

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BPCL IN
Equity Shares (m)	4339
M.Cap.(INRb)/(USDb)	1379.9 / 15.8
52-Week Range (INR)	376 / 234
1, 6, 12 Rel. Per (%)	-6/19/-4
12M Avg Val (INR M)	3121

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	4,403	3,636	3,415
EBITDA	254	261	224
Adj. PAT	136	151	123
EPS (INR)	32	35	29
EPS Gr.%	-49.7	10.8	-18.2
BV/Sh. (INR)	190	229	250

Ratios

Net D:E	0.5	0.4	0.5
RoE (%)	17.3	16.8	12.1
RoCE (%)	11.7	11.3	8.3
Payout (%)	32.0	19.7	30.3

Valuation

P/E (x)	10.0	9.0	11.0
P/BV (x)	1.7	1.4	1.3
EV/EBITDA (x)	5.4	5.2	6.1
Div. yield (%)	3.1	3.0	2.7
FCF yield (%)	6.3	3.5	1.7

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	53.0	53.0	53.0
DII	23.1	23.2	22.3
FII	15.5	14.6	15.0
Others	8.5	9.3	9.7

FII Includes depository receipts

CMP: INR318

TP: INR310 (-3%)

Neutral

Rising capex intensity raises concerns

- BPCL's EBITDA/PAT came in 12%/11% below expectations in 1QFY26, impacted by lower-than-anticipated GRM (USD 4.9/bbl). However, blended marketing margin stood 25% above estimate at INR8.3/litre (up 75% YoY). Refining throughput and marketing volumes came in line with estimates.
- The Union Cabinet has approved INR300b in LPG compensation to OMCs, which will be paid in 12 tranches. While the disbursement timeline remains undisclosed, we estimate BPCL to receive ~INR37.5b in both FY26/FY27 (25% of total compensation). This will result in a ~5% increase in BPCL's FY27E BVPS.
- In our [previous note](#), we highlighted that OMCs are entering the last phase of a rally. Since then, BPCL has delivered only 2% return (peak return of 14%). While MS/HSD marketing margins have corrected recently to an average of INR11.3/INR6.7 per lit so far in 2Q (vs. INR12.7/INR11 per lit in 1Q), they are significantly above our assumption of INR3.3/lit. Further, with current LPG under-recovery per cyl declining to INR30 (vs. INR150 in 1Q), the marketing segment should remain strong. Refining segment reported a weak performance in 1Q, as the inventory loss came in significantly above estimate at USD3.5/bbl. In 2Q'td, HSD cracks have risen 34% QoQ to USD13.3/bbl, while MS cracks have declined 23% QoQ to USD8.7/bbl. Fuel oil cracks have again turned negative, averaging -USD4.8/bbl.
- We continue to prefer HPCL over BPCL because of the following factors: 1) HPCL's leverage towards marketing segment, 2) higher dividend yield, as HPCL's capex cycle is tapering off while BPCL enters into a new capex cycle, and 3) start-up of HPCL's multiple mega-projects in the next 12 months providing a push to earnings.
- BPCL currently trades at 1.5x 1yr. fwd. P/B vs. 10-year average of 1.8x. We have a Neutral rating on BPCL.

Key takeaways from the conference call

- **Bina refinery expansion:** 14% physical progress has been achieved as of Jun'25. INR8b capex has been spent.
- **Mumbai refinery upgrade capex: INR142b will be spent.** Fluid Catalytic Cracking unit and some other units are being replaced, including the upgrade of a bottom residue unit. Completion is expected in May'29. Work has started on the refinery.
- **Capex guidance:** INR200b annual capex is expected in FY26, out of which INR23.8b has been spent in 1Q.
- Inventory levels were on the higher side in 1Q, with around 2.9-3mmt of crude oil inventory (usually 2.2-2.3mmt), leading to higher refining inventory loss.
- Russian crude throughput stood at ~34% in 1Q (lower in Jun'25). Discounts were down at USD1-1.5/bbl.
- LPG under-recovery per cylinder fell to INR30 in Sep'25.

