

September 1, 2022

## Visit Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>HOLD</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>331</b>		<b>331</b>	
Sales (Rs. m)	34,91,484	36,91,020	34,91,484	36,91,020
% Chng.	-	-	-	-
EBITDA (Rs. m)	90,421	1,23,871	90,421	1,23,871
% Chng.	-	-	-	-
EPS (Rs.)	31.0	36.3	31.0	36.3
% Chng.	-	-	-	-

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	2,302	3,943	3,491	3,691
EBITDA (Rs. bn)	213	189	90	124
Margin (%)	9.3	4.8	2.6	3.4
PAT (Rs. bn)	121	109	65	76
EPS (Rs.)	57.6	51.9	31.0	36.3
Gr. (%)	209.0	(9.9)	(40.3)	17.3
DPS (Rs.)	79.0	16.0	(0.2)	8.2
Yield (%)	23.8	4.8	(0.1)	2.5
RoE (%)	26.8	20.6	12.1	13.2
RoCE (%)	17.0	14.3	4.0	7.4
EV/Sales (x)	0.4	0.3	0.3	0.2
EV/EBITDA (x)	4.8	5.4	10.1	6.9
PE (x)	5.8	6.4	10.7	9.1
P/BV (x)	1.3	1.3	1.2	1.2

### Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.470 / Rs.293
Sensex / Nifty	58,767 / 17,543
Market Cap	Rs.719bn/ \$ 9,035m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.1393.56m

### Shareholding Pattern (%)

Promoter's	53.30
Foreign	13.17
Domestic Institution	20.70
Public & Others	12.83
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(0.8)	(5.3)	(24.9)
Relative	(2.9)	(9.3)	(26.5)

### Avishek Datta

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## Aggressive capacity expansion plans on line

### Quick Pointers:

- Aggressive plans in Bina to expand refining capacity to 11.5MTPA along with 1.2MTPA ethylene capacity at a capex of Rs400bn.
- Filing of FDP for Brazilian block BM SEAL 11 (BPCL stake 24%) by Nov-22 and development at a capex of \$1.6bn over next three years.

**We interacted with BPCL management during recent Mumbai refinery visit. Management indicated 1) Expansion of Bina refinery to 11.5MTPA from 7.8MTPA along with 1.2MTPA ethylene capacity will cost Rs400bn 2) polypropylene (PP) capacity addition of 40,000tons will cost Rs50bn 3) plans to file Field Development Plan (FDP) for Brazilian field (BM Seal 11 concession) by Nov-22 and develop the block at \$1.6bn over next three years and 4) targets to achieve net zero carbon emissions in Scope 1 and Scope 2 by CY40. We maintain earnings and rating as 'HOLD' at TP of Rs331, as rising diesel marketing losses remain a concern despite healthy refining outlook.**

Below are the key highlights of the meeting:

### Refinery

- BPCL has three refineries at - Mumbai (12MTPA), Kochi (15.5MTPA) and Bina (7.8MTPA). Mumbai refinery (MR) is one of the most energy efficient refinery among PSU's in terms of energy and water usage.
- Amongst all MR projects, the company has expanded Lube Oil Base Stock (LOBS) capacity to 450T MTPA from 300 TMTA at a capex of Rs6.1bn.
- In MR, BPCL is setting up 1.5MTPA Kerosene Hydrotreater (KHT) integrated with existing Diesel Hydrotreater (DHT) to produce ATF at a capex of Rs6.7bn.
- BPCL plans to expand Bina refinery capacity to 11.5MTPA (7.8 currently) along with 1.2MTPA ethylene at a capex of Rs400bn.
- At Kochi refinery, BPCL plans to set up 40,000ton PP capacity at a capex of Rs50bn.
- BPCL remains confident to achieve net zero carbon emissions in Scope 1 and Scope 2 by CY40.

