

June 4, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	515		517	
Sales (Rs. m)	20,87,526	27,42,221	20,87,526	27,42,221
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,12,561	1,56,279	1,12,561	1,56,156
% Chng.	-	0.1	-	-
EPS (Rs.)	26.9	48.6	29.2	48.8
% Chng.	(8.0)	(0.6)	-	-

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. bn)	2,982	2,846	2,088	2,742
EBITDA (Rs. bn)	151	83	113	156
Margin (%)	5.1	2.9	5.4	5.7
PAT (Rs. bn)	85	37	53	96
EPS (Rs.)	43.4	18.6	26.9	48.6
Gr. (%)	(3.9)	(57.0)	44.3	80.6
DPS (Rs.)	21.0	18.2	11.6	18.2
Yield (%)	5.9	5.1	3.2	5.1
RoE (%)	22.6	9.2	12.4	20.5
RoCE (%)	15.1	5.5	9.0	14.0
EV/Sales (x)	0.4	0.3	0.4	0.3
EV/EBITDA (x)	7.1	11.0	7.7	5.4
PE (x)	8.2	19.2	13.3	7.4
P/BV (x)	1.8	1.7	1.6	1.4

Key Data

BPCL.BO | BPCL IN

52-W High / Low	Rs.550 / Rs.252
Sensex / Nifty	33,981 / 10,029
Market Cap	Rs.775bn/ \$ 10,254m
Shares Outstanding	2,169m
3M Avg. Daily Value	Rs.6873.64m

Shareholding Pattern (%)

Promoter's	52.98
Foreign	12.28
Domestic Institution	19.61
Public & Others	15.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.7	(28.7)	(12.5)
Relative	(4.2)	(14.3)	3.2

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Resilient performance in a tough environment

Quick Pointers:

- Lower than expected inventory loss and higher GRMs drive Q4 earnings beat.
- Healthy marketing margins due to benign crude prices, low operating cost due to weak spot LNG price to make up for weak GRMs.
- BPCL with a fully integrated operation remains a prized asset and we expect aggressive bidding by global majors when divestment process kicks in.

We marginally tweak our FY21/22 earnings estimates. During FY20, core EBIDTA adjusted for inventory loss was healthy at Rs130bn (+14%YoY) despite lower refining margins (\$2.5/bbl vs \$4.6/bbl in FY19). Sharp drop in crude oil prices dragged down reported FY20 PAT, however, with crude oil prices recovering, part of the losses will be reversed. Benign crude oil prices is likely to support marketing margins in medium term, and lower operating cost will compensate for weak GRMs. Maintain BUY with a revised PT of Rs515 (Rs 517 earlier) as BPCL remains our preferred divestment play.

- Better than expected results:** BPCL reported higher than expected Q4FY20 results with standalone EBITDA of -Rs6.2bn (PLe -Rs24.2bn) and PAT of -Rs13.6bn (PLe -Rs29.4bn). Operating profits beat was due to 1) lower inventory losses of Rs38.2bn (PLe Rs65.4bn) and 2) higher refining profits from crude oil discounts and higher distillate yield. EBIDTA adjusted for inventory and forex loss was at Rs44.1bn (Rs22.6bn in Q3).
- For FY20, standalone EBIDTA and PAT was at Rs66.3bn (-44%YoY) and Rs26.8bn (-62%YoY). However, adjusted for inventory and forex loss, EBIDTA was at Rs130bn (+14%YoY). Consolidated EBIDTA and PAT was at Rs83.5bn (-45%YoY) and Rs36.6bn (-57%YoY).
- Refining margins surprised positively:** BPCL's refining margins for Q4FY20 came in at US\$0.8/bbl (Q3FY20 at US\$3.2/bbl) and included inventory loss of Rs25.6bn or US\$5.8/bbl. So core GRMs of US\$6.5/bbl were healthy due to crude oil discounts. For FY20, GRMs were at USD2.5/bbl vs USD4.6/bbl.
- GRMs are likely to remain under pressure due to 1) weak demand in a Covid pandemic scenario and 2) new capacity addition.
- Adjusted marketing profitability remains healthy:** BPCL's core Q4FY20 marketing EBIDTA was at Rs24.1bn against Rs17.4bn in Q3FY20 as margins expanded in a weak crude oil price environment. BPCL's marketing volumes vis-à-vis the industry run rate was mixed with HSD (-8.1% YoY vs -7.1% for industry), and MS (-0.5% YoY against industry rate of -1.2%YoY) respectively.
- Reiterate BUY:** We maintain BUY on BPCL with a revised PT of Rs515 (Rs517) as we value based on 10x PER FY22E and add the value of investments and E&P.

