# BPCL



RESULT UPDATE

## KEY DATA

| Rating | REDUCE |
|---|---|
| Sector relative | Underperformer |
| Price (INR) | 368 |
| 12 month price target (INR) | 349 |
| 52 Week High/Low | 370/234 |
| Market cap (INR bn/USD bn) | 1,595/18.0 |
| Free float (%) | 45.0 |
| Avg. daily value traded (INR mn) | 2,256.5 |

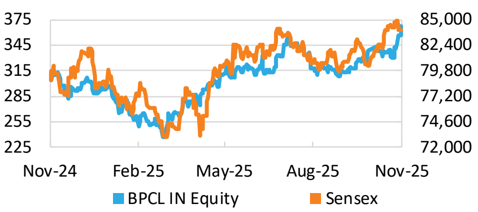
## SHAREHOLDING PATTERN

| | Sep-25 | Jun-25 | Mar-25 |
|---|---|---|---|
| Promoter | 53.0% | 53.0% | 53.0% |
| FII | 16.5% | 15.5% | 14.6% |
| DII | 21.3% | 22.2% | 22.2% |
| Pledge | 0% | 0% | 0% |

## FINANCIALS (INR bn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Revenue | 4,403 | 4,390 | 4,627 | 4,859 |
| EBITDA | 254 | 316 | 380 | 390 |
| Adjusted profit | 137 | 183 | 229 | 233 |
| Diluted EPS (INR) | 34.9 | 46.6 | 58.3 | 59.3 |
| EPS growth (%) | (50.6) | 33.6 | 25.1 | 1.8 |
| RoAE (%) | 17.5 | 20.7 | 21.5 | 18.2 |
| P/E (x) | 10.5 | 7.9 | 6.3 | 6.2 |
| EV/EBITDA (x) | 8.1 | 6.6 | 5.4 | 5.3 |
| Dividend yield (%) | 2.7 | 3.7 | 2.8 | 2.9 |

## PRICE PERFORMANCE




# Strong quarter on GRM lift; capex elevated

Q2FY26 EBITDA (INR98bn; +2x YoY/+1% QoQ) beat our/consensus estimate led by strong GRM, partly offset by lower crude throughput/domestic sales; LPG under-recoveries rose to INR137bn.

Highlights: i) Q2 GRM up 2.4x YoY to USD10.8/bbl (IOCL: USD10.7; HPCL: USD8.8); crude throughput fell to 9.8mmt (-4% YoY/-6% QoQ). ii) Domestic sales rose 2% YoY, implying market share loss versus IOCL/HPCL (+3.4% YoY); marketing inventory gain: INR9bn. iii) Total LPG under-recoveries rose to INR137bn (Q2: INR11.5bn); LPG compensation of INR79bn (61% of total). iv) Huge capex of INR200bn/250bn/350bn over FY26E/27E/28E may lift debt, implies risk w.r.t. long-gestation and reduce RoCE. 'REDUCE' with TP at INR349.

## GRM and inventory gains aid earnings; LPG under-recoveries rise

BPCL's EBITDA at INR98bn (+2x YoY, +1% QoQ) beat our/consensus estimate driven by strong GRM and inventory gains; marketing inventory gains were INR9bn. GRM at USD10.8/bbl (+2.4x YoY, +2.2x QoQ) beat estimates led by strong HSD (+52% YoY) and MS cracks (+53% YoY). This was part offset by subdued marketing margins owing to a sequential rise in crude oil price, lower-than-expected refining throughput of 9.8mmt (-4% YoY/-6% QoQ) and domestic sales of 12.7mmt (+2% YoY/QoQ). Thus, PAT at INR64bn (+2.7x YoY, +5% QoQ) came in above estimates. Kochi refinery throughput was 4.3mmt (-5% QoQ) and the Bina refinery was 1.4mmt (-31% QoQ). Mumbai refinery throughput was at 4.2mmt (+6% QoQ). Q2 LPG under-recoveries stood at INR11bn while cumulative LPG under-recoveries rose to INR137bn; BPCL to receive INR79bn (61% of total). Mumbai/Kochi/Bina refinery posted GRM of USD9/10.9/15.9 per bbl (down 2.7/2.3/2.6x YoY). BPCL's Q2 GRM at USD10.8/bbl was better than IOCL/HPCL GRM of USD10.7/8.8/bbl. BPCL's domestic sales grew 2.3% YoY versus IOCL/HPCL's +3.4/3.4% YoY, implying market share loss for BPCL.

## Capex on long-gestation projects to increase; debt likely to rise

BPCL guided for capex of INR200bn/250bn/300bn in FY26E/27E/28E. Current debt-to-equity ratio of 0.5x is likely to rise to 1x during peak capex in FY27E/FY28E/29E, which would likely weigh on RoCE. Gross debt at INR123bn (-43% YoY, +15% QoQ).

## Risk-reward unfavourable; retain 'REDUCE'

BPCL's peak earnings are behind due to weak near-term refining margin and LPG under-recoveries. Moreover, a high capex cycle in extremely long-gestation projects also weighs on return ratios, rendering risk-reward unfavourable. We raise FY26E/27E EBITDA by 15%/11% to factor in higher GRM and marketing margins; retain **'REDUCE'** with a TP of INR349.

## Financials

| Year to March | Q2FY26 | Q2FY25 | % Change | Q1FY26 | % Change |
|---|---|---|---|---|---|
| Net Revenue | 10,49,125 | 10,27,561 | 2.1 | 11,25,147 | (6.8) |
| EBITDA | 97,772 | 45,122 | 116.7 | 96,631 | 1.2 |
| Adjusted Profit | 64,425 | 23,972 | 168.7 | 61,239 | 5.2 |
| Diluted EPS (INR) | 15.1 | 5.6 | 168.7 | 14.3 | 5.2 |

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# Financial Statements

### Income Statement (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Total operating income | 44,02,763 | 43,89,529 | 46,26,746 | 48,58,805 |
| Gross profit | 5,49,794 | 6,20,191 | 7,05,877 | 7,54,189 |
| Employee costs | 35,095 | 36,343 | 39,428 | 42,754 |
| Other expenses | 2,60,640 | 2,68,206 | 2,86,465 | 3,21,596 |
| EBITDA | 2,54,058 | 3,15,642 | 3,79,984 | 3,89,839 |
| Depreciation | 72,567 | 81,422 | 90,331 | 97,341 |
| Less: Interest expense | 35,914 | 36,620 | 39,942 | 44,544 |
| Add: Other income | 26,803 | 29,471 | 34,124 | 34,804 |
| Profit before tax | 1,81,823 | 2,41,952 | 3,05,583 | 3,11,116 |
| Prov for tax | 48,458 | 61,071 | 76,396 | 77,779 |
| Less: Other adj | 0 | 0 | 0 | 0 |
| Reported profit | 1,33,365 | 1,80,881 | 2,29,187 | 2,33,337 |
| Less: Excp.item (net) | (3,784) | (2,333) | 0 | 0 |
| Adjusted profit | 1,37,150 | 1,83,214 | 2,29,187 | 2,33,337 |
| Diluted shares o/s | 3,934 | 3,934 | 3,934 | 3,934 |
| Adjusted diluted EPS | 34.9 | 46.6 | 58.3 | 59.3 |
| DPS (INR) | 10.0 | 13.7 | 10.3 | 10.6 |
| Tax rate (%) | 26.7 | 25.2 | 25.0 | 25.0 |

### Balance Sheet (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 42,726 | 42,726 | 42,726 | 42,726 |
| Reserves | 7,71,115 | 9,17,501 | 11,28,042 | 13,48,127 |
| Shareholders funds | 8,13,841 | 9,60,227 | 11,70,768 | 13,90,853 |
| Minority interest | 0 | 0 | 0 | 0 |
| Borrowings | 6,11,006 | 5,38,524 | 5,22,814 | 6,56,337 |
| Trade payables | 3,06,341 | 2,99,791 | 3,13,142 | 3,27,690 |
| Other liabs & prov | 4,25,983 | 5,02,960 | 5,29,857 | 5,26,922 |
| Total liabilities | 21,83,822 | 23,28,154 | 25,63,232 | 29,28,454 |
| Net block | 8,65,938 | 8,85,194 | 8,71,672 | 8,60,051 |
| Intangible assets | 20,344 | 11,411 | 11,911 | 7,911 |
| Capital WIP | 2,63,869 | 3,69,868 | 5,25,868 | 6,81,868 |
| Total fixed assets | 11,50,150 | 12,66,473 | 14,09,451 | 15,49,830 |
| Non current inv | 2,28,675 | 2,45,888 | 2,67,636 | 2,95,994 |
| Cash/cash equivalent | 1,41,387 | 54,830 | 95,864 | 2,69,347 |
| Sundry debtors | 93,390 | 92,025 | 99,248 | 1,03,919 |
| Loans & advances | 50,816 | 60,997 | 61,611 | 52,939 |
| Other assets | 5,19,405 | 5,81,289 | 6,02,769 | 6,29,774 |
| Total assets | 21,83,822 | 23,28,154 | 25,63,232 | 29,28,454 |

### Important Ratios (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Brent crude(USD/bbl) | 78.2 | 70.0 | 70.0 | 70.0 |
| Opex (USD/bbl) | 2.9 | 3.1 | 3.2 | 3.4 |
| Ref throughput (mmt) | 40.5 | 40.2 | 40.7 | 41.2 |
| EBITDA margin (%) | 5.8 | 7.2 | 8.2 | 8.0 |
| Net profit margin (%) | 3.1 | 4.2 | 5.0 | 4.8 |
| Revenue growth (% YoY) | (1.7) | (0.3) | 5.4 | 5.0 |
| EBITDA growth (% YoY) | (42.4) | 24.2 | 20.4 | 2.6 |
| Adj. profit growth (%) | (50.6) | 33.6 | 25.1 | 1.8 |

### Free Cash Flow (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Reported profit | 1,33,365 | 1,80,881 | 2,29,187 | 2,33,337 |
| Add: Depreciation | 72,567 | 81,422 | 90,331 | 97,341 |
| Interest (net of tax) | 26,343 | 27,377 | 29,956 | 33,408 |
| Others | 2,099 | (37,922) | (2,390) | 4,689 |
| Less: Changes in WC | (1,486) | (18,620) | (10,930) | 11,389 |
| Operating cash flow | 2,35,860 | 2,70,378 | 3,58,015 | 3,57,387 |
| Less: Capex | (1,51,431) | (2,06,049) | (2,33,309) | (2,37,720) |
| Free cash flow | 84,428 | 64,328 | 1,24,705 | 1,19,666 |

