

Business Overview

Bharat Petroleum Corporation Limited (BPCL) is a leading player in the Indian petroleum industry with operations in both refining and marketing segments. India's Leading Oil and Gas Company with presence across the Hydrocarbon Value Chain. It has commissioned its 6MMT expansion of its Bina refinery. BPCL is a leading Player with a Diversified product portfolio and a well-established Marketing and Distribution network. Normally BPCL's refining margins have exhibited less volatility compared to the other oil marketing companies.

Key highlights

- We expect global refining margins for BPCL to improve led by capacity closures offsetting capacity additions.
- BPCL's Bina refinery is of higher complexity and will have higher refining margins. The refinery has stabilized and is positively contribution to BPCL's bottomline. Full stablization of Kochi Refinery by FY21 will further boost profitability.
- Discoveries in Mozambique and Brazil provide good opportunity for company to enhance its footprint in the E&P space and lower the impact of under-recoveries in the long run.
- BPCL incurred an all-time high inventory loss of INR49bn in Q4FY20; however, given crude prices have nearly doubled since March end, these losses should largely reverse in Q1FY21.
- Although the Singapore GRM has turned negative in Q1FY21 impacted by COVID-19, we believe refining margins will finally bottom out in FY21.
- With the lockdown largely abating, refinery utilisation rates have shot up to 83% from 63% in April.
- Refiners in Europe and Asia exIndia are under pressure due to a heavier product slate and higher operating costs. As capacity goes offline, GRMs would improve.
- Valuations at 6.7x FY22E EV/EBITDA are pricing in bottom-cycle refining margins without factoring in potential upside due to privatisation

Risks

- A return of regulation in auto fuel prices
- Country risk in areas of its E&P operations, especially in Mozambique, where the industry ecosystem and regulations are still in a nascent stage
- Excise hikes may leave little room for any retail fuel price increase

QUICK DATA

Face Value (Rs.)	10.0
Div. Yield (%)	4.19
No of shares ('cr)	217
52-week High/Low (Rs.)	549 / 252
NSE Symbol	BPCL
BSE Code	500547
Market cap (Rs. bn)	775

SHAREHOLDING PATTERN (%)

Promoters	53.0
MFs, Fls & Banks	19.3
Fls	14.1
Others	13.6

EDELWEISS CLASSIFICATION

Market Cap	Large Cap
Relative Risk	Medium
Relative Reco	Outperform
Sector Rating	Equalweight

Edelweiss Ratios

Company	
1 Wk Price performance (%)	7%
3 M Price performance (%)	-12%
PE (x)	10x
EV to EBITDA (x)	6.8x
Return on Capital Employed (%)	18%

Financial Snapshot

Year to March (₹ cr.)	FY19	FY20E	FY21E	FY22E
Net Revenue	2,98,226	2,84,572	1,89,056	2,25,352
Revenue Growth (%)	27%	-5%	-34%	19%
EBITDA	15,112	7,039	13,348	18,743
Adjusted PAT	7,802	3,055	5,887	10,844
Adjusted diluted EPS (INR)	64	36	54	81
ROAE (%)	21.5	9.2	15.7	24.5

Technical View

	S1	S2	R1	R2
BPCL	344	331	372	385

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