

## BPCL (BPCL) – BUY

### Result Update

Current Market Price (CMP)

**Rs.472**

Target Price

**Rs.550**

**Our fair value of Rs.550 offers an upside of 17% from current market price.**

### Rationale:

- Lower volumes & realized refining margin offset by higher marketing margin
- Expected recovery in refining margins led by improvement in global demand.
- Robust marketing margins despite elevated oil prices.
- Potential value unlocking from privatization.
- Sum-of-the-parts fair value is Rs550. Trading at a PE of 11.8x on FY23E earnings.

### Q1FY22 Earnings update:

#### **Positives:**

- Normalized marketing margins increased by 13% qoq to Rs5,972/ton.
- Auto fuels volume growth was ahead of domestic consumption in Q1FY22.
- Gasoline demand has recovered to 5% above pre-Covid level in July 2021.

#### **Negatives:**

- EBITDA (Earnings before Interest, Tax, Depreciation & Amortization) declined ~44% qoq.
- Reported refining margins declined sharply to \$4.1/barrel from \$6.6/barrel.
- Adjusted net income declined ~71% qoq (Earning per share of Rs7.5).

[Click here](#)

For detailed report dated 16 Aug 2021. Note: CMP & valuation may differ due to difference in dates.



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