

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	IOCL IN
Equity Shares (m)	9,181
M.Cap.(INRb)/(USDb)	971.5 / 13.1
52-Week Range (INR)	118 / 71
1, 6, 12 Rel. Per (%)	-5/-3/-23
12M Avg Val (INR M)	2238

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	3,639	4,855	5,120
EBITDA	406	348	348
Adj. PAT	218	159	156
Adj. EPS (INR)	23.7	17.3	17.0
EPS Gr. (%)	130.8	(27.1)	(1.5)
BV/Sh.(INR)	121.8	130.3	138.7

Ratios

Net D:E	0.9	0.9	0.9
RoE (%)	21.0	13.7	12.6
RoCE (%)	10.4	8.4	7.9
Payout (%)	50.6	50.7	50.6

Valuations

P/E (x)	4.3	6.0	6.1
P/BV (x)	0.8	0.8	0.7
EV/EBITDA (x)	4.9	5.8	5.9
Div. Yield (%)	11.7	8.5	8.4
FCF Yield (%)	46.7	9.9	10.4

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	51.5	51.5	51.5
DII	12.5	13.1	14.0
FII	6.7	5.8	6.3
Others	29.3	29.6	28.2

FII Includes depository receipts

CMP: INR103
TP: INR157 (+53%)
Buy

Better-than-expected margins drive beat

- IOCL reported a beat on our estimates, led by higher-than-estimated reported GRM (USD6.6/bbl), marketing margins (INR6.2/lit), and marketing sales volumes (-6% QoQ – despite the second COVID wave led lockdowns). Thus, EBITDA stood at INR111b (+65% est., +102% YoY, -18% QoQ), with PAT at INR59b (+211% YoY, -32% QoQ).
- SG GRM is averaging higher MoM at USD2.9/bbl in July (v/s USD2/bbl in 1QFY22), the highest ever since the COVID outbreak in Feb'20. Recovery is entirely driven by higher demand for gasoline (margins at USD10.1; +USD3 MoM); while ATF and gasoil margins remain the same MoM at USD4.3/4.7.
- With the total phasing out of the COVID lockdowns and closure of refinery complexes (est ~3mnbopd over the next 2–3 years), the refining margin would return to its long-term average (of USD5–6/bbl).
- Consol. debt declined further to INR857b in 1QFY22 (down 16% v/s end-FY21). We maintain Buy, with combined FCF yield and dividend of ~21-25% over FY22–24E. It trades at 6.1x consol. FY23E EPS and 0.7x FY23E PBV.

Marketing margin outshines; petchem margin remains robust

- Refining: EBITDA stood at INR24.9b (-61% QoQ).**
 - Refining throughput was in-line at 16.7mmt (+29% YoY; -5% QoQ), translating to a utilization rate of 96% in 1QFY22.
 - Reported GRM came in at USD6.6/bbl (our est. of USD5/bbl) v/s –USD2/bbl in 1QFY21 and USD10.6/bbl in 4QFY21.
 - The utilization of high sulfur crude oil stood at 56.0% in 1QFY22 (v/s 54.8% in 4QFY21 and 54.5% in FY21).
- Marketing: EBITDA stood at INR54.3b (+58% QoQ).**
 - Marketing sales volumes came in at 17.2mmt (+21% YoY; -6% QoQ).
 - Marketing margin (incl. inv.) were at INR6.2/lit (v/s our est. INR4.1).
- Petchem: EBITDA stood at INR19.9b (+173% YoY; -12% QoQ).**
 - EBITDA/mt continued to be robust at USD412 (flat QoQ v/s our estimate of USD356), while petchem sales were down 11% QoQ to 0.66mmt.
 - Petchem margins for IOCL were robust (flat QoQ) despite PE/PP delta softening from multi-year highs (since the start of 1QFY22) and averaging 5%/9% lower QoQ.
- Pipeline: EBITDA stood at INR15.7b (+37% YoY; -2% QoQ).**
 - Throughput was up 32% YoY and down 9% QoQ to 19.9mmt, with the total pipeline capacity utilization at 83% – impacted by lower petroleum product demand amid the lockdowns.

Valuation and view – maintain Buy

- The capex guidance for FY22 stands at INR285b. The company is set to commission various projects over the next three years, which would drive further growth. The refinery projects currently underway are expected to be completed as follows: the Panipat refinery (to 25mmtpa) by Sep'24, Gujarat refinery (to 18mmtpa) by Aug'23, and Baruni refinery (to 9mmtpa) by Apr'23. Three products' pipelines are 85–94% complete and expected to be commissioned in 4QFY22.
- IOCL has traded at a huge discount in the recent past decade owing to its capex cycle and CPSE-led liquidity. We value it at 1.1x Sep'23 PBV, to arrive at TP of INR157. Maintain Buy.

