

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR347 TP: INR380 (+10%) Neutral**

## Outlook intact amid volatile earnings and limited volume growth

Bloomberg	BPCL IN
Equity Shares (m)	2093
M.Cap.(INRb)/(USD\$b)	752.5 / 9
52-Week Range (INR)	398 / 299
1, 6, 12 Rel. Per (%)	3/-9/7
12M Avg Val (INR M)	1254

### Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	4,731.9	4,244.2	4,318.6
EBITDA	93.8	388.3	171.8
Adj. PAT	19.7	250.5	98.6
EPS (INR)	9.4	119.7	47.1
EPS Gr.%	-81.9	1170.3	-60.6
BV/Sh.INR	255.7	318.6	345.1
<b>Ratios</b>			
Net D:E	1.1	0.8	0.6
RoE (%)	3.7	41.7	14.2
RoCE (%)	-0.4	22.0	8.1
Payout (%)	98.2	47.5	43.7
<b>Valuation</b>			
P/E (x)	36.8	2.9	7.4
P/BV (x)	1.4	1.1	1.0
EV/EBITDA (x)	7.7	1.9	4.2
Div yield (%)	2.9	16.4	5.9
FCF yield (%)	5.4	31.1	15.8

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	53.0	53.0	53.0
DII	23.5	24.1	21.8
FII	13.3	12.9	13.0
Others	10.2	10.1	12.2

FII Includes depository receipts

- BPCL reported GRM of USD18.5/bbl in 2QFY24, a substantial improvement from USD12.6/bbl in 1QFY24, while implied marketing margin at INR5.9/lit beat our est. of INR5.4/lit.
- Refining throughput stood at 9.4mmt (vs. 10.4mmt in 1QFY24), due to the planned maintenance shutdown at its Bina refinery. The management highlighted that GRM of the Bina refinery is higher than that of other refineries since it can process up to 90% of high Sulphur crude in its crude basket.
- Singapore GRM has declined to USD4.1/bbl in 3QFY24 TD from USD9.8/bbl in 2QFY24, which may lead to a weak refining performance in 3Q. However, we expect GRM to improve to ~USD8.5/bbl in 4QFY24 as global refining maintenance shutdowns may lead to improvement in product cracks.
- Marketing sales volume (excluding exports) came in at 12.2mmt in 2QFY24 (vs. 12.8mmt in 1QFY24). The company intends to add 1,000 retail outlets in FY24 and has already added 300 retail outlets in 1HFY24.
- The stock is trading at 1.1x FY24E P/BV, and we value it at 1.1x FY25E P/BV to arrive at our TP of INR380. **Maintain Neutral.**

### Throughput and marketing sales volume in line

- **Refining** throughput was in line with our estimate at 9.4mmt (+6% YoY). Reported GRM came in lower than our estimate at USD18.5/bbl (vs. our estimate of USD20.3/bbl and USD12.6/bbl in 1QFY24).
- **Marketing** volumes, excluding exports, were in line with our estimate at 12.2mmt (+7% YoY). Marketing margin (inc. inv.) was higher than our est. at INR5.9/lit (INR9.3/lit in 1QFY24). Marketing inventory gain for the quarter stood at INR14.9b vs. inventory loss of INR10.7b in 1QFY24.
- As a result, EBITDA came in 7% below our est. at INR130.1b. Reported PAT was in line with our est. at INR85b.
- **Debt** position improved to INR225.7b at 2Q end vs. INR279.4b at 1Q end.
- **For 1HFY24**, BPCL posted EBITDA of INR288.2b (vs. operating loss of INR28.8b in 1HFY23) and PAT of INR190.5b (vs. net loss of INR65.7b in 1HFY23).
  - Marketing sales volume, excluding exports, declined 7% YoY to 24.9mmt, with marketing margin at INR7.6/lit (vs. marketing loss of INR4.9/lit in 1HFY23).
  - Refining throughput was down 6% YoY at 19.7mmt, with reported GRM at USD15.6/bbl (vs. USD22.2/bbl in 1HFY23).
- 1HFY24 EBITDA stood at 77% of our FY24 estimates, while PAT was at 87% of our FY24 estimates.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- BPCL had a cumulative negative net buffer of INR8487.4m as on 31st Mar'23 due to under-recovery on LPG cylinders. The same has been recognized as part of revenue upon its recovery in 1HFY24.

