

## Oil &amp; Gas | Q1FY24 Result Update

## Marketing margins a major earning driver

- BPCL's PAT was ahead of estimates due to (1) higher-than-expected marketing margins on oil products & better than expected GRM of US\$12.6/bbl; (2) refinery throughput up 7% YoY; (3) BPCL has been gaining market share in auto fuel among PSU; and (4) 20% YoY fall in operating expense.
- Mega spending on Energy Transition, Net carbon Zero & Energy Security: A plan to invest Rs1,5tn over next 5 to 6 years, capex/annum will accelerate from FY26 onwards. Management has largely maintained capex guidance of Rs100bn/Rs130bn in FY24/FY25. Considering the higher marketing margins we increase assumptions for the FY24E but maintained for FY25E. We maintain Accumulate with a Target Price of Rs440 (vs earlier Rs430)

## Marketing margins at peak unlikely to sustain in H2FY24

Our calculation suggests that BPCL incurred a gross loss of Rs2.3/lt on the sale of auto fuel in FY23, to recover the same, we expect BPCL should post Rs6/lt average gross marketing margins (GMM) in FY24 (including the normal margins of Rs3.5/lt in FY24). Considering the super normal GMM in Q1 and the same continue in Q2TD, we believe Govt. has a scope to cut auto fuel prices by Rs3-4/lt. at the Brent of US\$83/bbl. The quantum of reduction could be higher as we are entering into the "Election" era. Auto fuel price reduction cannot be ruled out in Aug/Sept'23. If Govt increases the quantum of the auto fuel price reduction (> Rs4/lt), a key earning risk to the marketing segment of BPCL. Hence, in the near-term stock price can remain under pressure. We expect BPCL GMM on auto fuel would be Rs6/lt for FY24 vs. Rs13/lt in Q1FY24. Not only for auto fuel but also for domestic LPG sales, BPCL earned Rs137/cyl in Q1FY24, and if no price cut then it can earn Rs360/cyl Q2FY24 and will be added to buffer a/c.

## Falling discounts on Russian crude, resulting in lower GRM

Ministry data suggest that discounts on Russian crude are declining but the imports are still at record levels (Exhibit no.6). BPCL's Bina & Kochi refinery is capable to process ~45% of Russian crude and processed 35% in Q1FY24 vs. 28% in Q4FY23. However, falling discounts can lower GRM. BPCL has planned a maintenance shutdown of all refineries in Q2FY24, it will impact throughput.

## Q1FY24 Result (Rs Mn)

| Particulars       | Q1FY24    | Q1FY23    | YoY (%) | Q4FY23    | QoQ (%) |
|-------------------|-----------|-----------|---------|-----------|---------|
| Revenue           | 11,29,782 | 12,10,659 | (6.7)   | 11,81,121 | (4.3)   |
| Total Expense     | 9,71,685  | 12,60,047 | (22.9)  | 10,69,584 | (9.2)   |
| EBITDA            | 1,58,098  | (49,388)  | NA      | 1,11,537  | 41.7    |
| Depreciation      | 16,093    | 16,107    | (0.1)   | 15,958    | 0.8     |
| EBIT              | 1,42,004  | (65,495)  | NA      | 95,579    | 48.6    |
| Other Income      | 4,920     | 4,403     | 11.7    | 7,330     | (32.9)  |
| Interest          | 6,793     | 6,155     | 10.4    | 8,124     | (16.4)  |
| EBT               | 1,40,131  | (67,247)  | NA      | 81,185    | 72.6    |
| Tax               | 34,622    | (13,969)  | NA      | 16,408    | 111.0   |
| RPAT              | 1,05,509  | (53,278)  | NA      | 64,777    | 62.9    |
| APAT              | 1,05,509  | (53,278)  | NA      | 78,377    | 34.6    |
|                   |           |           | (bps)   |           | (bps)   |
| Gross Margin (%)  | 19.6      | 2.4       | 1718    | 15.1      | 441     |
| EBITDA Margin (%) | 14.0      | (4.1)     | 1807    | 9.4       | 455     |
| NPM (%)           | 9.3       | (4.4)     | 1374    | 5.5       | 385     |
| Tax Rate (%)      | 24.7      | 20.8      | NA      | 20.2      | 450     |
| EBIT Margin (%)   | 12.6      | (5.4)     | 1798    | 8.1       | 448     |

|                 |              |
|-----------------|--------------|
| CMP             | Rs 387       |
| Target / Upside | Rs 440 / 14% |
| NIFTY           | 19,778       |

## Scrip Details

|                   |                  |     |     |
|-------------------|------------------|-----|-----|
| Equity / FV       | Rs 21,295mn / Rs |     |     |
| Market Cap        | Rs 827bn         |     |     |
|                   | USD 10.1bn       |     |     |
| 52-week High/Low  | Rs 398/ 288      |     |     |
| Avg. Volume (no)  | 31,19,810        |     |     |
| Bloom Code        | BPCL IN          |     |     |
| Price Performance | 1M               | 3M  | 12M |
| Absolute (%)      | 7                | 9   | 19  |
| Rel to NIFTY (%)  | 2                | (1) | 0   |

## Shareholding Pattern

|                 | Dec'22 | Mar'23 | Jun'23 |
|-----------------|--------|--------|--------|
| Promoters       | 53.0   | 53.0   | 53.0   |
| MF/Banks/FIs    | 9.1    | 9.6    | 9.6    |
| FIs             | 12.5   | 12.6   | 12.6   |
| Public / Others | 25.4   | 27.9   | 27.9   |

## Valuation (x)

|           | FY23A | FY24E | FY25E |
|-----------|-------|-------|-------|
| P/E       | 25.6  | 7.3   | 12.0  |
| EV/EBITDA | 11.4  | 5.6   | 7.4   |
| ROE (%)   | 6.2   | 20.8  | 11.7  |
| RoACE (%) | 6.3   | 13.3  | 8.7   |

## Estimates (Rs bn)

|           | FY23A   | FY24E   | FY25E   |
|-----------|---------|---------|---------|
| Revenue   | 4,731.2 | 3,995.3 | 3,558.0 |
| EBITDA    | 109.6   | 232.8   | 183.3   |
| PAT       | 32.3    | 113.4   | 68.8    |
| EPS (Rs.) | 15.1    | 53.1    | 32.2    |

VP - Research: Yogesh Patil

Tel: +9122 40969758

E-mail: yogeshp@dolatcapital.com

Associate: Anish Jindal

Tel: +9122 40969700

E-mail: anishj@dolatcapital.com

### Exhibit 1: Actual vs Estimates

| Particulars(Rs bn) | Actual  | Estimates | % bps Variance | Comments   |
|--------------------|---------|-----------|----------------|--|
| Revenue            | 1,129.8 | 1,147     | (1.5)          | BPCL reported GRMs are higher than our expectations with 7% YoY jump in oil product sales. In addition, refinery throughput was 7% YoY higher. Reported GRM of US\$12.6/bbl was higher than our estimates of US\$11/bbl. |
| EBITDA             | 158.1   | 125       | 27             |  |
| EBITDA Margin      | 14      | 11        | 284 bps        |  |
| PAT                | 105.5   | 79.3      | 33             |  |

Source: Company, DART

### Change in estimate

In Q1FY24, BPCL reported record gross margins in the marketing segment, in addition, our calculation suggests that the same will continue in Q2 and we do not expect any price reduction in petrol/diesel till the end of Aug/Sept'2023. Hence, we increase our assumptions for FY24 marketing margins by 27%, which will lead to 46% /94% jump in EBITDA/PAT. It will also reduce the net debt which is leading to a fall in interest cost of FY25E. BPCL's earnings to improve by 2% in FY25.

