

Bharat Petroleum Corporation Limited (BPCL) is an Indian state-controlled oil and gas company headquartered in Mumbai, Maharashtra. It has business interests primarily in refining and marketing of crude oil. The refining and marketing segment contributes ~99% of the total revenue. Its products include LPG, diesel, petrol, bharat metal cutting gas, kerosene, aviation fuel, bitumen, naphtha, auto lubes, lubricants, grease and oil. Its secondary segment constitutes Exploration and Production (E&P) activities. As of June 2015, the company has participating interests in 17 exploration blocks; in consortium with other companies.

Key Developments

Refining capacity of 30.5 MMT:

With a refining capacity of 30.5 MMT, BPCL has four refineries located at Kochi, Mumbai, Numaligarh and Bina. Its largest refinery is situated at Mumbai with a total capacity of 13.0 MMT. The second largest refinery is at Kochi with a capacity of 95 MMT. These refineries contribute ~80% to the total throughput of BPCL whereas its refineries at Bina and Numaligarh account for the rest of the production. The Bina refinery has a current capacity of 6 MMT.

BPCL's upstream operations spread globally:

In its upstream segment, BPCL has 17 oil blocks out of which 7 are in India and 10 overseas. It has oil fields in Mozambique, Brazil, Australia, Indonesia, and East Timor apart from India in association with well-established operators. The company has 22 discoveries, 7 in Brazil and 3 in India and 1 each in Indonesia and Australia. Reserve certification of these discoveries is yet to be done. In Mozambique, till date, the operator has declared 50 to 70+ trillion cubic feet (tcf) of recoverable natural gas resources. In Brazil, there have been hydrocarbon discoveries in two basins – Campos and Sergipe Alagos.

EBITDA performance in Q4FY15:

BPCL has reported a healthy EBITDA growth of 284.3% QoQ in Q4FY15 at Rs. 4,496 Crore mainly led by a fall in the stock pileup of the company by 75.5% coupled with lower raw material expenses arising from decline in the crude oil expenses by 20.9% QoQ and purchase of traded goods by 12.7% on QoQ basis. As a result, EBITDA margin witnessed an increase of 670 bps and stood at 8.8% as compared to 2.0% in Q3FY15.

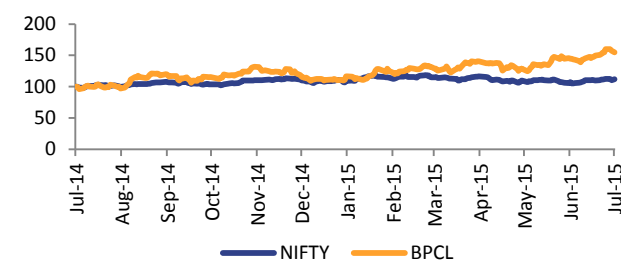
Market Data

CMP (₹)	940
Face Value	10.0
52 week H/L (₹)	952.6/560.5
Adj. all time High (₹)	952.6
Decline from 52WH (%)	1.3
Rise from 52WL (%)	67.7
Beta	1.1
Mkt. Cap (₹Cr)	67,970
Enterprise Value(₹Cr)	84,687

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (₹cr)	2,42,181.0	264,421.1	242,598.5
Net Profit (₹cr)	1,880.8	3,910.7	4,806.6
Share Capital (₹Cr)	723.1	723.1	723.1
EPS (₹)	26.0	54.1	66.5
P/E (x)	36.1	17.4	14.1
P/BV (x)	4.1	3.5	3.0
ROE (%)	11.2	20.1	21.3

One year Price Chart



Shareholding	Jun15	Mar15	Diff.
Promoters	54.9	54.9	0.0
DII	18.1	17.2	0.9
FII	12.1	12.7	(0.6)
Others	14.9	15.2	(0.4)

BPCL has business interests in marketing, exploring and refining of crude oil.

