

Estimate change

TP change

Rating change



Bloomberg	IOCL IN
Equity Shares (m)	14,121
M.Cap.(INRb)/(USD\$)	966.6 / 11.7
52-Week Range (INR)	95 / 65
1, 6, 12 Rel. Per (%)	-2/-25/-20
12M Avg Val (INR M)	1447

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	5,893	8,797	9,274
EBITDA	477.4	232.0	369.1
Adj. PAT	257.3	62.0	163.6
Adj. EPS (INR)	18.2	4.4	11.6
EPS Gr. (%)	18.2	(75.9)	164.0
BV/Sh.(INR)	94.6	100.2	105.9

Ratios

Net D:E	0.9	0.8	0.8
RoE (%)	21.0	4.5	11.2
RoCE (%)	11.9	3.7	6.8
Payout (%)	80.9	51.8	50.6

Valuations

P/E (x)	3.8	15.6	5.9
P/BV (x)	0.7	0.7	0.6
EV/EBITDA (x)	3.9	9.1	5.8
Div. Yield (%)	28.3	3.3	8.6
FCF Yield (%)	1.2	12.4	11.0

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	51.5	51.5	51.5
DII	11.6	11.4	12.5
FII	8.2	8.4	6.7
Others	28.7	28.7	29.3

FII Includes depository receipts

CMP: INR68

TP: INR95 (+39%)

Buy

Posts loss despite accounting for a one-time grant

- IOCL reported an EBITDA of INR19.6b (-82% YoY) ahead of our estimate of an operating loss of INR90b. The beat in EBITDA was fueled by strong reported GRM at USD19.2/ bbl (v/s our estimate of USD8.9/ bbl and USD31.8/bbl in 1QFY23). In the **refining segment**, throughput came in at 16.1mmt (+5% YoY), broadly in line with our estimate (of 17mmt).
- In the **marketing segment**, domestic sales volumes stood at 19.9mmt (in line with our estimate of 19.1mmt; v/s 21.3mmt/17.1mmt in 1QFY23/2QFY22). However, OMCs are estimated to have generated losses of INR1.2/INR12.4 per liter on petrol/diesel, respectively, in 2QFY23.
- **Petchem** volumes declined 30% YoY to 0.54mmt (0.64mmt in 1QFY23); while petchem margin contracted 28% YoY to USD230/mt (USD198/mt in 1QFY23). Petchem margin declined further by 2%/ 9%/23% for PE/PP/PVC in Oct'22, after it contracted 17%/15%/39% in 2QFY23, respectively.
- **To compensate for LPG under recoveries, the government recently approved a one-time grant of INR108b for IOCL, which has been recorded under revenue by the company. We had estimated that IOCL would receive the grant to the tune of INR121b, assuming that 55% of the total announced INR220b would go to the company.**
- We cut our FY23 EPS estimate by 32% due to the underperformance seen in 2QFY23 keeping our FY24 estimates unchanged as of now. Singapore GRM has remained subdued in Oct'22 at USD2.5/bbl and we estimate a GRM of USD5/bbl for the remaining quarters of FY23.
- IOCL is likely to benefit the most among its peers from an uptick in refining margin, further supported by robust petchem margin. We value the stock at 0.9x FY24E P/BV to arrive at our target price of INR95. **Maintain BUY.**

GRM remains strong, but posts loss for the second successive quarter

- **Reported GRM came in higher than estimated at USD19.2/bbl** (v/s our est. of USD8.9/bbl and USD31.8/bbl in 1QFY23), with refining throughput in line at 16.1mmt (+5% YoY, -15% QoQ). **Marketing margin (including inv.) was at -INR0.8/lit** (v/s -INR7.7/lit in 1QFY23).
- EBITDA came in at INR19.6b (our est. of -INR90.2b; -82% YoY, +44% QoQ), with a net loss at INR2.7b (v/s our est. of INR88.3b loss).
- To compensate for LPG under recoveries, the government recently approved a one-time grant of INR108b for IOCL, which has been recorded under revenue by the company. We had estimated that IOCL would receive the grant to the tune of INR121b, assuming that 55% of the total announced INR220b would go to the company.
- **For 1HFY23**, EBITDA was down 85% YoY to INR33b, with a net loss of INR23b (v/s PAT of INR123b in 1HFY22). Refining throughput was up 9% YoY at 35mmt, with reported GRM of USD25.5/bbl (v/s USD6.6/bbl in 1HFY22). Marketing margin stood at -INR4.2/lit (v/s INR6.6 in 1HFY22).

