

Estimate change



TP change



Rating change



Bloomberg	BPCL IN
Equity Shares (m)	2,093
M.Cap.(INRb)/(USD\$)	671.6 / 8.2
52-Week Range (INR)	434 / 288
1, 6, 12 Rel. Per (%)	-4/-25/-28
12M Avg Val (INR M)	1697

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	3,468	4,410	4,025
EBITDA	189	61	173
Adj. PAT	109	4	89
EPS (INR)	52.0	2.1	42.6
EPS Gr.%	-17.8	-95.9	1928.6
BV/Sh.INR	248.0	250.1	275.4

Ratios

Net D:E	1.0	0.9	0.8
RoE (%)	20.6	0.8	16.2
RoCE (%)	10.9	1.4	8.6
Payout(%)	28.7	0.0	40.6

Valuation

P/E (x)	6.0	146.9	7.3
P/BV (x)	1.2	1.2	1.1
EV/EBITDA (x)	3.4	10.6	3.7
Div yield (%)	5.2	0.0	5.6
FCF yield (%)	-12.2	17.0	10.9

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	53.0	53.0	53.0
DII	21.8	21.6	22.6
FII	13.0	13.5	12.3
Others	12.2	12.0	12.2

FII Includes depository receipts

CMP: INR310

TP: INR331 (+7%)

Neutral

Better-than-estimated performance led by higher GRM

- BPCL's reported GRM at USD16.8/bbl came in above our estimates while implied marketing loss was at INR0.6/lit (-INR9.2/lit in 1QFY23). Refining throughput stood at 8.8mmt (9.7mmt in 1QFY23) while marketing sales volume excluding exports was at 11.4mmt (in line with our estimates; 11.8mmt in 1QFY23).
- Singapore GRM has turned upside down and was at USD2.6/bbl in Oct'22 from a record high of USD21.7/bbl in 1QFY23. It stood at USD7.1/bbl in 2Q.
- In the marketing segment, marketing sales volume excluding exports came in at 11.4mmt (in line; +15% YoY). However, OMCs are estimated to be generating gross marketing margin of INR10.1 per liter on petrol and a loss of INR5.6 per liter on diesel in 3QFY23YTD.
- **The government recently approved a one-time grant of INR55.8b to compensate for under-recoveries incurred on sale of domestic LPG during FY22 and the current period, which has been duly recognized by the company in 2QFY23.**
- Factoring in the aforementioned and BPCL's outperformance in 2QFY23, we raise our FY23E EBITDA/EPS to INR61b/INR2.1 from INR2b/-INR20, respectively, (keeping our FY24E EBITDA/EPS unchanged).
- There is no update on the divestment roadmap for BPCL now. The stock is trading at 1.1x FY24E P/BV, and we value it on 1.2x FY24E P/BV to arrive at our TP of INR331. **Maintain Neutral.**

EBITDA beat; GRM higher than estimate

- Refining throughput was lower than our estimate at 8.8mmt (+23% YoY/-9% QoQ). Reported GRM came in higher than our estimate at USD16.8/bbl (v/s our estimate of USD4.4 and USD27.5 in 1QFY23).
- Marketing volumes excluding exports were in line with estimate at 11.4mmt (+15% YoY, -3% QoQ). Marketing loss (inc. inv.) stood at INR0.6/lit (v/s loss of INR9.1/lit in 1QFY23 and marketing profit of INR6.7/lit in 2QFY22).
- **BPCL's resultant EBITDA stood at INR14.3b (v/s our est. operating loss of INR80.3b). Net loss came in at INR3b (v/s our est. net loss of INR84.1b).**
- **For 1HFY23, BPCL's operating loss was at INR22.2b (v/s EBITDA of INR63b in 1HFY22), with net loss also at INR65.7b (v/s PAT of INR46.1b in 1HFY22).** Marketing sales volume excluding exports rose 19% YoY to 23.2mmt, with marketing loss at INR4.8/lit (v/s marketing profit of INR6.2/lit in 1HFY22). Refining throughput was up 32% YoY to 18.5mmt, with reported GRM at USD22.2/bbl (v/s USD5.1/bbl in 1HFY22).