### Assumptions (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| GDP (YoY %) | 7.2 | 7.0 | 6.8 | 6.2 |
| Repo rate (%) | 6.0 | 5.0 | 4.5 | 4.5 |
| USD/INR (average) | 84.4 | 87.5 | 87.0 | 88.0 |
| GRM (USD/bbl) | 6.8 | 7.0 | 7.3 | 7.5 |
| Dom Retail sales (mmt) | 52.4 | 55.0 | 56.7 | 58.4 |
| Retail Margins (INR/ltr) | 6.4 | 6.3 | 6.4 | 6.4 |
| Retail outlets | 24,387.0 | 25,887.0 | 27,387.0 | 28,887.0 |
| Pip. Throughput (BTKM) | 6.0 | 6.0 | 6.0 | 6.0 |
| Pip Rlzn. (INR/mmt/km) | 1.6 | 1.7 | 1.7 | 1.7 |

### Key Ratios

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| RoE (%) | 17.5 | 20.7 | 21.5 | 18.2 |
| RoCE (%) | 13.3 | 16.0 | 18.1 | 15.6 |
| Inventory days | 37 | 40 | 49 | 49 |
| Receivable days | 7 | 8 | 8 | 8 |
| Payable days | 28 | 29 | 29 | 28 |
| Working cap (% sales) | 0.3 | 0.3 | 0.1 | 0.3 |
| Gross debt/equity (x) | 0.8 | 0.6 | 0.4 | 0.5 |
| Net debt/equity (x) | 0.6 | 0.5 | 0.4 | 0.3 |
| Interest coverage (x) | 5.1 | 6.4 | 7.3 | 6.6 |

### Valuation Metrics

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Diluted P/E (x) | 10.5 | 7.9 | 6.3 | 6.2 |
| Price/BV (x) | 1.8 | 1.5 | 1.2 | 1.0 |
| EV/EBITDA (x) | 8.1 | 6.6 | 5.4 | 5.3 |
| Dividend yield (%) | 2.7 | 3.7 | 2.8 | 2.9 |

### Valuation Drivers

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| EPS growth (%) | (50.6) | 33.6 | 25.1 | 1.8 |
| RoE (%) | 17.5 | 20.7 | 21.5 | 18.2 |
| EBITDA growth (%) | (42.4) | 24.2 | 20.4 | 2.6 |
| Payout ratio (%) | 29.5 | 29.5 | 29.5 | 29.5 |

*Source: Company and Nuvama estimates*

### Exhibit 1: Reported EBITDA/PAT beat both our estimate and consensus forecast

| BPCL | Q2FY26 | Q2FY25 | YoY (%) | Q1FY26 | QoQ (%) | Nuvama estimates | vs. estimates | Consensus | vs. consensus |
|---|---|---|---|---|---|---|---|---|---|
| Net Revenues (INR mn) | 10,49,125 | 10,27,561 | 2% | 11,25,147 | -7% | 10,72,667 | -2% | 10,64,000 | -1% |
| EBITDA (INR mn) | 97,772 | 45,122 | 117% | 96,631 | 1% | 72,115 | 36% | 80,963 | 21% |
| Adjusted PAT (INR mn) | 64,425 | 23,972 | 169% | 61,239 | 5% | 43,997 | 46% | 56,269 | 14% |
| Throughput (TMT) | 9,820 | 10,280 | -4% | 10,420 | -6% | 10,081 | -3% | | |
| Reported GRM (USD/bbl) | 10.8 | 4.4 | 144% | 4.9 | 121% | 5.6 | 93% | | |
| Domestic sales (TMT) | 12,670 | 12,390 | 2% | 13,580 | -7% | 12,762 | -1% | | |

*Source: Company, Nuvama Research*

### Exhibit 2: GRM -38% YoY/-47% QoQ; refinery throughput +3% YoY/-2% QoQ; domestic sales volume up 3% YoY/1% QoQ

| Key Operational metrics | Q2FY26 | Q2FY25 | % YoY | Q1FY26 | % QoQ |
|---|---|---|---|---|---|
| **Refining** | | | | | |
| Standalone GRM (USD/bbl) | 10.8 | 4.4 | 144.4 | 4.9 | 120.9 |
| Mumbai standalone GRM (USD/bbl) | 9.0 | 3.4 | 168.0 | 4.1 | 118.1 |
| Kochi GRM (USD/bbl | 10.9 | 4.7 | 128.9 | 5.7 | 90.7 |
| Bina GRM (USD/bbl) | 15.9 | 6.1 | 163.3 | 4.5 | 254.0 |
| Throughput (TMT) | 9,820 | 10,280 | (4.5) | 10,420 | (5.8) |
| **Marketing** | | | | | |
| **Sales (TMT)** | | | | | |
| MS | 2,790 | 2,650 | 5.3 | 2,870 | -2.8 |
| HSD | 5,160 | 5,190 | (0.6) | 6,080 | -15.1 |
| LPG | 2,350 | 2,200 | 6.8 | 2,130 | 10.3 |
| SKO | 30 | 40 | (25.0) | 30 | - |
| Others | 2,340 | 2,310 | 1.3 | 2,470 | -5.3 |
| **Domestic Sales Volume** | **12,670** | **12,390** | **2.3** | **13,580** | **-6.7** |
| **Exports Sales Volume** | **360** | **400** | **(10.0)** | **450** | **-20.0** |
| **Total Sales Volume** | **13,030** | **12,790** | **1.9** | **14,030** | **-7.1** |

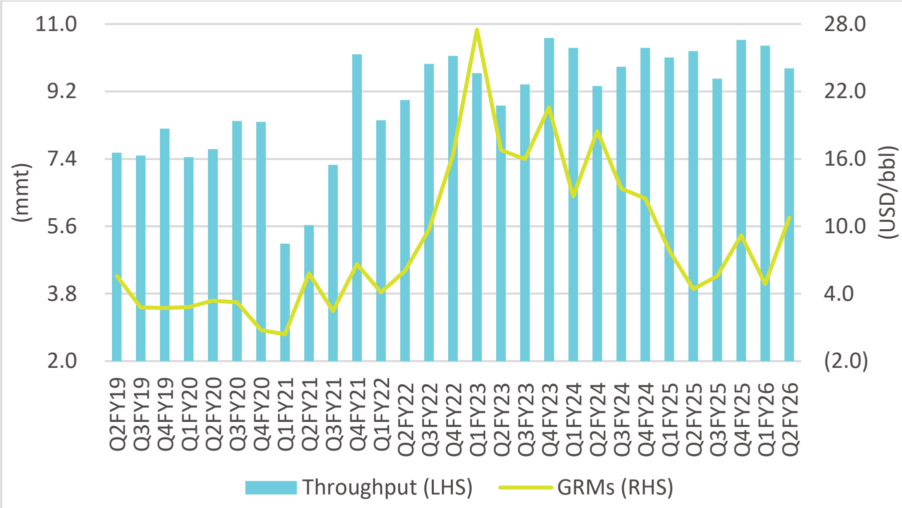
*Source: Company, Nuvama Research*

### Exhibit 3: BPCL's comparison with its peer HPCL

| Q2FY26 | BPCL | IOCL | HPCL |
|---|---|---|---|
| EBITDA Margin (%) | 9.3 | 8.2 | 6.8 |
| GRM ($/bbl) | 10.8 | 10.7 | 8.8 |
| YoY(%) change in Refining throughput | (4.5) | 5.2 | 4.3 |
| QoQ (%) change in Refining throughput | (5.8) | (5.7) | (0.5) |
| YoY (%) change in Domestics Sales Volume | 2.3 | 3.4 | 3.4 |
| QoQ (%) change in Domestic Sales Volume | (6.7) | (9.8) | (9.0) |
| Refinery Utilization (%) | 111 | 100 | 106 |
| YoY(%) change in Pipeline throughput | NA | 0.4 | (6.3) |
| QoQ (%) change in Pipeline throughput | NA | (8.3) | (8.7) |

