

May 23, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	425		420	
Sales (Rs. m)	4,839,205	5,047,150	4,240,778	4,249,924
% Chng.	14.1	18.8		
EBITDA (Rs. m)	179,375	178,217	180,708	179,264
% Chng.	(0.7)	(0.6)		
EPS (Rs.)	35.1	35.5	34.1	36.6
% Chng.	2.7	(3.0)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. bn)	3,468	4,731	4,839	5,047
EBITDA (Rs. bn)	192	110	179	178
Margin (%)	5.5	2.3	3.7	3.5
PAT (Rs. bn)	115	22	75	76
EPS (Rs.)	54.1	10.2	35.1	35.5
Gr. (%)	(6.1)	(81.1)	242.7	1.2
DPS (Rs.)	15.7	3.9	14.0	14.2
Yield (%)	4.3	1.1	3.9	3.9
RoE (%)	21.8	4.0	12.3	11.1
RoCE (%)	12.6	4.1	9.4	8.2
EV/Sales (x)	0.4	0.2	0.2	0.2
EV/EBITDA (x)	7.0	9.9	5.2	4.6
PE (x)	6.7	35.3	10.3	10.2
P/BV (x)	1.5	1.3	1.2	1.1

Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.375 / Rs.288
Sensex / Nifty	61,964 / 18,314
Market Cap	Rs.784bn/ \$ 9,470m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.1230.45m

Shareholding Pattern (%)

Promoter's	52.98
Foreign	12.58
Domestic Institution	22.90
Public & Others	11.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.4	17.8	8.7
Relative	0.6	16.8	(4.7)

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Profitability outlook remains exciting

Quick Pointers:

- Blended marketing margins turn positive - Rs7/ltr for Q1FY24E vs Rs3/ltr in Q4.
- Geopolitical uncertainty to keep refining product spreads healthy.

We change our FY24/25E earnings by 2.7%/-3% to factor in actual FY23. Bharat Petroleum Corporation (BPCL) reported better than expected Q4 results with EBITDA of Rs111.5bn (+163% Q/Q; PLe: Rs 69.4bn) and PAT of Rs78.4bn (+300% Q/Q; PLe: Rs49.2bn) led by better than expected refining profitability (Q4 GRMs USD20.6 /bbl). FY23 EBITDA/PAT at Rs109.5bn (-42%YoY) and Rs35.4bn (-64%YoY) was hit by sharp losses on marketing business. However, improving marketing environment will drive near term earnings as Q1FY24E; blended marketing margins are at ~Rs7/ltr post drop in international diesel prices to ~\$90 (recent peak of USD170/bbl) along with range bound oil prices due to global recessionary pressure and high interest rates, despite increased demand from China. We believe BPCL along with other OMCs, are all well placed to benefit from improving marketing situations and healthy refining profitability. Reiterate 'BUY' with a PT of Rs425 based on 6.0 x EV/E FY24E (7x earlier) as business stabilises.

- Better refining profitability drive earnings:** BPCL reported better than expected standalone EBITDA/PAT of Rs111.5bn (+163% YoY) and Rs78.4bn (268%YoY). Reported PAT of Rs64.8bn included Bina refinery impairment value of Rs13.6bn. Q4 GRMs were surprisingly high at USD20.6/bbl (Q3: USD 15.9) despite drop in diesel and ATF spreads by USD14/6/bbl QoQ. For FY23, EBITDA/PAT was at Rs109.5bn (-42%YoY) and Rs35.4bn (-64%YoY).
- Q4 petrol/diesel volume growth at 12.7%/15%YoY:** BPCL's marketing volumes were impressive on YoY basis with MS sales at 2.4 MTPA (+12.7% YoY) and HSD sales at 5.96MTPA (+15% YoY). This is ahead of industry volume growth rate of 10% and 7% for petrol and diesel respectively. For FY23, BPCL's overall market sales were 50.2MTPA including exports of 1.3MTPA.
- Improving fuel marketing environment is a positive:** Fuel marketing environment continues to improve as blended marketing margins improved to ~Rs7/litre in Q1. For FY24/25E we have assumed marketing margins at Rs3.0/3.5/ltr.for petrol and diesel.
- FY23 refining spreads come off high, but remain at elevated levels:** BPCL's Q4 refining margins were at USD20.6/bbl (Q3 at USD15.9/bbl; PLe USD10.6/bbl), before export cess. Refining throughput was at 10.6 MTPA (9.4 in Q3) given 125% utilization levels at Kochi refinery. For FY23 GRMs were at USD20.2/bbl (USD9.7 in FY22). Refining margins are likely to remain healthy, as diesel demand along with ATF remains strong, due to continued geopolitical uncertainty. We have factored in GRMs of USD10.4/8.7/bbl for FY24/25E, given increased recessionary concerns.
- BPCL's debt decreased to Rs358.6bn** by Q4 end vs Rs402.5bn as on Q3 end.

