

Estimate change



TP change



Rating change



Bloomberg	BPCL IN
Equity Shares (m)	2,093
M.Cap.(INRb)/(USDb)	707.2 / 9.1
52-Week Range (INR)	468 / 324
1, 6, 12 Rel. Per (%)	-7/-10/-37
12M Avg Val (INR M)	2434

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	3,468	3,849	3,686
EBITDA	189	174	149
Adj. PAT	109	104	80
EPS (INR)	52.0	49.6	38.0
EPS Gr. %	-17.8	-4.7	-23.3
BV/Sh. INR	248.0	277.5	300.3

Ratios

Net D:E	1.0	0.9	0.8
RoE (%)	20.6	18.9	13.2
RoCE (%)	10.9	9.7	7.4
Payout (%)	28.7	40.6	39.9

Valuation

P/E (x)	6.3	6.6	8.6
P/BV (x)	1.3	1.2	1.1
EV/EBITDA (x)	3.6	3.9	4.6
Div yield (%)	4.9	6.2	4.7
FCF yield (%)	-11.6	15.9	8.7

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	53.0	53.0	53.0
DII	20.7	22.0	24.2
FII	14.0	13.0	14.4
Others	12.3	12.1	8.4

FII Includes depository receipts

CMP: INR326
TP: INR360 (+10%)
Neutral

GRM remains strong; net debt on the rise

- Reported GRM, at USD15.3/bbl, came in lower than our estimate, while the implied marketing margin fell 51% YoY and 29% QoQ to INR2.9/liter. Refining throughput (up 2% QoQ) was in line, while marketing sales volumes (up 18%) were above our estimate.
- Singapore GRM has been at a record high of USD22.6/bbl in May'22 from a loss of USD1.5/bbl in May'20 (during the COVID-19 pandemic). It stood at USD2.1/USD18.6 per bbl in May'21/Apr'22. However, we believe OMCs are staring at losses of INR8.8/INR12.9 per liter on petrol/diesel at prevailing benchmark prices.
- Factoring in the aforementioned, we raise our FY23 EBITDA/EPS estimate by 22%/33%, due to an upward revision in our GRM assumption for 1QFY23 (keeping our FY24 EBITDA/EPS estimate unchanged).
- In FY22, standalone net debt** stood at INR233b (v/s INR142b in FY21), while consolidated debt came in at INR537b. **The company has announced a final dividend of INR6/share.**
- BPCL's divestment has been called off, and [news reports](#) suggest that there may be a rethink of its divestment strategy. The stock is trading at 1.1x FY24E P/BV. We value the stock at 1.2x FY24E P/BV to arrive at our TP of INR360.

Reported GRM lower than our estimate; beat on absolute EBITDA

- Refining throughput was in line at 8.1mmt (down 3% YoY, but up 2% QoQ). Reported GRM came in lower than our estimate at USD15.3/bbl (est. USD19.8) v/s USD9.7 in 3QFY22.
- Marketing volumes were higher than our estimate at 11.8mmt (up 6% each YoY and QoQ). Marketing margin (including investment) was lower at INR2.9/liter (v/s INR4.1/INR6 per liter in 3QFY22/4QFY21).
- Resultant EBITDA was 34% above our estimate at INR44.5b (down 12% YoY, but up 4% QoQ). Reported PAT fell 82% YoY and 13% QoQ to INR21.3b.
- In FY22, EBITDA** was flat YoY at INR165b, with adjusted PAT down 30% YoY to INR88.5b. Marketing sales volumes rose 10% YoY to 42.5mmt, with marketing margin at INR4.7/liter (v/s INR6.9/liter in FY21). Refining throughput grew 14% YoY to 30.1mmt, with reported GRM at USD8.8/bbl (v/s USD3.8 in FY21).
- BPCL recognized a provision of INR4b for CWIP in FY22. **It also announced a final dividend of INR6 per share.**

Valuation and view – Reiterate Neutral

- Capex guidance 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 remain at similar levels in FY24.