### Exhibit 2: Change in Estimates

|                                | FY24E    |          |           | FY25E    |          |           |
|--------------------------------|----------|----------|-----------|----------|----------|-----------|
|                                | New      | Old      | % Chg (%) | New      | Old      | % Chg (%) |
| <b>Financials (Standalone)</b> |          |          |           |          |          |           |
| EBITDA (Rs mn)                 | 2,32,783 | 1,59,548 | 45.9      | 1,83,271 | 1,83,271 | 0.0       |
| PAT (Rs mn)                    | 1,13,379 | 58,577   | 93.6      | 68,780   | 67,547   | 1.8       |
| EPS (Rs/sh)                    | 53       | 27.4     | 93.7      | 32.2     | 31.6     | 1.9       |
| <b>Key drivers</b>             |          |          |           |          |          |           |
| GRM (USD/bl)                   | 6.5      | 6.5      | 0.0       | 7.0      | 7.0      | 0.0       |
| Refining throughput (mt)       | 37.4     | 37.4     | 0.0       | 37.8     | 37.8     | 0.0       |
| Marketing margin (Rs/tn)       | 6,446    | 5,057    | 27.5      | 5,255    | 5,255    | 0.0       |
| Marketing sales (mt)           | 52.7     | 52.7     | 0.0       | 55.3     | 55.3     | 0.0       |

Source: Company, DART

### Maintain "Accumulate"

Our Target Price for BPCL of Rs440/share is based on a SoTP valuation: a) Core business (Refining + Marketing) at an EV of Rs601/sh based on 7x forward EV/EBITDA; b) Investments at 20% discounts to CMP at an EV of Rs66/sh; & c) net debt of Rs226/sh. BPCL trades at 1.4x of Mar'25 P/BV available at cheapest valuation & offering dividend yield of 7%/5% in Y24/FY25. Thus, we maintain "Accumulate" with SoTP based target price of Rs440 (earlier Rs 430). Key risk is rise in crude price & petrol/diesel price cut.

### Exhibit 3: BPCL's SoTP Valuation

|                              | Valuation base         |          | Multiple (x)    |           | Enterprise Value |         |
|------------------------------|------------------------|----------|-----------------|-----------|------------------|---------|
|                              | Metrics                | Value    | Multiple        | Value (x) | (Rs bn)          | (Rs/sh) |
| Business segments            |                        |          |                 |           |                  |         |
| Refining business            | Mar25E EBITDA (Rs mn)  | 1,09,328 | EV/EBITDA       | 7.0       | 765              | 358     |
| Marketing business           | Mar'25E EBITDA (Rs mn) | 73,943   | EV/EBITDA       | 7.0       | 518              | 242     |
| Total (a)                    |                        |          |                 | 7.0       | 1,283            | 601     |
| Investments                  |                        |          |                 |           | Equity value     |         |
| Indraprastha Gas             | NoSH (mn)              | 158      | 20% disc to CMP | 359       | 57               | 27      |
| Petronet LNG                 | NoSH (mn)              | 188      | 20% disc to CMP | 174       | 33               | 15      |
| Others (mostly BPRL)         | Book value (Rs mn)     | 1,03,358 | P/BV            | 0.5       | 52               | 24      |
| Total (b)                    |                        |          |                 |           | 141              | 66      |
| Total Enterprise Value (a+b) |                        |          |                 |           | 1,424            | 667     |
| Less: Net debt (Mar'25E)     |                        |          |                 |           | 484              | 226     |
| Total Equity Value           |                        |          |                 |           | 940              | 440     |

Source: Company, DART

### Marketing drives the show; supernormal marketing margins boosted EBITDA

**Refining:** Throughput of 10.4MMT grew 7% YoY but down 3% QoQ, BPCL posted a GRM of US\$12.6/bbl vs. US\$20.6/bbl in Q4FY23. Refining EBITDA of Rs65bn decreased 53% YoY & 45% QoQ. **Marketing:** Overall oil product sales volume improved by 7% YoY to 13.1MMT, primarily led by petrol (up 6% YoY), and diesel (up 9% YoY) & also supported by recovery in ATF volume. In Q1FY24, our calculated gross marketing margins on auto fuel was ~Rs13/lt this implies sharp improvement sequentially which has boosted BPCL's EBITDA.

**Revenue:** Rs1,130bn (-7% YoY, -4% QoQ), 1% below our estimates, revenue declined due to a sharp fall in oil product prices compared to the previous year.

**Gross Profit:** Rs221bn (+670% YoY, +24% QoQ), a sharp improvement in gross profit led by 1) super normal gross marketing margins on diesel/petrol Rs13.6/Rs11.2 per ltr; 2) 8% YoY growth in oil product sales volume; and 3) 7% YoY jump in refinery throughput. However, refining gross profits declined 48% YoY on account of a sharp fall in middle distillates.

**Gross Refining Margins:** GRM of US\$12.6/bbl (-54% YoY, -39% QoQ), slightly ahead of our estimates.

**EBITDA:** Rs158bn (+420% YoY, +42% QoQ), 27% ahead of our estimates. EBITDA growth is supported by 20% YoY fall in operating expenses.

**Adjusted Net Profit:** Rs106bn (+298% YoY, +35% QoQ), 33% ahead of our estimates.

**Debt:** total debt declined 22% QoQ to Rs279bn.

**Exhibit 4: BPCL's Key Financials**

| P & L (Rs in bn)                        | Q1FY24  | Q4FY23  | Q1FY23  | YoY (%) | QoQ (%) | Est.    | vs. Est. (%) |
|---|---------|---------|---------|---------|---------|---------|--------------|
| Total Income                            | 1,129.8 | 1,181.1 | 1,210.7 | (7)     | (4)     | 1,147.0 | (1)          |
| Raw material costs                      | 908.9   | 1,002.3 | 1,182.0 | (23)    | (9)     |         |              |
| Gross profit                            | 220.9   | 178.8   | 28.7    | 670     | 24      |         |              |
| Operating expenses                      | 62.8    | 67.3    | 78.1    | (20)    | (7)     |         |              |
| EBITDA                                  | 158.1   | 111.5   | (49.4)  | 420     | 42      | 124.9   | 27           |
| Depreciation                            | 16.1    | 16.0    | 16.1    | (0)     | 1       |         |              |
| EBIT                                    | 142.0   | 95.6    | (65.5)  | 317     | 49      |         |              |
| Other Income                            | 4.9     | 7.3     | 4.4     | 12      | (33)    |         |              |
| Interest                                | 6.8     | 8.1     | 6.2     | 10      | (16)    |         |              |
| PBT                                     | 140.1   | 81.2    | (67.2)  | 308     | 73      | 106.0   | 32           |
| Total tax                               | 34.6    | 16.4    | (14.0)  | 348     | 111     |         |              |
| PAT (adjusted)                          | 105.5   | 78.4    | (53.3)  | 298     | 35      | 79.3    | 33           |
| EPS (Rs/sh)                             | 49.4    | 36.7    | (24.9)  | 298     | 35      |         |              |
| <b>Segmental Analysis</b>               |         |         |         |         |         |         |              |
| <u>Refining segment</u>                 |         |         |         |         |         |         |              |
| Crude throughput (mt)                   | 10.4    | 10.6    | 9.7     | 7       | (3)     |         |              |
| Reported GRM (USD/bbl)                  | 12.6    | 20.6    | 27.5    | (54)    | (39)    |         |              |
| Inventory loss/ (gain) (USD/bbl)*       | -       | -       | -       | -       | -       |         |              |
| Core GRM (USD/bbl)                      | 12.6    | 20.6    | 27.5    | (54)    | (39)    |         |              |
| Refining gross profit (Rs bn)           | 79      | 132     | 151     | (48)    | (40)    |         |              |
| Refining EBITDA (Rs bn)                 | 65      | 118     | 139     | (53)    | (45)    |         |              |
| <u>Marketing segment</u>                |         |         |         |         |         |         |              |
| Petroleum product sale (mt)             | 13.1    | 13.3    | 12.3    | 7       | (1)     |         |              |
| Gross profit (reported, Rs bn)          | 142.0   | 46.7    | (122.2) | 216     | 204     |         |              |
| Add: Inventory loss/ (gain) on products | 10.7    | 19.1    | 3.7     |         |         |         |              |
| Gross profit (core, Rs bn)              | 152.7   | 65.8    | (118.4) | 229     | 132     |         |              |
| Marketing margins (reported, Rs/tn)     | 10,858  | 3,526   | (9,955) | 209     | 208     |         |              |
| Marketing margins (core, Rs/tn)         | 11,676  | 4,969   | (9,653) | 221     | 135     |         |              |
| Marketing EBITDA (Rs bn)                | 92.9    | (6.4)   | (188.2) | 149     | 1543    |         |              |

