

Estimate change



TP change



Rating change



CMP: INR335

TP: INR348 (+4%)

Neutral

Volume off-take higher due to closure of IOCL's refinery

- BPCL's reported 3QFY23 GRM at USD15.9/bbl came in above our estimates while its implied marketing margin stood at INR1.1/lit (v/s -INR0.6/lit in 2QFY23). Refining throughput stood at 9.4mmt (v/s 8.8mmt in 2QFY23) while marketing sales volume, excluding exports, was at 12.8mmt (above our estimate; v/s 11.4mmt in 2QFY23).
- Singapore GRM remained steady and has been at USD10.2/bbl in Jan'23YTD; it touched a record high of USD21.7/bbl in 1QFY23. It stood at USD6.2/bbl in 3Q and USD7.1/bbl in 2QFY23. OMCs are estimated to be generating gross margins of INR11.2/INR2.3 on petrol/diesel in 4QFY23YTD, respectively.
- In the marketing segment, marketing sales volume came in at 12.8mmt (above estimate; +15% YoY). Management highlighted that the shutdown at IOCL's Panipat refinery helped BPCL offtake higher volume in 3QFY23 with a few bulk customers also shifting to retail.
- However, factoring in the underperformance in 3QFY23, we cut our FY23E EBITDA/ EPS to INR66b/-INR1.8 from INR75b/INR3.2, respectively, (keeping our FY24 and FY25 estimates unchanged).
- There is no update on the divestment roadmap for BPCL now. The stock is trading at 1.2x FY24E P/BV, and we value it on 1.2x Dec'24E P/BV to arrive at our TP of INR348. **Maintain Neutral.**

Reported GRMs above estimate; overall miss led by higher interest costs and lower marketing margin

- BPCL's refining throughput was higher than our estimate at 9.4mmt (-6% YoY/+6% QoQ). Reported GRM came in higher than our estimate at USD15.9/bbl (v/s our estimate of USD14.6 and USD16.8 in 2QFY23)
- Marketing volume excluding exports was above our estimate at 12.8mmt (+15% YoY, +12% QoQ). Marketing margin (inc. inv.) stood at INR1.1/lit (v/s loss of INR0.6/lit in 2QFY23 and marketing profit of INR4.3/lit in 3QFY22).
- **BPCL's resultant EBITDA stood at INR43.8b (v/s our est. of INR54.3b). PAT was at INR19.6b (v/s our est. of INR25.5b) during the quarter.**
- **For 9MFY23, BPCL posted an EBITDA of INR14.9b (v/s EBITDA of INR131.3b in 9MFY22), with net loss at INR46.1b (v/s PAT of INR74.4b in 9MFY22).** Marketing sales volume excluding exports rose 17% YoY to 36mmt, with marketing loss at INR2.9/lit (v/s marketing profit of INR5.6/lit in 9MFY22). Refining throughput rose 17% YoY to 27.9mmt, with reported GRM at USD20.2/bbl (v/s USD6.6/bbl in 9MFY22).

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 and FY25 as well.
- Crude prices have remained strong even as GRMs fared better than the last two quarters, which may bode **well** for the stock. BPCL trades at 1.2x FY24E PBV, and we value the stock at 1.2x Dec'24E P/BV to arrive at our TP of IN348. **Reiterate Neutral.**

	BPCL IN
Bloomberg	BPCL IN
Equity Shares (m)	2093
M.Cap.(INRb)/(USD\$)	726.8 / 8.9
52-Week Range (INR)	400 / 288
1, 6, 12 Rel. Per (%)	4/-1/-16
12M Avg Val (INR M)	1504

Financials & Valuations (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	4,573	4,219	4,243
EBITDA	66	180	182
Adj. PAT	-4	88	88
EPS (INR)	-1.8	41.9	42.3
EPS Gr.%	-103.5	-2388.6	0.8
BV/Sh.INR	246.2	271.1	296.3

Ratios

Net D:E	0.9	0.8	0.7
RoE (%)	-0.7	16.2	14.9
RoCE (%)	1.3	8.9	8.5
Payout (%)	0.0	40.6	40.2

Valuation

P/E (x)	-183.9	8.0	8.0
P/BV (x)	1.4	1.2	1.1
EV/EBITDA (x)	10.7	3.9	3.9
Div yield (%)	0.0	5.1	5.0
FCF yield (%)	16.6	10.4	16.0