Valuation and view

- **The estimated capex for FY23 stands at INR100b** (Refining: INR13b; Marketing: INR23b; Petchem: INR26b; equity investment in JV subsidiary: INR18b; and the remainder in other smaller projects, including CGDs) and is expected to be similar in FY24 as well.
- Softening of crude oil prices may bode well for the stock. However, GRMs have softened further and may be a cause of concern if they correct further. BPCL trades at 1.1x FY24E PBV, and we value the stock at 1.2x FY24E P/BV to arrive at our TP of INR331. **Reiterate Neutral.**

Standalone - Quarterly Earnings Model

Y/E March	(INR b)										
	FY22				FY23				FY22	FY23E	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Net Sales	709.2	763.9	1,010.5	1,040.6	1,210.5	1,148.1	1,050.7	1,006.7	3,524.2	4,415.9	950.1
YoY Change (%)	82.9	52.3	51.4	35.3	70.7	50.3	4.0	-3.3	51.5	25.3	16.5
EBITDA	32.6	47.7	42.5	60.3	-49.0	20.2	39.6	40.5	183.1	51.3	-89.0
Margins (%)	4.6	6.2	4.2	5.8	-4.0	1.8	3.8	4.0	5.2	1.2	-9.4
Depreciation	11.4	13.9	11.7	14.9	16.1	15.6	16.6	18.0	51.9	66.4	16.4
Interest	4.9	5.1	4.5	6.5	6.2	8.1	6.8	5.4	20.9	26.5	6.7
Other Income	4.5	8.4	6.8	5.8	4.4	5.6	7.8	12.9	25.5	30.7	6.8
PBT	36.8	37.5	32.8	42.7	-76.5	-3.8	24.0	29.9	149.9	-26.4	-112.4
Adj PAT	17.7	28.4	24.6	23.8	-62.6	-3.0	17.9	22.4	94.5	-25.3	-84.1
YoY Change (%)	-14.9	21.8	-19.5	-53.4	PL	PL	-27.1	-6.0	-24.9	PL	Loss
Key Assumptions											
Refining throughput (mmt)	6.8	7.2	8.0	8.1	9.7	8.8	10.0	10.0	30.1	38.5	10.0
Reported GRM (USD/bbl)	4.1	6.1	9.7	15.3	27.8	16.8	5.5	5.5	9.1	13.7	4.4
Marketing sales volume excld exports (mmt)	9.6	9.9	11.2	11.8	11.8	11.4	11.6	12.3	42.5	47.1	11.0
Marketing GM incld inv (INR/litre)	5.8	6.7	4.1	4.6	-9.2	-0.6	4.2	4.2	5.3	-0.4	-5.2

