

BSE SENSEX 74,340 S&P CNX 22,545

CMP: INR265

TP: INR240 (-9%)

Neutral



Stock Info

Bloomberg	BPCL IN
Equity Shares (m)	4339
M.Cap.(INRb)/(USDb)	1149.9 / 13.2
52-Week Range (INR)	376 / 234
1, 6, 12 Rel. Per (%)	5/-15/-17
12M Avg Val (INR M)	4298
Free float (%)	47.0

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	4,194	3,585	3,660
EBITDA	216	218	222
Adj. PAT	115	113	114
EPS (INR)	27	26	27
EPS Gr. (%)	-57.5	-1.9	0.9
BV/Sh. (INR)	190	204	217

Ratios

Net D:E	0.5	0.6	0.6
RoE (%)	14.7	13.4	12.7
RoCE (%)	10.3	9.1	8.4
Payout (%)	51.4	48.5	51.1

Valuations

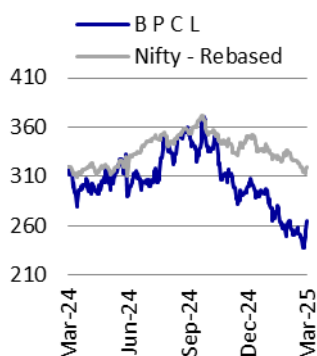
P/E (x)	9.8	10.0	9.9
P/BV (x)	1.4	1.3	1.2
EV/EBITDA (x)	5.1	5.1	5.0
Div. Yield (%)	5.3	4.9	5.2
FCF Yield (%)	7.4	0.3	0.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	53.0	53.0	53.0
DII	23.2	23.0	23.1
FII	14.7	15.4	14.5
Others	9.1	8.6	9.4

FII Includes depository receipts

Stock performance (one-year)



Rising capex and muted GRM outlook pose challenges in FY26-27

- We met with the management of BPCL recently, and it: 1) highlighted the proportion of Russian crude in the refining mix is likely to dip to ~24% in Mar'25 (from 35-40%), 2) remains hopeful of positive news from Mozambique in near future, with gas supply starting in FY29, and 3) aims for an FY28 CGD EBITDA target of INR40b. While only INR61b has been approved currently for the Andhra Pradesh refinery project, there is a possibility of another INR950b capex being incurred. The INR490b Bina refinery expansion is also underway with the majority of the spending scheduled for FY26/FY27.
- BPCL's current 1-yr fwd. valuation of 1.3x P/B at par with the mean -1 S.D. It now trades on par with HPCL (on a 1-yr fwd. P/B basis) vs. a historical premium of 50%. While valuation appears reasonable and strong marketing performance continues, a muted mid-term refining outlook (our FY26E/FY27E PAT are 17%/18% sensitive to every USD1/bbl change in GRM) and commencement of new capex cycle emerge as key concerns. Hence, we reiterate our Neutral rating with an SoTP-based valuation of INR240/share.

Marginal impact from lower Russian crude proportion

- Russian crude utilization stood at 31% in 3Q (vs. 35-40% historically). While sufficient Russian crude cargos are available for Jan'25/Feb'25, the ratio might come down to 24% in Mar'25.
- However, the company has signed contracts with Brazilian players for crude sourcing. If the Russian crude utilization becomes nil, BPCL shall encounter a USD1/bbl GRM impact, as the USD3-USD3.5 per bbl discount shall not be available elsewhere.
- Recently, BPCL has also signed a strategic term contract with Total Energies Trading Asia Pte Ltd for Middle Eastern crude supply ([media article](#)).
- Management stated that the US crude input proportion has always been in the top 3. Further, an increase in US crude oil imports ([media article](#)) shall not result in any disadvantage to BPCL, since higher transportation costs are offset by lower crude oil costs (WTI crude is ~USD3/bbl cheaper than Brent).
- Further, reciprocal tariffs imposed by Trump shall not have any material impact on the company, due to the absence of meaningful exports to the US.

Mozambique development remains a key monitorable

- Regarding the lifting of FM, management anticipates positive developments soon, as Total Energy, the operator of the block, is actively working on it. Gas will start flowing in 24-36 months after the lifting of FM.
- In a recent [media interview](#), BPCL's CMD stated that the first gas from the Mozambique field is anticipated by FY29.