- A further improvement in GRM and marketing margin returning to normalized levels bodes well for the stock. Any delay in the privatization process or sustained lower marketing margin poses a downside risk to our call. BPCL trades at 1.1x FY24E P/BV. We value the stock at 1.2x FY24E P/BV to arrive at our TP of INR360. We reiterate our Neutral rating.

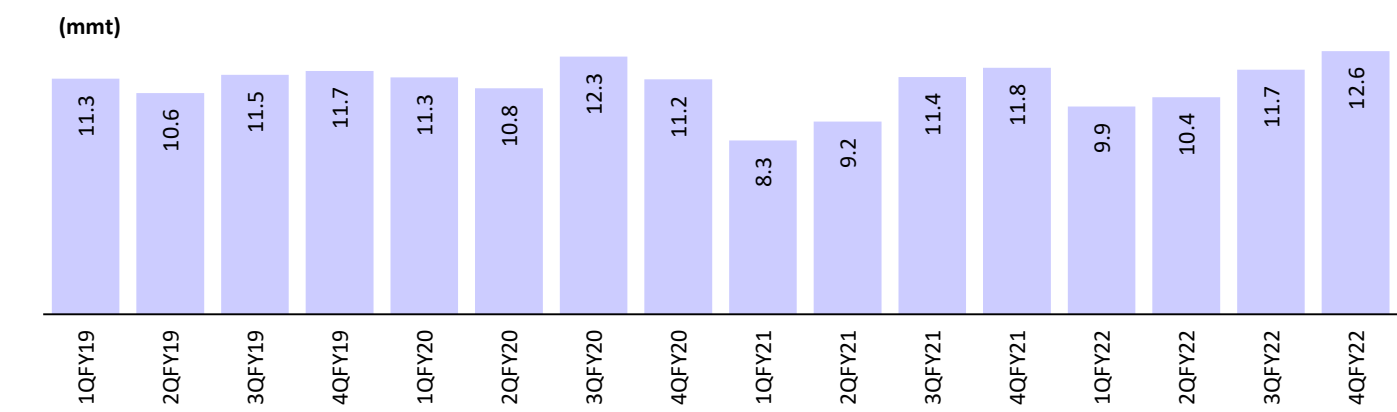
Standalone quarterly earnings

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	387.9	501.5	667.3	768.8	709.2	815.4	1,010.5	1,087.7	2,325	3,623	1,232.2	-12%
YoY Change (%)	-49.2	-22.1	-10.7	11.4	82.9	62.6	51.4	41.5	-18	56	60.3	
EBITDA	39.7	38.5	43.1	50.6	33.0	44.8	42.9	44.5	172	165	33.1	34%
Margin (%)	10.2	7.7	6.5	6.6	4.7	5.5	4.2	4.1	7	5	2.7	
Depreciation	10.0	9.9	9.9	10.0	11.4	11.7	11.7	12.7	40	48	12.6	
Interest	5.9	0.1	2.5	4.8	4.9	3.9	4.5	5.3	13	19	4.1	
Other Income	5.9	4.2	14.4	16.3	4.5	5.9	6.8	6.0	41	23	9.8	
PBT	29.3	33.0	41.6	122.4	20.0	36.0	32.8	30.4	226	119	25.3	20%
Tax	8.5	10.5	13.8	3.0	4.9	9.0	8.2	9.1	36	31	6.4	
Rate (%)	29.0	31.8	33.2	2.4	24.8	25.1	25.0	29.9	16	26	25.2	
Adj. PAT	20.8	23.3	30.6	51.2	15.6	26.9	24.6	21.3	126	88	18.9	13%
YoY Change (%)	93.1	36.5	142.6	-887.3	-24.9	15.5	-19.5	-58.4	271	-30	-63.1	
Key assumptions												
Refining throughput (mmt)	5.1	5.6	7.2	8.4	6.8	7.2	8.0	8.1	26.4	30.1	8.0	2%
Reported GRM (USD/bbl)	0.4	5.8	2.5	6.6	4.1	6.0	9.7	15.3	4.1	10.5	19.8	-23%
Marketing sales volume excl. exports (mmt)	7.5	8.9	11.1	11.2	9.6	9.9	11.2	11.8	38.7	42.5	10.1	18%
Marketing GM incl. inv. (INR/liter)	8.9	6.6	6.1	6.0	5.8	6.1	4.1	2.9	6.9	4.7	-1.0	-385%

