




Estimate change   
TP change   
Rating change 

**CMP: INR380**

**TP: INR390 (+3%)**

**Neutral**

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Bloomberg	BPCL IN
Equity Shares (m)	2093
M.Cap.(INRb)/(USDb)	823.6 / 10.1
52-Week Range (INR)	398 / 288
1, 6, 12 Rel. Per (%)	1/1/-1
12M Avg Val (INR M)	1201

#### Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	4,731.9	4,167.0	4,290.1
EBITDA	93.8	302.0	170.2
Adj. PAT	19.7	179.3	86.4
EPS (INR)	9.4	85.7	41.3
EPS Gr.%	-81.9	809.3	-51.8
BV/Sh.INR	255.7	301.1	324.6
<b>Ratios</b>			
Net D:E	1.1	0.9	0.7
RoE (%)	3.7	30.8	13.2
RoCE (%)	-0.4	16.4	7.7
Payout (%)	98.2	47.1	43.0
<b>Valuation</b>			
P/E (x)	40.3	4.4	9.2
P/BV (x)	1.5	1.3	1.2
EV/EBITDA (x)	8.5	2.6	4.7
Div yield (%)	2.6	10.6	4.7
FCF yield (%)	5.0	19.8	13.6

#### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	53.0	53.0	53.0
DII	24.1	23.5	21.6
FII	12.9	12.9	13.5
Others	10.1	10.6	12.0

FII Includes depository receipts

### Miss due to weaker-than-expected GRM

- BPCL posted GRM of USD12.6/bbl in 1QFY24, below our estimate of USD16.5/bbl, while implied marketing margin at INR9.3/lit came in line with our estimate.
- Refining throughput stood at 10.4mmt (vs. 10.6mmt in 4QFY23), with the share of high sulphur crude processed increasing to 76% in 1QFY24 (vs. 73% in 4QFY23). The management highlighted that GRM of the Mumbai refinery is relatively lower than that of other refineries since it cannot process more than 20% of Russian crude in its crude basket.
- Singapore GRM has improved to USD5.7/bbl in 2QFY24 TD from USD4/bbl in 1QFY24, which may lead to improvement in refining performance in 2Q. However, a decline in Russian crude oil discounts may weigh negatively.
- Marketing sales volume (excluding exports) came in at 12.8mmt in 1QFY24 (vs. 12.9mmt in 4QFY23). The company intends to add 1,000 retail outlets in FY24 and has already added 111 retail outlets in 1QFY24.
- OMCs are estimated to be generating healthy marketing margins of INR11.9/INR13 on petrol/diesel in 2QFY24 TD; however, margins may be affected by retail fuel price cuts in the wake of upcoming elections and/or a rise in crude oil prices due to quota management by OPEC+ nations. The next OPEC+ meeting is scheduled to be held on 3<sup>rd</sup> Aug'23.
- There is no update on the divestment roadmap for BPCL now. The stock is trading at 1.3x FY24E P/BV, and we value it at 1.2x FY25E P/BV to arrive at our TP of INR390. **Maintain Neutral.**

### Throughput and marketing sales volumes in line

- BPCL's refining throughput was in line with our estimate at 10.4mmt (+7% YoY/ -3% QoQ) in 1QFY24.
- Reported GRM at USD12.6/bbl was lower than our estimate of USD16.5/bbl (vs. USD20.6/bbl in 4QFY23).
- Marketing volumes, excluding exports, were in line with our estimate at 12.8mmt (+8% YoY, -1% QoQ) in 1QFY24.
- Marketing margin (inc. inv.) was in line with our estimate at INR9.3/lit (vs. INR2.9/lit in 4QFY23).
- As a result, BPCL's EBITDA was 14% below our estimate at INR158.1b, but 28% above consensus estimate.
- Reported PAT was 15% below our estimate at INR105.5b, but 30% above consensus estimate.
- BPCL had a cumulative negative net buffer of INR8,487.4m as of 31<sup>st</sup> Mar'23 due to under-recovery on LPG cylinders. The same has been recognized as part of revenue in 1QFY24 upon recovery.