Weak refining mars 1Q performance

- BPCL's reported GRM of ~USD4.9/bbl came in below our est. of USD9.0/bbl.
- Refining throughput stood in line with our est. at 10.4mmt (+3% YoY).
- Marketing volumes, excluding exports, were also in line with our est. at 13.6mmt (-1% YoY).
- Marketing margin (including inv.) was 25% above our est. at INR8.3/lit.
- EBITDA was 12% below our estimate at INR96.6b, with marketing inventory loss of INR8.4b and forex gain of INR0.2b.
- LPG under-recovery amounted to INR20.8b (INR32.2b in 4Q).
- Resulting reported PAT stood 11% below our est. at INR61.2b.
- Other income came in 50% above our estimates.
- As of Jun'25, BPCL had a cumulative negative net buffer of INR125.2b due to the under-recovery on LPG cylinders (INR104.5b as of Mar'25).

Valuation and view

- BPCL's GRMs have been at a premium to SG GRMs because 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-sulfur crude and 50% of Russian crude.
- We maintain our GRM and marketing margin assumptions. Current marketing margins remain healthy, above the INR3.3/lit we are building in for MS/HSD.
- While valuation appears reasonable and strong marketing performance continues, a muted medium-term refining outlook (our FY26/FY27 PAT estimates are 17%/18% 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 INR310/share.

SoTP-based valuation

Particulars	Amount/Particulars	Multiple	Amount
FY27E EBITDA (INR m)	222,230	7.0	1,555,610
FY27E CGD EBITDA (INR m)	1,675	15.0	25,037
(-) FY27E Net Debt (INR m)			486,763
Core business value (INR m)			1,093,883
(/) shares outstanding			4,273
Core business value (INR/share)			256
Add: Investments (INR/share)			
Listed investment (IGL, PLNG & OINL)	@25% discount to CMP		23
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)			310

Valuation of Mozambique Upstream Area 1

Particulars	Unit	Amount
Total Energy aquired 26.5% stake in Sep'19	USD m	3,900.0
(x) Exchange rate	INR/USD	71.0
Total Energy aquired 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)

