

August 14, 2020

Q1FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	515		515	
Sales (Rs. m)	27,42,221	31,89,703	27,42,221	31,89,703
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,58,751	1,67,182	1,56,279	1,64,587
% Chng.	1.6	1.6		
EPS (Rs.)	47.6	53.0	41.5	45.4
% Chng.	14.5	16.9		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	2,846	2,088	2,742	3,190
EBITDA (Rs. bn)	83	115	159	167
Margin (%)	2.9	5.5	5.8	5.2
PAT (Rs. bn)	37	52	94	104
EPS (Rs.)	18.6	26.4	47.6	53.0
Gr. (%)	(57.0)	41.8	80.0	11.5
DPS (Rs.)	18.2	11.3	17.7	18.0
Yield (%)	4.4	2.7	4.3	4.4
RoE (%)	9.2	12.2	20.1	19.9
RoCE (%)	4.9	6.6	10.7	10.7
EV/Sales (x)	0.4	0.5	0.4	0.3
EV/EBITDA (x)	15.1	9.5	6.8	6.1
PE (x)	22.2	15.6	8.7	7.8
P/BV (x)	2.0	1.8	1.7	1.5

Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.550 / Rs.252
Sensex / Nifty	37,877 / 11,178
Market Cap	Rs.896bn/ \$ 11,968m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.8866.34m

Shareholding Pattern (%)

Promoter's	52.98
Foreign	11.95
Domestic Institution	20.48
Public & Others	14.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.6	(13.3)	16.6
Relative	5.2	(5.5)	14.8

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Core business delivers strong performance

Quick Pointers:

- Resilient core performance led by strong marketing margins
- Benign crude oil prices likely to support marketing margins and earnings.

We maintain our FY21/22 earnings estimates. During Q1FY21, core standalone EBIDTA adjusted for inventory gains and forex loss was healthy at Rs34.0bn (+31%YoY) despite lower refining margins (\$0.4/bbl vs \$2.8/bbl in Q1FY20). Weak global demand and high inventory levels will likely keep crude oil prices range bound, thereby supporting marketing margins in medium term. Meanwhile GRMs will also recover with pickup in economic activity, and lower operating cost (due to soft spot LNG prices) will support refining earnings. BPCL remains one of our preferred divestment play in the oil and gas sector. Maintain BUY with a PT of Rs515.

- Operationally strong results:** BPCL reported results were lower than our estimates with standalone EBITDA of Rs39.1bn (PLe Rs49.0bn) and PAT of Rs20.7bn (PLe Rs29.7bn). Q1 EBITDA adjusted for inventory gains and forex loss was at Rs34.1bn. Sharp lower other expenses at Rs33.4bn (-42%QoQ) also supported operating earnings.
- Refining margins were weak, in line with global trends:** BPCL's refining margins for Q1 came in at US\$0.4/bbl (Q4FY20 at US\$0.8/bbl) and included inventory loss of US\$1.5/bbl. For Q1, refining throughput was lower at 5.14MTPA (8.39MTPA in Q4) due to pandemic related lockdown. GRMs are likely to remain under pressure due to **1)** weak demand in a Covid pandemic scenario **2)** new capacity addition.
- Marketing profitability drives earnings:** BPCL's core Q1 marketing EBIDTA was at Rs34.4bn against Rs24.1bn in Q4FY20. Profitability was supported by higher margins even as volumes were muted given pandemic related lockdown. For Q1, marketing margins were at Rs4,741/ton (Rs1,651/ton in Q1FY20). BPCL's marketing volumes vis-à-vis the industry run rate was weak with HSD (-35.7% YoY vs -33.3% for industry), and MS (-38.7% YoY against industry rate of -35.9%YoY) respectively.
- Reiterate BUY:** BPCL remains one of our preferred pics in the oil and gas sector given higher share of marketing to refining- Q1 marketing sales were at 7.5MTPA vs refining volumes of ~5.1MTPA. Also BPCL remains our preferred divestment play. Maintain BUY with a PT of Rs515.