**Valuation and view**

- **Capex guidance for FY24 stands at INR100b and is expected to increase to INR150-170b in FY25.** The company had approved a capital outlay of ~INR500b for the expansion of petchem capacity at Bina to 2.2ktpa (from 329mtpa currently) and refining capacity to 11mmtpa (from 7.8mmtpa currently) during 1QFY24.
- Brent has increased ~USD83/bbl in the last few days (vs. USD78.4/bbl in 1QFY24) and a further increase may affect BPCL's performance. The next OPEC+ meeting scheduled for 3<sup>rd</sup> Aug'23 will be a key near-term monitorable. BPCL trades at 1.3x FY24E P/BV, and we value the stock at 1.2x FY25E P/BV to arrive at our TP of IN390. **Reiterate Neutral.**

**Standalone - Quarterly Earning Model**

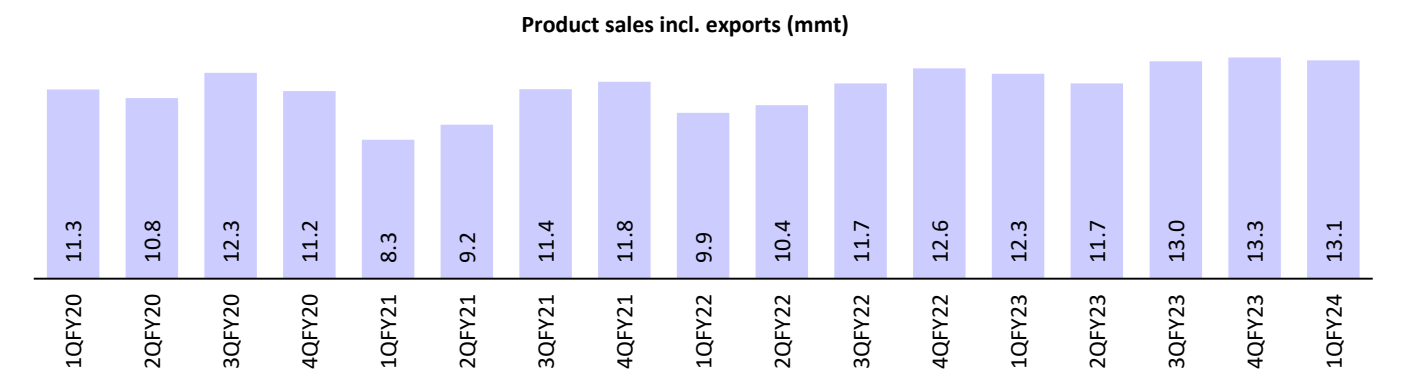
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
<b>Net Sales</b>	<b>1,210.5</b>	<b>1,148.1</b>	<b>1,191.6</b>	<b>1,181.1</b>	<b>1,129.8</b>	<b>995.2</b>	<b>992.2</b>	<b>1,049.2</b>	<b>4,731.2</b>	<b>4,166.4</b>	<b>980.4</b>	<b>15%</b>
YoY Change (%)	70.7	50.3	25.3	13.3	-6.7	-13.3	-16.7	-11.2	36.5	-11.9	-19.0	
<b>EBITDA</b>	<b>-49.0</b>	<b>20.2</b>	<b>43.8</b>	<b>111.5</b>	<b>158.1</b>	<b>62.6</b>	<b>43.3</b>	<b>43.5</b>	<b>126.5</b>	<b>307.4</b>	<b>184.8</b>	<b>-14%</b>
Margins (%)	-4.0	1.8	3.7	9.4	14.0	6.3	4.4	4.1	2.7	7.4	18.9	
Forex loss	9.6	5.9	1.4	-1.9	-0.2	0.0	0.0	0.0	15.0	-0.2	-1.9	
Depreciation	16.1	15.6	15.8	16.0	16.1	16.7	16.8	16.9	63.5	66.6	16.5	
Interest	6.2	8.1	9.8	8.1	6.8	8.4	8.4	10.0	32.2	33.6	8.5	
Other Income	4.4	5.6	4.5	5.4	4.7	4.5	4.3	3.8	19.9	17.2	4.1	
<b>PBT before EO expense</b>	<b>-76.5</b>	<b>-3.8</b>	<b>21.3</b>	<b>94.8</b>	<b>140.1</b>	<b>41.9</b>	<b>22.4</b>	<b>20.3</b>	<b>35.8</b>	<b>224.7</b>	<b>165.9</b>	<b>-16%</b>
Extra-Ord expense	0.0	0.0	0.0	13.6	0.0	0.0	0.0	0.0	13.6	0.0	0.0	
<b>PBT</b>	<b>-76.5</b>	<b>-3.8</b>	<b>21.3</b>	<b>81.2</b>	<b>140.1</b>	<b>41.9</b>	<b>22.4</b>	<b>20.3</b>	<b>22.2</b>	<b>224.7</b>	<b>165.9</b>	<b>-16%</b>
Tax	-13.9	-0.7	1.7	16.4	34.6	10.6	5.6	5.1	3.5	55.9	41.8	
Rate (%)	18.2	19.1	7.8	20.2	24.7	25.2	25.2	25.2	15.6	24.9	25.2	
<b>Reported PAT</b>	<b>-62.6</b>	<b>-3.0</b>	<b>19.6</b>	<b>64.8</b>	<b>105.5</b>	<b>31.4</b>	<b>16.8</b>	<b>15.2</b>	<b>18.7</b>	<b>168.8</b>	<b>124.1</b>	<b>-15%</b>
<b>Adj PAT</b>	<b>-62.6</b>	<b>-3.0</b>	<b>19.6</b>	<b>75.6</b>	<b>105.5</b>	<b>31.4</b>	<b>16.8</b>	<b>15.2</b>	<b>29.6</b>	<b>168.8</b>	<b>124.1</b>	<b>-15%</b>
YoY Change (%)	PL	PL	-30.7	202.4	LP	LP	-14.5	-79.9	-70.3	471.3	LP	
Margins (%)	-5.2	-0.3	1.6	6.4	9.3	3.2	1.7	1.4	0.6	4.1	12.7	
<b>Key Assumptions</b>												
Refining throughput (mmt)	9.7	8.8	9.4	10.6	10.4	9.7	10.0	10.0	38.5	40.0	10.0	4%
Reported GRM (USD/bbl)	27.5	16.8	15.9	20.6	12.6	5.5	5.5	5.5	20.3	9.9	16.5	-23%
Marketing sales vol. exclud exports (mmt)	11.8	11.4	12.8	12.9	12.8	11.9	13.3	13.4	48.9	51.4	12.3	3%
Marketing GM incld inv (INR/litre)	-9.1	-0.6	1.1	2.9	9.3	5.8	4.1	4.1	-1.4	5.8	9.4	-1%