### Valuation and view

- At 1.1x FY25 P/BV, we see limited downside from current levels. However, with minimal volume growth in the next two years and given earnings volatility in the marketing division, we maintain our Neutral rating with a TP of INR380.
- We expect refining margins to sustain close to mid-cycle levels and they are unlikely to reach extremities, which can be a near-term positive for OMCs.
- Retail price cuts due to upcoming elections and/or a surge in crude oil prices due to active quota management by OPEC+ remain key risks to our call. However, we highlight that even with crude at USD85/bbl and MS/HSD cracks at long-term average levels, BPCL is expected to earn marketing margin of INR8.9/INR6.7 per liter on MS/HSD.

### Standalone - Quarterly Earning Model

Y/E March	(INR b)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Net Sales</b>	<b>1,210.5</b>	<b>1,148.1</b>	<b>1,191.6</b>	<b>1,181.1</b>	<b>1,129.8</b>	<b>1,029.9</b>	<b>997.8</b>	<b>1,086.2</b>	<b>4,731.2</b>	<b>4,243.6</b>	<b>1,223.9</b>	<b>-16%</b>
YoY Change (%)	70.7	50.3	25.3	13.3	-6.7	-10.3	-16.3	-8.0	36.5	-10.3	6.6	
<b>EBITDA</b>	<b>-49.0</b>	<b>20.2</b>	<b>43.8</b>	<b>111.5</b>	<b>158.1</b>	<b>130.1</b>	<b>43.4</b>	<b>62.1</b>	<b>126.5</b>	<b>393.7</b>	<b>139.3</b>	<b>-7%</b>
Margins (%)	-4.0	1.8	3.7	9.4	14.0	12.6	4.4	5.7	2.7	9.3	11.4	
Depreciation	16.1	15.6	15.8	16.0	16.1	16.0	16.5	16.6	63.5	65.2	16.7	
Interest	6.2	8.1	9.8	8.1	6.8	7.7	8.4	10.7	32.2	33.6	8.4	
Other Income	4.4	5.6	4.5	5.4	4.7	7.7	5.6	4.6	19.9	22.6	4.7	
<b>PBT before EO expense</b>	<b>-76.5</b>	<b>-3.8</b>	<b>21.3</b>	<b>94.8</b>	<b>140.1</b>	<b>113.1</b>	<b>24.2</b>	<b>39.4</b>	<b>35.8</b>	<b>316.8</b>	<b>118.4</b>	<b>-4%</b>
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	
<b>PBT</b>	<b>-76.5</b>	<b>-3.8</b>	<b>21.3</b>	<b>81.2</b>	<b>140.1</b>	<b>113.1</b>	<b>24.2</b>	<b>39.4</b>	<b>22.2</b>	<b>316.8</b>	<b>118.4</b>	<b>-4%</b>
<b>Adj PAT</b>	<b>-62.6</b>	<b>-3.0</b>	<b>19.6</b>	<b>75.6</b>	<b>105.5</b>	<b>85.0</b>	<b>18.1</b>	<b>29.4</b>	<b>29.6</b>	<b>238.1</b>	<b>88.6</b>	<b>-4%</b>
YoY Change (%)	PL	PL	-30.7	202.4	LP	LP	-7.7	-61.1	-70.3	705.5	LP	
<b>Key Assumptions</b>												
Refining throughput (mmt)	9.7	8.8	9.4	10.6	10.4	9.4	10.0	10.0	38.5	39.7	9.2	2%
Reported GRM (USD/bbl)	27.5	16.8	15.9	20.6	12.6	18.5	5.5	8.5	20.3	11.9	20.3	-9%
Marketing sales volume excld exports (mmt)	11.8	11.4	12.8	12.9	12.8	12.2	13.3	13.4	48.9	51.7	12.1	1%
Marketing GM incld inv (INR/litre)	-9.1	-0.6	1.1	2.9	9.3	5.9	4.1	4.1	-1.4	5.9	5.4	10%