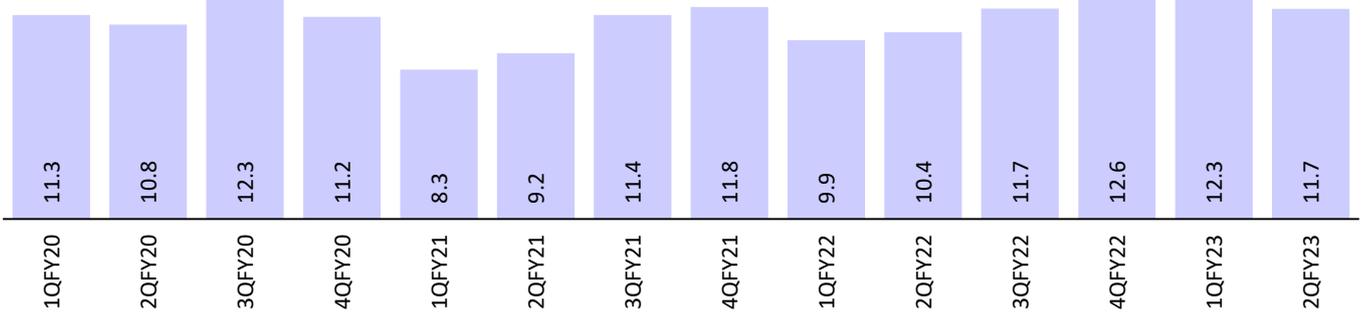
Exhibit 1: BPCL – key assumptions

Y End: March 31	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Exchange Rate (INR/USD)	67	64	70	71	74	75	80	80
Crude cost (USD/bbl)	49	57	70	61	44	80	100	90
Domestic Market Sales (MMT)	38	41	43	43	39	43	47	49
YoY (%)	3%	9%	5%	0%	-10%	10%	11%	4%
Reported GRM (USD/bbl)	5.3	6.9	4.6	2.5	4.1	9.1	13.7	5.5
Singapore GRM (USD/bbl)	5.8	7.3	4.9	3.2	0.5	5.0	10.1	6.0
Prem/(disc) (USD/bbl)	(0.5)	(0.4)	(0.2)	(0.7)	3.6	4.1	3.6	(0.5)
Refinery throughput (MMT)	25.4	28.5	31.1	31.9	26.4	30.1	38.5	40.0
YoY (%)	5%	12%	9%	3%	-17%	14%	28%	4%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.2	4.0	4.8	4.7	6.9	5.3	(0.4)	4.2
Cons EPS	45.4	46.8	40.7	23.8	63.2	52.0	2.1	42.6

Source: Company, MOSFL

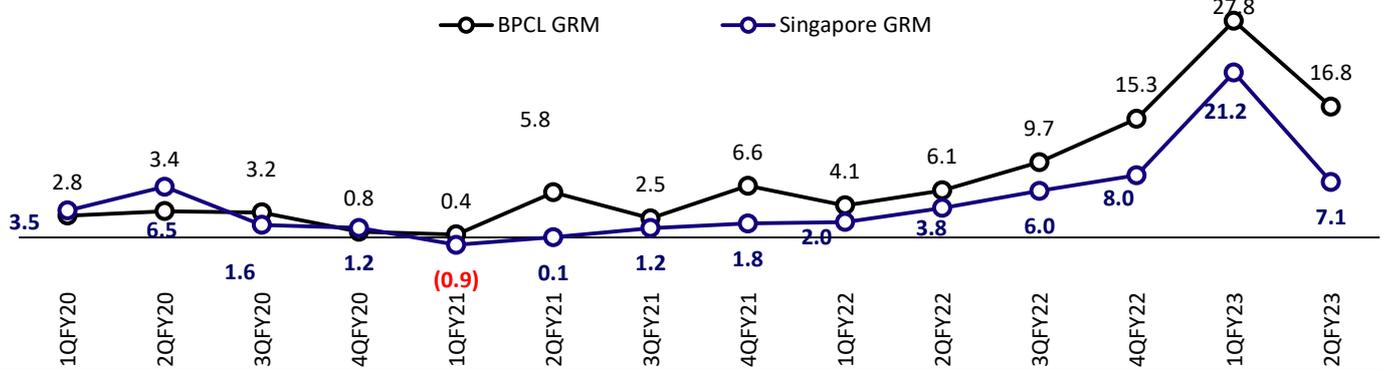
Exhibit 2: Product sales at 11.7mmt (+13% YoY, -5% QoQ)

Product sales incl. exports (mmt)



Source: Company, MOSFL

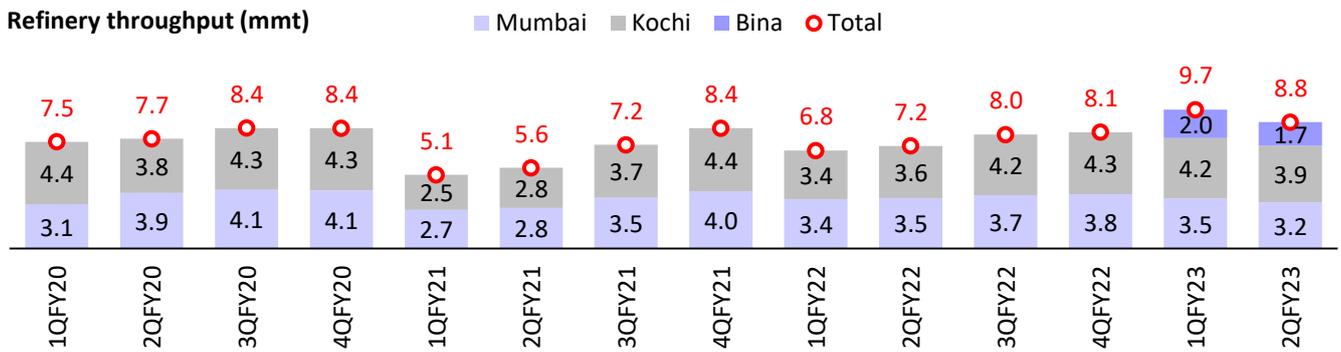
Exhibit 3: Reported GRM at USD16.8/bbl v/s USD27.8/bbl in 1QFY23