**Exhibit 1: BPCL – key assumptions**

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	82.9	84.1
Crude cost (USD/bbl)	57.1	70.1	61.2	44.4	80.5	96.1	83.8	90.0
Domestic Market Sales (mmt)	41.2	43.1	43.1	38.7	42.5	48.9	51.4	53.5
YoY (%)	9%	5%	0%	-10%	10%	15%	5%	4%
<b>Reported GRM (USD/bbl)</b>	<b>6.9</b>	<b>4.6</b>	<b>2.5</b>	<b>4.1</b>	<b>9.5</b>	<b>20.3</b>	<b>9.9</b>	<b>5.5</b>
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	5.5	6.0
Prem/(disc) (USD/bbl)	(0.4)	(0.3)	(0.7)	3.6	4.5	9.6	4.4	(0.5)
Refinery throughput (mmt)	28.5	31.0	31.9	26.4	34.1	38.5	40.0	40.0
YoY (%)	12%	9%	3%	-17%	29%	13%	4%	0%
<b>Marketing Margin (INR/ltr)</b>								
Blended gross marketing margin incld inventory	4.0	4.8	4.7	6.9	5.0	(1.4)	5.8	4.1
<b>Consolidated EPS</b>	<b>46.8</b>	<b>40.7</b>	<b>23.8</b>	<b>63.2</b>	<b>52.0</b>	<b>9.4</b>	<b>85.7</b>	<b>41.3</b>