Source: Company, DART

**Earning call KTAs**

- Mega Capex plan:** BPCL has a plan to invest Rs1.5lakh crore in Energy transition, Energy security, and Net Zero. Over the period of the next 5 to 6 years. Energy Transition side towards the CGD business & EV charging infrastructure. Mega capex also includes the Bina refinery expansion with the set-up of a 2.2MMTPA petrochemical (HDPE/LDPE/PP) facility. Bina refinery capacity will increase from 7.8MMTPA to 11 MMTPA. The new petrochemical facility at Bina will be ready by 2028. Feedstock for the plant would be dual (Naphtha/ Gas). Surplus Naphtha from BPCL refineries will be diverted to the petrochemical unit. However, the company has guided the capex of Rs100bn for FY24 and completed the capex of Rs14.6bn in Q1FY24.
- Refining & Petrochemical:** (1) Kochi PDPP plant utilization in Q1FY24 was 70% and the GRM contribution was US\$0.5/bbl for Kochi Refinery; (2) Mumbai refinery can process maximum 20% high sulfur crude, during the Q1 Mumbai refinery processed lower quantity of Russian crude and also faced shortfall of Hydrogen for processing; (3) Kochi & Bina Refinery can process up-to 45% high sulfur crude.

- **CGD Business:** BPCL has in total 25GA, along with JV BPCL has a 29.1% market share in CNG sales. BPCL would be investing Rs480bn over the life of these 25GA. Over the period of the next 5 years, CGD capex would be Rs150bn. Currently, 1,607 CNG stations are operational, and planning to add 500 CNG stations.
- **Marketing segment:** (1) HSD demand is likely to slow down in the Urban market mostly due to the transition happening towards CNG; (2) BPCL gained market share in MS/HSD in core retail among PSU- 0.2%/1.8% respectively. (3) BPCL has plan to add 1K new retail outlets in FY24 and added 111 during Q1FY24, BPCL has a plan to add 14,200 new retail outlets in the long run. (4) currently BPCL has 774 EV charging stations and 31 battery-swapping stations
- **Right Issue-** Rs180bn is part of capital support announced by the Govt. in the Budget. – This amount will be utilized for the Energy Transition, Net zero, and energy security ( for securing the Oil & Gas Asset/exploration blocks).
- **LPG mechanism for over/under-recovery on the sale of domestic LPG cylinder:** As mentioned in press release, any under/over recovery on the sale of the domestic LPG cylinder will be maintained in a separate buffer account for future adjustments. In the beginning of Q1FY24, BPCL had a negative buffer of Rs8.5 billion which is included in revenue from operations in Q1 while as on 30-June-23, no negative buffer is there.
- **Dividend Payout Plans-** BPCL will stick to its dividend policy, i.e., either at least 30% of profit or 5% of net worth will be distributed as dividends.
- **Russian Dividends-** BPCL has around \$130 mn pending in Russian dividends and the dividend proceedings have not yet moved out of Russia.
- **Scheduled Refinery Shutdowns-** Bina refinery is shut down in July, some parts of the Kochi refinery will be shut down in August for 15 days and for the Mumbai refinery, one of the CDU will be shut down in September

### Refinery expansion at Bina 10% RoE at GRM of US\$11/bbl

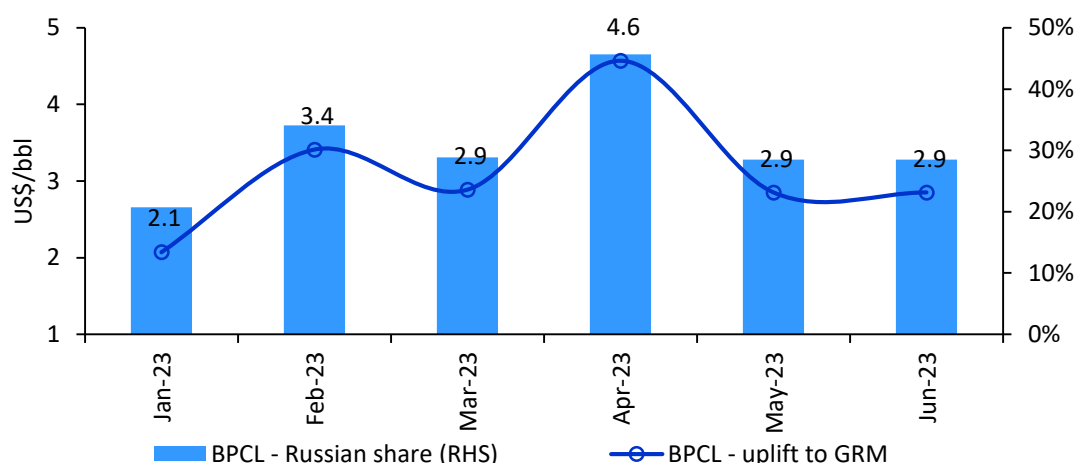
BPCL has approved Rs490bn refinery expansion and a new petrochemical set-up at Bina. Bina refinery to expand from 7.8MMTPA to 11MMTPA with a capital expenditure of ~Rs120bn (Rs38bn/MMT capex for refinery). As per our calculations @ US\$11/bbl GRM, RoE at the Bina refinery expansion would be 10%. Every US\$1/bbl improvement in GRM to expand RoE by 3%. (Exhibit no.5).

#### Exhibit 5: Bina Refinery capex can provide RoE of 10% at GRM of US\$11/bbl (Assuming capex of Rs120bn- expected completion in next 4 years)

|  | Unit     | FY27E |
|--|----------|-------|
| Exchange rate                                    |          | 83    |
| Bina Refinery capacity addition (7.8 to 11)      | MMTPA    | 3.2   |
| Refining capacity utilisation                    | %        | 100   |
| GRM assumption                                   | US\$/bbl | 11    |
| Operating expense                                | US\$/bbl | 2.5   |
| EBITDA   | US\$/bbl | 8.5   |
| EBITDA   | Rs bn    | 16.5  |
| Depreciation on capex @3.5%                      | Rs bn    | 4.2   |
| Interest on assumption of 50% debt/equity @ 7.0% | Rs bn    | 4.2   |
| PBT  | Rs bn    | 8.1   |
| Tax  | Rs bn    | 2.0   |
| PAT  | Rs bn    | 6.1   |
| Equity needed - 50% of the capex                 | Rs bn    | 60    |
| ROE %  | %        | 10%   |

