

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR503

TP: INR475 (-6%)

Neutral

Outlook intact amid stable performance

Bloomberg	BPCL IN
Equity Shares (m)	2093
M.Cap.(INRb)/(USD\$b)	1093.7 / 13.2
52-Week Range (INR)	518 / 314
1, 6, 12 Rel. Per (%)	13/25/29
12M Avg Val (INR M)	1990

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	4,354.7	4,252.6	4,395.1
EBITDA	410.7	257.6	264.2
Adj. PAT	274.4	155.6	156.1
EPS (INR)	131.1	74.3	74.6
EPS Gr.%	1291.4	-43.3	0.4
BV/Sh. (INR)	324.4	364.8	405.6

Ratios

Net D:E	0.7	0.6	0.4
RoE (%)	45.2	21.6	19.4
RoCE (%)	23.3	12.1	11.4
Payout (%)	47.6	45.7	45.3

Valuation

P/E (x)	3.4	6.1	6.1
P/BV (x)	1.4	1.2	1.1
EV/EBITDA (x)	2.3	3.7	3.6
Div. yield (%)	13.8	7.5	7.5
FCF yield (%)	23.3	15.8	17.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	53.0	53.0	53.0
DII	23.1	23.5	22.7
FII	14.5	13.3	12.9
Others	9.4	10.1	11.4

FII Includes depository receipts

- BPCL's reported GRM came in 14% above our est. at USD13.4/bbl in 3QFY24, while implied marketing margin came in 9% above our est. at INR3.5/lit. Despite higher-than-estimated margins, EBITDA was in line with our estimate due to higher employee benefit expenses.
- Refining throughput stood at 9.9mmt, which was more than 100% of nameplate capacity, despite a planned shutdown at Mumbai refinery. During the quarter, high Sulphur crude accounted for 83% of processed crude mix, while Russian crude made up 40% of the mix.
- Singapore GRM (SG GRM) has rebounded to USD7.2/bbl in 4QFY24 so far from USD5.5/bbl in 3QFY24, which may improve the refining performance in 4Q. Kochi and Bina refineries are planned to be shut for 15 days in FY25; however, the exact dates are still being worked out.
- Marketing sales volume (excluding exports) stood at 12.9mmt in 3QFY24 (vs. 12.2mmt in 2QFY24). During Apr-Dec'23, BPCL's market share stood at 29.62%/29.71% in petrol/diesel.
- At 1.1x FY26 P/BV, we see limited downside from the current level. However, with minimal volume growth in next two years and volatility in earnings from the marketing division, we maintain our Neutral rating with a TP of INR475, valuing the stock at 1.2x Dec'25E BV.

GRM and marketing margins above estimates

- BPCL's refining throughput was in line with our estimate at 9.9mmt (+5% YoY) during the quarter.
- Reported GRM was higher than our estimate at USD13/bbl (vs. our estimate of USD11.7/bbl and USD18.5/bbl in 2QFY24).
- Marketing volumes, excluding exports, were in line with our estimate at 12.9mmt (+1% YoY).
- Marketing margin (including inv.) was higher than our estimate at INR3.6/lit (vs. INR5.9/lit in 2QFY24).
- EBITDA was in line with our estimate at INR62.8b, as high employee benefit expenses were offset by high refining and marketing margins in 3Q.
- The reported PAT was in line with our estimate at INR34b in 3Q.
- Debt decreased to INR160.2b as of 3Q end from INR225.7b as of 2Q end.
- **For 9MFY24**, BPCL posted EBITDA of INR351b (vs. INR14.9b in 9MFY23) and adj. PAT of INR224.5b (vs. a net loss of INR46.1b in 9MFY23).
- Marketing sales volume, excluding exports, grew 5% YoY to 37.9mmt, with a marketing margin at INR6.3/lit (vs. marketing loss of INR2.9/lit in 9MFY23).
- The refining throughput was up 6% YoY at 29.6mmt, with reported GRM at USD14.7/bbl (vs. USD20.1/bbl in 9MFY23).
- BPCL had a cumulative negative net buffer of INR8487.4m as of Mar'23 due to the under-recovery on LPG cylinders. The same was recognized as part of revenue upon its recovery during 9MFY24.