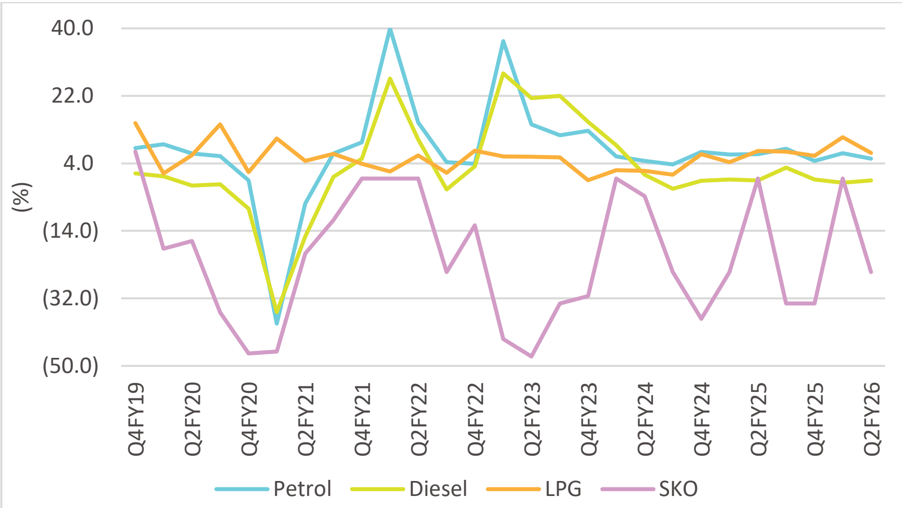
*Source: Company, Nuvama Research*

**Exhibit 4: GRM rises 2.4x YoY/throughput down 4% YoY**



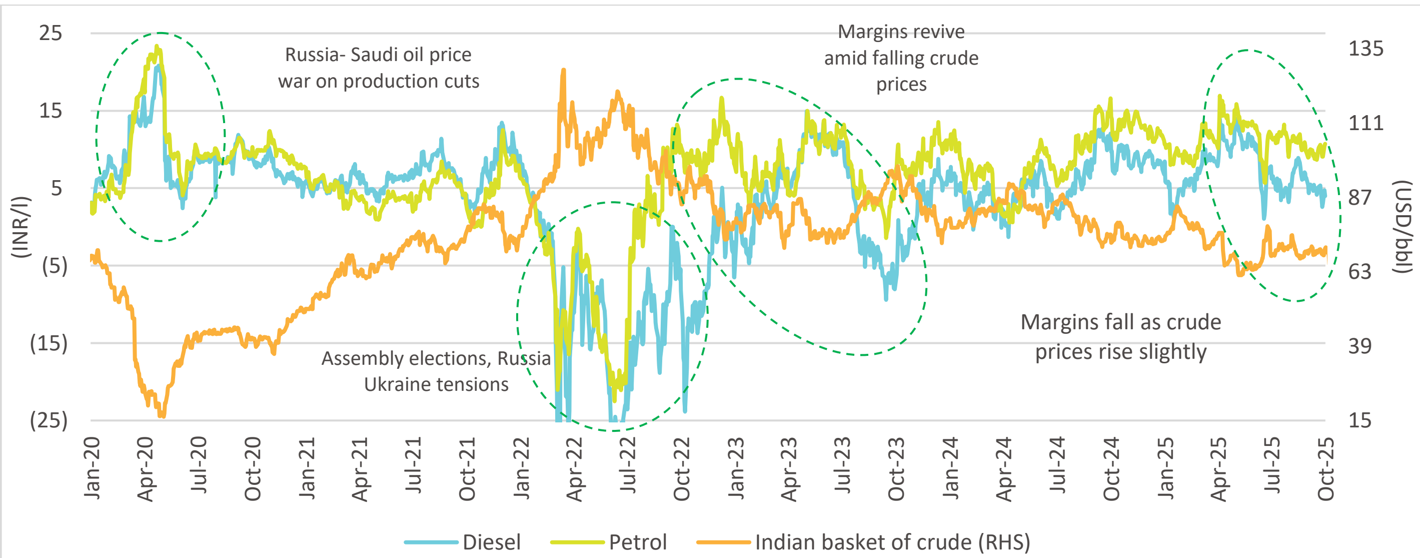

*Source: Company, Nuvama Research*

**Exhibit 5: MS sales +5% YoY, HSD sales -1% YoY, LPG +7% YoY**




*Source: Company, Nuvama Research*

**Exhibit 6: Retail margins fall in Q2FY26 amid rise in crude prices**




*Source: Bloomberg, Nuvama Research*

## Exhibit 7: Quarterly comparison with peers

| Particulars | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | YoY (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Refining Througput (MMT) | | | | | | | | | | | | | | | | | | |
| IOCL | 15.3 | 17.4 | 18.3 | 18.9 | 16.1 | 18.2 | 19.2 | 18.8 | 17.8 | 18.5 | 18.3 | 18.2 | 16.7 | 18.1 | 18.5 | 18.7 | 17.6 | 5% |
| BPCL | 9.0 | 9.9 | 10.2 | 9.7 | 8.8 | 9.4 | 10.6 | 10.4 | 9.4 | 9.9 | 10.4 | 10.1 | 10.3 | 9.5 | 10.6 | 10.4 | NA | NA |
| HPCL | 2.5 | 4.2 | 4.7 | 4.8 | 4.5 | 4.8 | 5.0 | 5.4 | 5.8 | 5.3 | 5.8 | 5.8 | 6.3 | 6.5 | 6.7 | 6.6 | 6.6 | 4% |
| Throughput Growth (YoY %) | | | | | | | | | | | | | | | | | | |
| IOCL | 9.5 | (2.6) | 3.8 | 13.0 | 5.2 | 4.6 | 5.0 | (0.8) | 10.4 | 1.7 | (4.7) | (3.1) | (5.8) | (2.1) | 1.5 | 2.8 | 5.2 | |
| BPCL | 59.3 | 37.3 | (0.4) | 14.9 | (1.7) | (5.5) | 4.7 | 6.9 | 6.0 | 5.0 | (2.5) | (2.4) | 9.9 | (3.2) | 2.1 | 3.1 | NA | |
| HPCL | (37.7) | 5.9 | 6.8 | 91.6 | 77.5 | 14.0 | 5.8 | 12.3 | 28.1 | 10.6 | 17.7 | 6.7 | 9.6 | 21.2 | 15.5 | 14.6 | 4.3 | |
| GRM ($/bbl) | | | | | | | | | | | | | | | | | | |
| IOCL | 6.6 | 12.0 | 18.5 | 31.8 | 18.5 | 13.9 | 15.3 | 8.3 | 18.1 | 13.5 | 8.4 | 6.4 | 1.6 | 3.0 | 7.9 | 2.2 | 10.7 | 570% |
| BPCL | 6.0 | 9.7 | 16.4 | 27.5 | 16.8 | 16.0 | 20.6 | 12.6 | 18.5 | 13.4 | 12.5 | 7.9 | 4.4 | 5.6 | 9.2 | 4.9 | NA | NA |
| HPCL | 2.4 | 6.4 | 12.4 | 16.7 | 8.4 | 9.1 | 14.0 | 7.4 | 13.3 | 8.5 | 7.0 | 5.0 | 3.1 | 6.0 | 8.4 | 3.1 | 8.8 | 182% |
| Domestic retail sales volume (MMT) | | | | | | | | | | | | | | | | | | |
| IOCL | 18.1 | 21.0 | 20.9 | 22.2 | 22.6 | 21.6 | 21.1 | 21.3 | 19.7 | 21.0 | 21.3 | 21.5 | 19.5 | 22.0 | 21.9 | 22.4 | 20.2 | 3% |
| BPCL | 9.9 | 11.2 | 11.8 | 11.8 | 11.4 | 12.8 | 12.9 | 12.8 | 12.2 | 12.9 | 13.2 | 13.2 | 12.4 | 13.4 | 13.4 | 13.6 | NA | NA |
| HPCL | 8.8 | 10.0 | 10.3 | 10.5 | 9.9 | 11.0 | 10.9 | 11.4 | 10.1 | 11.4 | 11.8 | 12.1 | 10.8 | 12.3 | 12.1 | 12.3 | 11.2 | 3% |
| Domestic volumes growth YoY (%) | | | | | | | | | | | | | | | | | | |
| IOCL | 7.0 | 2.2 | 2.8 | 23.5 | 24.8 | 2.9 | 0.9 | (4.0) | (13.0) | (2.8) | 0.6 | 0.9 | (0.7) | 4.8 | 2.8 | 4.0 | 3.4 | |
| BPCL | 10.9 | 0.5 | 5.8 | 22.1 | 15.4 | 14.9 | 9.2 | 8.4 | 6.6 | 0.9 | 2.1 | 3.2 | 1.6 | 3.9 | 1.8 | 3.2 | NA | |
| HPCL | 8.5 | (0.8) | 4.4 | 23.7 | 12.3 | 10.1 | 6.4 | 9.4 | 2.1 | 3.7 | 8.1 | 5.6 | 7.0 | 8.5 | 2.6 | 1.6 | 3.4 | |

*Source: Company, Nuvama Research*

## Exhibit 8: Annual comparison with peers

| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E | FY29E | FY30E | FY25E-30E CAGR (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Refining Throughput (MMT)** | | | | | | | | | | | | | |
| IOCL | 71.8 | 69.4 | 62.4 | 67.7 | 72.4 | 73.3 | 71.7 | 69.5 | 76.9 | 85.5 | 85.5 | 85.5 | 3.6 |
| BPCL | 36.7 | 39.3 | 33.8 | 37.5 | 38.2 | 40.2 | 40.5 | 40.2 | 40.7 | 41.2 | 44.4 | 44.4 | 1.9 |
| HPCL | 18.5 | 17.2 | 16.4 | 14.0 | 19.1 | 22.3 | 25.3 | 26.2 | 26.6 | 27.0 | 27.0 | 27.0 | 1.3 |
| **Throughput Growth (YoY%)** | | | | | | | | | | | | | |
| IOCL | 4.1 | (3.3) | (10.2) | 8.5 | 7.0 | 1.2 | (2.2) | (3.1) | 10.7 | 11.2 | 0.0 | 0.0 | |
| BPCL | 28.7 | 7.1 | (14.0) | 10.9 | 1.9 | 5.1 | 0.9 | (0.7) | 1.1 | 1.4 | 7.8 | 0.0 | |
| HPCL | 1.6 | (7.1) | (4.4) | (14.9) | 36.7 | 17.0 | 13.2 | 3.6 | 1.7 | 1.3 | 0.0 | 0.0 | |
| **GRM ($/bbl)** | | | | | | | | | | | | | |
| IOCL | 5.4 | 0.1 | 5.6 | 11.3 | 19.5 | 12.1 | 4.8 | 6.3 | 6.9 | 7.1 | 7.4 | 7.4 | 8.9 |
| BPCL | 4.6 | 2.5 | 4.1 | 9.7 | 20.2 | 14.1 | 6.8 | 7.0 | 7.3 | 7.5 | 7.5 | 7.5 | 1.9 |
| HPCL | 5.0 | 1.0 | 3.9 | 7.2 | 12.1 | 9.1 | 5.7 | 6.8 | 7.6 | 8.3 | 8.3 | 8.3 | 7.8 |
| **Marketing sales volume (MMT)** | | | | | | | | | | | | | |
| IOCL | 85.1 | 84.4 | 77.9 | 83.9 | 92.6 | 88.5 | 89.8 | 94.8 | 98.1 | 100.6 | 103.1 | 105.6 | 3.3 |
| BPCL | 45.0 | 45.7 | 40.7 | 44.6 | 50.2 | 52.2 | 53.6 | 56.5 | 58.4 | 60.5 | 62.7 | 65.0 | 3.9 |
| HPCL | 38.7 | 39.6 | 36.6 | 39.1 | 43.5 | 46.8 | 49.8 | 51.7 | 54.1 | 56.7 | 59.5 | 62.5 | 4.6 |
| **Volume Growth (%)** | | | | | | | | | | | | | |
| IOCL | 0.9 | (0.9) | (7.6) | 7.7 | 10.4 | (4.5) | 1.5 | 5.6 | 3.5 | 2.5 | 2.5 | 2.5 | |
| BPCL | 4.1 | 1.7 | (11.0) | 9.7 | 12.5 | 3.9 | 2.7 | 5.3 | 3.4 | 3.5 | 3.6 | 3.7 | |
| HPCL | 4.8 | 2.4 | (7.7) | 7.0 | 11.0 | 7.8 | 6.4 | 3.7 | 4.8 | 4.8 | 4.9 | 5.0 | |
| **Core Marketing margin (INR/ltr)** | | | | | | | | | | | | | |
| IOCL | 4.6 | 5.6 | 5.0 | 2.9 | (1.8) | 5.9 | 5.8 | 6.0 | 6.2 | 6.2 | 6.3 | 6.4 | 2.0 |
| BPCL | 4.6 | 4.8 | 5.6 | 4.3 | 0.5 | 7.0 | 6.4 | 6.3 | 6.4 | 6.4 | 6.5 | 6.6 | 0.6 |
| HPCL | 4.4 | 4.6 | 6.5 | 4.5 | 0.9 | 7.4 | 6.3 | 6.8 | 6.8 | 6.8 | 7.0 | 7.1 | 2.5 |
| **Number of Retail outlets (No.)** | | | | | | | | | | | | | |
| IOCL | 27,702 | 29,085 | 32,062 | 34,559 | 36,559 | 38,559 | 40,221 | 43,221 | 46,221 | 48,221 | 50,221 | 52,221 | 5.4 |
| BPCL | 14,802 | 16,234 | 18,637 | 19,887 | 21,387 | 22,887 | 24,387 | 25,887 | 27,387 | 28,887 | 30,387 | 31,887 | 5.5 |
| HPCL | 15,440 | 16,476 | 17,226 | 18,476 | 21,186 | 22,022 | 23,747 | 25,247 | 26,747 | 28,247 | 29,747 | 31,247 | 5.6 |

