BUY
TP: Rs 434 | 18%

BHARAT PETROLEUM CORP | Oil & Gas | 03 November 2025

Results above expectation on improved product cracks

- **Performance was above expectations due to better-than-expected refining performance; GRM came at USD10.8 vs USD4.4 in Q2FY25**
- **Low crude prices will likely sustain refining performance. Mozambique E&P project to resume soon and boost the upstream presence**
- **Assuming coverage with BUY and TP of Rs434, based on 6.5x EV/EBITDA on Sept'27 plus value of investments and E&P business**

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Results above expectation: Revenue came in at Rs1,049bn (+2.1%YoY, -6.8%QoQ) and was 15.0% above consensus estimates. EBITDA came in at Rs97bn (+116.0%YoY, +0.9%QoQ) and was 26% above consensus estimates, due to a better-than-expected performance in the refining segment.

Refining performance: GRM came at USD10.8/bbl vs USD4.4/bbl in Q2FY25, due to higher product cracks. Crude brent prices for Q2FY26 averaged USD68/bbl, down USD11/bbl YoY. Cracks improved YoY: MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25.

Marketing business: Domestic sales volumes were 12.7mnt (+2.3%YoY, -6.7%QoQ). Exports volumes were 0.4mnt (-10.0%YoY, -20.0%QoQ).

LPG under-recovery: BPCL received communication in October 2025 regarding compensation of Rs76bn towards the under recoveries incurred on the sale of domestic LPG up to 31st Mar 2025 and to be incurred up to 31st Mar2026. This will be disbursed in 12 equal monthly installments, starting November 2025.

Outlook on growth: BPCL has ongoing projects of Bina expansion and Kochi petchem. These will be commissioned by May 2028. It is putting up a greenfield refinery of 9-12mnt in Andhra Pradesh, which will benefit over long term. E&P business is likely to see a boost with the work resuming at Mozambique. The first LNG production is expected in H12029. Thus, the outlook on growth is positive.

Coverage with BUY: We are positive on the business growth that is driven by sustainability of product cracks and improving outlook on E&P business with a likely resumption of the Mozambique project. We are assuming coverage with BUY and TP of Rs434, based on 6.5x EV/EBITDA on core business on Sept'2027 plus value of investments and E&P business.

Key changes

Target	Rating
▲	▲

Ticker/Price	BPCL IN/Rs 367
Market cap	US$ 17.9bn
Free float	45%
3M ADV	US$ 24.9mn
52wk high/low	Rs 370/Rs 234
Promoter/FPI/DII	55%/14%/24%

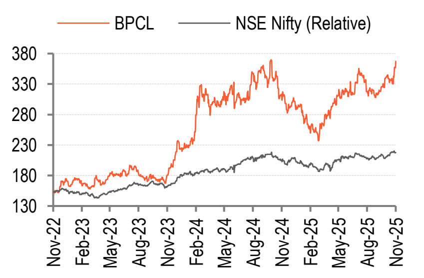
Source: NSE | Price as of 3 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	4,402,719	4,304,161	4,490,105
EBITDA (Rs mn)	254,014	314,802	295,537
Adj. net profit (Rs mn)	137,150	192,060	169,366
Adj. EPS (Rs)	32.1	45.0	39.6
Consensus EPS (Rs)	32.1	44.0	38.4
Adj. ROAE (%)	17.5	21.5	16.2
Adj. P/E (x)	11.4	8.2	9.3
EV/EBITDA (x)	7.7	6.1	6.4
Adj. EPS growth (%)	(74.7)	40.0	(11.8)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