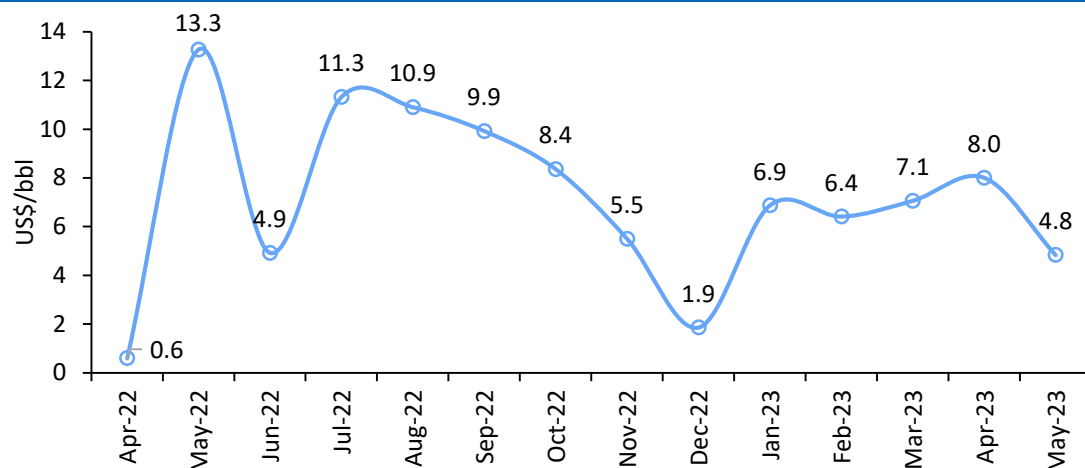
Source: Company, DART, Bloomberg

**Exhibit 6: Share of Russian crude in BPCL's basket & calculated boost to BPCL's GRM**



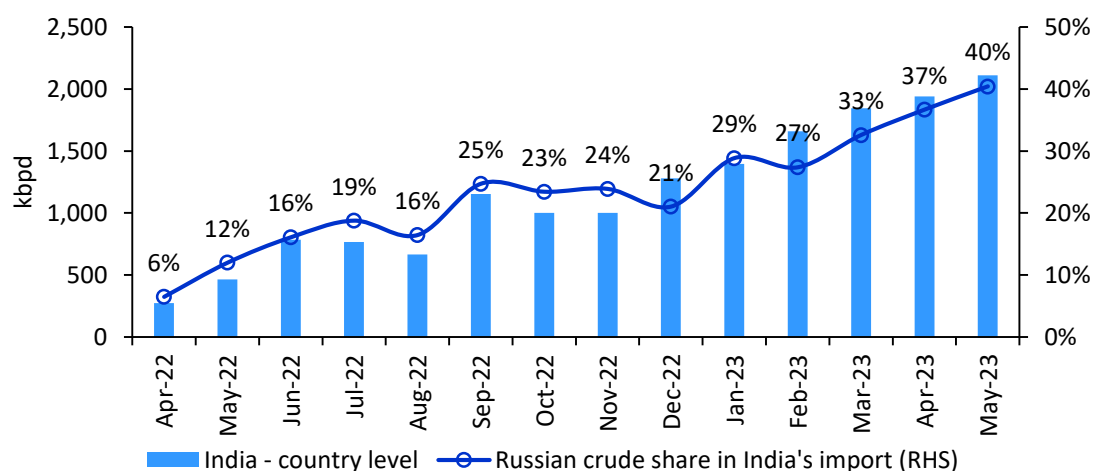
Source: Company, DART

**Exhibit 7: Discounts on the Russian crude at bottom – Indian Commerce ministry data**



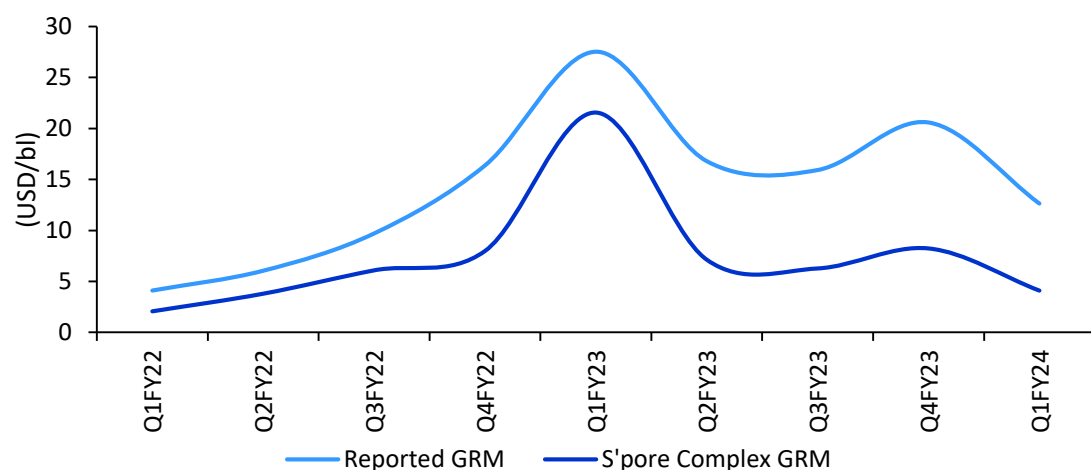
Source: Commerce ministry of India, DART