Valuation and View

- IOCL is set to commission various projects over the next two years driving growth further. Refinery projects, currently underway, are expected to be completed as follows: Panipat refinery (25mmtpa) by Sep'24, Gujarat refinery (18mmtpa) by Aug'23 and Baruni refinery (9mmtpa) by Apr'23, according to the earlier guidance.
- We expect dividend payout to be around similar levels of 51% for FY23-24. IOCL trades at 3.3x consol. FY24E EPS and 0.6x FY24E PBV. We value the stock at 0.9x FY24E P/BV to arrive at our target price of INR95. **Maintain BUY.**

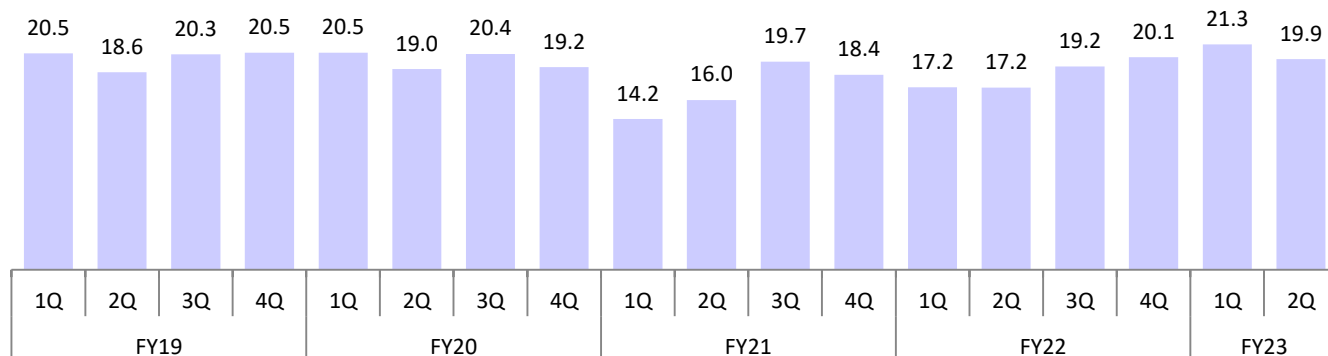
Standalone - Quarterly Earnings Model

Y/E March	FY22				FY23				(INR b)		
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY22	FY23	FY23 2QE
Net Sales	1,187	1,354	1,668	1,773	2,243	2,075	2,183	2,259	5,982	8,760	1,806
YoY Change (%)	90.2	58.2	56.8	43.3	89.0	53.2	30.9	27.4	58.2	46.4	33.4
EBITDA	111.3	106.3	98.6	116.3	13.6	19.6	82.3	83.3	432	199	-90.2
Margins (%)	9.4	7.8	5.9	6.6	0.6	0.9	3.8	3.7	7.2	2.3	-5.0
Depreciation	26.3	27.1	27.8	28.9	28.5	29.6	30.0	29.5	110	118	29.7
Interest	12.6	9.9	9.8	16.1	17.2	14.4	14.0	3.1	48	49	13.4
Other Income	5.6	14.3	13.8	9.5	6.8	22.0	12.6	14.5	43	56	15.4
PBT	78.0	83.7	74.8	80.8	-25.3	-2.4	50.9	65.1	317	88	-118.0
Rate (%)	23.8	24.0	21.6	25.5	21.2	-11.5	25.2	25.2	24	27	25.2
Adj PAT	59.4	63.6	58.6	60.2	-19.9	-2.7	38.1	48.7	242	64	-88.3
YoY Change (%)	210.9	2.1	19.2	-31.4	PL	PL	-35.1	-19.1	11	-73.5	-238.8
Margins (%)	5.0	4.7	3.5	3.4	-0.9	-0.1	1.7	2.2	4.0	0.7	-4.9
Key Assumptions											
Refining throughput (mmt)	16.7	15.3	17.4	18.3	18.9	16.1	18.0	18.0	67.7	71.0	17.0
Reported GRM	6.6	6.6	12.0	18.5	31.8	19.2	5.0	5.0	10.9	15.2	8.9
Domestic sale of refined products (mmt)	17.2	17.2	19.2	20.1	21.3	19.9	20.0	20.9	73.7	82.1	19.1
Marketing GM incld inv per litre (INR/litre)	6.2	7.0	3.4	2.3	-7.7	-0.8	4.3	4.3	4.7	0.0	-4.9

