

## Refining strength with balance-sheet comfort

25 January 2026

The stock price of Bharat Petroleum Corporation (BPCL IN) has risen 6% in the past three months, outperforming benchmark Nifty Index, which was down 3%, driven by refining margin strengthening, declining LPG losses and government compensation for LPG losses. BPCL delivered a strong Q3FY26 (PAT rose 62% YoY), driven by exceptionally high refining margins, healthy marketing volumes, and continued strengthening in balance-sheet. GRMs at USD 13.3/bbl remained well above mid-cycle levels, while the government's INR 13bn LPG compensation provided earnings visibility despite INR 5bn LPG under-recoveries in Q3. With near-zero gross debt at ~INR 5bn (excluding INDAS liabilities), BPCL appears structurally stronger than in prior cycles to absorb any risk of margin normalization ahead. Per our sensitivity analysis, every USD 1/bbl drop in crude oil price would improve BPCL's FY27E EPS by INR 5.9 and every USD 1/bbl rise in GRM would improve FY27E EPS by INR 5.0.

We cut FY27E and FY28E EPS by 3% and 5%, respectively, on weaker INR. We roll-over our TP to FY28E. **We reiterate BUY** with TP retained at INR 457, offering 31% upside over CMP.

**Strong GRMs and falling LPG losses led to 54% YoY growth in EBITDA:** Q3 PAT was at INR 75.4bn, up 62% YoY (17% QoQ), and lower than our estimate of INR 89.7bn due to weaker bulk fuel margins. YoY PAT growth driven by strong GRM (+137% YoY) and 85% dip in LPG losses.

**Marketing margin dropped YoY:** Per calculations, Q3 retail diesel margin was INR 3.9/liter versus INR 5.2/liter in Q2FY26 and INR 9.3/liter in Q3FY25, and gasoline margin was INR 9.0/liter versus INR 9.5/liter in Q2FY26 and INR 12.8/liter in Q3FY25. Marketing volumes rose 5.6% YoY.

**Refining – Key driver in Q3:** Reported GRM was USD 13.3/bbl versus USD 5.6/bbl in Q3FY25 and USD 10.8/bbl in Q1FY26 (Elara estimate: USD 13.4/bbl), as key product cracks such as gasoil, gasoline and jet fuel grew 62-100% YoY. Distillate yield was impressive at ~84% versus 78% reported by HPCL. The share of high sulphur crude was ~78%, reflecting strong crude flexibility. GRM at Bina refinery was USD 18.2/bbl, at Kochi was USD 12.7/bbl, and at Mumbai was USD 11.4/bbl – the benefits of complexity were visible.

**Macro environment supportive:** Refining margins remain supported by tightness in global middle-distillate, including restrictions by the EU on Russian-linked product flows. Crude below USD 65/bbl is supportive for retail margins and LPG economics. IEA expects moderating oil demand growth and surplus supply into CY26, reducing crude price risk for OMCs.

**Reiterate Buy with TP of INR 457**, led by weak crude oil price environment and tightness in refining globally. We cut FY27E and FY28E EPS by 3% and 5%, respectively, on weaker INR. We roll-over TP to FY28E. We expect diesel margin at INR 5.2/liter in FY27E (from INR 5.7/liter) and FY27E GRM at USD 6.5/bbl (from USD 5.6/bbl). We value BPCL on FY28E P/B, assuming FY29E BVPS of INR 324 (from INR 328), 15.7% ROE (from 15.6%), 11.7% cost of equity (unchanged) and 1% long-term growth (unchanged). **Retain BUY**.

Rating: **Buy**

Target Price: **INR 457**

Upside: **31%**

CMP: **INR 349**

As on 23 January 2026

### Key data

Bloomberg	BPCL IN
Reuters Code	BPCL.NS
Shares outstanding (mn)	4,339
Market cap (INR bn/USD mn)	1,515/16,473
EV (INR bn/USD mn)	1,870/20,337
ADTV 3M (INR mn/USD mn)	2,727/30
52 week high/low	388/234
Free float (%)	45

