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COMPANY PROFILE

Bharat Petroleum Corporation Limited

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COMPANY OVERVIEW

Bharat Petroleum Corporation Limited (BPCL or 'the company') is an Indian-based company into refining, processing, and distributing petroleum products, and exploration and production of hydrocarbons. It offers petrol, diesel, kerosene, aviation fuel, liquefied petroleum gas (LPG), compressed natural gas (CNG), and lubricants. In addition, it offers industrial fuels products, such as white oil, naphtha, black oil, industrial gases, diesel, kerosene, furnace oil, bitumen, sulphur and solvents. The company offers its products under Speed, MAK and Bharatgas brands. BPCL distributes fuel to airlines including international and domestic. It operates fuel stations that sell petrol, diesel, automotive liquefied petroleum gas (LPG), and compressed natural gas. The company is headquartered in Mumbai, Maharashtra, India.

The company reported revenues of (Rupee) INR3,042,662.8 million for the fiscal year ended March 2021 (FY2021), a decrease of 7.7% over FY2020. In FY2021, the company's operating margin was 7.3%, compared to an operating margin of 1.5% in FY2020. In FY2021, the company recorded a net margin of 5.3%, compared to a net margin of 0.9% in FY2020.

KEY FACTS

Head Office	Bharat Petroleum Corporation Limited Bharath Bhavan, Belosd, PO.Box No.688 Ballard Estate NAGPUR NAGPUR IND
Phone	91 22 22713000
Fax	91 22 22713688
Web Address	www.bharatpetroleum.in
Revenue / turnover (INR Mn)	3,042,662.8
Revenue (USD Mn)	41,176.5
Financial Year End	March
Employees	11,249
National Stock Exchange of India Ticker	BPCL

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SWOT ANALYSIS

Bharat Petroleum Corporation Limited (BPCL or 'the company') is into refining, processing, and distributing petroleum products, and exploration and production of hydrocarbons. Wide distribution network and market leadership are the company’s strengths, even as low liquidity position remains a cause for concern. Growth initiatives, increasing demand of oil & petroleum products and deregulation of pricing in India could present ample growth opportunities to BPCL. However, competition pressure, seasonality of operations and global economic downturn could affect hinder the company’s growth prospects.

Strength Wide distribution network Market leadership	**Weakness** Low liquidity position
Opportunity Increasing demand for oil and petroleum products Deregulation of pricing in India	**Threat** Seasonality of operations Competition pressures Global economic downturn

Strength

Wide distribution network

BPCL has a very wide distribution network in its domestic market. Wide distribution network enables it to efficiently serve its broad customer base. In FY2020, the company’s product pipelines were 2,241 km with design capacity of 17.84 MMT and during the year, it transported 16.99 MMT of petroleum products. It also operates 16,234 retail outlets. BPCL had 5,710 Pure For Sure (PFS) retail outlets and 1,555 PFS Platinum outlets across India, equipped with fully automated and computerized offerings. As a part of its marketing initiative, the company has In & Out stores in across 150 retail outlets and 121 quick service restaurants (QSR). As of March 2020, the company’s distribution network included a network of 108 depots, 15 installations, 58 aviation service stations, 52 LPG bottling plants and 6,110 LPG distributors.

Market leadership

BPCL has market leading position across all its businesses. BPCL’s market share among public sector oil companies stood at 24.5%. In FY2020, BPCL had share of 26.4% in aviation turbine fuel market. In FY2020, the company had 25.9% share in LPG and 28.7% share in motor spirit markets. Market leading position enhances brand image to attract more customers for its oil and gas products as well as provides significant competitive advantage over its peers.

Weakness

Low liquidity position

BPCL recorded a decline in its current ratio in the review year. At the end of FY2020, the current ratio of the company was 0.7 as compared to 0.9 in FY2019. This was due to 13.4% increase in its current liabilities from INR531,097.2 million in FY2019 to INR602,215.1 million in FY2020, resulting from increase in trade payables and other financial liabilities. It was also due to 11.4% decrease in its current assets from INR487,678.7 million in FY20197 to INR432,306.8 million in FY2020, resulting from decrease in inventories, trade receivables and investments. Low liquidity may place BPCL at a disadvantage, while it funds any potential opportunities arising in the market.