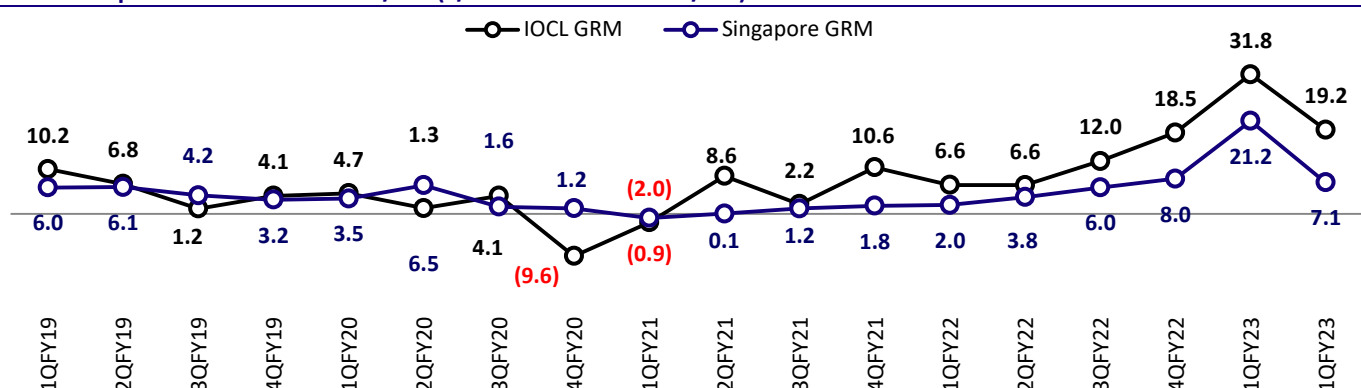
Exhibit 1: Key Assumptions

Y End: March 31	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Exchange Rate (INR/USD)	67.1	64.5	70.0	70.9	74.3	74.5	79.9	80.4
Brent Crude (USD/bbl)	49	58	70	61	44	80	100	90
Domestic direct sales refined pdts (MMT)	74	77	80	79	68	74	82	85
YoY (%)	2%	4%	4%	-1%	-13%	8%	11%	4%
Reported GRM (USD/bbl)	7.8	8.5	5.4	0.1	5.6	11.3	20.2	5.0
Singapore GRM (USD/bbl)	5.8	7.3	4.9	3.2	0.5	5.0	10.1	6.0
Prem/(disc) (USD/bbl)	2.0	1.2	0.5	(3.1)	5.1	6.3	10.1	(1.0)
Refining capacity utilization (%)	94%	100%	104%	100%	90%	98%	103%	104%
Total Refinery throughput (MMT)	65.2	69.0	71.8	69.4	62.4	67.7	71.0	72.0
YoY (%)	15%	6%	4%	-3%	-10%	9%	5%	1%
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.2	4.4	5.3	6.2	6.8	4.7	0.0	4.2
Cons EPS	14.4	16.0	12.2	6.7	15.4	18.2	4.4	11.6

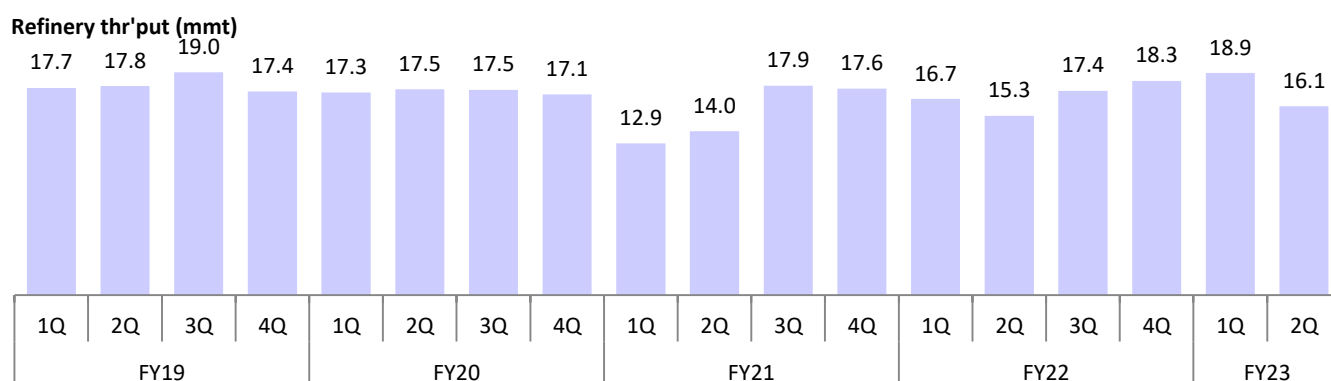
Source: Company, MOFSL

Exhibit 2: Domestic sales grew 15.7% YoY, -6.5% QoQ (19.9mmt) in 2QFY23

Source: Company, MOFSL

Exhibit 3: Reported GRM of USD19.2/bbl (v/s SG GRM of USD7.1/bbl)