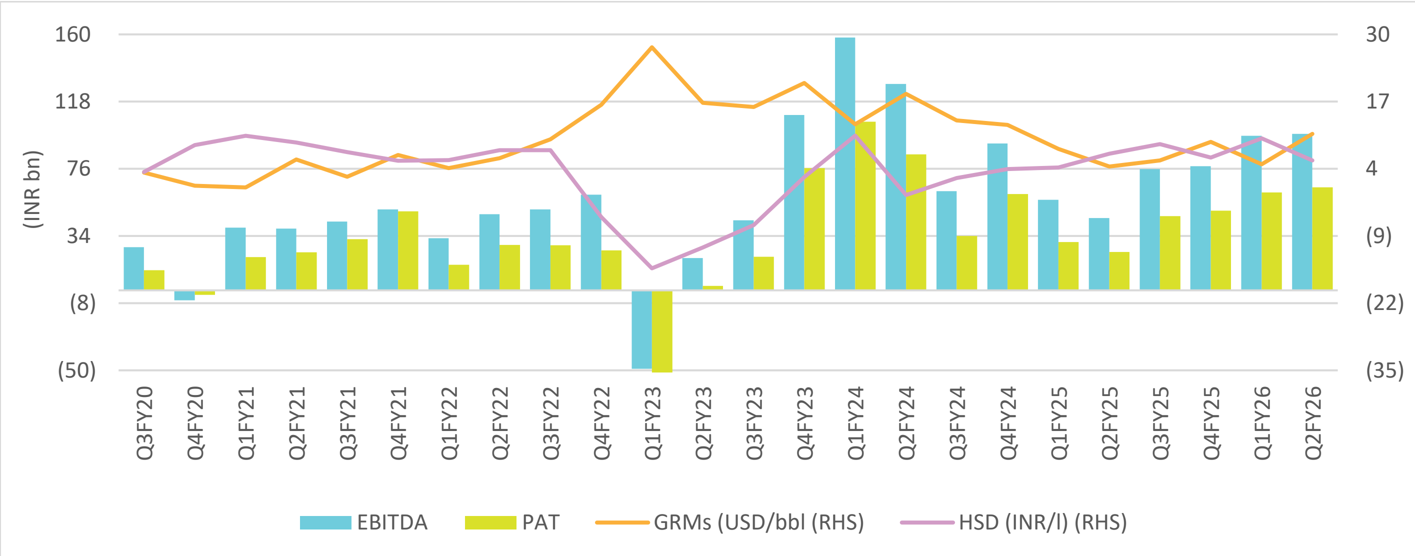
*Source: Company, Nuvama Research*

## Exhibit 9: Global refining peer comps

| Company | Mcap | Adjusted EPS (LC) | | | EV/EBITDA( x) | | | ROE (%) | | | P/B (x) | P/E (x) | Div yield (%) | EPS CAGR (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (USD mn) | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E | FY27E | FY27E | FY26E | FY25-27E |
| **India OMC** | | | | | | | | | | | | | | |
| Indian Oil Corporation Limited | 24,836 | 10.9 | 14.0 | 19.4 | 9.9 | 7.4 | 6.0 | 8.3 | 10.3 | 13.1 | 1.0 | 8.0 | 2.7 | 33.2 |
| Bharat Petroleum Corporation Limited | 16,864 | 34.9 | 36.7 | 43.3 | 7.4 | 6.9 | 5.5 | 17.5 | 16.5 | 16.7 | 1.1 | 7.9 | 3.2 | 11.5 |
| Hindustan Petroleum Corporation Limited | 10,941 | 31.6 | 54.1 | 59.9 | 6.5 | 5.0 | 4.5 | 13.7 | 20.9 | 20.2 | 1.3 | 7.6 | 4.0 | 37.6 |
| **India OMC-Mean** | | | | | **8.0** | **6.4** | **5.3** | **13.2** | **15.9** | **16.6** | **1.1** | **7.8** | **3.3** | **27.4** |
| **India Refining** | | | | | | | | | | | | | | |
| Reliance Industries Limited | 2,27,598 | 51.5 | 64.2 | 67.7 | 12.8 | 11.4 | 9.8 | 8.5 | 10.0 | 9.7 | 1.9 | 21.9 | 0.5 | 14.7 |
| Chennai Petroleum Corp Ltd | 1,644 | 5.6 | 120.3 | 99.9 | 19.5 | 5.0 | 5.7 | 1.0 | 21.0 | 15.5 | 1.5 | 9.8 | 4.1 | NM |
| Mangalore Refinery & Petrochemicals Ltd | 3,288 | (0.2) | 8.1 | 10.8 | 18.8 | 9.5 | 7.8 | (0.2) | 10.4 | 12.7 | 1.9 | 15.4 | 0.8 | NM |
| **India Refining-Mean** | | | | | **17.0** | **8.6** | **7.7** | **3.1** | **13.8** | **12.6** | **1.7** | **15.7** | **1.8** | **14.7** |
| **US Refining** | | | | | | | | | | | | | | |
| Marathon Petroleum Corp | 59,475 | 8.6 | 10.1 | 13.4 | 8.7 | 8.4 | 7.7 | 14.7 | 16.5 | 21.0 | 3.5 | 14.6 | 1.9 | 24.4 |
| Phillips 66 | 55,228 | 6.0 | 5.9 | 11.2 | 11.1 | 9.7 | 7.8 | 9.8 | 9.0 | 15.0 | 1.9 | 12.2 | 3.5 | 36.4 |
| Valero Energy Corp | 51,882 | 7.8 | 9.3 | 11.7 | 9.6 | 8.8 | 7.7 | 9.7 | 10.8 | 13.1 | 2.1 | 14.6 | 2.7 | 22.1 |
| **US Refining-Mean** | | | | | **9.8** | **9.0** | **7.7** | **11.4** | **12.1** | **16.4** | **2.5** | **13.8** | **2.7** | **27.7** |
| **Europe Refining** | | | | | | | | | | | | | | |
| Rubis | 3,750 | 3.4 | 3.1 | 3.2 | 7.0 | 6.7 | 6.6 | 11.8 | 10.8 | 27.6 | 1.1 | 9.7 | 6.5 | (1.8) |
| Neste OYJ | 16,024 | 0.4 | 0.4 | 1.0 | 13.3 | 12.3 | 9.0 | 3.0 | 3.8 | 9.7 | 1.7 | 18.8 | 1.2 | 64.7 |
| Dcc Plc | 6,354 | 4.8 | 4.5 | 5.1 | 6.2 | 6.6 | 6.2 | 13.5 | 13.7 | 15.1 | 1.6 | 9.9 | 4.1 | 3.2 |
| **Europe Refining-Mean** | | | | | **8.8** | **8.6** | **7.3** | **9.4** | **9.4** | **17.5** | **1.4** | **12.8** | **4.0** | **22.0** |
| **South Korea Refining** | | | | | | | | | | | | | | |
| SK Innovation Co Ltd | 15,291 | (12,410) | (10,056) | 625 | 20.9 | 21.0 | 13.0 | (5.6) | (5.3) | 0.1 | 0.9 | 206.5 | 1.5 | NM |
| S-Oil Corp | 5,664 | 37 | 689 | 5,069 | 12.0 | 15.1 | 8.2 | 0.0 | 0.9 | 6.2 | 0.9 | 14.2 | 0.6 | NM |
| **South Korea Refining-Mean** | | | | | **16.5** | **18.1** | **10.6** | **(2.8)** | **(2.2)** | **3.2** | **0.9** | **110.4** | **1.1** | |
| **APAC Refining** | | | | | | | | | | | | | | |
| Vietnam National Petroleum | 1,668 | 2,325 | 2,031 | 2,591 | 8.9 | 9.5 | 8.4 | 11.3 | 9.2 | 11.6 | 1.5 | 13.3 | 2.2 | 5.5 |
| Binh Son Refining | 3,168 | 402 | 593 | 784 | 18.9 | 18.0 | 11.0 | 2.3 | 4.3 | 5.7 | 1.4 | 21.2 | NA | 39.6 |
| Petrochina | 2,30,042 | 0.9 | 0.9 | 0.9 | 4.2 | 4.5 | 4.4 | 11.1 | 10.3 | 9.8 | 0.8 | 8.4 | 6.2 | (2.2) |
| Sinopec | 87,490 | 0.5 | 0.3 | 0.4 | 4.6 | 5.3 | 4.9 | 6.8 | 4.8 | 5.4 | 0.5 | 9.5 | 5.7 | (7.0) |
| **APAC Refining-Mean** | | | | | **9.2** | **9.4** | **7.2** | **7.9** | **7.2** | **8.1** | **1.1** | **13.1** | **4.7** | **9.0** |
| **Global Refining - Mean** | | | | | **11.5** | **10.0** | **7.6** | **7.0** | **9.4** | **12.4** | **1.5** | **28.9** | **2.9** | **20.2** |

