

Oil & Gas

Indian OMCs – Blockbuster FY24, with strong dividends

Sector Report

SECTOR UPDATE

November 24, 2023

NIFTY 50: 19,802

Our constructive view on OMCs is further bolstered by stable macros and retail pricing environment, with FY24 turning out to be the best year in terms of earnings, despite the upcoming general elections. We maintain our USD85/bbl Brent assumption for FY24 and do not see a strong case for any spikes. We raise our earnings estimates by 8-50% for FY24-26, with BPCL seeing the highest upgrade followed by HPCL and IOCL. Under this scenario, FY24/FY25 dividend yield would be 9-12%/5-7%; although post the election season, we believe the outlook would improve. While an auto-fuel RSP cut may still happen post the ongoing state elections, the system-wide impact from even a Rs5/ltr cut would still be under Rs260bn in FY24. This hit would lower our Rs1.2trn revised EBITDA estimate to Rs900bn, but it would still be >20% above FY22 numbers, which was the best year for OMCs so far. We tweak our EV/EBITDA multiples slightly, assigning the highest 5.8x Sep-25E multiple to IOCL, followed by 5.7x to HPCL (due to commissioning volatility) and 5.6x to BPCL (due to heavy but back-ended capex cycle) and revise our TP up by 20%/31%/19% to Rs120/400/500, respectively. Stocks are currently trading at 0.8x/1.3x/1.2x PB. We reiterate BUY on BPCL and upgrade HPCL and IOCL to BUY from Hold. Recent media reports revisiting the government's capital infusion plans and HPCL's aim to double EBITDA in the next five years add up to the positive sentiments.

Macros stable; RSP cuts still a risk but could be for a brief period

The macro environment w.r.t. oil prices, currency and refining margins has been favorable and a feared cut in auto-fuel RSPs has also not materialized so far. While a cut may still happen, particularly between the state and national elections, the impact should not be more than 4-5 months. We also see no major reason for an oil price spike, and maintain our USD85/bbl Brent estimate for FY24, though building in USD80/bbl for FY25E.

FY24 turning out to be a blockbuster year for OMCs with strong dividends

After a robust H1, H2 so far has been better than expected for OMCs, except for some intermediate inventory losses likely in Q3, if oil prices stabilize at USD80-85/bbl, which would, however, mean strong core earnings in Q4. We estimate IOCL/BPCL/HPCL to report Rs340/210/130bn RPAT in FY24 (building refinery commissioning risk for HPCL), which implies 12%/11%/9% annual dividend yield for FY24 (IOCL has already declared 5% in interim). Post the general elections, the macro-political environment would improve.

HPCL gives positive commentary, capital infusion may also happen by year-end

HPCL's management has guided for more than 2x jump in EBITDA by FY28E as it commissions Vizag's expanded capacity as well as Barmer project. Management also indicated that standalone debt has crossed peak levels, while consolidated debt is nearing its peak. The Rs300bn budgeted capital infusion through rights issue etc. may also be under works as per recent media reports. Any kind of capitalization would improve the balance sheet of OMCs and we view it positive for the companies.

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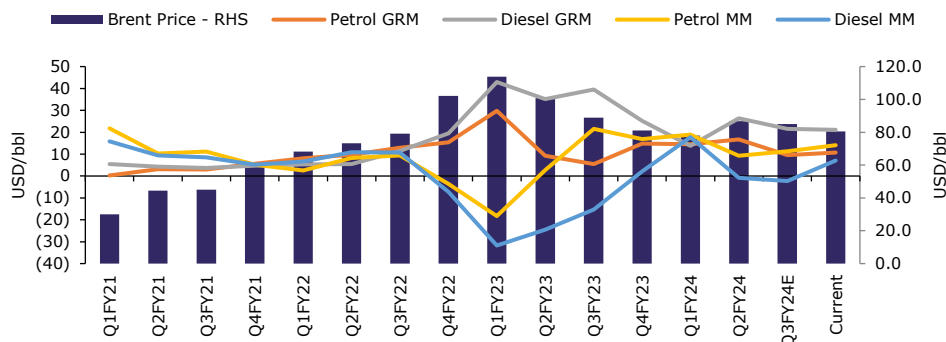
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Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EV/EBITDA (x)		P/B (x)	
					FY24	FY25	FY24	FY25
Indian Oil	BUY	104	120	16	4.6	6.2	0.9	0.9
BPCL	BUY	411	500	22	3.4	5.8	1.4	1.3
HPCL	BUY	327	400	22	4.7	6.2	1.3	1.1

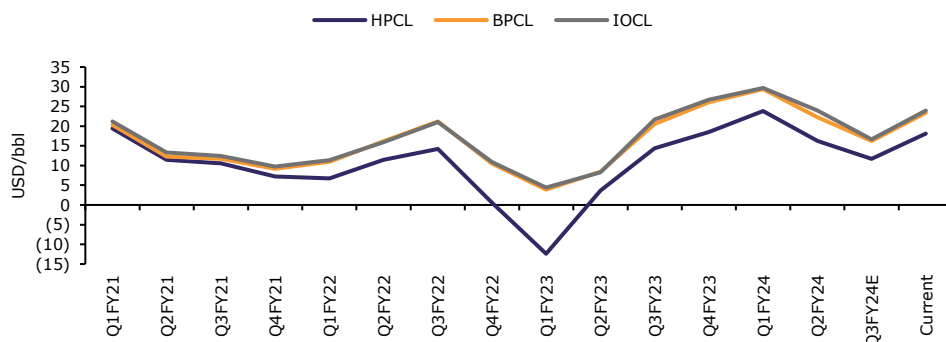
Source: Company, Emkay Research

Exhibit 1: Refining and marketing spreads for petrol-diesel



Source: Bloomberg, Emkay Research, MM is gross marketing margin

Exhibit 2: Integrated auto-fuel margin trend across OMCs



Source: Bloomberg, Company, Emkay Research

Exhibit 3: OMCs' FY24 financial sensitivity to Rs5/ltr price cut (#) in petrol-diesel w.e.f. 1-Jan-2024

(Rs bn)	IOCL			BPCL			HPCL		
	FY22	FY24E	FY24E#	FY22	FY24E	FY24E#	FY22	FY24E	FY24E#
Revenue	5,981	7,773	7,773	3,466	4,467	4,467	3,497	4,285	4,285
EBITDA	447	604	518	193	352	298	102	231	183
Change (%)			-14%			-15%			-21%
APAT	242	323	259	102	208	168	59	121	86
Change (%)			-20%			-19%			-29%
BVPS (Rs)	95	111	108	243	300	289	273	256	239
CMP (Rs)	104	104	104	411	411	411	327	327	327
P/B (x)	1.1	0.9	1.0	1.7	1.4	1.4	1.2	1.3	1.4
No. of shares (bn)	13.8	13.8	13.8	2.1	2.1	2.1	1.4	1.4	1.4
Market Cap.		1,432	1,432		875	875		464	464
Net Debt		1,456	1,476		364	380		667	686
EV		2,888	2,908		1,239	1,255		1,131	1,150
EV/EBITDA		4.8	5.6		3.5	4.2		4.9	6.3