Other key takeaways from our meeting

- BPCL aims to achieve an EBITDA of INR40b from its CGD business by FY28.
- Management expects some LPG under-recovery compensation before 4QFY25-end.

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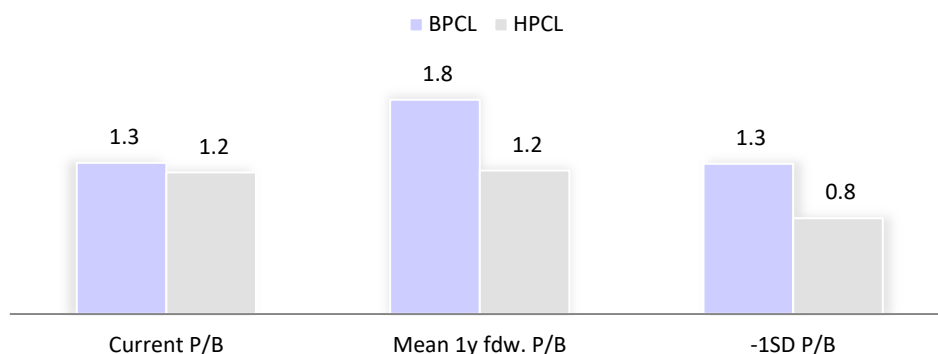
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- BPCL has established two CBG plants in Kochi and Bina and plans to set up 26 more in the near term through JVs. These plants will utilize municipal waste as feedstock, with a capital expenditure of INR1b per plant.
- Further, the company also finalized a significant LNG sourcing agreement with ADNOC Trading (tied to the Henry Hub index) on 13th Feb'25, and the LNG will be sourced for refinery use only.
- While only INR61b has been approved currently for the Andhra Pradesh refinery project, there is a possibility of another INR950b capex being incurred. The INR490b Bina refinery expansion is also underway with the majority of the spending scheduled for FY26/FY27.

Trading at mean -1 S.D.; valuation premium vs. HPCL has disappeared

- While BPCL has generated 63% returns over the last two years, the stock has sharply corrected by 28% over the past 5 months.
- It now trades on par with HPCL (on a 1-yr fwd. P/B basis) vs. a historical premium of 50%. BPCL's current 1-yr fwd. valuation of 1.3x P/B is close to the mean -1 S.D. The dividend yield in FY27E is attractive at ~5.2%; we assume ~50% pay-out and believe there remains risk of dividend pay-out ratio being cut given aggressive capex cycle especially if the Andhra refinery project goes ahead.
- While the commencement of a new capex cycle means cash flows and the balance sheet will face some stress, we do highlight healthy marketing business momentum and attractive valuations.

