2 November 2025

2QFY26 Results Update | Sector: Oil & Gas

BPCL

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BPCL IN
Equity Shares (m)	4339
M.Cap.(INRb)/(USDb)	1548 / 17.4
52-Week Range (INR)	361 / 234
1, 6, 12 Rel. Per (%)	1/9/9
12M Avg Val (INR M)	2688

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	3,980	3,664	3,464
EBITDA	339	272	234
Adj. PAT	210	160	134
EPS (INR)	49	38	31
EPS Gr.%	54.2	-23.6	-16.6
BV/Sh. (INR)	230	257	279
Ratios			
Net D:E	0.4	0.2	0.2
RoE (%)	23.3	15.4	11.7
RoCE (%)	15.9	11.6	9.5
Payout (%)	18.9	28.4	30.3
Valuation			
P/E (x)	7.3	9.5	11.4
P/BV (x)	1.6	1.4	1.3
EV/EBITDA (x)	4.5	5.6	6.5
Div. yield (%)	2.6	3.0	2.7
FCF yield (%)	8.7	10.3	5.8

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	53.0	53.0	53.0
DII	22.3	23.1	23.0
FII	16.5	15.5	15.4
Others	8.3	8.5	8.6

FII Includes depository receipts

CMP: INR357 TP: INR395 (+11%) Neutral

Strong 2Q; capex cycle clarity key to re-rating

- **BPCL's EBITDA/PAT came in 32%/40% above expectations in 2QFY26, driven by higher-than-anticipated GRM (USD10.8/bbl). Blended marketing margin also stood 35% above our estimate at INR7.2/lit (up 25% YoY). Refining throughput and marketing volumes came in line with estimates.**
- **While we reiterate our Neutral rating on BPCL, we are incrementally more positive on the stock, given: 1) the continued robust marketing and refining environment supported by healthy demand, a favorable regulatory stance, and weak propane prices, 2) recent announcements (signing of non-binding MoU exploring investment collaboration on the Andhra refinery + potential tax sops) have alleviated concerns, to some extent, around the sharp rise in net debt and enhanced the economic attractiveness of the Andhra refinery project, 3) recent announcement by Total, BPCL's partner in Mozambique LNG project (INR15/share in TP), regarding the lifting of force majeure, which is a positive development and could reopen a new avenue for growth.**
- **The MoP&NG, through letters dated 3/24 Oct'25, approved a compensation of INR75.9b to the company for under-recoveries on the sale of domestic LPG up to 31 Mar'25, as well as those expected up to 31 Mar'26. The amount will be released in 12 equal monthly instalments, with accruals recognized on a monthly basis starting Nov'25.**
- **We factor in LPG under-recovery compensation of INR6.3b per month over Nov'25-Oct'26 under revenue. Additionally, we raise our MS/HSD marketing margin assumptions for 2HFY26-FY28 slightly to INR3.5/lit (from INR3.3/lit earlier). These revisions collectively drive a 20% upward revision in our FY26/27 EBITDA estimates.**
- **BPCL currently trades at 1.4x one-year forward P/B vs the 10-year average of 1.8x. We have a Neutral rating on BPCL.**

Strong refining; marketing inventory gains boost profits

- BPCL's reported GRM came in above our estimate at ~USD10.8/bbl (our estimate USD9.0/bbl), with marketing margin (including inv.) coming in 35% above our estimate at INR7.2/lit.
- Consequently, standalone EBITDA was 32% above our estimate at INR97.8b, with marketing inventory gain amounting to INR9b and forex loss of INR5.6b.
- LPG under-recovery amounted to INR11.5b (INR20.8b in 1Q).
- Resulting standalone reported PAT stood 40% above our estimate at INR64.4b.
- Other income came in 12% above our estimates.
- **Operational details:**
  - Refining throughput stood below our estimate at 9.82mmt (-4% YoY).
  - Marketing volumes, excluding exports, were in line with our estimate at 12.7mmt (+2% YoY).
  - As of Sep'25, BPCL had a cumulative negative net buffer of INR136.7b due to the under-recovery on LPG cylinders (INR125.2b as of Jun'25).
  - Its debt has declined to INR112.6b, which is 47% below the debt as of 31st Mar'25.