Source: Company, Emkay Research

Exhibit 4: OMCs – Standalone EBITDA trend

EBITDA (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	H1FY24	H2FY24E	FY24E
IOCL	108	242	410	369	354	231	393	447	188	420	184	604
BPCL	74	107	111	119	127	83	179	193	69	280	72	352
HPCL	44	78	109	107	120	60	159	102	-113	172	58	231
Total	226	427	629	594	601	374	731	742	143	873	314	1,187

Source: Company, Emkay Research

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Earnings and Valuation

IOCL

For IOCL, we have revised our FY24 earnings estimates upwards on account of better marketing margins (given stable macros and no RSP cuts in auto fuels so far). We have increased our target Sep-25 EV/EBITDA multiple for IOCL to 5.8x from 5.5x, assigning it the highest multiple among the three OMCs as there are no exceptional circumstances for the company. We believe IOCL would have a high annual dividend yield for FY24, though an interim dividend of Rs5/share has already been paid.

Exhibit 5: Change in assumptions – IOCL

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
GRM (USD/bbl)	13.2	10.5	-21%	9.0	9.0	0%	9.1	9.1	0%
Marketing Margin (Rs/mt)	3,863	5,567	44%	4,606	4,571	-1%	4,698	4,662	-1%
Marketing Sales (mmt)	98	98	0%	101	101	0%	105	105	0%
Growth	2.7%	2.8%	9bps	3.1%	3.1%	-6bps	3.2%	3.1%	-15bps

Source: Company, Emkay Research

Exhibit 6: Change in estimates – IOCL

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	7,781	7,773	0%	6,875	7,413	8%	7,081	7,636	8%
EBITDA	557	604	8%	429	446	4%	434	457	5%
EBITDA Margin	7.2%	7.8%	61bps	6.2%	6.0%	-22bps	6.1%	6.0%	-14bps
PAT	298	323	9%	193	209	8%	183	203	11%
EPS (Rs)	21.6	23.5	9%	14.0	15.2	8%	13.3	14.7	11%

Source: Company, Company, Emkay Research

Exhibit 7: SOTP-based valuation (Sep-24E) – IOCL

Components	Basis	Sep-25 EBITDA	Multiple (x)	EV (Rs bn)	EV/share (Rs)	Comments
Refining Standalone	EV/EBITDA	266	5.8	1,545	112	
Pipelines Standalone	EV/EBITDA	78	5.8	452	33	
Petrochemicals Standalone	EV/EBITDA	15	5.8	87	6	
Marketing Standalone	EV/EBITDA	92	5.8	535	39	
Core Business EV		452	5.8	2,619	190	Blended Multiple at 5.8x
Less: Adj. Net Debt* (Sep-24 End)				1,221	89	
Core Business Valuation				1,397	101	
Value of Investments	TP/CMP			256	19	At 30% Holdco Discount
Target Price-Fair Value (Rs)					120	

Source: Company, Emkay Research; * Adj. Net Debt includes one-year dividend payout

BPCL

For BPCL, we have revised our FY24-26 earnings estimates upwards on account of better marketing margins (given stable macros and no RSP cuts in auto fuels so far). BPCL's opex run rate was also low in H1FY24, which led to EBITDA upgrades. Further, due to a back-ended capex cycle, BPCL's reported finance and depreciation cost would also be under control, up to FY27-28. We have increased our target Sep-25 EV/EBITDA multiple for BPCL slightly to 5.6x from 5.5x, assigning it the lowest multiple among the three OMCs due to the upcoming capex cycle, which affects FCF and dividend payouts (though the minimum 30% would still be maintained). We see most of the upside on BPCL with the board meeting for the first interim dividend next week.

Exhibit 8: Change in assumptions – BPCL

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Introduction	Revised	Variance
GRM (USD/bbl)	12.0	11.4	-5%	9.0	9.0	0%	9.1	9.1	0%
Marketing Margin (Rs/mt)	4,461	5,899	32%	4,421	4,783	8%	4,509.68	4,880	8%
Growth	NM	NM	NM	-0.9%	-18.9%	NM	2.0%	2.0%	4bps
Marketing Sales (mmt)	52	52	0%	54	54	0%	56	55	-1%
Growth	4.4%	4.4%	-bps	3.0%	2.6%	-45bps	3.0%	2.2%	-81bps

Source: Company, Emkay Research

Exhibit 9: Change in estimates – BPCL

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Introduction	Revised	Variance
Revenue	4,467	4,467	0%	4,015	4,264	6%	4,136	4,358	5%
EBITDA	289	352	22%	189	215	14%	190	219	15%
EBITDA Margin	4.9%	7.9%	296bps	4.3%	5.0%	72bps	0.0%	5.0%	503bps
PAT	158	208	32%	81	111	37%	77	117	51%
EPS (Rs)	74.0	97.7	32%	37.9	52.0	37%	36.3	54.8	NM

Source: Company, Company, Emkay Research

Exhibit 10: SOTP-based valuation (Sep-24E) – BPCL

Components	Basis	Sep-25E EBITDA	Multiple (x)	EV (Rs bn)	EV/share (Rs)	Comments
Refining Standalone	EV/EBITDA	154	5.6	861	404	
Pipelines Standalone	EV/EBITDA	20	5.6	112	53	
Petrochemicals Standalone	EV/EBITDA	(0)		-	-	
Marketing Standalone	EV/EBITDA	43	5.6	242	114	
Core Business EV		217	5.6	1,215	571	Blended Multiple at 5.6x
Less: Adj. Net Debt (Sep-24 End)				276	129	
Core Business Valuation				940	441	
Value of Mozambique Stake	Transaction Value			44	21	At 30% Discount
Value of Listed Investments	TP			82	38	At 30% Holdco Discount
Target Price-Fair Value (Rs)					500	

Source: Company, Emkay Research; * Adj. Net Debt includes one-year dividend payout

HPCL

For HPCL, we have revised our FY24-26 earnings estimates upwards on account of better marketing margins (given stable macros and no RSP cuts in auto fuels so far). HPCL's opex run rate was also low in H1FY24, which led to EBITDA upgrades. We have increased our target Sep-25 EV/EBITDA multiple for HPCL to 5.7x from 5.5x, assigning it a lower multiple compared with IOCL due to refining project commissioning risks on earnings. HPCL is likely to declare a final dividend with a 30-35% payout.

