

## RESULT UPDATE

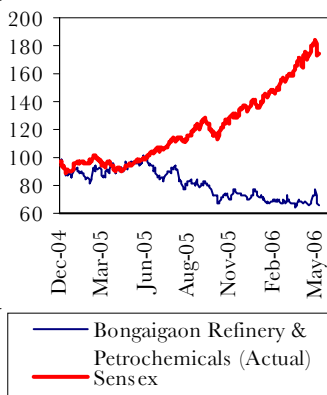
### Share Data

Reuters code	BNGR.BO		
Bloomberg code	BRPL IN		
Market cap. (US\$ mn)	292		
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	(1)	(5)	(31)
Relative	(6)	(19)	(62)

### Major shareholders (%)

Promoters	74
FII's	2
MF's	1
ADR's/GDR's/Other Foreign	0
Institutions	2
Public & Others	21

### Relative performance



## BRPL

Maintain Market Performer

Price: Rs. 68

BSE Index: 12218

18<sup>th</sup> May 2006

### 4QFY06 results

BRPL reported a 41% decrease in net profits during 4QFY06 as a result of lower refining margins and higher subsidy payout to the oil marketing companies. We maintain market performer rating on BRPL since we have market performer on IOCL as both BRPL and IOCL have given in-principle approval for the merger of BRPL with IOCL.

### Results Highlights

- Revenues increased by 21% to Rs 14.7 bn on a y-o-y basis, largely driven by higher global prices of different petroleum products.
- EBITDA margins decreased sharply from 5.0% to 3.2% on a y-o-y basis as the refining margins for the company during the quarter was at US\$ 3.2 per barrel compared to US\$ 4.7 per barrel during the same period last year. Also, Bongaigaon Refinery (BRPL) has shared under-recoveries of oil marketing companies to the extent of Rs 320.7 mn during the quarter and this has further reduced the refining margins.
- Net profits sharply decreased by 41% to Rs 306 mn during 4QFY06 on account of lower refining margins.
- BRPL reported a net profit of Rs 1748 mn during FY06, i.e. a decrease of 64% on a y-o-y basis. This is on account of a sharp decrease in refining margins from US\$ 8.7 per barrel in FY05 to US\$ 3.3 per barrel in FY06. Also, the company has borne subsidy burden to the extent of Rs 1186mn (roughly US\$ 2 per barrel) as discounts to the oil marketing companies and this has resulted into lower profitability during FY06.

### Outlook

- Globally refineries are operating at peak capacities. Increasing demand at a pace higher than the supply (resulting into tightness of refining capacity), geo-political factors, increasing gap between low sulphur-high sulphur crude and refinery operating at peak capacities with no likelihood of major capacities being added will keep refining margins at higher levels in the next few years. BRPL is likely to benefit as a result of this tightness in refining capacity worldwide. However, refining companies have been asked to share part of under-recoveries incurred by marketing companies with retrospective effect from 1<sup>st</sup> April 2005. The quantum is Rs 240 per tonne of the total throughput of the refinery. This is over and above the discount which the refinery has started giving to oil marketing companies on petrol and diesel from 1<sup>st</sup> September 2005. We believe this as a negative to the standalone refineries and it will wipe out significant gains arising from higher refining margins.
- BRPL was earlier considered as a high dividend yielding stock. Post the announcement of swap ratio, we believe that dividends of BRPL will be inline with that recommended by IOCL based on proposed swap ratio. We do not expect any major dividends from IOCL and hence BRPL will no more be a high dividend yielding stock.

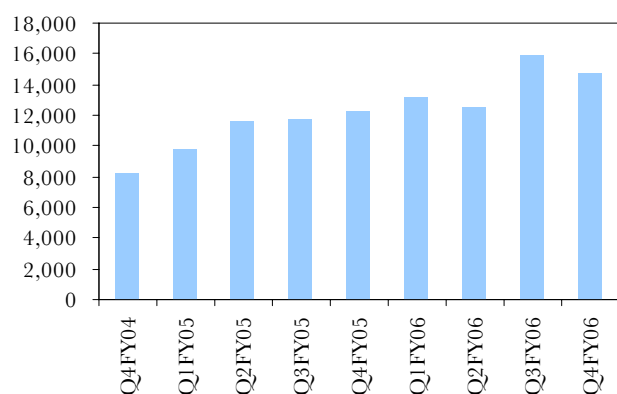
## Valuation

At Rs 68, the stock is trading at 4.9x FY07E and 4.5x FY08E earnings respectively. We maintain our market performer rating on the stock as we have a market performer rating on IOCL. We believe that post the announcement of swap ratio, the stock will track price of IOCL based on the swap ratio.