Exhibit 1: Q4FY20 Result Overview (Rs mn)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net sales	8,12,962	8,39,417	(3.2)	8,53,683	32,75,808	33,74,953	(2.9)
Inc/dec in stock	-25,100	-15,285	64.2	32,887	-4,566	-17,031	(73.2)
Raw material cons	2,78,890	2,87,633	(3.0)	2,92,865	11,32,293	11,94,192	(5.2)
Staff cost	9,308	10,369	(10.2)	8,934	36,915	36,642	0.7
Purchases	3,75,453	3,67,655	2.1	3,43,350	14,31,643	14,69,741	(2.6)
Duties, taxes, etc	1,23,048	99,513	23.7	1,06,355	4,31,978	4,03,475	7.1
Other expenditure	57,552	41,483	38.7	42,259	1,81,153	1,69,564	6.8
Exp	-8,19,151	-7,91,367	3.5	-8,26,650	-32,09,415	-32,56,583	(1.4)
Operating profit	-6,189	48,050	(112.9)	27,034	66,393	1,18,370	(43.9)
Interest	-5,786	-3,526	64.1	-5,121	-21,819	-13,190	65.4
Depreciation	-9,474	-9,149	3.6	-9,731	-37,869	-31,893	18.7
Other income	11,567	10,576	9.4	5,148	30,813	31,109	(1.0)
Profit before tax	-9,881	45,951	(121.5)	17,330	37,518	1,04,396	(64.1)
Current tax	-7,079	-14,702	(51.9)	-4,724	-122	-33,076	(99.6)
Profit after tax	-2,802	31,249	(109.0)	12,606	37,640	71,320	(47.2)
Exceptional	-10,808	-	-	-	-10,808	-	-
Reported PAT	-13,611	31,249	NA	12,606	26,831	71,320	(62.4)

Source: Company, PL

Exhibit 2: BPCL quarterly details

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

Source: Company, PL

Exhibit 3: Adj FY20 EBIDTA is up 14%

(Rs m)	FY19	FY20
Actual EBIDTA	118,370	66,393
Inventory gains/loss	11,370	(47,180)
Forex loss	(7,010)	(16,623)
Adj EBIDTA	114,010	130,196

Source: Company, PL

Conference Call Highlights:

- Q4FY20 and FY20 capex was at Rs47.8bn and Rs110.6bn. Due to ongoing Covid pandemic, BPCL has revised FY21 capex to Rs80bn vs Rs120bn earlier.
- Numaligarh refinery stake sale will be concluded along with BPCL divestment.
- BPCL average debt for Q4 was at Rs320bn vis-à-vis Rs260bn for Q4FY19.
- Receivables from government for FY20 end was at Rs48bn while it was at Rs54bn for April end.
- The company got crude oil discounts of USD5-8/bbl in April and May 2020 which was reversed to premium of USD2/bbl in June.
- Refinery operations were at 63% in April and increased to 77% by May end. Currently refinery operations are at 83% utilization.
- For FY20, the company sourced 24% of crude from Saudi, 17% from Iraq and ~15% from Abu Dhabi.
- Bina refinery and Numaligarh refinery Q4 GRMs were at USD2.5/bbl and USD2.9/bbl (USD17.0/bbl incl excise benefits).
- For FY20, Bina and Numaligarh GRMs were at USD5.6/bbl and USD8/bbl (USD24.5/bbl incl excise benefits).
- Profits for Bina and Numaligarh refinery was at –Rs8bn and Rs15.3bn respectively.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	29,82,256	28,45,719	20,87,526	27,42,221
YoY gr. (%)	26.5	(4.6)	(26.6)	31.4
Cost of Goods Sold	26,27,487	25,36,652	17,46,723	23,23,890
Gross Profit	3,54,769	3,09,067	3,40,803	4,18,331
Margin (%)	11.9	10.9	16.3	15.3
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	1,51,122	83,490	1,12,561	1,56,279
YoY gr. (%)	(0.4)	(44.8)	34.8	38.8
Margin (%)	5.1	2.9	5.4	5.7
Depreciation and Amortization	34,178	40,801	46,144	50,787
EBIT	1,16,945	42,689	66,417	1,05,492
Margin (%)	3.9	1.5	3.2	3.8
Net Interest	17,640	26,370	23,787	22,812
Other Income	20,375	19,293	31,924	50,276
Profit Before Tax	1,19,680	22,509	74,554	1,32,955
Margin (%)	4.0	0.8	3.6	4.8
Total Tax	43,775	(142)	19,161	30,475
Effective tax rate (%)	36.6	(0.6)	25.7	22.9
Profit after tax	75,905	22,651	55,393	1,02,480
Minority interest	(9,373)	(14,007)	2,499	6,973
Share Profit from Associate	-	-	-	-
Adjusted PAT	85,278	36,657	52,894	95,508
YoY gr. (%)	(12.9)	(57.0)	44.3	80.6
Margin (%)	2.9	1.3	2.5	3.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	85,278	36,657	52,894	95,508
YoY gr. (%)	(12.9)	(57.0)	44.3	80.6
Margin (%)	2.9	1.3	2.5	3.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	85,278	36,657	52,894	95,508
Equity Shares O/s (m)	1,967	1,967	1,967	1,967
EPS (Rs)	43.4	18.6	26.9	48.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	5,89,214	7,75,401	8,44,901	9,24,401
Tangibles	5,89,214	7,75,401	8,44,901	9,24,401
Intangibles	-	-	-	-
Acc: Dep / Amortization	99,504	1,68,917	2,18,835	2,73,518
Tangibles	99,504	1,68,917	2,18,835	2,73,518
Intangibles	-	-	-	-
Net fixed assets	4,89,710	6,06,484	6,26,067	6,50,883
Tangibles	4,89,710	6,06,484	6,26,067	6,50,883
Intangibles	-	-	-	-
Capital Work In Progress	1,36,545	23,617	24,566	25,610
Goodwill	3,438	2,289	2,289	2,289
Non-Current Investments	2,30,469	1,55,549	1,70,461	1,86,863
Net Deferred tax assets	(63,383)	(63,184)	(68,487)	(80,232)
Other Non-Current Assets	16,789	856	942	1,036
Current Assets				
Investments	57,991	63,790	70,169	77,186
Inventories	2,29,349	2,25,544	1,66,627	2,21,392
Trade receivables	69,063	76,272	55,776	74,914
Cash & Bank Balance	6,625	48,095	67,558	49,765
Other Current Assets	13,642	14,637	16,101	17,711
Total Assets	13,69,304	13,39,862	13,35,558	14,56,152
Equity				
Equity Share Capital	19,669	19,669	19,669	19,669
Other Equity	3,67,978	3,93,321	4,20,428	4,73,522
Total Networkth	3,87,647	4,12,990	4,40,096	4,93,190
Non-Current Liabilities				
Long Term borrowings	3,43,156	2,47,260	2,14,870	1,87,437
Provisions	15,376	16,824	18,506	20,357
Other non current liabilities	2,840	3,124	3,437	3,780
Current Liabilities				
ST Debt / Current of LT Debt	85,990	77,959	82,174	86,811
Trade payables	1,73,847	1,69,836	1,26,947	1,67,713
Other current liabilities	2,71,260	3,20,858	3,52,960	3,88,258
Total Equity & Liabilities	13,69,304	13,59,902	13,40,089	14,56,418

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,19,680	35,612	74,554	1,32,955
Add. Depreciation	34,178	40,801	46,144	50,787
Add. Interest	17,640	26,370	23,787	22,812
Less Financial Other Income	20,375	19,293	31,924	50,276
Add. Other	14,392	35,541	5,137	11,563
Op. profit before WC changes	1,85,890	1,38,324	1,49,622	2,18,117
Net Changes-WC	(16,219)	29,603	54,890	(12,948)
Direct tax	(28,126)	(3)	(13,339)	(23,187)
Net cash from Op. activities	1,41,545	1,67,924	1,91,173	1,81,983
Capital expenditures	(1,14,671)	24,028	(78,012)	(89,118)
Interest / Dividend Income	-	-	-	-
Others	(3,379)	(2,955)	(671)	(738)
Net Cash from Inv. activities	(1,18,050)	21,074	(78,683)	(89,856)
Issue of share cap. / premium	(20,061)	50,623	(27,459)	(25,792)
Debt changes	59,172	(1,03,926)	(28,175)	(22,797)
Dividend paid	(48,383)	(42,017)	(22,735)	(35,765)
Interest paid	(17,640)	(26,370)	(23,787)	(22,812)
Others	-	-	-	-
Net cash from Fin. activities	(26,911)	(1,21,690)	(1,02,156)	(1,07,167)
Net change in cash	(3,415)	67,308	10,334	(15,041)
Free Cash Flow	26,874	1,91,953	1,13,161	92,864