Exhibit 11: Change in assumptions – HPCL

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
GRM (USD/bbl)	9.5	7.8	-17%	8.5	8.5	0%	8.6	9.5	11%
Marketing Margin (Rs/mt)	5,220	6,247	20%	4,795	4,836	1%	4,890	4,932	1%
Growth	-519.1%	-601.6%	NM	-8.2%	-22.6%	NM	2.0%	2.0%	-2bps
Marketing Sales (mmt)	46	47	2%	47	48	1%	49	49	1%
Growth	5.5%	7.2%	173bps	3.0%	2.6%	-44bps	3.0%	2.6%	-36bps

Source: Company, Emkay Research

Exhibit 12: Change in estimates – HPCL

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	4,216	4,285	2%	3,764	4,111	9%	3,877	4,221	9%
EBITDA	203	231	14%	161	171	6%	168	193	15%
EBITDA Margins	4.8%	5.4%	57bps	4.3%	4.2%	-13bps	4.3%	4.6%	23bps
PAT	102	121	19%	62	71	15%	62	79	28%
EPS (Rs)	71.6	85.5	19%	43.4	50.1	15%	43.4	55.6	28%

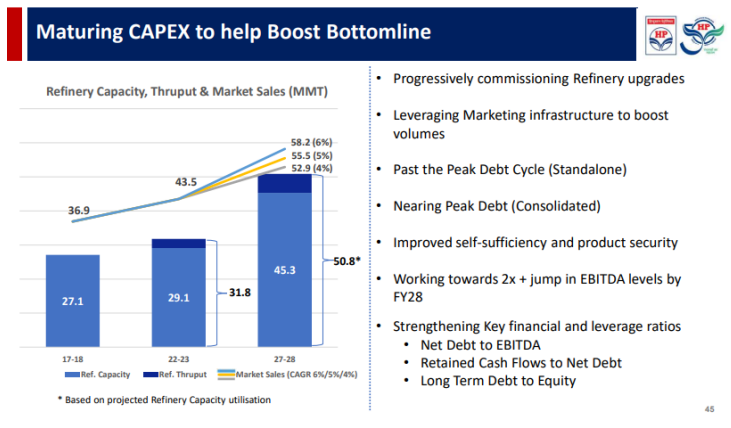
Source: Company, Company, Emkay Research

Exhibit 13: SOTP-based valuation (Sep-24E) – HPCL

Components	Basis	Sep-25E EBITDA	Multiple(x)	EV (Rs bn)	EV/Sh (Rs)	Comments
Refining Standalone	EV/EBITDA	99	5.7	562	396	
Pipelines Standalone	EV/EBITDA	14	5.7	81	57	
Petrochemicals Standalone	EV/EBITDA	-		-	-	
Marketing Standalone	EV/EBITDA	69	5.7	393	277	
Core Business EV		182	5.7	1,036	730	Blended multiple at 5.7x
Less: Adj. Net Debt (Sep-24 End)				572	403	
Core Business Valuation				464	327	
Value of HMEL Stake	P/E			73	51	
Value of Listed Investments	TP/CMP			31	22	At 30% Holdco Discount
Target Price-Fair Value (Rs)					400	

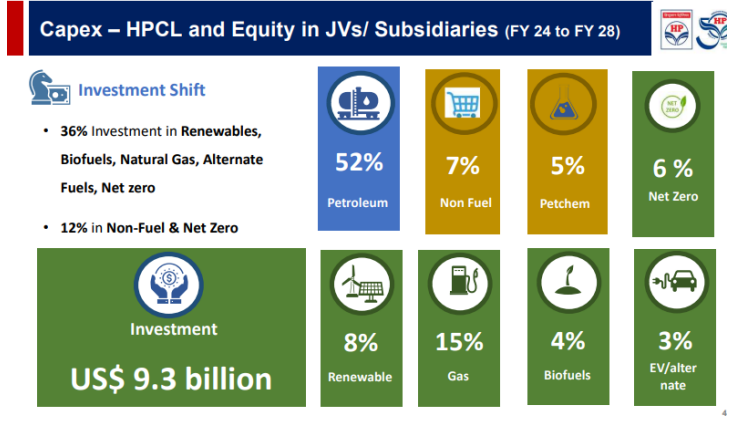
Source: Company, Emkay Research; *Adj. Net Debt includes one-year dividend payout

Exhibit 14: HPCL's recent management commentary



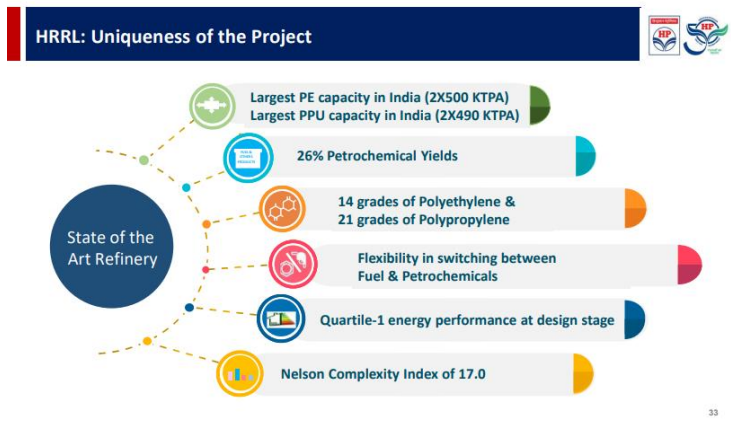
Source: Company, Exchanges, Emkay Research

Exhibit 15: HPCL's capex split for FY24-28E



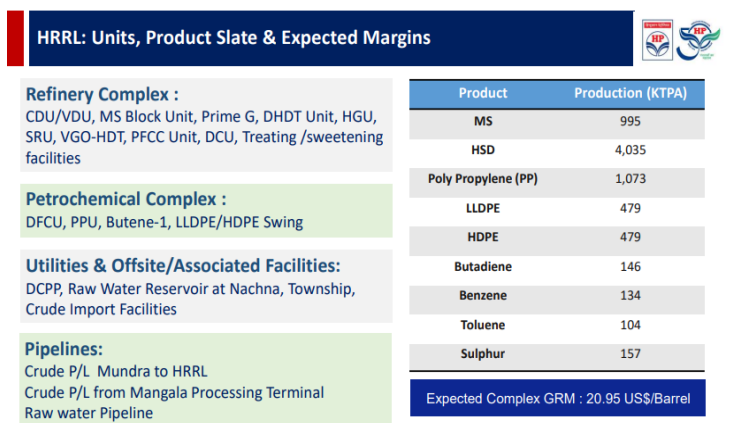
Source: Company, Exchanges, Emkay Research

Exhibit 16: Unique features of Barmer project



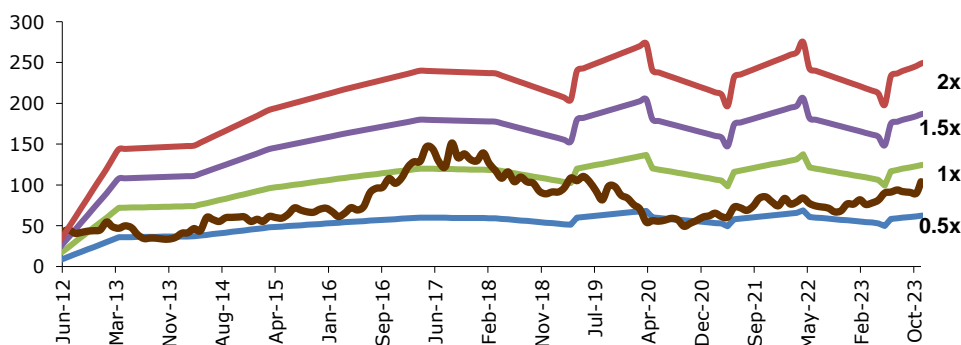
Source: Company, Exchanges, Emkay Research

