

# Bharat Petroleum Corporation

## Decent performance

We maintain ADD on Bharat Petroleum (BPCL) with a price target of INR 461, owing to an expected recovery in demand for petroleum products and, subsequently, refining margins. 3Q EBITDA/APAT was 2/2% higher than our estimates owing to 7% rise in revenue, lower-than-expected opex, higher-than-expected other income, offset by higher-than-anticipated finance cost. Total inventory gains were INR 8bn. Forex gain stood at INR 0.8bn. Adjusting for these, core EBITDA stood at INR 35bn (HSIE INR 30bn), +53/+178% YoY/QoQ.

- Refining:** Crude throughput in 3Q stood at 7.2mmt (-13.9/+28.6% YoY/QoQ). Utilisation at the refineries improved to 105% as demand recovery was witnessed post un-lock. Core GRM stood at USD 1.2/bbl vs. USD 2.2/1.5 YoY/QoQ.
- Marketing:** Domestic marketing sales volume was 11.1mmt (+1/24% YoY/QoQ). Blended gross margins stood at INR 5.6/lit (+36/8% YoY/QoQ), but these do not seem sustainable in the near term. We expect blended gross margins to correct to INR 4.6/4.7/lit in FY22/23E.
- Call takeaways:** (1) The FY21 Capex guidance has been revised from INR 80bn to INR 90bn, out of which INR 56bn was expended in 9MFY21. Capex guidance for FY22 is of INR 100bn (2) BPCL added 730 retail outlets in 3Q. (3) Net debt at the end of 3Q was INR 247bn, with a debt-equity ratio of 0.6x in 3Q. (4) Two out of the three units of the Propylene Derivatives Petrochemical Project at Kochi shall be commissioned by March'21, and one unit will be commissioned in May'21. (5) The Board has declared an interim dividend at 160% of the paid-up equity share capital i.e., INR 16/sh.
- Change in estimates:** We raise our FY21/22 EPS estimates by 170.0/11.9% to INR 98.7/53.2 per share to account for overall performance in 9MFY21, inventory gains for 9MFY21 and a change in crude oil price assumption.
- Sum of the total parts-based valuation:** Our price target comes to INR 461/sh (5.5x Dec-22E EV/e for the standalone refining and marketing businesses, 6x Dec-22E EV/e for the pipeline business, and INR 146/sh for other investments). The stock is currently trading at 7.9x on FY22E EPS.

### Standalone financial summary

INR bn	3Q FY21	2Q FY21	QoQ (%)	3Q FY20	YoY (%)	FY19*	FY20*	FY21E*	FY22E*	FY23E*
Net Sales	667	501	33.1	747	(10.7)	2,982	2,846	2,219	2,484	2,580
EBITDA	43	39	11.8	27	59.3	151	83	168	116	127
APAT	32	24	34.8	13	153.6	78	31	194	105	119
AEPS (INR)	16.01	11.88	34.8	6.31	153.6	39.7	15.5	98.7	53.2	60.3
P/E (x)						10.6	27.0	4.2	7.9	7.0
EV/EBITDA(x)						8.0	16.7	7.2	10.3	8.9
RoE (%)						20.7	8.1	43.8	19.4	19.8

Source: Company, HSIE Research | \*Consolidated

### Change in estimates (Consolidated)

YE Mar	FY21E Old	FY21E New	% Ch	FY22E Old	FY22E New	% Ch	FY23E Old	FY23E New	% Ch
EBITDA (INR bn)	95	168	76.0	114	116	1.3	121	127	5.1
AEPS (INR/sh)	36.5	98.7	170.0	47.6	53.2	11.9	91.8	60.3	-34.3

Source: Company, HSIE Research

## ADD

CMP (as on 9 Feb 2021)	INR 419
Target Price	INR 461
NIFTY	15,109

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 384	INR 461
EPS %	FY21E +170.0%	FY22E +11.9%

### KEY STOCK DATA

Bloomberg code	BPCL IN
No. of Shares (mn)	2,169
MCap (Rs bn) / (\$ mn)	910/12,482
6m avg traded value (Rs mn)	3,814
52 Week high / low	Rs 496/252

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.5	1.0	(13.6)
Relative (%)	(11.0)	(33.9)	(38.4)

### SHAREHOLDING PATTERN (%)

	Sept-20	Dec-20
Promoters	52.98	52.98
FIs & Local MFs	21.42	20.92
FPIs	11.98	11.56
Public & Others	13.62	14.54
Pledged Shares	0.0	0.0

Source: BSE

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