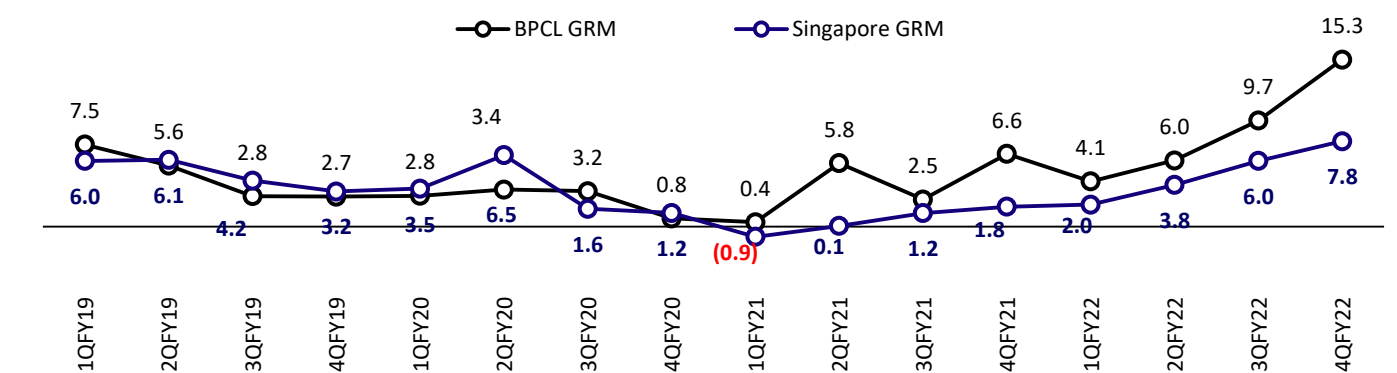
Exhibit 1: Key assumptions

Year-end: 31 st March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Exchange Rate (USD:INR)	67	64	70	71	74	75	76	77
Crude cost (USD/bbl)	49	57	70	61	44	82	80	75
Domestic Market Sales (MMT)	38	41	43	43	39	43	46	48
YoY (%)	3%	9%	5%	0%	-10%	10%	8%	4%
Reported GRM (USD/bbl)	5.3	6.9	4.6	2.5	4.1	10.5	8.6	5.5
Singapore GRM (USD/bbl)	5.8	7.3	4.9	3.2	0.5	4.9	8.3	6.0
Prem./(disc.) (USD/bbl)	(0.5)	(0.4)	(0.2)	(0.7)	3.6	5.6	0.3	(0.5)
Refinery throughput (MMT)	25.4	28.5	31.1	31.9	26.4	30.1	32.0	32.0
YoY (%)	5%	12%	9%	3%	-17%	14%	6%	0%
Marketing Margin (INR/liter)								
Blended gross marketing margin incl. inventory	4.2	4.0	4.8	4.7	6.9	4.7	4.2	4.2
Cons. EPS	45.4	46.8	40.7	23.8	63.2	52.0	49.6	38.0