### E&P

- BPCL has Participating Interest (PI) in eighteen blocks. Off these 9 are in India and 9 overseas, with equity stake in 2 Russian entities holding the license to 4 producing blocks of Russia.
- In the BM-SEAL-11 concession field of Brazil, BPCL has 24% share - the Declaration of commerciality (DOC) was submitted in Dec-21. Field Development Plan (FDP) will be submitted in Nov-22 and block will be developed at a capex of \$1.6bn over next three years. Pending start of the

Mozambique investment, bulk of BPCL's upstream investment in FY24 will be for Brazil field development.

- Management remains confident of faster development in Mozambique gas block (stake 10%) post improvement in security situation.

**Exhibit 1: BPCL internal details**

	FY18	FY19	FY20	FY21	FY22*
Crude thrupt (MTPA)	28.5	30.3	31.9	26.4	35.9
GRM (\$/bbl)	6.9	4.9	5.1	3.7	9.7
EBIDTA (Rs mn)	116,689	119,643	66,393	171,306	188,619
PAT (Rs mn)	79,193	71,320	37,640	125,928	96,030

Source: Company, PL \*incl Bina refinery post stake increase to 100%

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>23,01,626</b>	<b>39,42,800</b>	<b>34,91,484</b>	<b>36,91,020</b>
YoY gr. (%)	(19.1)	71.3	(11.4)	5.7
Cost of Goods Sold	18,73,988	35,20,016	31,47,403	32,89,523
Gross Profit	4,27,639	4,22,785	3,44,081	4,01,498
Margin (%)	18.6	10.7	9.9	10.9
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>2,12,964</b>	<b>1,89,353</b>	<b>90,421</b>	<b>1,23,871</b>
YoY gr. (%)	155.1	(11.1)	(52.2)	37.0
Margin (%)	9.3	4.8	2.6	3.4
Depreciation and Amortization	43,342	54,947	55,343	58,252
<b>EBIT</b>	<b>1,69,622</b>	<b>1,34,407</b>	<b>35,077</b>	<b>65,618</b>
Margin (%)	7.4	3.4	1.0	1.8
Net Interest	17,234	22,757	23,361	21,781
Other Income	22,530	24,124	39,349	33,636
<b>Profit Before Tax</b>	<b>1,74,918</b>	<b>1,35,774</b>	<b>51,065</b>	<b>77,473</b>
Margin (%)	7.6	3.4	1.5	2.1
Total Tax	51,122	27,121	(13,756)	1,409
Effective tax rate (%)	29.2	20.0	(26.9)	1.8
<b>Profit after tax</b>	<b>1,23,796</b>	<b>1,08,653</b>	<b>64,821</b>	<b>76,065</b>
Minority interest	3,255	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,20,541</b>	<b>1,08,653</b>	<b>64,821</b>	<b>76,065</b>
YoY gr. (%)	228.8	(9.9)	(40.3)	17.3
Margin (%)	5.2	2.8	1.9	2.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,20,541</b>	<b>1,08,653</b>	<b>64,821</b>	<b>76,065</b>
YoY gr. (%)	228.8	(9.9)	(40.3)	17.3
Margin (%)	5.2	2.8	1.9	2.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,20,541	1,08,653	64,821	76,065
