

Estimate change 

TP change 

Rating change 

CMP: INR304

TP: INR320 (+5%)

Neutral

LPG under-recovery weighs on 1QFY25

Bloomberg	BPCL IN
Equity Shares (m)	4339
M.Cap.(INRb)/(USDb)	1318 / 15.8
52-Week Range (INR)	344 / 166
1, 6, 12 Rel. Per (%)	-6/13/34
12M Avg Val (INR M)	4314

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	4,480.8	4,252.6	4,315.6
EBITDA	442.6	227.1	266.7
Adj. PAT	270.6	123.9	151.4
EPS (INR)	63.3	29.0	35.4
EPS Gr.%	1271.9	-54.2	22.1
BV/Sh. (INR)	177.0	191.5	209.0

Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	41.9	15.7	17.7
RoCE (%)	24.8	10.7	12.1
Payout (%)	32.7	50.1	50.7

Valuation

P/E (x)	4.8	10.5	8.6
P/BV (x)	1.7	1.6	1.5
EV/EBITDA (x)	2.9	5.6	4.8
Div. yield (%)	6.9	4.9	6.0
FCF yield (%)	20.7	7.4	9.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	53.0	53.0	53.0
DII	22.3	22.2	24.1
FII	15.0	16.8	12.9
Others	9.7	8.0	10.1

FII Includes depository receipts

- BPCL's reported GRM came in line with our est. at USD7.9/bbl in 1QFY25, while implied marketing margin came in 19% above our est. at INR4.8/lit. Standalone PAT at INR30b was down 9% vs. our estimate, largely due to LPG-related under-recoveries.
- Refining throughput stood at 10.1mmt vs. our estimate of 10.3mmt. In 1Q, Russian crude constituted ~39% of crude mix.
- Marketing sales volume (excluding exports) came in at 13.2mmt in 1QFY25 (vs. 13.2mmt in 4QFY24). OMCs are currently earning a gross marketing margin higher than our assumption of INR3.3/lit for both petrol/diesel.
- Singapore GRM (SG GRM) has been marginally up so far in 2QFY25 at USD3.9/bbl vs. USD3.5/bbl in 1QFY25, which may lead to muted refining performance in 2QFY25.
- Key points from the conference call:
 - BPCL took a hit of INR20b due to LPG under-recoveries in 1QFY25. At the current Saudi propane prices, BPCL is losing INR6b/month on LPG but remains hopeful of financial support from the government.
 - Russian crude discounts were flat QoQ at USD 3.5-4/bbl.
 - The company is looking to augment refining capacity further and exploring a 9-12mmtpa project on the East or West coast.
 - Structurally, BPCL remains positive on refining and believes GRMs should recover to normalized levels by 2QFY25 end. We cut FY25E consolidated PAT by 16% mainly as we account for LPG "under-recoveries." These losses will likely be recovered from the government later in 2HFY25.
- BPCL is currently trading at 1.5x FY26E P/B and we see limited upside from the current level (FY26 ROE: 17.7%). However, with marginal volume growth and a sharp rise in capex expected in coming years, we maintain our Neutral rating with a TP of INR320, valuing the stock at 1.5x FY26E P/B.

Reported EBITDA in line, but lower-than-estimated PAT

- Reported GRM stood at USD7.9/bbl (vs. our estimate of USD8/bbl and USD12.5/bbl in 4QFY24).
- Marketing volumes, excluding exports, were in line with our estimate at 13.2mmt (+3% YoY). Marketing margin (including inv.) was higher than our estimate at INR4.8/lit (vs. INR5.7/lit in 4QFY24).
- EBITDA stood at INR56.5b (our est. INR59.6b) despite marketing inventory gain of INR4b in 1QFY25.
- Adjusted EBITDA stood at INR52.5b, down 12% vs. our est. of INR59.6b.
- Reported PAT was 9% below our estimate at INR30.1b (our est. INR33b).
- **As of Jun'24**, BPCL's debt stood at INR152b vs. INR188b as of Mar'24.

Valuation and view

- BPCL's GRMs have been at a premium to SG GRMs on account of the continuous optimization of refinery production, product distribution and crude procurement. The use of advanced processing capabilities of Bina and Kochi refineries allows BPCL to process 100% of high sulphur crude and 50% Russian crude.
- We cut FY25E consolidated PAT by 16% mainly as we account for LPG "under-recoveries." These losses will likely be recovered from the government later in 2HFY25. The current marketing margins remain healthy and marginally above the INR3.3/lit we are building in for MS/HSD. As a result of a cut in our earnings estimate, we lower our TP for BPCL by 2% to INR320/share (valuation multiple/methodology unchanged).
- With valuations at 1.5x FY26E P/B, we see limited upside from the current level. Given marginal volume growth, rising capex and volatility in earnings from the marketing division, we maintain our Neutral rating with a TP of INR320, valuing the stock at 1.5x FY26E BV.

