

May 11, 2024

Q4FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		SELL	
Target Price	547		504	
Sales (Rs. m)	4,123	4,082	4,149	4,083
% Chng.	(0.6)	-		
EBITDA (Rs. m)	195	196	225	182
% Chng.	(13.5)	8.0		
EPS (Rs.)	52.4	51.9	62.4	45.6
% Chng.	(16.1)	13.9		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	4,732	4,481	4,123	4,082
EBITDA (Rs. bn)	109	441	195	196
Margin (%)	2.3	9.8	4.7	4.8
PAT (Rs. bn)	33	271	112	111
EPS (Rs.)	15.3	127.0	52.4	51.9
Gr. (%)	(69.1)	730.3	(58.8)	(0.8)
DPS (Rs.)	9.8	42.0	23.2	23.1
Yield (%)	1.6	6.8	3.7	3.7
RoE (%)	6.2	42.0	14.2	13.1
RoCE (%)	4.1	31.7	10.3	9.7
EV/Sales (x)	0.4	0.4	0.4	0.4
EV/EBITDA (x)	17.4	3.9	9.0	9.1
PE (x)	40.5	4.9	11.8	11.9
P/BV (x)	2.5	1.7	1.6	1.5

Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.688 / Rs.331
Sensex / Nifty	72,664 / 22,055
Market Cap	Rs.1,342bn / \$ 16,072m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.5951.63m

Shareholding Pattern (%)

Promoter's	52.98
Foreign	16.80
Domestic Institution	21.29
Public & Others	8.93
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.3	61.1	66.2
Relative	5.6	43.9	41.7

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Operating profit improves sequentially

Quick Pointers:

- Singapore GRM has softened to ~US\$4/bbl in Q1FY25-TD led by falling product cracks
- Net debt on a consol basis has reduced to Rs392bn.

Bharat Petroleum Corporation (BPCL) reported better than expected Q4FY24 results with an EBITDA of Rs92.1 bn (up 48% QoQ, PLE: Rs85.8 bn). Adj PAT came in at Rs55.7 bn (up 64% QoQ, PLE: Rs48.4 bn). The company reported a moderate GRM at US\$12.5/bbl. GMMs as per our calculation came in at Rs5.8/ltr. BPCL announced a bonus of 1:1 and a final dividend of Rs21/share. The company currently trades at 1.5x FY26 P/BV. Going ahead, owing to demand concerns in the long term and inability to pass on rise in fuel costs we build in GRMs of US\$6/bbl and a gross marketing margin of Rs 4.1/ltr for FY25/26E. The stock is currently trading at 1.6/1.5x FY25/26 P/BV. We re-rate the stock from 'Sell' to 'Reduce' with a TP of Rs547 based on 1.3x FY26 P/BV.

- Operating performance improves QoQ:** BPCL's operating profit at Rs92 bn grew 48% QoQ on account of moderate refining and gross marketing margins. The company reported an exceptional item of Rs18bn due to impairment loss in its wholly owned upstream subsidiary BPRL. Adj PAT came in at Rs55.7bn, up 64% QoQ. On a YoY basis, EBITDA/PAT declined by 17%/26% mainly due to lower GRMs
- Refining margins come in at US\$12.5/bbl:** Refining throughput stood at 10.4 mmt, up 5% QoQ. Reported GRM came in at US\$12.5/bbl (PLE: US\$14/bbl). Singapore GRM has weakened in the current quarter and is averaging at US\$4/bbl. Given the refining capacity additions in China and India amid weak demand prospects we expect GRMs to remain weak in the long term. Going ahead, we anticipate GRM of US\$6/6/bbl for FY25/26E.
- Gross marketing margins improve significantly YoY:** Marketing sales for Q4 were 13.2mmt, up 2%. Implied gross marketing margins came in at Rs5.8/ltr (PLE: Rs3.6/ltr), up 65% QoQ. Marketing inventory loss was Rs7.7bn inQ4. On a YoY basis, margins grew remarkably by 107% led by softening of international petrol and diesel prices. Marketing margins on petrol/diesel are averaging at Rs2.7/2.4/ltr in the current quarter. We build in a GMM of Rs4.1/4.1/ltr for FY25/26E.
- Concall Highlights:** **1)** Refining capacity to increase to 45mmtpa by FY29 beginning with brownfield expansion of Bina refinery. **2)** BPCL will invest Rs1.7 lakh crore over 5 years across refinery/petchem (Rs750bn), upstream in Mozambique and Brazil (Rs320bn), marketing (Rs200bn), gas (Rs250bn), pipeline (Rs80bn), renewable energy (Rs100bn). **3)** BPCL imported 36mmt of oil and Russian oil (urals, ESPO) accounted for 39% in FY24 **4)** Capex of Rs150bn for FY25 which includes refining/petchem(Rs42bn), marketing (Rs70bn).