Rs mn	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Revenue	1,049,463	1,125,515	(6.8)	1,027,853	2.1	2,174,977	2,158,802	0.7
EBITDA	97,612	96,779	0.9	45,171	116.1	194,391	101,437	91.6
EBITDA margin (%)	9.3	8.6		4.4		8.9	4.7	
Depreciation	19,581	18,890	3.7	17,786	10.1	38,471	34,648	11.0
Interest	8,333	7,577	10.0	9,227	(9.7)	15,910	18,117	(12.2)
Other income	9,528	7,497	27.1	6,975	36.6	17,025	12,679	34.3
PBT	79,226	77,810	1.8	25,132	215.2	157,035	61,352	156.0
Tax	21,531	20,327	5.9	7,964	170.3	41,858	18,138	130.8
Reported PAT	61,915	68,390	(9.5)	22,972	169.5	130,305	51,388	153.6
Exceptional item	(1,659)	(674)		(753)		(2,333)	(2,178)	(7.1)
Adjusted PAT	63,574	69,064	(7.9)	23,726	168.0	132,638	53,566	147.6
Adj. PATM (%)	5.9	6.1		2.2		6.1	2.5	
EPS (Rs)	14.9	16.2	(7.9)	5.6	168.0	31.0	12.5	147.6

Source: Company

Fig 2 – Q2FY26 Actual v/s estimate

Particulars	Q2 Actual	Consensus	VAR (%)
Revenue (Rs mn)	1,049,463	912,604	15.0
EBITDA (Rs mn)	97,612	77,221	26.4
EBITDA margin (%)	9.3	8.5	
PAT (Rs mn)	63,574	50,775	25.2
EPS (Rs)	14.9	11.9	25.2

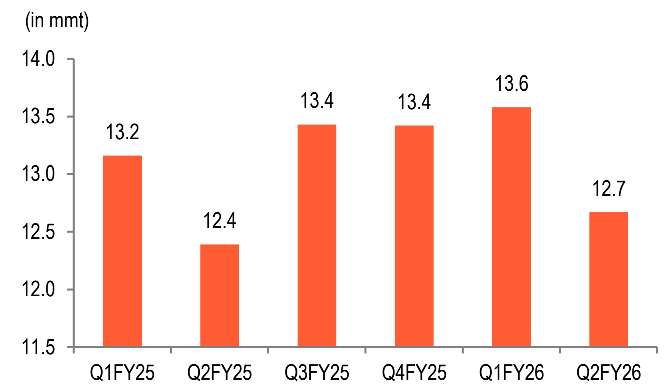
Source: Company, Bloomberg

Fig 3 – Business parameters

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Domestic Sales	12.7	13.6	(6.7)	12.4	2.3	26.3	25.6	2.7
Export sales	0.4	0.5	(20.0)	0.4	(10.0)	0.8	0.7	20.9
Refinery throughput	9.8	10.4	(5.8)	10.3	(4.5)	20.2	20.4	(0.7)
Average gross refining margin	10.8	4.9	120.9	4.4	146.1	7.8	6.1	27.9