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Valuation and view

- BPCL's GRMs have been at a premium to SG GRMs due to 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-sulfur crude and 50% of Russian crude.
- We maintain our GRM assumptions. Current marketing margins remain healthy, above the INR3.5/lit we are building in for MS/HSD.
- While valuation appears reasonable and strong marketing performance continues, a muted medium-term refining outlook (our FY27/FY28 PAT estimates are 9%/11% sensitive to every USD1/bbl change in GRM) and the commencement of a new capex cycle emerge as key concerns. Hence, we reiterate our Neutral rating with an SoTP-based valuation of INR340/share.

SoTP-based valuation

Particulars	Amount/Particulars	Multiple	Amount
Dec'27E EBITDA (INR m)	2,41,063	7.0	16,82,620
FY28E CGD EBITDA (INR m)	2,512	15.0	37,681
(-) Dec'27E Net Debt (INR m)			2,65,890
Core business value (INR m)			**14,54,411**
(/) shares outstanding			4,273
Core business value (INR/share)			**340**
Add: Investments (INR/share)			
Listed investment (IGL, PLNG & OINL)	@25% discount to CMP		24
Mozambique Upstream Area 1	@40% discount to transaction value		15
Other upstream investments	Reserve-based valuation @USD7/boe		6
Unlisted CGD entities	@15x FY24 P/E		11
Target price (INR/share)			**395**

Valuation of Mozambique Upstream Area 1

Particulars	Unit	Amount
Total Energy acquired 26.5% stake in Sep'19	USD m	3,900.0
(x) Exchange rate	INR/USD	71.0
Total Energy acquired 26.5% stake in Sep'19	INR m	276,900.0
Total Energy's stake (%)		26.5
BPRL's stake (%)		10.0
Transaction value for BPRL	**INR m**	**104,490.6**
Transaction value for BPRL	**INR/share**	**24.5**
Discount	**%**	**0.4**
Discounted transaction value for BPRL	**INR/share**	**14.7**

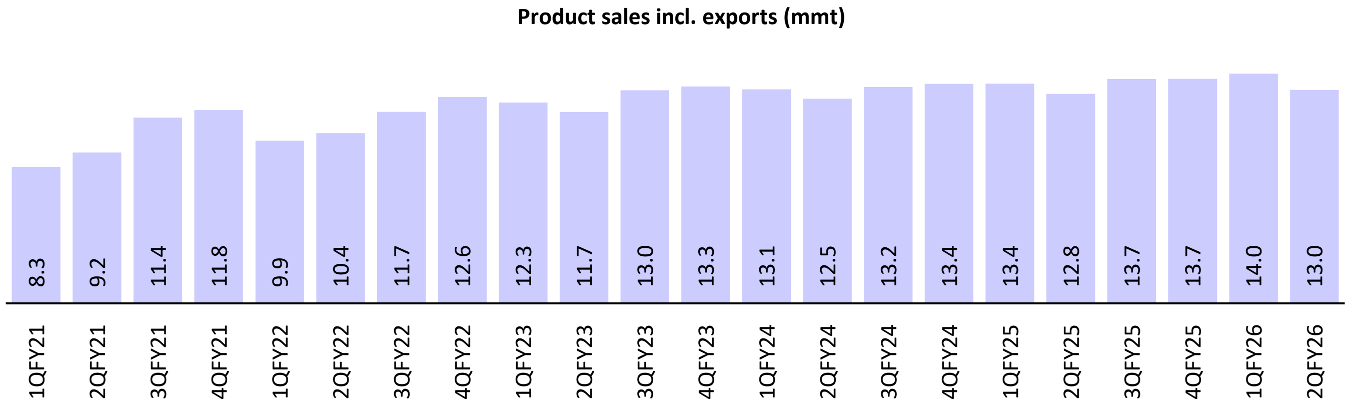
Standalone - Quarterly Earning Model (INR b)