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Valuation and view

- BPCL's GRM has been at a premium to SG GRM on account of continuous optimization of refinery production, product distribution, and crude procurement. The advanced processing capabilities of Bina and Kochi refineries allow for the processing of 100% of high Sulphur crude and 50% Russian crude.
- At 1.1x FY25 P/BV, we see limited downside from the current level. However, with minimal volume growth in the next two years and volatility in earnings from the marketing division, we maintain our Neutral rating with a TP of INR475, valuing the stock at 1.2x Dec'25E BV.

Standalone - Quarterly Earning

(INR b)

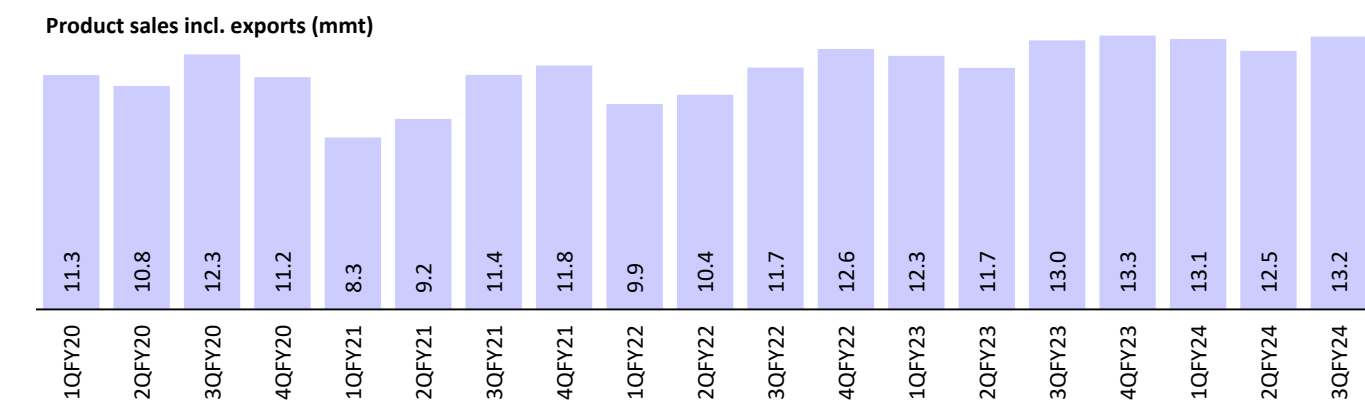
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
Net Sales	1,210.5	1,148.1	1,191.6	1,181.1	1,129.8	1,029.9	1,154.9	1,039.5	4,731.2	4,354.0	1,003.5	15%
YoY Change (%)	70.7	50.3	25.3	13.3	-6.7	-10.3	-3.1	-12.0	36.5	-8.0	-15.8	
EBITDA	-49.0	20.2	43.8	111.5	158.1	130.1	62.8	65.1	126.5	416.1	63.2	-1%
Margins (%)	-4.0	1.8	3.7	9.4	14.0	12.6	5.4	6.3	2.7	9.6	6.3	
Depreciation	16.1	15.6	15.8	16.0	16.1	16.0	18.2	14.8	63.5	65.2	16.5	
Interest	6.2	8.1	9.8	8.1	6.8	7.7	5.0	6.3	32.2	25.8	8.4	
Other Income	4.4	5.6	4.5	5.4	4.7	7.7	6.8	5.1	19.9	24.3	5.7	
PBT before EO expense	-76.5	-3.8	21.3	94.8	140.1	113.1	45.8	49.0	35.8	348.1	43.7	5%
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	
PBT	-76.5	-3.8	21.3	81.2	140.1	113.1	45.8	49.0	22.2	348.1	43.7	5%
Adj PAT	-62.6	-3.0	19.6	75.6	105.5	85.0	34.0	36.7	29.6	261.2	32.7	4%
YoY Change (%)	PL	PL	-30.7	202.4	LP	LP	73.4	-51.5	-70.3	783.8	66.7	
Key Assumptions												
Refining throughput (mmt)	9.7	8.8	9.4	10.6	10.4	9.4	9.9	10.0	38.5	39.6	9.5	4%
Reported GRM (USD/bbl)	27.5	16.8	15.9	20.6	12.6	18.5	13.4	9.0	20.3	13.0	11.7	14%
Marketing sales volume excld exports (mmt)	11.8	11.4	12.8	12.9	12.8	12.2	12.9	13.4	48.9	51.3	12.8	1%
Marketing GM incld inv (INR/litre)	-9.1	-0.6	1.1	2.9	9.3	5.9	3.5	4.1	-1.4	5.7	3.2	9%