Source: Company, MOSFL

Exhibit 4: Total refinery throughput was flat YoY but down 7% QoQ

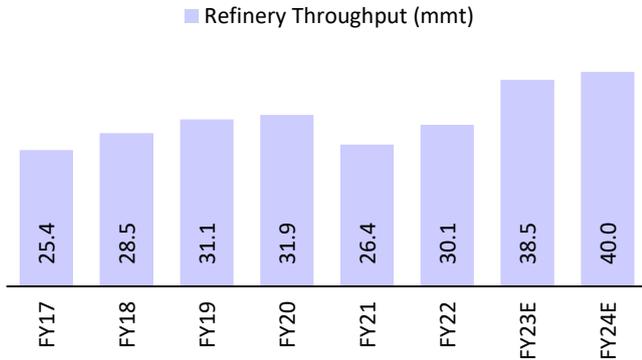
Refinery throughput (mmt)



Source: Company, MOSFL

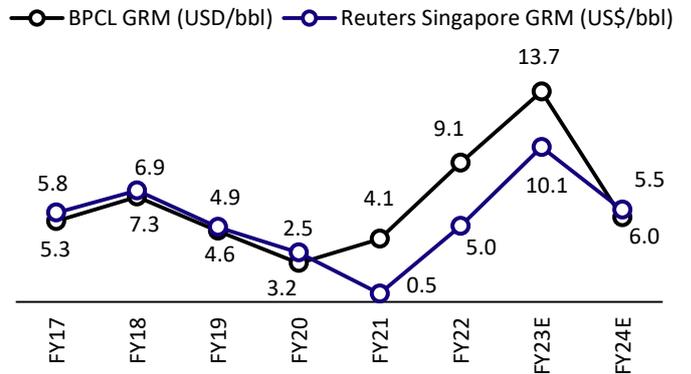
Story in charts

Exhibit 5: Throughput (mmt)



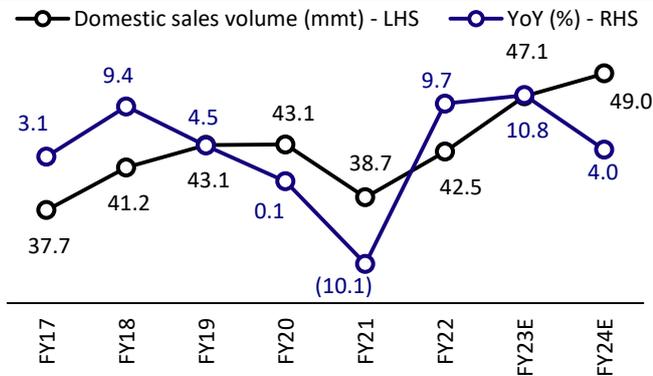
Source: Company, MOFSL

Exhibit 6: GRM trend



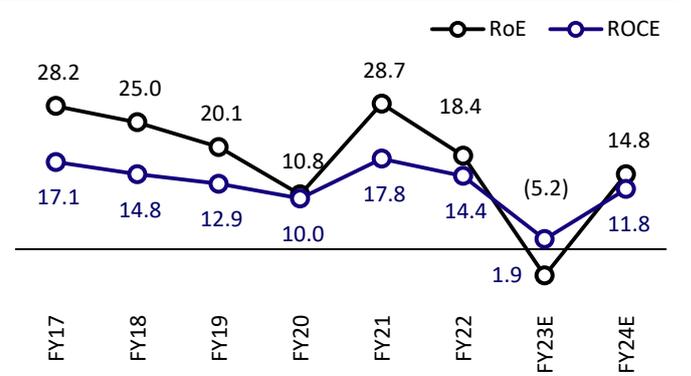
Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volumes