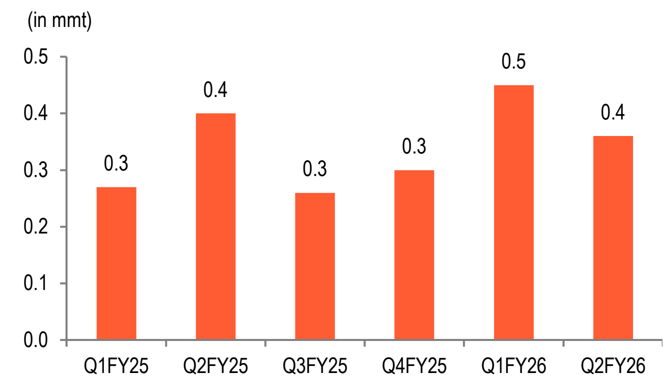
Source: Company

Fig 4 – Domestic sales



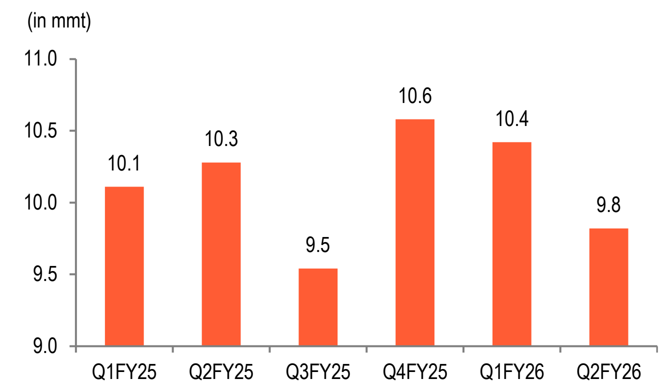
Source: Company

Fig 5 – Exports sales



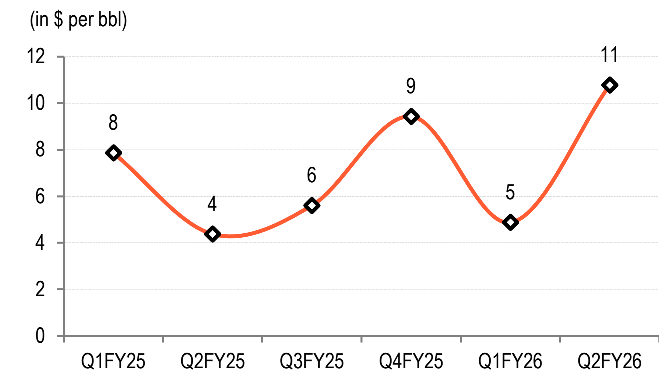
Source: Company

Fig 6 – Refinery throughput



Source: Company

Fig 7 – Average gross refining margin



Source: Company

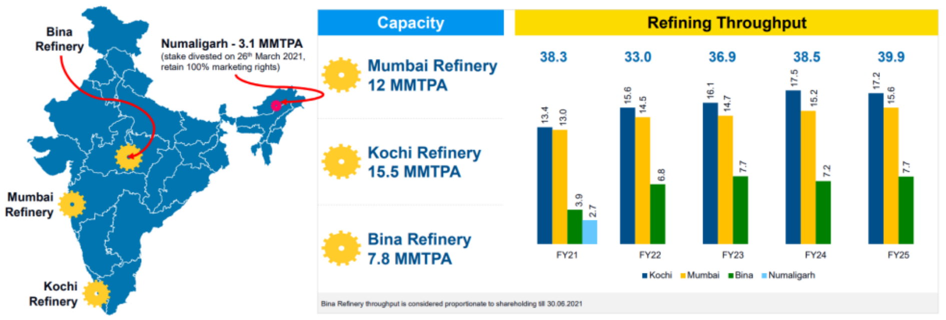
Other Highlights

- **Refining performance:** Refinery margin performance was strong due to higher product cracks. GRM came at USD10.8/bbl vs USD4.4/bbl in Q2FY25. MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25. Forex fluctuation loss was Rs5,610mn in Q2FY26 vs a loss of 370mn in Q2FY25.
    - Mumbai refinery GRM stood at USD9.0/bbl vs USD3.4 in Q2FY25. Kochi refinery GRM stood at USD10.9 vs USD4.7 in Q2FY25.
    - Bina refinery GRM stood at USD15.9 vs USD6.0 in Q2FY25.
- **Marketing business:** Domestic volumes growth was good at 2.3%YoY and exports growth was 10.0%YoY. However, domestic sales decreased by 6.7%QoQ given the above-normal monsoon. We expect volume growth to pick up QoQ in Q3FY26E with a receding level of monsoon.
- **Net debt:** Net debt decreased to Rs292bn on Sept'25 vs Rs406bn on Mar'25 due to strong cashflow generation. Gross debt was Rs430bn as on Sept'25. Net Debt/Equity stood at 0.5x.
- **Capex:** BPCL incurred a capex of Rs37bn in H1FY26**.** It has an ongoing project of Bina refinery expansion and plans a greenfield refinery project in AP.
- **E&P Mozambique project:** Security conditions have improved and recently, management has commented that full-scale development will likely resume soon. BPCL has a 10% stake in the project. The first LNG production is expected in H12029. Total energy has indicated that the project cost has been revised upwards to USD24bn from USD20bn, owing to inflation, security expenses and remobilisation costs.

Business Overview

- Bharat Petroleum Corporation Limited (BPCL) is in the business of refining and marketing in India with interests in downstream and upstream value chain. It operates 3 refineries (Mumbai, Kochi and Bina) with total capacity of 35.3mntpa.
- It has a petchem capacity of 0.84mmtpa and pipeline network of 3,534Km.

