total Tax	4,945	9,020	8,192	9,090
Effective tax rate (%)	23.9	25.1	25.0	29.9
<b>Profit after Tax</b>	<b>15,787</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>
YoY gr. (%)	(27.7)	19.9	(11.4)	(82.2)
Margin (%)	2.1	3.3	2.4	2.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>
YoY gr. (%)	(27.7)	19.9	(11.4)	(82.2)
Margin (%)	2.1	3.3	2.4	2.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>
Avg. Shares O/s (m)	20,929	20,929	20,929	20,929
<b>EPS (Rs)</b>	<b>7.5</b>	<b>12.9</b>	<b>11.8</b>	<b>10.2</b>

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	57.6	51.9	35.5	59.4
CEPS	78.3	78.2	61.9	87.3
BVPS	255.9	247.6	265.6	294.5
FCF	104.9	75.0	68.0	81.2
DPS	79.0	16.0	11.1	23.9
<b>Return Ratio(%)</b>				
RoCE	17.0	14.3	6.9	13.8
ROIC	11.6	8.5	4.1	8.0
RoE	26.8	20.6	13.8	21.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.6	0.6	0.4	0.2
Net Working Capital (Days)	29	17	21	21
<b>Valuation(x)</b>				
PER	5.7	6.3	9.2	5.5
P/B	1.3	1.3	1.2	1.1
P/CEPS	4.2	4.2	5.3	3.7
EV/EBITDA	4.7	5.4	7.8	4.5
EV/Sales	0.4	0.3	0.3	0.2
Dividend Yield (%)	24.2	4.9	3.4	7.3

Source: Company Data, PL Research

## Key Operating Metrics

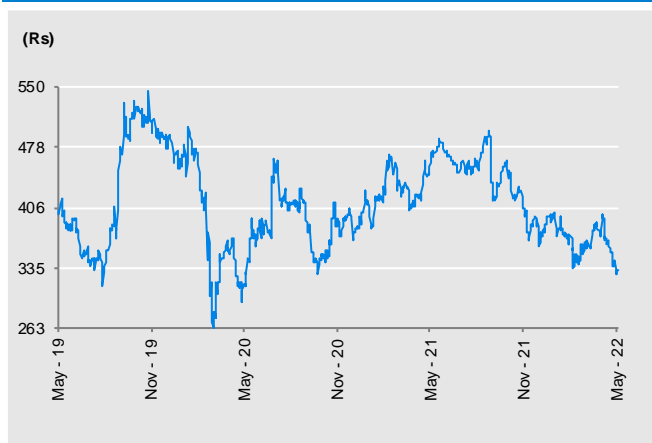
Y/e Mar	FY21	FY22	FY23E	FY24E
Crude /bbl	45	65	70	70
US\$/Rs	74	77	79	81
GRM (US\$/bbl)	4	9	14	8
Refining volume (MTPA)	26	30	31	31
Net subsidy burden (Rs m)				

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-May-22	BUY	416	333
2	04-Apr-22	BUY	416	380
3	02-Feb-22	BUY	543	382
4	06-Jan-22	BUY	589	395
5	31-Oct-21	BUY	589	418
6	05-Oct-21	BUY	581	436
7	13-Aug-21	BUY	581	448
8	02-Jul-21	BUY	581	463
9	27-May-21	BUY	581	472

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	416	333
2	GAIL (India)	BUY	205	156
3	Gujarat Gas	BUY	650	571
4	Hindustan Petroleum Corporation	BUY	368	244
5	Indian Oil Corporation	Hold	131	117
6	Indraprastha Gas	BUY	589	379
7	Mahanagar Gas	BUY	1,103	761
8	Oil & Natural Gas Corporation	BUY	240	162
9	Oil India	BUY	240	162
10	Petronet LNG	BUY	315	228
11	Reliance Industries	BUY	3,000	2,624

## 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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