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**1,131.0**	**1,027.6**	**1,131.4**	**1,111.8**	**1,125.1**	**1,049.1**	**896.8**	**907.7**	**4,401.7**	**3,978.7**	**926.3**	**13%**
YoY Change (%)	*0.1*	*-0.2*	*-2.0*	*-4.6*	*-0.5*	*2.1*	*-20.7*	*-18.4*	*-1.8*	*-9.6*	*-9.8*	
EBITDA	**56.5**	**45.1**	**75.8**	**78.1**	**96.6**	**97.8**	**69.3**	**75.6**	**255.6**	**339.3**	**74.3**	**32%**
Margins (%)	*5.0*	*4.4*	*6.7*	*7.0*	*8.6*	*9.3*	*7.7*	*8.3*	*5.8*	*8.5*	*8.0*	
Depreciation	16.8	17.7	18.0	19.7	18.8	19.5	19.0	18.7	72.3	76.0	18.6	
Interest	4.4	4.7	4.3	5.5	3.7	4.2	3.8	5.1	18.9	16.9	4.6	
Other Income	4.8	9.6	11.0	7.9	7.3	11.9	12.5	6.1	33.4	37.8	10.6	
PBT before EO expense	**40.3**	**31.9**	**61.8**	**60.4**	**81.6**	**86.0**	**59.0**	**57.9**	**194.4**	**284.4**	**61.6**	**39%**
Extra-Ord expense	0.0	0.0	0.0	17.7	0.0	0.0	-37.5	0.0	17.7	-37.5	0.0	
PBT	**40.3**	**31.9**	**61.8**	**42.6**	**81.6**	**86.0**	**96.5**	**57.9**	**176.6**	**321.9**	**61.6**	**39%**
Adj PAT	**30.1**	**24.0**	**46.5**	**45.5**	**61.2**	**64.4**	**44.1**	**43.3**	**146.1**	**213.1**	**46.1**	**40%**
YoY Change (%)	*-71.4*	*-71.8*	*36.9*	*-18.3*	*103.1*	*168.7*	*-5.1*	*-4.9*	*-47.8*	*45.8*	*92.4*	
Key Assumptions												
Refining throughput (mmt)	10.1	10.3	9.5	10.6	10.4	9.8	9.8	9.8	40.5	39.9	10.2	-4%
Reported GRM (USD/bbl)	7.9	4.4	5.6	9.2	4.9	10.8	7.0	7.0	6.8	7.4	7.5	44%
Marketing sales volume excld exports (mmt)	13.2	12.4	13.4	13.4	13.6	12.7	14.0	14.0	52.4	54.2	12.9	-2%
Marketing GM incld inv (INR/litre)	4.8	5.8	7.4	6.0	8.3	7.2	5.1	5.5	6.0	6.5	5.3	35%