Exhibit 17: Barmer product slate



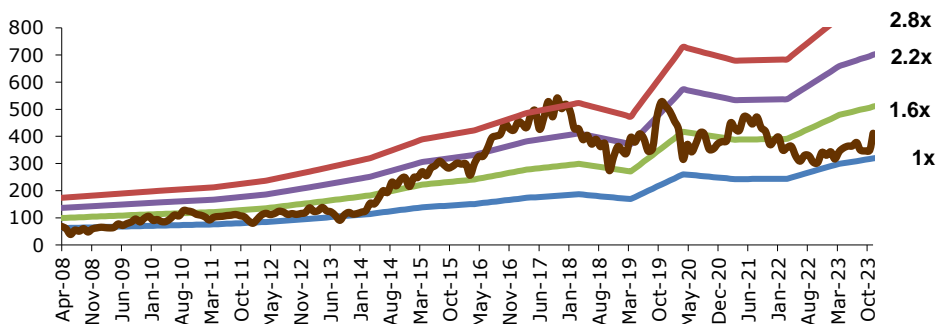
Source: Company, Exchanges, Emkay Research

Exhibit 18: IOCL's Price-to-Book Band Chart



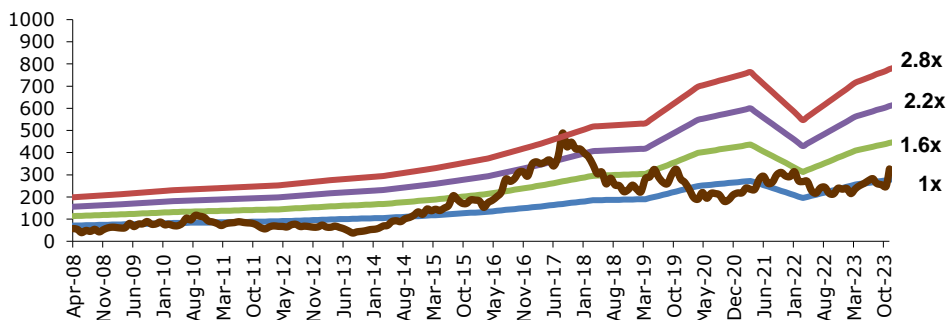
Source: Company, Bloomberg, Emkay Research

Exhibit 19: BPCL's Price-to-Book Band Chart



Source: Company, Bloomberg, Emkay Research

Exhibit 20: HPCL's Price-to-Book Band Chart



Source: Company, Bloomberg, Emkay Research

Indian Oil: Standalone Financials and Valuations

Profit Loss

Y/E March (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Revenue	59,81,492	82,86,712	77,73,213	74,13,175	76,36,442
Revenue growth (%)	58.2	38.5	(6.2)	(4.6)	3.0
EBITDA	4,46,996	1,87,639	6,04,408	4,45,920	4,57,083
EBITDA growth (%)	13.8	(58.0)	222.1	(26.2)	2.5
Depreciation & Amortization	1,10,059	1,18,594	1,34,333	1,58,074	1,81,197
EBIT	3,36,937	69,045	4,70,075	2,87,846	2,75,887
EBIT growth (%)	14.4	(79.5)	580.8	(38.8)	(4.2)
Other operating income	0	0	0	0	0
Other income	43,388	62,352	53,551	59,037	60,903
Financial expense	48,291	69,303	69,975	67,725	65,356
PBT	3,32,034	62,094	4,53,651	2,79,158	2,71,434
Extraordinary items	(364)	1,01,898	23,100	0	0
Taxes	75,490	14,563	1,14,774	70,348	68,401
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,41,841	82,418	3,40,677	2,08,810	2,03,033
PAT growth (%)	10.8	(65.9)	313.4	(38.7)	(2.8)
Adjusted PAT	2,42,118	(4,179)	3,23,399	2,08,810	2,03,033
Diluted EPS (Rs)	26.4	(0.3)	23.5	15.2	14.7
Diluted EPS growth (%)	10.8	(77.3)	313.4	(38.7)	(2.8)
DPS (Rs)	12.6	3.0	12.0	7.3	7.1
Dividend payout (%)	47.8	50.1	48.5	48.0	48.0
EBITDA margin (%)	7.5	2.3	7.8	6.0	6.0
EBIT margin (%)	5.6	0.8	6.0	3.9	3.6
Effective tax rate (%)	22.7	162.9	29.1	25.2	25.2
NOPLAT (pre-IndAS)	2,60,614	(43,438)	3,33,242	2,15,309	2,06,363
Shares outstanding (mn)	9,181.0	13,771.6	13,771.6	13,771.6	13,771.6

Source: Company, Emkay Research

Cash Flows

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
PBT	3,32,034	62,094	4,53,651	2,79,158	2,71,434
Others (non-cash items)	1,19,229	1,87,594	1,50,757	1,66,762	1,85,649
Taxes paid	(72,305)	(1,480)	(1,04,841)	(60,614)	(58,862)
Change in NWC	(1,36,342)	(73,243)	(56,256)	29,842	(4,414)
Operating cash flow	2,27,913	2,09,854	4,45,111	4,15,148	3,93,807
Capital expenditure	(2,16,691)	(3,04,463)	(3,09,736)	(3,09,783)	(2,88,045)
Acquisition of business	(1,02,697)	26,642	(4,736)	(4,783)	(4,831)
Interest & dividend income	44,377	57,114	53,551	59,037	60,903
Investing cash flow	(2,08,000)	(2,52,856)	(2,58,217)	(2,52,819)	(2,29,257)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,35,027	1,35,810	85,000	(25,000)	0
Payment of lease liabilities	(14,871)	(14,871)	(14,871)	(14,871)	(14,871)
Interest paid	(42,018)	(63,158)	(69,975)	(67,725)	(65,356)
Dividend paid (incl tax)	(1,08,960)	(33,094)	(1,65,229)	(1,00,229)	(97,456)
Others	(11,816)	2,345	0	0	0
Financing cash flow	(27,767)	41,903	(1,50,204)	(1,92,954)	(1,62,811)
Net chg in Cash	(7,854)	(1,100)	36,691	(30,626)	1,738
OCF	2,27,913	2,09,854	4,45,111	4,15,148	3,93,807
Adj. OCF (w/o NWC chg.)	3,64,254	2,83,096	5,01,367	3,85,306	3,98,221
FCFF	11,222	(94,610)	1,35,375	1,05,364	1,05,761
FCFE	7,308	(1,06,798)	1,18,952	96,676	1,01,308
OCF/EBITDA (%)	51.0	111.8	73.6	93.1	86.2
FCFE/PAT (%)	3.0	(129.6)	34.9	46.3	49.9
FCFF/NOPLAT (%)	4.3	217.8	40.6	48.9	51.2