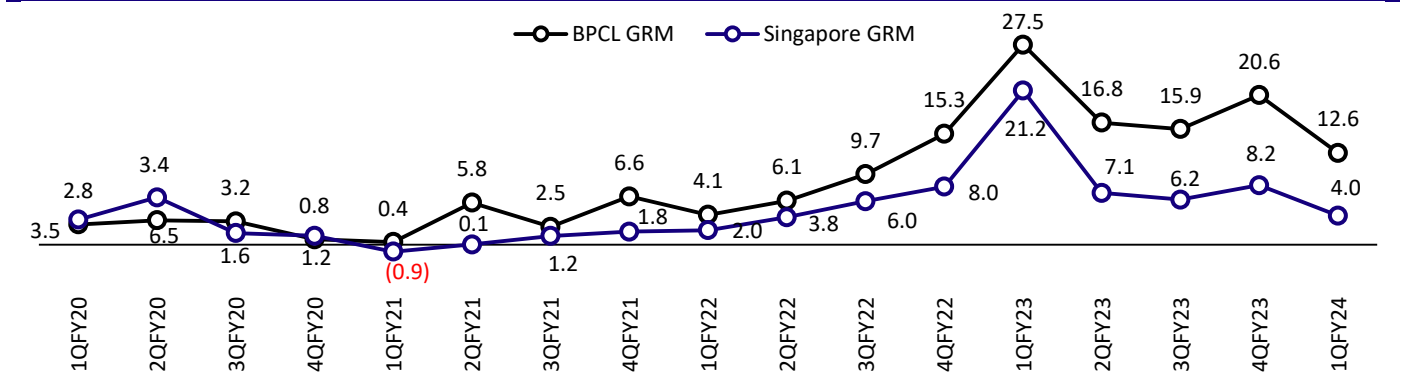
Source: Company, MOSFL

**Exhibit 2: Product sales at 13.1mmt (up 7% YoY but down 1% QoQ)**



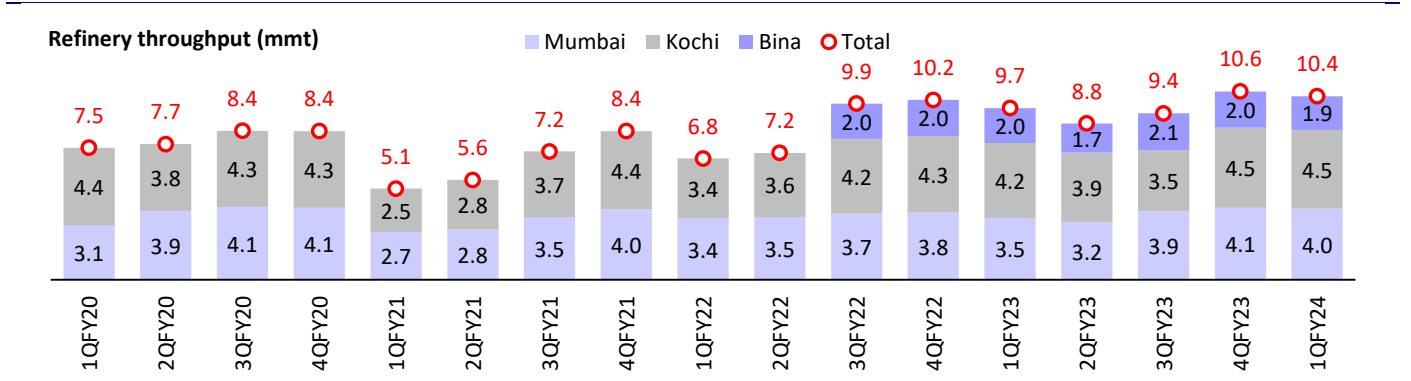
Source: Company, MOSFL

**Exhibit 3: Reported GRM at USD12.6/bbl in 1QFY24 vs. USD20.6/bbl in 4QFY23**



Source: Company, MOSFL

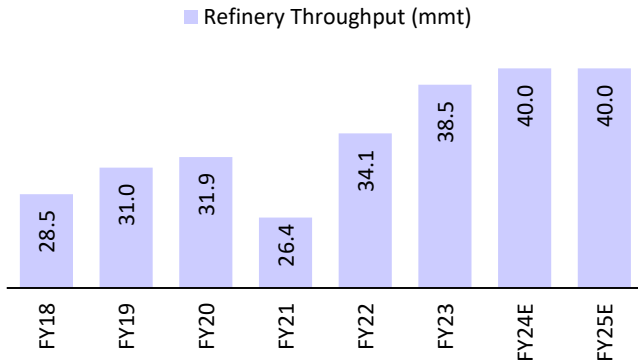
**Exhibit 4: Total refinery throughput was up 7% YoY but down 3% QoQ**