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Standalone - Quarterly Earning Model

(INR Billion)

Y/E March	FY21				FY22				FY21	FY22E	FY22	Var. vs est.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	624	856	1,063	1,237	1,187	1,007	1,381	1,243	3,781	4,817	1,152.6	3%
YoY Change (%)	(52.6)	(23.3)	(14.7)	4.5	90.2	17.6	29.9	0.5	(22.3)	27.4	84.7	
EBITDA	55.1	94.3	96.2	135.0	111.3	64.2	70.3	69.1	381	315	67.4	65%
Margins (%)	8.8	11.0	9.0	10.9	9.4	6.4	5.1	5.6	10.1	6.5	5.9	
Depreciation	23.5	24.0	24.7	25.8	26.3	27.7	28.2	30.5	98	113	27.1	-3%
Interest	11.7	2.2	6.3	10.7	12.6	9.9	9.9	7.2	31	40	9.9	27%
Other Income	6.4	7.8	9.0	3.2	5.6	11.3	12.7	21.2	26	51	15.2	-63%
PBT before EO expense	26.3	83.4	78.0	109.5	78.0	37.9	44.9	52.5	297	213	39.0	100%
PBT	26.3	83.4	78.0	109.5	78.0	37.9	44.9	52.5	297	213	39.0	100%
Rate (%)	27.3	25.3	36.9	19.8	23.8	25.2	25.2	25.2	27	25	25.2	
Adj PAT	19.1	62.3	49.2	87.8	59.4	28.4	33.6	39.3	218	161	29.2	104%
Margins (%)	3.1	7.3	4.6	7.1	5.0	2.8	2.4	3.2	5.8	3.3	2.5	
Key Assumptions												
Refining throughput (mmt)	12.9	14.0	17.9	17.6	16.7	18.0	18.0	18.0	62.4	70.7	16.0	4%
Reported GRM	(2.0)	8.6	2.2	10.6	6.6	4.0	4.0	4.0	4.9	4.6	5.0	32%
Domestic sale of refined products (mmt)	14.2	16.0	19.7	18.4	17.2	16.7	20.4	19.2	68.4	73.5	16.4	5%
Marketing GM incld inv per litre (INR/litre)	8.6	5.9	6.5	6.1	6.2	4.4	4.3	4.3	6.8	4.8	4.1	50%