Exhibit 1: Standalone Q4FY23 earnings recover QoQ due to strong refining margins

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	FY23	FY22	YoY gr. (%)
Net sales	13,34,138	12,35,509	8.0	13,33,315	53,34,676	43,36,652	23.0
Inc/dec in stock	-9,561	-27,112	NA	29,919	-9,752	-44,258	NA
Raw material cons	5,51,182	4,44,595	24.0	5,60,167	23,43,054	14,55,260	61.0
Staff cost	8,389	9,140	(8.2)	7,396	27,640	33,403	(17.3)
Purchases	4,60,690	5,59,254	(17.6)	4,91,665	19,98,841	17,65,780	13.2
Duties, taxes, etc	1,53,017	1,47,774	3.5	1,41,734	6,03,429	7,65,336	(21.2)
Other expenditure	58,884	59,366	(0.8)	60,096	2,61,898	1,96,677	33.2
Exp	-12,22,601	-11,93,016	NA	-12,90,976	-52,25,109	-41,72,198	NA
Operating profit	1,11,537	42,493	162.5	42,339	1,09,566	1,64,454	(33.4)
Interest	-8,124	-5,338	NA	-9,780	-32,165	-19,782	NA
Depreciation	-15,958	-12,736	NA	-15,820	-63,475	-49,758	NA
Other income	7,330	5,976	22.7	4,519	21,840	26,193	(16.6)
Profit before tax	94,785	30,396	211.8	21,258	35,767	1,21,107	(70.5)
Current tax	-3,522	-8,578	NA	-	-3,522	-28,010	NA
Profit after current tax	91,263	21,817	318.3	21,258	32,245	93,097	(65.4)
Deferred tax	-12,885	-512	NA	-1,663	57	15,167	NA
Actual PAT	78,378	21,305	267.9	19,596	32,302	1,08,264	(70.2)
Exceptional	-13,600	-	NA	-	-13,600	-771	NA
Reported PAT	64,778	21,305	204.0	19,596	18,702	1,07,493	(82.6)

Source: Company, PL

Exhibit 2: Q4 internals reflect improving trends

	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	FY23	FY22	YoY gr. (%)
Refining thrupt (MTPA)	10.63	8.12	30.9	9.39	27.90	30.07	(7.2)
GRMs (USD/bbl)	20.58	15.26	34.9	15.92	20.08	6.98	187.7
Gross debt (Rs m)	3,58,550	2,41,230	48.6	4,02,560	3,58,550	2,41,230	48.6

Source: Company, PL

Exhibit 3: BPCL's core EBIDTA increases 151% QoQ

	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
EBIDTA breakup	50,579	32,159	47,672	42,130	42,493	-58,650	14,340	42,339	1,11,537
Adj for forex	292	-470	520	-360	-1,970	-1,970	-5,870	-1,410	1,930
Adj for inventory	36,420	8,150	2,270	-14,230	0	-3,710	-3,840	-7,520	-19,130
Core EBIDTA	13,866	24,479	44,882	56,720	44,463	-52,970	24,050	51,269	1,28,737
Marketing	13,436	18,485	31,115	25,338	-12,497	-1,90,108	-49,674	-24,473	12,937
Refining	431	5,994	13,767	31,382	56,960	1,37,138	73,724	75,742	1,15,800