<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>31.0</b>	<b>36.3</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>8,19,535</b>	<b>10,19,646</b>	<b>10,74,646</b>	<b>11,29,646</b>
Tangibles	8,19,535	10,19,646	10,74,646	11,29,646
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,83,647</b>	<b>2,58,595</b>	<b>3,13,938</b>	<b>3,72,191</b>
Tangibles	1,83,647	2,58,595	3,13,938	3,72,191
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,35,888</b>	<b>7,61,051</b>	<b>7,60,708</b>	<b>7,57,455</b>
Tangibles	6,35,888	7,61,051	7,60,708	7,57,455
Intangibles	-	-	-	-
Capital Work In Progress	1,71,401	37,298	14,710	15,169
Goodwill	5,094	7,433	7,433	7,433
Non-Current Investments	2,53,334	2,07,617	2,28,379	2,51,217
Net Deferred tax assets	(37,729)	(52,294)	(65,733)	(78,553)
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	2,67,060	3,98,363	3,40,387	3,59,421
Trade receivables	78,348	1,08,947	99,049	1,04,455
Cash & Bank Balance	81,101	(28,311)	55,133	82,527
Other Current Assets	17,834	26,361	28,997	31,897
<b>Total Assets</b>	<b>16,09,920</b>	<b>15,92,563</b>	<b>15,94,017</b>	<b>16,74,717</b>
<b>Equity</b>				
Equity Share Capital	20,929	20,929	20,929	20,929
Other Equity	5,14,622	4,97,180	5,35,346	5,75,739
<b>Total Network</b>	<b>5,35,551</b>	<b>5,18,109</b>	<b>5,56,275</b>	<b>5,96,668</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,33,553	2,58,390	2,29,103	2,03,531
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	1,62,627	3,27,124	2,39,710	2,53,736
Other current liabilities	3,64,349	3,48,462	3,83,309	4,21,640
<b>Total Equity &amp; Liabilities</b>	<b>16,09,920</b>	<b>16,05,627</b>	<b>15,76,302</b>	<b>16,57,318</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	1,74,918	1,35,774	51,065	77,473
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	39,349	33,636
Add. Other	(9,862)	(3,375)	29,191	8,181
Op. profit before WC changes	2,25,632	2,10,103	1,58,960	1,65,688
Net Changes-WC	1,00,715	(21,951)	11,902	24,174
Direct tax	(50,300)	(28,015)	158	(7,114)
<b>Net cash from Op. activities</b>	<b>2,76,047</b>	<b>1,60,137</b>	<b>1,71,020</b>	<b>1,82,748</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	1,90,386	(91,714)	(13,439)	(29,966)
Debt changes	(1,40,602)	(1,25,493)	(29,287)	(25,572)
Dividend paid	(1,65,340)	(33,487)	381	-
Interest paid	(17,234)	(22,757)	(23,361)	(21,781)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,32,789)</b>	<b>(2,73,450)</b>	<b>(65,706)</b>	<b>(77,319)</b>
<b>Net change in cash</b>	<b>85,310</b>	<b>(1,19,869)</b>	<b>57,108</b>	<b>32,597</b>
Free Cash Flow	2,19,459	1,56,925	1,23,572	1,10,750