Source: Company, MOSFL

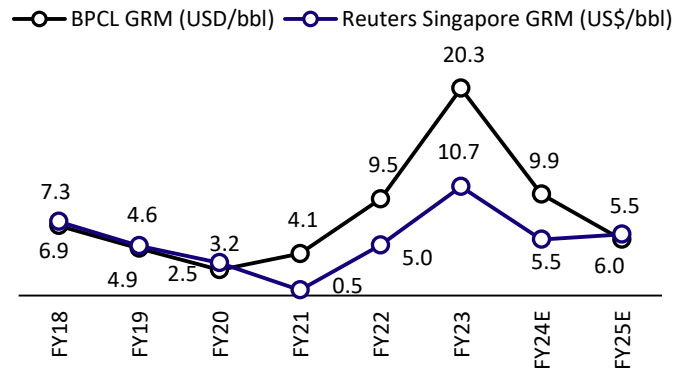
## Story in charts

**Exhibit 5: Throughput (mmt)**



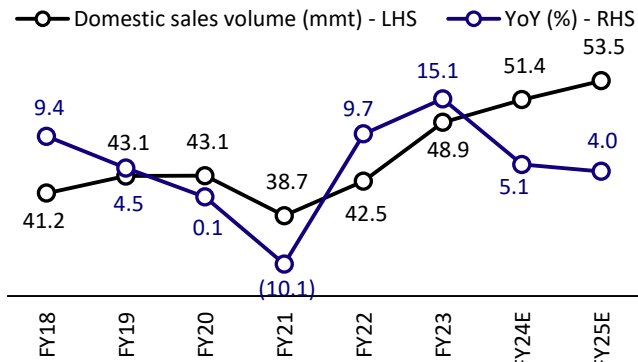
Source: Company, MOFSL

**Exhibit 6: GRM trend**



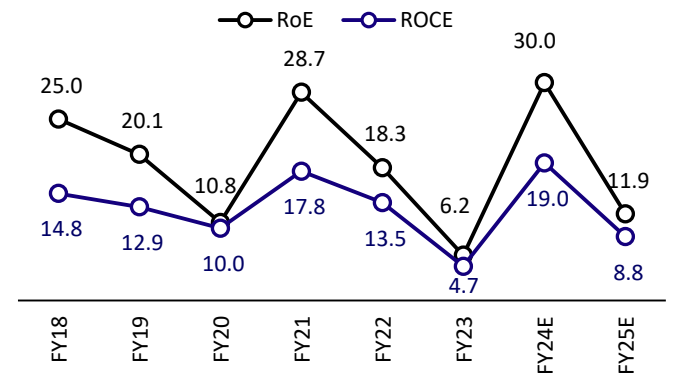
Source: Company, MOFSL

**Exhibit 7: Domestic marketing sales volume**



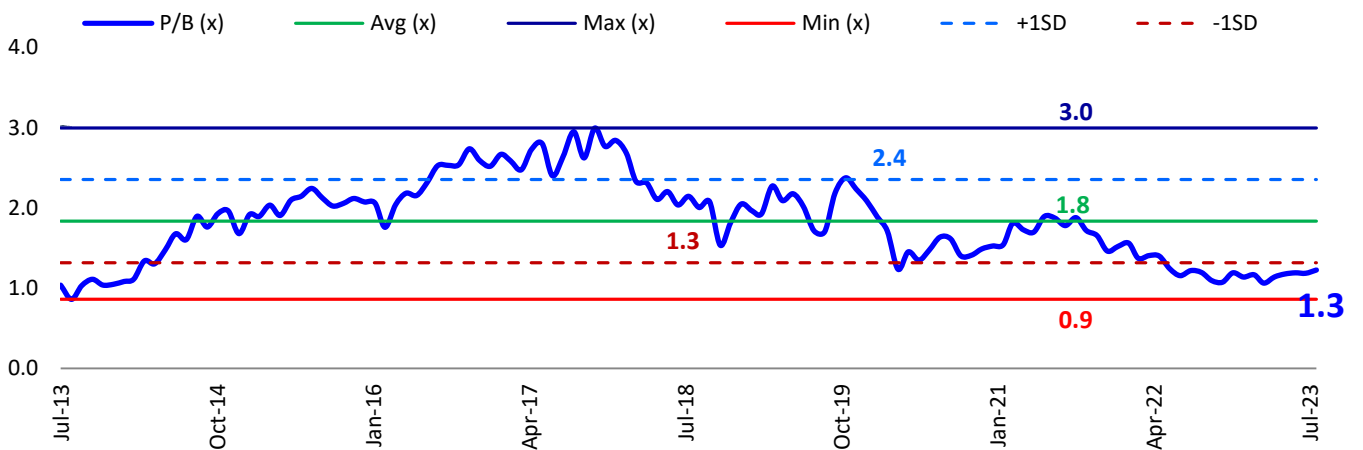
Source: Company, MOFSL

**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	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>2,358</b>	<b>2,982</b>	<b>2,846</b>	<b>2,302</b>	<b>3,468</b>	<b>4,732</b>	<b>4,167</b>	<b>4,290</b>
Change (%)	17%	26%	-5%	-19%	51%	36%	-12%	3%
<b>EBITDA</b>	<b>152</b>	<b>158</b>	<b>100</b>	<b>211</b>	<b>189</b>	<b>94</b>	<b>302</b>	<b>170</b>
Margin (%)	6.4	5.3	3.5	9.2	5.4	2.0	7.2	4.0
Depreciation	29	34	41	43	54	64	67	70
<b>EBIT</b>	<b>123</b>	<b>124</b>	<b>59</b>	<b>168</b>	<b>134</b>	<b>30</b>	<b>235</b>	<b>101</b>
Net forex loss	0	7	17	-2	-3	-15	0	0
Int. and Finance Charges	12	18	26	17	26	37	39	33
Other Income	18	20	19	23	23	15	25	29
<b>PBT bef. EO Exp.</b>	<b>129</b>	<b>120</b>	<b>36</b>	<b>175</b>	<b>134</b>	<b>23</b>	<b>222</b>	<b>97</b>
EO Items	0	0	-13	53	11	-16	0	0
<b>PBT after EO Exp.</b>	<b>129</b>	<b>120</b>	<b>23</b>	<b>228</b>	<b>145</b>	<b>6</b>	<b>222</b>	<b>97</b>
Total Tax	44	44	0	51	44	7	56	24
Tax Rate (%)	34.0	36.6	-0.6	22.5	30.0	109.7	25.2	25.2
Minority Interest/Share of JVs/associates	13	9	14	-3	15	22	13	14
<b>Reported PAT</b>	<b>98</b>	<b>85</b>	<b>37</b>	<b>173</b>	<b>117</b>	<b>21</b>	<b>179</b>	<b>86</b>
<b>Adjusted PAT</b>	<b>98</b>	<b>85</b>	<b>50</b>	<b>132</b>	<b>109</b>	<b>20</b>	<b>179</b>	<b>86</b>
Change (%)	3%	-13%	-42%	166%	-18%	-82%	809%	-52%
Margin (%)	4.2	2.9	1.8	5.8	3.1	0.4	4.3	2.0