Fig 8 – Geographic presence of refining business

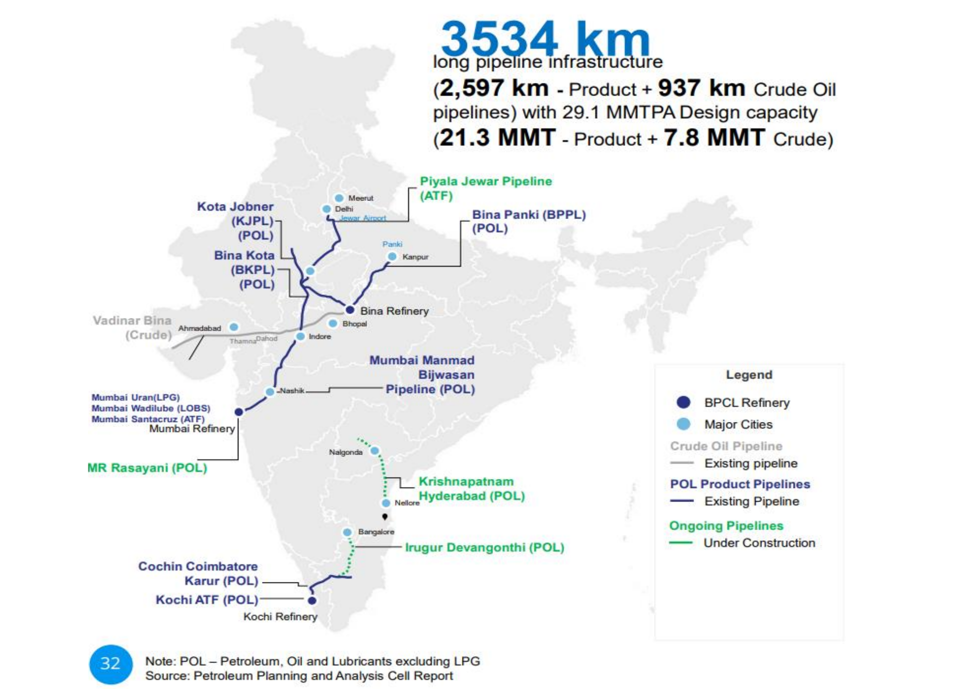


Source: Company

Pipeline segment:

- Total pipeline length is 3,534km, which is about 12% of the overall pipeline network for products.

Fig 9 – Pipeline network



Source: Company

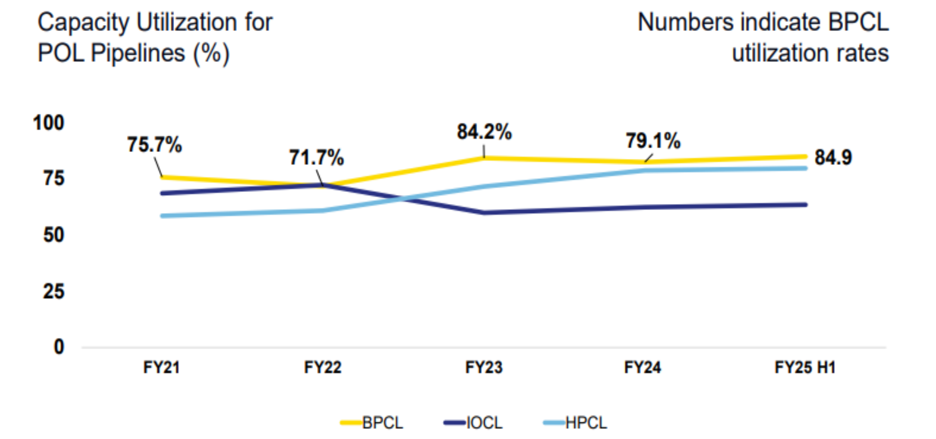
Fig 10 – Pipeline network (Km) of BPCL, HPCL and IOC

	IOC	HPCL	BPCL
Product pipeline (Km)	20,005	5,134	3,534

Source: Company

- Pipeline networks connect refineries to key markets
  - Mumbai refinery connects to Northern markets via pipelines to Kota, Mathura, Piyala
  - Bina refinery connects to key markets via Bina-Kota-MMPL & Bina-Kanpur pipelines
  - Kochi refinery connects to TN market via pipeline to Karur
- BPCL's pipeline has higher utilisation and lower operational cost vs peers

