Bharat Petroleum Corporation Limited

August 10, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	1,000.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	500.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	1,995.20	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	435.61	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	500.00 (Reduced from 2,000.00)	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	69.19	CARE AAA; Stable	Reaffirmed
Commercial paper	2,500.00 (Reduced from 5,000.00)	CARE A1+	Reaffirmed
Commercial Paper	4,000.00 (Reduced from 6,500.00)	CARE A1+	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the debt instruments of Bharat Petroleum Corporation Limited (BPCL) continue to derive strength from its strong parentage, the company being a Maharatna Central Public Sector Enterprise (CPSE) controlled by the Government of India (GoI), its high strategic importance to the GoI, and the company's strong operating profile, backed by a sizeable oil refining capacity and an established marketing and distribution network. The ratings also derive strength from the company's healthy financial risk profile, marked by a comfortable capital structure along with strong liquidity.

The rating strengths are, however, tempered by the inherent vulnerability of the company's profits to the volatility in crack spreads and crude oil prices, apart from project-implementation risks due to the sizeable capital expenditure (capex) plans, as well as the increasing competition among its public sector undertaking (PSU) peers as well as from private players and the competitive industry scenario.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Dilution in the GoI's stake in BPCL to less than 50% or reduction in its strategic importance to the GoI.
- Sustained weakening of operational performance, marked by lower throughputs and gross refining margins (GRMs).

Analytical approach: Consolidated

For arriving at the ratings, CARE Ratings Limited (CARE Ratings) has considered the consolidated financials of BPCL, owing to the financial and operational linkages as well as fungible cash flows between the parent and the subsidiaries and joint ventures (JVs). Moreover, government notching has also been considered, owing to BPCL's parentage and strategic importance to the GoI. List of entities whose financials have been consolidated has been placed at Annexure-6.

Outlook: Stable

The 'Stable' outlook on the rating reflects that the rated entity shall continue to remain a dominant player in the oil refining and marketing business, underpinning its strategic importance to the GoI which should help it in maintaining its strong credit profile.

Detailed description of the key rating drivers

Key strengths

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Strong parentage and strategic importance to the GoI

BPCL is majority owned by the GoI (52.98% as on June 30, 2023) and is strategically important to the GoI for achieving its socio-economic goals. Oil marketing companies (OMCs) have a dominant position in the domestic market for key petroleum products such as high-speed diesel (HSD), motor spirit (MS), superior kerosene oil (SKO) and liquefied petroleum gas (LPG). OMCs serve critical policy functions for the supply of fuel throughout the country and these companies have been consistently supported by the GoI by way of absorbing a good portion of their sales-related under-recoveries through subsidies. During FY23, the GoI supported BPCL through a one-time grant of ₹5,582 crore for under recoveries suffered by the company in its marketing segment.

Sizeable refining capacity and a leading OMC

BPCL is India's second-largest OMC, with a domestic sales volume of over 48.92 million metric tonne (MMT) in FY23 (refers to the period from April 1 to March 31) and is India's third-largest refining company with a total refining capacity of 35.30 MMT (on a consolidated basis) as on March 31, 2023, representing around 14.13% of India's total refining capacity. Among PSUs, in MS and HSD, BPCL had a retail market share of 29.44% and 28.62%, respectively, during FY23. The company is also a market leader in terms of throughput per outlet.

BPCL, through its subsidiary –Bharat Petro Resources Limited (BPRL), has presence in the upstream exploration and production business, with ownership of 17 blocks in six countries as on March 31, 2023. With 21,029 retail outlets as on March 31, 2023 (20,063 retail outlets as on March 31, 2022), BPCL has the second-largest nationwide marketing set up in the country for the sale of petroleum products.

Strong operational profile

BPCL has three major refineries, located at Mumbai, Kochi and Bina. Its Mumbai refinery has a capacity of 12.0 million metric tonne per annum (MMTPA), while the one at Kochi has a capacity of 15.5 MMTPA. Bharat Oman Refineries Limited, which has been merged with BPCL, has a 7.8 MMTPA refinery at Bina in Madhya Pradesh, thereby taking the total refining capacity to 35.3 MMTPA as on March 31, 2023. The capacity utilisation for the refineries of the company has consistently remained high, indicating strong operating efficiency. The refineries at Mumbai and Kochi are located near the coast, which provides an advantage to the company in terms of saving transportation costs. BPCL, during FY23, reported a gross refining margin (GRM) of US$ 20.24 per barrel (bbl) as compared to US$ 9.66 per bbl in FY22. Product cracks have shown a considerable increase in recent times due to the dislocation in supplies, chiefly due to the Russia-Ukraine war. The rise in GRMs was partially offset by the increase in crude oil prices, windfall tax levied by the GoI and stagnant retail prices, which has affected the overall margins of BPCL during FY23. The company's marketing business performance started improving from Q3FY23 onwards with a reduction in crude prices. The profitability margins of BPCL have improved in Q1FY24 primarily due to strong marketing performance. Going forward, the profitability is expected to moderate yet remain healthy with normalisation in marketing margins as the prices of crude have started moving upwards.