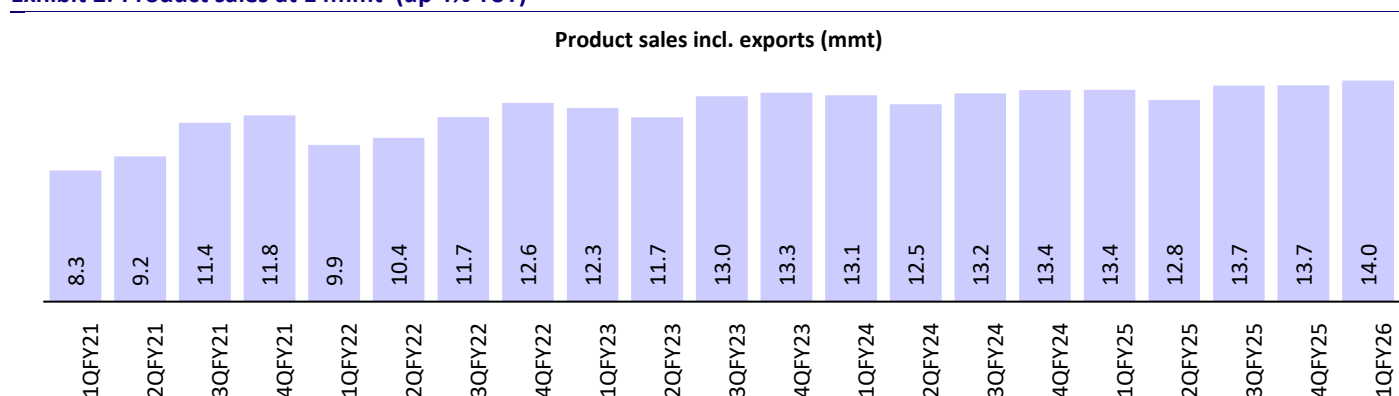
Y/E March	FY25				FY26E				1QE	Var (%)	YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE				
Net Sales	1,131.0	1,027.6	1,131.4	1,111.8	1,125.1	832.9	837.6	839.4	909.3	24%	-1%	1%
YoY Change (%)	0.1	-0.2	-2.0	-4.6	-0.5	-18.9	-26.0	-24.5	-19.6			
EBITDA	56.5	45.1	75.8	78.1	96.6	53.9	55.8	55.7	109.2	-12%	71%	24%
Forex loss	-0.2	0.4	2.7	0.5	-0.2	0.0	0.0	0.0	0.0			
Depreciation	16.8	17.7	18.0	19.7	18.8	18.6	19.0	19.6	17.7			
Interest	4.4	4.7	4.3	5.5	3.7	4.6	4.2	6.1	4.4			
Other Income	4.8	9.6	11.0	7.9	7.3	10.5	12.1	6.7	4.9			
PBT before EO expense	40.3	31.9	61.8	60.4	81.6	41.2	44.6	36.7	92.1	-11%	102%	35%
Extra-Ord expense	0.0	0.0	0.0	17.7	0.0	-75.0	0.0	0.0	0.0			
PBT	40.3	31.9	61.8	42.6	81.6	116.2	44.6	36.7	92.1	-11%	102%	91%
Rate (%)	25.2	24.9	24.7	24.6	24.9	25.2	25.2	25.2	25.2			
Minority Interest & Profit/Loss of Asso. Cos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Reported PAT	30.1	24.0	46.5	32.1	61.2	86.9	33.4	27.4	68.9	-11%	103%	91%
Adj PAT	30.1	24.0	46.5	45.5	61.2	30.8	33.4	27.4	68.9	-11%	103%	35%
YoY Change (%)	-71.4	-71.8	36.9	-18.3	103.1	28.6	-28.2	-39.7	128.5			
Margin (%)	2.7	2.3	4.1	2.9	5.4	10.4	4.0	3.3	7.6			
Key Assumptions												
Refining throughput (mmt)	10.1	10.3	9.5	10.6	10.4	10.4	10.4	10.4	10.1	3%	3%	-2%
Reported GRM (USD/bbl)	7.9	4.4	5.6	9.2	4.9	7.0	7.0	7.0	9.0	-46%	-38%	-47%
Marketing sales volume exclud exports (mmt)	13.2	12.4	13.4	13.4	13.6	12.9	14.0	14.0	13.7	-1%	3%	1%
Marketing GM incld inv (INR/litre)	4.8	5.8	7.4	5.9	8.3	4.2	4.2	4.2	6.7	25%	75%	41%