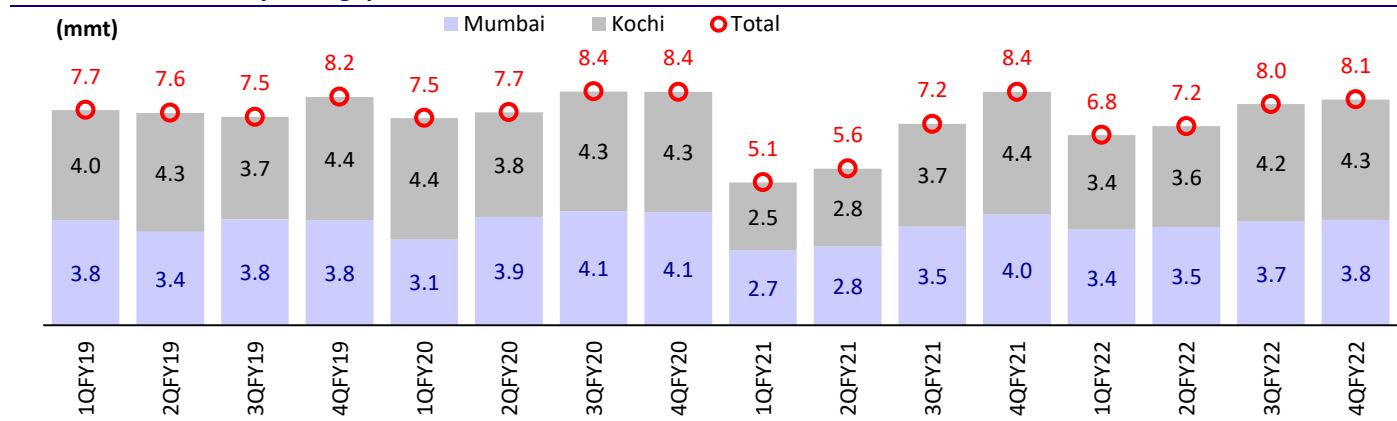
Source: Company, MOSFL

Exhibit 2: Product sales grew 7% YoY and 8% QoQ to 12.6mmt

Source: Company, MOSFL

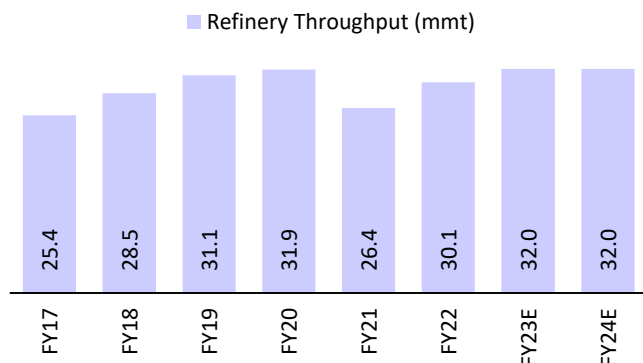
Exhibit 3: Reported GRM stood at USD15.3/bbl v/s USD9.7/bbl in 3QFY22

Source: Company, MOSFL

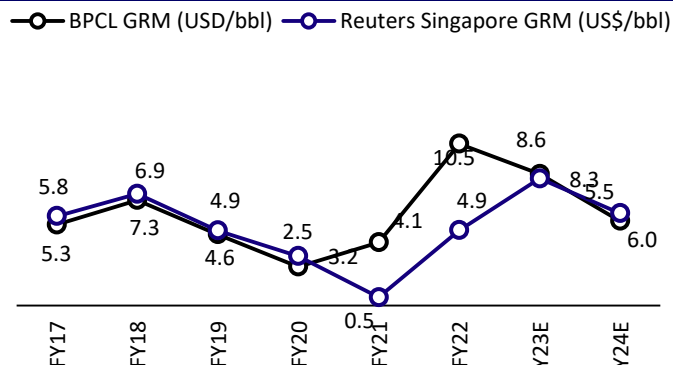
Exhibit 4: Total refinery throughput fell 3% YoY, but rose 2% QoQ

Source: Company, MOSFL

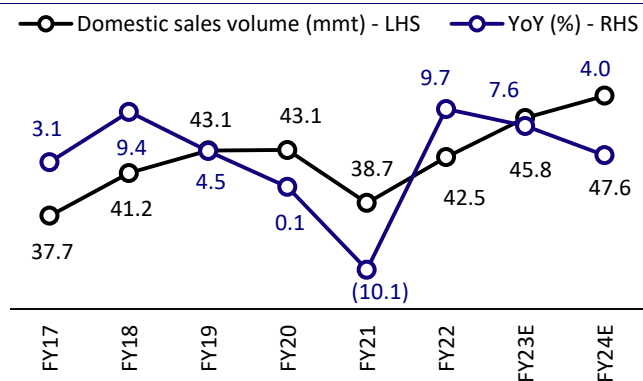
Story in charts

Exhibit 5: Throughput (mmt)