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	53.0	53.0	53.0
DII	22.7	21.8	22.0
FII	12.9	13.0	13.0
Others	11.4	12.2	12.1

FII Includes depository receipts

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Standalone - Quarterly Earnings Model

(INR b)

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
Net Sales	709.2	763.9	950.9	1,040.6	1,210.5	1,148.1	1,191.6	1,029.3	3,464.6	4,579.4	1,027.3	16%
YoY Change (%)	82.9	52.3	42.5	35.3	70.7	50.3	25.3	-1.1	49.0	32.2	1.7	
EBITDA	32.6	47.7	51.0	60.3	-49.0	20.2	43.8	41.0	191.6	55.9	54.3	-19%
Margins (%)	4.6	6.2	5.4	5.8	-4.0	1.8	3.7	4.0	5.5	1.2	5.3	
Depreciation	11.4	13.9	13.9	14.9	16.1	15.6	15.8	16.7	54.1	64.3	15.9	
Interest	4.9	5.1	5.6	6.5	6.2	8.1	9.8	10.9	22.1	34.9	6.9	
Other Income	4.5	8.4	7.0	5.8	4.4	5.6	4.5	7.6	25.7	22.1	6.1	
PBT before EO expense	20.3	37.5	38.1	42.7	-76.5	-3.8	21.3	20.9	138.7	-38.1	34.1	-38%
Extra-Ord expense	-16.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-16.4	0.0	0.0	
PBT	36.8	37.5	38.1	42.7	-76.5	-3.8	21.3	20.9	155.1	-38.1	34.1	-38%
Tax	4.8	9.1	9.8	18.9	-13.9	-0.7	1.7	5.3	42.7	-7.7	8.6	
Rate (%)	13.2	24.3	25.7	44.2	18.2	19.1	7.8	25.2	27.5	20.1	25.2	
Reported PAT	31.9	28.4	28.3	23.8	-62.6	-3.0	19.6	15.7	112.5	-30.4	25.5	-23%
Adj PAT	17.7	28.4	28.3	23.8	-62.6	-3.0	19.6	15.7	98.2	-30.4	25.5	-23%
YoY Change (%)	-14.9	21.8	-7.5	-53.4	PL	PL	-30.7	-34.3	-22.0	PL	3.7	
Margins (%)	2.5	3.7	3.0	2.3	-5.2	-0.3	1.6	1.5	2.8	-0.7	2.5	
Key Assumptions												
Refining throughput (mmt)	6.8	7.2	9.9	8.1	9.7	8.8	9.4	10.0	32.1	37.9	8.8	7%
Reported GRM (USD/bbl)	4.1	6.1	9.7	15.3	27.8	16.8	15.9	5.5	9.1	16.4	14.6	9%
Marketing sales volume excld exports (mmt)	9.6	9.9	11.2	11.8	11.8	11.4	12.8	12.3	42.5	48.3	11.9	7%
Marketing GM incld inv (INR/litre)	5.8	6.7	4.3	4.3	-9.2	-0.6	1.1	4.2	5.3	-1.1	1.8	-39%