*Source: Company, Nuvama Research, Bloomberg*

## Exhibit 10: We believe strong earnings growth has peaked now




*Source: Bloomberg, Nuvama Research*

### Exhibit 11: Standalone financial summary

| Year to March (INR mn) | Q2FY26 | Q2FY25 | YoY % | Q1FY26 | QoQ % |
|---|---|---|---|---|---|
| **Net revenues** | **10,49,125** | **10,27,561** | **2.1** | **11,25,147** | **(6.8)** |
| Raw material costs | 8,71,241 | 9,13,317 | (4.6) | 9,58,041 | (9.1) |
| Gross profit | 1,77,884 | 1,14,245 | 55.7 | 1,67,105 | 6.5 |
| Employee expenses | 8,697 | 7,689 | 13.1 | 9,020 | (3.6) |
| Other expenses | 71,415 | 61,434 | 16.2 | 61,454 | 16.2 |
| **EBITDA** | **97,772** | **45,122** | **116.7** | **96,631** | **1.2** |
| Depreciation & Amortisation | 19,516 | 17,729 | 10.1 | 18,818 | 3.7 |
| **EBIT** | **78,256** | **27,392** | **185.7** | **77,813** | **0.6** |
| Less: Interest Expense | 4,208 | 4,695 | (10.4) | 3,735 | 12.7 |
| Add: Other income | 11,907 | 9,239 | 28.9 | 7,487 | 59.0 |
| Add: Exceptional items | 0 | 0 | NA | 0 | NA |
| **Profit before tax** | **85,955** | **31,936** | **169.1** | **81,565** | **5.4** |
| Less: Provision for Tax | 21,530 | 7,964 | 170 | 20,326 | 5.9 |
| **Reported Profit** | **64,425** | **23,972** | **168.7** | **61,239** | **5.2** |
| **Adjusted Profit** | **64,425** | **23,972** | **168.7** | **61,239** | **5.2** |
| No. of Diluted shares outstanding (mn) | 4,273 | 4,273 | - | 4,273 | - |
| **Adjusted Diluted EPS** | **15.1** | **5.6** | **168.7** | **14.3** | **5.2** |
| **as % of net revenues** | | | | | |
| Gross profit | 17.0 | 11.1 | | 14.9 | |
| EBIDTA | 9.3 | 4.4 | | 8.6 | |
| Net profit | 6.1 | 2.3 | | 5.4 | |

*Source: Company, Nuvama Research*

### Exhibit 12: Cash flows healthy; capex to rise

| (INRbn) | H1FY26 | H1FY25 | H1FY24 |
|---|---|---|---|
| Profit I (Loss) Before Tax | 172 | 70 | 252 |
| Operating Profit before Working Capital Changes | 211 | 104 | 295 |
| Net Cash Flow from Operating Activities | 213 | 101 | 358 |
| Capex | -49 | -48 | -40 |
| Net Cash Generated/(Used} in Investing Activities | -80 | -88 | -154 |
| Net Debt | -100 | 28 | -139 |
| Net Cash Generated/(Used) from Financing Activities | -134 | -30 | -166 |
| NET CHANGE IN CASH & CASH EQUIVALENTS | -1 | -17 | 38 |

*Source: Company, Nuvama Research*

**Exhibit 13: SotP valuation of INR349/share**

| Particulars | Base value (USD bn) | Base value (INR bn) | Base value (INR/share) |
|---|---|---|---|
| BPCL standalone refining (@ EV/EBITDA 6x) | 6.0 | 506 | 129 |
| Equity value of Bina refinery (@ EV/EBITDA 6x) | 1.8 | 150 | 38 |
| BPCL marketing (@ EV/EBITDA 5x) | 10.7 | 907 | 230 |
| BPCL pipelines (@ EV/EBITDA 6x) | 0.5 | 40 | 10 |
| Mozambique (TOTAL buys 26.5% in Sept19 for US$3.9bn, 30% discount on cost escalations) | 1.0 | 88 | 22 |
| EV of operating assets | 19.9 | 1,689 | 429 |
| Non-current investments@30% discount | 1.8 | 154 | 39 |
| Net debt | 5.5 | 470 | 119 |
| **Equity value** | **16.2** | **1373** | **349** |
| **CMP (INR)** | | | **368** |
| **Return on CMP** | | | **-5%** |

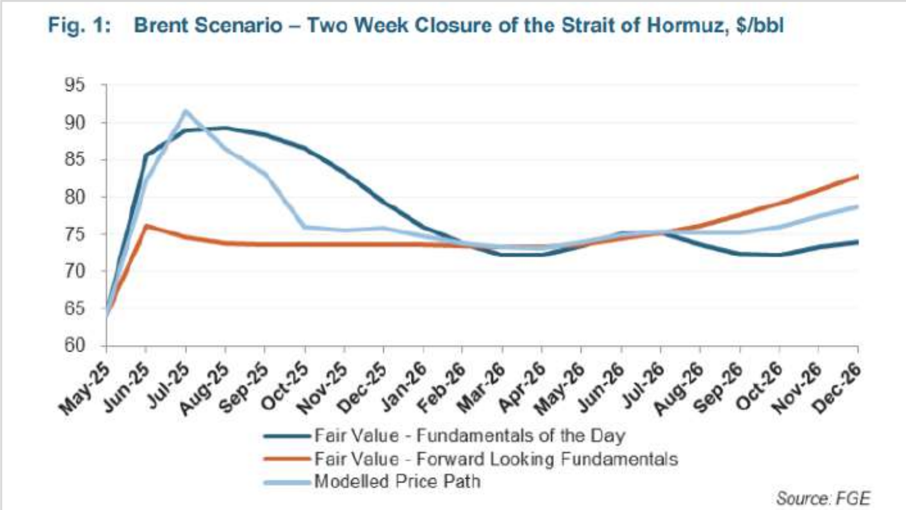
*Source: Company, Nuvama Research*

# Oil: Geopolitics driving near-term strength

## War premium pushing up near-term oil prices

Oil prices veered towards USD80/bbl before retracing as a upshot of Israel's attack on Iran, factoring in a war premium and a risk of closure of 20mbpd of supply in the near term on potential closure of the Strait of Hormuz. In the unlikely event of a temporary closure, oil prices could spike to USD100/bbl. However, mitigating measures such as accelerated unwinding of OPEC+ production cuts and use of strategic reserves could cushion the impact to USD92/bbl on a monthly average basis. Even if the market sees only a 30% risk of closure, that can still be enough to fuel prices towards USD85/bbl for the rest of June.

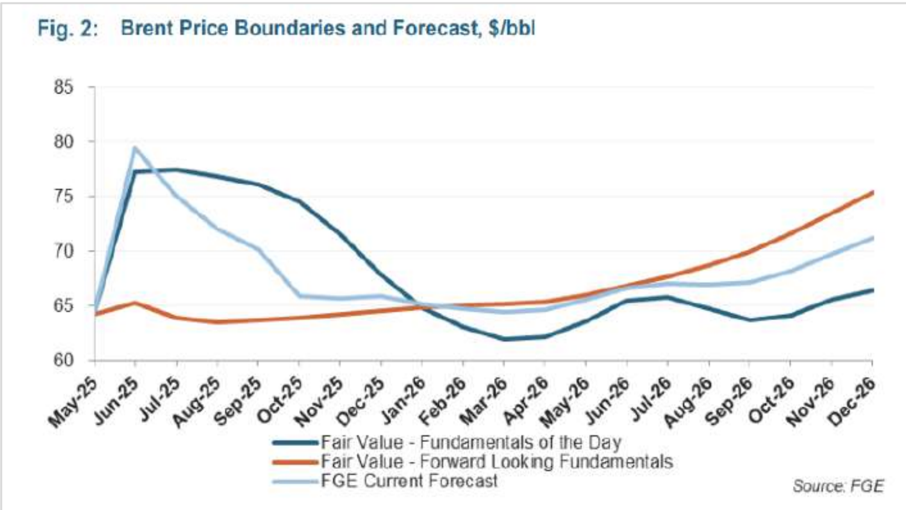
**Exhibit 14: A two-week closure of the Strait could see prices averaging USD92/bbl**




*Source: FGE*

FGE has increased its floor price for the rest of 2025 by USD10/bbl to USD65–70/bbl on discounting of war premium, risk of closure of the Strait of Hormuz and greater potential for loss of Iranian supply due to a potential snapback of sanctions on Iran.