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	3,467,911	4,731,247	4,839,205	5,047,150
YoY gr. (%)	50.7	36.4	2.3	4.3
Cost of Goods Sold	3,034,541	4,332,143	4,391,228	4,580,952
Gross Profit	433,370	399,103	447,977	466,198
Margin (%)	12.5	8.4	9.3	9.2
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	191,732	109,566	179,375	178,217
YoY gr. (%)	(10.0)	(42.9)	63.7	(0.6)
Margin (%)	5.5	2.3	3.7	3.5
Depreciation and Amortization	54,179	63,475	68,809	72,409
EBIT	137,553	46,091	110,565	105,808
Margin (%)	4.0	1.0	2.3	2.1
Net Interest	22,088	32,165	35,286	37,879
Other Income	26,294	21,840	24,969	33,544
Profit Before Tax	141,758	35,766	100,248	101,473
Margin (%)	4.1	0.8	2.1	2.0
Total Tax	43,084	373	25,563	25,876
Effective tax rate (%)	30.4	1.0	25.5	25.5
Profit after tax	98,674	35,393	74,685	75,597
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	115,105	21,793	74,685	75,597
YoY gr. (%)	(4.5)	(81.1)	242.7	1.2
Margin (%)	3.3	0.5	1.5	1.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	115,105	21,793	74,685	75,597
YoY gr. (%)	(4.5)	(81.1)	242.7	1.2
Margin (%)	3.3	0.5	1.5	1.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	115,105	21,793	74,685	75,597
Equity Shares O/s (m)	2,129	2,129	2,129	2,129
EPS (Rs)	54.1	10.2	35.1	35.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	1,030,234	1,126,823	1,191,823	1,256,823
Tangibles	1,030,234	1,126,823	1,191,823	1,256,823
Intangibles	-	-	-	-
Acc: Dep / Amortization	215,161	272,872	342,332	415,653
Tangibles	215,161	272,872	342,332	415,653
Intangibles	-	-	-	-
Net fixed assets	815,073	853,952	849,491	841,170
Tangibles	815,073	853,952	849,491	841,170
Intangibles	-	-	-	-
Capital Work In Progress	154,331	66,626	21,315	22,434
Goodwill	23,942	12,040	12,040	12,040
Non-Current Investments	238,373	114,170	125,587	138,145
Net Deferred tax assets	(63,757)	(77,929)	(88,106)	(98,443)
Other Non-Current Assets	23,576	13,317	387	426
Current Assets				
Investments	44,423	42,771	47,049	51,753
Inventories	421,787	432,097	436,091	454,224
Trade receivables	97,075	84,076	84,073	87,487
Cash & Bank Balance	22,367	133,813	430,764	490,670
Other Current Assets	27,259	30,090	33,099	36,409
Total Assets	1,875,289	1,795,240	2,053,413	2,149,628
Equity				
Equity Share Capital	21,295	21,295	21,295	21,295
Other Equity	497,762	553,474	622,097	692,080
Total Networkth	519,056	574,769	643,392	713,375
Non-Current Liabilities				
Long Term borrowings	443,997	304,891	443,760	457,081
Provisions	2,343	2,024	2,227	2,450
Other non current liabilities	14,882	19,125	21,038	23,141
Current Liabilities				
ST Debt / Current of LT Debt	201,346	191,798	191,482	141,134
Trade payables	303,477	267,482	270,465	281,764
Other current liabilities	325,865	358,235	394,058	433,464
Total Equity & Liabilities	1,875,289	1,796,942	2,055,285	2,151,686

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	140,286	35,766	100,248	101,473
Add. Depreciation	54,179	63,475	68,809	72,409
Add. Interest	22,088	32,165	35,286	37,879
Less Financial Other Income	26,294	21,840	24,969	33,544
Add. Other	17,800	56,897	23,469	10,697
Op. profit before WC changes	234,353	188,302	227,812	222,458
Net Changes-WC	(80,057)	(8,973)	30,577	24,497
Direct tax	(36,644)	-	(17,042)	(17,250)
Net cash from Op. activities	117,652	179,330	241,347	229,704
Capital expenditures	(223,800)	181,408	(19,038)	(65,208)
Interest / Dividend Income	-	-	-	-
Others	(3,343)	(88,371)	(9,595)	(10,555)
Net Cash from Inv. activities	(227,143)	93,038	(28,634)	(75,763)
Issue of share cap. / premium	(86,650)	28,318	(14,583)	(14,239)
Debt changes	169,462	(148,653)	138,553	(37,027)
Dividend paid	(33,487)	(8,372)	-	-
Interest paid	(22,088)	(32,165)	(35,286)	(37,879)
Others	-	-	-	-
Net cash from Fin. activities	27,237	(160,872)	88,684	(89,145)
Net change in cash	(82,253)	111,495	301,398	64,797
Free Cash Flow	(106,147)	360,738	222,309	164,496