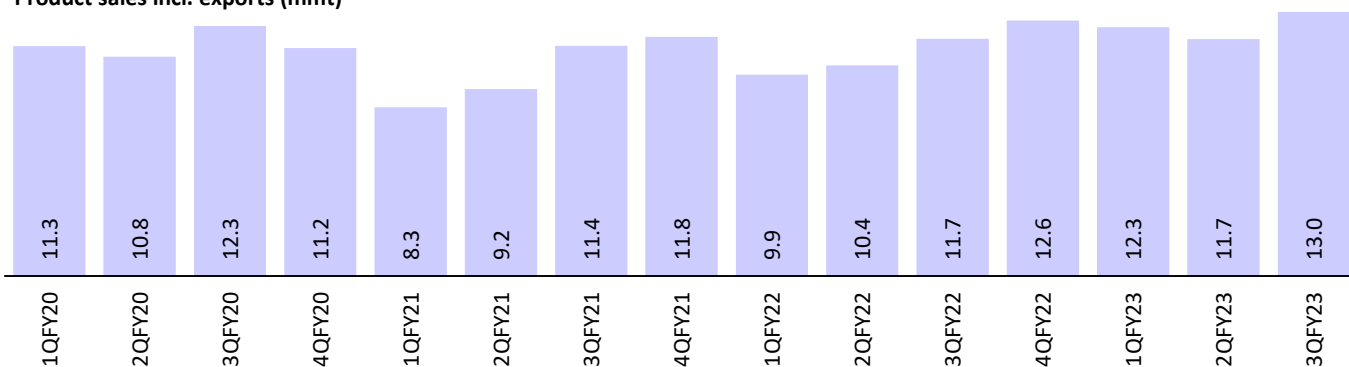
Exhibit 1: BPCL – key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.7	84.4	83.3
Crude cost (USD/bbl)	57.1	70.1	61.2	44.4	80.5	98.3	90.0	90.0
Domestic Market Sales (mmt)	41.2	43.1	43.1	38.7	42.5	48.3	50.2	52.2
YoY (%)	9%	5%	0%	-10%	10%	14%	4%	4%
Reported GRM (USD/bbl)	6.9	4.6	2.5	4.1	9.1	16.4	5.5	5.5
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.1	6.0	6.0
Prem/(disc) (USD/bbl)	(0.4)	(0.3)	(0.7)	3.6	4.2	6.3	(0.5)	(0.5)
Refinery throughput (mmt)	28.5	31.0	31.9	26.4	32.1	37.9	40.0	40.0
YoY (%)	12%	9%	3%	-17%	21%	18%	6%	0%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.0	4.8	4.7	6.9	5.3	(1.1)	4.1	4.2
Consolidated EPS	46.8	40.7	23.8	63.2	52.0	(1.8)	41.9	42.3

Source: Company, MOSFL

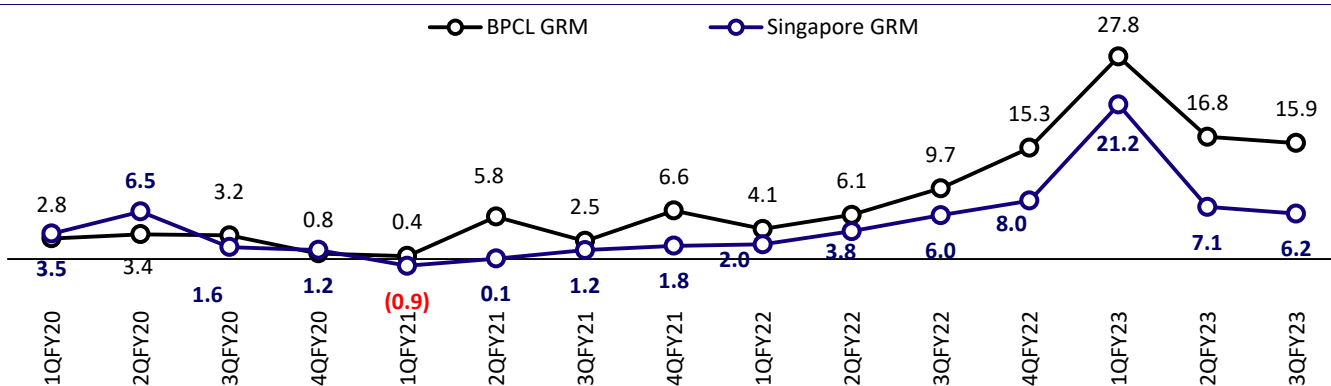
Exhibit 2: Product sales at 13.0mmt (+11% YoY and QoQ each)

Product sales incl. exports (mmt)



Source: Company, MOSFL

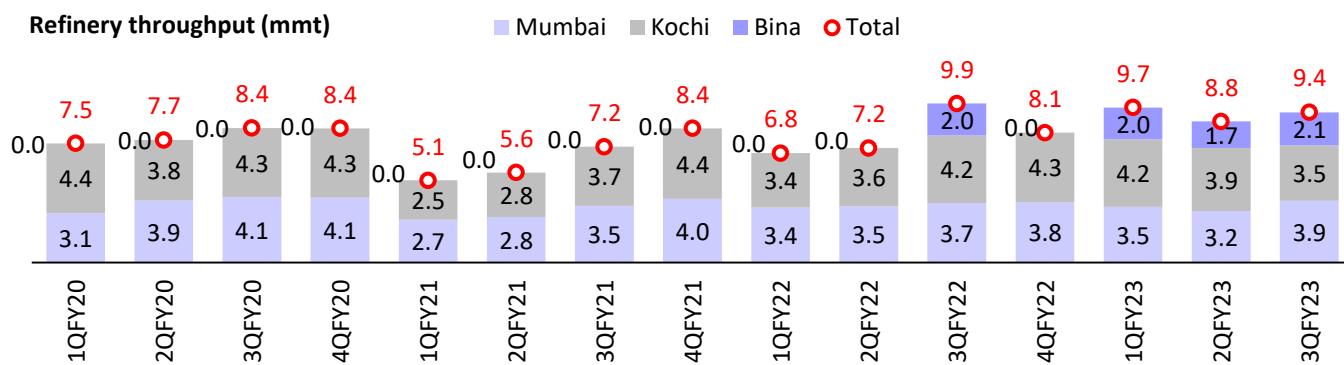
Exhibit 3: Reported GRM at USD15.9/bbl in 3Q v/s USD16.8/bbl in 2QFY23