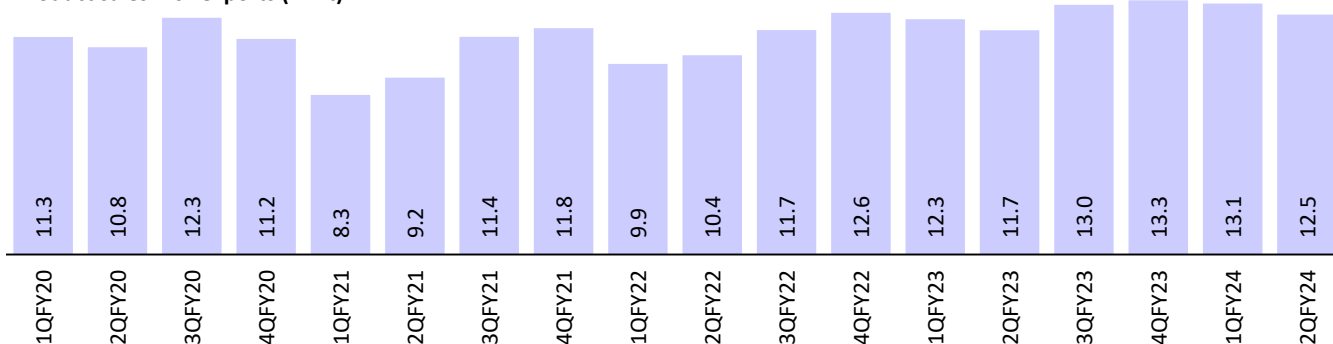
### Exhibit 1: BPCL – key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	83.1	84.6
Crude cost (USD/bbl)	57.1	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Domestic Market Sales (mmt)	41.2	43.1	43.1	38.7	42.5	48.9	51.7	53.8
YoY (%)	9%	5%	0%	-10%	10%	15%	6%	4%
<b>Reported GRM (USD/bbl)</b>	<b>6.9</b>	<b>4.6</b>	<b>2.5</b>	<b>4.1</b>	<b>9.5</b>	<b>20.3</b>	<b>11.9</b>	<b>5.5</b>
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Prem/(disc) (USD/bbl)	(0.4)	(0.3)	(0.7)	3.6	4.5	9.6	5.5	(0.5)
Refinery throughput (mmt)	28.5	31.0	31.9	26.4	34.1	38.5	39.7	40.0
YoY (%)	12%	9%	3%	-17%	29%	13%	3%	1%
<b>Marketing Margin (INR/ltr)</b>								
Blended gross marketing margin incld inventory	4.0	4.8	4.7	6.9	5.0	(1.4)	5.9	4.1
<b>Consolidated EPS</b>	<b>46.8</b>	<b>40.7</b>	<b>23.8</b>	<b>63.2</b>	<b>52.0</b>	<b>9.4</b>	<b>119.7</b>	<b>47.1</b>

Source: Company, MOSFL

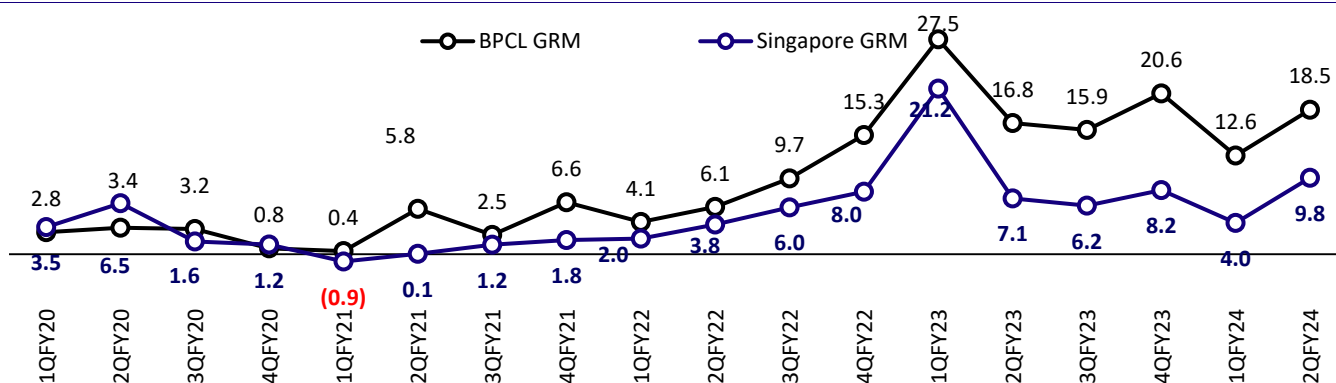
Exhibit 2: Product sales at 12.5mmt (up 7% YoY)

Product sales incl. exports (mmt)