Exhibit 1: BPCL's Quarterly and FY24 Income Statement

(Rs bn)	Q4FY24	Q3FY24	QoQ gr.	Q4FY24E	% Var	Q4FY23	YoY gr.	FY24	FY23	YoY gr.
Revenue	1,165.6	1,154.9	0.9%	1,057.1	10.3%	1,181.1	-1.3%	4,480.8	4,731.9	-5.3%
YoY Change (%)	-1.3	-3.1		-10.5		13.3				
Total Expenditure	1,073.4	1,092.7	-1.8%	971.3	10.5%	1,069.6	0.4%	4,040.0	4,623.0	-12.6%
EBITDA	92.1	62.3	48.0%	85.8	7.4%	111.5	-17.4%	440.8	108.9	304.9%
Margins (%)	7.9	5.4		8.1		9.4		9.8%	2.3%	
Depreciation	17.2	18.2	-5.9%	19.0	-9.6%	16.0	7.6%	67.7	63.7	6.3%
Interest	5.2	5.0	4.5%	7.1	-26.4%	8.1	-35.5%	41.5	42.6	-2.7%
Other Income	4.7	6.8	-31.0%	5.0	-5.4%	5.4	-13.0%	22.3	15.0	49.2%
Extra-ord Expense	-18.0	0.0		0.0		13.6	32.2%	-2.7	-11.3	NA
PBT	56.4	45.8	23.2%	64.6	-12.7%	81.2	-30.5%	351.3	6.3	
Tax	14.2	11.8	20.0%	16.3	-12.8%	16.4	-13.5%	93.4	6.9	1252.8%
Rate (%)	25.1	25.8		25.2	-0.1%	20.2		26.4%	39.3%	
PAT	42.2	34.0	24.3%	48.4	-12.7%	64.8	-34.8%	257.9	-0.6	NA
Adj PAT	55.7	34.0	64.0%	48.4	15.2%	75.6	-26.4%	271.3	32.6	733.0%
Margins (%)	4.8	2.9		4.6		6.4		6.1	0.7	