Key assumptions

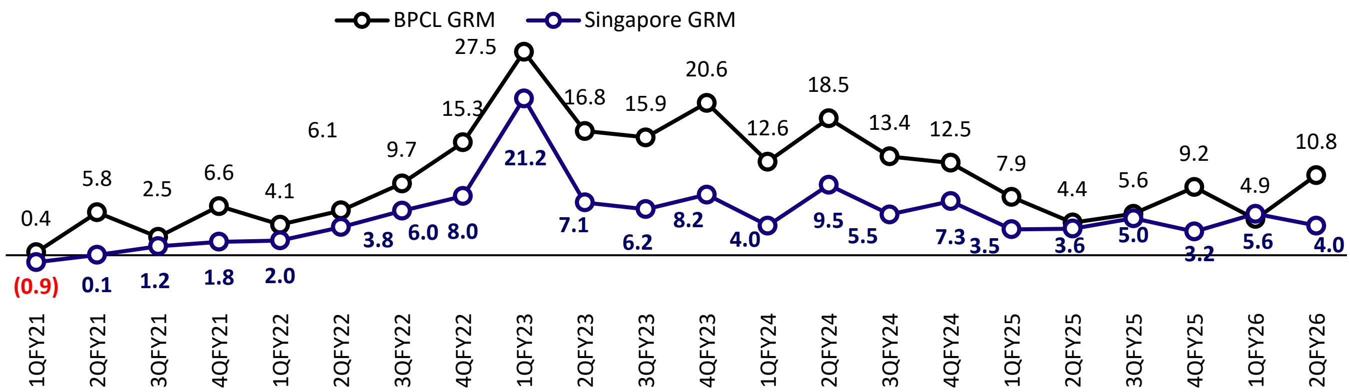
Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	87.1	88.2	90.0
Crude cost (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	66.9	65.0	60.0
Domestic Market Sales (mmt)	43.1	43.1	38.7	42.5	48.9	51.0	52.4	54.2	56.3	58.6
YoY (%)	*5%*	*0%*	*-10%*	*10%*	*15%*	*4%*	*3%*	*3%*	*4%*	*4%*
Reported GRM (USD/bbl)	**4.6**	**2.5**	**4.1**	**9.5**	**20.3**	**14.1**	**6.8**	**7.4**	**7.0**	**7.0**
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	3.8	5.2	5.0	5.0
Prem/(disc) (USD/bbl)	*(0.3)*	*(0.7)*	*3.6*	*4.5*	*9.6*	*7.6*	*3.0*	*2.2*	*2.0*	*2.0*
Refinery throughput (mmt)	31.0	31.9	26.4	34.1	38.5	39.9	40.5	39.9	39.3	39.3
YoY (%)	*9%*	*3%*	*-17%*	*29%*	*13%*	*4%*	*1%*	*-2%*	*-2%*	*0%*
Marketing Margin (INR/ltr)										
Blended gross marketing margin incld inventory	4.8	4.7	6.9	5.0	(1.4)	6.1	6.0	6.5	5.0	4.3
Consolidated EPS	**20.0**	**11.7**	**31.0**	**25.5**	**4.6**	**63.3**	**31.8**	**49.3**	**37.5**	**31.3**

Exhibit 1: Product sales at 13mmt (up 2% YoY)