Comfortable financial risk profile

BPCL's financial risk profile is marked by a comfortable capital structure, marked by an overall gearing of 1.35x as on March 31, 2023 (PY: 1.30x). However, the debt coverage indicators moderated, marked by total debt (TD) to gross cash accruals (GCA) of 7.81 years during FY23 as compared to 3.62 years in FY22, owing to higher debt availed during the year coupled with lower operating profitability due to weak marketing margins, resulting in an increase in working capital borrowings. Going forward, CARE Ratings expects the capital structure to improve and remain below 1x owing to the expected improvement in profitability and lower reliance on debt for funding its capex.

Liquidity: Strong

BPCL derives strong financial flexibility, given its size and strategic importance to the GoI. There is a demonstrated support from the GoI, leading to a strong fundraising ability. Access to low-cost funds both, from domestic and overseas markets further enhances its financial flexibility. As on March 31, 2023, BPCL had around ₹7,500 crore as cash and liquid investments (including around ₹4,200 crore GoI oil bonds). Furthermore, the company has investments in the quoted equity shares of Oil India Limited (rated 'CARE AAA; Stable/ CARE A1+'), which provides additional comfort to its liquidity.

Additionally, the company has undrawn working capital limits of around ₹21,000 crore and its internal accruals are expected to be sufficient to meet its debt repayments obligations of around ₹12,500 crore during FY24.

Key weaknesses

Sizeable capex plans

During FY24, BPCL on a consolidated basis, expects to incur a capex of around ₹13,000 crore in various segments, of which it will spend around ₹2,500 crore on improving the efficiency of refineries, ₹5,200 crore on the expansion of marketing

infrastructure, ₹2,100 crore on investments in exploration, ₹3,000 crore on investments in the gas segment (including pipeline network), and the remaining amount in other smaller projects. The capex is planned to be funded largely through available cash, liquid investments and internal accruals. The timely execution of these projects within the estimated costs and the economic ramp-up of operations post completion of the projects will remain a key monitorable. However, this risk is mitigated to an extent due to BPCL's vast experience in successfully undertaking such large projects in the past.
BPCL has also announced an expansion plan worth ₹49,000 crore at its Bina refinery to further increase its presence in the petrochemical segment and renewable energy segment and augment marketing infrastructure. The project also encompasses the establishment of an ethylene cracker (EC) complex, downstream petrochemical plants, as well as the expansion of the existing refinery capacity from 7.8 MMTPA to 11 MMTPA and associated facilities. However, the major expenditure for this project is expected to be incurred from FY26 onwards.

Exposure to the volatility of crude prices, crack spreads, and foreign exchange rates
The crude oil prices and crack spreads are a function of many dynamic markets and fundamental factors, such as the global demand-supply dynamics, geopolitical stability in countries with oil reserves, policies of the Organization of the Petroleum Exporting Countries (OPEC), foreign exchange rates, among others. These factors have translated into a high level of volatility in oil prices and cracks. Thus, the company's profitability is exposed to the volatility of crude prices and crack spreads, as well as foreign exchange fluctuations. BPCL's profitability was impacted in FY23 due to the stagnant retail prices vis-à-vis high crude prices.

Industry prospects

The global oil and gas industry is at an inflection point, with governments placing greater priorities on climate change, emerging alternative sources of energy, and the likely disruption in mobility with the adoption of gas, hydrogen and electric-based transportation systems. While all these factors will impact the industry growth prospects in the long term, the immediate outlook remains stable for the sector. The outbreak of COVID-19 had led to GRMs of global refiners plummeting to the lowest levels in a decade, as demand for refined products crashed, thereby impacting the crack spreads, while a significant decline in crude oil and refined products prices resulted in substantial inventory write-downs. However, with the impact of the COVID-19 pandemic receding and global economies attempting to come back on the recovery path, the Singapore benchmark GRMs rebounded meaningfully in FY22 to US$ 4.9 per barrel. Furthermore, geopolitical tensions due to the war between Ukraine and Russia and the resultant dislocation in global refining capacities, product cracks and GRMs shot up significantly which, however, temporarily helped the refiners to post higher GRMs during FY23. That said, the GRMs are expected to moderate in FY24 while remaining healthy, helping refiners.
The global slowdown with the sluggish recovery of the Chinese economy, interest rate hikes, and inflationary pressures have resulted in a decline in crude oil prices as the global consumption of crude oil declined. However, the decline in crude oil prices was limited with the production cut announced by OPEC. The announcement of production cuts can keep crude prices elevated, leading to product prices remaining high.