Source: Company, MOFSL

Exhibit 4: Refinery throughput at 16.1mmt in 2QFY23 (+5.3% YoY, +15% QoQ)

Source: Company, MOFSL

Story in charts

Exhibit 5: Refining throughput of IOCL

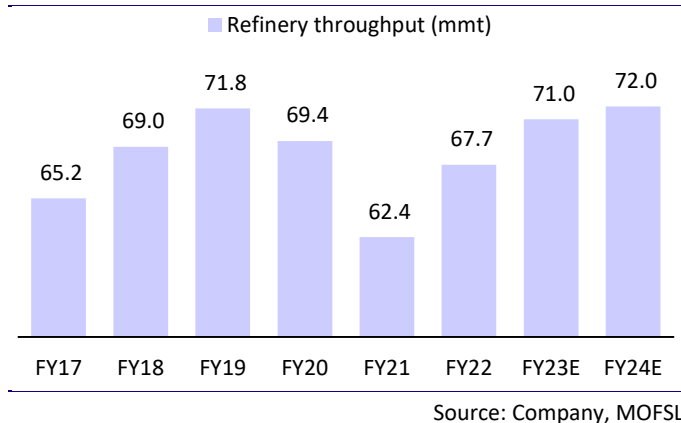


Exhibit 6: GRM trend

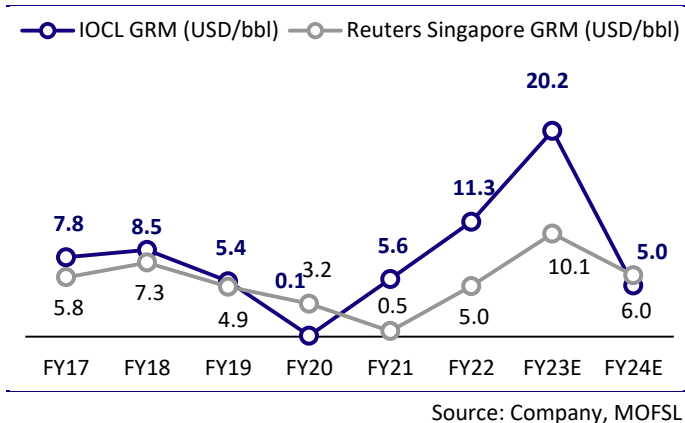


Exhibit 7: Marketing sales volume

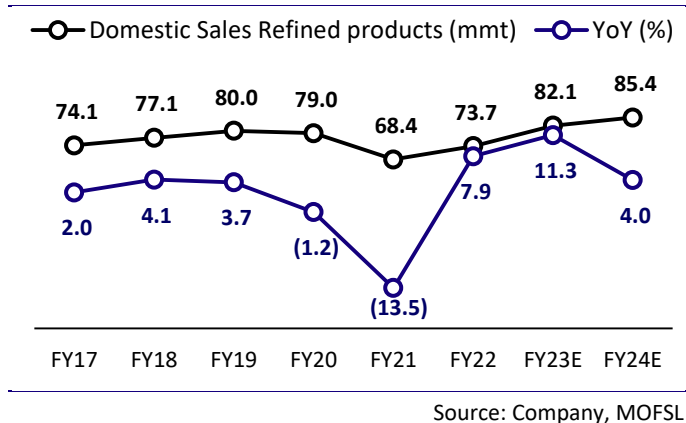


Exhibit 8: Pipeline throughput

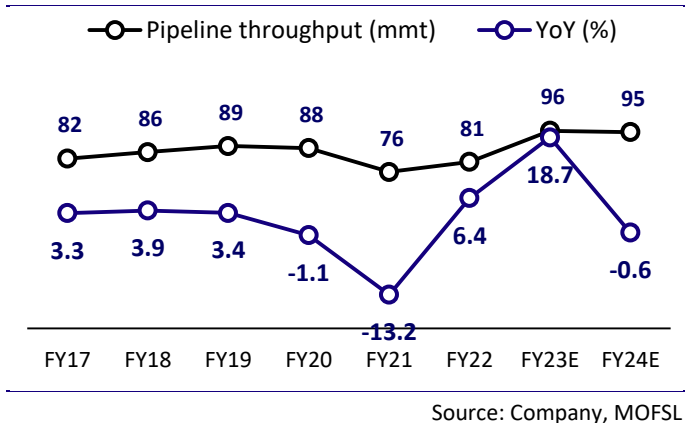


Exhibit 9: Return ratios

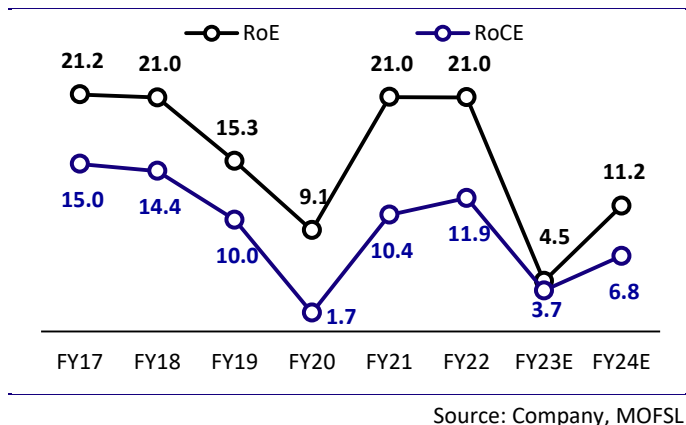
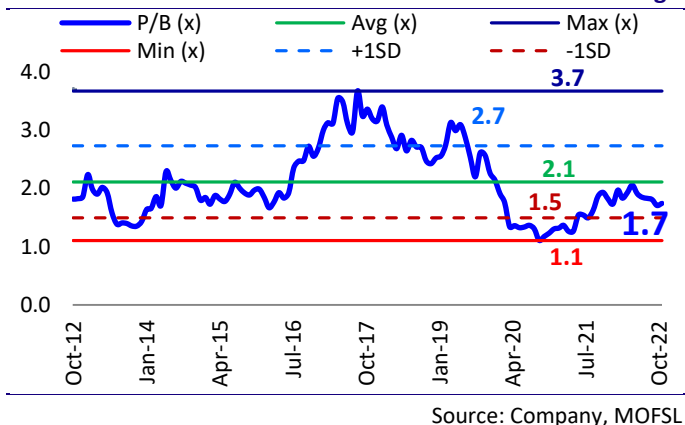


Exhibit 10: IOCL trades at 19% discount to its LT PBV average



Financials and Valuations

Consolidated - Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	3,553	4,215	5,282	4,838	3,639	5,893	8,797	9,274
Change (%)	2.7	18.6	25.3	-8.4	-24.8	61.9	49.3	5.4
EBITDA	340	416	352	168	406	477	232	369
Margin (%)	9.6	9.9	6.7	3.5	11.2	8.1	2.6	4.0
Depreciation	68	77	85	103	109	123	129	131
EBIT	272	340	267	66	296	354	103	238
Int. and Finance Charges	37	38	49	66	36	54	54	57
Other Income (incld forex)	39	34	27	28	35	31	34	34
PBT bef. EO Exp.	273	335	245	28	296	331	83	215
EO Items	0	0	0	-113	0	0	0	0
PBT after EO Exp.	273	335	245	-85	296	331	83	215
Total Tax	76	118	87	-53	90	86	23	54
Tax Rate (%)	27.7	35.3	35.3	62.0	30.4	25.9	27.5	25.2
Reported PAT	204	226	173	-19	218	257	62	164
Adjusted PAT	204	226	173	24	218	257	62	164
Change (%)	83.8	11.0	-23.7	-86.0	801.4	18.2	-75.9	164.0
Margin (%)	5.7	5.4	3.3	0.5	6.0	4.4	0.7	1.8