Source: Company, MOSFL

Exhibit 4: Total refinery throughput was down 6% YoY but up 7% QoQ

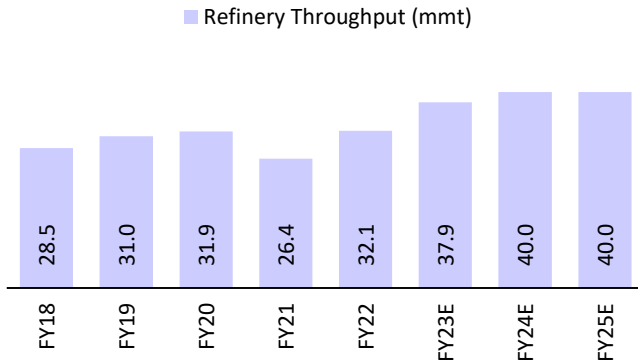
Refinery throughput (mmt)



Source: Company, MOSFL

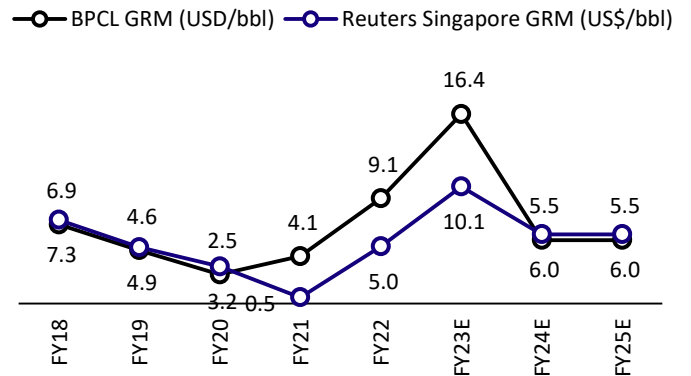
Story in charts

Exhibit 5: Throughput (mmt)



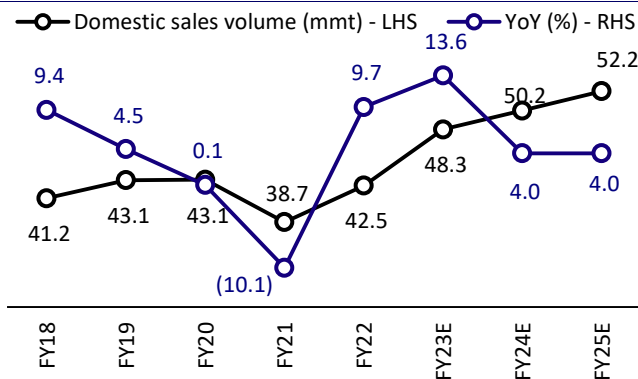
Source: Company, MOFSL

Exhibit 6: GRM trend



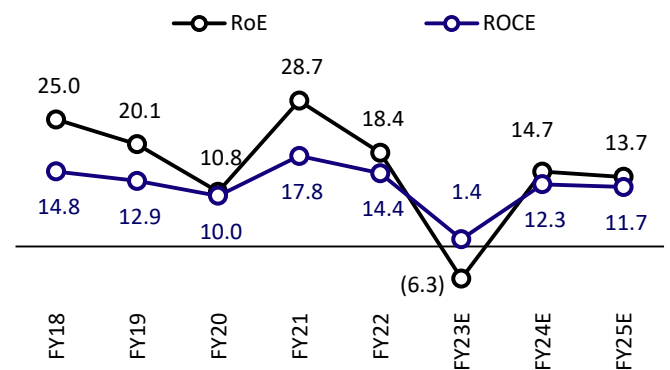
Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volume