Exhibit 1: BPCL – key assumptions

Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	83.1	84.6	86.0
Crude cost (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.4	85.0	85.0
Domestic Market Sales (mmt)	43.1	43.1	38.7	42.5	48.9	51.3	53.3	55.5
YoY (%)	5%	0%	-10%	10%	15%	5%	4%	4%
Reported GRM (USD/bbl)	4.6	2.5	4.1	9.5	20.3	13.0	9.0	9.0
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.3	6.0	6.0
Prem/(disc) (USD/bbl)	(0.3)	(0.7)	3.6	4.5	9.6	6.7	3.0	3.0
Refinery throughput (mmt)	31.0	31.9	26.4	34.1	38.5	39.6	40.0	40.0
YoY (%)	9%	3%	-17%	29%	13%	3%	1%	0%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.8	4.7	6.9	5.0	(1.4)	5.7	4.1	4.1
Consolidated EPS	40.7	23.8	63.2	52.0	9.4	131.1	74.3	74.6

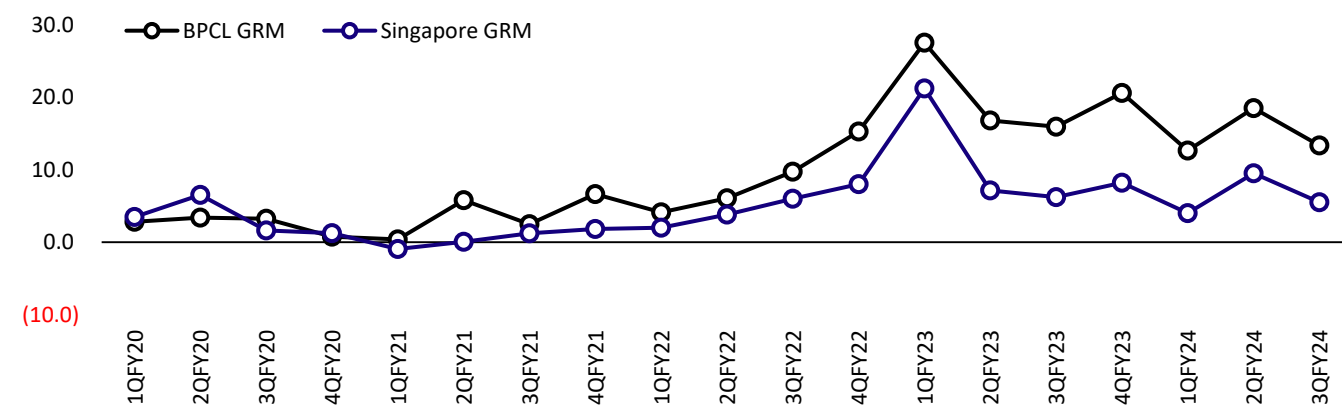
Source: Company, MOSFL

Exhibit 2: Product sales at 13.2mmt (up 1% YoY)