**Exhibit 8: India's Russian crude import touched to 40% in May'23 at peak**



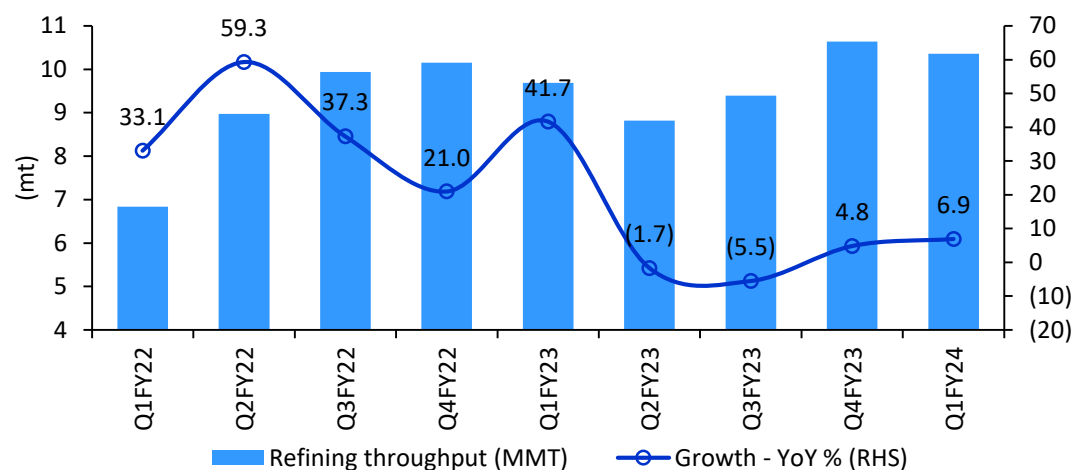
Source: Commerce Ministry, DART

**Exhibit 9: BPCL posted GRM of US\$12.6/bbl vs. Singapore GRM of US\$4.1/bbl**



Source: Company, DART

**Exhibit 10: BPCL refinery throughput up 7% YoY**

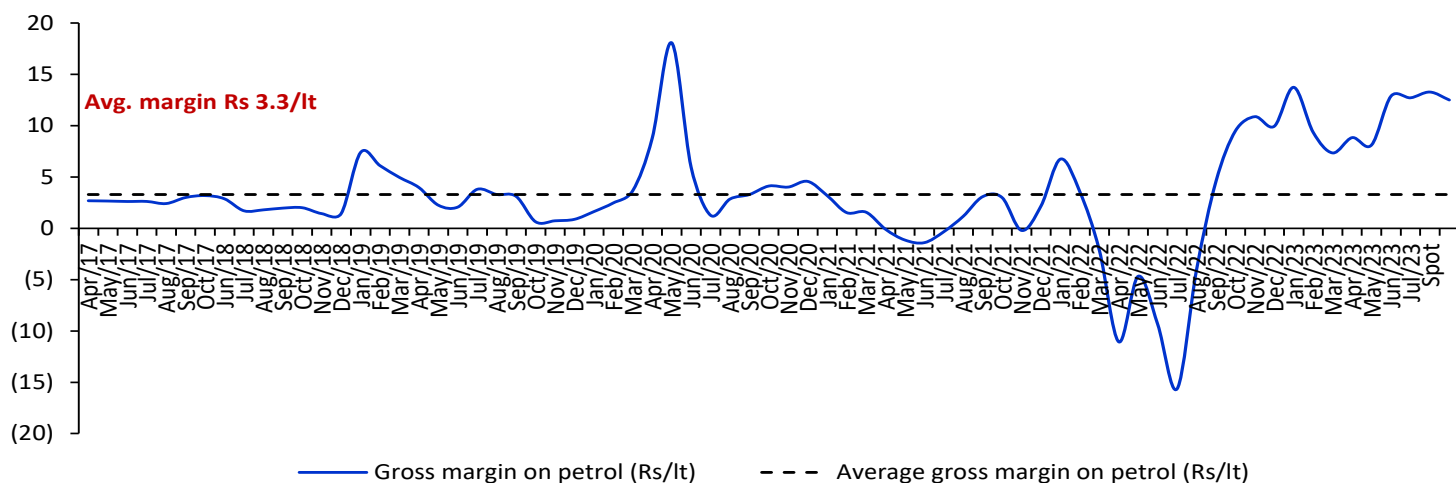


Source: Company, DART



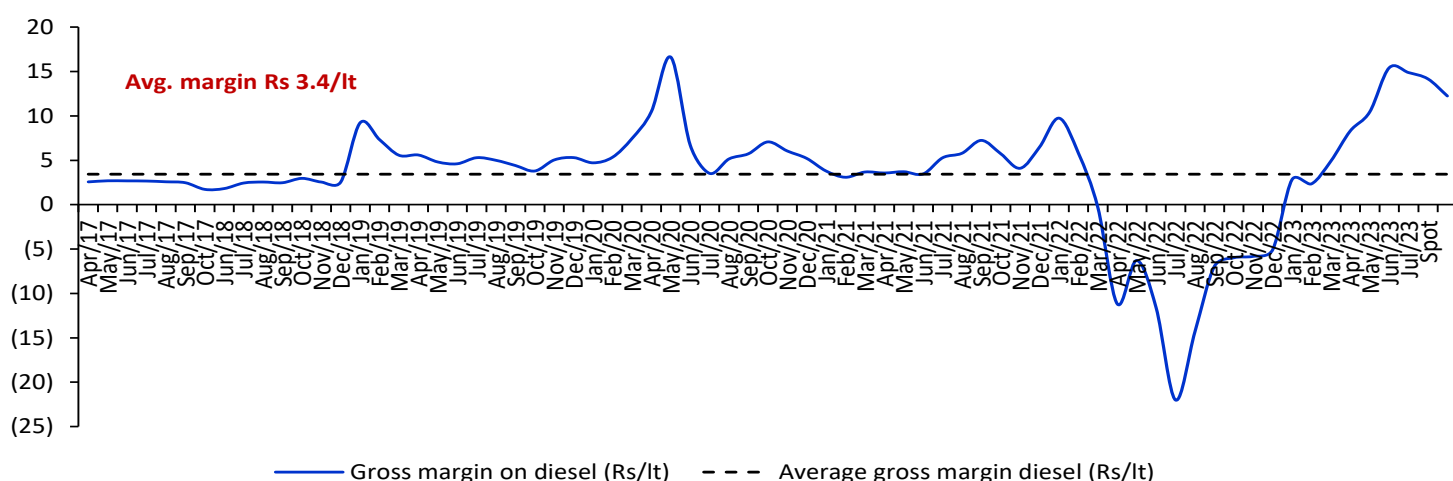
## Focus charts – Marketing

**Exhibit 11: Gross Marketing margins of petrol positive ~Rs12.5/lt at spot. Super normal level vs. Avg of Rs3.3/lt**



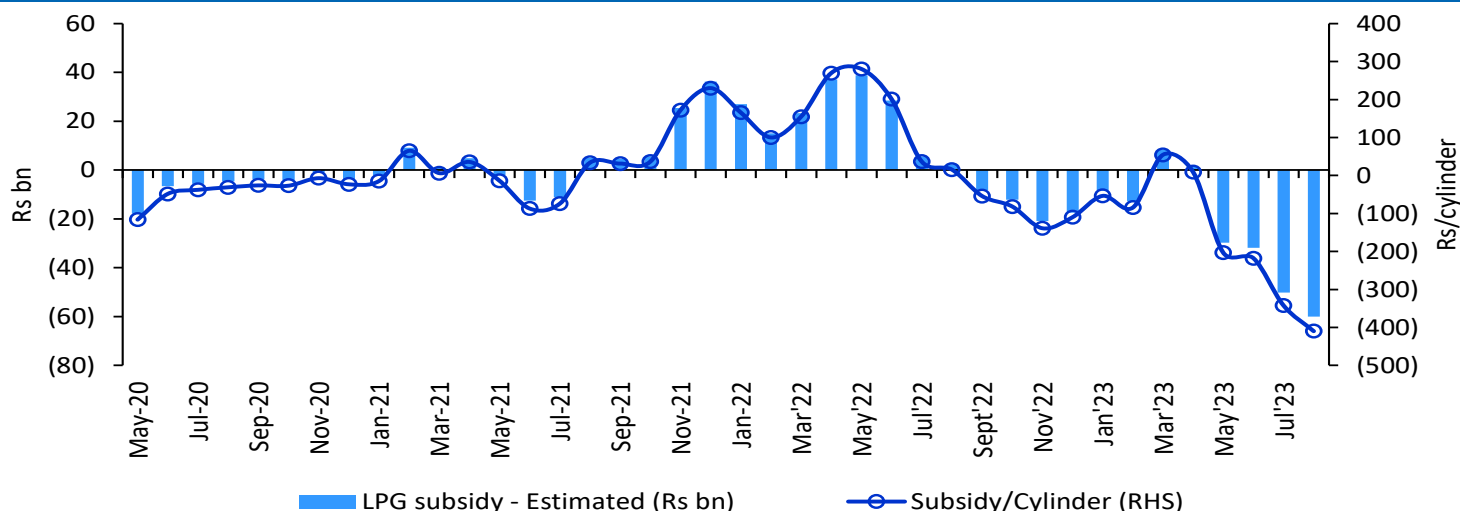
Source: PPAC, DART

**Exhibit 12: Gross Marketing margins of diesel positive ~Rs12.2/lt at spot vs. avg. of Rs3.4**



Source: PPAC, DART

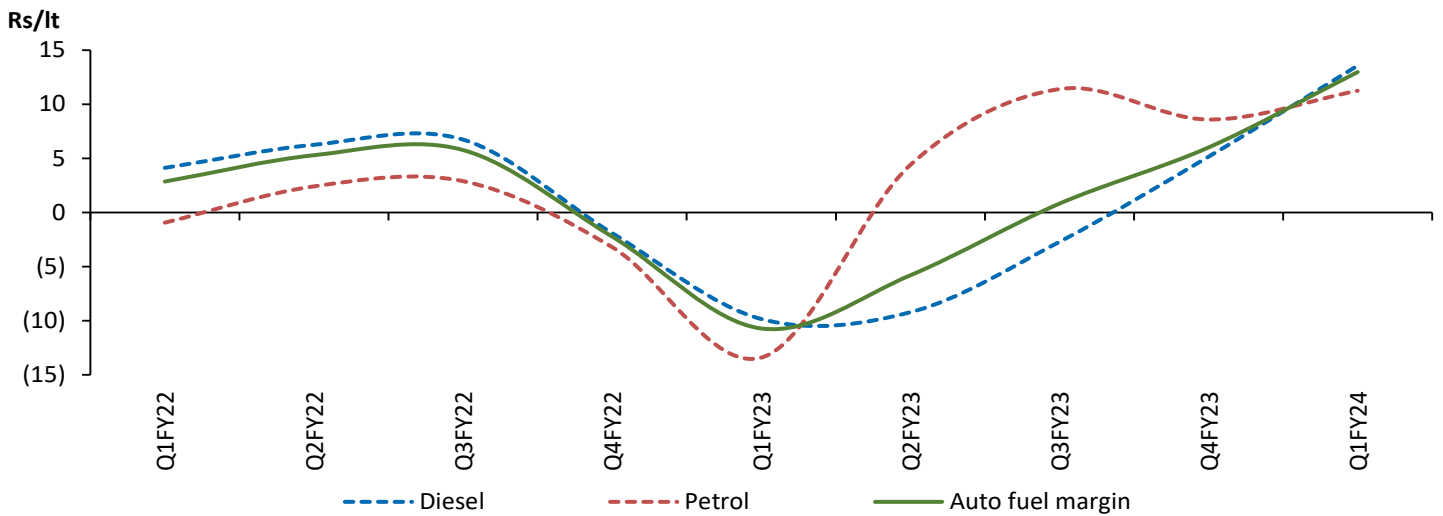
**Exhibit 13: BPCL earning Rs410/cylinder on sale of domestic LPG in Aug'23, based on the future Saudi CP, BPCL continue to earn over-recovery on sale of domestic LPG**