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Share capital	91,810	1,37,716	1,37,716	1,37,716	1,37,716
Reserves & Surplus	12,21,053	12,09,860	13,85,309	14,93,890	15,99,467
Net worth	13,12,864	13,47,575	15,23,024	16,31,606	17,37,183
Minority interests	0	0	0	0	0
Deferred tax liability (net)	1,36,274	1,46,130	1,56,062	1,65,796	1,75,335
Total debt	11,94,628	14,15,500	15,00,500	14,75,500	14,75,500
Total liabilities & equity	26,43,765	29,09,206	31,79,587	32,72,902	33,88,018
Net tangible fixed assets	13,49,884	15,35,850	18,04,498	20,69,002	22,53,325
Net intangible assets	25,753	25,753	25,753	25,753	25,753
Net ROU assets	93,251	93,251	93,251	93,251	93,251
Capital WIP	4,44,461	4,89,907	3,91,926	2,74,348	1,92,044
Goodwill	0	0	0	0	0
Investments [JV/Associates]	5,00,218	4,73,576	4,78,311	4,83,095	4,87,926
Cash & equivalents	86,478	1,09,347	1,48,070	1,19,517	1,23,370
Current assets (ex-cash)	13,83,346	14,71,877	13,86,667	13,27,180	13,65,442
Current Liab. & Prov.	12,39,626	12,90,355	11,48,890	11,19,245	11,53,091
NWC (ex-cash)	1,43,720	1,81,522	2,37,777	2,07,936	2,12,350
Total assets	26,43,765	29,09,206	31,79,587	32,72,902	33,88,018
Net debt	11,08,150	13,06,153	13,52,430	13,55,983	13,52,130
Capital employed	26,43,765	29,09,206	31,79,587	32,72,902	33,88,018
Invested capital	16,12,609	18,36,376	21,61,280	23,95,942	25,84,679
BVPS (Rs)	143.0	97.9	110.6	118.5	126.1
Net Debt/Equity (x)	0.8	1.0	0.9	0.8	0.8
Net Debt/EBITDA (x)	2.5	7.0	2.2	3.0	3.0
Interest coverage (x)	0.1	0.5	0.1	0.2	0.2
RoCE (%)	15.5	4.7	17.2	10.8	10.1

Source: Company, Emkay Research

Valuations and Key Ratios

Y/E Mar	FY24	FY25	FY24E	FY25E	FY26E
P/E (x)	3.9	(342.1)	4.4	6.8	7.0
P/CE(x)	2.7	12.5	3.1	3.9	3.7
P/B (x)	0.7	1.1	0.9	0.9	0.8
EV/Sales (x)	0.3	0.3	0.4	0.4	0.4
EV/EBITDA (x)	4.6	14.6	4.6	6.2	6.1
EV/EBIT(x)	6.1	39.6	5.9	9.7	10.1
EV/IC (x)	1.3	1.5	1.3	1.2	1.1
FCFF yield (%)	0.5	(3.5)	4.9	3.8	3.8
FCFE yield (%)	0.8	(7.5)	8.3	6.8	7.1
Dividend yield (%)	12.1	2.9	11.6	7.0	6.8
DuPont-RoE split					
Net profit margin (%)	4.0	(0.1)	4.2	2.8	2.7
Total asset turnover (x)	2.4	3.0	2.6	2.3	2.3
Assets/Equity (x)	2.0	2.1	2.1	2.0	2.0
RoE (%)	20.0	(0.3)	22.5	13.2	12.1
DuPont-RoIC					
NOPLAT margin (%)	4.4	(0.5)	4.3	2.9	2.7
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	17.2	(2.5)	16.7	9.4	8.3
Operating metrics					
Core NWC days	46.0	35.1	35.1	35.1	35.1
Total NWC days	46.0	35.1	35.1	35.1	35.1
Fixed asset turnover	3.1	3.9	3.1	2.6	2.3
Opex-to-revenue (%)	8.4	6.3	7.1	7.7	7.8

Source: Company, Emkay Research

BPCL: Standalone Financials and Valuations

Profit and Loss

Y/E March (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Revenue	34,66,439	46,75,427	44,66,958	42,63,885	43,57,825
Revenue growth (%)	49.1	34.9	(4.5)	(4.5)	2.2
EBITDA	1,93,112	68,724	3,51,614	2,14,715	2,19,265
EBITDA growth (%)	7.8	(64.4)	411.6	(38.9)	2.1
Depreciation & Amortization	54,179	63,475	65,304	70,367	73,995
EBIT	1,38,933	5,250	2,86,309	1,44,348	1,45,270
EBIT growth (%)	(0.3)	(96.2)	5,353.9	(49.6)	0.6
Other operating income	0	0	0	0	0
Other income	26,294	21,840	24,884	26,109	28,745
Financial expense	22,088	32,165	29,151	22,550	18,000
PBT	1,43,138	(5,075)	2,82,042	1,47,906	1,56,015
Extraordinary items	16,431	42,220	8,487	0	0
Taxes	43,084	3,466	72,197	37,272	39,316
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,13,634	18,701	2,14,299	1,10,634	1,16,699
PAT growth (%)	(40.3)	(83.5)	1,045.9	(48.4)	5.5
Adjusted PAT	1,01,720	(16,918)	2,07,951	1,10,634	1,16,699
Diluted EPS (Rs)	47.8	(7.9)	97.7	52.0	54.8
Diluted EPS growth (%)	(41.3)	(83.5)	1,045.9	(48.4)	5.5
DPS (Rs)	16.0	4.0	45.3	23.4	24.7
Dividend payout (%)	30.0	45.6	45.0	45.0	45.0
EBITDA margin (%)	5.6	1.5	7.9	5.0	5.0
EBIT margin (%)	4.0	0.1	6.4	3.4	3.3
Effective tax rate (%)	38.4	(770.1)	27.8	25.2	25.2
NOPLAT (pre-IndAS)	85,551	45,677	2,06,576	1,07,972	1,08,662
Shares outstanding (mn)	2,129.5	2,129.5	2,129.5	2,129.5	2,129.5