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	7,63,180	6,43,408	7,47,328	6,89,914
YoY gr. (%)	6.4	(11.0)	(5.6)	(6.8)
Raw Material Expenses	6,92,816	5,68,210	6,69,101	6,29,243
Gross Profit	70,364	75,198	78,227	60,672
Margin (%)	9.2	11.7	10.5	8.8
EBITDA	21,799	23,749	27,034	(6,189)
YoY gr. (%)	(43.7)	(1.8)	266.6	(112.9)
Margin (%)	2.9	3.7	3.6	(0.9)
Depreciation / Depletion	9,141	9,523	9,731	9,474
EBIT	12,658	14,226	17,303	(15,663)
Margin (%)	1.7	2.2	2.3	(2.3)
Net Interest	4,524	6,388	5,121	5,786
Other Income	5,385	8,713	5,148	11,567
Profit before Tax	13,518	16,551	17,330	(20,689)
Margin (%)	1.8	2.6	2.3	(3.0)
Total Tax	2,767	533	4,724	(7,079)
Effective tax rate (%)	20.5	3.2	27.3	34.2
Profit after Tax	10,751	16,018	12,606	(13,611)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,751	16,018	12,606	(24,419)
YoY gr. (%)	(53.1)	31.4	154.6	(178.1)
Margin (%)	1.4	2.5	1.7	(3.5)
Extra Ord. Income / (Exp)	-	-	-	10,808
Reported PAT	10,751	16,018	12,606	(13,611)
YoY gr. (%)	(53.1)	31.4	154.6	(143.6)
Margin (%)	1.4	2.5	1.7	(2.0)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,751	16,018	12,606	(13,611)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	43.4	18.6	26.9	48.6
CEPS	60.7	39.4	50.4	74.4
BVPS	197.1	210.0	223.8	250.7
FCF	13.7	97.6	57.5	47.2
DPS	21.0	18.2	11.6	18.2
Return Ratio(%)				
RoCE	15.1	5.5	9.0	14.0
ROIC	9.0	3.5	5.5	7.9
RoE	22.6	9.2	12.4	20.5
Balance Sheet				
Net Debt : Equity (x)	0.9	0.5	0.4	0.3
Net Working Capital (Days)	15	17	17	17
Valuation(x)				
PER	8.2	19.2	13.3	7.4
P/B	1.8	1.7	1.6	1.4
P/CEPS	5.9	9.1	7.1	4.8
EV/EBITDA	7.1	11.0	7.7	5.4
EV/Sales	0.4	0.3	0.4	0.3
Dividend Yield (%)	5.9	5.1	3.2	5.1

Source: Company Data, PL Research

Key Operating Metrics

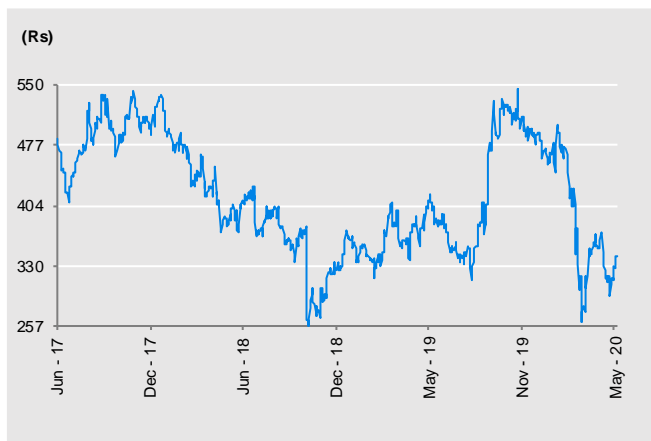
Y/e Mar	FY19	FY20	FY21E	FY22E
Crude /bbl	70	61	45	55
US\$/Rs	70	71	74	77
GRM (US\$/bbl)	5	6	3	5
Refining volume (MTPA)	30	31	29	30

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-20	BUY	517	342
2	14-Feb-20	BUY	537	469
3	03-Jan-20	BUY	600	484
4	21-Nov-19	BUY	600	514
5	09-Nov-19	BUY	537	501
6	03-Oct-19	BUY	502	532
7	05-Sep-19	BUY	466	381
8	04-Jul-19	BUY	499	380

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	992	1,010
2	Bharat Petroleum Corporation	BUY	517	342
3	GAIL (India)	BUY	115	86
4	Hindustan Petroleum Corporation	BUY	280	200
5	Indian Oil Corporation	BUY	133	82
6	Indraprastha Gas	BUY	601	436
7	Mahanagar Gas	BUY	1,289	891
8	NOCIL	BUY	96	72
9	Oil & Natural Gas Corporation	BUY	115	74
10	Oil India	Accumulate	117	89
11	Petronet LNG	BUY	378	215
12	Reliance Industries	BUY	1,601	1,409

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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