**Exhibit 15: Floor price increased by USD10/bbl to USD65–70/bbl for rest of 2025**

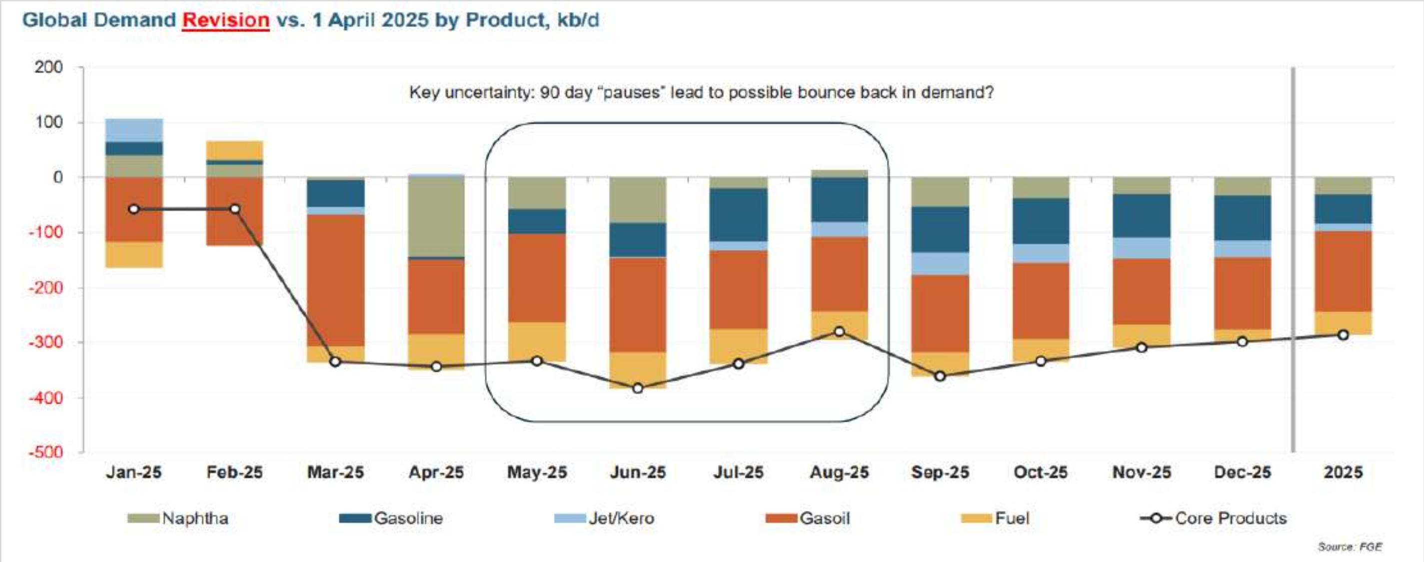



*Source: FGE*

## Elevated OPEC+ spare capacity, tariff shocks suppressing oil prices

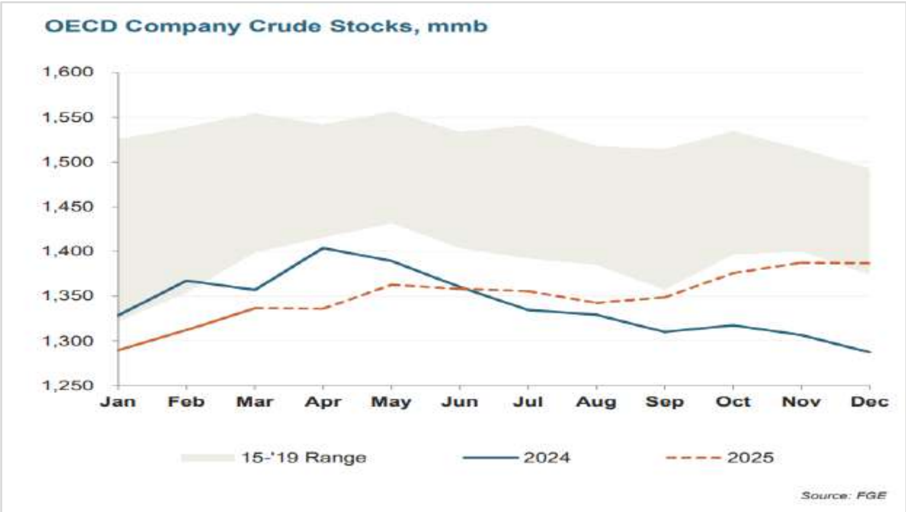
Crude oil prices have been subdued largely on elevated OPEC+ spare capacity and Liberation Day tariff shocks from the Trump administration sparking concerns over economic growth, which prompted cuts in oil demand forecast. However, tight crude inventories in OECD countries and geopolitical tensions have supported oil prices.

**Exhibit 16: Oil demand revised lower following announcement of Liberation Day tariffs; growth seen at ~700kbpd in Q2–Q4CY25**




*Source: FGE*

**Exhibit 17: Tightness in crude inventory supports crude oil prices**




*Source: FGE*

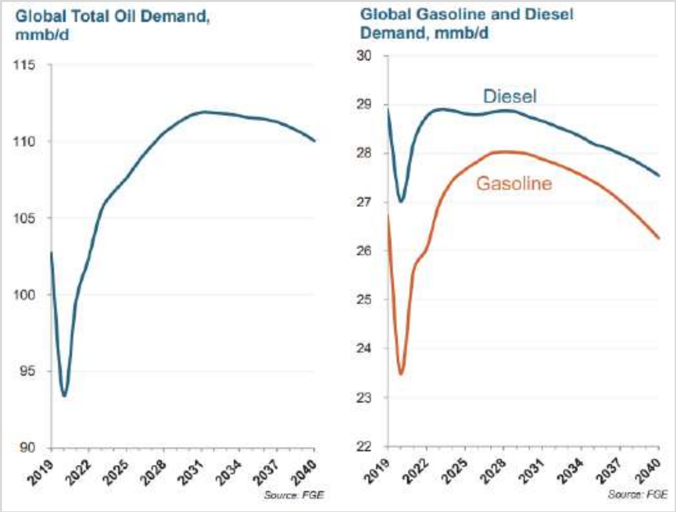
## Oil demand to peak in 2030s; current cost of alternatives excessive

FGE expects oil demand to peak in the 2030s with about 4mbpd of growth yet to crystallise before growth plateaus and then reduces after reaching 110mbpd in 2040. Chinese oil demand is expected to peak in 2028/29E, primarily due to rapid adoption of EVs, and pan-Asia oil demand is set to peak in the 2040s.

Importantly, the current cost of alternatives is excessive and unfeasible for rapid adoption without sustained major government support. Only electricity use in road transport can compete with conventional gasoline and diesel after considering taxes on oil products.

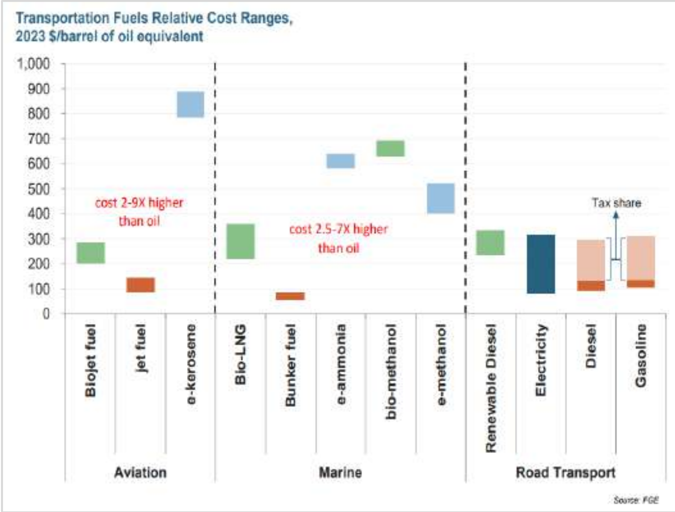
- Renewable diesel (RD) is expensive, but can compete with conventional diesel (CD), particularly if RD is subsidised and CD taxed.
- SAF is up to three times more expensive than conventional jet fuel.
- Bio-LNG is up to four times more expensive than conventional bunker fuel while hydrogen-based synthetic fuels are generally prohibitively expensive.

**Exhibit 18: Oil demand peak in 2030s; ~4mbpd growth to unfold**




*Source: FGE*

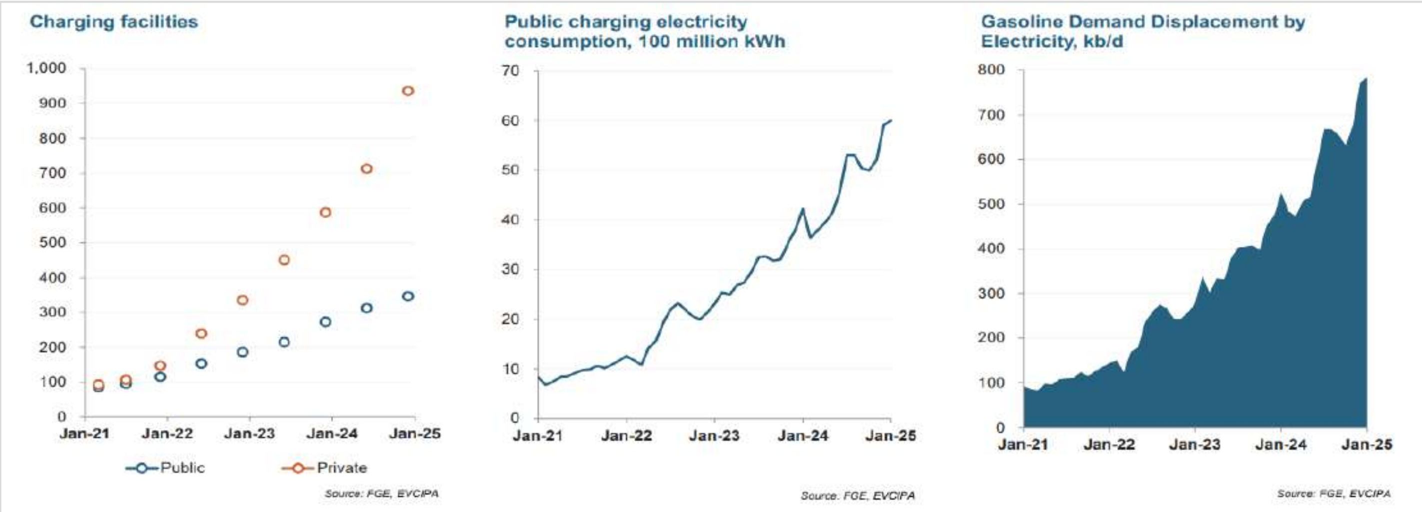
**Exhibit 19: Cost of alternatives to oil too high, except for EVs**




*Source: FGE*

**led by robust EV adoption*

**Exhibit 20: Chinese gasoline demand replacement owing to rapid EV adoption has been on the rise for years**



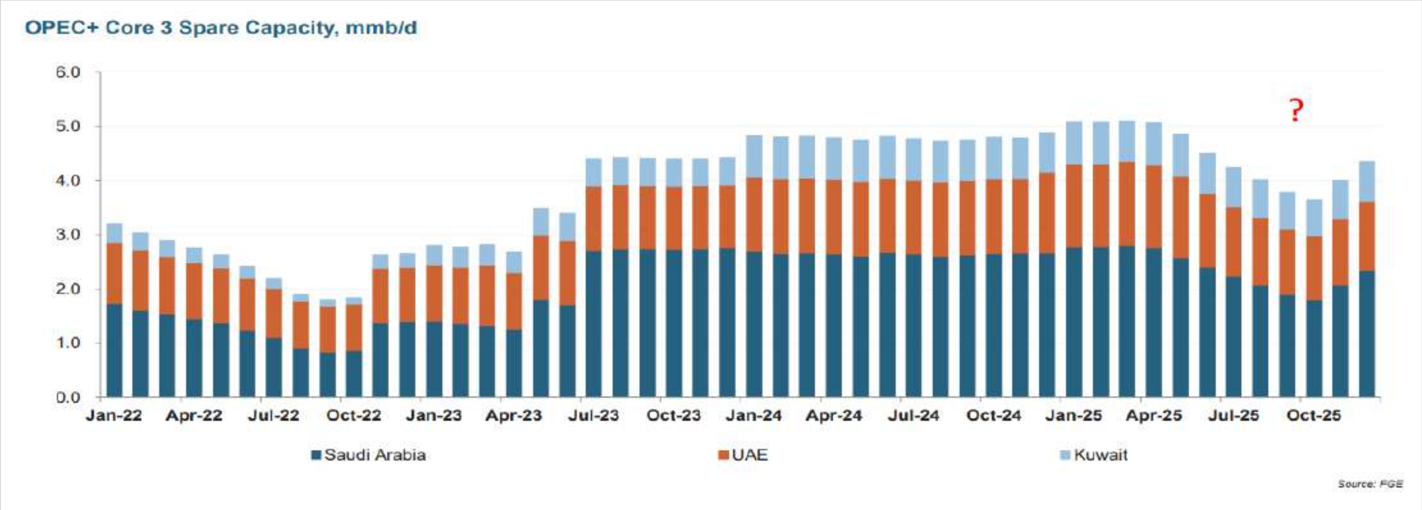

*Source: FGE*

## Managing its spare capacity a continuing challenge for OPEC+

OPEC+'s spare capacities remain high. It has been cutting production since 2022 to keep the market in balance, which has increased OPEC+'s core spare capacity to as high as ~5mbpd. At high oil prices, the spare capacity has declined to as low as ~2mbpd. However, in the current scenario, despite all the ongoing geopolitical concerns, there is cushion from high spare capacity, which has restricted any material spike in crude oil prices.