Consolidated - Balance Sheet								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	20	20	20	21	21	21	21	21
Total Reserves	347	368	346	515	498	514	609	658
<b>Net Worth</b>	<b>366</b>	<b>388</b>	<b>365</b>	<b>536</b>	<b>519</b>	<b>535</b>	<b>630</b>	<b>679</b>
Minority Interest	19	21	21	0	0	0	0	0
Total Loans	370	429	558	400	559	605	605	605
Deferred Tax Liabilities	55	68	62	49	64	79	79	79
<b>Capital Employed</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,142</b>	<b>1,219</b>	<b>1,314</b>	<b>1,363</b>
Gross Block	962	1,039	1,223	1,286	1,515	1,735	1,795	1,855
Less: Accum. Deprn.	331	365	406	449	503	567	652	725
<b>Net Fixed Assets</b>	<b>631</b>	<b>674</b>	<b>817</b>	<b>836</b>	<b>1,011</b>	<b>1,168</b>	<b>1,143</b>	<b>1,130</b>
Capital WIP	99	137	178	171	154	162	221	264
<b>Total Investments</b>	<b>61</b>	<b>68</b>	<b>55</b>	<b>72</b>	<b>52</b>	<b>64</b>	<b>64</b>	<b>64</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>412</b>	<b>491</b>	<b>459</b>	<b>530</b>	<b>658</b>	<b>486</b>	<b>449</b>	<b>510</b>
Inventory	225	229	222	267	422	381	318	339
Account Receivables	52	69	54	78	97	67	59	61
Cash and Bank Balance	14	7	12	81	22	26	60	98
Cash	6	4	8	76	22	23	57	95
Bank Balance	8	2	4	5	1	3	3	3
Loans and Advances	121	186	171	103	117	13	13	13
<b>Curr. Liability &amp; Prov.</b>	<b>393</b>	<b>464</b>	<b>503</b>	<b>625</b>	<b>733</b>	<b>662</b>	<b>563</b>	<b>605</b>
Account Payables	216	430	466	590	702	633	528	563
Provisions	178	33	36	36	32	29	35	42
<b>Net Current Assets</b>	<b>19</b>	<b>27</b>	<b>-44</b>	<b>-95</b>	<b>-75</b>	<b>-176</b>	<b>-114</b>	<b>-95</b>
<b>Appl. of Funds</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,142</b>	<b>1,219</b>	<b>1,314</b>	<b>1,363</b>