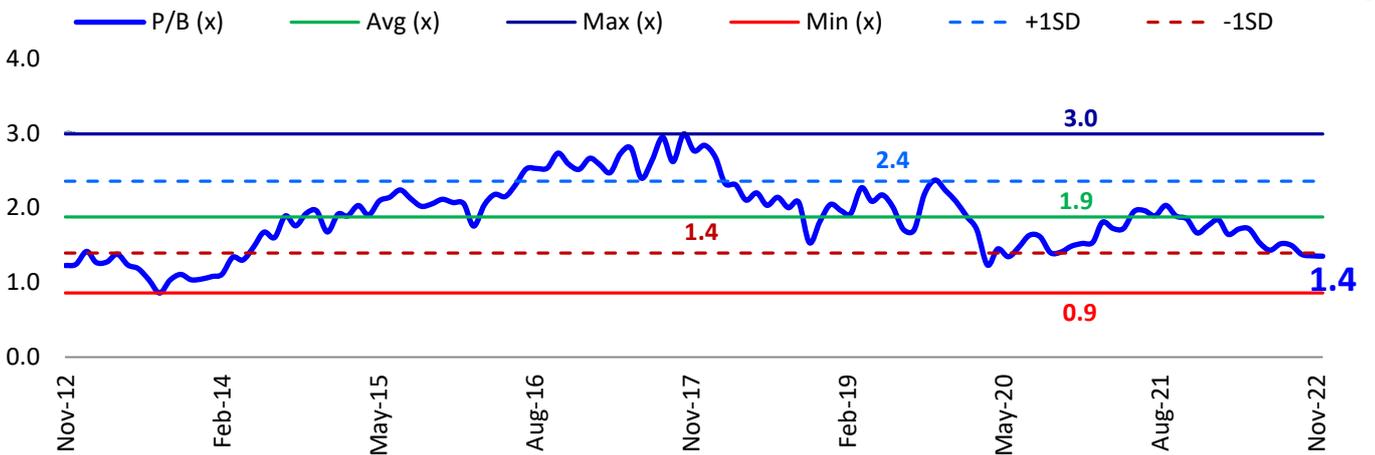
Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)



Source: Company, MOFSL

Exhibit 9: BPCL 1-year forward P/BV trades at 1.4x, 26% discount to its long-term average



Source: Company, MOSFL

Financials and valuations (consolidated)

Consolidated - Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	2,013	2,358	2,982	2,846	2,302	3,468	4,410	4,025
Change (%)	7.2	17.2	26.5	-4.6	-19.1	50.7	27.2	-8.7
EBITDA	138	152	158	100	211	189	61	173
Margin (%)	6.8	6.4	5.3	3.5	9.2	5.4	1.4	4.3
Depreciation	21	29	34	41	43	54	67	71
EBIT	116	123	124	59	168	134	-6	102
Net forex loss	0	0	7	17	-2	-3	15	0
Int. and Finance Charges	7	12	18	26	17	26	27	28
Other Income	18	18	20	19	23	23	26	25
PBT bef. EO Exp.	128	129	120	36	175	134	-23	100
EO Items	0	0	0	-13	53	11	0	0
PBT after EO Exp.	128	129	120	23	228	145	-23	100
Tax Rate (%)	32.9	34.0	36.6	-0.6	22.5	30.0	25.2	25.2
Minority Interest/Share of JVs/associates	9	13	9	14	-3	15	22	14
Reported PAT	95	98	85	37	173	117	4	89
Adjusted PAT	95	98	85	50	132	109	4	89
Change (%)	17.5	3.0	-12.9	-41.6	165.6	-17.8	-95.9	1,921.2
Margin (%)	4.7	4.2	2.9	1.8	5.8	3.1	0.1	2.2

