

- Bharat Petroleum Corporation Limited (BPCL) has recorded the revenue from operations stood at ₹ 897.1 billion as compared to ₹ 509.1 billion for Q1, mainly resulted from the increase in the volume as well as the prices. EBITDA fell 50.4% QoQ to ₹ 32.5 billion and 26.7% on YoY, as EBITDA margin contracted 682bps YoY to 4.4% due to rise in raw material prices and foreign exchange losses partially offset by lower employee cost. The profit after tax stood at ₹ 28.7 billion as compared to ₹ 21.8 billion in quarter one of the previous year.
- Total Market Sales was 9.63 MMT in Q1FY22, while refinery through put of Mumbai and Kochi refineries were 6.84 MMT in Q1FY22. The company has achieved its highest ever average ethanol blending percentage of 8.95%. In Q1FY22, the Company reported GRM of \$4.12 barrel compare to \$6.6 barrel in 4QFY21 and \$0.39/barrel in Q1FY21.
- During Q1FY22, BPCL added 129 new fuel stations in Q1FY22, taking their network strength to 18,766. The company owned company operated outlets network increased to 297 with 1 additions during the quarter. BPCL added 5 new distributors, taking LPG distributor network strength to 6,169 and the customer base increased to 85.9 million.
- The capex guidance for FY22 is around ₹ 100 billion, including ₹ 26 billion in refinery, ₹ 9.5billion in petchem, ₹ 33 billion in marketing, ₹ 13 billion in equity investments, and remaining in other projects. During 1QFY22, BPCL has made a step-up acquisition and acquired the remaining stake of 36.62% in BORL from OQ for a consolidated consideration of around ₹ 24 billion, resulting in full control over BORL by BPCL.
- BPCL borrowings as on 30, June 2021 significantly reduced from ₹ 260 billion level to ₹ 216 billion. The debt-equity ratio as on 30th June at the end of Q1, it has improved significantly and we are 0.38 as compared to 0.98 in the Q1 of previous year.
- For BPCL, core GRMs are expected to improve further to prior year period with opening up of lockdowns and acceleration in vaccination drive. The company is also moving towards green energy through EV charging points at exiting gas stations. These new strategies should boost company's performance in medium to long-term. We are structurally positive on BPCL owing to its superior refining assets, and healthy cash flows. Hence we retain our **BUY** rating on the stock with a revised target price of using ₹ 555 (based on 9X FY23 EPS).

## Quarterly Results

### Financial Results

Consolidated			
	Q1-FY22	Q1-FY21	Chg
Net Sales	Q1-FY22	Q1-FY21	Chg
Operating Expense	709,464	379,993	86.7%
EBITDA	678,214	337,332	101.1%
Other Income	31,250	42,660	-26.7%
Depreciation	4,191	5,370	-22.0%
EBIT	11,499	10,728	7.2%
Interest	23,942	37,302	-35.8%
PBT	5,823	6,911	-15.7%
Tax	18,118	30,391	-40.4%
Exceptional Items	4,988	8,930	-44.1%
<b>PAT</b>	12,989	(61)	
Minority /Other Adj.	<b>26,120</b>	<b>21,400</b>	22.1%
<b>Consolidated PAT</b>	2,608	(1,046)	

Consolidated			
Margins	Q1-FY22	Q1-FY21	Chg
Operating Margin %	4.4%	11.2%	-682
PBT Margin %	3.7%	5.6%	-195

Source: Company, Anand Rathi Research

## Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	2,845,719	2,301,626	2,623,394	3,122,478
Operating Expense	2,764,083	2,088,663	2,450,512	2,903,280
EBITDA	83,492	212,964	172,882	219,198
Other Income	19,293	22,530	25,594	31,225
Depreciation	40,801	43,342	45,019	45,559
EBIT	61,984	192,152	153,457	204,864
Interest	26,370	17,234	24,379	25,905
<b>PBT</b>	<b>35,614</b>	<b>174,918</b>	<b>129,077</b>	<b>178,958</b>
Tax	(142)	51,122	32,269	44,740
Minority Interest	7,903	14,804	-	-
<b>PAT</b>	<b>43,659</b>	<b>108,992</b>	<b>96,808</b>	<b>134,219</b>

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-4.6%	-19.1%	14.0%	19.0%
Operating Margin %	2.9%	9.3%	6.6%	7.0%
Net Margin %	1.5%	4.7%	3.7%	4.3%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	19,669	20,929	20,929	20,929
Reserves & Surplus	345,655	514,622	611,430	745,648
Total Shareholder's Funds	365,323	535,551	632,359	766,578
Minority Interest	20,563	-	-	-
Long-Term Liabilities	438,531	433,553	434,553	435,553
Other Long-term Liabilities	20,364	22,168	22,168	22,168
Deferred Tax Liability	61,603	49,345	49,345	49,345
Short-term Liabilities	602,215	569,304	577,644	704,726
<b>Total</b>	<b>1,508,600</b>	<b>1,609,920</b>	<b>1,716,069</b>	<b>1,978,369</b>
<b>Assets</b>				
Net Fixed Assets	778,984	812,384	777,365	741,805
Long-Term L&A	68,860	64,701	64,701	64,701
Non Current Investments	218,528	199,735	199,735	199,735
Other Non-Current Assets	9,710	13,276	13,276	13,276
Current Asset	432,518	519,825	660,993	958,852
<b>Total</b>	<b>1,508,600</b>	<b>1,609,920</b>	<b>1,716,069</b>	<b>1,978,369</b>

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	14.1	74.5	44.6	61.9
P/E (x)	33.9	6.4	10.7	7.7
P/B (x)	2.8	1.9	1.6	1.3
ROE	8.4%	30.2%	15.3%	17.5%

Source: Company, Anand Rathi Research

## Key Risks:

- ❑ A return of regulation in auto fuel prices
- ❑ Excise hikes may leave little room for any retail fuel price increase

## Rating and Target Price history:

### BPCL rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 1 September 2021 close.

### BPCL rating details

Date	Rating	Target Price (₹)	Share Price (₹)
17-Mar-2021	BUY	512	427
25-May-2021	BUY	555	472
01-Sep-2021	BUY	555	477

Source: Bloomberg, Anand Rathi Research

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