Source: Company, DART

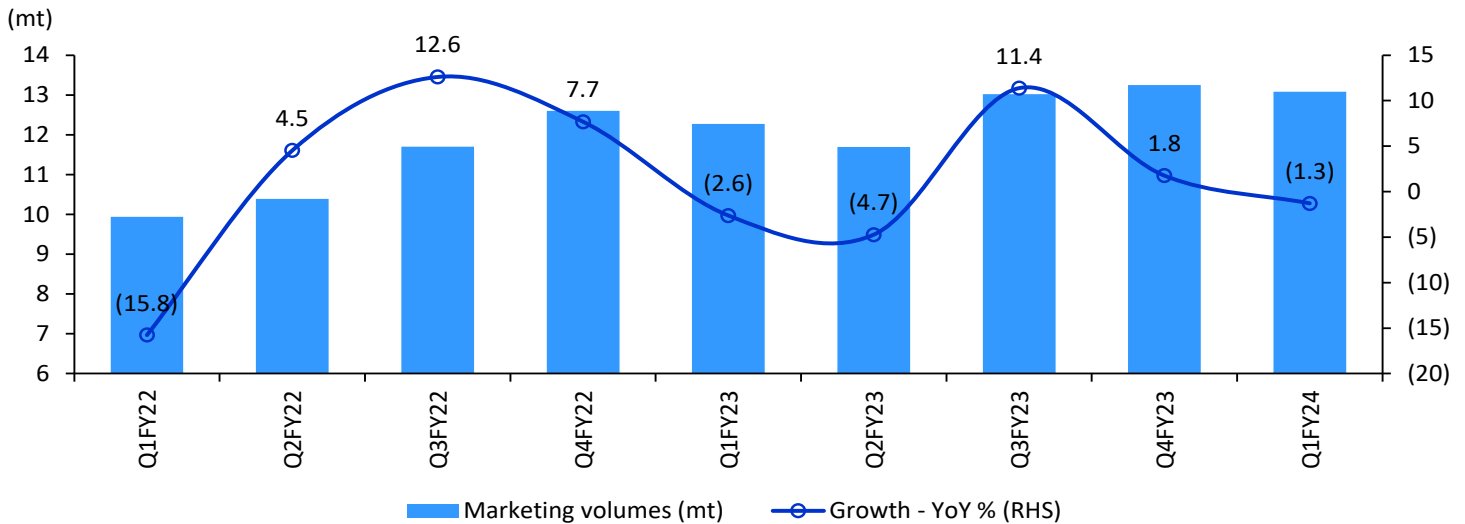


**Exhibit 14: Q2FY24TD Auto fuel GMM are Rs11/lt (unlikely to sustain for long time)**



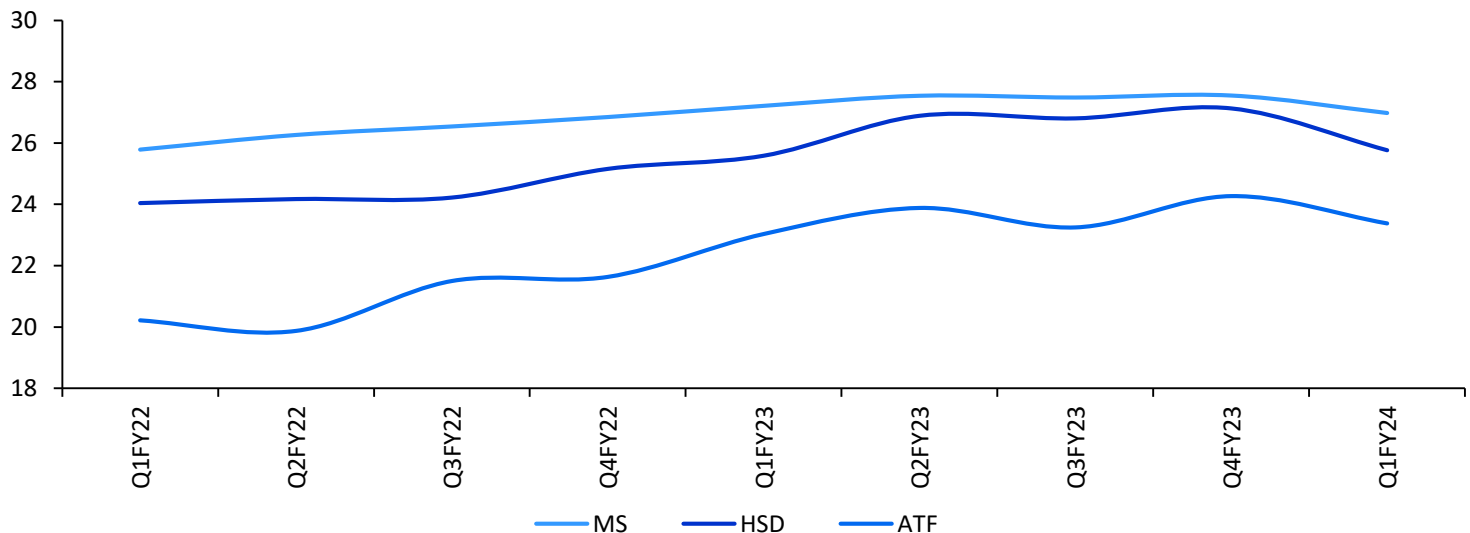
Source: Company, DART

**Exhibit 15: BPCL Oil Product sales volume grew by 7% YoY (Petrol & Diesel a major growth driver)**



Source: Company, DART

**Exhibit 16: BPCL gained market share auto fuel; petrol/diesel market share 27.6%/27.1%**



Source: Company, DART

**Exhibit 17: BPCL's Key Financials and Drivers**

| (Rs bn)                             | FY17  | FY18  | FY19  | FY20  | FY21  | FY22  | FY23A   | FY24E | FY25E |
|-------------------------------------|-------|-------|-------|-------|-------|-------|---------|-------|-------|
| Net revenues                        | 2,022 | 2,363 | 2,973 | 2,844 | 2,325 | 3,466 | 4,731   | 3,995 | 3,558 |
| EBITDA                              | 108   | 117   | 120   | 66    | 171   | 190   | 110     | 233   | 183   |
| EBITDA margin                       | 5.4%  | 4.9%  | 4.0%  | 2.3%  | 7.4%  | 5.5%  | 2.3%    | 5.8%  | 5.2%  |
| PAT                                 | 80    | 79    | 71    | 38    | 126   | 97    | 32      | 113   | 69    |
| PAT margin                          | 4.0%  | 3.4%  | 2.4%  | 1.3%  | 5.4%  | 2.8%  | 0.7%    | 2.8%  | 1.9%  |
| EPS                                 | 37.6  | 37.1  | 33.4  | 12.6  | 89.1  | 53.2  | 8.8     | 53.1  | 32.2  |
| Core EBITDA by segment              |       |       |       |       |       |       |         |       |       |
| Refining                            | 27.6  | 56.4  | 30.2  | 35.5  | (3.6) | 146.8 | 412.7   | 97.5  | 109.3 |
| Marketing                           | 39.5  | 42.1  | 78.8  | 71.3  | 100.7 | 15.7  | (308.2) | 135.3 | 73.9  |
| Drivers                             |       |       |       |       |       |       |         |       |       |
| Refining capacity (Standalone, mta) | 21.5  | 27.5  | 27.5  | 27.5  | 27.5  | 35.3  | 35.3    | 35.3  | 35.3  |
| Refining capacity (Gross, mta)      | 33.5  | 39.5  | 39.5  | 39.5  | 39.5  | 47.3  | 47.3    | 47.3  | 47.3  |
| Refining capacity (Net, mta)        | 28.3  | 34.3  | 34.3  | 34.3  | 34.3  | 42.1  | 42.1    | 42.1  | 42.1  |
| Refining throughput (mt)            | 25.4  | 28.5  | 31.0  | 31.9  | 26.4  | 35.9  | 38.5    | 37.4  | 37.8  |
| GRM (USD/bl) (RHS)                  | 5.3   | 6.9   | 4.6   | 2.5   | 4.1   | 9.7   | 20.2    | 6.5   | 7.0   |
| Marketing volumes (mt)              | 40.2  | 43.2  | 45.0  | 45.7  | 40.7  | 44.6  | 50.2    | 52.7  | 55.3  |
| Marketing margin (Rs/te)            | 4,646 | 4,466 | 5,633 | 5,315 | 7,716 | 5,418 | (1,272) | 6,446 | 5,255 |
| Marketing/Refining ratio            | 1.2   | 1.1   | 1.1   | 1.2   | 1.0   | 0.9   | 1.1     | 1.1   | 1.2   |