Source: Company, Emkay Research

Cash Flows

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
PBT	1,43,138	(5,075)	2,82,042	1,47,906	1,56,015
Others (non-cash items)	50,894	93,097	69,572	66,808	63,250
Taxes paid	(18,227)	(8,014)	(71,820)	(36,892)	(38,931)
Change in NWC	18,750	(610)	(19,403)	13,350	1,382
Operating cash flow	2,08,135	1,06,641	2,64,845	1,91,174	1,81,715
Capital expenditure	(73,656)	(67,797)	(1,01,032)	(2,01,042)	(2,51,053)
Acquisition of business	0	0	0	0	0
Interest & dividend income	13,879	12,022	24,884	26,109	28,745
Investing cash flow	(77,437)	(63,973)	(77,003)	(1,75,806)	(2,23,198)
Equity raised/(repaid)	4,624	0	0	0	0
Debt raised/(repaid)	(32,643)	(1,529)	(72,751)	60,000	1,15,000
Payment of lease liabilities	(8,875)	(8,875)	(8,875)	(8,875)	(8,875)
Interest paid	(13,771)	(22,314)	(29,151)	(22,550)	(18,000)
Dividend paid (incl tax)	(1,44,828)	(12,816)	(96,435)	(49,785)	(52,515)
Others	(105)	687	0	0	0
Financing cash flow	(1,86,723)	(35,972)	(1,98,337)	(12,335)	44,485
Net chg in Cash	(56,026)	6,696	(10,496)	3,032	3,003
OCF	2,08,135	1,06,641	2,64,845	1,91,174	1,81,715
Adj. OCF (w/o NWC chg.)	1,89,384	1,07,251	2,84,248	1,77,823	1,80,334
FCFF	1,34,478	38,844	1,63,813	(9,869)	(69,337)
FCFE	1,26,269	18,702	1,59,546	(6,310)	(58,592)
OCF/EBITDA (%)	107.8	155.2	75.3	89.0	82.9
FCFE/PAT (%)	111.1	100.0	74.5	(5.7)	(50.2)
FCFF/NOPLAT (%)	157.2	85.0	79.3	(9.1)	(63.8)

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Share capital	21,295	21,295	21,295	21,295	21,295
Reserves & Surplus	4,95,160	4,98,669	6,16,533	6,77,382	7,41,567
Net worth	5,16,455	5,19,963	6,37,828	6,98,677	7,62,861
Minority interests	0	0	0	0	0
Deferred tax liability (net)	58,660	70,683	71,060	71,441	71,825
Total debt	4,22,153	4,47,751	3,75,000	4,35,000	5,50,000
Total liabilities & equity	9,97,268	10,38,398	10,83,888	12,05,117	13,84,686
Net tangible fixed assets	7,36,501	7,64,399	8,16,115	7,45,351	8,01,301
Net intangible assets	10,100	10,100	10,100	10,100	10,100
Net ROU assets	91,463	91,463	91,463	91,463	91,463
Capital WIP	49,972	56,734	39,714	2,40,111	3,60,166
Goodwill	0	0	0	0	0
Investments [JV/Associates]	89,465	1,03,193	1,04,224	1,05,267	1,06,319
Cash & equivalents	58,932	63,976	54,336	58,240	62,133
Current assets (ex-cash)	6,05,413	5,18,175	4,96,609	4,75,610	4,85,743
Current Liab. & Prov.	6,44,577	5,69,642	5,28,672	5,21,024	5,32,539
NWC (ex-cash)	(39,164)	(51,467)	(32,064)	(45,414)	(46,796)
Total assets	9,97,268	10,38,398	10,83,888	12,05,117	13,84,686
Net debt	3,63,221	3,83,776	3,20,664	3,76,760	4,87,867
Capital employed	9,97,268	10,38,398	10,83,888	12,05,117	13,84,686
Invested capital	7,98,899	8,14,496	8,85,614	8,01,499	8,56,068
BVPS (Rs)	242.5	244.2	299.5	328.1	358.2
Net Debt/Equity (x)	0.7	0.7	0.5	0.5	0.6
Net Debt/EBITDA (x)	1.9	5.6	0.9	1.8	2.2
Interest coverage (x)	0.1	1.2	0.1	0.1	0.1
RoCE (%)	17.1	2.7	29.3	14.9	13.4

Source: Company, Emkay Research

Valuations and Key Ratios

Y/E Mar	FY24	FY25	FY24E	FY25E	FY26E
P/E (x)	8.6	(51.8)	4.2	7.9	7.5
P/CE(x)	6.2	45.3	3.3	4.8	4.6
P/B (x)	1.7	1.7	1.4	1.3	1.1
EV/Sales (x)	0.4	0.3	0.3	0.3	0.3
EV/EBITDA (x)	6.4	18.3	3.4	5.8	6.2
EV/EBIT(x)	8.9	239.9	4.2	8.7	9.4
EV/IC (x)	1.6	1.5	1.4	1.6	1.6
FCFF yield (%)	10.9	3.1	13.7	(0.8)	(5.1)
FCFE yield (%)	14.4	2.1	18.2	(0.7)	(6.7)
Dividend yield (%)	3.9	1.0	11.0	5.7	6.0
DuPont-RoE split					
Net profit margin (%)	2.5	(0.9)	4.6	2.6	2.7
Total asset turnover (x)	3.6	4.6	4.2	3.7	3.4
Assets/Equity (x)	1.8	2.0	1.8	1.7	1.8
RoE (%)	16.6	(8.5)	35.2	16.6	16.0
DuPont-RoIC					
NOPLAT margin (%)	2.5	1.0	4.6	2.5	2.5
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	12.3	5.7	24.3	12.8	13.1
Operating metrics					
Core NWC days	20.8	15.9	15.3	15.3	15.3
Total NWC days	20.8	15.9	15.3	15.3	15.3
Fixed asset turnover	3.7	4.3	3.7	3.4	3.3
Opex-to-revenue (%)	6.9	5.9	6.1	7.0	7.1

Source: Company, Emkay Research

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HPCL: Standalone Financials and Valuations

Profit and Loss

Y/E March (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Revenue	34,96,829	43,47,860	42,85,306	41,11,484	42,20,527
Revenue growth (%)	50.1	24.3	(1.4)	(4.1)	2.7
EBITDA	1,01,759 (1,13,306)	2,30,584	1,70,908	1,92,681	1,92,681
EBITDA growth (%)	(36.1)	(211.3)	0.0	(25.9)	12.7
Depreciation & Amortization	39,691	43,300	55,507	65,420	72,033
EBIT	62,067 (1,56,605)	1,75,077	1,05,488	1,20,648	1,20,648
EBIT growth (%)	(49.8)	(352.3)	0.0	(39.7)	14.4
Other operating income	0	0	0	0	0
Other income	22,743	20,691	21,565	23,195	25,454
Financial expense	9,727	21,319	28,143	33,604	40,604
PBT	75,083 (1,57,232)	1,68,499	95,080	1,05,498	1,05,498
Extraordinary items	5,996	56,170	9,897	0	0
Taxes	18,211	(29,409)	43,363	23,960	26,585
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	63,826 (89,740)	1,28,712	71,120	71,120	78,912
PAT growth (%)	(40.1)	(240.6)	0.0	(44.7)	11.0
Adjusted PAT	59,162 (1,32,046)	1,21,309	71,120	71,120	78,912
Diluted EPS (Rs)	41.7 (93.1)	85.5	50.1	50.1	55.6
Diluted EPS growth (%)	(38.7)	(240.6)	0.0	(44.7)	11.0
DPS (Rs)	14.0	0.0	30.4	17.5	19.5
Dividend payout (%)	31.1	0.0	33.5	35.0	35.0
EBITDA margin (%)	2.9	(2.6)	5.4	4.2	4.6
EBIT margin (%)	1.8	(3.6)	4.1	2.6	2.9
Effective tax rate (%)	30.5	(8.2)	30.1	25.2	25.2
NOPLAT (pre-IndAS)	43,158 (1,69,451)	1,22,329	78,905	78,905	90,245
Shares outstanding (mn)	1,418.9	1,418.9	1,418.9	1,418.9	1,418.9