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	31.0	36.3
CEPS	78.3	78.2	57.4	64.2
BVPS	255.9	247.6	265.8	285.1
FCF	104.9	75.0	59.0	52.9
DPS	79.0	16.0	(0.2)	8.2
<b>Return Ratio(%)</b>				
RoCE	17.0	14.3	4.0	7.4
ROIC	11.6	8.5	2.4	4.3
RoE	26.8	20.6	12.1	13.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.6	0.6	0.4	0.3
Net Working Capital (Days)	29	17	21	21
<b>Valuation(x)</b>				
PER	5.8	6.4	10.7	9.1
P/B	1.3	1.3	1.2	1.2
P/CEPS	4.2	4.2	5.8	5.2
EV/EBITDA	4.8	5.4	10.1	6.9
EV/Sales	0.4	0.3	0.3	0.2
Dividend Yield (%)	23.8	4.8	(0.1)	2.5

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Net Revenue</b>	<b>8,15,367</b>	<b>10,10,452</b>	<b>10,87,736</b>	<b>12,10,659</b>
YoY gr. (%)	62.6	51.4	41.5	70.7
Raw Material Expenses	7,19,577	9,12,067	9,76,737	11,81,963
Gross Profit	95,790	98,385	1,10,999	28,697
Margin (%)	11.7	9.7	10.2	2.4
<b>EBITDA</b>	<b>44,778</b>	<b>42,130</b>	<b>42,493</b>	<b>(59,018)</b>
YoY gr. (%)	16.3	(2.2)	(16.0)	(281.4)
Margin (%)	5.5	4.2	3.9	(4.9)
Depreciation / Depletion	11,681	11,680	12,736	16,107
<b>EBIT</b>	<b>33,096</b>	<b>30,450</b>	<b>29,758</b>	<b>(75,125)</b>
Margin (%)	4.1	3.0	2.7	(6.2)
Net Interest	3,940	4,460	5,338	6,155
Other Income	6,805	6,826	5,976	4,403
<b>Profit before Tax</b>	<b>35,961</b>	<b>32,815</b>	<b>30,395</b>	<b>(76,877)</b>
Margin (%)	4.4	3.2	2.8	(6.4)
Total Tax	9,020	8,192	9,090	(13,969)
Effective tax rate (%)	25.1	25.0	29.9	18.2
<b>Profit after Tax</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>	<b>(62,908)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>	<b>(62,908)</b>
YoY gr. (%)	19.9	(11.4)	(82.2)	(518.9)
Margin (%)	3.3	2.4	2.0	(5.2)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>	<b>(62,908)</b>
YoY gr. (%)	19.9	(11.4)	(82.2)	(518.9)
Margin (%)	3.3	2.4	2.0	(5.2)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>26,941</b>	<b>24,623</b>	<b>21,305</b>	<b>(62,908)</b>
Avg. Shares O/s (m)	20,929	20,929	20,929	20,929
<b>EPS (Rs)</b>	<b>12.9</b>	<b>11.8</b>	<b>10.2</b>	<b>(30.1)</b>

Source: Company Data, PL Research

## Key Operating Metrics

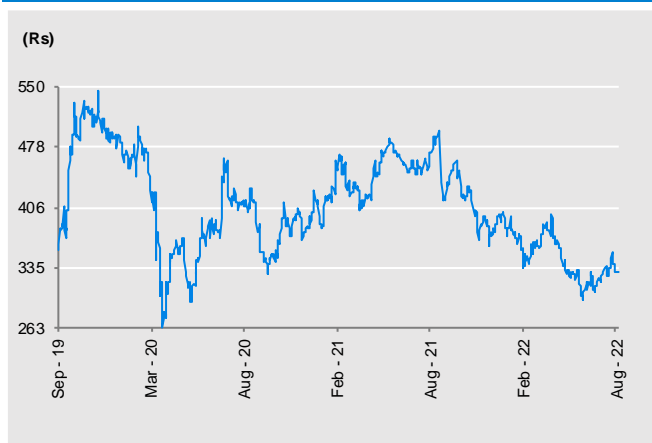
Y/e Mar	FY21	FY22	FY23E	FY24E
Crude /bbl	45	65	70	70
US\$/Rs	74	77	79	81
GRM (US\$/bbl)	4	9	14	8
Refining volume (MTPA)	26	30	31	31

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Aug-22	Hold	331	336
2	05-Jul-22	BUY	416	313
3	26-May-22	BUY	416	326
4	23-May-22	BUY	416	333
5	04-Apr-22	BUY	416	380
6	02-Feb-22	BUY	543	382
7	06-Jan-22	BUY	589	395
8	31-Oct-21	BUY	589	418
9	05-Oct-21	BUY	581	436

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	Hold	331	336
2	GAIL (India)	BUY	180	140
3	Gujarat Gas	BUY	553	463
4	Hindustan Petroleum Corporation	Hold	247	251
5	Indian Oil Corporation	Hold	81	73
6	Indraprastha Gas	BUY	576	359
7	Mahanagar Gas	BUY	1,103	818
8	Oil & Natural Gas Corporation	BUY	160	139
9	Oil India	BUY	300	191
10	Petronet LNG	BUY	307	216
11	Reliance Industries	BUY	3,165	2,598

## 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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