Note: as on 23 January 2026; Source: Bloomberg

### Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	53.0	53.0	53.0	53.0
% Pledge	0.0	0.0	0.0	0.0
FII	14.6	15.5	16.5	18.5
DII	23.1	22.2	21.3	19.6
Others	9.3	9.4	9.2	9.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(3.5)	0.9	9.7
Bharat Petroleum	5.7	2.3	32.4
NSE Mid-cap	(4.3)	(0.9)	9.8
NSE Small-cap	(11.6)	(11.9)	(0.7)

Source: Bloomberg

### Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	4,480,831	4,402,719	4,580,600	4,723,760	4,838,411
YoY (%)	(5.3)	(1.7)	4.0	3.1	2.4
EBITDA (INR mn)	440,820	254,014	435,354	365,537	382,164
EBITDA margin (%)	9.8	5.8	9.5	7.7	7.9
Adj PAT (INR mn)	260,610	123,922	255,206	200,053	205,526
YoY (%)	1,547.3	(52.4)	105.9	(21.6)	2.7
Fully DEPS (INR)	60.1	28.6	58.8	46.1	47.4
RoE (%)	40.4	15.8	28.4	19.0	17.3
RoCE (%)	29.5	13.3	23.6	17.2	16.8
P/E (x)	5.8	12.2	5.9	7.6	7.4
EV/EBITDA (x)	4.2	7.4	4.3	5.1	4.9

Note: Pricing as on 23 January 2026; Source: Company, Elara Securities Estimate

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## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	4,480,831	4,402,719	4,580,600	4,723,760	4,838,411
Gross Profit	719,869	549,750	743,706	675,282	702,597
EBITDA	440,820	254,014	435,354	365,537	382,164
EBIT	373,108	181,447	357,035	281,149	291,855
Interest expense	41,489	35,914	33,120	32,585	31,851
Other income	22,347	26,847	30,087	32,284	28,157
Exceptional/ Extra-ordinary items	7,978	9,443	-	-	-
PBT	361,944	181,823	354,002	280,847	288,161
Tax	93,356	48,458	98,796	80,794	82,635
Minority interest/Associates income	-	-	-	-	-
Reported PAT	268,588	133,366	255,206	200,053	205,526
Adjusted PAT	260,610	123,922	255,206	200,053	205,526
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	756,351	813,841	982,664	1,118,396	1,257,410
Minority Interest	-	-	-	-	-
Trade Payables	283,058	306,341	294,551	299,695	294,827
Provisions & Other Current Liabilities	359,021	369,708	369,708	369,708	369,708
Total Borrowings	545,991	611,006	616,006	561,006	547,006
Other long term liabilities	79,757	82,927	113,007	137,235	162,048
<b>Total liabilities &amp; equity</b>	<b>2,024,178</b>	<b>2,183,822</b>	<b>2,375,936</b>	<b>2,486,040</b>	<b>2,631,000</b>
Net Fixed Assets	1,057,981	1,138,110	1,264,087	1,429,688	1,642,240
Goodwill	12,040	12,040	12,040	12,040	12,040
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	284,281	282,745	282,745	282,745	282,745
Cash, Bank Balances & treasury investments	62,864	104,756	200,645	131,457	64,878
Inventories	428,361	452,652	420,500	432,596	430,597
Sundry Debtors	83,420	93,390	94,305	94,307	93,579
Other Current Assets	95,230	100,131	101,614	103,208	104,921
<b>Total Assets</b>	<b>2,024,178</b>	<b>2,183,822</b>	<b>2,375,936</b>	<b>2,486,040</b>	<b>2,631,000</b>
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Cashflow from Operations</b>	<b>302,306</b>	<b>160,873</b>	<b>351,481</b>	<b>267,840</b>	<b>288,635</b>
Capital expenditure	(96,894)	(145,947)	(204,296)	(249,990)	(302,860)
Acquisitions / divestitures	11,392	(5,293)	-	-	-
Other Business cashflow	-	-	-	-	-
<b>Free Cash Flow</b>	<b>216,804</b>	<b>9,633</b>	<b>147,185</b>	<b>17,850</b>	<b>(14,225)</b>
Cashflow from Financing	(179,685)	32,259	(51,296)	(87,038)	(52,354)
Net Change in Cash / treasury investments	37,120	41,892	95,889	(69,188)	(66,579)
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	31.1	10.0	20.0	15.0	16.0
Book value per share (INR)	174.3	187.6	226.5	257.8	289.8
RoCE (Pre-tax) (%)	29.5	13.3	23.6	17.2	16.8
ROIC (Pre-tax) (%)	30.5	14.2	26.3	19.1	17.8
ROE (%)	40.4	15.8	28.4	19.0	17.3
Asset Turnover (x)	4.3	4.0	3.8	3.5	3.2
Net Debt to Equity (x)	0.6	0.6	0.4	0.4	0.4
Net Debt to EBITDA (x)	1.1	2.0	1.0	1.2	1.3
Interest cover (x) (EBITDA/ int exp)	10.6	7.1	13.1	11.2	12.0
Total Working capital days (WC/rev)	2.2	6.2	12.4	7.2	2.2
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	5.8	12.2	5.9	7.6	7.4
P/Sales (x)	0.3	0.3	0.3	0.3	0.3
EV/ EBITDA (x)	4.2	7.4	4.3	5.1	4.9
EV/ OCF (x)	6.2	11.6	5.3	7.0	6.5
FCF Yield	11.6	0.5	7.9	1.0	(0.8)
Price to BV (x)	2.0	1.9	1.5	1.4	1.2
Dividend yield (%)	8.9	2.9	5.7	4.3	4.6