Company overview

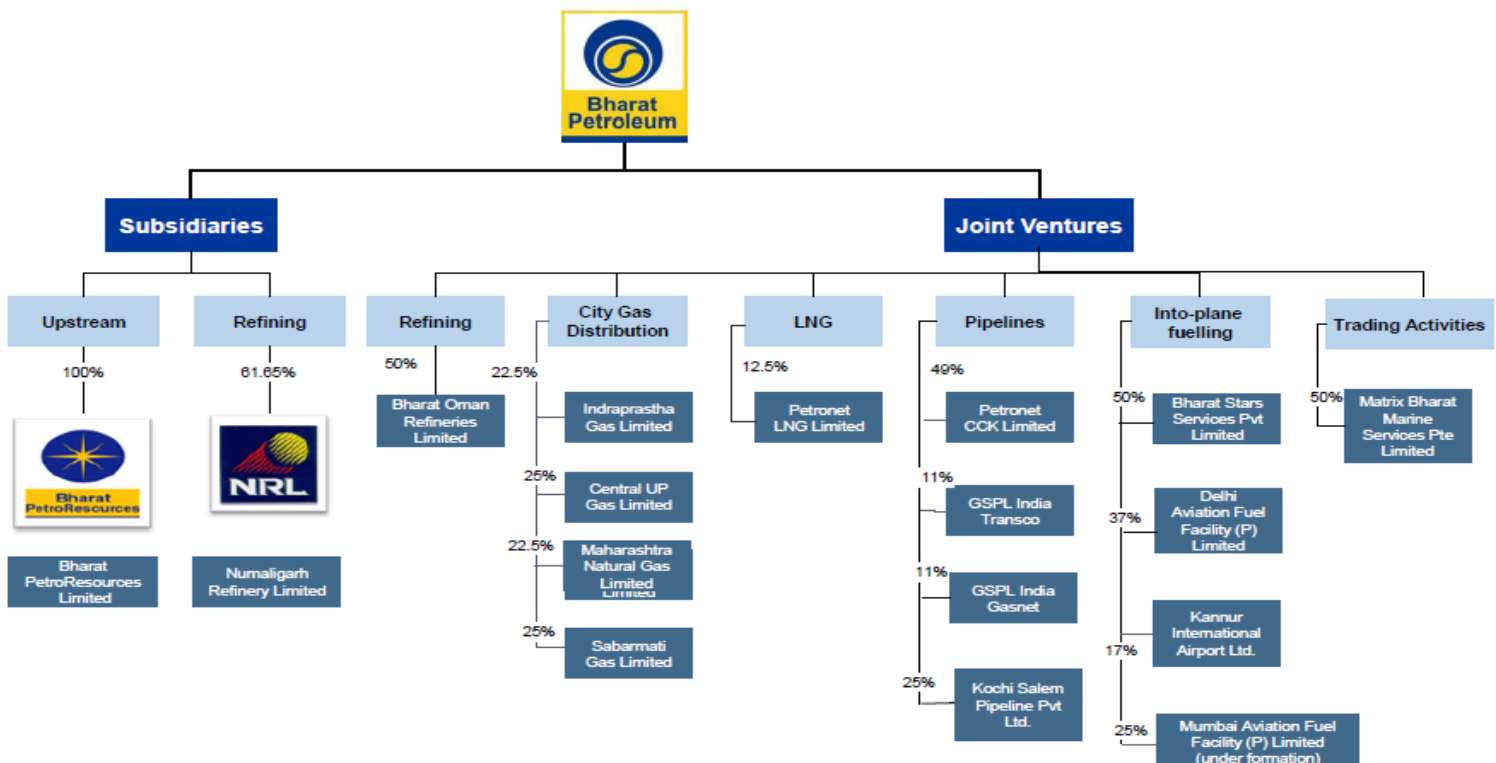
Incorporated in 1952, Bharat Petroleum Corporation Limited (BPCL) is an Indian state-controlled oil and gas company headquartered in Mumbai, Maharashtra. The company has 21% of the domestic oil retail business in India with a turnover of 34.5 million metric tonnes (MMT).