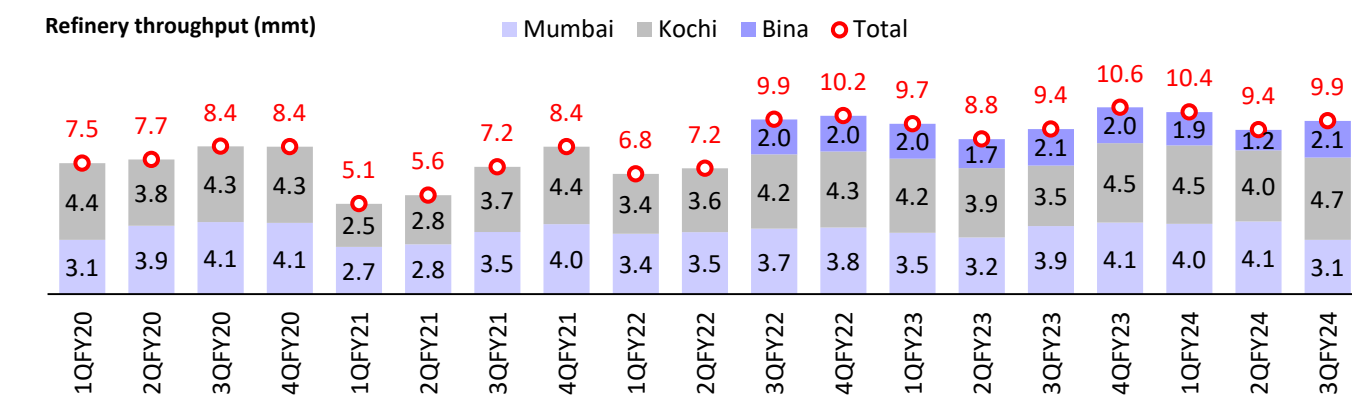
Source: Company, MOSFL

Exhibit 3: Reported GRM at USD13.4/bbl in 3QFY24 vs. USD15.9/bbl in 3QFY23



Source: Company, MOSFL

Exhibit 4: Total refinery throughput was up 5% YoY



Source: Company, MOSFL

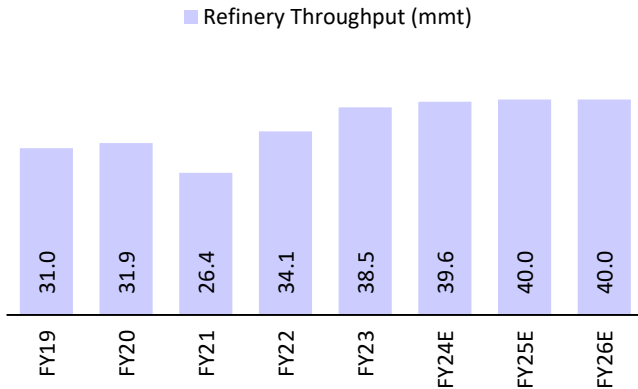


Highlights from the management commentary

- Distillate yield at 84% was one of highest among Indian refineries.
- GRM was at a premium to SG GRM on account of optimization of refinery production, product distribution, and crude procurement.
- High Sulphur crude accounted for 83% of crude mix.
- Portion of Russian crude was at 40%.
- Bina and Kochi refineries can handle up to 100% high Sulphur crude and 50% Russian crude.
- 50-55% of crude requirements of the company are met through long-term contracts.
- 400ktpa of the PP project at Kochi has been approved at the cost of INR50.4b.
- Current output of propylene will be sufficient for production of 400ktpa of PP.
- Petchem product slate after the completion of the petchem project will consist of HPDP, LLDPE, PP, Benzene, Toluene, and small portion of Bitumen.
- The company is not impacted by the ongoing Red Sea issue.
- 15-day maintenance shutdowns have been planned at Kochi and Bina refineries during FY25.
- Mozambique force majeure is expected to be lifted by Jun-Jul'24.
- The quarterly run rate of employee benefit expenses should be INR7.5b.
- MS consumption growth should be at 5% over the next five years and diesel growth should be at 1.5-2% despite increasing EV adoption.