Exhibit 1: HPCL vs. BPCL – 1-yr fwd. valuation comparison

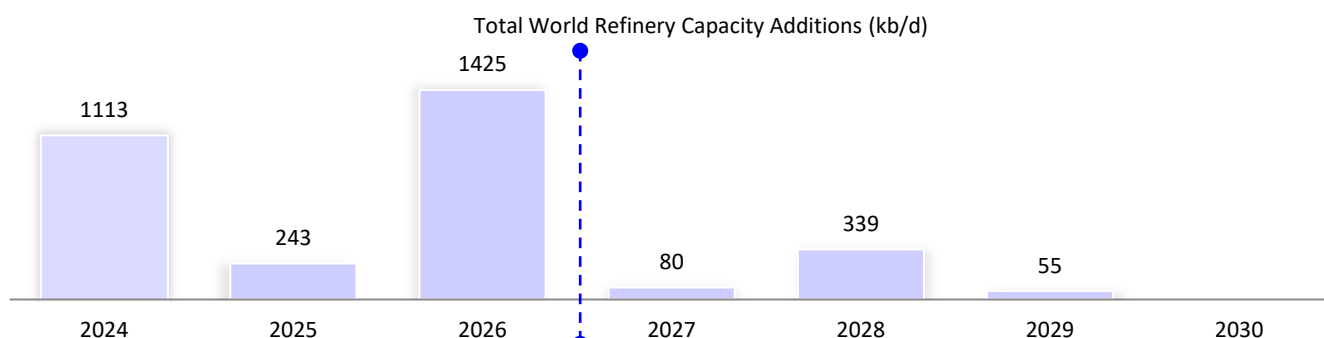


Source: MOFSL

USD1/bbl change in GRM has a 17% impact on FY26E PAT

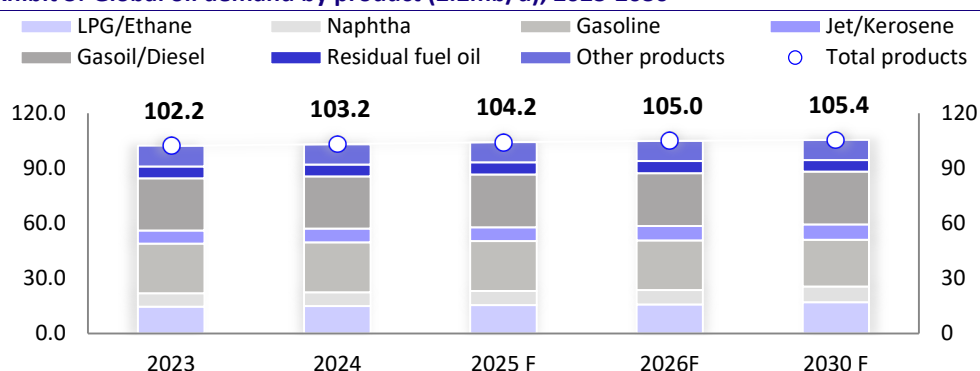
- IEA expects ~2.8mb/d net additions and expansions in refining capacity globally over CY24-CY26. Conversely, while global oil demand inched up by ~0.9mb/d in CY24, IEA expects global oil demand to grow by 1.1mb/d in CY25.
- SG GRM has averaged USD2.7/USD3.7 per bbl in 4QFY25/TD/YTD FY25, down 63%/43% YoY, with LTA SG GRM averaging USD5.8/bbl. We believe that with supply exceeding demand over the next couple of years, the refining outlook shall remain muted in the mid-term. While we assume SG GRM/BPCL's GRM to average USD5.5/USD6.9 per bbl during FY26/FY27, we see downside risk to the assumptions.
- For every USD1/bbl change in BPCL's GRM assumption, a 17%/18% impact is observed on our FY26/FY27 PAT estimates.

Exhibit 2: Global net refining capacity additions and expansions (3.3mb/d), 2024-2030