Source: Company, DART

## Financial Performance

### Profit and Loss Account

| (Rs Mn)                                | FY22A            | FY23A            | FY24E            | FY25E            |
|--|------------------|------------------|------------------|------------------|
| <b>Revenue</b>                         | <b>34,66,439</b> | <b>47,31,247</b> | <b>39,95,348</b> | <b>35,58,032</b> |
| <b>Total Expense</b>                   | <b>32,76,179</b> | <b>46,21,680</b> | <b>37,62,565</b> | <b>33,74,761</b> |
| COGS                                   | 30,34,541        | 43,32,143        | 35,08,501        | 31,07,377        |
| Employees Cost                         | 33,979           | 27,640           | 29,574           | 32,532           |
| Other expenses                         | 2,07,659         | 2,61,897         | 2,24,489         | 2,34,852         |
| <b>EBIDTA</b>                          | <b>1,90,260</b>  | <b>1,09,566</b>  | <b>2,32,783</b>  | <b>1,83,271</b>  |
| Depreciation                           | 54,179           | 63,475           | 68,614           | 73,153           |
| <b>EBIT</b>                            | <b>1,36,081</b>  | <b>46,091</b>    | <b>1,64,169</b>  | <b>1,10,118</b>  |
| Interest                               | 22,088           | 32,165           | 32,895           | 35,734           |
| Other Income                           | 26,294           | 21,840           | 20,241           | 17,531           |
| Exc. / E.O. items                      | 0                | 0                | 0                | 0                |
| <b>EBT</b>                             | <b>1,40,287</b>  | <b>35,767</b>    | <b>1,51,515</b>  | <b>91,916</b>    |
| Tax                                    | 43,084           | 3,466            | 38,136           | 23,135           |
| RPAT                                   | 97,203           | 32,301           | 1,13,379         | 68,780           |
| Minority Interest                      | 0                | 0                | 0                | 0                |
| <b>Profit/Loss share of associates</b> | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>APAT</b>                            | <b>97,203</b>    | <b>32,301</b>    | <b>1,13,379</b>  | <b>68,780</b>    |

### Balance Sheet

| (Rs Mn)                       | FY22A           | FY23A            | FY24E            | FY25E            |
|-------------------------------|-----------------|------------------|------------------|------------------|
| <b>Sources of Funds</b>       |                 |                  |                  |                  |
| Equity Capital                | 21,295          | 21,295           | 21,295           | 21,295           |
| Minority Interest             | 0               | 0                | 0                | 0                |
| Reserves & Surplus            | 4,95,160        | 4,98,669         | 5,50,823         | 5,81,774         |
| <b>Net Worth</b>              | <b>5,16,455</b> | <b>5,19,963</b>  | <b>5,72,118</b>  | <b>6,03,069</b>  |
| Total Debt                    | 4,22,153        | 4,47,751         | 5,19,751         | 5,79,751         |
| Net Deferred Tax Liability    | 58,660          | 70,683           | 70,683           | 70,683           |
| <b>Total Capital Employed</b> | <b>9,97,268</b> | <b>10,38,398</b> | <b>11,62,552</b> | <b>12,53,503</b> |

### Applications of Funds

|   |                 |                  |                  |                  |
|---|-----------------|------------------|------------------|------------------|
| Net Block   | 8,38,236        | 8,66,246         | 9,47,632         | 10,34,479        |
| CWIP  | 49,799          | 56,451           | 56,451           | 56,451           |
| Investments                                       | 1,26,320        | 1,38,724         | 1,38,724         | 1,38,724         |
| <b>Current Assets, Loans &amp; Advances</b>       | <b>6,27,489</b> | <b>5,46,620</b>  | <b>4,86,525</b>  | <b>4,40,534</b>  |
| Inventories                                       | 4,21,765        | 3,80,647         | 3,21,441         | 2,86,257         |
| Receivables                                       | 96,996          | 67,219           | 56,763           | 50,550           |
| Cash and Bank Balances                            | 14,509          | 21,204           | 42,833           | 45,406           |
| Loans and Advances                                | 5,681           | 16,632           | 14,045           | 12,508           |
| Other Current Assets                              | 88,540          | 60,918           | 51,443           | 45,812           |
| <b>Less: Current Liabilities &amp; Provisions</b> | <b>6,44,577</b> | <b>5,69,642</b>  | <b>4,66,779</b>  | <b>4,16,684</b>  |
| Payables  | 6,14,130        | 5,41,030         | 4,38,167         | 3,88,072         |
| Other Current Liabilities                         | 30,447          | 28,612           | 28,612           | 28,612           |
| <i>sub total</i>                                  |                 |                  |                  |                  |
| Net Current Assets                                | (17,088)        | (23,022)         | 19,746           | 23,850           |
| <b>Total Assets</b>                               | <b>9,97,268</b> | <b>10,38,398</b> | <b>11,62,552</b> | <b>12,53,503</b> |

E – Estimates

### Important Ratios

| Particulars                               | FY22A     | FY23A     | FY24E     | FY25E     |
|---|-----------|-----------|-----------|-----------|
| <b>(A) Margins (%)</b>                    |           |           |           |           |
| Gross Profit Margin                       | 12.5      | 8.4       | 12.2      | 12.7      |
| EBIDTA Margin                             | 5.5       | 2.3       | 5.8       | 5.2       |
| EBIT Margin                               | 3.9       | 1.0       | 4.1       | 3.1       |
| Tax rate                                  | 30.7      | 9.7       | 25.2      | 25.2      |
| Net Profit Margin                         | 2.8       | 0.7       | 2.8       | 1.9       |
| <b>(B) As Percentage of Net Sales (%)</b> |           |           |           |           |
| COGS                                      | 87.5      | 91.6      | 87.8      | 87.3      |
| Employee                                  | 1.0       | 0.6       | 0.7       | 0.9       |
| Other                                     | 6.0       | 5.5       | 5.6       | 6.6       |
| <b>(C) Measure of Financial Status</b>    |           |           |           |           |
| Gross Debt / Equity                       | 0.8       | 0.9       | 0.9       | 1.0       |
| Interest Coverage                         | 6.2       | 1.4       | 5.0       | 3.1       |
| Inventory days                            | 44        | 29        | 29        | 29        |
| Debtors days                              | 10        | 5         | 5         | 5         |
| Average Cost of Debt                      | 5.8       | 7.4       | 6.8       | 6.5       |
| Payable days                              | 65        | 42        | 40        | 40        |
| Working Capital days                      | (2)       | (2)       | 2         | 2         |
| FA T/O                                    | 4.1       | 5.5       | 4.2       | 3.4       |
| <b>(D) Measures of Investment</b>         |           |           |           |           |
| AEPS (Rs)                                 | 45.5      | 15.1      | 53.1      | 32.2      |
| CEPS (Rs)                                 | 70.9      | 44.8      | 85.2      | 66.4      |
| DPS (Rs)                                  | 74.0      | 4.0       | 28.7      | 17.7      |
| Dividend Payout (%)                       | 162.6     | 26.6      | 54.0      | 55.0      |
| BVPS (Rs)                                 | 241.8     | 243.4     | 267.8     | 282.3     |
| RoANW (%)                                 | 18.3      | 6.2       | 20.8      | 11.7      |
| RoACE (%)                                 | 12.4      | 6.3       | 13.3      | 8.7       |
| RoAIC (%)                                 | 14.8      | 4.6       | 15.4      | 9.5       |
| <b>(E) Valuation Ratios</b>               |           |           |           |           |
| CMP (Rs)                                  | 387       | 387       | 387       | 387       |
| P/E                                       | 8.5       | 25.6      | 7.3       | 12.0      |
| Mcap (Rs Mn)                              | 8,27,083  | 8,27,083  | 8,27,083  | 8,27,083  |
| MCap/ Sales                               | 0.2       | 0.2       | 0.2       | 0.2       |
| EV  | 12,34,726 | 12,53,630 | 13,04,001 | 13,61,428 |
| EV/Sales                                  | 0.4       | 0.3       | 0.3       | 0.4       |
| EV/EBITDA                                 | 6.5       | 11.4      | 5.6       | 7.4       |
| P/BV                                      | 1.6       | 1.6       | 1.4       | 1.4       |
| Dividend Yield (%)                        | 19.1      | 1.0       | 7.4       | 4.6       |
| <b>(F) Growth Rate (%)</b>                |           |           |           |           |
| Revenue                                   | 49.1      | 36.5      | (15.6)    | (10.9)    |
| EBITDA                                    | 11.1      | (42.4)    | 112.5     | (21.3)    |
| EBIT                                      | 3.5       | (66.1)    | 256.2     | (32.9)    |
| PBT                                       | (13.2)    | (74.5)    | 323.6     | (39.3)    |
| APAT                                      | (22.8)    | (66.8)    | 251.0     | (39.3)    |
| EPS                                       | (22.8)    | (66.8)    | 251.0     | (39.3)    |