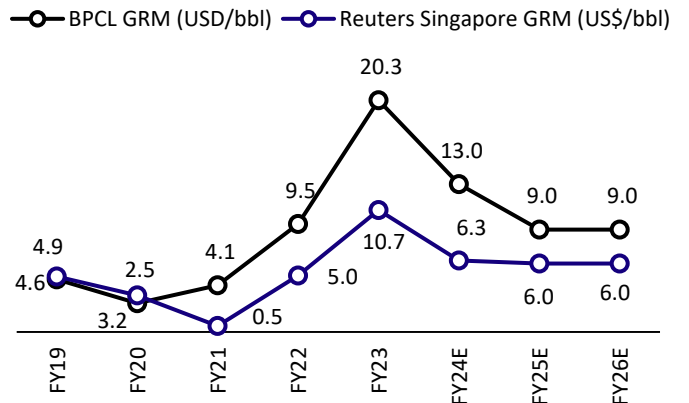
Story in charts

Exhibit 5: Throughput (mmt)



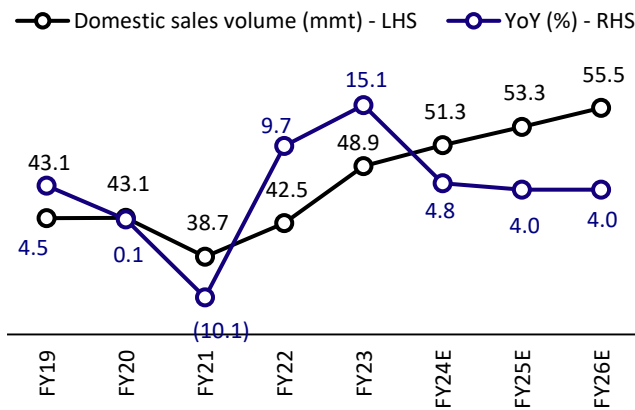
Source: Company, MOFSL

Exhibit 6: GRM trend



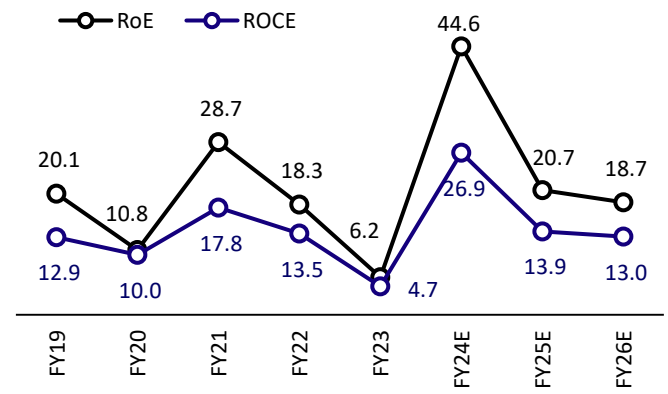
Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volume



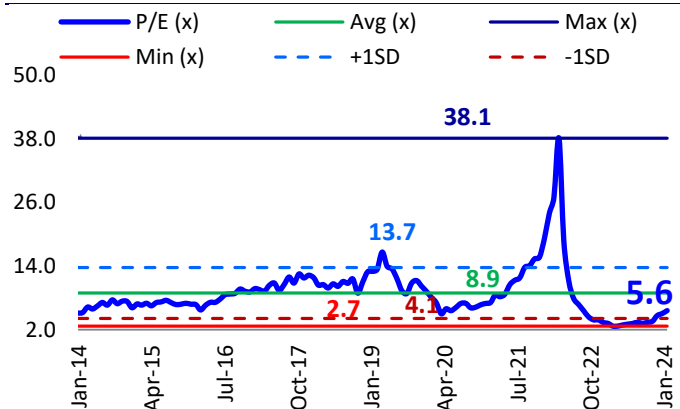
Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)