Consolidated - Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	13	20	20	20	21	21	21	21
Total Reserves	295	347	368	346	515	498	502	555
Net Worth	308	366	388	365	536	519	523	576
Minority Interest	20	19	21	21	0	0	0	0
Total Loans	315	370	429	558	400	559	559	559
Deferred Tax Liabilities	41	55	68	62	49	64	64	64
Capital Employed	683	810	905	1,006	985	1,142	1,147	1,200
Gross Block	788	962	1,039	1,223	1,286	1,515	1,575	1,635
Less: Accum. Deprn.	302	331	365	406	449	503	578	642
Net Fixed Assets	486	631	674	817	836	1,011	996	992
Capital WIP	168	99	137	178	171	154	202	235
Total Investments	64	61	68	55	72	52	52	52
Curr. Assets, Loans&Adv.	372	412	491	459	530	658	898	830
Inventory	212	225	229	222	267	422	555	490
Account Receivables	48	52	69	54	78	97	122	111
Cash and Bank Balance	19	14	7	12	81	22	105	112
Cash	6	6	4	8	76	17	99	106
Bank Balance	13	8	2	4	5	5	5	5
Loans and Advances	94	121	186	171	103	117	117	117
Curr. Liability & Prov.	408	393	464	503	625	733	1,002	910
Account Payables	382	216	430	466	590	702	923	815
Provisions	26	178	33	36	36	32	79	95
Net Current Assets	-35	19	27	-44	-95	-75	-104	-80
Appl. of Funds	683	810	905	1,006	985	1,142	1,147	1,200

Financials and valuations

Ratios

Y/E March (INR)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	45.4	46.8	40.7	23.8	63.2	52.0	2.1	42.6
Cash EPS	55.5	60.6	57.1	43.3	84.0	78.0	34.2	76.4
BV/Share	147.3	175.0	185.2	174.6	255.9	248.0	250.1	275.4
DPS	21.7	22.3	20.2	17.6	79.0	16.0	0.0	17.3
Payout (%)	52.4	52.5	54.6	110.2	95.5	28.7	0.0	40.6
Valuation (x)								
P/E	6.8	6.6	7.6	13.0	4.9	6.0	146.9	7.3
Cash P/E	5.6	5.1	5.4	7.1	3.7	4.0	9.0	4.1
P/BV	2.1	1.8	1.7	1.8	1.2	1.2	1.2	1.1
EV/Sales	0.3	0.3	0.2	0.2	0.3	0.2	0.1	0.2
EV/EBITDA	4.4	4.0	3.9	6.1	3.1	3.4	10.6	3.7
Dividend Yield (%)	7.0	7.2	6.5	5.7	25.5	5.2	0.0	5.6
FCF per share	-2.6	16.9	-1.7	-21.8	68.8	-37.8	52.5	33.8
Return Ratios (%)								
RoE	32.4	29.0	22.6	13.2	29.4	20.6	0.8	16.2
RoCE	16.2	13.7	11.8	9.1	15.9	10.9	1.4	8.6
RoIC	22.5	15.2	11.8	8.2	18.3	11.9	-0.5	9.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.6	2.5	2.9	2.3	1.8	2.3	2.8	2.5
Asset Turnover (x)	2.9	2.9	3.3	2.8	2.3	3.0	3.8	3.4
Inventory (Days)	38	35	28	29	42	44	46	44
Debtor (Days)	9	8	8	7	12	10	10	10
Creditor (Days)	69	33	53	60	94	74	76	74
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.1	0.9	0.8	0.9	0.9	0.9
Interest Cover Ratio	16.7	10.4	7.0	2.3	9.7	5.2	-0.2	3.7
Net Debt/Equity	1.0	1.0	1.1	1.5	0.6	1.0	0.9	0.8

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	137	142	129	37	224	145	-23	100
Depreciation	21	29	34	41	43	54	67	71
Direct Taxes Paid	-40	-34	-30	-22	-38	-44	6	-25
(Inc)/Dec in WC	-18	-13	-35	-7	38	-79	111	-17
CF from Operations	90	111	102	79	236	133	210	171
(Inc)/Dec in FA	-95	-77	-105	-122	-92	-212	-100	-100
Free Cash Flow	-5	33	-3	-43	144	-79	110	71
(Pur)/Sale of Investments	4	7	-2	12	-22	20	0	0
CF from Investments	-153	-69	-105	-111	-26	-192	-100	-100
Inc/(Dec) in Debt	127	15	66	124	-120	160	0	0
Dividend Paid	-56	-44	-49	-65	-49	-33	0	-36
CF from Fin. Activity	48	-42	2	36	-142	0	-27	-64
Inc/Dec of Cash	-14	0	-2	4	68	-59	82	7
Opening Balance	20	6	6	4	8	76	17	99
Closing Balance	6	6	4	8	76	17	99	106

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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