Source: IEA, MOFSL

Exhibit 3: Global oil demand by product (2.2mb/d), 2023-2030

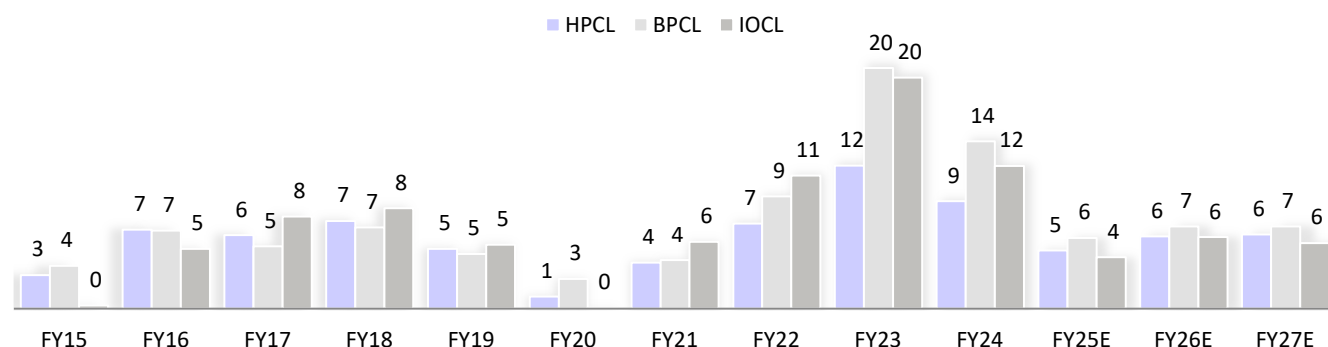


Source: IEA, MOFSL

BPCL’s operational and financial performance ahead of HPCL

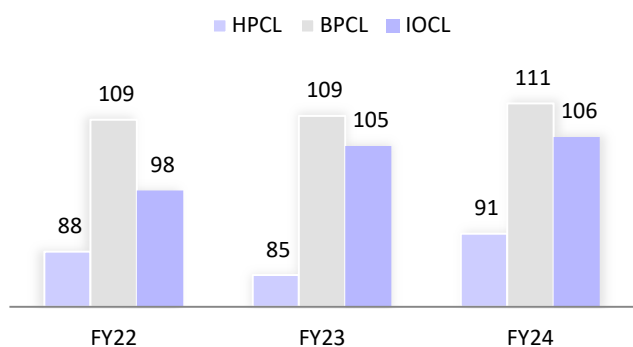
- We performed a comparison between BPCL and HPCL considering the following key metrics: reported GRMs, refining capacity utilization (%), blended marketing margins, distillate yield (%), RoE (%), and RoCE (%).
- BPCL tends to outperform HPCL on all the parameters. BPCL’s average reported GRM came in USD2/bbl above HPCL’s, as distillate yield % is significantly better and refinery utilization also stands above HPCL.
- However, with the commissioning of Bottom Upgradation Units at Visakh Refinery in 4QFY25-end, HPCL expects USD2-3/bbl improvement.
- BPCL has also generated better RoE and RoCE, primarily driven by better-integrated margins.
- Historically, BPCL has traded at a 50% premium on 1-yr fwd. P/B valuation over HPCL. However, the current P/B valuations are on par (1.3x P/B).

Exhibit 4: Reported GRM comparison among OMCs (USD/bbl)



