BUY
TP: Rs 378 | ▲ 34%

BHARAT PETROLEUM CORPORATION

| Oil & Gas | 26 October 2026

Performance above expectations on better Refining margins

- **Revenue grew by 42.1%YoY aided by volume growth of 6.3% while GRM was strong at USD32.5/bbl vs USD10.8 in Q2FY26**
- **Positive on the volume growth. However, environment is challenging due to volatility in crude prices and product cracks**
- **Maintain BUY; considering improved performance and rollover to Sept.28; raise TP to Rs378 from Rs363 on 5.5xEV/EBITDA**

Sukhwinder Singh
Research Analyst

Namit Mehta
Research Associate
research@bobcaps.in

Results above expectation: Bharat Petroleum Corporation (BPCL)'s standalone revenue came at Rs1,490bn (+42.1%YoY, -1.4%QoQ), and was 2% above our estimates. EBITDA came at Rs89bn (-8.3%YoY) & against loss of Rs40bn in Q1FY26 and was 77% above our estimates. Numbers came above estimates, due to better-than-expected refining margins and volume growth.

Refining performance: GRM came at USD32.5/bbl vs USD10.8/bbl in Q2FY26 — a growth of 202%YoY due to higher product cracks. GRM was USD41.4 in Q1FY27. Crude brent price for Q2FY27 averaged USD94/bbl vs USD68/bbl in Q2FY26, up by USD26/bbl on YoY. It was USD98/bbl in Q1FY27. Cracks improved YoY: Petrol cracks stood at USD34.0/bbl vs USD12.3 in Q2FY26. HSD (Diesel) cracks at USD62.0 vs USD19.0 in Q2FY26.

Marketing business: Domestic sales volumes were 13.5mnt (+6.3%YoY, -1.1%QoQ). Exports volumes stood at 0.6mnt (+63.9%YoY, +15.7%QoQ).

Outlook on growth: BPCL has ongoing projects of Bina expansion – by Mid 2028 and Kochi petchem, aimed for commissioning by Oct 2027. The company is putting up a greenfield refinery of 9mnt in Andhra Pradesh (AP), which will benefit over long term. E&P business will likely witness a boost, with the first LNG production expected in mid 2028. We expect volume growth to be maintained. Challenges exist in the near term, owing to the volatility in crude prices, logistics cost and product cracks.

Maintain BUY; raise TP: We are positive on the business growth. Maintain BUY, considering improved performance and rollover to Sept.28; raise TP to Rs378 from Rs363 on 5.5xEV/EBITDA on the core business plus the value of investments and Exploration & Production (E&P) business.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BPCL IN/Rs 282
Market cap	US$ 12.9bn
Free float	47%
3M ADV	US$ 16.2mn
52wk high/low	Rs 392/Rs 267
Promoter/FPI/DII	53%/17%/21%

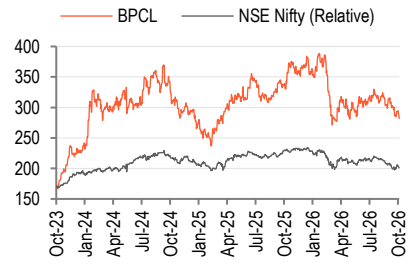
Source: NSE | Price as of 23 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	4,552,280	5,960,620	5,826,025
EBITDA (Rs mn)	412,022	259,140	297,572
Adj. net profit (Rs mn)	262,542	129,171	156,419
Adj. EPS (Rs)	61.4	30.2	36.6
Consensus EPS (Rs)	61.4	36.9	39.4
Adj. ROAE (%)	28.9	12.4	13.8
Adj. P/E (x)	4.6	9.3	7.7
EV/EBITDA (x)	3.7	5.9	5.3
Adj. EPS growth (%)	91.4	(50.8)	21.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance (Consol.)