It has business interests in marketing, exploring and refining of crude oil. For its E&P business, BPCL undertakes upstream exploration and production activities, which has participating interest in 19 exploration/appraisal blocks, including 8 blocks in India and 11 are located in Australia, East Timor, Indonesia, Mozambique, and Brazil.

BPCL's largest segment is the downstream business comprising refining and marketing businesses. The segment accounts for ~99% for BPCL's entire revenue. It has four refineries, out of which two large refineries are located at Mumbai (capacity of 12 million metric tonnes per year) and Kochi (capacity of 9.5 million metric tonnes per year). The other refineries are Bina refinery (capacity of 6 million metric tonnes per year) and Numaligarh refinery (capacity of 3 million metric tonnes per year). Their products include LPG, diesel, petrol, Bharat metal Cutting Gas, kerosene, aviation fuel, bitumen, naphtha, Auto lubes, lubricants, grease and oil. It is engaged in the retailing of petrol, diesel, and kerosene, as well as various non-fuel products and value-added services through its network of 6,553 retail outlets and 1,007 kerosene dealers.

BPCL caters to household and automobile sectors; public and private sectors; and various government establishments, such as defense, railways, state trading corporations, state electricity boards, etc. The Government of India has a majority shareholding of 54.93% in the Company.

BPCL's major subsidiaries and JVs



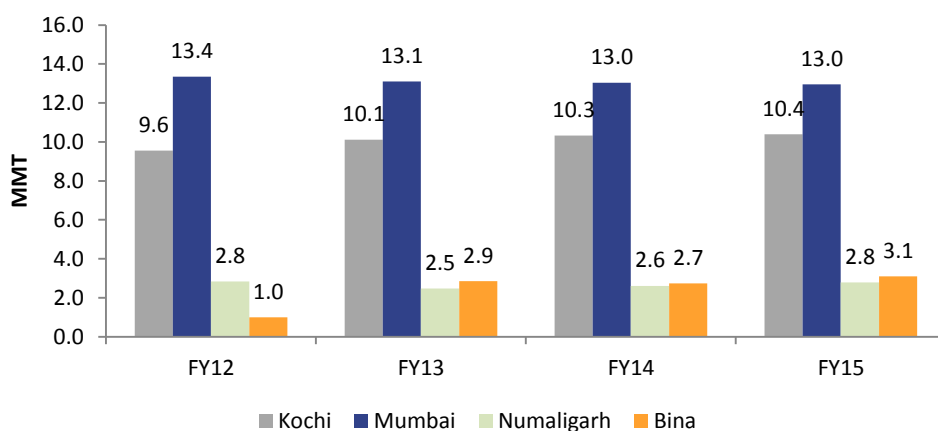
BPCL's largest refinery is situated at Mumbai with a total capacity of 13.0 MMT.

Refining capabilities

With a refining capacity of 30.5 MMT, BPCL has four refineries located at Kochi, Mumbai, Numaligarh and Bina. Its largest refinery is situated at Mumbai with a total capacity of 13.0 MMT. The second largest refinery is at Kochi with a capacity of 9.6 MMT. These refineries contribute ~80% to the total throughput of BPCL whereas its refineries at Bina and Numaligarh account for the rest of the production.

Bina refinery has a current capacity of 6 MMT and is currently running at ~50% of the total capacity levels. The gross refining margin (GRM) of the Bina refinery in FY15 stood at 6.1 \$/bbl.