Standalone - Quarterly earnings

Y/E March	FY24				FY25				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1Q	1QE	(%)	
Net Sales	1,129.8	1,029.9	1,154.9	1,165.6	1,131.0	1,031.5	1,040.0	1,049.4	4,480.1	4,251.9	1,015.4	11
YoY Change (%)	-6.7	-10.3	-3.1	-1.3	0.1	0.2	-9.9	-10.0	-5.3	-5.1	-10.1	
EBITDA	158.1	130.1	62.8	92.7	56.5	56.3	56.6	58.5	443.7	227.9	59.6	-5
Margins (%)	14.0	12.6	5.4	7.9	5.0	5.5	5.4	5.6	9.9	5.4	5.9	
Depreciation	16.1	16.0	18.2	17.2	16.8	18.7	18.7	18.7	67.5	72.8	18.2	
Interest	6.8	7.7	5.0	5.2	4.4	3.6	3.6	2.8	24.7	14.4	3.6	
Other Income	4.7	7.7	6.8	4.7	4.8	6.3	6.3	7.8	23.9	25.1	6.3	
PBT before EO expense	140.1	113.1	45.8	74.4	40.3	40.3	40.6	44.8	373.5	166.0	44.1	-8
Extra-Ord expense	0.0	0.0	0.0	18.0	0.0	0.0	0.0	0.0	18.0	0.0	0.0	
PBT	140.1	113.1	45.8	56.4	40.3	40.3	40.6	44.8	355.5	166.0	44.1	-8
Adj PAT	105.5	85.0	34.0	55.7	30.1	30.2	30.4	33.5	280.2	124.2	33.0	-9
YoY Change (%)	LP	LP	73.4	-26.4	-71.4	-64.5	-10.5	-39.8	848.1	-55.7	-68.8	
Key Assumptions												
Refining throughput (mmt)	10.4	9.4	9.9	10.4	10.1	10.1	10.1	10.1	39.9	40.4	10.3	-2
Reported GRM (USD/bbl)	12.6	18.5	13.4	12.5	7.9	9.0	9.0	9.2	14.1	8.3	8.0	-2
Marketing sales vol. excld exports (mmt)	12.8	12.2	12.9	13.2	13.2	12.7	13.4	13.7	51.0	53.0	13.3	-1
Marketing GM incld inv (INR/litre)	9.3	5.9	3.5	5.7	4.8	3.6	3.6	3.6	3.2	3.9	4.0	19

Exhibit 1: BPCL – key assumptions

Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	83.9	85.0
Crude cost (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	85.0	85.0
Domestic Market Sales (mmt)	43.1	43.1	38.7	42.5	48.9	51.0	53.0	55.1
YoY (%)	5%	0%	-10%	10%	15%	4%	4%	4%
Reported GRM (USD/bbl)	4.6	2.5	4.1	9.5	20.3	14.1	8.3	9.0
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.4	5.5	6.0
Prem/(disc) (USD/bbl)	(0.3)	(0.7)	3.6	4.5	9.6	7.8	2.8	3.0
Refinery throughput (mmt)	31.0	31.9	26.4	34.1	38.5	39.2	40.4	40.4
YoY (%)	9%	3%	-17%	29%	13%	2%	3%	0%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.8	4.7	6.9	5.0	(1.4)	3.2	3.9	4.1
Consolidated EPS	20.0	11.7	31.0	25.5	4.6	63.3	29.0	35.4