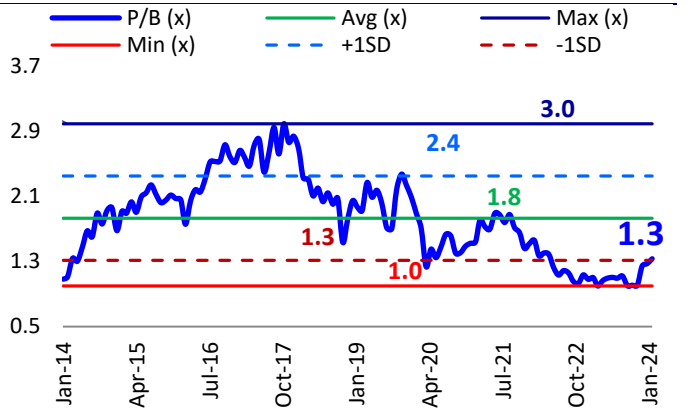
Source: Company, MOFSL

Exhibit 9: One-year forward P/E



Source: Company, MOFSL

Exhibit 10: One-year forward P/B



Source: Company, MOFSL

Financials and valuations (consolidated)

Consolidated - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	2,982	2,846	2,302	3,468	4,732	4,355	4,253	4,395
<i>Change (%)</i>	26%	-5%	-19%	51%	36%	-8%	-2%	3%
EBITDA	158	100	211	189	94	411	258	264
<i>Margin (%)</i>	5.3	3.5	9.2	5.4	2.0	9.4	6.1	6.0
Depreciation	34	41	43	54	64	65	73	83
EBIT	124	59	168	134	30	345	185	181
Net forex loss	7	17	-2	-3	-15	1	0	0
Int. and Finance Charges	18	26	17	26	37	31	27	27
Other Income	20	19	23	23	15	33	30	33
PBT bef. EO Exp.	120	36	175	134	23	345	187	187
EO Items	0	-13	53	11	-16	0	0	0
PBT after EO Exp.	120	23	228	145	6	345	187	187
Total Tax	44	0	51	44	7	87	47	47
<i>Tax Rate (%)</i>	36.6	-0.6	22.5	30.0	109.7	25.2	25.2	25.2
Minority Interest/Share of JVs/associates	9	14	-3	15	22	16	15	16
Reported PAT	85	37	173	117	21	274	156	156
Adjusted PAT	85	50	132	109	20	274	156	156
<i>Change (%)</i>	-13%	-42%	166%	-18%	-82%	1291%	-43%	0%
<i>Margin (%)</i>	2.9	1.8	5.8	3.1	0.4	6.3	3.7	3.6

Consolidated - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	20	20	21	21	21	21	21	21
Total Reserves	368	346	515	498	514	658	742	828
Net Worth	388	365	536	519	535	679	764	849
Minority Interest	21	21	0	0	0	0	0	0
Total Loans	429	558	400	559	605	605	605	605
Deferred Tax Liabilities	68	62	49	64	79	79	79	79
Capital Employed	905	1,006	985	1,142	1,219	1,363	1,447	1,533
Gross Block	1,039	1,223	1,286	1,515	1,735	1,795	1,855	1,915
Less: Accum. Deprn.	365	406	449	503	567	652	725	800
Net Fixed Assets	674	817	836	1,011	1,168	1,143	1,130	1,115
Capital WIP	137	178	171	154	162	222	262	295
Total Investments	68	55	72	52	64	64	64	64
Curr. Assets, Loans&Adv.	491	459	530	658	486	508	579	674
Inventory	229	222	267	422	381	324	328	339
Account Receivables	69	54	78	97	67	62	60	62
Cash and Bank Balance	7	12	81	22	26	109	177	259
Cash	4	8	76	22	23	106	175	257
Bank Balance	2	4	5	1	3	3	3	3
Loans and Advances	186	171	103	117	13	13	13	13
Curr. Liability & Prov.	464	503	625	733	662	574	588	615
Account Payables	430	466	590	702	633	539	546	564
Provisions	33	36	36	32	29	35	42	51
Net Current Assets	27	-44	-95	-75	-176	-66	-9	59
Appl. of Funds	905	1,006	985	1,142	1,219	1,363	1,447	1,533

