IOCL

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1345.5 / 16.4
52-Week Range (INR)	101 / 65
1, 6, 12 Rel. Per (%)	2/6/16
12M Avg Val (INR M)	1139

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	8,417.6	9,724.2	11,657.8
EBITDA	307.0	561.8	397.9
Adj. PAT	117.0	313.0	175.9
Adj. EPS (INR)	8.5	22.7	12.8
EPS Gr. (%)	(54.5)	167.4	(43.8)
BV/Sh.(INR)	101.5	114.4	122.5
Ratios			
Net D:E	1.0	0.8	0.8
RoE (%)	8.6	21.1	10.8
RoCE (%)	8.2	12.3	7.0
Payout (%)	35.3	42.9	37.3
Valuations			
P/E (x)	11.2	4.2	7.4
P/BV (x)	0.9	0.8	0.8
EV/EBITDA (x)	7.3	4.6	6.5
Div. Yield (%)	4.7	10.2	5.0
FCF Yield (%)	28.0	22.4	12.3

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	51.5	51.5	51.5
DII	31.1	31.5	11.6
FII	7.7	6.9	8.2
Others	9.8	10.1	28.7

FII Includes depository receipts

CMP: INR95 TP: INR110 (+15%) Buy

Lower-than-expected GRM and marketing margin lead to miss

- IOCL reported an EBITDA of INR221.6b (up 54% QoQ), below our estimate of INR301.4b, due to weaker-than-expected GRM at USD8.3/bbl (vs. our est. of USD11/bbl) and lower marketing GM at INR8.7/lit. (vs. our est. of INR10/lit).
- Refining throughput came in line with our estimate at 18.8mmt (down 1% YoY). In the marketing segment, domestic sales volumes were also in line at 23.3mmt (up 1% YoY) in 1QFY24.
- Singapore GRM has improved to USD6.1/bbl in 2QFY24'TD from USD4.0/bbl in 1QFY24, which may lead to an improvement in refining performance in the coming quarter. IOCL has the highest leverage to refining segment and is expected to benefit the most due to improvement in GRMs. However, a reduction in Russian crude oil discounts may impact it adversely.
- OMCs are estimated to be generating healthy marketing margins of INR11.9/INR13.0 on petrol/diesel in 2QFY24'TD. However, margins may be hit by retail fuel price cuts due to the upcoming elections and/or a rise in crude oil prices due to quota management by OPEC+ nations. The next OPEC+ meeting is scheduled to be held on 3rd Aug'23.
- Petchem volumes increased 14% YoY to 0.73mmt (vs. 0.68mmt in 4QFY23); however, Petchem EBIT fell 67% YoY to INR884m (vs. INR2,951m in 4QFY23). Petchem margins contracted 11%/15%/13% for PE/PP/PVC in 2QFY24'TD.
- Owing to its underperformance in 1QFY24, we cut our FY24E EBITDA/PAT by 6/8%, while keeping FY25E broadly unchanged. The stock trades at 4.2x consolidated FY24E EPS and 0.8x FY24E P/BV. **We reiterate our BUY rating, valuing IOCL at 0.9x FY25E P/BV to arrive at our TP of INR110.**

Throughput and marketing sales volumes in line

- IOCL's reported GRM came in lower than est. at USD8.3/bbl in 1QFY24 (vs. our est. of USD11.0/bbl and USD15.3/bbl in 4QFY23).
  - Refining throughput was in line at 18.8mmt (-1% YoY, -2% QoQ).
- Marketing margin (incl. inv.) stood at INR8.7/lit in 1QFY24 (vs. est. INR10/lit and INR2.7/lit in 4QFY23).
  - Marketing volumes, excluding exports, were in line with our estimate at 23.3mmt (+1% YoY, +2% QoQ).
- IOCL's EBITDA came in at INR221.6b (our est. of INR301.4b, +416% YoY, +54% QoQ) during the quarter.
  - PAT stood at INR138b (our est. of INR201b).