Note: Pricing as on 23 January 2026; Source: Company, Elara Securities Estimate

**Exhibit 1: Quarterly financials**

YE March (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance
Revenue	1,189,994	1,131,358	5.2	1,049,125	13.4	1,088,876	9.3
EBITDA	116,768	75,804	54.0	97,772	19.4	131,661	(11.3)
Depr	19,723	18,042	9.3	19,516	1.1	19,906	(0.9)
Forex loss	1,674	2,730	(38.7)	5,610	(70.2)	2,319	(27.8)
EBIT	97,045	57,763	68.0	78,256	24.0	111,754	(13.2)
Interest paid	3,607	4,286	(15.9)	4,208	(14.3)	4,254	(15.2)
Other income	7,501	8,285	(9.5)	11,907	(37.0)	11,380	(34.1)
Exceptional item	0	0		0		0	
PBT	100,940	61,762	63.4	85,955	17.4	118,880	(15.1)
Tax	25,487	15,270	66.9	21,530	18.4	29,140	(12.5)
Reported PAT	75,453	46,492	62.3	64,425	17.1	89,739	(15.9)
Adjusted PAT	75,453	46,492	62.3	64,425	17.1	89,739	(15.9)
EPS (INR)	17.7	10.9	62.3	15.1	17.1	21.1	(15.9)

Source: Company, Elara Securities Estimate

**Exhibit 2: Quarterly performance**

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
GRM (USD/bbl)	13.3	5.6	136.6	10.8	22.9
Throughput (mn tonne)	10.5	9.5	10.2	9.8	7.0
Direct domestic sales (mn tonne)	14.1	13.4	4.8	12.7	11.0
Exports (mn tonne)	0.4	0.3	46.2	0.4	5.6

Source: Company, Elara Securities Research

**Exhibit 3: Assumption**

	FY24	FY25	FY26E	FY27E	FY28E
Refining throughput (mn tonne)	39.9	40.5	41.2	41.5	43.1
GRM (USD/bbl)	14.1	6.8	9.3	6.6	6.0
Exchange rate (USD-INR)	82.8	84.6	88.4	91.6	91.6
Brent crude oil (USD/bbl)	83.0	78.9	66.4	65.0	65.0
Retail Diesel Margin (INR/lit)	4.3	6.4	6.6	5.2	5.2
Retail Gasoline Margin (INR/lit)	8.2	9.2	10.3	7.9	7.9
Marketing Sales volume Growth (%)	3.9	2.7	4.2	0.7	0.7

Source: Company, Elara Securities Estimate

**Exhibit 4: Valuation**

(INR/share)	
<b>FY29E BVPS (INR/share), (A)</b>	<b>324</b>
Long-term ROE from FY29E (%), (B)	15.7
Cost of equity taken from Bloomberg (%), (C)	11.3
Long-term earnings growth rate (%), (D)	3.5
Equity value by FY29E, excluding dividend payout value (INR/share), (E) = (B-D)/(C-D) X (A)	505
Present value of equity, excluding dividend payout value (INR/share) (F) = (E) discounted by two years @ cost of equity(C)	408
Present value of dividend payout during FY26E-FY29E (INR/share), (G)	49
<b>BPCL: Target price by end-FY27E (INR/share)</b>	<b>457</b>
<b>(H) = (F) + (G)</b>	