## Financials and valuations

### Ratios

Y/E March (INR)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>46.8</b>	<b>40.7</b>	<b>23.8</b>	<b>63.2</b>	<b>52.0</b>	<b>9.4</b>	<b>85.7</b>	<b>41.3</b>
Cash EPS	60.6	57.1	43.3	84.0	78.0	39.9	117.6	74.5
BV/Share	175.0	185.2	174.6	255.9	248.0	255.7	301.1	324.6
DPS	22.3	20.2	17.6	79.0	16.0	10.0	40.3	17.8
Payout (%)	52.5	54.6	110.2	95.5	28.7	98.2	47.1	43.0
<b>Valuation (x)</b>								
P/E	8.1	9.3	16.0	6.0	7.3	40.3	4.4	9.2
Cash P/E	6.3	6.7	8.8	4.5	4.9	9.5	3.2	5.1
P/BV	2.2	2.1	2.2	1.5	1.5	1.5	1.3	1.2
EV/Sales	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	4.9	4.7	7.5	3.8	4.2	8.5	2.6	4.7
Dividend Yield (%)	5.9	5.3	4.6	20.8	4.2	2.6	10.6	4.7
FCF per share	16.9	-1.7	-21.8	68.8	56.6	18.9	75.1	51.8
<b>Return Ratios (%)</b>								
RoE	29.0	22.6	13.2	29.4	20.6	3.7	30.8	13.2
RoCE	13.7	11.8	9.1	15.9	10.9	-0.4	16.4	7.7
RoIC	15.2	11.8	8.2	18.3	11.9	-0.3	18.2	7.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.5	2.9	2.3	1.8	2.3	2.7	2.3	2.3
Asset Turnover (x)	2.9	3.3	2.8	2.3	3.0	3.9	3.2	3.1
Inventory (Days)	35	28	29	42	44	29	28	29
Debtor (Days)	8	8	7	12	10	5	5	5
Creditor (Days)	33	53	60	94	74	49	46	48
<b>Leverage Ratio (x)</b>								
Current Ratio	1.0	1.1	0.9	0.8	0.9	0.7	0.8	0.8
Interest Cover Ratio	10.4	7.0	2.3	9.7	5.2	0.8	6.0	3.0
Net Debt/Equity	1.0	1.1	1.5	0.6	1.0	1.1	0.9	0.7

### Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	142	129	37	224	160	28	222	97
Depreciation	29	34	41	43	54	64	67	70
Direct Taxes Paid	-34	-30	-22	-38	-18	-8	-56	-24
(Inc)/Dec in WC	-13	-35	-7	38	13	-2	-28	19
<b>CF from Operations</b>	<b>111</b>	<b>102</b>	<b>79</b>	<b>236</b>	<b>203</b>	<b>125</b>	<b>257</b>	<b>208</b>
(Inc)/Dec in FA	-77	-105	-122	-92	-85	-85	-100	-100
<b>Free Cash Flow</b>	<b>33</b>	<b>-3</b>	<b>-43</b>	<b>144</b>	<b>118</b>	<b>39</b>	<b>157</b>	<b>108</b>
(Pur)/Sale of Investments	7	-2	12	-22	198	-3	0	0
<b>CF from Investments</b>	<b>-69</b>	<b>-105</b>	<b>-111</b>	<b>-26</b>	<b>165</b>	<b>-78</b>	<b>-100</b>	<b>-100</b>
Inc/(Dec) in Debt	15	66	124	-120	-10	14	0	0
Dividend Paid	-44	-49	-65	-49	-145	-13	-84	-37
CF from Fin. Activity	-42	2	36	-142	-422	-45	-123	-70
<b>Inc/Dec of Cash</b>	<b>0</b>	<b>-2</b>	<b>4</b>	<b>68</b>	<b>-54</b>	<b>2</b>	<b>34</b>	<b>38</b>
Opening Balance	6	6	4	8	76	22	23	57
<b>Closing Balance</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>76</b>	<b>22</b>	<b>23</b>	<b>57</b>	<b>95</b>

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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
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