Valuation and View

- IOCL is set to commission various projects over the next two years, driving further growth. Refinery projects, currently underway, are expected to be completed as follows: Panipat refinery (25mmtpa) by Sep'24, Gujarat refinery (18mmtpa) by Aug'24, and Baruni refinery (9mmtpa) by Dec'24.
- SG GRM has increased to ~USD8/bbl over the past few days (from USD4/bbl in 1QFY24). The company is likely to benefit the most among its peers from an increase in refining margin; however, reduction in Russian crude discounts may hurt IOCL. The stock trades at 4.2x consolidated FY24E EPS and 0.8x FY24E P/BV. **We reiterate our BUY rating, valuing IOCL at 0.9x FY25E P/BV to arrive at our TP of INR110.**

Swarnendu Bhushan – Research Analyst (Swarnendu.Bhushan@MotilalOswal.com)
Research Analyst: Aman Chowdhary (Aman.Chowdhary@MotilalOswal.com) | **Rohit Thorat** (Rohit.Thorat@MotilalOswal.com)

Standalone - Quarterly Earning Model (INR b)

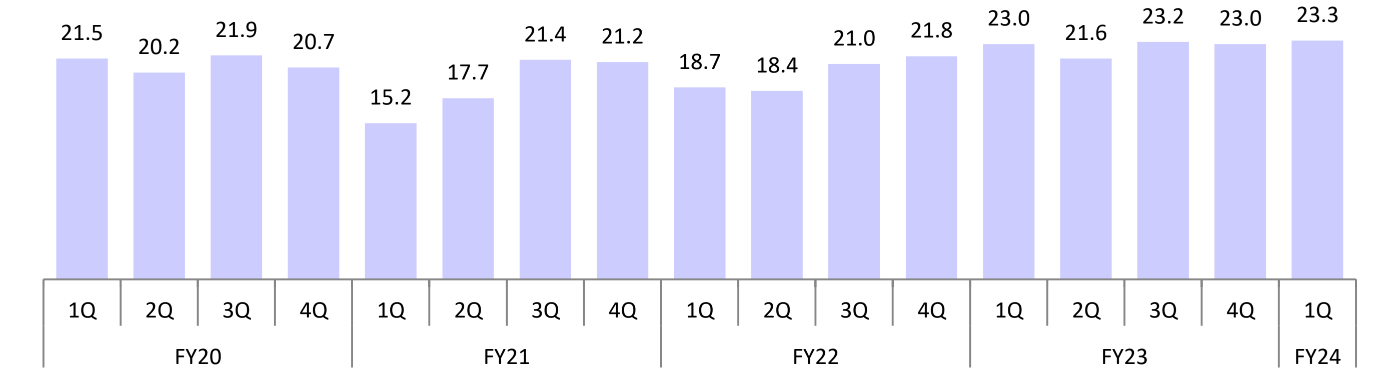
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**2242.5**	**2074.9**	**2047.4**	**2029.9**	**1975.3**	**2407.3**	**2755.6**	**2872.7**	**8394.7**	**10011.0**	**1913.2**	**3%**
YoY Change (%)	89.0	53.2	22.8	14.5	-11.9	16.0	34.6	41.5	40.3	19.3	-14.7	
EBITDA	**43.0**	**50.1**	**52.9**	**143.5**	**221.6**	**122.3**	**88.2**	**87.4**	**289.5**	**519.6**	**301.4**	**-26%**
Margins (%)	1.9	2.4	2.6	7.1	11.2	5.1	3.2	3.0	3.4	5.2	15.8	
Depreciation	28.5	29.6	31.0	29.5	31.5	33.3	33.3	35.1	118.6	133.2	33.3	
Forex loss	29.4	30.5	17.0	-9.9	0.0	0.0	0.0	0.0	67.0	0.0	-9.9	
Interest	17.2	14.4	19.5	18.1	16.3	17.9	17.9	19.5	69.3	71.5	19.9	
Other Income	6.8	22.0	17.2	16.4	6.9	10.2	10.7	13.0	62.4	40.8	10.0	
PBT	**-25.3**	**-2.4**	**2.6**	**122.1**	**180.7**	**81.3**	**47.7**	**45.9**	**97.0**	**355.7**	**268.2**	**-33%**
Tax	-5.4	0.3	-1.9	21.6	43.2	20.5	12.0	11.5	14.6	87.3	67.5	-36%
Rate (%)	21.2	-11.5	-74.6	17.7	23.9	25.2	25.2	25.2	15.0	24.5	25.2	
Adj PAT	**-19.9**	**-2.7**	**4.5**	**100.6**	**137.5**	**60.9**	**35.7**	**34.3**	**82.4**	**268.4**	**200.7**	**-31%**
YoY Change (%)	PL	PL	-92.4	67.0	LP	LP	697.2	-65.9	-65.9	225.6	LP	
Margins (%)	-0.9	-0.1	0.2	5.0	7.0	2.5	1.3	1.2	1.0	2.7	10.5	
Key Assumptions												
Refining throughput (mmt)	18.9	16.1	18.2	19.1	18.8	18.0	18.0	18.0	72.3	72.7	18.5	1%
Reported GRM	31.8	19.2	12.9	15.3	8.3	5.0	5.0	5.0	19.8	5.8	11.0	-24%
Domestic sale of refined products (mmt)	23.0	21.6	23.2	23.0	23.3	22.4	24.1	23.9	90.7	93.7	22.4	4%
Marketing GM incld. inv. per litre (INR/litre)	-7.2	-0.7	0.7	2.7	8.7	5.6	4.1	4.1	-1.1	5.6	10.0	-13%