Environment, social and governance (ESG) risk assessment

Risk factors	Compliance and action by the company
Environmental	Renewable energy capacity was enhanced from 46.44 MW in FY22 to 62.30 MW by FY23 end. BPCL undertakes various steps towards energy conservation and carbon reduction. BPCL disposes its hazardous waste as per guidelines of the Central Pollution Control Board. Around 50% of its Mumbai refinery raw water consumption is met through the usage of sewage treated water, recycling of effluent treatment plant (ETP) water, and rainwater harvesting. Certification of 'Zero Waste to Land Fil' has been obtained by its Mumbai refinery and all retail, LPG and lubricant marketing locations. Around 22.65% of retail outlets were backed by solar power by FY23 end.
Social	There was no lost time due to injury during FY23. Employee satisfaction enhancement (ESE) department has been set up by BPCL to make the company 'A Great Place to Work'. Around 96% of the company's non-management employees are represented through 20 registered trade unions in BPCL across regions and refineries.
Governance	During FY23, 41% of BPCL's board comprised independent directors. The company has a dedicated investor grievance redressal mechanism and healthy disclosures.

Applicable criteria

Policy on default recognition

[Consolidation](#)
[Factoring Linkages Government Support](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basis Industry
Energy	Oil, Gas & Consumable Fuels	Petroleum Products	Refineries & Marketing

BPCL, a GoI undertaking (52.98% holding as on March 31, 2023) and a Fortune 500 company, was originally incorporated as Bharat-Shell Refineries Limited (BSRL) on November 03, 1952, by Shell Petroleum Company Limited, and subsequently, in 1977, the name was changed to BPCL. BPCL is an integrated oil refining and marketing company. It is India's second-largest OMC, with a domestic sales volume of over 48.92 MMT in FY23. It is India's third-largest oil refining company, with a total refining capacity of 35.30 MMT (including the Bina Refinery), representing around 14.13% of India's total refining capacity. With around 21,029 retail outlets as on March 31, 2023, BPCL has the second-largest marketing set up in the country for the sale of petroleum products. BPCL, through its wholly owned subsidiary – BPRL, has participating interest (PI) in 17 blocks spread across countries. Apart from stakes in eight blocks in India, BPRL also has PI in nine blocks in Mozambique, Brazil, Indonesia and the UAE, along with equity stake in two Russian entities.

Brief Financials (₹ crore)	FY22 (A)	FY23 (Abridged)	Q1FY24 (UA)
Total operating income	3,46,791	4,73,187	1,13,546
PBILDT	19,816	10,888	16,347
PAT / (Net loss)	11,682	2,131	10,644
Overall gearing (times)	1.30	1.35	NA
PBILDT Interest coverage (times)	7.61	2.91	18.81

A: Audited, UA: Unaudited; NA: Not Available. Financials are reclassified as per CARE Ratings' standards.
Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer to Annexure-2

Covenants of the rated instruments/facilities: Please refer Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of Instruments

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE029A08057	11-Mar-2019	8.02%	11-Mar-2024	1000.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	INE029A08073	17-Mar-2023	7.58%	17-Mar-2026	935.61	CARE AAA; Stable
Debentures-Non Convertible Debentures	INE029A08065	6-Jul-2020	6.11%	6-Jul-2025	1995.20	CARE AAA; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	500.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	69.19	CARE AAA; Stable
Commercial paper Commercial paper (Standalone) #	-	-	-	7-364 days	2,500.00	CARE A1+
Commercial paper Commercial paper (Standalone) #	-	-	-	7-364 days	4,000.00	CARE A1+

#There are no outstanding CPs as on July 31, 2023.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (25-Jun-21)	1)CARE AAA (CW with Developing Implications) (26-Jun-20)
2	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (23-Jun-23)	1)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (25-Jun-21)	1)CARE AAA (CW with Developing Implications) (26-Jun-20)
3	Commercial Paper-Commercial Paper (Standalone)	ST	2500.00	CARE A1+	1)CARE A1+ (23-Jun-23)	1)CARE A1+ (24-Jun-22)	1)CARE A1+ (25-Jun-21)	1)CARE A1+ (29-Jul-20) 2)CARE A1+ (26-Jun-20) 3)CARE A1+ (23-Apr-20) 4)CARE A1+