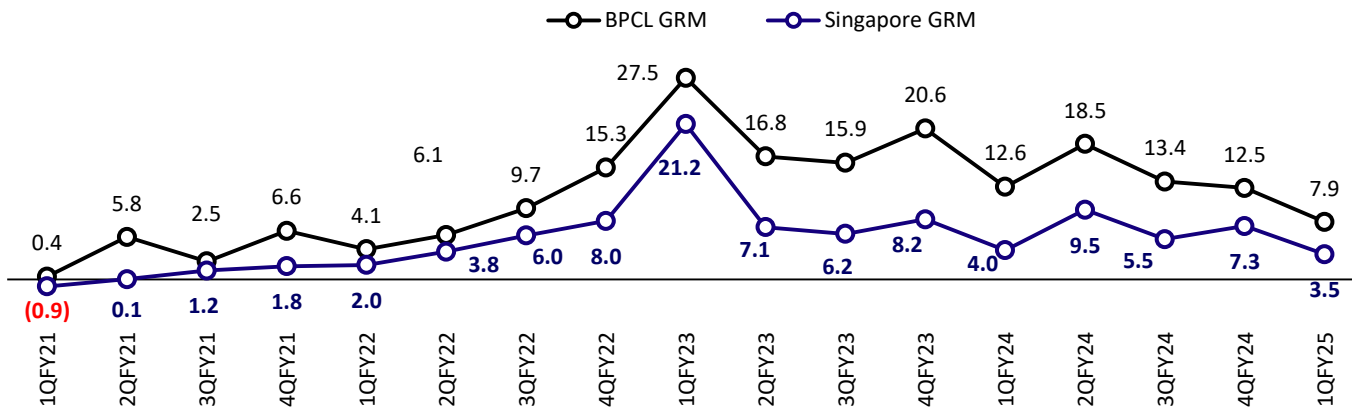
Source: Company, MOSFL

Exhibit 2: Product sales at 13.4mmt (up 3% YoY)



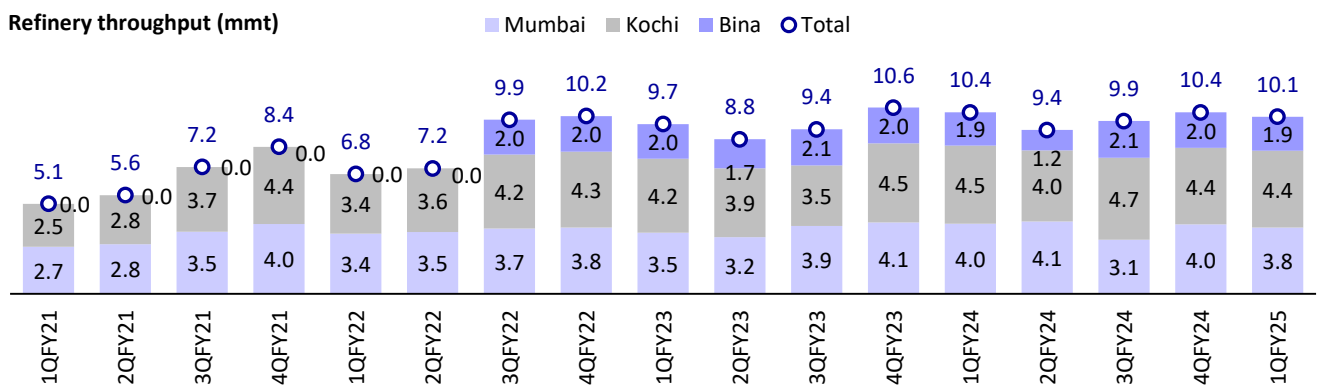
Source: Company, MOSFL

Exhibit 3: Reported GRM at USD7.9/bbl in 1QFY25 vs. USD12.6/bbl in 1QFY24



Source: Company, MOSFL

Exhibit 4: Total refinery throughput was down 2% YoY



Source: Company, MOSFL



Highlights from the management commentary

Performance:

- BPCL posted PAT of INR30b in 1QFY25. Refineries achieved throughput of 10.11mmtpa (implying ~116% capacity utilization). GRM stood at USD7.86/bbl.
- Domestic market sales grew 3.2% YoY to 13.16mmt.
- BPCL achieved a distillate yield of 84.57% in 1QFY25, and high Sulphur was 77% of the total crude.
- BPCL added 170 retail outlets in 1QFY25, taking the total count to 22,075 stations.
- The highest-ever ethanol blending of 14.13% was achieved during the quarter.
- In the gas business, BPCL has operationalized 25 of the 26 GAs, except for the recently acquired J&K and Ladakh GAs. BPCL added 41 CNG retail outlets in 1QFY25.