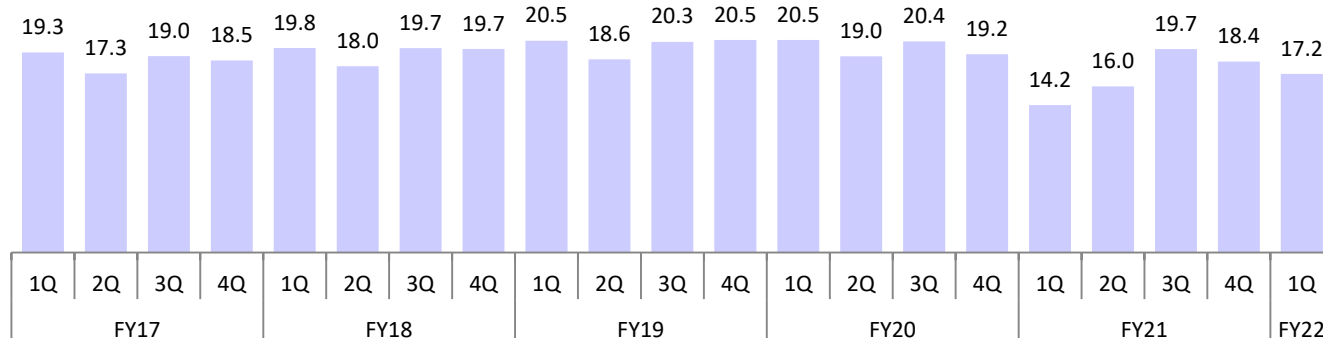
E: MOFSL Estimates

Exhibit 1: Key Assumptions

Y End: March 31	2017	2018	2019	2020	2021	2022E	2023E	2024E
Exchange Rate (INR/USD)	67.1	64.5	70.0	70.9	74.3	73.9	75.6	75.6
Brent Crude (USD/bbl)	49	58	70	61	44	63	60	60
Domestic direct sales refined pdts (MMT)	74	77	80	79	68	74	76	80
YoY (%)	2%	4%	4%	-1%	-13%	8%	4%	4%
Reported GRM (USD/bbl)	7.8	8.5	5.4	0.1	5.6	4.6	5.0	5.0
Singapore GRM (USD/bbl)	5.8	7.3	4.9	3.2	0.5	3.5	5.0	5.0
Prem/(disc) (USD/bbl)	2	1	1	(3)	5	1	(0)	(0)
Refining capacity utilization (%)	94%	100%	104%	100%	90%	102%	104%	104%
Total Refinery throughput (MMT)	65.2	69.0	71.8	69.4	62.4	70.7	72.0	72.0
YoY (%)	15%	6%	4%	-3%	-10%	13%	2%	0%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.2	4.4	5.3	6.2	6.8	4.8	4.3	4.3
Cons EPS	22.2	24.6	18.8	10.3	23.7	17.3	17.0	17.2