Fig 11 – Utilisation in % BPCL vs peers



Source: Company

Exploration & Production (E&P)

- Upstream activities of BPCL are carried by Bharat PetroResources Ltd. (BPRL), a 100% subsidiary of BPCL.
- It has a diversified portfolio with investments across 15 blocks spanning 6 countries.
- BPRL has equity stake in two Russian entities holding license to 4 producing blocks in Russia. BPRL, along with Oil India and IOC, has a 23.9% stake in Vankorneft – owner of Vankor & North Vankor fields. BPRL, along with Oil India and IOC, has a 29.9% stake in TYGD, a Russian oil explorer.
- Mozambique asset:
  - BPCL has a stake of 10% in Mozambique Area-I block with other Indian consortium players at – ONGC – 16% and Oil India – 4%.
  - Gas asset in Rovuma basin. The asset has 45-70tcf (trillion cubic feet) of gas reserves.
  - Operations were suspended in April 2021 due to militant attack in the region. Now situation has improved
  - Work is expected to resume soon and 1st LNG gas is expected in H12029.

Growth drivers exist via Bina refinery, greenfield AP refinery and E&P Mozambique project

BPCL has growth drivers in place via refinery and E&P projects. These will result in the expansion of margins and incremental business growth over medium to long term.

BPCL has committed an investment of Rs750bn for refinery business – this includes 1) Rs490bn Bina Petrochemical and Refinery Expansion Project (BPREP) 2) Polypropylene Project 400Ktpa at Kochi Refinery 3) Petro Residue Fluid Catalytic Cracking (PRFCC) Project at Mumbai Refinery. These strategic projects are poised to significantly enhance BPCL's refining capacity, petrochemical portfolio, and energy transition capabilities.

Key growth drivers

- **Bina refinery project**: BPCL plans to ramp up capacity by 3mnt from 7.8mn t to 11mntpa. It is expected to be commissioned by May 2028.
  - The project involves the installation of a Dual feed cracker to produce 1,200ktpa of Ethylene, downstream units for the production of 1,150ktpa of polyethylene [High-Density Polyethylene (HDPE)+ Linear Low-Density Polyethylene (LLDPE)] and 550ktpa of polypropylene (PP), as well as liquid chemicals such as Benzene, Toluene, Xylene, etc.
  - All tech licenses and consultants have been appointed and key tenders have been floated.
  - Expected project cost is Rs490bn with major capex to start in 2027.The expansion of 3mmtpa will produce PE 1.2mtpa, PP 0.45 and PX 1.35mtpa.
- **Polypropylene project at Kochi:** The project involves setting up a 400ktpa Polypropylene Unit and associated facilities, along with revamping the Petro Fluid Catalytic Cracking (PFCC) unit to produce Homo grade Polypropylene at Kochi Refinery. It is likely to be commissioned by December. 2027.
- **Mumbai refinery:** Petro residue fluid catalytic cracking (PRFCC) project will maximize the production of valuable products like propylene and gasoline from heavy refinery residues. This will likely increase the profitability of refinery to some extent through high-margin products.
- **AP greenfield refinery project:** The company is likely putting up 9.0mnt or 12mnt greenfield capacity in AP state and is currently working on the feasibility report. The indicated overall capex is Rs950bn. The Board has approved an initial investment of Rs61bn for pre-project activities.
- **Mozambique project (E&P):**

  BPCL has a stake of 10% in Mozambique Area-I block with other Indian consortium players at – ONGC – 16% and Oil India – 4%.
  - Gas asset in Rovuma basin. The asset has 45-70tcf (trillion cubic feet) of gas reserves.

- Operations were suspended in April 2021 due to militant attack in the region. Now situation has improved
- Work is expected to resume soon and 1st LNG gas is expected in H12029.
- Total project cost is USD24bn (USD20bn earlier). It targets to produce 13mnt of LNG annually from 2trains.

Valuation Methodology

We are positive on the business growth that is driven by the sustainability of product cracks. Growth is likely to be driven by the ongoing and future projects in the refining and E&P businesses. E&P has differentiated BPCL from other OMCs.