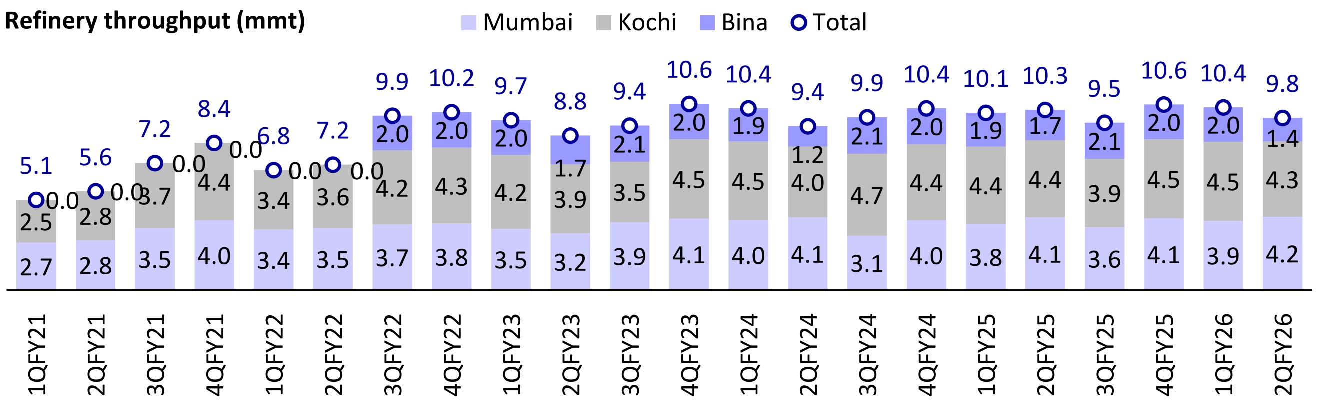
Source: Company, MOSFL

Exhibit 2: Reported GRM at USD10.8/bbl in 2QFY26 vs. USD4.4/bbl in 2QFY25



Source: Company, MOSFL

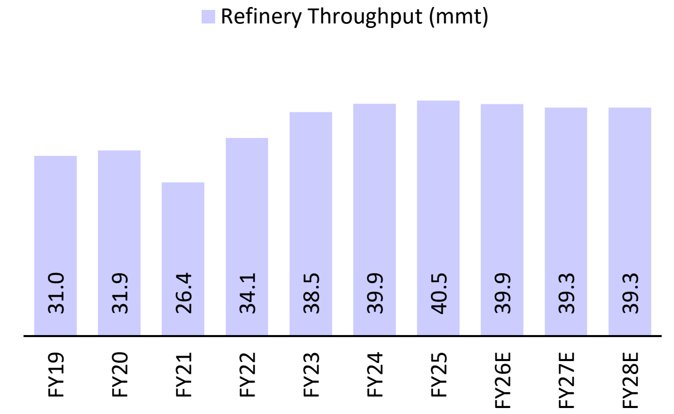
Exhibit 3: Total refinery throughput was down 4% YoY



Source: Company, MOSFL

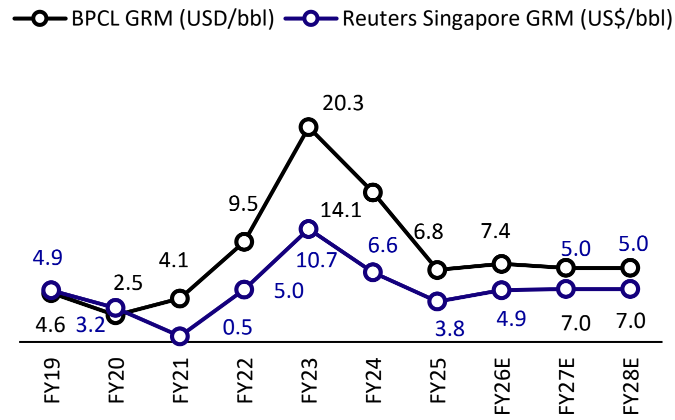
Story in charts

Exhibit 4: Throughput (mmt)