Opportunity

Increasing demand for oil and petroleum products

The company could strengthen its business with the expected increase in demand for oil and petroleum products across the world. According to World Oil Outlook (WOO) 2019, the long-term demand for oil is expected to increase from 98.7 million barrels per day (MMbbl/d) in 2018 to 110.6 MMbbl/d by 2040. Non-OECD countries will continue to lead this growth, which would increase from 50.9 MMbbl/d in 2018 to 72.3 MMbbl/d by 2040. The demand in non-OECD region will increase due to the growing middle class, high population growth rate and the potential for substantial economic growth. India is expected to be the largest contributor to this incremental demand, which will add around 5.4 MMbbl/d between 2018 and 2040. The increase in demand for oil in Eurasia is estimated to be 0.8 MMbbl/d to reach 6.3 MMbbl/d in 2040. The demand for oil in China is likely to reach 17.1 MMbbl/d by 2040, indicating an increase of 4.4 MMbbl/d compared to that in 2018. The demand for light products such as ethane/LPG, naphtha and gasoline is expected to increase to 50.7 MMbbl/d by 2040. The demand for middle distillates (jet/kerosene, gasoline and diesel) is expected to increase to 40.5 MMbbl/d and the demand for heavy products (residual fuel and other products) is expected to increase to 19.3 MMbbl/d over the forecast period.

Deregulation of pricing in India

The deregulation of pricing in India’s retail market is likely to increase the potential for growth in retail sales. According to the International Energy Agency (IEA), the consumption of motor fuel in India grew 6.8% on average annually in the last two decades. IEA predicts that by 2040, India’s automotive sector is expected to consume 132 MMTOE products annually growing at 306.8%. The growth in refined petroleum products in the Indian market for the next five years is expected to be in the 5%-7% range.

Threat

Seasonality of operations

The natural gas industry is seasonal in nature. The demand for natural gas increases during winter

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season, and that result in higher operating revenue. But the demand declines during summers in each fiscal year. Sustained cold weather could affect the company's operations as it may be required to purchase gas at spot rates to obtain sufficient volumes to fulfill some customer contracts, besides challenging company's ability to adequately meet customer demand.

Competition pressures

The competition in the downstream segment in India has increased due to the entry of private sector companies. Other state-owned oil companies in India have shed their co-existence policy in recent years and have gained noticeable market share in the oil industry. BPCL faces intense competition from other national and local companies such as Hindustan Petroleum, GP Petroleums Limited, Indian Oil ltd, Chennai Petroleum, Hindustan Oil Exploration, and Mangalore Refinery and Petrochemicals. In addition, deregulation of the downstream segment has led to the entry of private sector companies such as Reliance Industries and Shell into this market segment. Increasing competition in the downstream segment could force the company to offer additional subsidy and result in pricing pressures. This in turn would increase costs and cause further decline in margins. Further, increasing competition can create hindrances for the company in securing sites for its new stations, which could hurt the company's expansion plans.

Global economic downturn

The capital markets were highly volatile during the year. The global economic slowdown, China currency devaluation, falling prices, the rate hike by the US Federal Reserve, have all adversely affected the markets. Reduced exports and cross-border investments, increasing global uncertainty resulting in reduced risk appetite of investors and capital withdrawal from emerging markets have further aggravated the situation. These factors, coupled with domestic dynamics of falling corporate earnings, reduced industrial production and slow pace of reforms has diminished investors' confidence. While most emerging economies have succumbed to external vulnerabilities, the Indian economy continues to perform above expectations. India is expected to witness encouraging levels of growth, while the world economy dabbles with muted growth. However, regulatory impediments and uncertainties in the tax environment continue to be major concerns. While inflation has been skilfully managed, its impact on growth has to be balanced. Further, a good monsoon is absolutely imperative for the economy to remain on the growth path. Fuelling rural demand is another area, which though addressed in the Union Budget, still remains to be realized in real terms. Infrastructural bottlenecks and manufacturing deficits also need to be dealt with, to ensure strong foundations for comprehensive growth. If the economy or the markets in which the company operates decline from present levels, it may affect its business, financial strength, and results of operations.

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