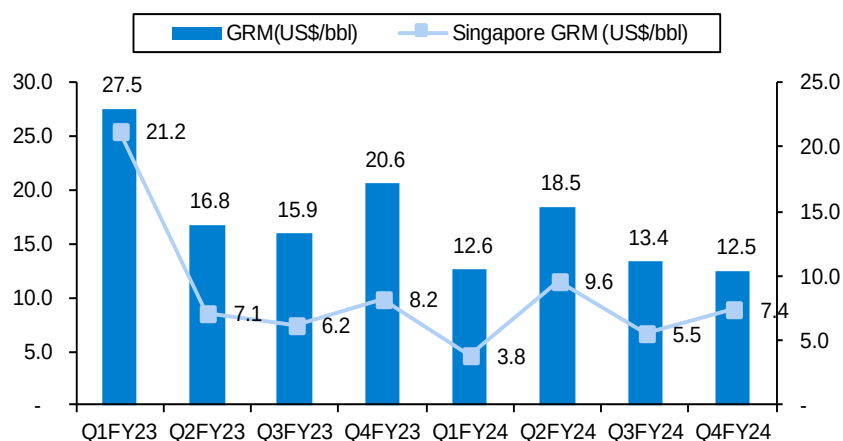
Source: Company, PL

Exhibit 2: Operating performance

Operating Performance	Q4FY24	Q3FY24	QoQ gr.	Q4FY24E	% Var	Q4FY23	YoY gr.	FY24	FY23	YoY gr.
Refining throughput (mmt)	10.4	9.9	5.1%	9.9	4.6%	10.6	-2.5%	40	39	3.6%
Reported GRM (USD/bbl)	12.5	13.4	-6.5%	14.0	-10.9%	20.6	-39.4%	14	20	-29.6%
Marketing sales volume excld exports (mmt)	13.2	12.9	2.0%	13.4	-1.8%	12.9	2.1%	51.0	48.9	4.3%
Marketing GM (Rs/ltr)	5.8	3.5	65.2%	3.6	61.9%	2.8	106.7%	6.1	-1.5	NA