Based on past performance, growth drivers and assumptions:

- We estimate growth in petroleum products to be better than industry growth. We estimate petrol growth to be 5.5% in FY27E and 5.5% in FY28E; diesel growth is likely to be 1.0% for FY27E and 2.5% for FY28E.
- Blended GRM is estimated to be in the range of USD8.0 in FY27E and FY28E.

Fig 12 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Refinery Utilization (%)					
Mumbai	125	130	125	125	120
Kochi	112	111	105	105	105
Bina	91	99	100	101	103
GRM (USD/bbl)					
Mumbai	9.6	4.9			
Kochi	15.4	7.0			
Bina	20.7	10.5			
Blended GRM	14.1	6.8	8.5	8.0	8.0
Marketing margin (Rs/KL)					
Petrol	9,000	9,365	5,500	4,500	4,500
Diesel	1,000	5,000	2,750	2,700	2,700
Growth in key products (%)					
Petrol	5.3	6.3	6.0	5.5	5.5
Diesel	1.4	0.5	0.8	1.0	2.5
USD-INR rate	82.8	87.0	87.0	87.0	87.0
Brent (US$/bbl)	80.0	80.0	60.0	60.0	60.0

Source: BOBCAPS Research

EV/EBITDA-based valuation rationale

We are assuming coverage with BUY and TP of Rs434, based on –

- 6.5x EV/EBITDA on Sept'27 for core refining and marketing business.
- Investments in listed companies - Petronet, IGL and Oil India are valued at 20% holding company discount to the current market cap.
- Exploration & production (E&P) business is valued at 30% discount to capital employed.

Fig 13 – Valuation methodology

Particular	Sept'27 EBITDA (Rs mn)	Multiple (x)	EV (Rs cr)	Value (Rs/share)
BPCL (Standalone)	298,723	6.5	1,941,700	454
Valuation of Investments				
Petronet			42,150	10
IGL			53,424	13
Oil India			13,891	3
Investments – Total			109,465	26
E&P business			210,707	49
Net debt			405,853	95
Target price (Rs)			1,856,018	434

Source: BOBCAPS Research

Fig 14 – Value of investments

Particulars	No of shares (mn)	CMP	Full value (Rs mn)	Holding co discount	Fair value (Rs mn)	Value/share (Rs)
Petronet	188	281	52,688	20%	42,150	10
IGL	315	212	66,780	20%	53,424	13
Oil India	40	433	17,363	20%	13,891	3
Total value					109,465	26

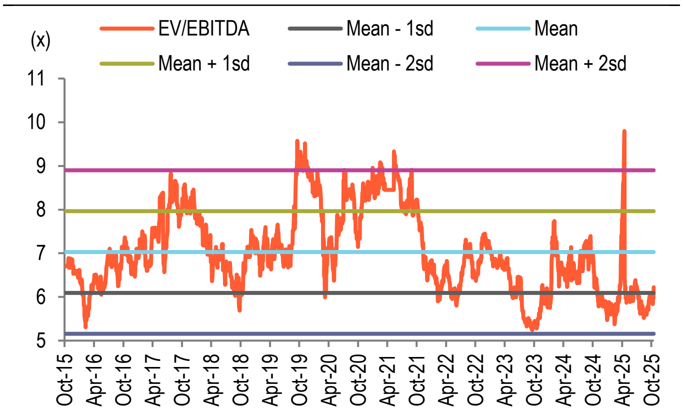
Source: BOBCAPS Research

Key Risks

Key downside risk to our estimates:

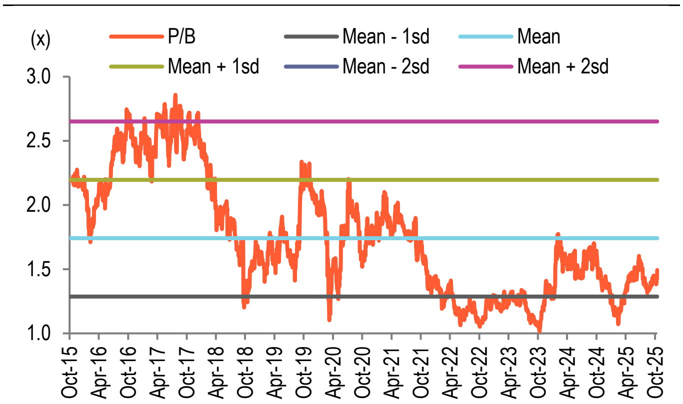
- **Refining business:** Lower-than-estimated GRM in the refining business can affect the operational performance of the business. Thus, low crude prices and robust cracks are key for performance. Any spike in crude prices or hit to product demand can impact refining margins.