Source: Company, MOSFL

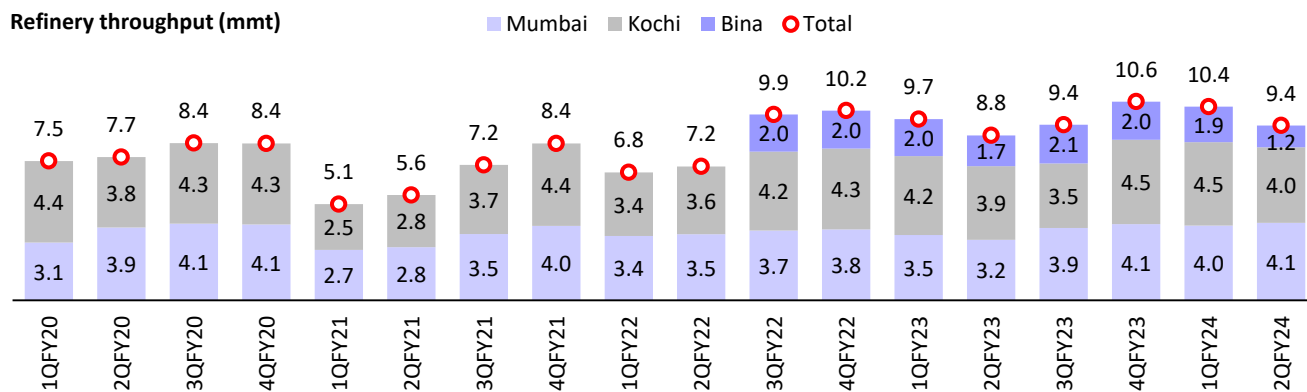
Exhibit 3: Reported GRM at USD18.5/bbl in 2QFY24 vs. USD16.8/bbl in 2QFY23



Source: Company, MOSFL

Exhibit 4: Total refinery throughput was up 6% YoY (Bina refinery throughput down 29% YoY)

Refinery throughput (mmt)



Source: Company, MOSFL

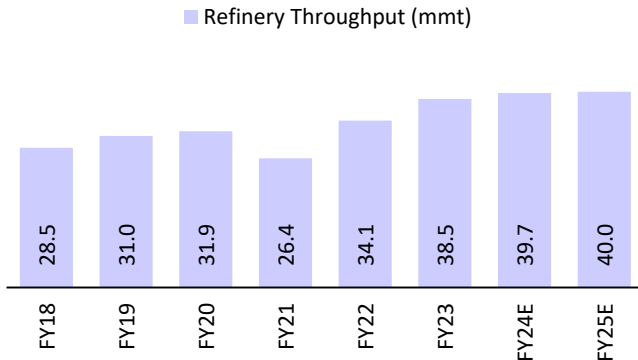


## Highlights from the management commentary

- Refining yield was at 86.01% during the quarter
- Bina refinery had a planned shutdown in July
- 1,000 new retail outlets to be added in FY24
- During 1HFY24, 300 retail outlets were added
- 18MW solar capacity installed at Bina refinery during the quarter
- 64MW of renewable energy capacity installed by BPCL across India
- Bina refinery can process up to 90% of high sulphur crude hence GRMs are higher
- Bina can also produce up to 57% diesel in its product slate which helps during times of high diesel cracks
- Kochi can produce 45% diesel in its product slate and also process high amount of Russian crude
- BPCL can process around ~30-40% Russian crude in its crude mix across all three refineries combined
- The company is already processing Russian crude close to maximum extent possible
- FY24 capex target is INR100b
- Company has already spent INR51.91b during the quarter
- Capex outlay of INR1,500b planned over next 5 years
- Peak capex will be during FY26
- Major proportion (~INR490b) will be for refinery and petchem segments
- BPCL's petchem product portfolio is different from what is announced by PLNG today
- INR260b will be for E&P
- INR260b for CGD
- INR250b will be for marketing infrastructure
- 2GW of renewable capacity for INR40b
- No payments due from Russia have been held up as of now
- Mozambique project is still under force majeure
- No certainty on timelines by when force majeure will be lifted or the updated project cost
- Opex was at ~2/bbl across all three refineries put together