Exhibit 1: Key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	**64.5**	**70.0**	**70.9**	**74.3**	**74.5**	**80.4**	**82.9**	**84.1**
Brent Crude (USD/bbl)	**57.6**	**70.1**	**61.2**	**44.4**	**80.5**	**96.1**	**83.8**	**90.0**
Domestic direct sales refined pdts (MMT)	77	85	84	76	80	91	94	97
YoY (%)	4	10	0	-10	6	13	3	4
Reported GRM (USD/bbl)	**8.5**	**5.4**	**0.1**	**5.6**	**11.3**	**19.5**	**7.5**	**5.0**
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	5.5	6.0
Prem./(disc) (USD/bbl)	1.2	0.5	(3.1)	5.1	6.3	8.8	2.0	(1.0)
Refining capacity utilization (%)	**100**	**104**	**100**	**90**	**98**	**105**	**105**	**104**
Total Refinery throughput (MMT)	69.0	71.8	69.4	62.4	67.7	72.3	72.7	72.0
YoY (%)	6	4	-3	-10	9	7	1	-1
Marketing Margin (INR/lit)								
Blended gross marketing margin incld inventory	4.4	5.0	5.8	6.2	4.4	(1.1)	5.6	4.1
Consolidated EPS	**16.4**	**12.5**	**1.8**	**15.8**	**18.7**	**8.5**	**22.7**	**12.8**