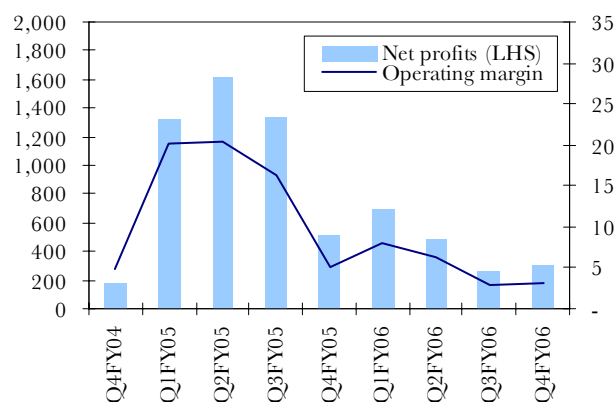
## Financial Highlights

(Rs. Mn)	4QFY05	4QFY06	y-o-y%	FY05	FY06E	y-o-y%	FY07E	y-o-y%	FY07E	y-o-y%
Net Sales	12,215	14,731	20.6	45,431	56,370	24.1	60,940	8.1	56,065	(8.0)
Total Expenses	11,606	14,259	22.9	38,554	53,588	39.0	56,506	5.4	51,342	(9.1)
EBITDA	609	472	(22.5)	6,878	2,782	(59.6)	4,434	59.4	4,722	6.5
Margin (%)	5.0	3.2	—	15.1	4.9	—	7.3	—	8.4	—
Other Income	108	176	63.2	273	371	35.9	273	(26.4)	273	0.0
Interest	2	30	1,544.4	36	139	282.9	156	12.0	156	0.0
Depreciation	82	88	6.7	342	341	(0.5)	346	1.7	357	3.0
PBT	634	531	(16.1)	6,772	2,673	(60.5)	4,205	57.3	4,483	6.6
Provision for tax	118	225	90.1	1,989	925	(53.5)	1,467	58.6	1,564	6.6
Tax as % of PBT	18.7	42.3	—	29.4	34.6	—	34.9	—	34.9	—
PAT	515	306	(40.5)	4,783	1,748	(63.5)	2,738	56.7	2,919	6.6
Margin (%)	4.2	2.1	—	10.5	3.1	—	4.5	—	5.2	—
EPS (Rs)	2.6	1.5	(40.5)	23.9	8.7	(63.5)	13.7	56.7	14.6	6.6
P/E (x)	—	—	—	2.8	7.8	—	5.0	—	4.7	—

## Net sales (Rs mn) Trends



## Net profits (Rs mn) and EBITDA margins (%) Trends



**Income Statement**

Yr. ended 31 Mar. (Rs m)	FY05	FY06	FY07E	FY08E
Net sales	45,431	56,370	60,940	56,065
Growth (%)	76.6	24.1	8.1	(8.0)
Operating expenses	(38,553)	(53,588)	(56,506)	(51,342)
Operating profit	6,879	2,782	4,434	4,722
<b>EBITDA</b>	<b>6,879</b>	<b>2,782</b>	<b>4,434</b>	<b>4,722</b>
Growth (%)	552.1	(59.6)	59.4	6.5
Depreciation	(342)	(341)	(346)	(357)
Other income	273	371	273	273
<b>EBIT</b>	<b>6,809</b>	<b>2,812</b>	<b>4,361</b>	<b>4,638</b>
Interest paid	(36)	(139)	(156)	(156)
Pre-tax profit	6,773	2,673	4,205	4,483
(before non-recurring items)				
Pre-tax profit	6,773	2,673	4,205	4,483
(after non-recurring items)				
Tax (current + deferred)	(1,989)	(925)	(1,467)	(1,564)
<b>Net profit</b>	<b>4,784</b>	<b>1,748</b>	<b>2,738</b>	<b>2,919</b>
Adjusted net profit	4,784	1,748	2,738	2,919
Growth (%)	58.6	(63.5)	56.7	6.6
Net income	4,784	1,748	2,738	2,919