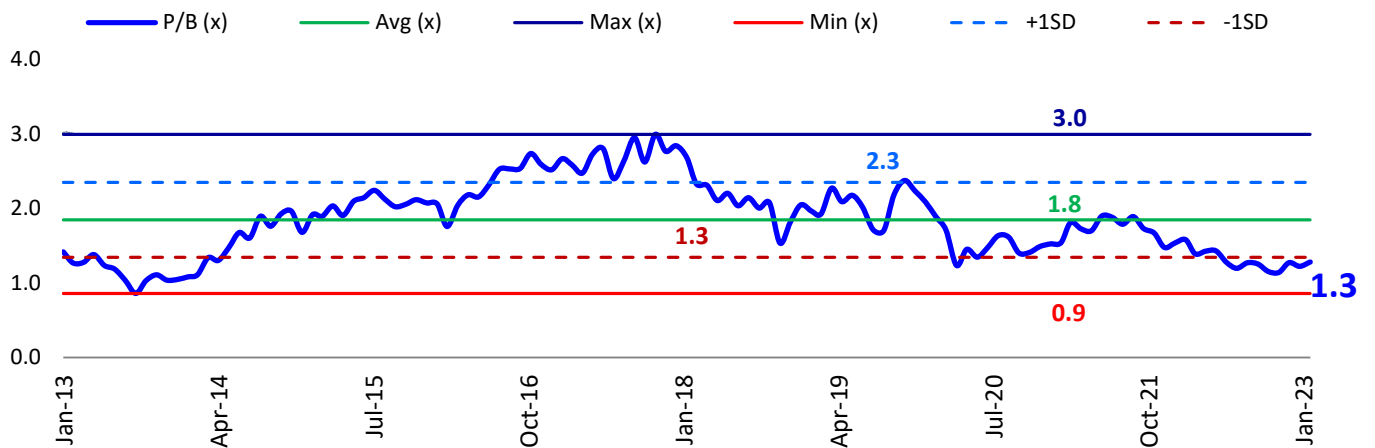
Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)



Source: Company, MOFSL

Exhibit 9: BPCL's 1-year forward P/BV trades at 1.3x, 28% discount to its long-term average



Source: Company, MOSFL

Financials and valuations (consolidated)

Consolidated - Income Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	2,358	2,982	2,846	2,302	3,468	4,573	4,219	4,243
Change (%)	17%	26%	-5%	-19%	51%	32%	-8%	1%
EBITDA	152	158	100	211	189	66	180	182
Margin (%)	6.4	5.3	3.5	9.2	5.4	1.4	4.3	4.3
Depreciation	29	34	41	43	54	65	68	72
EBIT	123	124	59	168	134	1	111	110
Net forex loss	0	7	17	-2	-3	17	0	0
Int. and Finance Charges	12	18	26	17	26	36	32	33
Other Income	18	20	19	23	23	17	20	21
PBT bef. EO Exp.	129	120	36	175	134	-35	99	98
EO Items	0	0	-13	53	11	0	0	0
PBT after EO Exp.	129	120	23	228	145	-35	99	98
Total Tax	44	44	0	51	44	-9	25	25
Tax Rate (%)	34.0	36.6	-0.6	22.5	30.0	25.2	25.2	25.2
Minority Interest/Share of JVs/associates	13	9	14	-3	15	22	14	15
Reported PAT	98	85	37	173	117	-4	88	88
Adjusted PAT	98	85	50	132	109	-4	88	88
Change (%)	3%	-13%	-42%	166%	-18%	PL	LP	1%
Margin (%)	4.2	2.9	1.8	5.8	3.1	-0.1	2.1	2.1