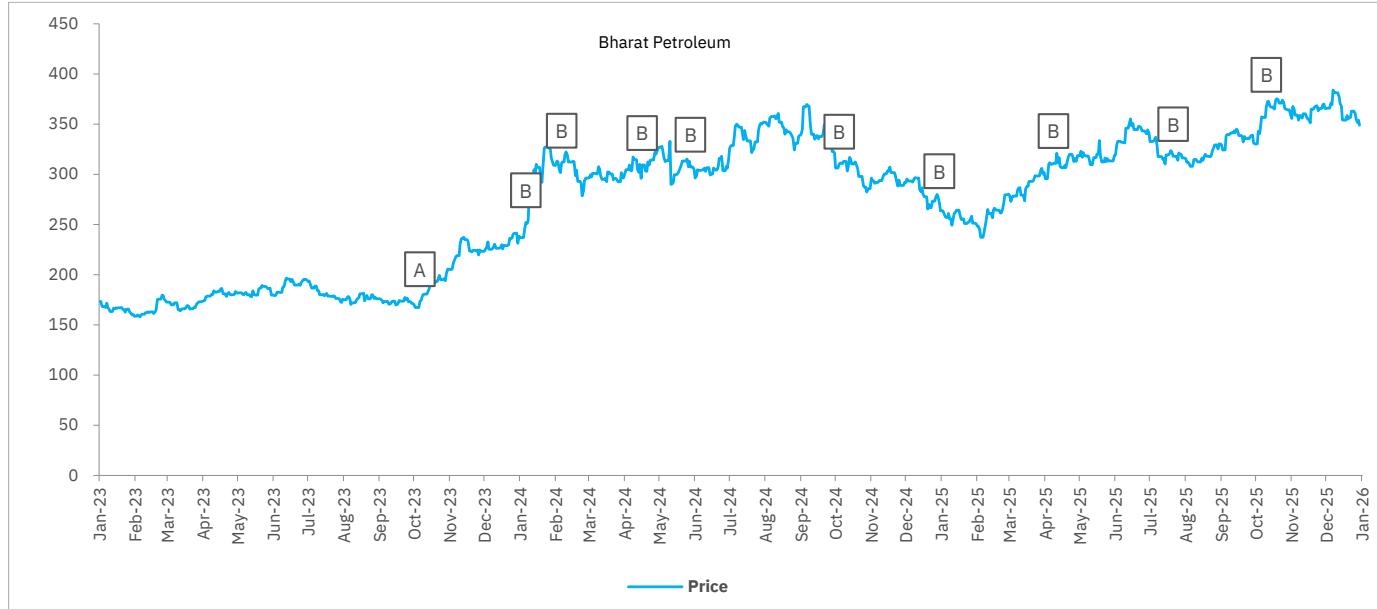
Source: Elara Securities Estimate

**Exhibit 5: Change in estimates**

(INR bn)	Earlier estimates			Revised estimates			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,415	4,467	4,588	4,581	4,724	4,838	3.7	5.8	5.5
EBITDA	424	368	388	435	366	382	2.7	(0.7)	(1.5)
EBITDAM	9.6	8.2	8.5	9.5	7.7	7.9	(9.8)	(49.9)	(55.6)
Net Profit	250	207	216	255	200	206	2.2	(3.5)	(4.9)
EPS (INR)	57.6	47.8	49.8	58.8	46.1	47.4	2.2	(3.5)	(4.9)

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
30-Oct-2023	Accumulate	396	347
30-Jan-2024	Buy	608	504
01-Mar-2024	Buy	849	623
10-May-2024	Buy	815	619
21-Jun-2024	Buy	408	308
28-Oct-2024	Buy	386	310
23-Jan-2025	Buy	354	271
02-May-2025	Buy	451	311
14-Aug-2025	Buy	427	318
03-Nov-2025	Buy	457	367

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**BUY (B)** Absolute Return >+20%

**ACCUMULATE (A)** Absolute Return +5% to +20%

**REDUCE (R)** Absolute Return -5% to +5%

**SELL (S)** Absolute Return < -5%

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