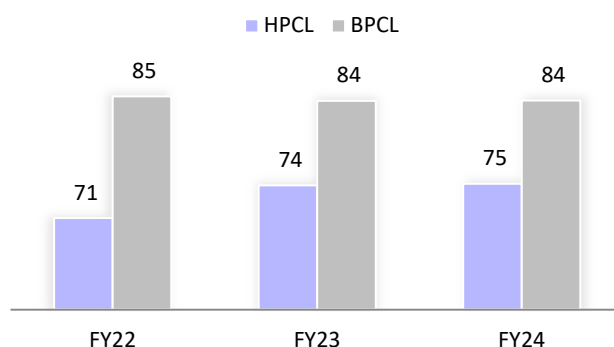
Source: IOCL, BPCL, HPCL, MOFSL

Exhibit 5: Refining capacity utilization (%) trend – OMCs



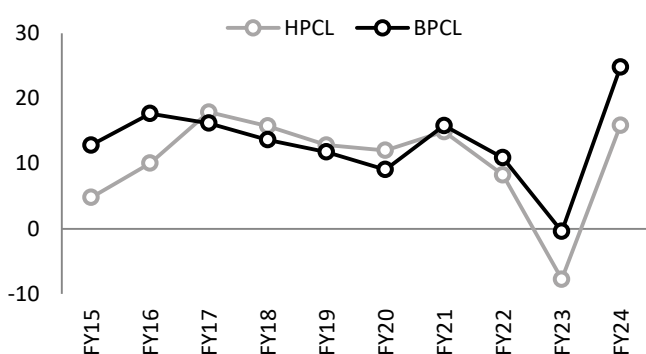
Source: HPCL, BPCL, MOFSL

Exhibit 6: HPCL vs. BPCL – Distillated Yield (%) trend



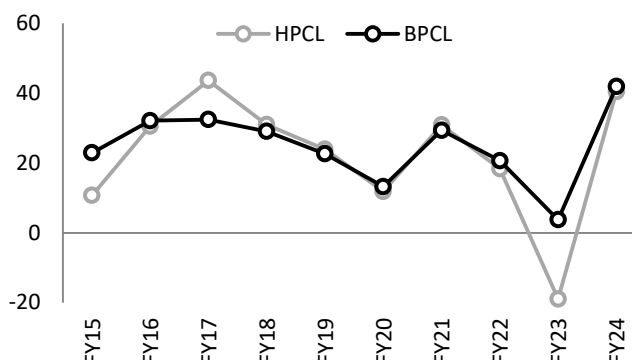
Source: HPCL, BPCL, MOFSL

Exhibit 7: HPCL vs. BPCL – RoE (%) historical trend



Source: HPCL, BPCL, MOFSL

Exhibit 8: HPCL vs. BPCL – RoCE (%) historical trend

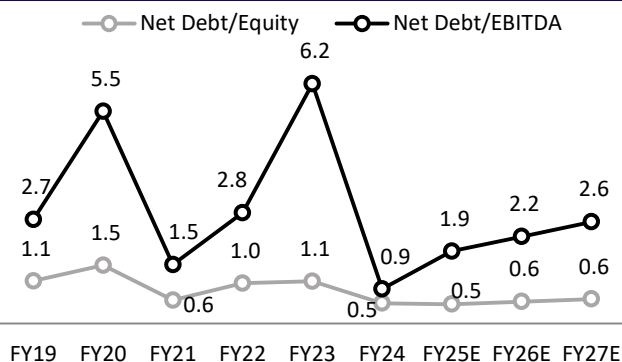


Source: HPCL, BPCL, MOFSL

Robust balance sheet to drive future capex cycle

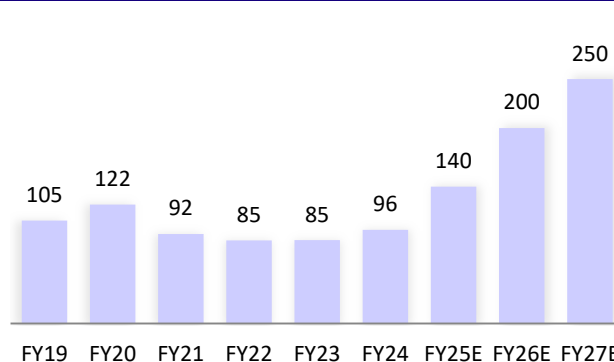
- BPCL’s 10Y average ND/EBITDA stands at 2.7x, with ND/EBITDA touching a high of 6.2x in FY23. However, with a strong performance in FY24, ND/EBITDA improved sharply to 0.9x on Mar’24. Even with a rising capex run rate, incurring INR140b/INR200b/INR250 in FY25/FY26/FY27 (vs. 10Y average capex of INR67b p.a.), we estimate BPCL’s ND/EBITDA to remain between 1.9x and 2.6x over FY25-FY27.
- Similarly, while BPCL’s 10Y average ND/Equity stands at 0.9x, we estimate its ND/Equity to remain between 0.5x and 0.6x over FY25-FY27.
- In the 3QFY25 earnings call, BPCL’s management projected that debt will peak by FY29 while assuring that the debt-to-equity ratio will remain below 1x even at peak debt levels.

Exhibit 9: BPCL’s ND/E and ND/EBITDA ratios



Source: Company, MOFSL

Exhibit 10: BPCL’s capex trend (INR b)



Source: Company, MOFSL

Valuation and View

- BPCL's GRMs have been at a premium over SG GRMs due to the continuous optimization of refinery production, product distribution, and crude procurement. The use of advanced processing capabilities of the Bina and Kochi refineries allows BPCL to process 100% of high-sulfur crude and 50% of Russian crude.
- We maintain our GRM and marketing margin assumptions. While the current marketing margins remain healthy and slightly above the INR3.3/lit level, we are modeling for MS/HSD. SG GRM has been marginally down so far in 4QFY25 at USD2.7/bbl vs. USD5/bbl in 3QFY25.
- While valuation appears reasonable and strong marketing performance continues, a muted mid-term refining outlook (our FY26E/FY27E PAT are 17%/18% sensitive to every USD1/bbl change in GRM) and commencement of new capex cycle emerge as key concerns. **Hence, we reiterate our Neutral rating with an SoTP-based valuation of INR240/share.**