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
Revenue	**1,490,804**	**1,512,770**	**(1.5)**	**1,049,463**	**42.1**	**3,003,574**	**2,174,977**	**38.1**
EBITDA	**89,728**	**(40,548)**	**321.3**	**97,612**	**(8.1)**	**49,180**	**194,391**	**(74.7)**
EBITDA margin (%)	*6.0*	*(2.7)*	*870 bps*	*9.3*	*(328 bps)*	*1.6*	*8.9*	*(730 bps)*
Depreciation	20,966	20,690	1.3	19,581	7.1	41,655	38,471	8.3
Interest	9,911	6,269	58.1	8,333	18.9	16,180	15,910	1.7
Other income	3,494	12,493	(72.0)	9,528	(63.3)	15,987	17,025	(6.1)
PBT	62,346	(55,013)	213.3	79,226	(21.3)	7,332	157,035	(95.3)
Tax	16,968	(13,429)	226.3	21,531	(21.2)	3,538	41,858	(91.5)
Reported PAT	**48,631**	**(18,727)**	**359.7**	**61,915**	**(21.5)**	**29,904**	**130,305**	**(77.1)**
Exceptional item	0	18,846	(100.0)	(1,659)	100.0	18,846	(2,333)	908.0
Adjusted PAT	48,631	(37,573)	229.4	63,574	(23.5)	11,058	132,638	(91.7)
Adj. PATM (%)	3.3	(1.2)	450 bps	5.9	(264 bps)	0.4	6.1	(573 bps)
Reported EPS (Rs)	11.4	(4.4)	359.7	14.5	(21.5)	7.0	30.5	(77.1)
Adjusted EPS (Rs)	**11.4**	**(8.8)**	**229.4**	**14.9**	**(23.5)**	**2.6**	**31.0**	**(91.7)**

Source: Company

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YOY (%)
Revenue	**1,490,411**	**1,512,293**	**(1.4)**	**1,049,125**	**42.1**	**3,002,703**	**2,174,271**	**38.1**
EBITDA	**89,705**	**(40,774)**	**-**	**97,772**	**(8.3_**	**48,931**	**194,404**	**(74.8)**
EBITDA margin(%)	*6.0*	*(2.7)*	*872bps*	*9.3*	*(330bps)*	*1.6*	*8.9*	*(731bps)*
Reported PAT	49,932	(39,621)	(226.0)	64,425	(22.5)	10,310	125,665	(91.8)

Source: Company

Fig 3 – Q2FY27 Actual vs Estimates (Standalone)

Particulars	Q2 Actual	Estimates	VAR (%)
Revenue (Rs mn)	1,490,411	1,523,744	2.2
EBITDA (Rs mn)	89,705	50,519	77.6
EBITDA margin (%)	6.0	3.3	82bps
PAT (Rs mn)	49,932	28,958	72.4
EPS (Rs)	11.7	6.8	72.4

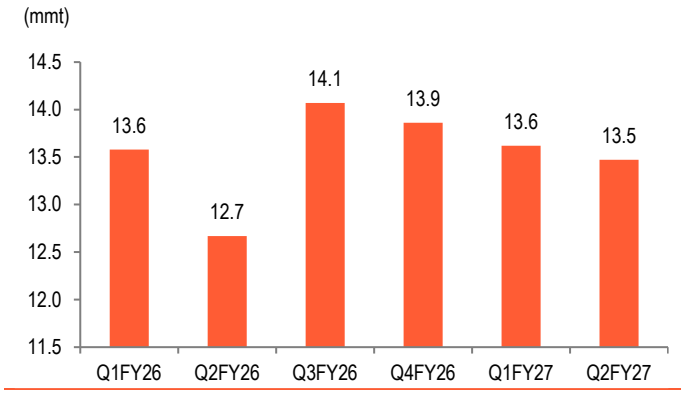
Source: Company, BOBCAPS Research

Fig 4 – Business performance

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
Domestic Sales (mnt)	13.5	13.6	(1.1)	12.7	6.3	27.1	26.3	3.2
Export sales (mnt)	0.6	0.5	15.7	0.4	63.9	1.1	0.8	35.8
Refinery throughput (mnt)	10.4	10.2	2.6	9.8	6.0	20.6	20.2	1.6
Average gross refining margin ($/bbl)	**32.5**	**41.4**	**(21.4)**	**10.8**	**201.8**	**37.0**	**7.8**	**372.1**