Source: Company, Emkay Research

Cash Flows

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
PBT	75,083	(1,57,232)	1,68,499	95,080	1,05,498
Others (non-cash items)	39,195	73,292	62,085	75,828	87,183
Taxes paid	(14,511)	(1,598)	(28,889)	(16,723)	(22,967)
Change in NWC	52,176	13,860	(25,448)	8,876	1,181
Operating cash flow	1,58,898 (33,595)	1,79,823	1,63,061	1,70,895	1,70,895
Capital expenditure	(1,07,642)	(88,877)	(1,20,000)	(1,10,000)	(90,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	9,040	10,206	21,565	23,195	25,454
Investing cash flow	(1,25,653) (1,10,977)	(1,00,556)	(88,947)	(66,710)	(66,710)
Equity raised/(repaid)	(10,404)	0	0	0	0
Debt raised/(repaid)	28,150	2,05,732	0	(20,000)	(24,000)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(16,712)	(31,101)	(28,143)	(33,604)	(40,604)
Dividend paid (incl tax)	(32,229)	(19,857)	(43,119)	(24,892)	(27,619)
Others	(3,112)	(7,775)	0	0	0
Financing cash flow	(34,306) 1,46,999	(71,262)	(78,496)	(92,223)	(92,223)
Net chg in Cash	(1,062)	2,427	8,005	(4,381)	11,962
OCF	1,58,898	(33,595)	1,79,823	1,63,061	1,70,895
Adj. OCF (w/o NWC chg.)	1,06,722	(47,455)	2,05,271	1,54,185	1,69,714
FCFF	51,255	(1,22,472)	59,823	53,061	80,895
FCFE	50,568	(1,33,584)	53,245	42,653	65,745
OCF/EBITDA (%)	156.2	29.6	78.0	95.4	88.7
FCFE/PAT (%)	79.2	148.9	41.4	60.0	83.3
FCFF/NOPLAT (%)	118.8	72.3	48.9	67.2	89.6

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY24E	FY25E	FY26E
Share capital	14,189	14,189	14,189	14,189	14,189
Reserves & Surplus	3,72,581	2,62,945	3,48,538	3,94,766	4,46,060
Net worth	3,86,770	2,77,134	3,62,728	4,08,956	4,60,249
Minority interests	0	0	0	0	0
Deferred tax liability (net)	59,783	30,110	44,584	51,821	55,439
Total debt	4,65,906	6,80,051	6,80,051	6,60,051	6,36,051
Total liabilities & equity	9,12,459	9,87,295	10,87,363	11,20,828	11,51,739
Net tangible fixed assets	5,20,442	6,24,492	8,25,802	9,25,109	9,42,710
Net intangible assets	8,223	8,223	8,223	8,223	8,223
Net ROU assets	42,671	42,671	42,671	42,671	42,671
Capital WIP	2,67,660	2,28,028	91,211	36,484	36,849
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,25,722	1,60,418	1,62,022	1,63,643	1,65,279
Cash & equivalents	55,025	57,075	65,596	61,737	74,227
Current assets (ex-cash)	4,81,868	4,23,943	4,18,931	4,04,214	4,14,184
Current Liab. & Prov.	5,89,152	5,57,555	5,27,094	5,21,254	5,32,404
NWC (ex-cash)	(1,07,284)	(1,33,612)	(1,08,163)	(1,17,040)	(1,18,220)
Total assets	9,12,459	9,87,295	10,87,363	11,20,828	11,51,739
Net debt	4,10,881	6,22,976	6,14,455	5,98,314	5,61,824
Capital employed	9,12,459	9,87,295	10,87,363	11,20,828	11,51,739
Invested capital	4,64,052	5,41,774	7,68,533	8,58,963	8,75,384
BVPS (Rs)	272.6	195.3	255.6	288.2	324.4
Net Debt/Equity (x)	1.1	2.2	1.7	1.5	1.2
Net Debt/EBITDA (x)	4.0	(5.5)	2.7	3.5	2.9
Interest coverage (x)	0.1	(0.2)	0.1	0.3	0.3
RoCE (%)	9.6	(14.3)	19.0	11.7	12.9

Source: Company, Emkay Research

Valuations and Key Ratios

Y/E Mar	FY24	FY25	FY24E	FY25E	FY26E
P/E (x)	7.8	(3.5)	3.8	6.5	5.9
P/CE(x)	4.7	(5.2)	2.6	3.4	3.1
P/B (x)	1.2	1.7	1.3	1.1	1.0
EV/Sales (x)	0.3	0.2	0.3	0.3	0.2
EV/EBITDA (x)	8.6	(9.6)	4.7	6.2	5.3
EV/EBIT(x)	14.1	(6.9)	6.2	10.1	8.5
EV/IC (x)	1.9	2.0	1.4	1.2	1.2
FCFF yield (%)	5.9	(11.3)	5.5	5.0	7.9
FCFE yield (%)	10.9	(28.8)	11.5	9.2	14.2
Dividend yield (%)	4.3	0.0	9.3	5.4	6.0
DuPont-RoE split					
Net profit margin (%)	1.7	(3.0)	2.8	1.7	1.9
Total asset turnover (x)	4.0	4.6	4.1	3.7	3.7
Assets/Equity (x)	2.3	2.9	3.2	2.9	2.6
RoE (%)	15.8	(39.8)	37.9	18.4	18.2
DuPont-RoIC					
NOPLAT margin (%)	1.2	(3.9)	2.9	1.9	2.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	9.4	(33.7)	18.7	9.7	10.4
Operating metrics					
Core NWC days	15.1	11.7	11.7	11.7	11.7
Total NWC days	15.1	11.7	11.7	11.7	11.7
Fixed asset turnover	4.8	5.1	4.1	3.3	3.0
Opex-to-revenue (%)	5.0	4.4	4.8	5.5	5.6