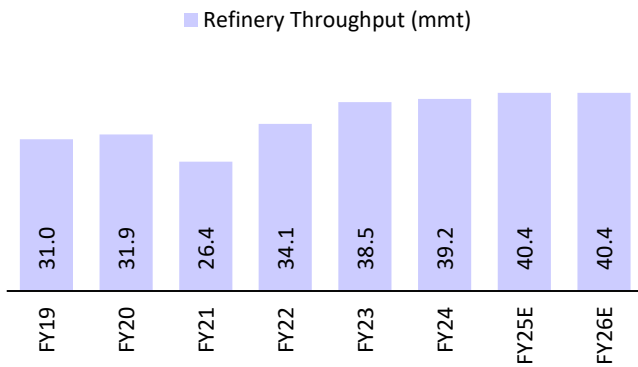
Key takeaways:

- Licenses for petchem projects have been on-boarded and site preparation is in process. LoI for Arunachal CGD business has been received.
- Cumulative net negative buffer of INR20.2b from sale of LPG was reduced from revenue during 1QFY25. The management added that LPG pricing is determined by GoI and there is no support mechanism announced by the government. Also, the impact of INR6b is expected every month at the current prices.
- About 39% of total throughput was achieved via Russian crude. The crude discounts remained in the range of USD3-4/bbl during 1QFY25, in line with 4QFY24 discounts. However, these discounts are significantly low on a YoY basis.
- Andhra refinery project:
 - The company currently buys ~2mmtpa from NRL and ~3-3.5mmtpa from others. This gap will widen even with ~4% growth in marketing product demand.
 - To bridge the gap, BPCL is looking to add more refining capacity either on the East coast or somewhere else. This is still at the evaluation stage.
 - This refining capacity addition shall be over and above the company's plan of expanding the refining capacity to 45mmtpa.
- W.r.t. force majeure in Mozambique, there may be positive news in 1-2 quarters. Project financing discussions are happening. Project cost is USD15.5b and might escalate to USD19b. IRR could see some impact but should remain in the commercial zone.
- Lower cracks in the current quarter were observed amid high gasoline and gasoil inventory levels. In 1QFY25, gasoline/gasoil cracks stood at USD8.5/USD14.8 per bbl.
 - Spreads have already seen some improvement in Jul'24 and the summer driving season should drive further improvement. USD1 improvement has been observed in Jul'24.
 - By 3QFY25, the management expects cracks to improve further.
- BPCL plans to incur a capex of INR164b in FY25:
 - INR43b for refining and petchem
 - INR23.5b for E&P

- INR71b for the marketing segment, i.e., pipeline expansions, LPG import terminal, addition of +1300 retail outlets, +300 CGD stations and +3,500 EV charging stations
- ~INR20b for CGD business
- In BPRL, BPCL have invested INR390b, of which INR100b is allocated to equity.
- Bina expansion:
- The total project cost is INR490b. It is an integrated project.
- Capex of ~INR20b shall be incurred in FY25, ~INR80b in FY26 and the remaining capex after FY26.

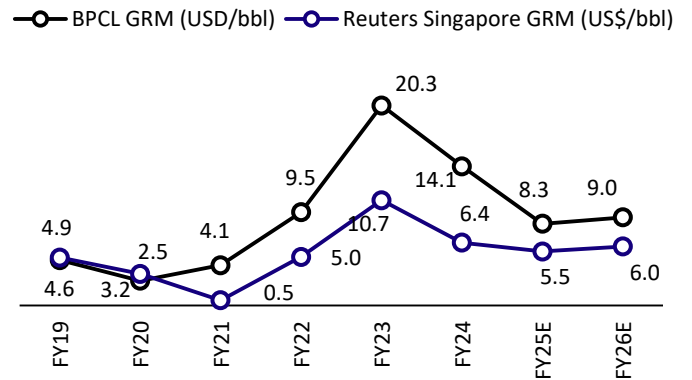
Story in charts

Exhibit 5: Throughput (mmt)