Consolidated - Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	47	95	92	92	92	92	141	141
Total Reserves	974	1,044	1,033	862	1,027	1,244	1,273	1,354
Net Worth	1,021	1,139	1,125	954	1,118	1,335	1,415	1,495
Minority Interest	19	22	19	9	10	16	16	16
Total Loans	588	621	927	1,260	1,085	1,236	1,433	1,677
Deferred Tax Liabilities	69	124	165	114	140	154	154	154
Capital Employed	1,697	1,905	2,236	2,337	2,353	2,740	3,017	3,342
Gross Block	1,272	1,429	1,599	1,847	2,057	2,214	2,719	3,020
Less: Accum. Deprn.	112	189	274	376	486	609	739	870
Net Fixed Assets	1,160	1,241	1,325	1,470	1,571	1,605	1,981	2,150
Capital WIP	168	191	250	328	363	475	220	169
Total Investments	437	448	441	356	447	524	524	524
Curr. Assets, Loans&Adv.	971	1,077	1,336	1,143	1,168	1,503	2,257	2,536
Inventory	659	706	771	670	834	1,117	1,543	1,605
Account Receivables	89	107	158	133	138	187	243	256
Cash and Bank Balance	4	5	11	23	25	18	299	510
Loans and Advances	219	259	396	317	171	180	172	166
Curr. Liability & Prov.	1,038	1,051	1,116	961	1,196	1,366	1,963	2,037
Account Payables	815	885	992	848	1,087	1,252	1,850	1,923
Provisions	223	167	124	112	109	113	113	113
Net Current Assets	-67	25	220	182	-28	137	293	499
Appl. of Funds	1,697	1,905	2,236	2,337	2,353	2,740	3,017	3,342

Financials and Valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	14.4	16.0	12.2	1.7	15.4	18.2	4.4	11.6
Cash EPS	19.3	21.5	18.3	9.0	23.2	27.0	13.5	20.9
BV/Share	72.3	80.6	79.6	67.6	79.2	94.6	100.2	105.9
DPS	22.3	17.1	14.2	6.5	18.5	19.4	2.3	5.9
Payout (%)	62	84	88	-374	91	81	52	51
Valuation (x)								
P/E	4.7	4.3	5.6	40.1	4.4	3.8	15.6	5.9
Cash P/E	3.6	3.2	3.8	7.6	3.0	2.5	5.1	3.3
P/BV	0.9	0.8	0.9	1.0	0.9	0.7	0.7	0.6
EV/Sales	0.3	0.3	0.3	0.4	0.5	0.3	0.2	0.2
EV/EBITDA	2.7	3.0	4.4	11.1	4.2	3.9	9.1	5.8
Dividend Yield (%)	32.5	25.0	20.8	9.5	26.9	28.3	3.3	8.6
FCF per share	50.1	24.3	2.6	-4.8	48.1	0.9	8.5	7.5
Return Ratios (%)								
RoE	21.2	21.0	15.3	2.3	21.0	21.0	4.5	11.2
RoCE	15.0	14.4	10.0	1.7	10.4	11.9	3.7	6.8
RoIC	19.9	18.7	12.4	1.6	13.1	16.2	4.0	8.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.8	2.9	3.3	2.6	1.8	2.7	3.2	3.1
Asset Turnover (x)	2.1	2.2	2.4	2.1	1.5	2.2	2.9	2.8
Inventory (Days)	68	61	53	51	84	69	64	63
Debtor (Days)	9	9	11	10	14	12	10	10
Creditor (Days)	84	77	69	64	109	78	77	76
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.2	1.2	1.0	1.1	1.1	1.2
Interest Cover Ratio	7.3	8.8	5.5	1.0	8.3	6.5	1.9	4.2
Net Debt/Equity	0.6	0.5	0.8	1.3	0.9	0.9	0.8	0.8

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	280	345	259	-72	308	331	83	215
Depreciation	69	77	85	103	109	123	129	131
Direct Taxes Paid	-70	-73	-56	-22	-41	-86	-23	-54
(Inc)/Dec in WC	-76	-29	-165	50	91	-171	124	5
CF from Operations	282	291	127	71	499	277	370	356
(Inc)/Dec in FA	-45	-61	-103	-116	-57	-270	-250	-250
Free Cash Flow	237	230	24	-44	442	8	120	106
(Purchase)/Sale of Investments	-93	-24	-2	-5	-40	-76	0	0
CF from Investments	-177	-171	-226	-291	-242	-346	-250	-250
Dividend Paid	-128	-115	-117	-58	-84	-178	-32	-83
CF from Fin. Activity	-112	-119	104	232	-254	62	161	104
Inc/Dec of Cash	-6	1	6	12	2	-7	281	211
Opening Balance	11	4	5	11	23	25	18	299
Closing Balance	4	5	11	23	25	18	299	510

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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