BPCL's refining throughput trend



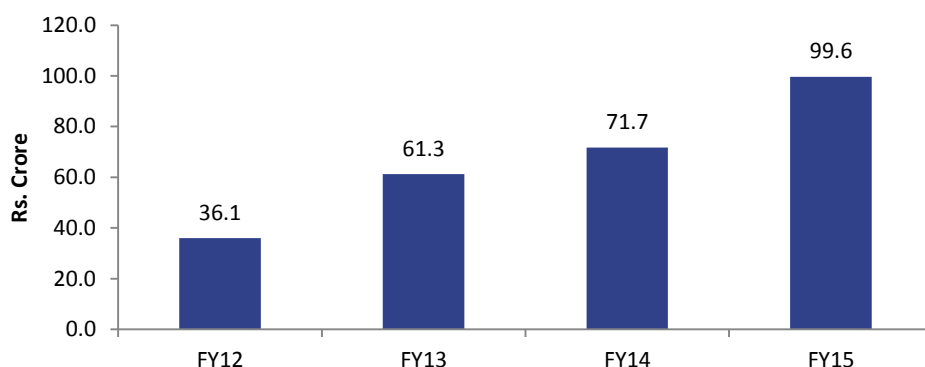
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Significant presence in Exploration & Production (E&P)

In its upstream segment, BPCL has 17 oil blocks out of which 7 are in India and 10 overseas. It has oil fields in Mozambique, Brazil, Australia, Indonesia, and East Timor apart from India in association with well-established operators.

The company has 22 discoveries, 7 in Brazil and 3 in India and 1 each in Indonesia and Australia. Reserve certification of these discoveries is yet to be done. In Mozambique, till date, the operator has declared 50 to 70+ trillion cubic feet (tcf) of recoverable natural gas resources.

Increasing capex outlay



Net Profit grew considerable in Q4FY15 driven by higher GRMs which stood at USD7.95/bbl (+18% YoY, 5x QoQ).

EBITDA performance in Q4FY15

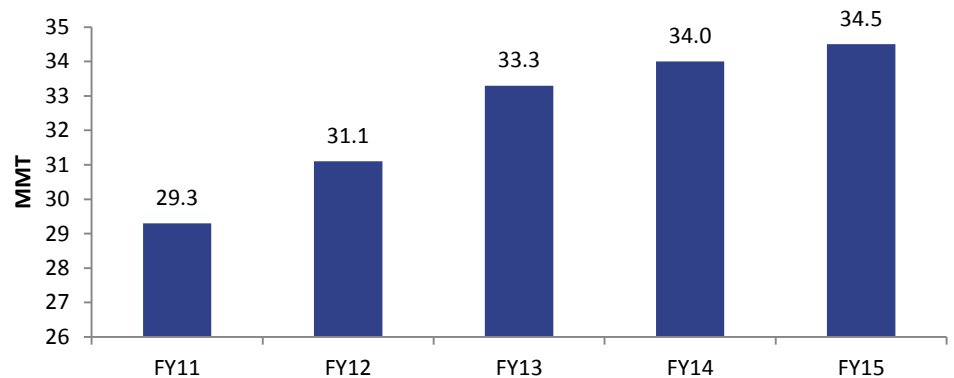
Net revenue stood at Rs. 51,346.1 Crore in Q4FY15 declining by 11.3% on a QoQ basis. EBITDA was reported at Rs. 4,496 Crore in the last quarter of FY15 showing a growth of 284.3% on a QoQ basis. The major factors which led to the increase in EBITDA were a fall in the stock pileup of the company by 75.5%, lower raw material expenses arising from decline in the crude oil expenses by 20.9% QoQ and purchase of traded goods and by 12.7% QoQ basis. As a result, EBITDA margin saw an increase of 670 bps and stood at 8.8% as compared to 2.0% in Q3FY15.

In line with strong EBITDA growth, net profit witnessed a considerable growth of 417.6% in Q4FY15 on a QoQ basis at Rs. 2,852.9 Crore. This was also driven by higher Gross Refining Margins (GRMs) which stood at USD7.95/bbl (+18% YoY, 5x QoQ), due to higher gasoline, naphtha and FO cracks and lower crude price, which helped to reduce fuel & Loss. The PAT margin increased by 460 bps in Q4FY15 at 5.6%.

Sales volume

The company has achieved a slightly higher sales volume for the year ended March 2015 that rose to 34.45 MMT as compared to 34 MMT in the previous year. The increase in sales volume was primarily driven by higher MS- retail (motor spirit) by 11.1% and LPG by 11.9%. However, the company witnessed lower volume of Naphtha during the period under consideration down by 49.02%.