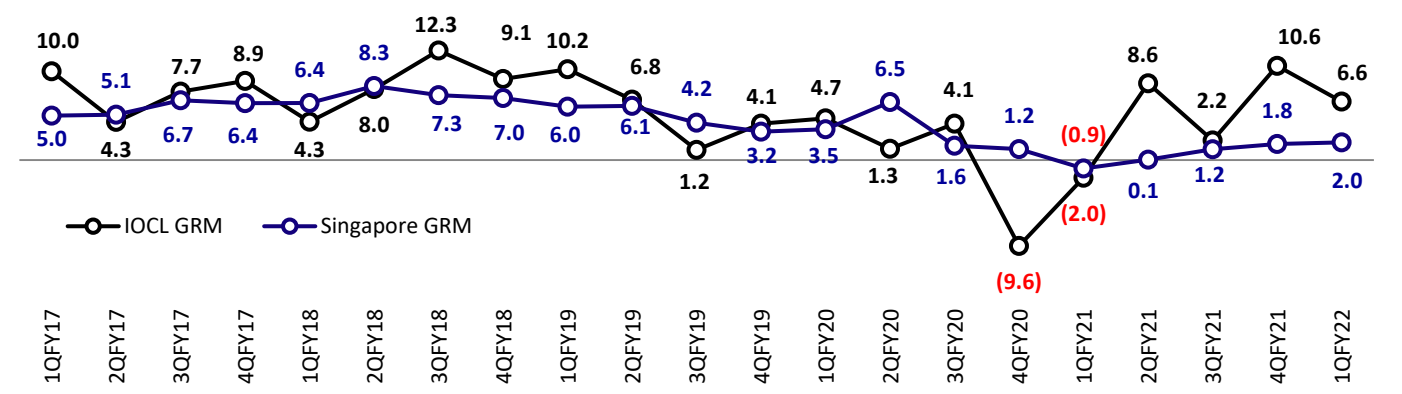
Source: Company, MOFSL

Exhibit 2: Domestic sales up 21% YoY and down 6% QoQ (at 17.2mmt) in 1QFY22



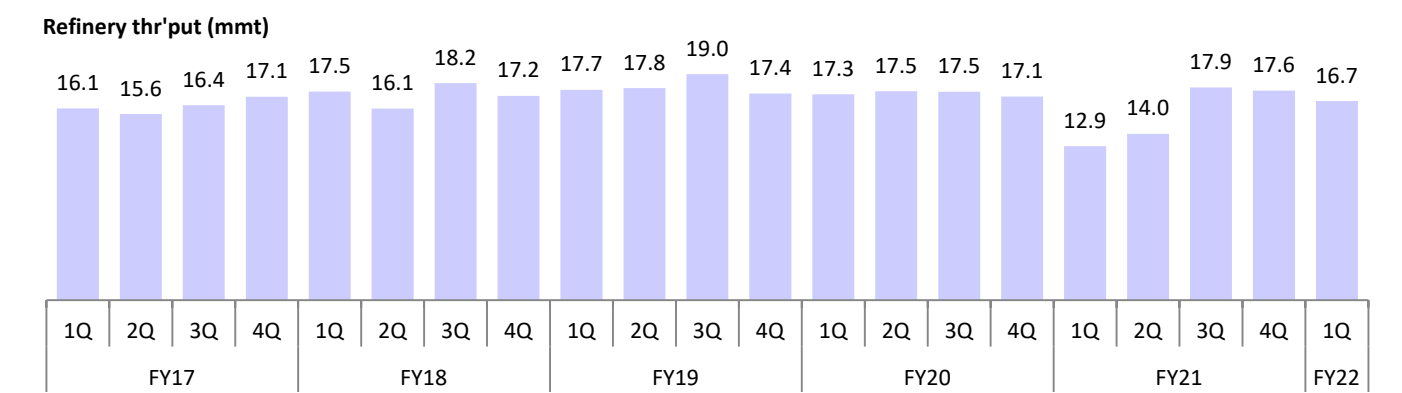
Source: Company, MOFSL

Exhibit 3: Reported GRM of USD6.6/bbl (v/s SG GRM of USD2/bbl) in 1QFY22



Source: Company, MOFSL

Exhibit 4: Refinery utilization at 96.2% (at 16.7 mmt) in 1QFY22



Source: Company, MOFSL

Story in charts

Exhibit 5: Refining throughput

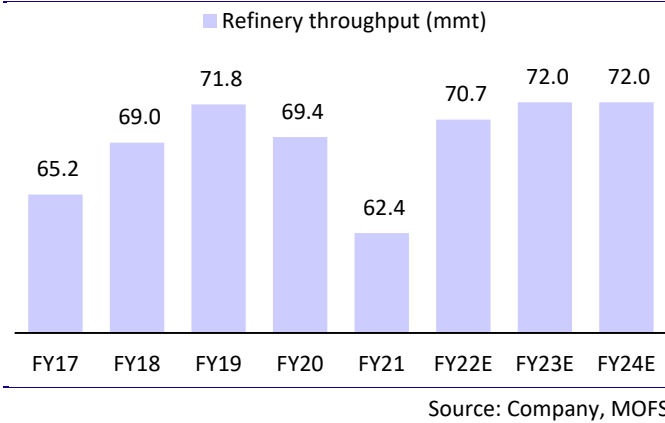


Exhibit 6: GRM trend

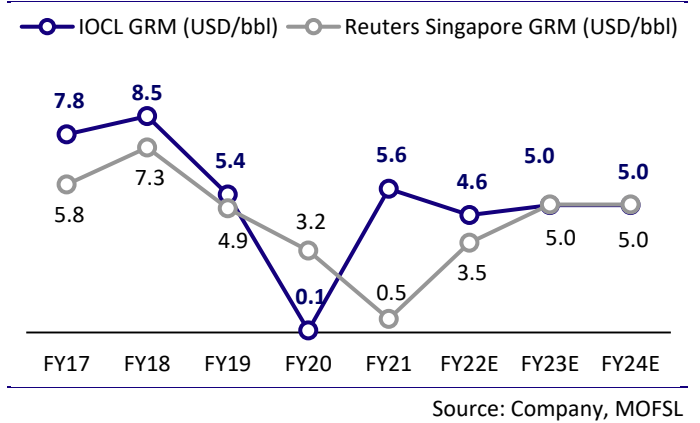


Exhibit 7: Marketing sales volume

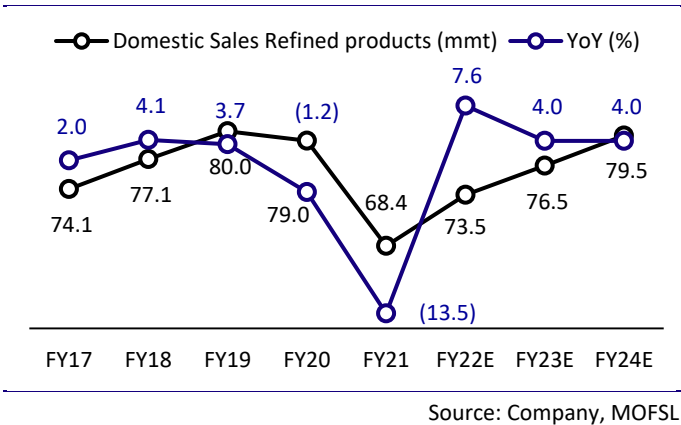


Exhibit 8: Pipeline throughput

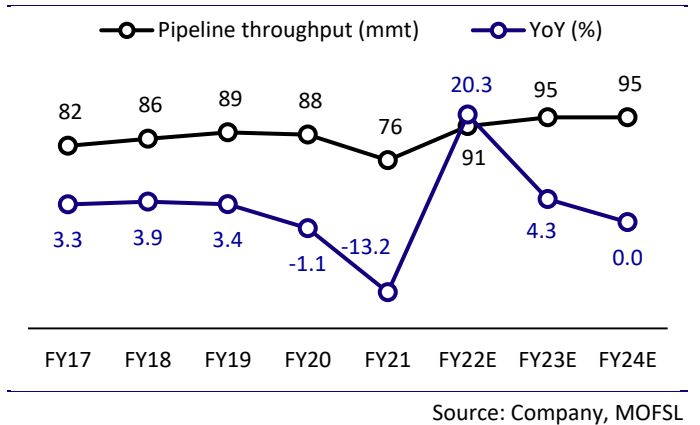


Exhibit 9: Return ratios to double by FY23

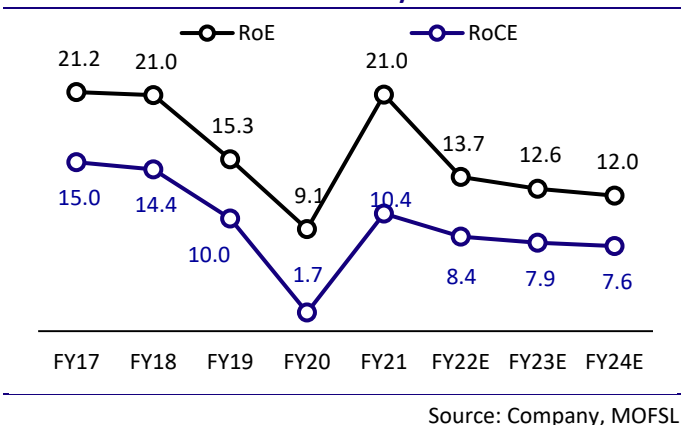
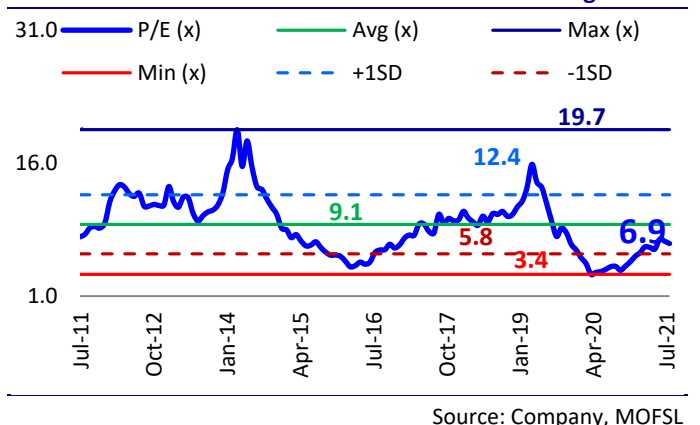


Exhibit 10: Trades at ~24% discount to LT PBV average