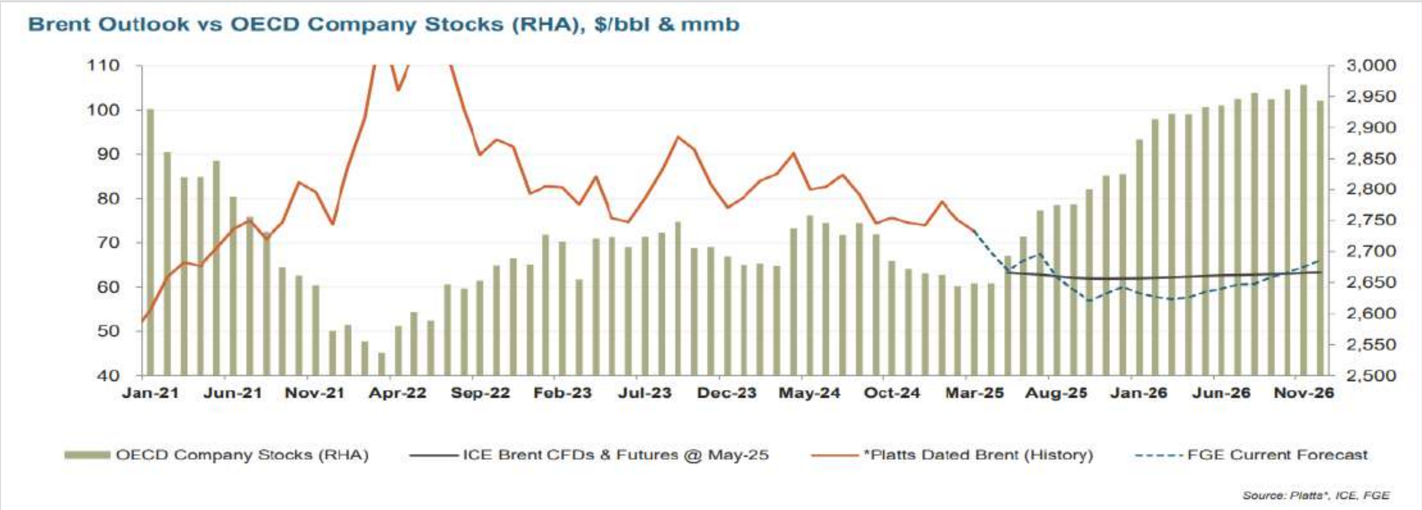
FGE believes crude oil prices could drop down to USD60/bbl levels as the impact of production hikes is felt a few months from now once seasonal demand from the North America driving season tails off.

**Exhibit 21: OPEC's core spare capacity above 4mbpd**




*Source: FGE*

**Exhibit 22: OPEC strategy seems to be shifting as OECD inventories are allowed to build up**




*Source: FGE*

## Price more important for US energy supplies than policy

Trump 2.0 aims to alleviate inflationary pressures in energy prices by increasing US output and reducing prices. The administration has planned to:

1. open new areas to drilling—but most shale areas are not on federal land;
2. reduce regulatory burdens in areas such as methane emissions, which seems to be a mixed blessing as it can damage the US oil/LNG "brand"; and
3. speed up regulatory process for new pipelines and infrastructure, but benefits are expected over the medium to long term.

However, history shows that price is the most important driver of growth in US energy production. WTI above USD70/bbl sees growth, whereas oil below USD60/bbl results in flattening/declines. Large producers can maintain output and even grow marginally at USD50–60/bbl, while hedging can limit production losses in the short term.

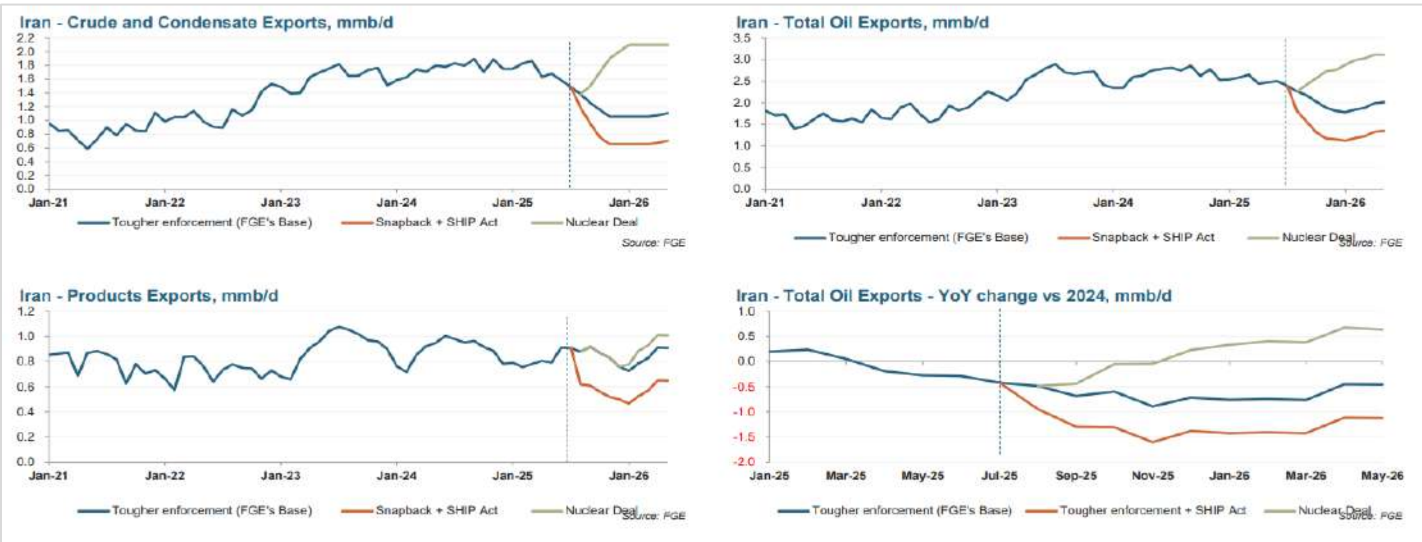
**Exhibit 23: Price is more important for US energy producers with growth in supply seen only when WTI is beyond USD70/bbl**


*Source: FGE*

## Iranian crude supply under threat of disruption

Iran's oil production has hit a 40-year high of late led by elevated Chinese buying. The Trump administration might target (shipping) ports by imposing sanctions pertaining to trading in Iranian oil, thereby creating widespread friction and a potential spike in oil prices. Furthermore, the likelihood of a snapback of full sanctions is increasing due to the ongoing geopolitical tensions, reducing FGE's Iranian supply estimates by 300kbpd for Q4CY25 and 2026.

**Exhibit 24: Iran crude and product exports scenario analysis**



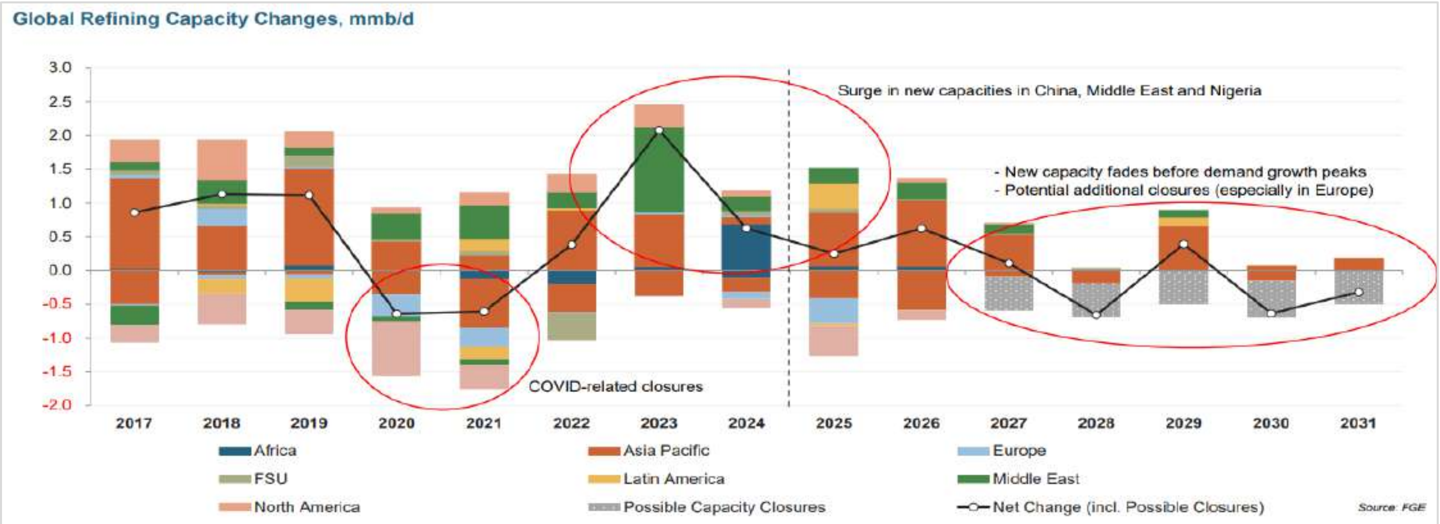

*Source: FGE*

# Refining: Bright long-term prospects

## Negative capacity-adds beyond CY27E

Global refinery capacity surged in CY23 led by lucrative margins in the wake of the post-covid supply deficit and the Russia-Ukraine conflict. These capacity additions, particularly in the Middle East, have led to the current subdued margin environment. However, post-CY27E, net global additions are expected to turn negative as new capacity-adds would fade before demand growth peaks out.