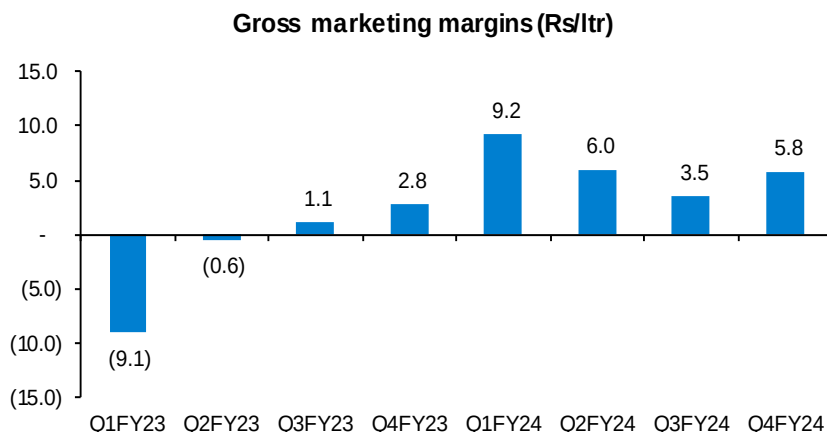
Source: Company, PL

Exhibit 3: GRM falls 7% QoQ to US\$12.5/bbl



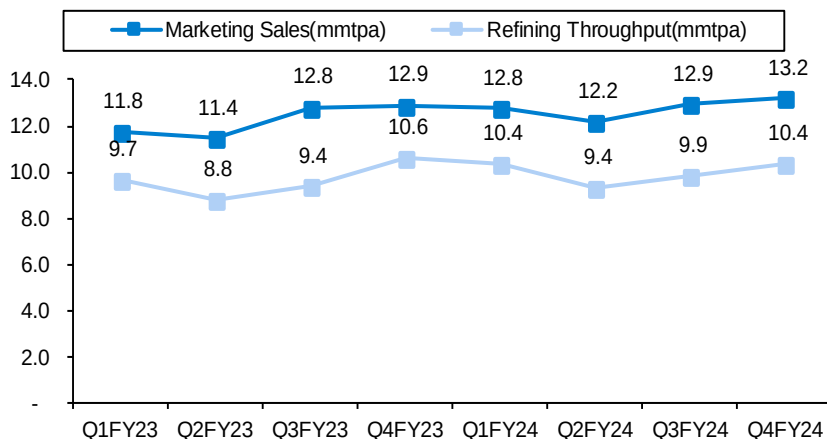
Source: Company, PL

Exhibit 4: GMM rises substantially by 65% QoQ



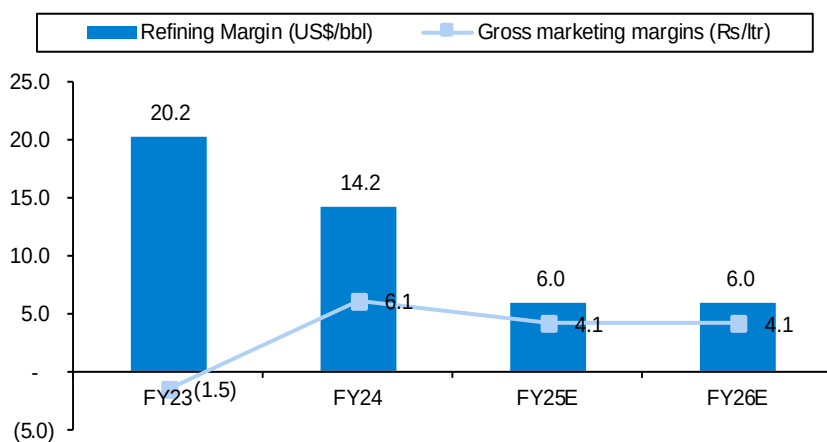
Source: PL

Exhibit 5: Refining throughput improves 5% QoQ



Source: Company, PL

Exhibit 6: GRM estimated at US\$6/bbl for FY25/26E



Source: PL



Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	4,732	4,481	4,123	4,082
YoY gr. (%)	36.4	(5.3)	(8.0)	(1.0)
Cost of Goods Sold	4,332	3,761	3,698	3,653
Gross Profit	400	720	426	429
Margin (%)	8.4	16.1	10.3	10.5
Employee Cost	-	-	-	-
Other Expenses	291	279	231	232
EBITDA	109	441	195	196
YoY gr. (%)	(42.3)	304.9	(55.8)	0.6
Margin (%)	2.3	9.8	4.7	4.8
Depreciation and Amortization	64	68	66	67
EBIT	45	373	129	129
Margin (%)	1.0	8.3	3.1	3.2
Net Interest	43	41	25	25
Other Income	15	22	26	26
Profit Before Tax	6	351	130	130
Margin (%)	0.1	7.8	3.1	3.2
Total Tax	7	93	33	33
Effective tax rate (%)	109.7	26.6	25.2	25.2
Profit after tax	(1)	258	97	97
Minority interest	(22)	(11)	(15)	(14)
Share Profit from Associate	-	-	-	-
Adjusted PAT	33	271	112	111
YoY gr. (%)	(69.1)	733.0	(58.8)	(0.8)
Margin (%)	0.7	6.1	2.7	2.7
Extra Ord. Income / (Exp)	(11)	(3)	-	-
Reported PAT	21	269	112	111
YoY gr. (%)	(81.8)	1,160.4	(58.3)	(0.8)
Margin (%)	0.5	6.0	2.7	2.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21	269	112	111
Equity Shares O/s (m)	2	2	2	2
EPS (Rs)	15.3	127.0	52.4	51.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,651	1,708	1,786	1,846
Tangibles	1,651	1,708	1,786	1,846
Intangibles	-	-	-	-
Acc: Dep / Amortization	567	635	717	790
Tangibles	567	635	717	790
Intangibles	-	-	-	-
Net fixed assets	1,084	1,074	1,068	1,056
Tangibles	1,084	1,074	1,068	1,056
Intangibles	-	-	-	-
Capital Work In Progress	162	202	291	387
Goodwill	-	-	-	-
Non-Current Investments	51	61	61	61
Net Deferred tax assets	(79)	(80)	(80)	(80)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	381	428	323	319
Trade receivables	67	83	58	58
Cash & Bank Balance	26	63	38	23
Other Current Assets	-	-	-	-
Total Assets	1,881	2,024	1,953	2,016
Equity				
Equity Share Capital	21	21	21	21
Other Equity	514	735	797	859
Total Network	535	756	819	880
Non-Current Liabilities				
Long Term borrowings	605	455	478	478
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	633	700	537	531
Other current liabilities	29	33	40	48
Total Equity & Liabilities	1,881	2,024	1,953	2,016

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	18	387	130	130
Add. Depreciation	64	68	66	67
Add. Interest	-	-	-	-
Less Financial Other Income	15	22	26	26
Add. Other	37	11	15	14
Op. profit before WC changes	119	466	210	211
Net Changes-WC	6	4	(26)	6
Direct tax	(7)	(93)	(33)	(33)
Net cash from Op. activities	118	377	152	184
Capital expenditures	(144)	(97)	(150)	(150)
Interest / Dividend Income	-	-	-	-
Others	1	(10)	-	-
Net Cash from Invt. activities	(143)	(107)	(150)	(150)
Issue of share cap. / premium	-	-	-	-
Debt changes	45	(150)	23	-
Dividend paid	(21)	(90)	(50)	(49)
Interest paid	-	-	-	-
Others	5	6	-	-
Net cash from Fin. activities	29	(233)	(27)	(49)
Net change in cash	3	37	(25)	(15)
Free Cash Flow	(27)	280	2	34