Financials and valuations

Consolidated - Income Statement

(INR Billion)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	3,553	4,215	5,282	4,838	3,639	4,855	5,120	5,489
Change (%)	2.7	18.6	25.3	-8.4	-24.8	33.4	5.5	7.2
EBITDA	340	416	352	168	406	348	348	353
Margin (%)	9.6	9.9	6.7	3.5	11.2	7.2	6.8	6.4
Depreciation	68	77	85	103	109	124	130	135
EBIT	272	340	267	66	296	224	218	217
Int. and Finance Charges	37	38	49	66	36	45	47	49
Other Income (incld forex)	39	34	27	28	35	29	34	39
PBT bef. EO Exp.	273	335	245	28	296	208	206	208
EO Items	0	0	0	-113	0	0	0	0
PBT after EO Exp.	273	335	245	-85	296	208	206	208
Total Tax	76	118	87	-53	90	51	52	52
Tax Rate (%)	27.7	35.3	35.3	62.0	30.4	24.7	25.2	25.2
Reported PAT	204	226	173	-19	218	159	156	158
Adjusted PAT	204	226	173	24	218	159	156	158
Change (%)	83.8	11.0	-23.7	-86.0	801.4	-27.1	-1.5	1.2
Margin (%)	5.7	5.4	3.3	0.5	6.0	3.3	3.1	2.9