Exhibit 1: BPCL – key assumptions

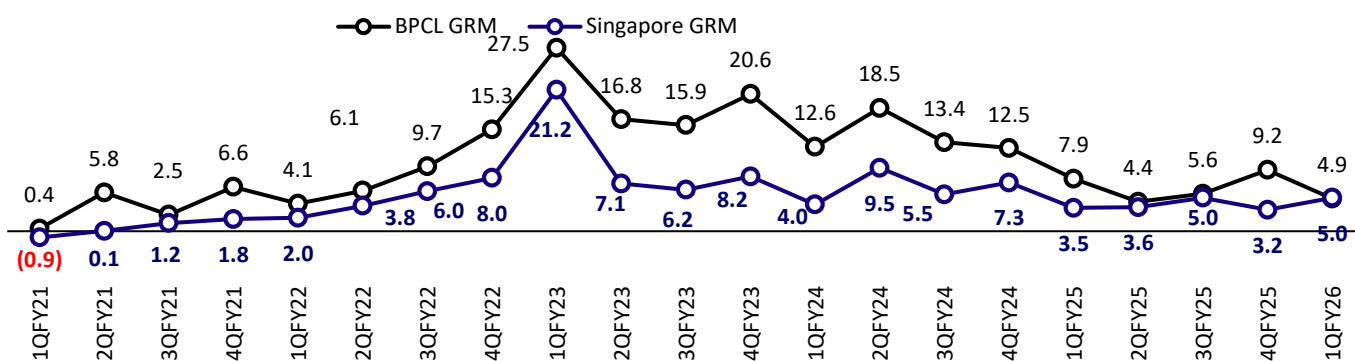
Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	86.0	86.2
Crude cost (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	65.0	65.0
Domestic Market Sales (mmt)	43.1	43.1	38.7	42.5	48.9	51.0	52.4	54.4	56.6
YoY (%)	5%	0%	-10%	10%	15%	4%	3%	4%	4%
Reported GRM (USD/bbl)	4.6	2.5	4.1	9.5	20.3	14.1	6.8	6.5	6.7
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	3.8	5.0	5.0
Prem/(disc) (USD/bbl)	(0.3)	(0.7)	3.6	4.5	9.6	7.6	3.0	1.5	1.7
Refinery throughput (mmt)	31.0	31.9	26.4	34.1	38.5	39.9	40.5	41.7	41.7
YoY (%)	9%	3%	-17%	29%	13%	4%	1%	3%	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	5.2	4.2
Consolidated EPS	20.0	11.7	31.0	25.5	4.6	63.3	31.8	35.3	28.9

Source: Company, MOSFL

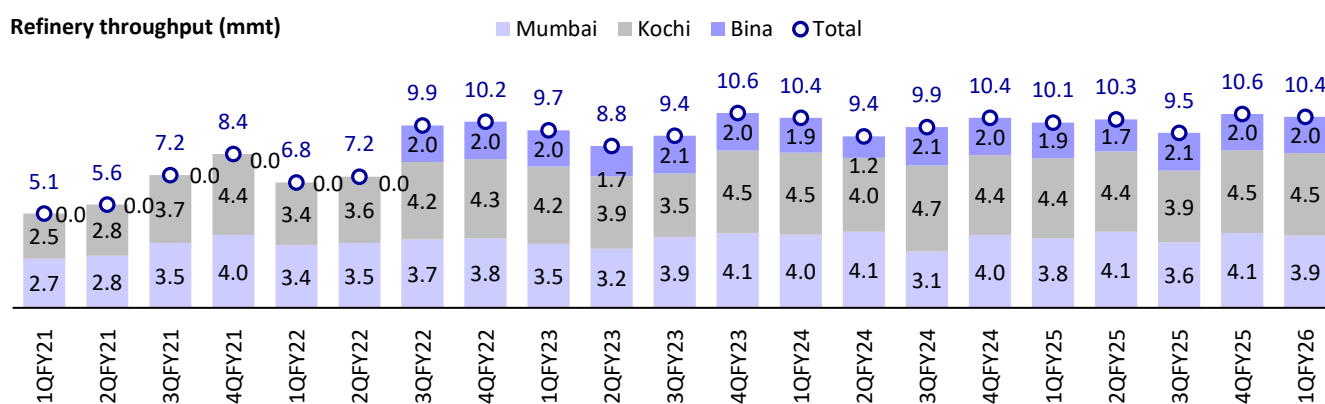
Exhibit 2: Product sales at 14mmt (up 4% YoY)



Source: Company, MOSFL

Exhibit 3: Reported GRM at USD4.9/bbl in 1QFY26 vs. USD7.9/bbl in 1QFY25


Source: Company, MOSFL

Exhibit 4: Total refinery throughput was up 3% YoY


Source: Company, MOSFL



Highlights from the management commentary

1QFY26 operational performance:

- BPCL has received its first HH-linked cargo.
- 300+ retail outlets, 90+ CNG stations and 831 EV charging stations were added in 1Q.
- Group level debt as of 30 Jun'25 was INR39.5b. ND/E stood at 0.25x and the company had surplus funds of INR17.6b.
- Higher other income was due to high interest income from surplus funds.
- BPRL has contributed profits due to currency fluctuation. JV companies have also performed well.
- BPCL achieved lubricant sales of 78.7tmt in FY26.
- BPCL charges retail margin of INR2/kg to CGDs on gas sales from BPCL's outlets.