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	15.3	127.0	52.4	51.9
CEPS	45.2	158.7	83.3	83.4
BVPS	251.3	354.0	383.2	412.0
FCF	(12.5)	131.1	0.8	16.1
DPS	9.8	42.0	23.2	23.1
Return Ratio(%)				
RoCE	4.1	31.7	10.3	9.7
ROIC	2.4	19.0	6.7	6.5
RoE	6.2	42.0	14.2	13.1
Balance Sheet				
Net Debt : Equity (x)	1.1	0.5	0.5	0.5
Net Working Capital (Days)	(12)	(9)	(10)	(10)
Valuation(x)				
PER	40.5	4.9	11.8	11.9
P/B	2.5	1.7	1.6	1.5
P/CEPS	13.7	3.9	7.4	7.4
EV/EBITDA	17.4	3.9	9.0	9.1
EV/Sales	0.4	0.4	0.4	0.4
Dividend Yield (%)	1.6	6.8	3.7	3.7

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	1,130	1,030	1,155	1,166
YoY gr. (%)	(6.7)	(10.3)	(3.1)	(1.3)
Raw Material Expenses	909	838	1,019	995
Gross Profit	221	192	136	170
Margin (%)	19.6	18.7	11.8	14.6
EBITDA	158	129	62	92
YoY gr. (%)	(422.6)	539.3	42.3	(17.4)
Margin (%)	14.0	12.5	5.4	7.9
Depreciation / Depletion	16	16	18	17
EBIT	142	113	44	75
Margin (%)	12.6	11.0	3.8	6.4
Net Interest	7	8	5	5
Other Income	5	8	7	5
Profit before Tax	140	113	46	56
Margin (%)	12.4	11.0	4.0	4.8
Total Tax	35	28	12	14
Effective tax rate (%)	24.7	24.8	25.8	25.1
Profit after Tax	106	85	34	42
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	106	85	34	42
YoY gr. (%)	(268.5)	(2,894.9)	73.4	(34.8)
Margin (%)	9.3	8.3	2.9	3.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	106	85	34	42
YoY gr. (%)	(268.5)	(2,894.9)	73.4	(34.8)
Margin (%)	9.3	8.3	2.9	3.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	106	85	34	42
Avg. Shares O/s (m)	2	2	2	2
EPS (Rs)	50.4	40.6	16.2	20.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Crude (US\$/bbl)	96	83	86	85
Refining Throughput (mmt)	10	10	10	10
GRM (US\$/bbl)	20	14	6	6
Marketing Sales (mmt)	12	13	13	14
Gross Marketing Margin (Rs/ltr)	(1)	6	4	4

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Sell	504	592
2	22-Feb-24	Sell	513	633
3	30-Jan-24	Sell	381	504
4	08-Jan-24	Sell	371	453
5	30-Nov-23	Reduce	365	429
6	30-Oct-23	Hold	365	347
7	06-Oct-23	Hold	353	347
8	22-Aug-23	Hold	353	352
9	04-Jul-23	BUY	425	375
10	23-May-23	BUY	425	362

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	705
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Sell	504	592
6	Bharti Airtel	Accumulate	1,269	1,204
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,386	1,335
9	Deepak Nitrite	Reduce	1,985	2,208
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	Accumulate	4,215	4,031
12	Endurance Technologies	Hold	1,980	1,900
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Hold	4,351	4,361
15	GAIL (India)	Sell	162	201
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Hold	558	546
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Reduce	400	462
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	480	486
24	Laxmi Organic Industries	Sell	206	251
25	Mahanagar Gas	Sell	1,125	1,485
26	Mahindra & Mahindra	BUY	2,306	2,013
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

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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