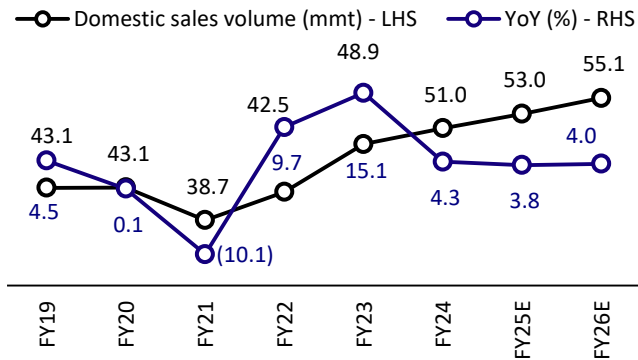
Source: Company, MOFSL

Exhibit 6: GRM trend



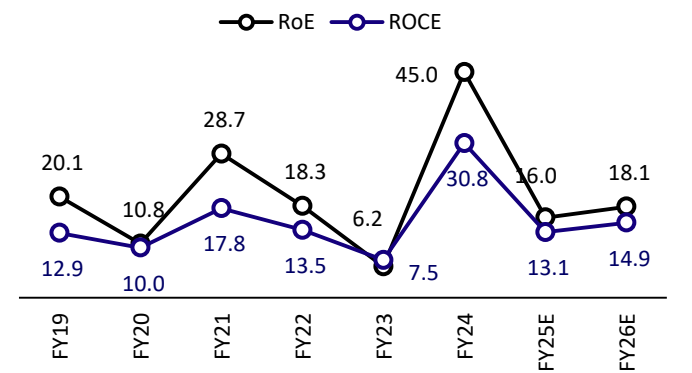
Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volume



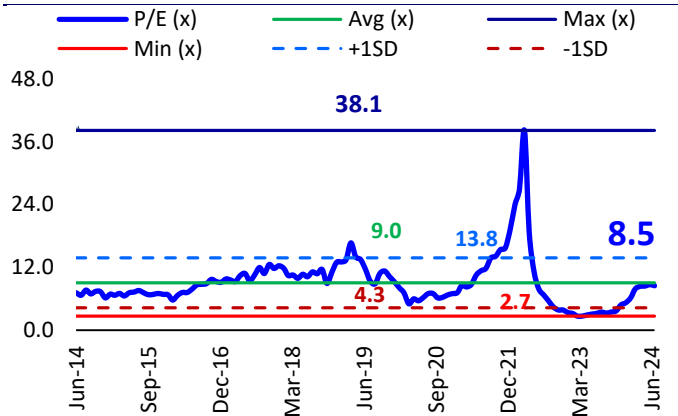
Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)



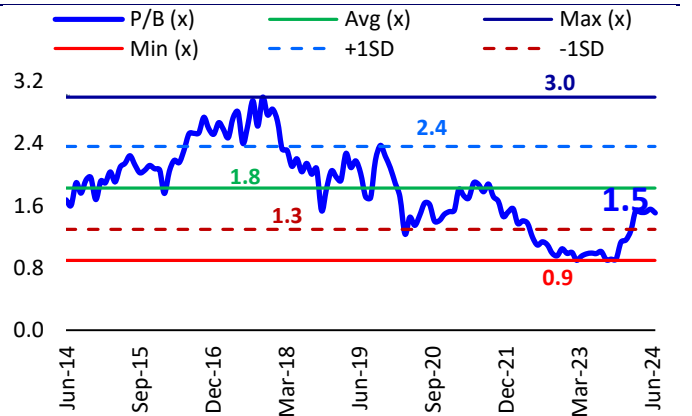
Source: Company, MOFSL

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	FY24	FY25E	FY26E
Total Income from Operations	2,982	2,846	2,302	3,468	4,732	4,481	4,253	4,316
Change (%)	26%	-5%	-19%	51%	36%	-5%	-5%	1%
EBITDA	158	100	211	189	94	443	227	267
Margin (%)	5.3	3.5	9.2	5.4	2.0	9.9	5.3	6.2
Depreciation	34	41	43	54	64	68	73	84
EBIT	124	59	168	134	30	375	154	183
Net forex loss	7	17	-2	-3	-15	2	0	0
Int. and Finance Charges	18	26	17	26	37	41	31	31
Other Income	20	19	23	23	15	22	23	29
PBT bef. EO Exp.	120	36	175	134	23	354	147	181
EO Items	0	-13	53	11	-16	-3	0	0
PBT after EO Exp.	120	23	228	145	6	351	147	181
Tax Rate (%)	36.6	-0.6	22.5	30.0	109.7	26.6	25.2	25.2
Minority Interest/Share of JVs/associates	9	14	-3	15	22	11	14	16
Reported PAT	85	37	173	117	21	269	124	151
Adjusted PAT	85	50	132	109	20	271	124	151
Change (%)	-13%	-42%	166%	-18%	-82%	1272%	-54%	22%
Margin (%)	2.9	1.8	5.8	3.1	0.4	6.0	2.9	3.5