**Balance Sheet**

Yr. ended 31 Mar. (Rs m)	FY05	FY06P	FY07E	FY08E
Current assets	11,798	14,761	18,528	21,240
Investments	662	662	662	662
Net fixed assets	3,962	3,921	3,874	3,818
<b>Total assets</b>	<b>16,421</b>	<b>19,344</b>	<b>23,064</b>	<b>25,719</b>
Current liabilities	7,192	8,917	9,801	9,439
Total Debt	345	241	241	241
Other non-current liabilities	1,297	1,297	1,297	1,297
<b>Total liabilities</b>	<b>8,834</b>	<b>10,455</b>	<b>11,339</b>	<b>10,976</b>
Share capital	1,998	1,998	1,998	1,998
Reserves & surplus	5,590	6,891	9,727	12,744
<b>Shareholders' funds</b>	<b>7,588</b>	<b>8,889</b>	<b>11,725</b>	<b>14,743</b>
<b>Total equity &amp; liabilities</b>	<b>16,422</b>	<b>19,344</b>	<b>23,064</b>	<b>25,719</b>

**Cash Flow Statement**

Yr. ended 31 Mar. (Rs m)	FY05	FY06P	FY07E	FY08E
Pre-tax profit	6,773	2,673	4,205	4,483
Depreciation	342	341	346	357
Chg in working capital	(2,411)	139	(155)	746
Total tax paid	(1,489)	(925)	(1,467)	(1,564)
Other operating activities		366	1,000	999
<b>Cash flow from oper. (a)</b>	<b>3,215</b>	<b>2,594</b>	<b>3,929</b>	<b>5,020</b>
Capital expenditure	(165)	(300)	(300)	(300)
<b>Cash flow from inv. (b)</b>	<b>(165)</b>	<b>(300)</b>	<b>(300)</b>	<b>(300)</b>
<b>Free cash flow (a+b)</b>	<b>3,050</b>	<b>2,294</b>	<b>3,629</b>	<b>4,720</b>
Equity raised/(repaid)	29			
Debt raised/(repaid)	(364)	(104)		
Dividend (incl. tax)	(2,479)	(1,803)	(902)	(902)
<b>Cash flow from fin. (c)</b>	<b>(2,814)</b>	<b>(1,907)</b>	<b>(902)</b>	<b>(902)</b>
<b>Net chg in cash (a+b+c)</b>	<b>236</b>	<b>387</b>	<b>2,728</b>	<b>3,819</b>

**Key Ratios**

Yr. ended 31 Mar. (%)	FY05	FY06P	FY07E	FY08E
EPS (Rs)	23.9	8.7	13.7	14.6
EPS growth	58.6	(63.5)	56.7	6.6
EBITDA margin	15.1	4.9	7.3	8.4
EBIT margin	15.0	5.0	7.2	8.3
ROCE	84.0	28.6	36.8	31.4
Net debt/Equity	1.1	(5.8)	(27.7)	(47.9)

**Valuations**

Yr. ended 31 Mar. (x)	FY05	FY06P	FY07E	FY08E
PER	2.8	7.6	4.8	4.5
PCE	2.6	6.3	4.3	4.0
Price/Book	1.7	1.5	1.1	0.9
Yield (%)	18.1	6.0	6.0	6.0
EV/Net sales	0.3	0.2	0.2	0.1
EV/EBITDA	1.9	4.6	2.3	1.3

**Du Pont Analysis – ROE**

Yr. ended 31 Mar. (x)	FY05	FY06P	FY07E	FY08E
Net margin (%)	10.5	3.1	4.5	5.2
Asset turnover	3.2	3.2	2.9	2.3
Leverage factor	2.1	2.2	2.1	1.8
Return on equity (%)	73.2	21.2	26.6	22.1

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**Analyst Certification**

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