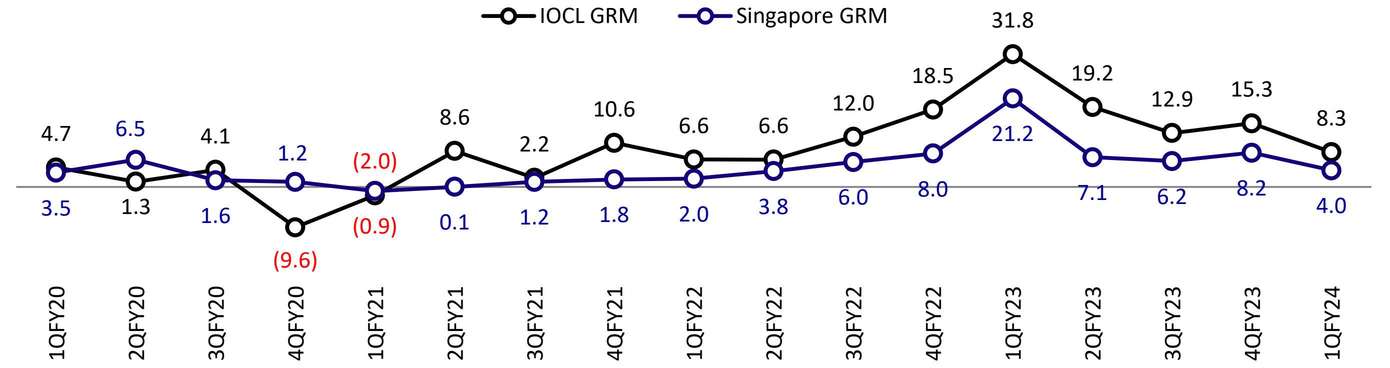
Source: Company, MOFSL

Exhibit 2: Domestic sales grew 9.4% YoY to 23.3mmt (up 10.2% QoQ) in 1QFY24



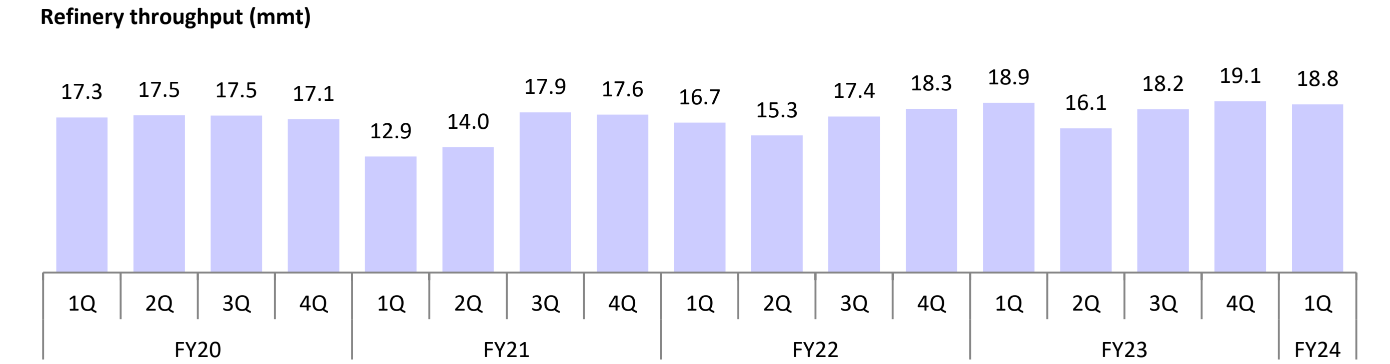
Source: Company, MOFSL

Exhibit 3: Reported GRM stood at USD8.3/bbl (v/s SG GRM of USD4/bbl)



Source: Company, MOFSL

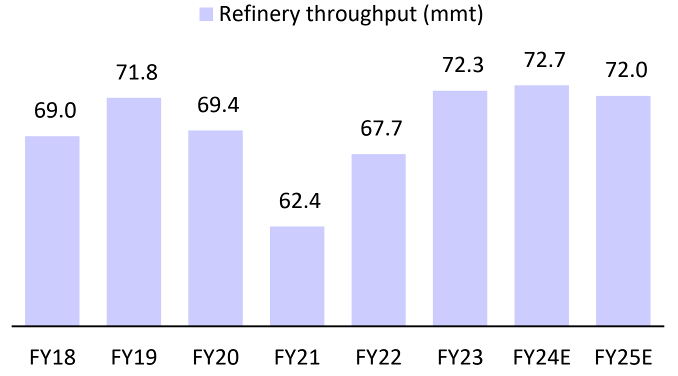
Exhibit 4: Refinery throughput at 18.8mmt in 1QFY24 (down 1% YoY and 1.9% QoQ)