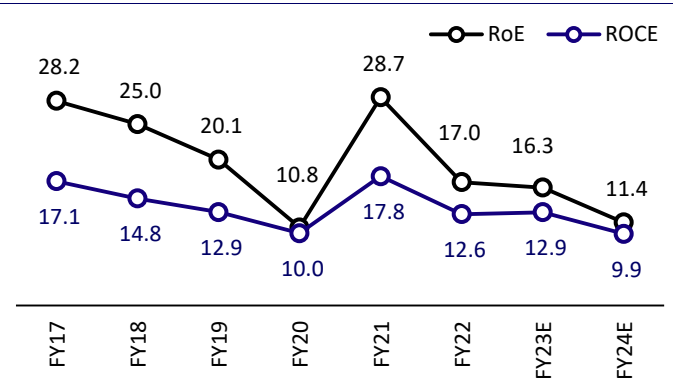
Source: Company, MOFSL

Exhibit 6: GRM trend


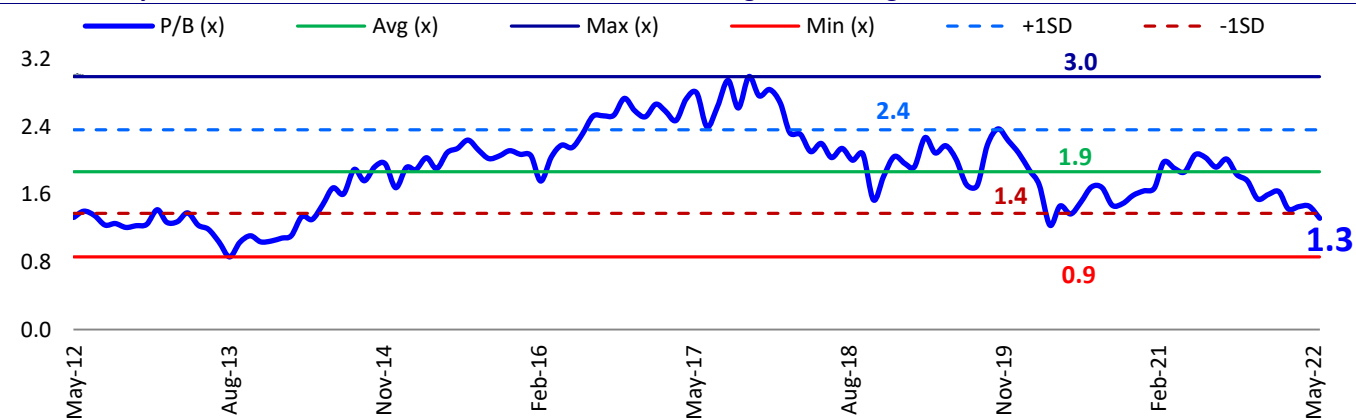
Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volumes


Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)


Source: Company, MOFSL

Exhibit 9: One-year forward P/BV, at 1.3x, at a 32% discount to its long-term average