Consolidated - Balance Sheet

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	20	20	20	21	21	21	21	21
Total Reserves	347	368	346	515	498	494	546	599
Net Worth	366	388	365	536	519	515	567	620
Minority Interest	19	21	21	0	0	0	0	0
Total Loans	370	429	558	400	559	559	559	559
Deferred Tax Liabilities	55	68	62	49	64	64	64	64
Capital Employed	810	905	1,006	985	1,142	1,138	1,190	1,243
Gross Block	962	1,039	1,223	1,286	1,515	1,575	1,635	1,695
Less: Accum. Deprn.	331	365	406	449	503	578	642	709
Net Fixed Assets	631	674	817	836	1,011	996	992	986
Capital WIP	99	137	178	171	154	204	240	274
Total Investments	61	68	55	72	52	52	52	52
Curr. Assets, Loans&Adv.	412	491	459	530	658	922	856	904
Inventory	225	229	222	267	422	575	514	516
Account Receivables	52	69	54	78	97	127	117	117
Cash and Bank Balance	14	7	12	81	22	103	109	153
Cash	6	4	8	76	17	98	103	148
Bank Balance	8	2	4	5	5	5	5	5
Loans and Advances	121	186	171	103	117	117	117	117
Curr. Liability & Prov.	393	464	503	625	733	1,036	949	973
Account Payables	216	430	466	590	702	957	854	859
Provisions	178	33	36	36	32	79	95	114
Net Current Assets	19	27	-44	-95	-75	-114	-93	-69
Appl. of Funds	810	905	1,006	985	1,142	1,138	1,190	1,243

Financials and valuations

Ratios

Y/E March (INR)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	46.8	40.7	23.8	63.2	52.0	-1.8	41.9	42.3
Cash EPS	60.6	57.1	43.3	84.0	78.0	29.3	74.6	76.6
BV/Share	175.0	185.2	174.6	255.9	248.0	246.2	271.1	296.3
DPS	22.3	20.2	17.6	79.0	16.0	0.0	17.0	17.0
Payout (%)	52.5	54.6	110.2	95.5	28.7	0.0	40.6	40.2
Valuation (x)								
P/E	7.2	8.3	14.2	5.3	6.5	-183.9	8.0	8.0
Cash P/E	5.6	5.9	7.8	4.0	4.3	11.5	4.5	4.4
P/BV	1.9	1.8	1.9	1.3	1.4	1.4	1.2	1.1
EV/Sales	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	4.4	4.2	6.6	3.3	3.7	10.7	3.9	3.9
Dividend Yield (%)	6.6	6.0	5.2	23.4	4.7	0.0	5.1	5.0
FCF per share	16.9	-1.7	-21.8	68.8	-37.8	55.9	35.0	54.0
Return Ratios (%)								
RoE	29.0	22.6	13.2	29.4	20.6	-0.7	16.2	14.9
RoCE	13.7	11.8	9.1	15.9	10.9	1.3	8.9	8.5
RoIC	15.2	11.8	8.2	18.3	11.9	0.1	10.6	10.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.5	2.9	2.3	1.8	2.3	2.9	2.6	2.5
Asset Turnover (x)	2.9	3.3	2.8	2.3	3.0	4.0	3.5	3.4
Inventory (Days)	35	28	29	42	44	46	44	44
Debtor (Days)	8	8	7	12	10	10	10	10
Creditor (Days)	33	53	60	94	74	76	74	74
Leverage Ratio (x)								
Current Ratio	1.0	1.1	0.9	0.8	0.9	0.9	0.9	0.9
Interest Cover Ratio	10.4	7.0	2.3	9.7	5.2	0.0	3.4	3.4
Net Debt/Equity	1.0	1.1	1.5	0.6	1.0	0.9	0.8	0.7

Consolidated - Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	(INR b) FY23E	(INR b) FY24E	(INR b) FY25E
OP/(Loss) before Tax	142	129	37	224	145	-35	99	98
Depreciation	29	34	41	43	54	65	68	72
Direct Taxes Paid	-34	-30	-22	-38	-44	9	-25	-25
(Inc)/Dec in WC	-13	-35	-7	38	-79	120	-15	20
CF from Operations	111	102	79	236	133	217	173	213
(Inc)/Dec in FA	-77	-105	-122	-92	-212	-100	-100	-100
Free Cash Flow	33	-3	-43	144	-79	117	73	113
(Pur)/Sale of Investments	7	-2	12	-22	20	0	0	0
CF from Investments	-69	-105	-111	-26	-192	-100	-100	-100
Inc/(Dec) in Debt	15	66	124	-120	160	0	0	0
Dividend Paid	-44	-49	-65	-49	-33	0	-36	-36
CF from Fin. Activity	-42	2	36	-142	0	-36	-68	-68
Inc/Dec of Cash	0	-2	4	68	-59	81	5	45
Opening Balance	6	6	4	8	76	17	98	103
Closing Balance	6	4	8	76	17	98	103	148

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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