Consolidated - Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	39	39	42	43	43	43	43	43
Total Reserves	348	326	494	476	493	714	775	850
Net Worth	388	365	536	519	535	756	818	893
Minority Interest	21	21	0	0	0	0	0	0
Total Loans	429	558	400	559	605	455	455	455
Deferred Tax Liabilities	68	62	49	64	79	80	80	80
Capital Employed	905	1,006	985	1,142	1,219	1,291	1,353	1,427
Gross Block	1,039	1,223	1,286	1,515	1,735	1,491	1,551	1,611
Less: Accum. Deprn.	365	406	449	503	567	635	707	770
Net Fixed Assets	674	817	836	1,011	1,168	856	844	841
Capital WIP	137	178	171	154	162	202	281	351
Total Investments	68	55	72	52	64	266	266	266
Curr. Assets, Loans&Adv.	491	459	530	658	486	700	695	716
Inventory	229	222	267	422	381	428	425	427
Account Receivables	69	54	78	97	67	43	41	41
Cash and Bank Balance	7	12	81	22	26	63	64	82
Cash	4	8	76	22	23	23	25	42
Bank Balance	2	4	5	1	3	40	40	40
Loans and Advances	186	171	103	117	13	166	166	166
Curr. Liability & Prov.	464	503	625	733	662	733	734	746
Account Payables	430	466	590	702	633	700	694	698
Provisions	33	36	36	32	29	33	40	48
Net Current Assets	27	-44	-95	-75	-176	-33	-39	-30
Appl. of Funds	905	1,006	985	1,142	1,219	1,291	1,353	1,427

Financials and valuations

Ratios

Y/E March (INR)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	20.0	11.7	31.0	25.5	4.6	63.3	29.0	35.4
Cash EPS	28.0	21.2	41.1	38.2	19.5	79.2	46.1	55.0
BV/Share	90.7	85.5	125.3	121.5	125.3	177.0	191.5	209.0
DPS	10.1	8.8	39.5	8.0	5.0	21.0	14.8	18.3
Payout (%)	54.6	110.2	95.5	28.7	98.2	32.7	50.1	50.7
Valuation (x)								
P/E	15.2	26.1	9.8	11.9	65.9	4.8	10.5	8.6
Cash P/E	10.9	14.3	7.4	8.0	15.6	3.8	6.6	5.5
P/BV	3.4	3.6	2.4	2.5	2.4	1.7	1.6	1.5
EV/Sales	0.4	0.4	0.6	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	7.6	12.0	6.0	6.8	13.6	2.9	5.6	4.8
Dividend Yield (%)	3.3	2.9	13.0	2.6	1.6	6.9	4.9	6.0
FCF per share	-0.9	-10.9	34.4	28.3	9.4	63.0	22.7	29.9
Return Ratios (%)								
RoE	22.6	13.2	29.4	20.6	3.7	41.9	15.7	17.7
RoCE	11.8	9.1	15.9	10.9	-0.4	24.8	10.7	12.1
RoIC	11.8	8.2	18.3	11.9	-0.3	31.9	15.4	18.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.3	1.8	2.3	2.7	3.0	2.7	2.7
Asset Turnover (x)	3.3	2.8	2.3	3.0	3.9	3.5	3.1	3.0
Inventory (Days)	28	29	42	44	29	35	36	36
Debtor (Days)	8	7	12	10	5	3	3	3
Creditor (Days)	53	60	94	74	49	57	60	59
Leverage Ratio (x)								
Current Ratio	1.1	0.9	0.8	0.9	0.7	1.0	0.9	1.0
Interest Cover Ratio	7.0	2.3	9.7	5.2	0.8	9.0	4.9	5.9
Net Debt/Equity	1.1	1.5	0.6	1.0	1.1	0.5	0.5	0.4

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	129	37	224	160	28	362	147	181
Depreciation	34	41	43	54	64	68	73	84
Direct Taxes Paid	-30	-22	-38	-18	-8	-88	-37	-45
(Inc)/Dec in WC	-35	-7	38	13	-2	-12	7	9
CF from Operations	102	79	236	203	125	359	235	275
(Inc)/Dec in FA	-105	-122	-92	-85	-85	-96	-140	-150
Free Cash Flow	-3	-43	144	118	39	264	95	125
(Pur)/Sale of Investments	-2	12	-22	198	-3	-33	0	0
CF from Investments	-105	-111	-26	165	-78	-105	-140	-150
Inc/(Dec) in Debt	66	124	-120	-10	14	55	0	0
Dividend Paid	-49	-65	-49	-145	-13	-53	-62	-77
CF from Fin. Activity	2	36	-142	-422	-45	-254	-93	-108
Inc/Dec of Cash	-2	4	68	-54	2	0	2	17
Opening Balance	6	4	8	76	22	23	23	25
Closing Balance	4	8	76	22	23	23	25	42

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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
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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