Source: Company, MOFSL

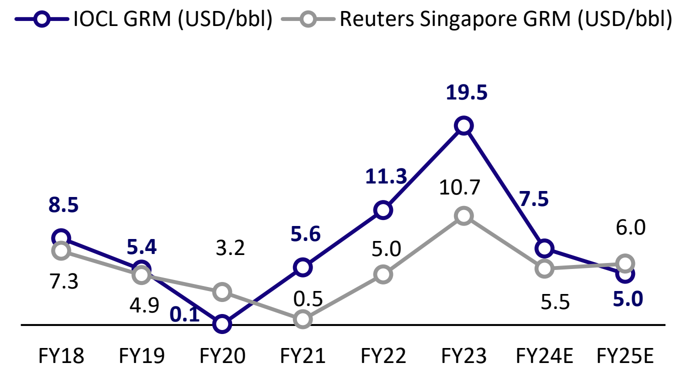
Story in charts

Exhibit 5: Refining throughput of IOCL



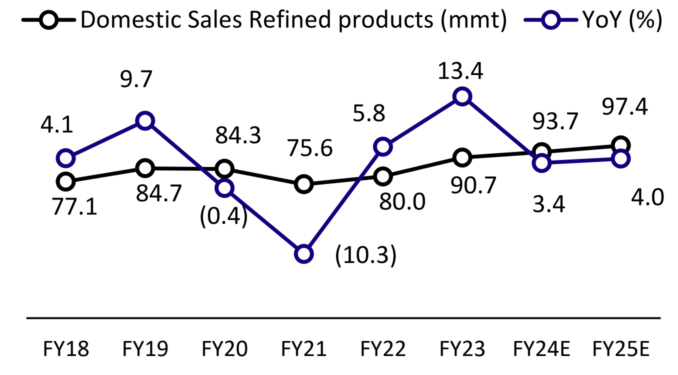
Source: Company, MOFSL

Exhibit 6: GRM trend



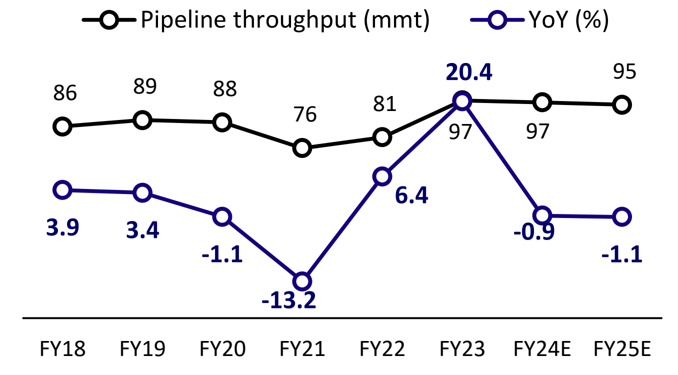
Source: Company, MOFSL

Exhibit 7: Marketing sales volume



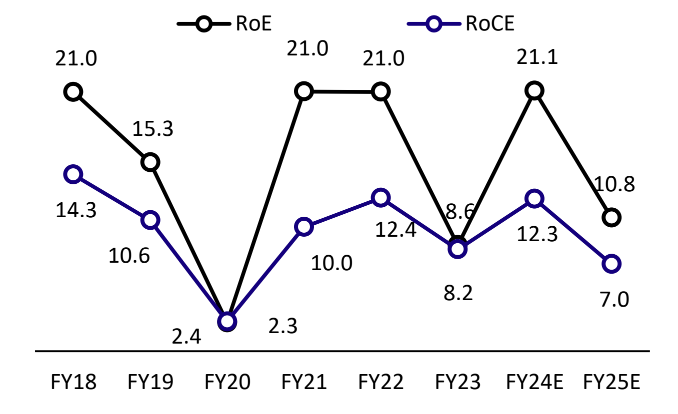
Source: Company, MOFSL

Exhibit 8: Pipeline throughput



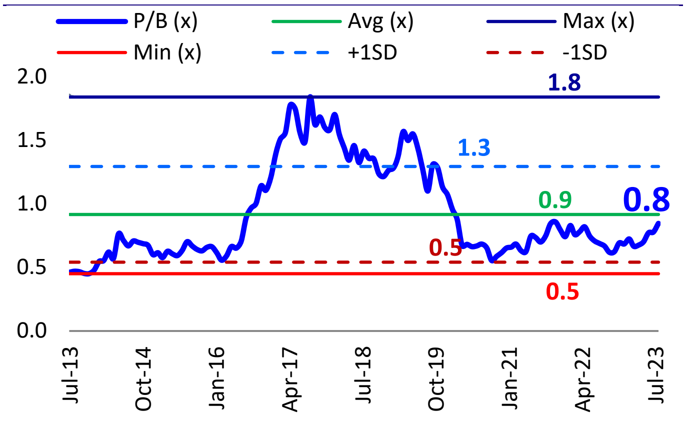
Source: Company, MOFSL

Exhibit 9: Return ratios



Source: Company, MOFSL

Exhibit 10: Trades at 11% discount to its LT P/BV average



Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement								(INR b)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Total Income from Operations	**4,215**	**5,282**	**4,838**	**3,639**	**5,893**	**8,418**	**9,724**	**11,658**
Change (%)	*19%*	*25%*	*-8%*	*-25%*	*62%*	*43%*	*16%*	*20%*
EBITDA	**416**	**352**	**168**	**406**	**477**	**307**	**562**	**398**
Margin (%)	*10%*	*7%*	*3%*	*11%*	*8%*	*4%*	*6%*	*3%*
Depreciation	77	85	103	109	123	132	147	155
EBIT	**340**	**267**	**66**	**296**	**354**	**175**	**415**	**243**
Int. and Finance Charges	38	49	66	36	54	75	78	87
Net Forex Loss	-2	17	41	-13	15	72	0	0
Other Income	32	45	69	22	45	114	72	73
PBT bef. EO Exp.	**335**	**245**	**28**	**296**	**331**	**142**	**410**	**229**
EO Items	*0*	*0*	*-113*	*0*	*0*	*0*	*0*	*0*
PBT after EO Exp.	**335**	**245**	**-85**	**296**	**331**	**142**	**410**	**229**
Total Tax	118	87	-53	90	86	33	98	55
Tax Rate (%)	*35.3*	*35.3*	*62.0*	*30.4*	*25.9*	*23.5*	*24.0*	*24.0*
Reported PAT	**226**	**173**	**-19**	**218**	**257**	**117**	**313**	**176**
Adjusted PAT	**226**	**173**	**24**	**218**	**257**	**117**	**313**	**176**