Update on ongoing projects:

- **Bina refinery expansion:** 14% physical progress has been achieved as of Jun'25. INR8b capex has been spent.
- **Mumbai refinery upgrade capex: INR142b will be spent.** Fluid Catalytic Cracking unit and some other units are being replaced, including the upgrade of a bottom residue unit. Completion is expected in May'29. Work has started on the refinery.

Mozambique project:

- Some positive news is expected by the company in 2Q.

Capex guidance:

- INR200b annual capex expected in FY26 (INR23.8b has been spent in 1Q).
- INR65b for ref/petchem, INR140b for marketing, INR40b for CGD, INR14b for LPG, and INR25b for BPRL.
- FY27 guided capex: INR220-250b. FY28/29 guided capex: INR350b
- Expected D/E would be 1x during peak capex in FY28/29.

Refining performance in 1Q:

- Inventory levels were on the higher side in 1Q, at around 2.9-3mmt crude oil inventory (usually 2.2-2.3mmt).
- Russian crude throughput stood at ~34% in 1Q (lower in Jun'25). Discounts were down to USD1-1.5/bbl.
- No issues in payment. The company expects Russian crude proportion to remain similar for entire year.

Marketing segment:

- Robust retail fuel margins led to strong marketing segment performance, even after high marketing inventory losses.
- Under-recovery per cyl:
 - 1Q: INR150/cyl
 - Jul/Aug'25 INR100/cyl
 - **Sep'25: INR30/cyl**
- LPG compensation:
 - Details for compensation disbursement are pending. BPCL's share will be 25-26%.
- HSD market share: 29.6%.

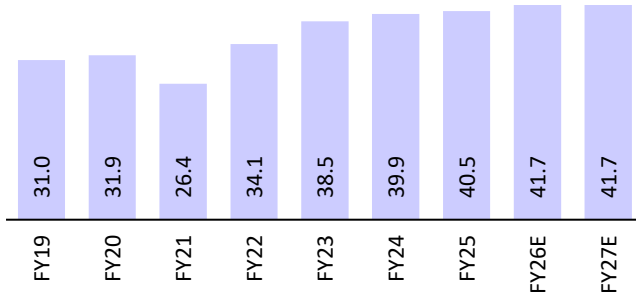
CGD segment:

- 2,464 CNG stations operating (840 in own GAs)
- Volumes: own GAs: 339tmt, from ROs: 269tmt

Story in charts

Exhibit 5: Throughput (mmt)

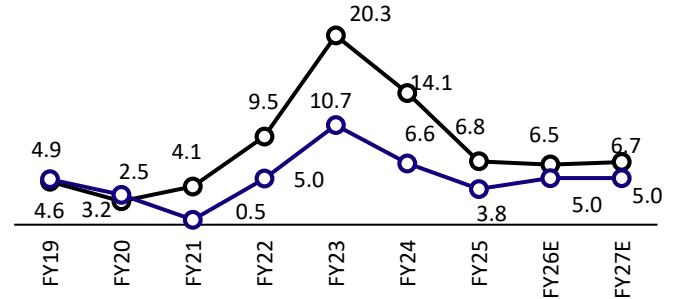
Refinery Throughput (mmt)



Source: Company, MOFSL

Exhibit 6: GRM trend

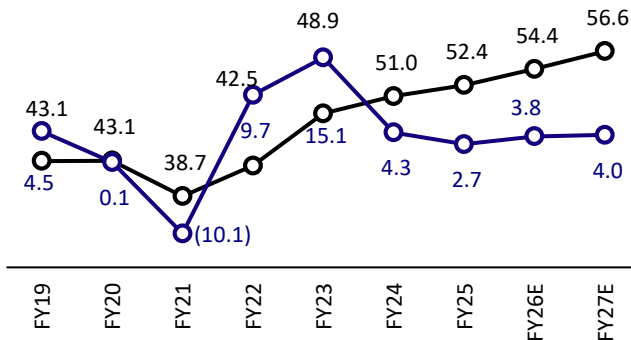
BPCL GRM (USD/bbl) Reuters Singapore GRM (US\$/bbl)