Exhibit 11: SoTP based valuation

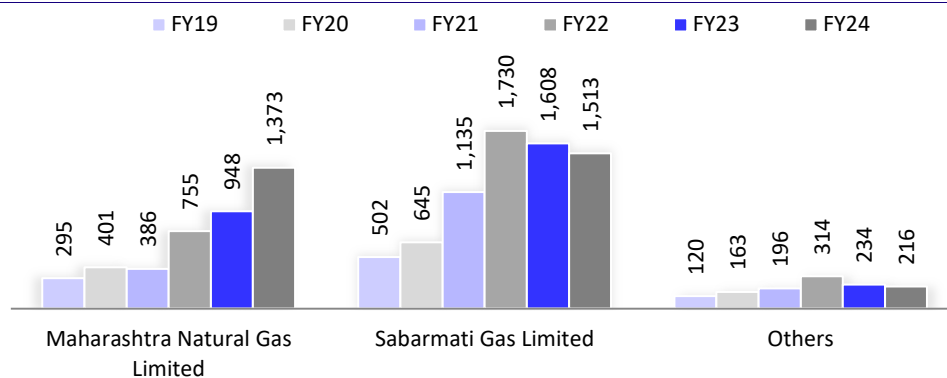
Particulars	Amount/Particulars	Multiple	Amount
Dec'26E EBITDA (INR m)	2,19,071	6	13,47,066
FY27E CGD EBITDA (INR m)	1,675	10	16,915
(-) Dec'26E Net Debt (INR m)			5,56,243
Core business value (INR m)			8,07,737
(/) shares outstanding			4,273
Core business value (INR/share)			189
Add: Investments (INR/share)			
Listed investment (IGL, PLNG & OINL)	@25% discount to CMP		22
Mozambique Upstream Area 1	@50% discount to transaction value		12
Other upstream investments	Reserve based valuation @USD7/boe		6
Unlisted CGD entities	@15x FY24 P/E		11
Target price (INR/share)			240
CMP			265
Upside / (Downside) (%)			-9%

Source: Company, MOFSL

Exhibit 12: Valuation of unlisted CGD JVs

Unlisted CGD JVs	FY24 PAT (INR m) (BPCL's share)
Maharashtra Natural Gas Limited	1,373
Sabarmati Gas Limited	1,513
Haridwar Natural Gas Private Limited	30
Goa Natural Gas Private Limited	6
Total	3,101
(/) shares outstanding	4,273
FY24 EPS from unlisted CGD JVs	0.73
P/E ratio (x)	15
Value from Unlisted CGDs (INR/share)	11

Source: Company, MOFSL

Exhibit 13: Historical PAT performance of BPCL's unlisted CGD JVs (INR m)


Source: Company, MOFSL

Exhibit 14: Valuation of Mozambique Upstream Area 1

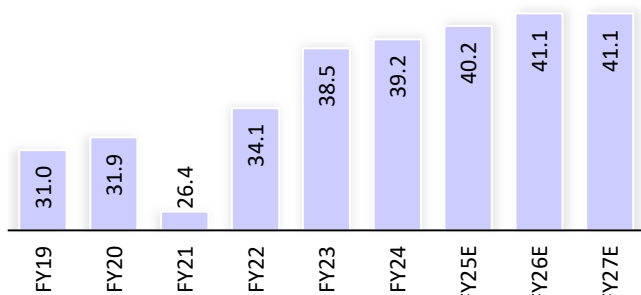
Particulars	Unit	Amount
Total Energy acquired a 26.5% stake in Sep'19	USD m	3,900
(x) Exchange rate	INR/USD	71
Total Energy acquired a 26.5% stake in Sep'19	INR m	2,76,900
Total Energy's stake (%)		26.5
BPRL's stake (%)		10
Transaction value for BPRL	INR m	1,04,491
Transaction value for BPRL	INR/share	24.5
Discount	%	0.5
Discounted transaction value for BPRL	INR/share	12.2

Source: Company, MOFSL

Story in charts

Exhibit 15: Throughput (mmt)

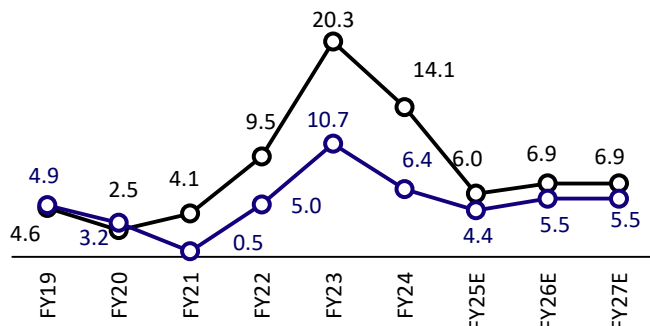
■ Refinery Throughput (mmt)