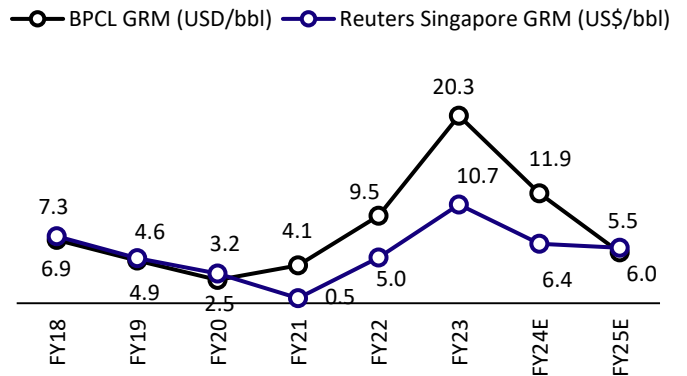
## Story in charts

**Exhibit 5: Throughput (mmt)**



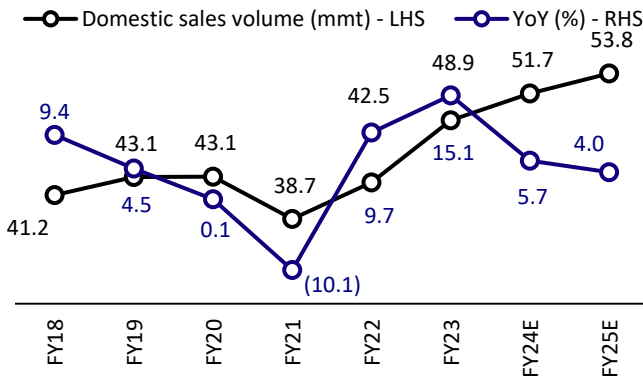
Source: Company, MOFSL

**Exhibit 6: GRM trend**



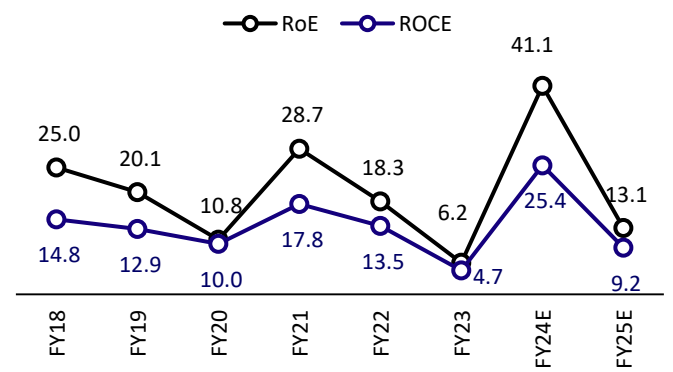
Source: Company, MOFSL

**Exhibit 7: Domestic marketing sales volume**



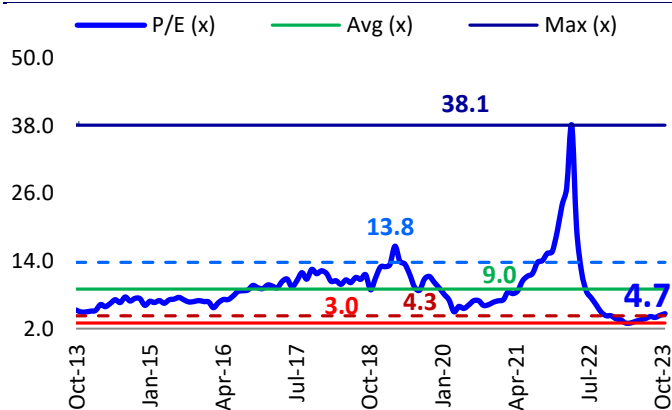
Source: Company, MOFSL

**Exhibit 8: Standalone return ratios (%)**



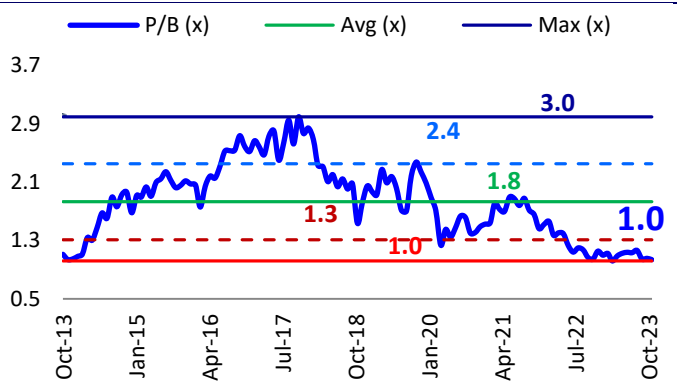
Source: Company, MOFSL

**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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>2,358</b>	<b>2,982</b>	<b>2,846</b>	<b>2,302</b>	<b>3,468</b>	<b>4,732</b>	<b>4,244</b>	<b>4,319</b>
Change (%)	17%	26%	-5%	-19%	51%	36%	-10%	2%
<b>EBITDA</b>	<b>152</b>	<b>158</b>	<b>100</b>	<b>211</b>	<b>189</b>	<b>94</b>	<b>388</b>	<b>172</b>
Margin (%)	6.4	5.3	3.5	9.2	5.4	2.0	9.1	4.0
Depreciation	29	34	41	43	54	64	65	67
<b>EBIT</b>	<b>123</b>	<b>124</b>	<b>59</b>	<b>168</b>	<b>134</b>	<b>30</b>	<b>323</b>	<b>105</b>
Net forex loss	0	7	17	-2	-3	-15	1	0
Int. and Finance Charges	12	18	26	17	26	37	39	27
Other Income	18	20	19	23	23	15	31	35
<b>PBT bef. EO Exp.</b>	<b>129</b>	<b>120</b>	<b>36</b>	<b>175</b>	<b>134</b>	<b>23</b>	<b>314</b>	<b>113</b>
EO Items	0	0	-13	53	11	-16	0	0
<b>PBT after EO Exp.</b>	<b>129</b>	<b>120</b>	<b>23</b>	<b>228</b>	<b>145</b>	<b>6</b>	<b>314</b>	<b>113</b>
Total Tax	44	44	0	51	44	7	79	28
Tax Rate (%)	34.0	36.6	-0.6	22.5	30.0	109.7	25.2	25.2
Minority Interest/Share of JVs/associates	13	9	14	-3	15	22	16	14
<b>Reported PAT</b>	<b>98</b>	<b>85</b>	<b>37</b>	<b>173</b>	<b>117</b>	<b>21</b>	<b>251</b>	<b>99</b>
<b>Adjusted PAT</b>	<b>98</b>	<b>85</b>	<b>50</b>	<b>132</b>	<b>109</b>	<b>20</b>	<b>251</b>	<b>99</b>
Change (%)	3%	-13%	-42%	166%	-18%	-82%	1170%	-61%