Exhibit 1: Standalone Q1FY21 Result Overview (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Net sales	5,06,169	8,58,596	(41.0)	8,12,962	23,62,601	32,75,808	(27.9)
Inc/dec in stock	4,273	16,116	(73.5)	(25,100)	-	(4,566)	
Raw material cons	92,385	2,88,016	(67.9)	2,78,890	7,17,175	11,32,293	(36.7)
Staff cost	9,029	9,449	(4.4)	9,308	40,606	36,915	10.0
Purchases	2,09,565	3,88,684	(46.1)	3,75,453	8,89,035	14,31,643	(37.9)
Duties, taxes, etc	1,18,319	95,417	24.0	1,23,048	4,46,675	4,31,978	3.4
Other expenditure	33,440	39,117	(14.5)	57,552	1,66,507	1,81,153	(8.1)
Exp	(4,67,011)	(8,36,797)	(44.2)	(8,19,151)	22,59,998	32,09,415	(29.6)
Operating profit	39,158	21,799	79.6	(6,189)	1,02,602	66,393	54.5
Interest	(5,871)	(4,524)	29.8	(5,786)	(19,080)	(21,819)	(12.6)
Depreciation	(9,959)	(9,141)	8.9	(9,474)	(47,243)	(37,869)	24.8
Other income	5,933	5,385	10.2	11,567	30,288	30,813	(1.7)
Profit before tax	29,262	13,518	116.5	(9,881)	66,568	37,518	77.4
Current tax	(4,970)	(2,767)	79.6	(7,079)	(16,975)	122	
Profit after tax	24,292	10,751	125.9	(2,802)	49,593	37,640	31.8
Exceptional	(3,530)	-		(10,808)	-	-	
Reported PAT	20,762	10,751	93.1	(13,611)	49,593	37,640	31.8

Source: Company, PL

Exhibit 2: BPCL quarterly details

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Refining thruput (MTPA)	7.85	7.74	7.57	7.49	7.45	7.66	8.41	8.39	5.14
GRMs (USD/bbl)	7	7	6	3	3	3.4	3.2	0.8	0.4
Inventory gains/loss (Rs m)									
Marketing	1,020	14,040	5,390	(20,410)	(1,270)	1,490	820	(12,570)	10,030
Refining	3,460	12,750	8,960	(12,920)	(3,250)	(1,750)	4,550	(25,65)	(4,380)
Forex gains/loss (Rs m)	(1,220)	(7,050)	(9,300)	6,590	310	(3,863)	(960)	(12,110)	(566)
Gross debt (Rs m)	233,510	196,830	239,550	227,670	306,470	317,560	301,340	478,190	4,05,460

Source: Company, PL

Exhibit 3: BPCL's core EBIDTA has improved 31%YoY

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
EBIDTA breakup	38,752	24,194	7,374	48,050	21,799	23,749	27,034	(6,189)	39,158
Adj for forex	(7,050)	(9,300)	6,590	2,750		(3,863)	(960)	(12,110)	(566)
Adj for inventory	26,790	14,350	(33,330)	3,560	(4,520)	(260)	5,370	(38,220)	5,650
Core EBIDTA	19,012	19,144	34,114	41,740	26,319	27,872	22,624	44,142	34,074
Marketing	(1,825)	5,298	31,026	38,605	23,244	22,417	17,225	24,133	34,360
Refining	20,837	13,847	3,088	3,135	3,074	5,455	5,399	20,009	(286)

Source: Company, PL

Conference Call Highlights:

- BPCL capex cut to Rs80bn for FY21 vs earlier Rs125bn due to lower spend of Rs9bn in Q1.
- Government dues pending were Rs43bn as on Q1 end vs Rs62bn in Q4FY20 end.
- Q1 end debt stands at Rs345bn and includes Rs60bn for lease obligation.
- Kochi refinery high Sulphur crude share was 97% in Q1.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	28,45,719	20,87,526	27,42,221	31,89,703
YoY gr. (%)	(4.6)	(26.6)	31.4	16.3
Cost of Goods Sold	25,36,652	17,46,723	23,23,890	27,46,574
Gross Profit	3,09,067	3,40,803	4,18,331	4,43,128
Margin (%)	10.9	16.3	15.3	13.9
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	83,490	1,14,664	1,58,751	1,67,182
YoY gr. (%)	(44.8)	37.3	38.4	5.3
Margin (%)	2.9	5.5	5.8	5.2
Depreciation and Amortization	40,801	53,434	58,077	62,396
EBIT	42,689	61,230	1,00,673	1,04,786
Margin (%)	1.5	2.9	3.7	3.3
Net Interest	26,370	21,788	20,295	17,971
Other Income	19,293	33,864	49,937	52,914
Profit Before Tax	22,509	73,307	1,30,315	1,39,729
Margin (%)	0.8	3.5	4.8	4.4
Total Tax	(142)	18,843	29,801	28,305
Effective tax rate (%)	(0.6)	25.7	22.9	20.3
Profit after tax	22,651	54,463	1,00,514	1,11,424
Minority interest	(14,007)	2,499	6,973	7,104
Share Profit from Associate	-	-	-	-
Adjusted PAT	36,657	51,964	93,541	1,04,320
YoY gr. (%)	(57.0)	41.8	80.0	11.5
Margin (%)	1.3	2.5	3.4	3.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	36,657	51,964	93,541	1,04,320
YoY gr. (%)	(57.0)	41.8	80.0	11.5
Margin (%)	1.3	2.5	3.4	3.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	36,657	51,964	93,541	1,04,320
Equity Shares O/s (m)	1,967	1,967	1,967	1,967
EPS (Rs)	18.6	26.4	47.6	53.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	8,87,558	9,57,058	10,36,558	10,96,058
Tangibles	8,87,558	9,57,058	10,36,558	10,96,058
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,68,620	2,25,827	2,87,800	3,54,215
Tangibles	1,68,620	2,25,827	2,87,800	3,54,215
Intangibles	-	-	-	-
Net fixed assets	7,18,938	7,31,231	7,48,758	7,41,843
Tangibles	7,18,938	7,31,231	7,48,758	7,41,843
Intangibles	-	-	-	-
Capital Work In Progress	1,04,547	24,535	25,576	26,722
Goodwill	2,631	2,631	2,631	2,631
Non-Current Investments	1,70,313	1,86,701	2,04,728	2,24,557
Net Deferred tax assets	(60,418)	(65,615)	(77,136)	(92,782)
Other Non-Current Assets	13,536	942	1,036	1,140
Current Assets				
Investments	60,041	66,045	72,649	79,914
Inventories	2,49,951	1,65,352	2,19,738	2,65,143
Trade receivables	72,244	47,577	64,277	79,799
Cash & Bank Balance	1,020	1,38,027	1,21,931	1,53,790
Other Current Assets	16,312	17,943	19,738	21,711
Total Assets	14,96,892	14,77,078	15,86,765	17,13,524
Equity				
Equity Share Capital	19,669	19,669	19,669	19,669
Other Equity	3,93,545	4,20,140	4,72,152	5,36,185
Total Networkth	4,13,214	4,39,809	4,91,821	5,55,854
Non-Current Liabilities				
Long Term borrowings	2,93,701	2,61,312	2,33,878	2,09,417
Provisions	15,956	17,552	19,307	21,238
Other non current liabilities	3,817	4,199	4,619	5,081
Current Liabilities				
ST Debt / Current of LT Debt	2,19,365	2,23,580	2,28,217	2,33,317
Trade payables	1,51,093	1,00,145	1,32,947	1,59,624
Other current liabilities	3,20,449	3,46,631	3,81,295	4,19,344
Total Equity & Liabilities	15,25,801	14,91,366	15,97,763	17,26,063

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	35,612	73,307	1,30,315	1,39,729
Add. Depreciation	40,801	53,434	58,077	62,396
Add. Interest	26,370	21,788	20,295	17,971
Less Financial Other Income	19,293	33,864	49,937	52,914
Add. Other	(6,502)	15,051	8,413	12,227
Op. profit before WC changes	96,281	1,63,579	2,17,101	2,32,323
Net Changes-WC	23,769	74,133	(15,024)	(8,745)
Direct tax	(3)	(13,127)	(22,738)	(23,084)
Net cash from Op. activities	1,20,047	2,24,586	1,79,339	2,00,494
Capital expenditures	(1,61,954)	3,724	(88,263)	(69,407)
Interest / Dividend Income	-	-	-	-
Others	878	(288)	(317)	(348)
Net Cash from Inv. activities	(1,61,075)	3,436	(88,580)	(69,755)
Issue of share cap. / premium	50,847	(27,353)	(25,568)	(17,367)
Debt changes	83,921	(28,175)	(22,797)	(19,360)
Dividend paid	(42,017)	(22,317)	(34,880)	(35,377)
Interest paid	(26,370)	(21,788)	(20,295)	(17,971)
Others	-	-	-	-
Net cash from Fin. activities	66,381	(99,632)	(1,03,541)	(90,074)
Net change in cash	25,354	1,28,390	(12,781)	40,665
Free Cash Flow	(41,906)	2,28,310	91,076	1,31,087