Source: Company, MOFSL

Exhibit 16: GRM trend

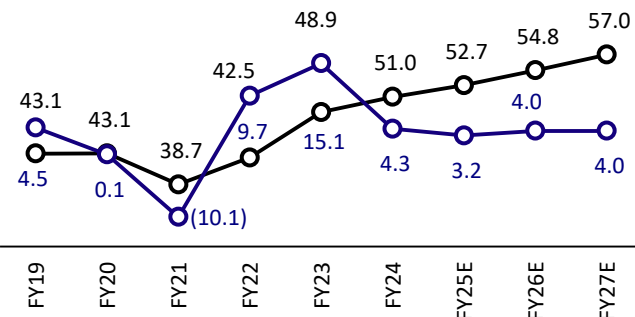
● BPCL GRM (USD/bbl) ● Reuters Singapore GRM (US\$/bbl)



Source: Company, MOFSL

Exhibit 17: Domestic marketing sales volume

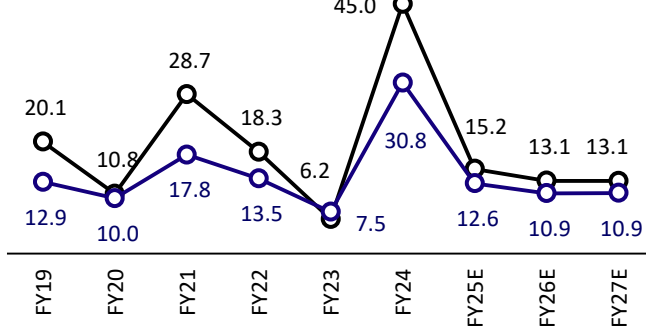
● Domestic sales volume (mmt) - LHS ● YoY (%) - RHS



Source: Company, MOFSL

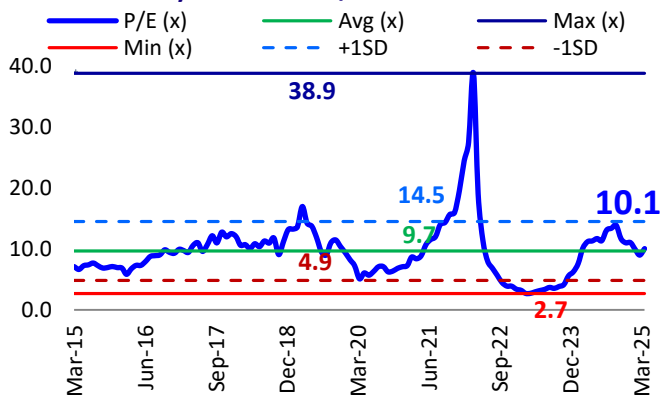
Exhibit 18: Standalone return ratios (%)

● RoE ● ROCE



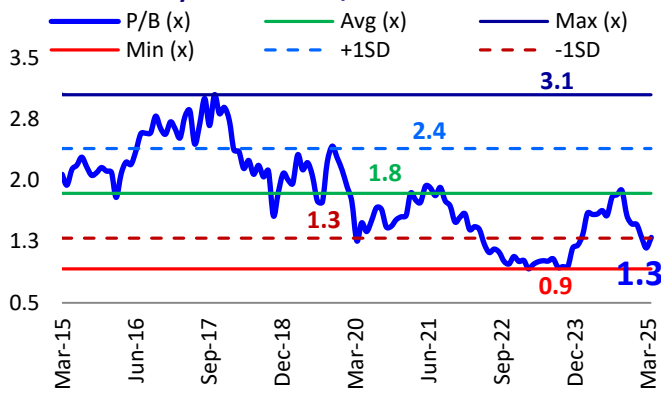
Source: Company, MOFSL

Exhibit 19: One-year forward P/E



Source: Company, MOFSL

Exhibit 20: One-year forward P/B



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement					(INR b)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	4,732	4,481	4,194	3,585	3,660
Change (%)	36%	-5%	-6%	-15%	2%
EBITDA	94	443	216	218	222
Margin (%)	2.0	9.9	5.1	6.1	6.1
Depreciation	64	68	72	84	87
EBIT	30	375	144	134	135
Net forex loss	-15	2	3	0	0
Int. and Finance Charges	37	41	32	34	36
Other Income	15	22	29	30	31
PBT bef. EO Exp.	23	354	138	130	130
EO Items	-16	-3	0	0	0
PBT after EO Exp.	6	351	138	130	130
Tax Rate (%)	109.7	26.6	25.2	25.2	25.2
Minority Interest/Share of JVs/associates	22	11	12	16	16
Reported PAT	21	269	115	113	114
Adjusted PAT	20	271	115	113	114
Change (%)	-82%	1272%	-57%	-2%	1%
Margin (%)	0.4	6.0	2.7	3.1	3.1