Change (%)	*11%*	*-24%*	*-86%*	*801%*	*18%*	*-55%*	*167%*	*-44%*
Margin (%)	*5.4*	*3.3*	*0.5*	*6.0*	*4.4*	*1.4*	*3.2*	*1.5*

Consolidated - Balance Sheet								(INR b)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	95	92	92	92	92	138	138	138
Total Reserves	1,044	1,033	862	1,027	1,244	1,259	1,438	1,549
Net Worth	**1,139**	**1,125**	**954**	**1,118**	**1,335**	**1,397**	**1,576**	**1,686**
Minority Interest	22	19	9	10	16	35	35	35
Total Loans	621	927	1,260	1,085	1,236	1,401	1,639	1,918
Deferred Tax Liabilities	124	165	114	140	154	168	168	168
Capital Employed	**1,905**	**2,236**	**2,337**	**2,353**	**2,740**	**3,001**	**3,418**	**3,807**
Gross Block	1,429	1,599	1,847	2,057	2,214	2,542	3,076	3,382
Less: Accum. Deprn.	189	274	376	486	609	741	888	1,042
Net Fixed Assets	**1,241**	**1,325**	**1,470**	**1,571**	**1,605**	**1,800**	**2,188**	**2,340**
Capital WIP	191	250	328	363	475	511	227	170
Total Investments	**448**	**441**	**356**	**447**	**524**	**522**	**522**	**522**
Curr. Assets, Loans&Adv.	**1,077**	**1,336**	**1,143**	**1,168**	**1,503**	**1,584**	**2,039**	**2,663**
Inventory	706	771	670	834	1,117	1,211	1,315	1,616
Account Receivables	107	158	133	138	187	163	202	242
Cash and Bank Balance	5	11	23	25	18	21	340	629
Loans and Advances	259	396	317	171	180	189	181	175
Curr. Liability & Prov.	**1,051**	**1,116**	**961**	**1,196**	**1,366**	**1,416**	**1,558**	**1,888**
Account Payables	885	992	848	1,087	1,252	1,301	1,442	1,772
Provisions	167	124	112	109	113	116	116	116
Net Current Assets	**25**	**220**	**182**	**-28**	**137**	**168**	**481**	**775**
Appl. of Funds	**1,905**	**2,236**	**2,337**	**2,353**	**2,740**	**3,001**	**3,418**	**3,807**