Sales volume trend



Balance Sheet (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Share Capital	723.1	723.1	723.1
Reserve and surplus	16,052.5	18,703.2	21,825.4
Net Worth	16,775.5	19,426.3	22,548.5
Minority Interest	1,076.6	1,146.9	1,286.4
Shares of asso.	0.0	13.5	13.5
Long-term borrowings	12,702.2	21,997.7	19,341.8
Deferred tax liability	1,605.9	1,670.1	1,997.2
Long term Provisions	608.9	1,325.8	1,396.9
Other long term liabilities	78.1	100.8	184.3
Current Liabilities	46,718.5	43,198.3	40,188.4
Total Equity & Liabilities	79,565.7	88,879.2	86,956.9
Fixed Assets inc. goodwill	32,184.6	36,951.7	44,896.8
Long term loans and advances	2,041.5	2,520.9	2,695.2
Non- Current Investments	2251.8	2306.4	2351.4
Deferred tax assets	0.0	419.0	650.4
Other non-current assets	16.9	166.6	84.5
Current Assets	43,070.87	46,514.65	36,278.69
Total Assets	79,565.7	88,879.2	86,956.9

Cash Flow (Consolidated)

Y/E (₹ Cr)	FY12A	FY13A	FY14A
Net profit/loss before extraordinary items and tax	1,599.4	3,220.3	6,116.6
Net cashflow from operating activities	1,906.7	5,923.7	9,586.5
Net cash used in investing activities	(2,275.9)	(3,601.3)	(6,880.6)
Net cash used from financing activities	(4,378.7)	230.1	(3,736.1)
Net inc/dec in cash and cash equivalents	(4,747.9)	2,552.4	(1,030.2)
Cash and cash equivalents begin of year	(13,013.2)	(17,761.0)	2,802.7
Cash and cash equivalents end of year	(17,761.0)	(15,208.6)	1,772.5
Net profit/loss before extraordinary items and tax	1,599.4	3,220.3	6,116.6

Financial performance snapshot

Net revenue for the company stood at Rs. 242,598.5 Crore in FY15, showing a decline of 8.3% as compared to the last year due to subsidy sharing burden. Despite the fall in revenue, EBITDA showed a moderate increase of 4.3% during the year and reached at Rs. 9,777.6 Crore primarily due to decline in the operating expenses of the company. Net profit was reported at Rs. 4,806.6 Crore in FY15 showing a growth of 22.9% YoY mainly driven by strong GRMs, lower working capital costs leading to fall in the interest cost by 40.4% and net under recovery benefits due to declining crude prices and increase in other income by 52.9%.

Profit & Loss Account (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Net Sales	2,42,181.0	264,421.1	242,598.5
Expenses	2,35,508.7	255,049.1	232,820.9
EBITDA	6,672.3	9,372.0	9,777.6
Other Income	1,529.0	1,386.8	2,120.1
Depreciation	2,462.7	2,610.9	3,026.7
EBIT	5,738.5	8,147.8	8,870.9
Net Interest cost	2,518.3	1,982.1	1,180.5
Profit Before Tax	3,220.3	6,165.7	7,690.5
Tax	1,284.1	2,112.7	2,608.5
Minority Interest	(55.3)	(142.3)	(275.4)
Net Profit	1,880.8	3,910.7	4,806.6

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	2.8	3.5	4.0
EBIT Margin (%)	2.4	3.1	3.7
NPM (%)	0.8	1.5	2.0
ROCE (%)	17.5	17.8	19.0
ROE (%)	11.2	20.1	21.3
EPS (Rs.)	26.0	54.1	66.5
P/E (x)	36.1	17.4	14.1
BVPS(Rs.)	232.0	268.7	311.8
P/BVPS (x)	4.1	3.5	3.0
EV/EBITDA (x)	14.8	10.4	8.7



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