Consolidated - Balance Sheet					(INR b)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	43	43	43	43	43
Total Reserves	493	714	769	828	883
Net Worth	535	756	812	870	926
Total Loans	605	455	481	539	634
Deferred Tax Liabilities	79	80	80	80	80
Capital Employed	1,219	1,291	1,373	1,489	1,640
Gross Block	1,735	1,491	1,551	1,611	1,671
Less: Accum. Deprn.	567	635	707	770	835
Net Fixed Assets	1,168	856	844	841	835
Capital WIP	162	202	282	402	571
Total Investments	64	266	266	266	266
Curr. Assets, Loans&Adv.	486	700	706	608	618
Inventory	381	428	420	355	363
Account Receivables	67	43	40	34	35
Cash and Bank Balance	26	63	81	53	54
Cash	23	23	41	13	14
Bank Balance	3	40	40	40	40
Loans and Advances	13	166	166	166	166
Curr. Liability & Prov.	662	733	726	628	650
Account Payables	633	700	686	580	593
Provisions	29	33	40	48	58
Net Current Assets	-176	-33	-19	-20	-33
Appl. of Funds	1,219	1,291	1,373	1,489	1,640

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	4.6	63.3	26.9	26.4	26.6
Cash EPS	19.5	79.2	43.7	46.0	47.0
BV/Share	125.3	177.0	190.1	203.7	216.7
DPS	5.1	21.4	14.1	13.1	13.9
Payout (%)	100.2	33.4	51.4	48.5	51.1
Valuation (x)					
P/E	57.4	4.2	9.8	10.0	9.9
Cash P/E	13.6	3.3	6.1	5.8	5.6
P/BV	2.1	1.5	1.4	1.3	1.2
EV/Sales	0.2	0.2	0.3	0.3	0.3
EV/EBITDA	11.8	2.5	5.1	5.1	5.0
Dividend Yield (%)	1.9	8.1	5.3	4.9	5.2
FCF per share	9.4	63.0	19.7	0.8	0.0
Return Ratios (%)					
RoE	3.7	41.9	14.7	13.4	12.7
RoCE	-0.4	24.8	10.3	9.1	8.4
RoIC	-0.3	31.9	14.4	13.3	13.3
Working Capital Ratios					
Fixed Asset Turnover (x)	2.7	3.0	2.7	2.2	2.2
Asset Turnover (x)	3.9	3.5	3.1	2.4	2.2
Inventory (Days)	29	35	37	36	36
Debtor (Days)	5	3	3	3	3
Creditor (Days)	49	57	60	59	59
Leverage Ratio (x)					
Current Ratio	0.7	1.0	1.0	1.0	0.9
Interest Cover Ratio	0.8	9.0	4.5	3.9	3.8
Net Debt/EBITDA	6.2	0.9	1.9	2.2	2.6
Net Debt/Equity	1.1	0.5	0.5	0.6	0.6

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	28	362	138	130	130
Depreciation	64	68	72	84	87
Direct Taxes Paid	-8	-88	-35	-33	-33
(Inc)/Dec in WC	-2	-12	4	-27	14
CF from Operations	125	359	223	203	250
(Inc)/Dec in FA	-85	-96	-140	-200	-250
Free Cash Flow	39	264	83	3	0
(Pur)/Sale of Investments	-3	-33	0	0	0
CF from Investments	-78	-105	-140	-200	-250
Inc/(Dec) in Debt	14	55	27	58	95
Dividend Paid	-13	-53	-59	-55	-58
CF from Fin. Activity	-45	-254	-65	-31	1
Inc/Dec of Cash	2	0	18	-28	1
Opening Balance	22	23	23	41	13
Closing Balance	23	23	41	13	14

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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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