Consolidated - Balance Sheet

(INR Billion)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	47	95	92	92	92	92	92	92
Total Reserves	974	1,044	1,033	862	1,027	1,105	1,182	1,260
Net Worth	1,021	1,139	1,125	954	1,118	1,197	1,274	1,352
Minority Interest	19	22	19	9	10	10	10	10
Total Loans	588	621	927	1,260	1,085	1,139	1,196	1,256
Deferred Tax Liabilities	69	124	165	114	140	140	140	140
Capital Employed	1,697	1,905	2,236	2,337	2,353	2,485	2,620	2,757
Gross Block	1,272	1,429	1,599	1,847	2,057	2,472	2,755	3,012
Less: Accum. Deprn.	112	189	274	376	486	610	740	875
Net Fixed Assets	1,160	1,241	1,325	1,470	1,571	1,862	2,015	2,136
Capital WIP	168	191	250	328	363	198	165	158
Total Investments	437	448	441	356	447	447	447	447
Curr. Assets, Loans&Adv.	971	1,077	1,336	1,143	1,168	1,436	1,530	1,662
Inventory	659	706	771	670	834	1,048	1,110	1,195
Account Receivables	89	107	158	133	138	180	190	204
Cash and Bank Balance	4	5	11	23	25	47	77	116
Loans and Advances	219	259	396	317	171	160	153	148
Curr. Liability & Prov.	1,038	1,051	1,116	961	1,196	1,458	1,537	1,646
Account Payables	815	885	992	848	1,087	1,349	1,428	1,537
Provisions	223	167	124	112	109	109	109	109
Net Current Assets	-67	25	220	182	-28	-21	-7	16
Appl. of Funds	1,697	1,905	2,236	2,337	2,353	2,485	2,620	2,757

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)								
EPS	22.2	24.6	18.8	2.6	23.7	17.3	17.0	17.2
Cash EPS	29.7	33.0	28.1	13.8	35.6	30.8	31.2	31.9
BV/Share	111.2	124.0	122.5	103.9	121.8	130.3	138.7	147.2
DPS	11.5	11.5	9.3	4.3	12.0	8.8	8.6	8.7
Payout (%)	62	55	58	-243	51	51	51	51
Valuation (x)								
P/E	4.6	4.2	5.5	39.2	4.3	6.0	6.1	6.0
Cash P/E	3.5	3.1	3.7	7.5	2.9	3.3	3.3	3.2
P/BV	0.9	0.8	0.8	1.0	0.8	0.8	0.7	0.7
EV/Sales	0.4	0.4	0.4	0.5	0.6	0.4	0.4	0.4
EV/EBITDA	4.5	3.8	5.3	13.0	4.9	5.8	5.9	5.9
Dividend Yield (%)	11.2	11.2	9.0	4.1	11.7	8.5	8.4	8.5
FCF per share	25.8	25.1	2.6	-4.8	48.1	10.2	10.7	11.8
Return Ratios (%)								
RoE	21.2	21.0	15.3	2.3	21.0	13.7	12.6	12.0
RoCE	15.0	14.4	10.0	1.7	10.4	8.4	7.9	7.6
RoIC	19.9	18.7	12.4	1.6	13.1	10.2	8.8	8.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.8	2.9	3.3	2.6	1.8	2.0	1.9	1.8
Asset Turnover (x)	2.1	2.2	2.4	2.1	1.5	2.0	2.0	2.0
Inventory (Days)	68	61	53	51	84	79	79	79
Debtor (Days)	9	9	11	10	14	14	14	14
Creditor (Days)	84	77	69	64	109	101	102	102
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.2	1.2	1.0	1.0	1.0	1.0
Interest Cover Ratio	7.3	8.8	5.5	1.0	8.3	5.0	4.7	4.4
Net Debt/Equity	0.6	0.5	0.8	1.3	0.9	0.9	0.9	0.8

Consolidated - Cash Flow Statement

(INR Billion)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	280	345	259	-72	308	208	206	208
Depreciation	69	77	85	103	109	124	130	135
Direct Taxes Paid	-70	-73	-56	-22	-41	-51	-52	-52
(Inc)/Dec in WC	-76	-29	-165	50	91	16	15	16
CF from Operations	282	291	127	71	499	343	348	358
(Inc)/Dec in FA	-45	-61	-103	-116	-57	-250	-250	-250
Free Cash Flow	237	230	24	-44	442	93	98	108
(Pur)/Sale of Investments	-93	-24	-2	-5	-40	0	0	0
CF from Investments	-177	-171	-226	-291	-242	-250	-250	-250
Dividend Paid	-128	-115	-117	-58	-84	-80	-79	-80
CF from Fin. Activity	-112	-119	104	232	-254	-71	-69	-69
Inc/Dec of Cash	-6	1	6	12	2	22	30	39
Opening Balance	11	4	5	11	23	25	47	77
Closing Balance	4	5	11	23	25	47	77	116

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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