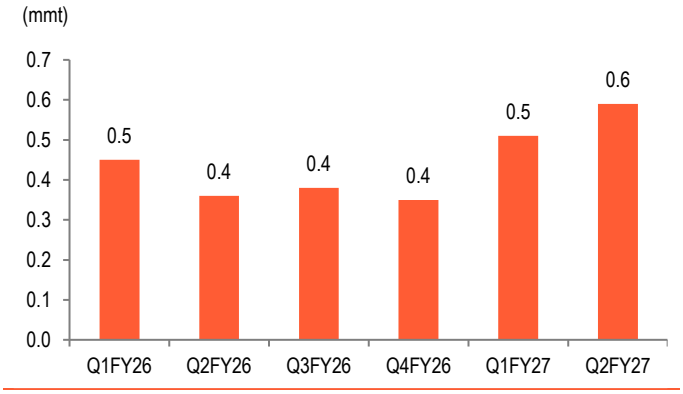
Source: Company

Fig 5 – Domestic sales volumes



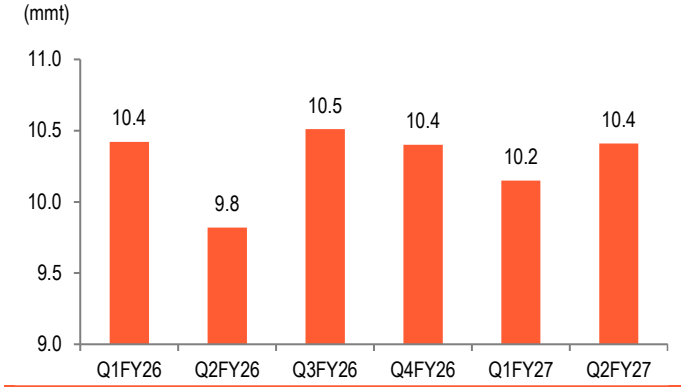
Source: Company

Fig 6 – Export sales volumes



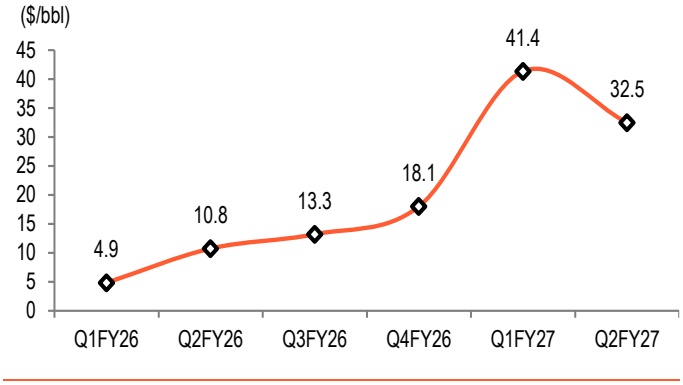
Source: Company

Fig 7 – Refining throughput



Source: Company

Fig 8 – Average gross refining margin



Source: Company

Call Highlights

- **Refining performance:** BPCL reported refinery throughput of 10.4mnt in Q2FY27, up 6.0% YoY and 2.6% QoQ, compared with 10.2mnt in Q1FY27 and 9.8mnt in Q2 FY26. Reported GRM expanded to $32.5/bbl v/s USD10.8/bbl in Q4 FY26 and USD41.4/bbl in Q1FY27, led by strong diesel and ATF cracks. However, the net GRM stood at $14.0/bbl after adjusting the SAED -Special additional excise duty.
- **Marketing business:** Total marketing sales stood at 14.1mnt, domestic marketing sales stood at 13.5mnt, up 6.3% YoY and down by 1.1% QoQ, compared with 12.7mnt in Q2FY26 and 13.6mnt in Q1FY27, exports rose sharply to 0.6mnt, up 63.9%YoY and 15.7% QoQ. Petrol reported a growth of 9%YoY and Diesel reported a growth of 12%YoY.
- **Crude sourcing:** Spot crude sourcing is at 67% of volumes which is in line with previous Q1FY27 and Russia volume share stood at 37%. Management indicated that crude availability is not an issue but cost varies. Supply is impacted from Iran and Kuwait but not from Saudi Arabia. It has tied up for uptill Dec. 2026. LPG per cylinder under-recovery was around Rs290/cylinder for Q2FY27. It was RS245 in Oct and increased to Rs328 in Nov. month.
- **Inventory:** BPCL reported marketing inventory loss of Rs3,300mn vs gains of Rs31,340mn in Q1FY27. Q2FY26 had gain of Rs8,950mn. The company maintains 22-25 days of crude inventory.
- **Capex:** BPCL maintained its full-year FY27 capex guidance of Rs250 -270bn. Incurred capex of Rs119bn in H1FY27.
- **Net debt:** BPCL's Net debt increased to Rs443bn from net debt of Rs257bn on Mar.26. Balance sheet remains strong, with D/E at 0.4x. The company also held investments of around Rs125,000mn. Gross debt is Rs512bn.
- **Projects update**:
    - **Bina refinery expansion:** Capacity to increase from 7.8mmtpa to 11mmtpa with commissioning targeted by Mid-2028. Bina project has achieved 40% cumulative progress with Rs77bn incurred till date and Rs433bn project cost.
    - **Kochi petchem Polypropylene project** : has achieved 55% completion with target commissioning in Oct 2027.
    - **Overseas projects: Mozambique LNG:** Physical progress is around 47%. First gas is expected in Mid 2028.