Source: Company, MOFSL

Consolidated financials and valuations

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	3,849	3,686
Change (%)	7.2	17.2	26.5	-4.6	-19.1	50.7	11.0	-4.2
EBITDA	138	152	158	100	211	189	174	149
Margin (%)	6.8	6.4	5.3	3.5	9.2	5.4	4.5	4.1
Depreciation	21	29	34	41	43	54	55	58
EBIT	116	123	124	59	168	134	119	92
Net forex loss	0	0	7	17	-2	-3	0	0
Int. and Finance Charges	7	12	18	26	17	26	27	28
Other Income	18	18	20	19	23	23	24	24
PBT bef. EO Exp.	128	129	120	36	175	134	116	88
EO Items	0	0	0	-13	53	11	0	0
PBT after EO Exp.	128	129	120	23	228	145	116	88
Total Tax	42	44	44	0	51	44	29	22
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	17	14
Reported PAT	95	98	85	37	173	117	104	80
Adjusted PAT	95	98	85	50	132	109	104	80
Change (%)	17.5	3.0	-12.9	-41.6	165.6	-17.8	-4.7	-23.3
Margin (%)	4.7	4.2	2.9	1.8	5.8	3.1	2.7	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	559	607
Net Worth	308	366	388	365	536	519	581	629
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	1,204	1,252
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	214	261
Total Investments	64	61	68	55	72	52	52	52
Curr. Assets, Loans, and Adv.	372	412	491	459	530	658	751	729
Inventory	212	225	229	222	267	422	467	450
Account Receivables	48	52	69	54	78	97	106	102
Cash and Bank Balance	19	14	7	12	81	22	61	61
Cash	6	6	4	8	76	17	56	56
Bank Balance	13	8	2	4	5	5	5	5
Loans and Advances	94	121	186	171	103	117	117	117
Curr. Liability and Prov.	408	393	464	503	625	733	810	783
Account Payables	382	216	430	466	590	702	777	748
Provisions	26	178	33	36	36	32	33	35
Net Current Assets	-35	19	27	-44	-95	-75	-59	-54
Appl. of Funds	683	810	905	1,006	985	1,142	1,204	1,252

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	49.6	38.0
Cash EPS	55.5	60.6	57.1	43.3	84.0	78.0	75.7	65.5
BV/Share	147.3	175.0	185.2	174.6	255.9	248.0	277.5	300.3
DPS	21.7	22.3	20.2	17.6	79.0	16.0	20.1	15.2
Payout (%)	52.4	52.5	54.6	110.2	95.5	28.7	40.6	39.9
Valuation (x)								
P/E	7.2	7.0	8.0	13.7	5.2	6.3	6.6	8.6
Cash P/E	5.9	5.4	5.7	7.5	3.9	4.2	4.3	5.0
P/BV	2.2	1.9	1.8	1.9	1.3	1.3	1.2	1.1
EV/Sales	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.2
EV/EBITDA	4.7	4.2	4.1	6.4	3.2	3.6	3.9	4.6
Dividend Yield (%)	6.7	6.9	6.2	5.4	24.2	4.9	6.2	4.7
FCF per share	-2.6	16.9	-1.7	-21.8	68.8	-37.8	51.7	28.3
Return Ratios (%)								
RoE	32.4	29.0	22.6	13.2	29.4	20.6	18.9	13.2
RoCE	16.2	13.7	11.8	9.1	15.9	10.9	9.7	7.4
RoIC	22.5	15.2	11.8	8.2	18.3	11.9	10.0	7.8
Working Capital Ratios								
Fixed Asset Turnover (x)	2.6	2.5	2.9	2.3	1.8	2.3	2.4	2.3
Asset Turnover (x)	2.9	2.9	3.3	2.8	2.3	3.0	3.2	2.9
Inventory (Days)	38	35	28	29	42	44	44	45
Debtor (Days)	9	8	8	7	12	10	10	10
Creditor (Days)	69	33	53	60	94	74	74	74
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.1	0.9	0.8	0.9	0.9	0.9
Interest Coverage Ratio	16.7	10.4	7.0	2.3	9.7	5.2	4.3	3.3
Net Debt/Equity ratio	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	116	88
Depreciation	21	29	34	41	43	54	55	58
Direct Taxes Paid	-40	-34	-30	-22	-38	-44	-29	-22
(Inc.)/Dec. in WC	-18	-13	-35	-7	38	-79	22	-5
CF from Operations	90	111	102	79	236	133	208	159
(Inc.)/Dec. in FA	-95	-77	-105	-122	-92	-212	-100	-100
Free Cash Flow	-5	33	-3	-43	144	-79	108	59
(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	-42	-32
CF from Fin. Activity	48	-42	2	36	-142	0	-70	-59
Inc./Dec. in Cash	-14	0	-2	4	68	-59	39	0
Opening Balance	20	6	6	4	8	76	17	56
Closing Balance	6	6	4	8	76	17	56	56

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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