Financials and valuations

Ratios

Y/E March (INR)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	40.7	23.8	63.2	52.0	9.4	131.1	74.3	74.6
Cash EPS	57.1	43.3	84.0	78.0	39.9	162.3	109.0	114.3
BV/Share	185.2	174.6	255.9	248.0	255.7	324.4	364.8	405.6
DPS	20.2	17.6	79.0	16.0	10.0	62.4	34.0	33.8
Payout (%)	54.6	110.2	95.5	28.7	98.2	47.6	45.7	45.3
Valuation (x)								
P/E	11.1	19.0	7.1	8.7	48.0	3.4	6.1	6.1
Cash P/E	7.9	10.4	5.4	5.8	11.3	2.8	4.1	4.0
P/BV	2.4	2.6	1.8	1.8	1.8	1.4	1.2	1.1
EV/Sales	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	5.6	8.9	4.5	5.0	10.1	2.3	3.7	3.6
Dividend Yield (%)	4.5	3.9	17.5	3.5	2.2	13.8	7.5	7.5
FCF per share	-1.7	-21.8	68.8	56.6	18.9	117.0	79.7	86.2
Return Ratios (%)								
RoE	22.6	13.2	29.4	20.6	3.7	45.2	21.6	19.4
RoCE	11.8	9.1	15.9	10.9	-0.4	23.3	12.1	11.4
RoIC	11.8	8.2	18.3	11.9	-0.3	26.7	14.5	14.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.3	1.8	2.3	2.7	2.4	2.3	2.3
Asset Turnover (x)	3.3	2.8	2.3	3.0	3.9	3.2	2.9	2.9
Inventory (Days)	28	29	42	44	29	27	28	28
Debtor (Days)	8	7	12	10	5	5	5	5
Creditor (Days)	53	60	94	74	49	45	47	47
Leverage Ratio (x)								
Current Ratio	1.1	0.9	0.8	0.9	0.7	0.9	1.0	1.1
Interest Cover Ratio	7.0	2.3	9.7	5.2	0.8	11.1	6.7	6.6
Net Debt/Equity	1.1	1.5	0.6	1.0	1.1	0.7	0.6	0.4

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	129	37	224	160	28	345	187	187
Depreciation	34	41	43	54	64	65	73	83
Direct Taxes Paid	-30	-22	-38	-18	-8	-87	-47	-47
(Inc)/Dec in WC	-35	-7	38	13	-2	-26	11	14
CF from Operations	102	79	236	203	125	345	267	280
(Inc)/Dec in FA	-105	-122	-92	-85	-85	-100	-100	-100
Free Cash Flow	-3	-43	144	118	39	245	167	180
(Pur)/Sale of Investments	-2	12	-22	198	-3	0	0	0
CF from Investments	-105	-111	-26	165	-78	-100	-100	-100
Inc/(Dec) in Debt	66	124	-120	-10	14	0	0	0
Dividend Paid	-49	-65	-49	-145	-13	-131	-71	-71
CF from Fin. Activity	2	36	-142	-422	-45	-162	-98	-98
Inc/Dec of Cash	-2	4	68	-54	2	83	68	82
Opening Balance	6	4	8	76	22	23	106	175
Closing Balance	4	8	76	22	23	106	175	257

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NOTES

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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