**Exhibit 25: Refinery capacity changes (mbpd)**

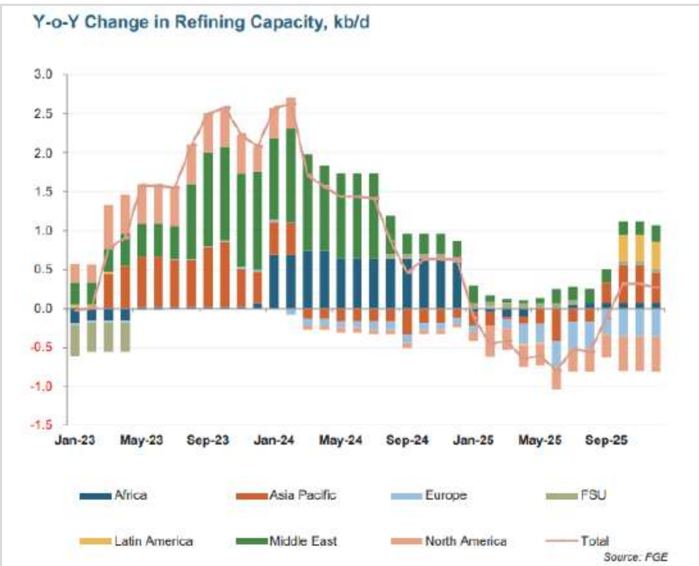


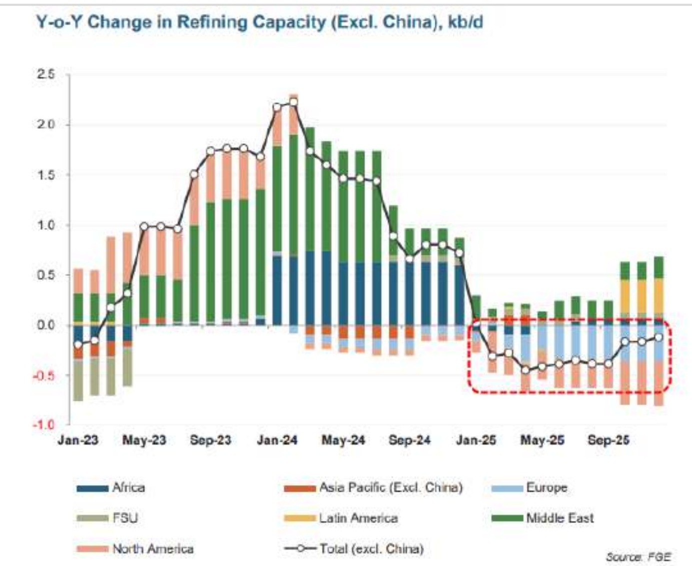

*Source: FGE*

## Current GRMs elevated; near-term challenges persist

Current Singapore GRM of USD6–7/bbl is driven by seasonal demand on account of the driving season in North America. That is however expected to weaken during the course of the year as seasonal demand wanes and product inventory loosens—on lower demand and increased run rates from ramp-up of recent refineries.

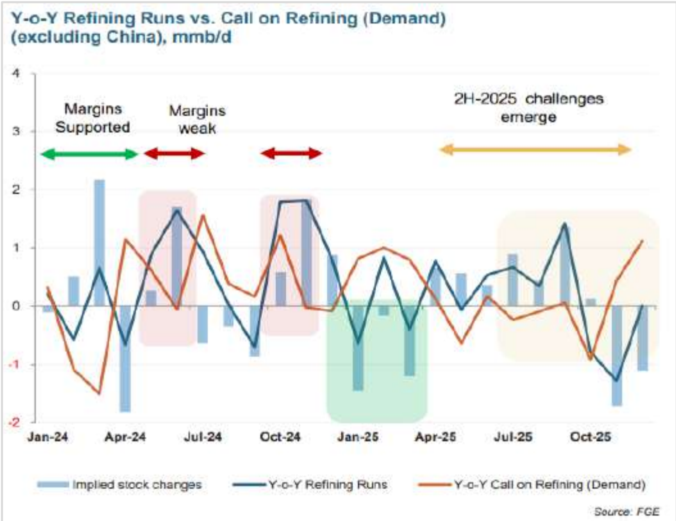
**Exhibit 26: CY25 may see net closures of refining capacity (ex-China) primarily in North America and Europe**



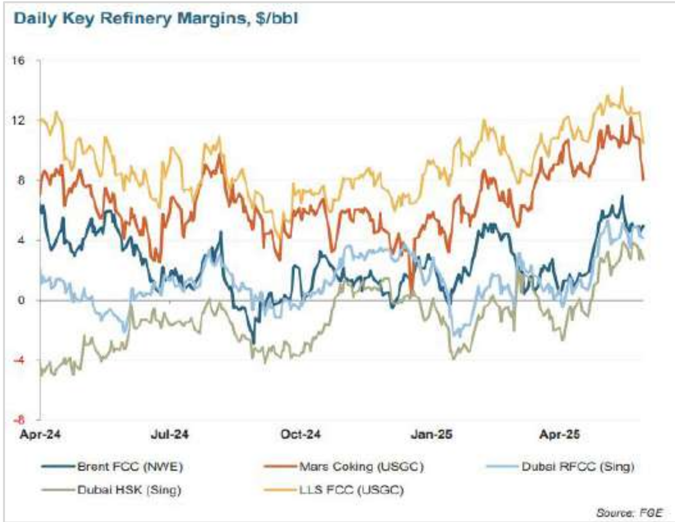

*Source: FGE*

**Exhibit 27: YoY refining runs versus call on refining**




*Source: FGE*

**Exhibit 28: Daily refinery margins over last few months**




*Source: FGE*

## Company Description

BPCL is a leading player in the Indian petroleum industry with operations in both refining and marketing segments. India's leading oil and gas company with presence across the hydrocarbon value chain. It operates three refineries – Mumbai refinery (12MMTPA), Kochi refinery (15.5MMTPA) and Bina refinery (7.8MMTPA). BPCL is a leading player with a diversified product portfolio and a well-established marketing and distribution network.

## Investment Theme

Normally BPCL's refining margins have exhibited less volatility compared to the other oil marketing companies. BPCL's Bina refinery is of higher complexity and is positively contributing to BPCL's bottomline.

While we expect global refining margins to remain under pressure in the near term, we remain positive in the long term. Hesitancy due to long-gestation period is likely to defer new capacity while closures shall tighten demand-supply, thereby increasing refinery run rates over the long run. Besides, limited refinery additions have been announced with no major capacity scheduled beyond 2025 to cover the last leg of demand.

Discoveries in Mozambique and Brazil provide good opportunity for company to enhance its footprint in the E&P space and lower the impact of under-recoveries in the long run.

With refining environment remaining subdued in the near term and the impact of LPG under recoveries, the peak earnings seen in FY24 are likely to deteriorate further. Thus, our downgrade to a REDUCE is panning out as highlighted previously Irrationality prompt downgrade

## Key Risks

- Volatility in crude oil price due to geopolitical concerns remains a key risk
- Although we expect the deregulation regime to continue, a spate of state elections could herald a return of regulation of auto fuel prices, especially in the face of high oil prices.
- Investment in capital-intensive projects could result in lower returns.
- Country risk in areas of its E&P operations, especially in Mozambique, where currently force majeure is announced.

# Additional Data

## Management

| | |
|---|---|
| Chairman & MD (Additional Charge) | Shri Sanjay Khanna |
| Director - Refineries | Shri Sanjay Khanna |
| Director (Human Resources) | Shri Rajkumar Dubey |
| Director (Finance) | Shri Vetsa Ramkrishna Gupta |
| Auditor | M M Nissim & Co LLP, Manohar Chowdhry & Associates |

## Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| Republic of Ind | 52.98 | Kotak Mahindra | 1.40 |
| ICICI Prudentia | 2.67 | BlackRock Inc | 1.23 |
| SBI Funds Manag | 1.92 | HDFC Asset Mana | 1.03 |
| Vanguard Group | 1.90 | Jupiter Fund Ma | 0.89 |
| BPCL Trust for | 1.52 | DSP Investment | 0.74 |

**Latest public data*

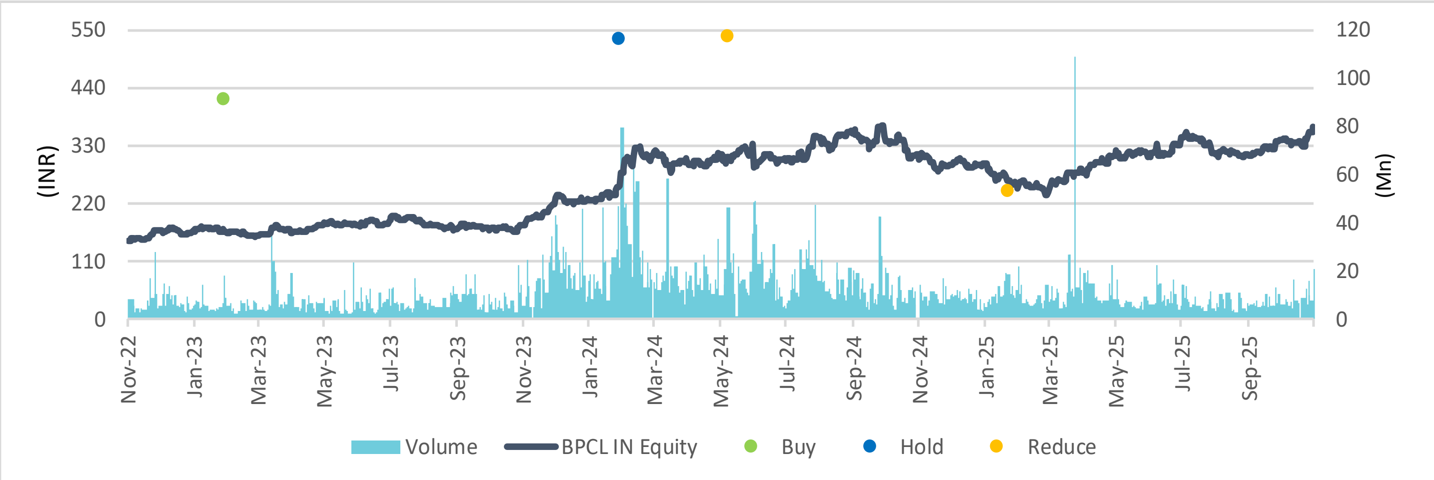
## Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 14-Aug-25 | Marketing segment offsets weak refining; *Result Update* | 318 | Reduce |
| 02-May-25 | Strong performance; outlook muted; *Result Update* | 311 | Reduce |
| 23-Jan-25 | Marketing margin drives outperformance; *Result Update* | 267 | Reduce |

## Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 31-Oct-25 | GAIL | Q2 beat; guidance cut déjà vu; *Result Update* |
| 31-Oct-25 | HPCL | Strong GRM lifts Q2 earnings; *Result Update* |
| 30-Oct-25 | Mahanagar Gas | Q2 miss on weak margins; guidance cut; *Result Update* |

## Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

## Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 2035 |
| Hold | <15% and >-5% | 68 |
| Reduce | <-5% | 37 |

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