E – Estimates

## Cash Flow

| Particulars                                | FY22A             | FY23A           | FY24E             | FY25E             |
|--|-------------------|-----------------|-------------------|-------------------|
| <b>Profit before tax</b>                   | <b>1,61,687</b>   | <b>67,931</b>   | <b>1,84,410</b>   | <b>1,27,649</b>   |
| Depreciation & w.o.                        | 39,781            | 63,475          | 68,614            | 73,153            |
| Net Interest Exp                           | (22,088)          | (32,165)        | (32,895)          | (35,734)          |
| Direct taxes paid                          | (35,759)          | 8,557           | (38,136)          | (23,135)          |
| Change in Working Capital                  | 2,464             | 12,630          | (21,139)          | (1,530)           |
| Non Cash                                   | 0                 | 0               | 0                 | 0                 |
| <b>(A) CF from Operating Activities</b>    | <b>1,46,084</b>   | <b>1,20,428</b> | <b>1,60,853</b>   | <b>1,40,403</b>   |
| Capex {(Inc.)/ Dec. in Fixed Assets n WIP} | (1,44,551)        | (98,136)        | (1,50,000)        | (1,60,000)        |
| <b>Free Cash Flow</b>                      | <b>1,533</b>      | <b>22,292</b>   | <b>10,853</b>     | <b>(19,597)</b>   |
| (Inc.)/ Dec. in Investments                | 20,177            | 1,228           | 0                 | 0                 |
| Other                                      | 0                 | 0               | 0                 | 0                 |
| <b>(B) CF from Investing Activities</b>    | <b>(1,24,374)</b> | <b>(96,908)</b> | <b>(1,50,000)</b> | <b>(1,60,000)</b> |
| Issue of Equity/ Preference                | 365               | 0               | 0                 | 0                 |
| Inc./(Dec.) in Debt                        | 79,969            | 25,599          | 72,000            | 60,000            |
| Interest exp net                           | 0                 | 0               | 0                 | 0                 |
| Dividend Paid (Incl. Tax)                  | (1,58,070)        | (8,602)         | (61,224)          | (37,829)          |
| Other                                      | 0                 | 0               | 0                 | 0                 |
| <b>(C) CF from Financing</b>               | <b>(77,735)</b>   | <b>16,996</b>   | <b>10,776</b>     | <b>22,171</b>     |
| Net Change in Cash                         | (56,026)          | 40,516          | 21,628            | 2,574             |
| <b>Opening Cash balances</b>               | <b>70,535</b>     | <b>14,509</b>   | <b>21,204</b>     | <b>42,833</b>     |
| <b>Closing Cash balances</b>               | <b>14,509</b>     | <b>55,025</b>   | <b>42,833</b>     | <b>45,406</b>     |

E – Estimates

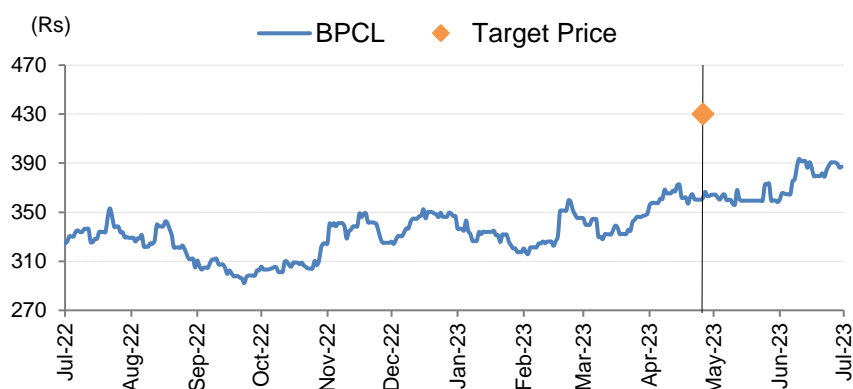
## Notes

## DART RATING MATRIX

Total Return Expectation (12 Months)

|            |           |
|------------|-----------|
| Buy        | > 20%     |
| Accumulate | 10 to 20% |
| Reduce     | 0 to 10%  |
| Sell       | < 0%      |

## Rating and Target Price History



| Month  | Rating     | TP (Rs.) | Price (Rs.) |
|--------|------------|----------|-------------|
| May-23 | Accumulate | 430      | 362         |

\*Price as on recommendation date

## DART Team

|             |                   |                         |                 |
|-------------|-------------------|-------------------------|-----------------|
| Purvag Shah | Managing Director | purvag@dolatcapital.com | +9122 4096 9747 |
|-------------|-------------------|-------------------------|-----------------|

|                   |                  |                       |                 |
|-------------------|------------------|-----------------------|-----------------|
| Amit Khurana, CFA | Head of Equities | amit@dolatcapital.com | +9122 4096 9745 |
|-------------------|------------------|-----------------------|-----------------|

### CONTACT DETAILS

| Equity Sales        | Designation                                  | E-mail                       | Direct Lines    |
|---------------------|--|------------------------------|-----------------|
| Dinesh Bajaj        | VP - Equity Sales                            | dineshb@dolatcapital.com     | +9122 4096 9709 |
| Kapil Yadav         | VP - Equity Sales                            | kapil@dolatcapital.com       | +9122 4096 9735 |
| Jubbin Shah         | VP - Equity Sales                            | jubbins@dolatcapital.com     | +9122 4096 9779 |
| Girish Raj Sankunny | VP - Equity Sales                            | girishr@dolatcapital.com     | +9122 4096 9625 |
| Pratik Shroff       | AVP - Equity Sales                           | pratiks@dolatcapital.com     | +9122 4096 9621 |
| Equity Trading      | Designation                                  | E-mail                       |                 |
| P. Sridhar          | SVP and Head of Sales Trading                | sridhar@dolatcapital.com     | +9122 4096 9728 |
| Chandrakant Ware    | VP - Sales Trading                           | chandrakant@dolatcapital.com | +9122 4096 9707 |
| Shirish Thakkar     | VP - Head Domestic Derivatives Sales Trading | shirisht@dolatcapital.com    | +9122 4096 9702 |
| Kartik Mehta        | Asia Head Derivatives                        | kartikm@dolatcapital.com     | +9122 4096 9715 |
| Bhavin Mehta        | VP - Derivatives Strategist                  | bhavinm@dolatcapital.com     | +9122 4096 9705 |

**Dolat Capital Market Private Limited.**

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

**Analyst(s) Certification**

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

**I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)****II. Disclaimer:**

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

**Dolat Capital Market Private Limited.**

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com