Margin (%)	4.2	2.9	1.8	5.8	3.1	0.4	5.9	2.3

### Consolidated - Balance Sheet

	(INR b)							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	20	20	20	21	21	21	21	21
Total Reserves	347	368	346	515	498	514	645	701
<b>Net Worth</b>	<b>366</b>	<b>388</b>	<b>365</b>	<b>536</b>	<b>519</b>	<b>535</b>	<b>667</b>	<b>722</b>
Minority Interest	19	21	21	0	0	0	0	0
Total Loans	370	429	558	400	559	605	605	605
Deferred Tax Liabilities	55	68	62	49	64	79	79	79
<b>Capital Employed</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,142</b>	<b>1,219</b>	<b>1,350</b>	<b>1,406</b>
Gross Block	962	1,039	1,223	1,286	1,515	1,735	1,795	1,855
Less: Accum. Deprn.	331	365	406	449	503	567	652	725
<b>Net Fixed Assets</b>	<b>631</b>	<b>674</b>	<b>817</b>	<b>836</b>	<b>1,011</b>	<b>1,168</b>	<b>1,143</b>	<b>1,130</b>
Capital WIP	99	137	178	171	154	162	222	268
<b>Total Investments</b>	<b>61</b>	<b>68</b>	<b>55</b>	<b>72</b>	<b>52</b>	<b>64</b>	<b>64</b>	<b>64</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>412</b>	<b>491</b>	<b>459</b>	<b>530</b>	<b>658</b>	<b>486</b>	<b>483</b>	<b>552</b>
Inventory	225	229	222	267	422	381	317	341
Account Receivables	52	69	54	78	97	67	60	61
Cash and Bank Balance	14	7	12	81	22	26	93	137
Cash	6	4	8	76	22	23	91	135
Bank Balance	8	2	4	5	1	3	3	3
Loans and Advances	121	186	171	103	117	13	13	13
<b>Curr. Liability &amp; Prov.</b>	<b>393</b>	<b>464</b>	<b>503</b>	<b>625</b>	<b>733</b>	<b>662</b>	<b>562</b>	<b>609</b>
Account Payables	216	430	466	590	702	633	527	566
Provisions	178	33	36	36	32	29	35	42
<b>Net Current Assets</b>	<b>19</b>	<b>27</b>	<b>-44</b>	<b>-95</b>	<b>-75</b>	<b>-176</b>	<b>-79</b>	<b>-57</b>
<b>Appl. of Funds</b>	<b>810</b>	<b>905</b>	<b>1,006</b>	<b>985</b>	<b>1,142</b>	<b>1,219</b>	<b>1,350</b>	<b>1,406</b>