Fig 15 – EV/EBITDA 2YF



Source: Bloomberg

Fig 16 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**4,480,830**	**4,402,719**	**4,304,161**	**4,490,105**	**4,716,677**
EBITDA	440,820	254,014	314,802	295,537	302,037
Depreciation	(67,713)	(72,567)	(74,718)	(86,268)	(92,160)
EBIT	395,455	208,294	267,468	237,200	238,367
Net interest inc./(exp.)	(41,489)	(35,914)	(28,837)	(29,257)	(21,942)
Other inc./(exp.)	22,347	26,847	27,384	27,932	28,490
Exceptional items	(2,677)	(3,784)	0	0	0
EBT	351,289	168,596	238,632	207,944	216,425
Income taxes	(93,356)	(48,458)	(60,064)	(52,339)	(54,474)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	10,655	13,227	13,492	13,762	17,084
Reported net profit	**268,588**	**133,366**	**192,060**	**169,366**	**179,034**
Adjustments	2,677	3,784	0	0	0
Adjusted net profit	**271,265**	**137,150**	**192,060**	**169,366**	**179,034**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	283,058	306,341	299,483	312,421	328,186
Other current liabilities	309,465	331,734	331,734	331,734	331,734
Provisions	30,233	23,315	23,315	23,315	23,315
Debt funds	454,849	510,609	480,609	487,609	487,609
Other liabilities	190,221	197,983	197,983	197,983	197,983
Equity capital	21,363	42,726	42,726	42,726	42,726
Reserves & surplus	734,988	771,115	932,068	1,073,904	1,225,745
Shareholders' fund	756,351	813,841	974,794	1,116,630	1,268,471
Total liab. and equities	**2,024,178**	**2,183,822**	**2,307,917**	**2,469,692**	**2,637,298**
Cash and cash eq.	62,864	104,756	145,792	150,773	182,439
Accounts receivables	83,420	93,390	79,507	82,942	87,127
Inventories	428,361	452,652	454,311	473,938	497,853
Other current assets	38,020	39,475	39,475	39,475	39,475
Investments	17,785	17,768	17,768	17,768	17,768
Net fixed assets	847,180	865,938	961,220	1,094,952	1,202,792
CWIP	86,797	132,403	132,403	132,403	132,403
Intangible assets	8,761	8,304	8,304	8,304	8,304
Deferred tax assets, net	0	0	0	0	0
Other assets	424,497	448,856	448,856	448,856	448,856
Total assets	**2,024,178**	**2,183,822**	**2,307,917**	**2,469,692**	**2,637,298**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**373,125**	**229,993**	**287,488**	**261,005**	**263,718**
Capital expenditures	(108,493)	(152,695)	(170,000)	(220,000)	(200,000)
Change in investments	(9,916)	6,293	0	0	0