Source: Company, Emkay Research

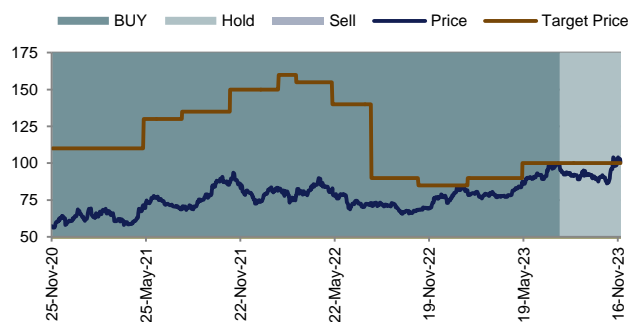
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Nov-23	92	100	Hold	Sabri Hazarika
28-Jul-23	95	100	Hold	Sabri Hazarika
17-May-23	88	100	Buy	Sabri Hazarika
01-Feb-23	80	90	Buy	Sabri Hazarika
06-Dec-22	76	85	Buy	Sabri Hazarika
29-Oct-22	68	85	Buy	Sabri Hazarika
07-Sep-22	71	90	Buy	Sabri Hazarika
31-Jul-22	73	90	Buy	Sabri Hazarika
15-Jul-22	70	140	Buy	Sabri Hazarika
28-Jun-22	72	140	Buy	Sabri Hazarika
22-May-22	78	140	Buy	Sabri Hazarika
17-May-22	83	140	Buy	Sabri Hazarika
09-Mar-22	78	155	Buy	Sabri Hazarika
03-Feb-22	83	160	Buy	Sabri Hazarika
25-Dec-21	74	150	Buy	Sabri Hazarika
23-Nov-21	84	150	Buy	Sabri Hazarika
02-Nov-21	87	150	Buy	Sabri Hazarika
02-Aug-21	70	135	Buy	Sabri Hazarika
26-Jul-21	70	130	Buy	Sabri Hazarika
23-Jun-21	75	130	Buy	Sabri Hazarika
29-May-21	73	130	Buy	Sabri Hazarika
20-May-21	70	130	Buy	Sabri Hazarika
23-Apr-21	59	110	Buy	Sabri Hazarika
23-Mar-21	65	110	Buy	Sabri Hazarika
18-Mar-21	65	110	Buy	Sabri Hazarika
26-Nov-20	57	110	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

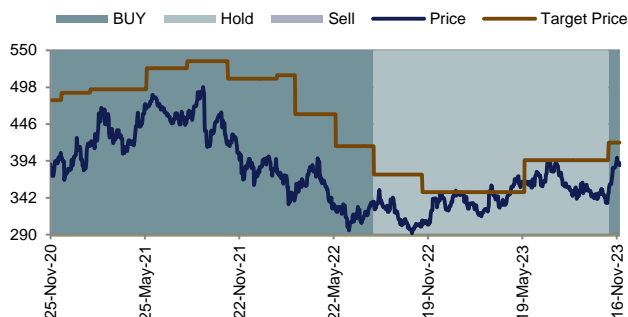
BPCL

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
31-Oct-23	349	420	Buy	Sabri Hazarika
27-Jul-23	379	395	Hold	Sabri Hazarika
23-May-23	367	395	Hold	Sabri Hazarika
31-Jan-23	343	350	Hold	Sabri Hazarika
06-Dec-22	329	350	Hold	Sabri Hazarika
08-Nov-22	310	350	Hold	Sabri Hazarika
07-Sep-22	327	375	Hold	Sabri Hazarika
07-Aug-22	336	375	Hold	Sabri Hazarika
15-Jul-22	312	415	Buy	Sabri Hazarika
28-Jun-22	319	415	Buy	Sabri Hazarika
26-May-22	324	415	Buy	Sabri Hazarika
22-May-22	333	460	Buy	Sabri Hazarika
09-Mar-22	343	460	Buy	Sabri Hazarika
02-Feb-22	382	515	Buy	Sabri Hazarika
25-Dec-21	372	510	Buy	Sabri Hazarika
23-Nov-21	398	510	Buy	Sabri Hazarika
31-Oct-21	418	510	Buy	Sabri Hazarika
14-Aug-21	455	535	Buy	Sabri Hazarika
26-Jul-21	456	525	Buy	Sabri Hazarika
23-Jun-21	470	525	Buy	Sabri Hazarika
29-May-21	472	525	Buy	Sabri Hazarika
28-May-21	472	525	Buy	Sabri Hazarika
23-Apr-21	423	495	Buy	Sabri Hazarika
22-Mar-21	439	495	Buy	Sabri Hazarika
18-Mar-21	427	495	Buy	Sabri Hazarika
02-Mar-21	469	495	Buy	Sabri Hazarika
09-Feb-21	419	495	Buy	Sabri Hazarika
16-Dec-20	400	490	Buy	Sabri Hazarika
26-Nov-20	378	480	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

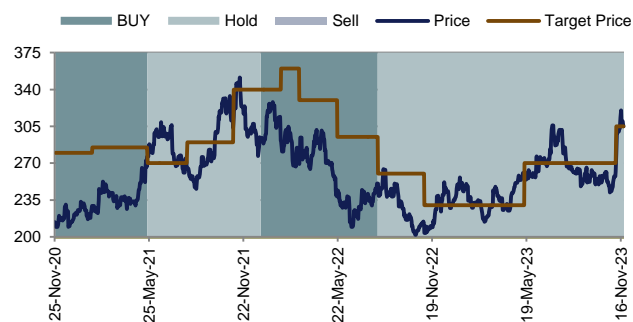
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Nov-23	279	305	Hold	Sabri Hazarika
03-Aug-23	270	270	Hold	Sabri Hazarika
15-May-23	260	270	Hold	Sabri Hazarika
10-Feb-23	233	230	Hold	Sabri Hazarika
06-Dec-22	224	230	Hold	Sabri Hazarika
04-Nov-22	204	230	Hold	Sabri Hazarika
07-Sep-22	244	260	Hold	Sabri Hazarika
07-Aug-22	251	260	Hold	Sabri Hazarika
15-Jul-22	240	295	Buy	Sabri Hazarika
28-Jun-22	222	295	Buy	Sabri Hazarika
22-May-22	244	295	Buy	Sabri Hazarika
21-May-22	244	295	Buy	Sabri Hazarika
09-Mar-22	269	330	Buy	Sabri Hazarika
02-Feb-22	291	360	Buy	Sabri Hazarika
25-Dec-21	292	340	Buy	Sabri Hazarika
23-Nov-21	319	340	Hold	Sabri Hazarika
03-Nov-21	314	340	Hold	Sabri Hazarika
06-Aug-21	265	290	Hold	Sabri Hazarika
26-Jul-21	274	270	Hold	Sabri Hazarika
23-Jun-21	300	270	Hold	Sabri Hazarika
29-May-21	281	270	Hold	Sabri Hazarika
22-May-21	276	270	Hold	Sabri Hazarika
23-Apr-21	234	285	Buy	Sabri Hazarika
23-Mar-21	239	285	Buy	Sabri Hazarika
18-Mar-21	234	285	Buy	Sabri Hazarika
05-Feb-21	225	285	Buy	Sabri Hazarika
06-Jan-21	221	280	Buy	Sabri Hazarika
26-Nov-20	213	280	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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