BPCL

During 3QFY13, BPCL reported net sales growth of 6% YoY and 10% QoQ to Rs.623 bn. Higher sales were due to higher sales volume and higher government's subsidy compensation. During quarter the company reported refinery throughput of 5.6 MMT(million Metric Tons) as against 5.94 MMT in preceding quarter same year and 6.1 MMT in corresponding quarter last year whereas sales volume increased by 9% QoQ and 5.3% YoY to 8.47 MMT. Consequently external purchase of crude was increased by 2.9 MMT in 3QFY13 versus 1.8MMT in 2QFY13 and 1.9MMT in 3QFY12. In 9MFY13, total sales volume was 24.74 MMT as compare to 22.9 MMT in 9MFY12.

BPCL reported gross under recovery of Rs.9372 cr in 3QFY13 as compare to Rs. 9029 cr in 2QFY13 and Rs.7633 cr in 3QFY12. In 3QFY13, total subsidy received from the government was Rs. 5987 cr and discount received from upstream companies was 3602 cr which were higher of fuel loss. As the result , the company reported net over recovery of Rs.217 cr. In 9MFY13, total gross under recovery was Rs.300 bn of which BPCL received Rs.132 bn from government of India as a fuel subsidy and Rs.109 bn received discount from upstream companies. As the result the company has total net under recovery of Rs.59 bn YTD.

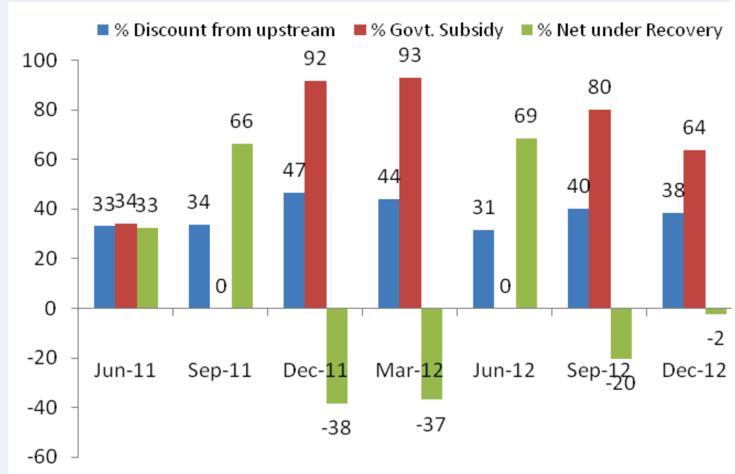
Refinery margin of the company was during quarter higher by 37% YoY but was declined by 25.8% QoQ to UD$4.8/bbl which was higher than HPCL and IOC. Average refinery margin in 9MFY13 was US$4.63/bbl as against US$1.92/bbl in 9MFY12. Higher refinery margin benefit was due to passing on of octroi surcharge from August 2012. The company reported Mumbai refinery margin of US$4.87/bbl in 3QFY13 and US$4.13/bbl in 9MFY13. Kochi refinery margin of US$ 4.65/bbl and US$5.28/bbl in 9MFY13 was reported by the company. Numaligarh refinery received margin of US$7/bbl during the quarter.

Interest cost increased by 40% QoQ and 11% YoY to Rs.576 cr. Higher interest cost on quarter-on-quarter basis was due to higher working capital borrowings to fund fuel subsidy losses and delay of payment by government. At the end of Dec2012 the company has gross debt of Rs.310 bn as compare to Rs. 256 bn in Sept 2012.

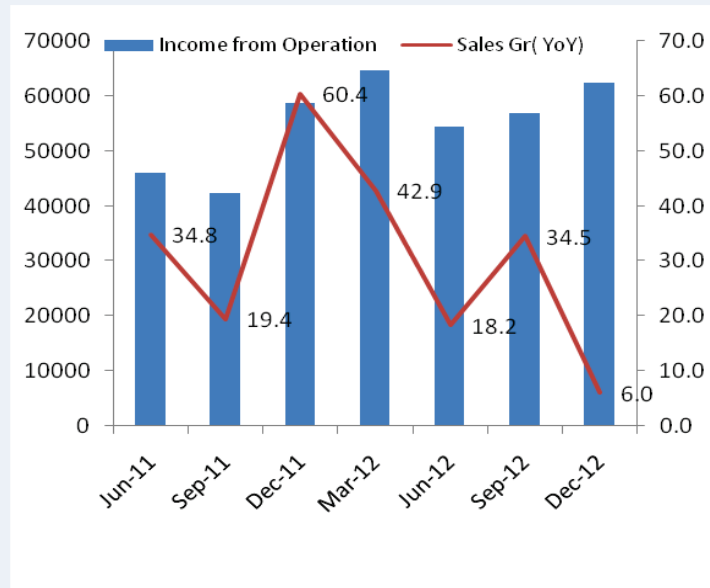
BPCL reported net profit of Rs.1648 cr ahead of consensus estimate of Rs.90 cr led by higher subsidy sharing of gross under recovery and higher sales volume. However OMCs companies' profitability are more dependent on government's sharing and final picture will come out only after the last quarter result. OMCs companies are reported net losses in 9MFY13 and government need to released additional fund of Rs.500 bn to make profitable in FY13.

Management expects its gross under recovery was at Rs.390-400 bn in FY13 after considering the impact of diesel deregulation. BPCL's bulk diesel sales forms 9-9.8% of total diesel sales and in bulk diesel market the company has 13-14% market share. During 9 months of current year the company added 270 retail outlets.

Full diesel deregulation will lead to lower interest cost and reduce gross under recovery which help to boost profitability. Further we also bullish on BPCL's E&P assets in Mozambique and Brazil. We recommend buy rating on the stock with price target of Rs.430.



(Source: Company/Eastwind)



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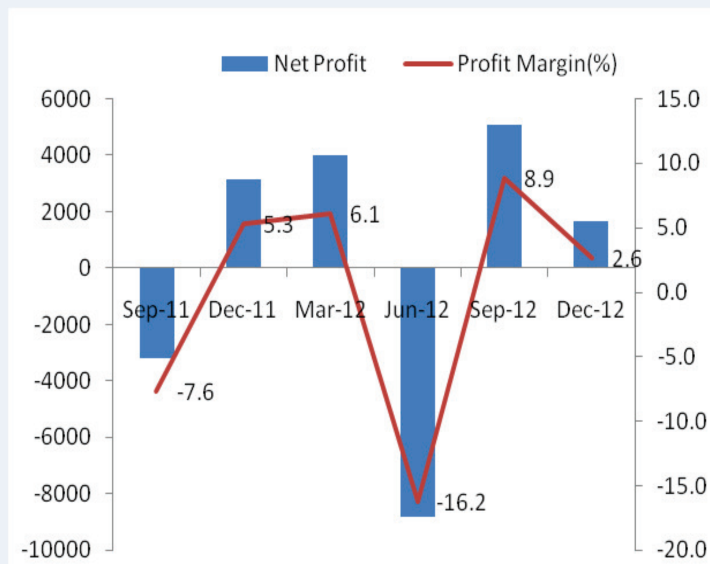

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