Other investing cash flows	5,450	(3,283)	0	0	0
Cash flow from investing	**(112,959)**	**(149,684)**	**(170,000)**	**(220,000)**	**(200,000)**
Equities issued/Others	68	21,363	0	0	0
Debt raised/repaid	(149,697)	55,760	(30,000)	7,000	0
Interest expenses	(41,489)	(35,914)	(28,837)	(29,257)	(21,942)
Dividends paid	(22,431)	(42,726)	(31,107)	(27,530)	(27,193)
Other financing cash flows	(9,498)	(36,899)	13,492	13,762	17,084
Cash flow from financing	**(223,046)**	**(38,417)**	**(76,452)**	**(36,025)**	**(32,052)**
Chg in cash & cash eq.	**37,120**	**41,892**	**41,037**	**4,981**	**31,666**
Closing cash & cash eq.	**62,864**	**104,756**	**145,792**	**150,773**	**182,439**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	125.7	31.2	45.0	39.6	41.9
Adjusted EPS	127.0	32.1	45.0	39.6	41.9
Dividend per share	10.5	10.0	7.3	6.4	6.4
Book value per share	354.0	190.5	228.2	261.3	296.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	4.6	7.7	6.1	6.4	6.2
Adjusted P/E	2.9	11.4	8.2	9.3	8.8
P/BV	1.0	1.9	1.6	1.4	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.2	73.5	74.8	74.8	74.8
Interest burden (PBT/EBIT)	89.5	82.8	89.2	87.7	90.8
EBIT margin (EBIT/Revenue)	8.8	4.7	6.2	5.3	5.1
Asset turnover (Rev./Avg TA)	2.3	2.1	1.9	1.9	1.8
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	42.0	17.5	21.5	16.2	15.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(5.3)	(1.7)	(2.2)	4.3	5.0
EBITDA	304.9	(42.4)	23.9	(6.1)	2.2
Adjusted EPS	730.3	(74.7)	40.0	(11.8)	5.7
Profitability & Return ratios (%)					
EBITDA margin	9.8	5.8	7.3	6.6	6.4
EBIT margin	8.8	4.7	6.2	5.3	5.1
Adjusted profit margin	6.1	3.1	4.5	3.8	3.8
Adjusted ROAE	42.0	17.5	21.5	16.2	15.0
ROCE	29.0	14.2	16.8	13.7	12.7
Working capital days (days)					
Receivables	7	8	7	7	7
Inventory	35	38	39	39	39
Payables	26	27	27	27	27
Ratios (x)					
Gross asset turnover	2.3	2.1	1.9	1.9	1.8
Current ratio	0.8	0.8	0.8	0.9	0.9
Net interest coverage ratio	9.5	5.8	9.3	8.1	10.9
Adjusted debt/equity	0.5	0.5	0.3	0.3	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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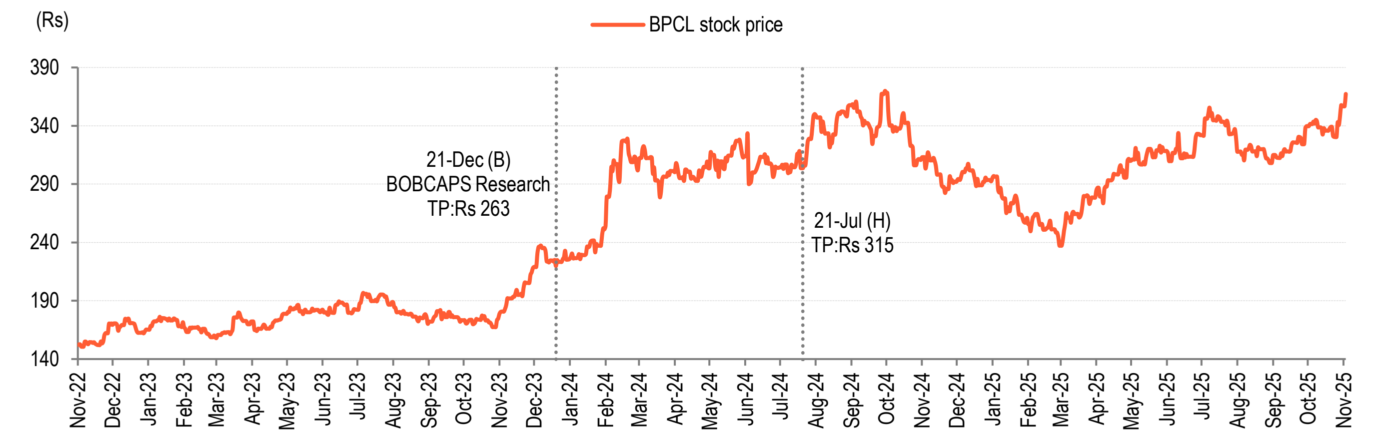
Ratings and Target Price (3-year history): BHARAT PETROLEUM CORP (BPCL IN)



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