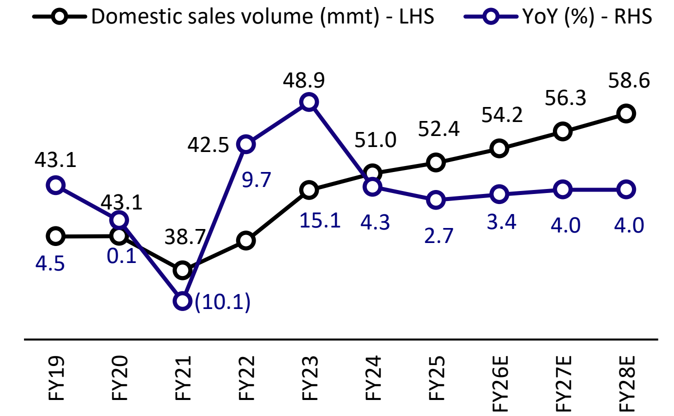
Source: Company, MOFSL

Exhibit 5: GRM trend



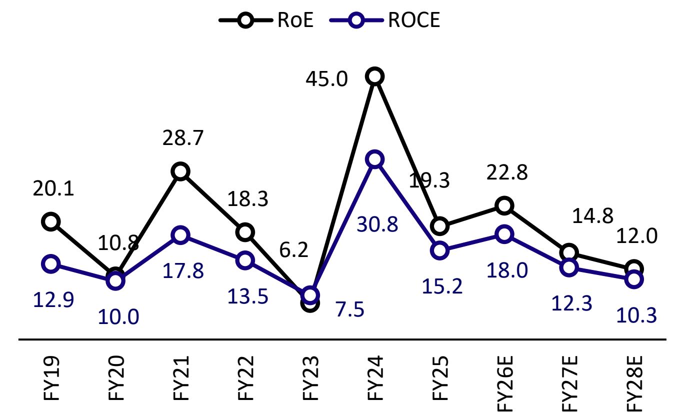
Source: Company, MOFSL

Exhibit 6: Domestic marketing sales volume



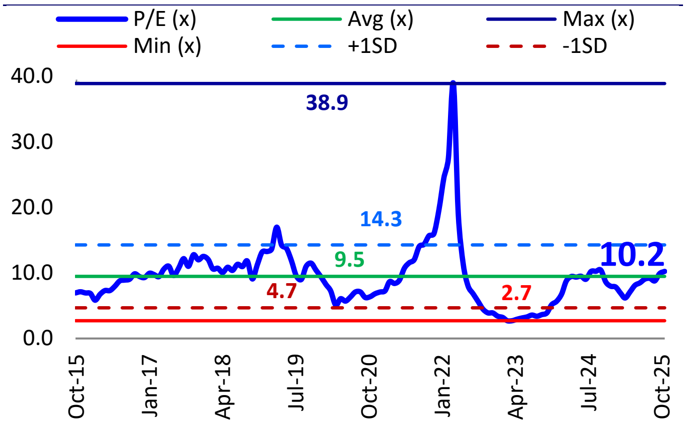
Source: Company, MOFSL

Exhibit 7: Standalone return ratios (%)



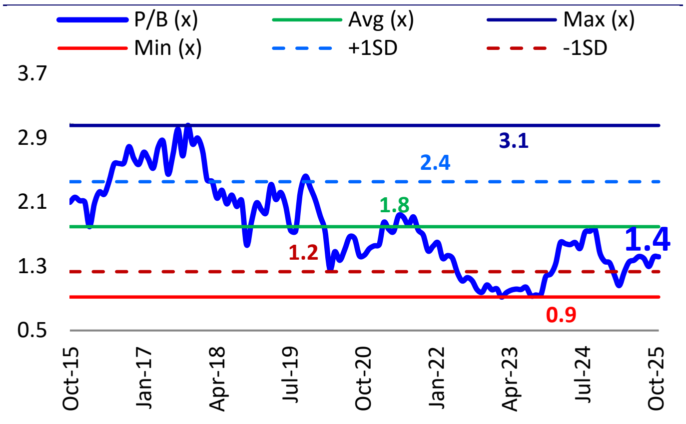
Source: Company, MOFSL

Exhibit 8: One-year forward P/E



Source: Company, MOFSL

Exhibit 9: One-year forward P/B



Source: Company, MOFSL

Financials and valuations (Consolidated)

Consolidated - Income Statement						(INR b)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Income from Operations	**4,732**	**4,481**	**4,403**	**3,980**	**3,664**	**3,464**
Change (%)	*36%*	*-5%*	*-2%*	*-10%*	*-8%*	*-5%*
EBITDA	**94**	**443**	**254**	**339**	**272**	**234**
Margin (%)	*2.0*	*9.9*	*5.8*	*8.5*	*7.4*	*6.8*
Depreciation	64	68	73	76	79	82
EBIT	**30**	**375**	**181**	**262**	**193**	**152**
Net forex loss	-15	2	0	0	0	0
Int. and Finance Charges	37	41	36	34	37	39
Other Income	15	22	27	34	38	46
PBT bef. EO Exp.	**23**	**354**	**172**	**262**	**194**	**159**
EO Items	-16	-3	-4	0	0	0
PBT after EO Exp.	**6**	**351**	**169**	**262**	**194**	**159**
Tax Rate (%)	*109.7*	*26.6*	*28.7*	*25.2*	*25.2*	*25.2*
Minority Interest/Share of JVs/associates	22	11	13	14	16	15
Reported PAT	**21**	**269**	**133**	**210**	**160**	**134**
Adjusted PAT	**20**	**271**	**136**	**210**	**160**	**134**
Change (%)	*-82%*	*1272%*	*-50%*	*54%*	*-24%*	*-17%*
Margin (%)	*0.4*	*6.0*	*3.1*	*5.3*	*4.4*	*3.9*