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
								(07-Apr-20)
4	Debentures-Non Convertible Debentures	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (03-Mar-23) 2)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (21-Feb-22) 2)CARE AAA (CW with Developing Implications) (25-Jun-21)	1)CARE AAA (CW with Developing Implications) (26-Jun-20)
5	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (25-Jun-21)	1)CARE AAA (CW with Developing Implications) (26-Jun-20)
6	Debentures-Non Convertible Debentures	LT	1995.20	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (25-Jun-21)	1)CARE AAA (CW with Developing Implications) (26-Jun-20)
7	Commercial Paper-Commercial Paper (Standalone)	ST	4000.00	CARE A1+	1)CARE A1+ (23-Jun-23)	1)CARE A1+ (24-Jun-22)	1)CARE A1+ (25-Jun-21)	1)CARE A1+ (29-Jul-20) 2)CARE A1+ (26-Jun-20)
8	Debentures-Non Convertible Debentures	LT	435.61	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (03-Mar-23) 2)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (21-Feb-22) 2)CARE AAA (CW with Developing Implications) (25-Jun-21)	-
9	Debentures-Non Convertible Debentures	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (03-Mar-23) 2)CARE AAA; Stable (24-Jun-22)	1)CARE AAA (CW with Developing Implications) (21-Feb-22)	-
10	Debentures-Non Convertible Debentures	LT	69.19	CARE AAA; Stable	1)CARE AAA; Stable (23-Jun-23)	1)CARE AAA; Stable (03-Mar-23) 2)CARE AAA;	1)CARE AAA (CW with Developing Implications) (21-Feb-22)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						Stable (24-Jun-22)	2)CARE AAA (CW with Developing Implications) (25-Jun-21)	

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments / facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-Convertible Debentures	Simple

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure 6: List of entities whose financials have been consolidated (As on March 31, 2023)

Sr. no.	Subsidiaries, Joint Ventures and Associates	Percentage of ownership interest
	Subsidiaries (including stepdown subsidiaries)	
1	Bharat PetroResources Ltd.	100.00%
2	Bharat Petro Resources JPDA Ltd.	100.00%
3	BPRL International BV	100.00%
4	BPRL International Singapore Pte Ltd.	100.00%
5	BPRL Ventures BV	100.00%
6	BPRL Ventures Mozambique BV	100.00%
7	BPRL Ventures Indonesia BV	100.00%
8	BPRL International BV	100.00%
	Joint Venture	
1	Central UP Gas Ltd.	25.00%
2	Sabarmati Gas Ltd.	49.94%
3	Matrix Bharat Pte. Ltd.	50.00%
4	Delhi Aviation Fuel Facility Private Ltd.	37.00%
5	Mumbai Aviation Fuel Farm Facility Private Ltd	25.00%
6	Kochi Salem Pipeline Private Ltd.	50.00%
7	Haridwar Natural Gas Pvt Ltd.	50.00%
8	Goa Natural Gas Pvt Ltd.	50.00%
9	Ratnagiri Refinery & Petrochemicals Ltd.	25.00%
10	Bharat Stars Services Private Ltd. (including Bharat Stars Services (Delhi) Private Ltd.)	50.00%
11	Maharashtra Natural Gas Ltd.	22.50%
12	BPCL-KIAL Fuel Farm Pvt. Ltd.	74.00%
13	IHB Ltd	25.00%
14	IBV (Brasil) Petroleo Ltda	61.36%
15	Taas India Pte Ltd.	33.00%
16	LLC TYNGD	9.87%

Sr. no.	Subsidiaries, Joint Ventures and Associates	Percentage of ownership interest
17	Vankor India Pte Ltd.	33.00%
18	Falcon Oil & Gas BV	30.00%
19	Urja Bharat Pte Ltd	50.00%
20	Bharat Renewable Energy Limited	33.33%
	Associates	
1	Petronet LNG Ltd. (including Petronet Energy Ltd.)	12.50%
2	Petrnonet India Limited	16.00%
3	Petronet CI Limited	11.00%
4	FINO Paytech Limited (including FINO Payments Bank)	21.10%
5	GSPL India Gasnet Ltd.	11.00%
6	GSPL India Transco Ltd.	11.00%
7	Indraprastha Gas Ltd.	22.50%
8	Mozambique LNG 1 Holding Co. Ltd.	10.00%
9	Mozambique LNG 1 Company Pte Ltd.	10.00%
10	Mozambique LNG 1 Financing Company Ltd.	10.00%
11	Mozambique LNG 1 Co. Financing, LDA	10.00%
12	JSC Vankorneft (Associate of Vankor India Pte Ltd.)	7.89%
13	Kannur International Airport Limited	16.20%

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Name: Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in Name: Hardik Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Name: Surabhi Nahar Assistant Director **CARE Ratings Limited** Phone: +91-22-6754 3437 E-mail: surabhi.nahar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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