Source: Company, MOFSL

Exhibit 7: Domestic marketing sales volume

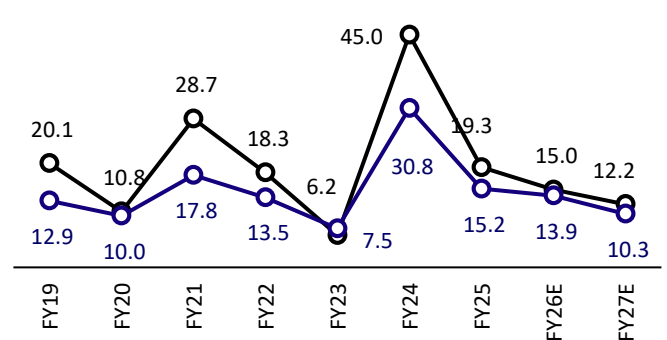
Domestic sales volume (mmt) - LHS YoY (%) - RHS



Source: Company, MOFSL

Exhibit 8: Standalone return ratios (%)

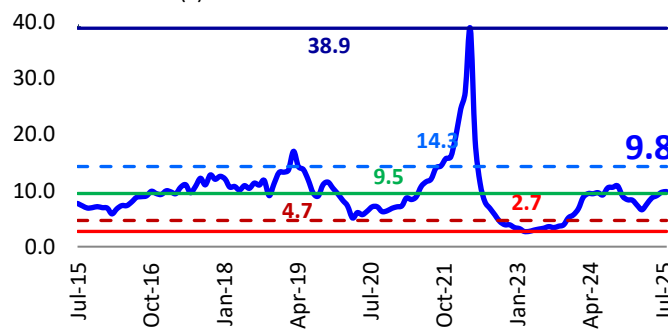
RoE ROCE



Source: Company, MOFSL

Exhibit 9: One-year forward P/E

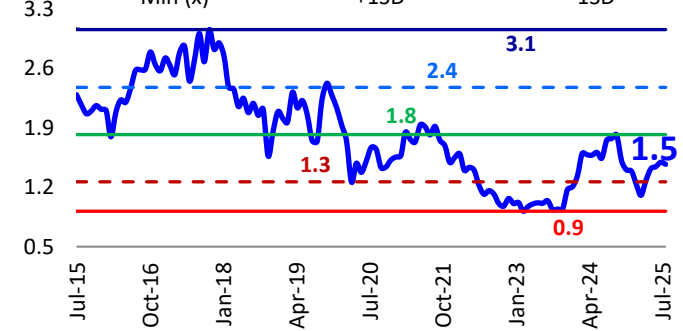
P/E (x) Avg (x) Max (x) Min (x) +1SD -1SD



Source: Company, MOFSL

Exhibit 10: One-year forward P/B

P/B (x) Avg (x) Max (x) Min (x) +1SD -1SD



Source: Company, MOFSL

Financials and valuations (Consolidated)

Consolidated - Income Statement

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	4,732	4,481	4,403	3,636	3,415
Change (%)	36%	-5%	-2%	-17%	-6%
EBITDA	94	443	254	261	224
Margin (%)	2.0	9.9	5.8	7.2	6.6
Depreciation	64	68	73	76	79
EBIT	30	375	181	185	145
Net forex loss	-15	2	0	0	0
Int. and Finance Charges	37	41	36	36	37
Other Income	15	22	27	33	37
PBT bef. EO Exp.	23	354	172	182	144
EO Items	-16	-3	-4	75	0
PBT after EO Exp.	6	351	169	257	144
Tax Rate (%)	109.7	26.6	28.7	25.2	25.2
Minority Interest/Share of JVs/associates	22	11	13	15	15
Reported PAT	21	269	133	207	123
Adjusted PAT	20	271	136	151	123
Change (%)	-82%	1272%	-50%	11%	-18%
Margin (%)	0.4	6.0	3.1	4.1	3.6