## Financials and valuations

Ratios								
Y/E March (INR)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>46.8</b>	<b>40.7</b>	<b>23.8</b>	<b>63.2</b>	<b>52.0</b>	<b>9.4</b>	<b>119.7</b>	<b>47.1</b>
Cash EPS	60.6	57.1	43.3	84.0	78.0	39.9	150.9	79.0
BV/Share	175.0	185.2	174.6	255.9	248.0	255.7	318.6	345.1
DPS	22.3	20.2	17.6	79.0	16.0	10.0	56.9	20.6
Payout (%)	52.5	54.6	110.2	95.5	28.7	98.2	47.5	43.7
<b>Valuation (x)</b>								
P/E	7.4	8.5	14.5	5.5	6.7	36.8	2.9	7.4
Cash P/E	5.7	6.1	8.0	4.1	4.4	8.7	2.3	4.4
P/BV	2.0	1.9	2.0	1.4	1.4	1.4	1.1	1.0
EV/Sales	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	4.5	4.3	6.8	3.4	3.8	7.7	1.9	4.2
Dividend Yield (%)	6.4	5.8	5.1	22.8	4.6	2.9	16.4	5.9
FCF per share	16.9	-1.7	-21.8	68.8	56.6	18.9	107.8	54.7
<b>Return Ratios (%)</b>								
RoE	29.0	22.6	13.2	29.4	20.6	3.7	41.7	14.2
RoCE	13.7	11.8	9.1	15.9	10.9	-0.4	22.0	8.1
RoIC	15.2	11.8	8.2	18.3	11.9	-0.3	25.0	8.2
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.5	2.9	2.3	1.8	2.3	2.7	2.4	2.3
Asset Turnover (x)	2.9	3.3	2.8	2.3	3.0	3.9	3.1	3.1
Inventory (Days)	35	28	29	42	44	29	27	29
Debtor (Days)	8	8	7	12	10	5	5	5
Creditor (Days)	33	53	60	94	74	49	45	48
<b>Leverage Ratio (x)</b>								
Current Ratio	1.0	1.1	0.9	0.8	0.9	0.7	0.9	0.9
Interest Cover Ratio	10.4	7.0	2.3	9.7	5.2	0.8	8.3	3.8
Net Debt/Equity	1.0	1.1	1.5	0.6	1.0	1.1	0.8	0.6

### Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	142	129	37	224	160	28	314	113
Depreciation	29	34	41	43	54	64	65	67
Direct Taxes Paid	-34	-30	-22	-38	-18	-8	-79	-28
(Inc)/Dec in WC	-13	-35	-7	38	13	-2	-29	22
<b>CF from Operations</b>	<b>111</b>	<b>102</b>	<b>79</b>	<b>236</b>	<b>203</b>	<b>125</b>	<b>326</b>	<b>215</b>
(Inc)/Dec in FA	-77	-105	-122	-92	-85	-85	-100	-100
<b>Free Cash Flow</b>	<b>33</b>	<b>-3</b>	<b>-43</b>	<b>144</b>	<b>118</b>	<b>39</b>	<b>226</b>	<b>115</b>
(Pur)/Sale of Investments	7	-2	12	-22	198	-3	0	0
<b>CF from Investments</b>	<b>-69</b>	<b>-105</b>	<b>-111</b>	<b>-26</b>	<b>165</b>	<b>-78</b>	<b>-100</b>	<b>-100</b>
Inc/(Dec) in Debt	15	66	124	-120	-10	14	0	0
Dividend Paid	-44	-49	-65	-49	-145	-13	-119	-43
CF from Fin. Activity	-42	2	36	-142	-422	-45	-158	-71
<b>Inc/Dec of Cash</b>	<b>0</b>	<b>-2</b>	<b>4</b>	<b>68</b>	<b>-54</b>	<b>2</b>	<b>68</b>	<b>44</b>
Opening Balance	6	6	4	8	76	22	23	91
<b>Closing Balance</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>76</b>	<b>22</b>	<b>23</b>	<b>91</b>	<b>135</b>

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NOTES



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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

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