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	6,43,408	7,47,328	6,89,914	3,87,851
YoY gr. (%)	(11.0)	(5.6)	(6.8)	(49.2)
Raw Material Expenses	5,68,210	6,69,101	6,29,243	3,06,223
Gross Profit	75,198	78,227	60,672	81,628
Margin (%)	11.7	10.5	8.8	21.0
EBITDA	23,749	27,034	(6,189)	39,158
YoY gr. (%)	(1.8)	266.6	(112.9)	79.6
Margin (%)	3.7	3.6	(0.9)	10.1
Depreciation / Depletion	9,523	9,731	9,474	9,959
EBIT	14,226	17,303	(15,663)	29,200
Margin (%)	2.2	2.3	(2.3)	7.5
Net Interest	6,388	5,121	5,786	5,871
Other Income	8,713	5,148	11,567	5,933
Profit before Tax	16,551	17,330	(20,689)	29,262
Margin (%)	2.6	2.3	(3.0)	7.5
Total Tax	533	4,724	(7,079)	8,500
Effective tax rate (%)	3.2	27.3	34.2	29.0
Profit after Tax	16,018	12,606	(13,611)	20,762
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	16,018	12,606	(24,419)	20,762
YoY gr. (%)	31.4	154.6	(178.1)	93.1
Margin (%)	2.5	1.7	(3.5)	5.4
Extra Ord. Income / (Exp)	-	-	10,808	-
Reported PAT	16,018	12,606	(13,611)	20,762
YoY gr. (%)	31.4	154.6	(143.6)	93.1
Margin (%)	2.5	1.7	(2.0)	5.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,018	12,606	(13,611)	20,762
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	18.6	26.4	47.6	53.0
CEPS	39.4	53.6	77.1	84.8
BVPS	210.1	223.6	250.1	282.6
FCF	(21.3)	116.1	46.3	66.6
DPS	18.2	11.3	17.7	18.0
Return Ratio(%)				
RoCE	4.9	6.6	10.7	10.7
ROIC	3.0	4.8	7.2	7.1
RoE	9.2	12.2	20.1	19.9
Balance Sheet				
Net Debt : Equity (x)	1.1	0.6	0.5	0.4
Net Working Capital (Days)	22	20	20	21
Valuation(x)				
PER	22.2	15.6	8.7	7.8
P/B	2.0	1.8	1.7	1.5
P/CEPS	10.5	7.7	5.4	4.9
EV/EBITDA	15.1	9.5	6.8	6.1
EV/Sales	0.4	0.5	0.4	0.3
Dividend Yield (%)	4.4	2.7	4.3	4.4

Source: Company Data, PL Research

Key Operating Metrics

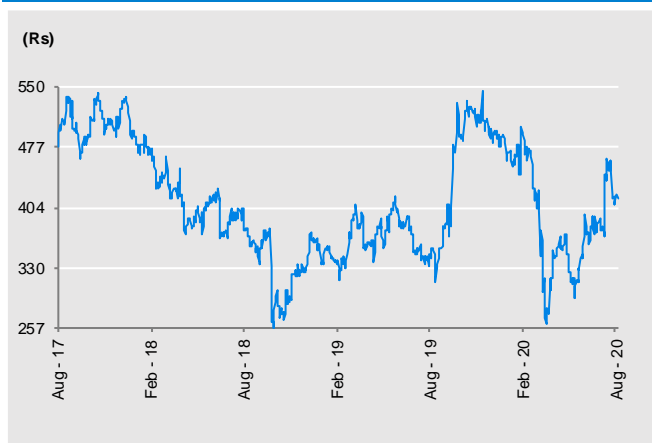
Y/e Mar	FY20	FY21E	FY22E	FY23E
Crude /bbl	61	45	55	60
US\$/Rs	71	74	77	79
GRM (US\$/bbl)	6	3	5	5
Refining volume (MTPA)	31	29	30	31

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-20	BUY	515	380
2	04-Jun-20	BUY	515	357
3	08-Apr-20	BUY	517	342
4	14-Feb-20	BUY	537	469
5	03-Jan-20	BUY	600	484
6	21-Nov-19	BUY	600	514
7	09-Nov-19	BUY	537	501
8	03-Oct-19	BUY	502	532
9	05-Sep-19	BUY	466	381

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	1,024	1,000
2	Bharat Petroleum Corporation	BUY	515	380
3	GAIL (India)	Accumulate	107	97
4	Hindustan Petroleum Corporation	BUY	280	214
5	Indian Oil Corporation	BUY	114	87
6	Indraprastha Gas	BUY	597	412
7	Mahanagar Gas	BUY	1,226	968
8	Manappuram Finance	BUY	1,279	994
9	NOCIL	BUY	96	98
10	Oil & Natural Gas Corporation	BUY	96	82
11	Oil India	Accumulate	117	99
12	Petronet LNG	BUY	384	261
13	Reliance Industries	BUY	2,170	2,102

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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