Financials and Valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	**16.4**	**12.5**	**1.8**	**15.8**	**18.7**	**8.5**	**22.7**	**12.8**
Cash EPS	22.0	18.7	9.2	23.7	27.6	18.1	33.4	24.0
BV/Share	82.7	81.7	69.3	81.2	97.0	101.5	114.4	122.5
DPS	11.1	9.3	4.3	12.0	12.6	4.5	9.7	4.8
Payout (%)	55	58	-243	59	53	35	43	37
Valuation (x)								
P/E	5.8	7.6	54.3	6.0	5.1	11.2	4.2	7.4
Cash P/E	4.3	5.1	10.3	4.0	3.4	5.3	2.9	4.0
P/BV	1.2	1.2	1.4	1.2	1.0	0.9	0.8	0.8
EV/Sales	0.4	0.3	0.4	0.5	0.4	0.3	0.3	0.2
EV/EBITDA	3.6	5.1	12.5	4.8	4.4	7.3	4.6	6.5
Dividend Yield (%)	11.7	9.7	4.5	12.6	13.2	4.7	10.2	5.0
FCF per share	24.3	2.6	-4.8	48.1	21.4	26.6	21.3	11.7
Return Ratios (%)								
RoE	21.0	15.3	2.3	21.0	21.0	8.6	21.1	10.8
RoCE	14.3	10.6	2.4	10.0	12.4	8.2	12.3	7.0
RoIC	18.7	12.4	1.6	13.1	16.2	7.3	14.8	7.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	3.3	2.6	1.8	2.7	3.3	3.2	3.4
Asset Turnover (x)	2.2	2.4	2.1	1.5	2.2	2.8	2.8	3.1
Inventory (Days)	61	53	51	84	69	53	49	51
Debtor (Days)	9	11	10	14	12	7	8	8
Creditor (Days)	77	69	64	109	78	56	54	55
Leverage Ratio (x)								
Current Ratio	1.0	1.2	1.2	1.0	1.1	1.1	1.3	1.4
Interest Cover Ratio	8.8	5.5	1.0	8.3	6.5	2.3	5.3	2.8
Net Debt/Equity	0.5	0.8	1.3	0.9	0.9	1.0	0.8	0.8

Consolidated - Cash Flow Statement (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	345	259	-72	308	343	150	410	229
Depreciation	77	85	103	109	123	132	147	155
Direct Taxes Paid	-73	-56	-22	-41	-75	-15	-98	-55
(Inc)/Dec in WC	-29	-165	50	91	-140	-57	6	-6
CF from Operations	**291**	**127**	**71**	**499**	**246**	**296**	**543**	**412**
(Inc)/Dec in FA	-61	-103	-116	-57	-49	-52	-250	-250
Free Cash Flow	**230**	**24**	**-44**	**442**	**196**	**245**	**293**	**162**
(Pur)/Sale of Investments	-24	-2	-5	-40	-18	-20	0	0
CF from Investments	**-171**	**-226**	**-291**	**-242**	**-212**	**-280**	**-250**	**-250**
Dividend Paid	-115	-117	-58	-84	-109	-33	-134	-66
CF from Fin. Activity	-119	104	232	-254	-40	-13	26	126
Inc/Dec of Cash	**1**	**6**	**12**	**2**	**-7**	**3**	**319**	**288**
Opening Balance	4	5	11	23	25	18	21	340
Closing Balance	**5**	**11**	**23**	**25**	**18**	**21**	**340**	**629**

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.
Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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