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	1,210,469	1,148,076	1,191,581	1,181,121
YoY gr. (%)	70.7	50.3	17.9	8.6
Raw Material Expenses	1,181,273	1,066,809	1,081,751	1,002,311
Gross Profit	29,196	81,267	109,830	178,810
Margin (%)	2.4	7.1	9.2	15.1
EBITDA	(58,649)	14,340	42,339	111,537
YoY gr. (%)	(282.4)	(69.9)	0.5	162.5
Margin (%)	(4.8)	1.2	3.6	9.4
Depreciation / Depletion	16,131	15,566	15,820	15,958
EBIT	(74,780)	(1,226)	26,519	95,579
Margin (%)	(6.2)	(0.1)	2.2	8.1
Net Interest	6,155	8,106	9,780	8,124
Other Income	4,417	5,574	4,519	7,330
Profit before Tax	(76,519)	(3,758)	21,258	94,785
Margin (%)	(6.3)	(0.3)	1.8	8.0
Total Tax	(13,888)	(716)	1,663	16,406
Effective tax rate (%)	18.2	19.1	7.8	17.3
Profit after Tax	(62,630)	(3,042)	19,596	78,378
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(62,630)	(3,042)	19,596	78,378
YoY gr. (%)	(288.9)	(110.7)	(20.4)	267.9
Margin (%)	(5.2)	(0.3)	1.6	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(62,630)	(3,042)	19,596	78,378
YoY gr. (%)	(288.9)	(110.7)	(20.4)	267.9
Margin (%)	(5.2)	(0.3)	1.6	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(62,630)	(3,042)	19,596	78,378
Avg. Shares O/s (m)	20,929	20,929	20,929	20,929
EPS (Rs)	(29.9)	(1.5)	9.4	37.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	54.1	10.2	35.1	35.5
CEPS	79.5	40.0	67.4	69.5
BVPS	243.8	269.9	302.1	335.0
FCF	(49.8)	169.4	104.4	77.2
DPS	15.7	3.9	14.0	14.2
Return Ratio(%)				
RoCE	12.6	4.1	9.4	8.2
ROIC	7.6	2.8	7.0	6.6
RoE	21.8	4.0	12.3	11.1
Balance Sheet				
Net Debt : Equity (x)	1.1	0.6	0.2	0.1
Net Working Capital (Days)	23	19	19	19
Valuation(x)				
PER	6.7	35.3	10.3	10.2
P/B	1.5	1.3	1.2	1.1
P/CEPS	4.5	9.0	5.4	5.2
EV/EBITDA	7.0	9.9	5.2	4.6
EV/Sales	0.4	0.2	0.2	0.2
Dividend Yield (%)	4.3	1.1	3.9	3.9

Source: Company Data, PL Research

Key Operating Metrics

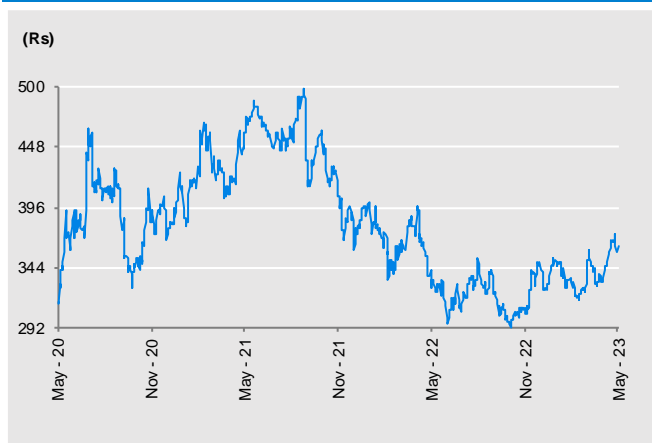
Y/e Mar	FY22	FY23	FY24E	FY25E
Crude /bbl	65	100	80	80
US\$/Rs	77	80	83	85
GRM (US\$/bbl)	10	20	10	9
Refining volume (MTPA)	36	39	39	40
Net subsidy burden (Rs m)				

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	420	328
2	30-Jan-23	BUY	420	335
3	03-Jan-23	BUY	420	334
4	09-Dec-22	BUY	420	338
5	08-Nov-22	Reduce	260	310
6	01-Oct-22	Reduce	240	305
7	01-Sep-22	Hold	331	331
8	08-Aug-22	Hold	331	336
9	05-Jul-22	BUY	416	313
10	26-May-22	BUY	416	326

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	420	328
2	Bharti Airtel	BUY	874	792
3	GAIL (India)	BUY	118	105
4	Gujarat Gas	Hold	450	463
5	Hindustan Petroleum Corporation	BUY	340	261
6	Indian Oil Corporation	BUY	125	87
7	Indraprastha Gas	BUY	582	493
8	Mahanagar Gas	BUY	1,260	1,074
9	Oil & Natural Gas Corporation	BUY	210	153
10	Oil India	BUY	325	262
11	Petronet LNG	BUY	326	237
12	Reliance Industries	BUY	2,822	2,349

PL's Recommendation Nomenclature (Absolute Performance)

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



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