Valuation Methodology

We are positive on the business growth that is driven by healthy demand for petroleum products and improved product cracks. However, the environment is challenging given the volatility in crude prices, cracks and weak marketing margins.

We revise our estimates upwards to account for improved performance and revise upwards crude prices

- Brent revised to USD90/bbl vs earlier USD80/bbl for FY27E, FY28E and FY29E
- Increase in GRM : USD13.0 vs earlier USD7.5 for FY27E; USD10.0 vs earlier USD8.0 for FY28E and USD10.0vs earlier USD8.5 for FY29E
- We estimate marketing margin to be lower than estimated earlier. Estimate marketing margin:
    - Petrol at Rs250/KL vs earlier Rs700/Kl for FY27E; at Rs2,000 vs earlier 2,650/kl for FY28E and Rs2,250 vs earlier Rs2,800 for FY29E.
    - Diesel at Rs100 vs earlier Rs400/KL for FY27E; at Rs1,800 vs earlier Rs2,500/kl for FY28E and Rs2,050 vs earlier Rs2,750 for FY29E.

Fig 9 – Revision in estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	4,552,280	5,960,620	5,826,025	5,870,577	5,271,960	5,142,915	5,177,450	13.1	13.3	13.4
EBITDA	412,022	259,140	297,572	322,225	171,490	291,003	321,480	51.1	2.3	0.2
EBITDA % margin	9.1	4.3	5.1	5.5	3.3	5.7	6.2	109 bps	(55 bps)	(72 bps)
PAT	262,542	129,171	156,419	171,218	76,416	154,074	170,928	69.0	1.5	0.2
EPS (Rs)	61.4	30.2	36.6	40.1	17.9	36.1	40.0	69.0	1.5	0.2

Source: Company, BOBCAPS Research

Fig 10 – Key assumptions

	FY25	FY26	FY27E	FY28E	FY29E
Refinery Utilisation (%)					
Mumbai	115	117	95	99	102
Kochi	111	115	97	100	102
Bina	99	107	98	100	103
GRM (USD/bbl)					
Blended GRM	6.8	11.7	13.0	10.0	10.0
Marketing margin (Rs/KL)					
Petrol	9,365	6,500	250	2,000	2,250
Diesel	5,000	2,800	100	1,800	2,050
Growth in key products (%)					
Petrol	6.3	5.7	6.5	5.0	5.0
Diesel	0.5	1.0	1.5	2.5	2.5
USD-INR rate	87.0	90.0	97.0	97.0	97.0
Brent (US$/bbl)	80.0	60.0	90.0	90.0	90.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

Maintain BUY, considering improved performance and rollover to Sept.28; raise TP to Rs378 from Rs363 on 5.5xEV/EBITDA on the core business plus the value of investments and Exploration & Production (E&P) business.

Fig 11 – Valuation summary

Particular	Sept'28E EBITDA (Rs mn)	Multiple (x)	EV (Rs cr)	Value (Rs/share)
BPCL (Standalone)	309,652	5.5	1,703,087	399
Valuation of Investments				
Petronet			42,900	10
IGL			35,784	8
Oil India			14,372	3
Investments – Total			93,056	22
E&P business			75,253	18
Net debt			257,214	60
Target price (Rs)			**1,614,182**	**378**

Source: Company, BOBCAPS Research

Fig 12 – 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	286	53,625	20	42,900	10
IGL	315	142	44,730	20	35,784	8
Oil India	40	448	17,965	20	14,372	3
Total value					**93,056**	**22**

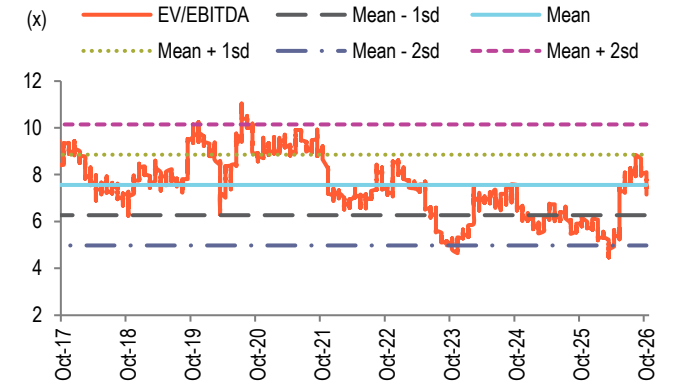
Source: BOBCAPS Research

Key Risks

Key downside risk to our estimates:

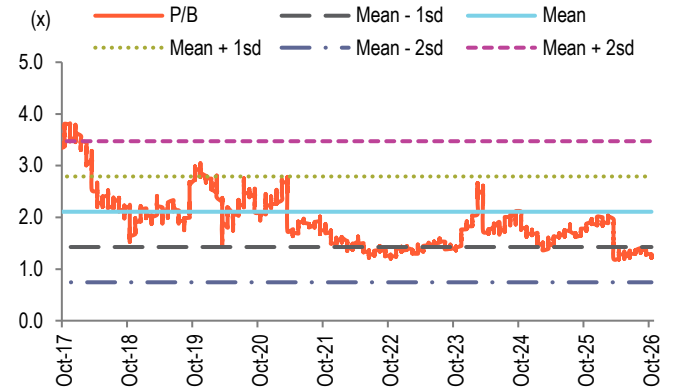
- **Refining business:** Lower-than-estimated GRM in the refining business due to higher crude prices or lower demand, can affect operational performance. Any spike in crude prices or a hit to product demand can impact refining margins.

Fig 13 – EV/EBITDA 1YF



Source: Bloomberg

Fig 14 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**4,402,719**	**4,552,280**	**5,960,620**	**5,826,025**	**5,870,577**
EBITDA	254,014	412,022	259,140	297,572	322,225
Depreciation	(72,567)	(78,564)	(97,970)	(104,319)	(112,425)
EBIT	208,294	366,446	194,817	227,574	244,807
Net interest inc./(exp.)	(35,914)	(29,535)	(36,816)	(39,508)	(36,469)
Other inc./(exp.)	26,847	32,988	33,647	34,320	35,007
Exceptional items	(3,784)	(4,107)	0	0	0
EBT	168,596	332,804	158,001	188,066	208,338
Income taxes	(48,458)	(89,478)	(44,240)	(50,778)	(56,251)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	13,227	15,109	15,411	19,131	19,131
Reported net profit	**133,366**	**258,435**	**129,171**	**156,419**	**171,218**
Adjustments	3,784	4,107	0	0	0
Adjusted net profit	**137,150**	**262,542**	**129,171**	**156,419**	**171,218**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	306,341	426,542	558,502	545,891	550,065
Other current liabilities	331,734	392,729	392,729	392,729	392,729
Provisions	23,315	22,466	22,466	22,466	22,466
Debt funds	510,609	434,819	557,819	607,819	607,819
Other liabilities	197,983	207,902	207,902	207,902	207,902
Equity capital	42,726	42,726	42,726	42,726	42,726
Reserves & surplus	771,115	958,977	1,039,712	1,138,072	1,244,408
Shareholders' fund	813,841	1,001,703	1,082,438	1,180,798	1,287,133
Total liab. and equities	**2,183,822**	**2,486,160**	**2,821,855**	**2,957,603**	**3,068,114**
Cash and cash eq.	104,756	177,606	180,956	208,256	225,486
Accounts receivables	93,390	49,805	65,213	63,740	64,228
Inventories	452,652	533,040	697,946	682,186	687,403
Other current assets	39,475	51,231	51,231	51,231	51,231
Investments	17,768	277,276	277,276	277,276	277,276
Net fixed assets	865,938	917,011	1,069,041	1,194,722	1,282,297
CWIP	132,403	163,941	163,941	163,941	163,941
Intangible assets	8,304	7,191	7,191	7,191	7,191
Deferred tax assets, net	0	0	0	0	0
Other assets	448,856	560,829	560,829	560,829	560,829
Total assets	**2,183,822**	**2,486,160**	**2,821,855**	**2,957,603**	**3,068,114**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**229,993**	**471,776**	**200,192**	**285,736**	**299,451**
Capital expenditures	(152,695)	(193,764)	(250,000)	(230,000)	(200,000)
Change in investments	6,293	(246,959)	0	0	0
Other investing cash flows	(3,283)	192,687	0	0	0
Cash flow from investing	**(149,684)**	**(248,035)**	**(250,000)**	**(230,000)**	**(200,000)**
Equities issued/Others	21,363	0	0	0	0
Debt raised/repaid	55,760	(75,790)	123,000	50,000	0
Interest expenses	(35,914)	(29,535)	(36,816)	(39,508)	(36,469)
Dividends paid	(42,726)	(74,770)	(48,436)	(58,059)	(64,882)
Other financing cash flows	(36,899)	29,203	15,411	19,131	19,131
Cash flow from financing	**(38,417)**	**(150,892)**	**53,159**	**(28,436)**	**(82,220)**
Chg in cash & cash eq.	**41,892**	**72,849**	**3,350**	**27,300**	**17,231**
Closing cash & cash eq.	**104,756**	**177,605**	**180,956**	**208,256**	**225,486**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	31.2	60.5	30.2	36.6	40.1
Adjusted EPS	32.1	61.4	30.2	36.6	40.1
Dividend per share	10.0	17.5	11.3	13.6	15.2
Book value per share	190.5	234.4	253.3	276.4	301.3