Consolidated - Balance Sheet						(INR b)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	21	21	43	43	43	43
Total Reserves	514	735	771	941	1,056	1,149
Net Worth	**535**	**756**	**814**	**984**	**1,099**	**1,192**
Total Loans	605	455	511	476	421	386
Deferred Tax Liabilities	79	80	83	83	83	83
Capital Employed	**1,219**	**1,291**	**1,407**	**1,543**	**1,602**	**1,661**
Gross Block	1,735	1,491	1,582	1,642	1,702	1,762
Less: Accum. Deprn.	567	635	707	772	839	908
Net Fixed Assets	**1,168**	**856**	**874**	**870**	**863**	**854**
Capital WIP	162	202	264	322	400	492
Total Investments	**64**	**266**	**265**	**265**	**265**	**265**
Curr. Assets, Loans&Adv.	**486**	**700**	**780**	**816**	**763**	**715**
Inventory	381	428	453	398	370	353
Account Receivables	67	43	93	159	115	111
Cash and Bank Balance	26	63	105	129	148	122
Cash	23	23	6	30	49	23
Bank Balance	3	40	99	99	99	99
Loans and Advances	13	166	130	130	130	130
Curr. Liability & Prov.	**662**	**733**	**776**	**730**	**689**	**665**
Account Payables	633	700	750	698	651	619
Provisions	29	33	27	32	38	46
Net Current Assets	**-176**	**-33**	**4**	**85**	**74**	**50**
Appl. of Funds	**1,219**	**1,291**	**1,407**	**1,543**	**1,602**	**1,661**

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	**4.6**	**63.3**	**31.8**	**49.1**	**37.5**	**31.3**
Cash EPS	19.5	79.2	48.8	67.0	56.1	50.6
BV/Share	125.3	177.0	190.5	230.3	257.2	279.0
DPS	5.0	21.0	10.0	9.3	10.7	9.5
Payout (%)	100.2	33.4	32.0	18.9	28.4	30.3
Valuation (x)						
P/E	77.3	5.6	11.2	7.3	9.5	11.4
Cash P/E	18.3	4.5	7.3	5.3	6.4	7.1
P/BV	2.8	2.0	1.9	1.6	1.4	1.3
EV/Sales	0.3	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	16.3	3.4	6.0	4.5	5.6	6.5
Dividend Yield (%)	1.4	5.9	2.8	2.6	3.0	2.7
FCF per share	9.2	61.7	20.1	31.1	36.7	20.7
Return Ratios (%)						
RoE	3.7	41.9	17.3	23.3	15.4	11.7
RoCE	-0.4	24.8	11.7	15.9	11.6	9.5
RoIC	-0.3	31.9	16.9	24.5	17.8	14.5
Working Capital Ratios						
Fixed Asset Turnover (x)	2.7	3.0	2.8	2.4	2.2	2.0
Asset Turnover (x)	3.9	3.5	3.1	2.6	2.3	2.1
Inventory (Days)	29	35	38	36	37	37
Debtor (Days)	5	3	8	15	11	12
Creditor (Days)	49	57	62	64	65	65
Leverage Ratio (x)						
Current Ratio	0.7	1.0	1.0	1.1	1.1	1.1
Interest Cover Ratio	0.8	9.0	5.1	7.7	5.2	3.9
Net Debt/EBITDA	6.2	0.9	1.6	1.0	1.0	1.1
Net Debt/Equity	1.1	0.5	0.5	0.4	0.2	0.2

Consolidated - Cash Flow Statement **(INR b)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	28	362	182	262	194	159
Depreciation	64	68	73	76	79	82
Direct Taxes Paid	-8	-88	-40	-66	-49	-40
(Inc)/Dec in WC	-2	-12	9	-57	30	-2
CF from Operations	**125**	**359**	**237**	**263**	**307**	**253**
(Inc)/Dec in FA	-85	-96	-151	-130	-150	-165
Free Cash Flow	**39**	**264**	**86**	**133**	**157**	**88**
(Pur)/Sale of Investments	-3	-33	-64	0	0	0
CF from Investments	**-78**	**-105**	**-192**	**-130**	**-150**	**-165**
Inc/(Dec) in Debt	14	55	47	-35	-55	-35
Dividend Paid	-13	-53	-66	-40	-46	-41
CF from Fin. Activity	-45	-254	-62	-109	-138	-114
Inc/Dec of Cash	**2**	**0**	**-17**	**24**	**19**	**-26**
Opening Balance	22	23	23	6	30	49
Closing Balance	**23**	**23**	**6**	**30**	**49**	**23**

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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