Consolidated - Balance Sheet

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	21	21	43	43	43
Total Reserves	514	735	771	937	1,023
Net Worth	535	756	814	980	1,066
Total Loans	605	455	511	568	663
Deferred Tax Liabilities	79	80	83	83	83
Capital Employed	1,219	1,291	1,407	1,631	1,812
Gross Block	1,735	1,491	1,582	1,642	1,702
Less: Accum. Deprn.	567	635	707	772	839
Net Fixed Assets	1,168	856	874	870	863
Capital WIP	162	202	264	392	570
Total Investments	64	266	265	265	265
Curr. Assets, Loans&Adv.	486	700	780	783	764
Inventory	381	428	453	369	348
Account Receivables	67	43	93	152	110
Cash and Bank Balance	26	63	105	133	176
Cash	23	23	6	34	77
Bank Balance	3	40	99	99	99
Loans and Advances	13	166	130	130	130
Curr. Liability & Prov.	662	733	776	679	650
Account Payables	633	700	750	647	612
Provisions	29	33	27	32	38
Net Current Assets	-176	-33	4	104	114
Appl. of Funds	1,219	1,291	1,407	1,631	1,812

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	4.6	63.3	31.8	35.3	28.9
Cash EPS	19.5	79.2	48.8	53.1	47.4
BV/Share	125.3	177.0	190.5	229.4	249.5
DPS	5.0	21.0	10.0	9.5	8.7
Payout (%)	100.2	33.4	32.0	19.7	30.3
Valuation (x)					
P/E	68.9	5.0	10.0	9.0	11.0
Cash P/E	16.3	4.0	6.5	6.0	6.7
P/BV	2.5	1.8	1.7	1.4	1.3
EV/Sales	0.3	0.3	0.3	0.4	0.4
EV/EBITDA	14.5	3.1	5.4	5.2	6.1
Dividend Yield (%)	1.6	6.6	3.1	3.0	2.7
FCF per share	9.2	61.7	20.1	11.0	5.4
Return Ratios (%)					
RoE	3.7	41.9	17.3	16.8	12.1
RoCE	-0.4	24.8	11.7	11.3	8.3
RoIC	-0.3	31.9	16.9	17.1	13.2
Working Capital Ratios					
Fixed Asset Turnover (x)	2.7	3.0	2.8	2.2	2.0
Asset Turnover (x)	3.9	3.5	3.1	2.2	1.9
Inventory (Days)	29	35	38	37	37
Debtor (Days)	5	3	8	15	12
Creditor (Days)	49	57	62	65	65
Leverage Ratio (x)					
Current Ratio	0.7	1.0	1.0	1.2	1.2
Interest Cover Ratio	0.8	9.0	5.1	5.2	3.9
Net Debt/EBITDA	6.2	0.9	1.6	1.7	2.2
Net Debt/Equity	1.1	0.5	0.5	0.4	0.5

Consolidated - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	28	362	182	257	144
Depreciation	64	68	73	76	79
Direct Taxes Paid	-8	-88	-40	-65	-36
(Inc)/Dec in WC	-2	-12	9	-72	33
CF from Operations	125	359	237	247	273
(Inc)/Dec in FA	-85	-96	-151	-200	-250
Free Cash Flow	39	264	86	47	23
(Pur)/Sale of Investments	-3	-33	-64	0	0
CF from Investments	-78	-105	-192	-200	-250
Inc/(Dec) in Debt	14	55	47	58	95
Dividend Paid	-13	-53	-66	-41	-37
CF from Fin. Activity	-45	-254	-62	-19	20
Inc/Dec of Cash	2	0	-17	28	44
Opening Balance	22	23	23	6	34
Closing Balance	23	23	6	34	77

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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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