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	6.2	3.7	5.9	5.3	4.9
Adjusted P/E	8.8	4.6	9.3	7.7	7.0
P/BV	1.5	1.2	1.1	1.0	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	73.5	74.3	72.0	73.0	73.0
Interest burden (PBT/EBIT)	0.8	0.9	0.8	0.8	0.9
EBIT margin (EBIT/Revenue)	4.7	8.0	3.3	3.9	4.2
Asset turnover (Rev./Avg TA)	2.1	1.9	2.2	2.0	1.9
Leverage (Avg TA/Avg Equity)	2.7	2.6	2.5	2.6	2.4
Adjusted ROAE	17.5	28.9	12.4	13.8	13.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(1.7)	3.4	30.9	(2.3)	0.8
EBITDA	(42.4)	62.2	(37.1)	14.8	8.3
Adjusted EPS	(74.7)	91.4	(50.8)	21.1	9.5
Profitability & Return ratios (%)					
EBITDA margin	5.8	9.1	4.3	5.1	5.5
EBIT margin	4.7	8.0	3.3	3.9	4.2
Adjusted profit margin	3.1	5.8	2.2	2.7	2.9
Adjusted ROAE	17.5	28.9	12.4	13.8	13.9
ROCE	14.2	23.1	11.2	11.8	11.9
Working capital days (days)					
Receivables	8	4	4	4	4
Inventory	38	43	43	43	43
Payables	27	38	36	36	36
Ratios (x)					
Gross asset turnover	2.1	1.9	2.2	2.0	1.9
Current ratio	0.8	0.8	0.9	0.9	0.9
Net interest coverage ratio	5.8	12.4	5.3	5.8	6.7
Adjusted debt/equity	0.5	0.2	0.3	0.3	0.3

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

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SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
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BUY – Expected return >+15%

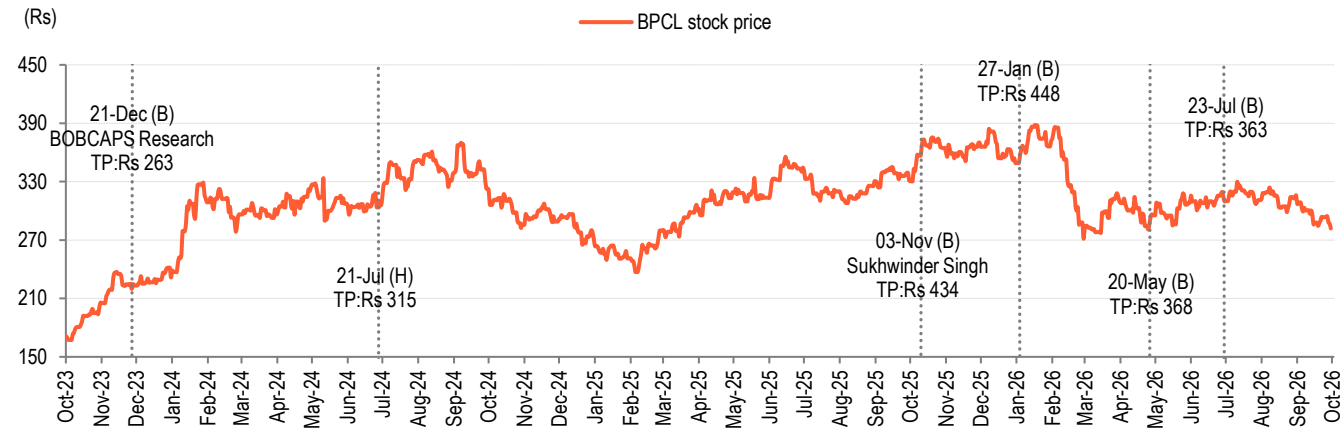
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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