

Estimate change 

TP change 

Rating change 

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1305.5 / 15.7
52-Week Range (INR)	101 / 68
1, 6, 12 Rel. Per (%)	5/8/30
12M Avg Val (INR M)	1141

### Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	8,418	9,580	11,153
EBITDA	307	726	410
Adj. PAT	117	431	185
Adj. EPS (INR)	8.5	31.3	13.5
EPS Gr. (%)	-54.5	268.3	-57.0
BV/Sh.(INR)	101.5	119.0	127.4

### Ratios

Net D:E	1.0	0.8	0.7
RoE (%)	8.6	28.4	10.9
RoCE (%)	8.2	16.3	7.2
Payout (%)	35.3	43.9	37.9

### Valuations

P/E (x)	10.9	3.0	6.9
P/BV (x)	0.9	0.8	0.7
EV/EBITDA (x)	7.3	3.5	6.3
Div. Yield (%)	4.9	14.9	5.5
FCF Yield (%)	28.8	28.6	10.3

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	51.5	51.5	51.5
DII	30.3	31.1	30.9
FII	7.8	7.7	7.2
Others	10.4	9.8	10.4

FII Includes depository receipts

**CMP: INR92**

**TP: INR115 (+24%)**

**Buy**

## Weak petchem offsets marketing and refining gains

- IOCL reported EBITDA of INR213b (up 4.3x YoY), in line with our estimate of INR210b, led by better-than-expected GRM at USD17.9/bbl (vs. our est. of USD14.9/bbl) and higher marketing GM at INR5.8/lit. (vs. our estimate of INR5/lit).
- Refining throughput came in line with our estimate at 17.8mmt (up 10% YoY). In the marketing segment, domestic sales volumes were also in line with our estimate at 21.9mmt (up 2% YoY).
- Singapore GRM has declined to USD3.3/bbl in 3QFY24 to date from USD9.8/bbl in 2QFY24, which may lead to a decline in the refining performance in the coming quarter. A decline in Russia crude discounts may also weigh on IOCL's performance in the ensuing quarter.
- OMCs are estimated to be generating marketing margin of INR8.2 on petrol and a marketing loss of INR3.8 on diesel in 3QFY24 to date. Margins may also be affected by retail fuel price cuts in the wake of upcoming elections and/or a rise in crude oil prices due to quota management by OPEC+.
- Petchem sales volumes increased by 53% YoY to 0.82mmt (vs. 0.54mmt in 2QFY23). Petchem EBIT came in at INR1.6b (below our est. of INR3.2b). Petchem margins have declined 13%/4% for PE/PP in 3QFY24 to date.
- Owing to a robust performance in 1HFY24, we increase our EBITDA/PAT estimates by 11%/13% for FY24 while keeping FY25 estimates broadly unchanged. The stock trades at 6.9x consolidated FY25E EPS and 0.7x FY25E P/BV. We retain our BUY rating on the stock, valuing it at 0.9x FY25E P/BV.

## EBITDA, throughput and domestic sales in line with estimates

- Reported GRM at USD17.9/bbl beat our est. of USD14.9/bbl (USD8.3/bbl in 1QFY24). Refining throughput was in line with est. at 17.8mmt (up 10% YoY).
- Marketing margin (incl. inv.) at INR5.8/lit was above our est. of INR5/lit (INR8.7/lit in 1QFY24). Marketing volumes, excluding exports, were in line with our estimate at 21.9mmt (+2% YoY).
- Petchem EBIT came in at INR1.6b (below our est. of INR3.2b).
- EBITDA came in line with our est. at INR213.1b (up 4.3x YoY).
- PAT came in line at INR129.7b (net loss of INR2.7b in 2QFY23).
- In 1HFY24**, EBITDA grew 4.7x YoY to INR435b, with PAT at INR267b (vs. net loss of INR23b in 1HFY23). 1HFY24 EBITDA stands at 71% of our FY24 estimates, while PAT stands at 79% of our FY24 estimates.
- Refining throughput was up 4% YoY at 36.5mmt, with reported GRM at USD13.1/bbl (vs. USD25.5/bbl in 1HFY23). Marketing margin stood at INR7.3/lit (vs. -INR3.9/lit in 1HFY23).
- IOCL had a cumulative negative net buffer of INR2.2b as of 31st Mar'23 due to under recovery on LPG cylinders. The same has been recognized as part of revenue upon recovery in 1HFY24.
- The company has declared an interim dividend of INR5/share in 2Q.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

## Valuation and View

- IOCL is set to commission various projects over the next two years, which should boost growth further. The ongoing refinery projects are expected to be completed as follows: Panipat refinery (15mmtpa to 25mmtpa) by Sep'24, Gujarat refinery along with integration with LOBS and petchem (13.7mmtpa to 18mmtpa) by Aug'24, and Baruni refinery (6mmtpa to 9mmtpa) by Dec'24.
- Although SG GRM has declined to ~USD3.3/bbl in 3QFY24 to date (vs. USD9.8/bbl in 2QFY24), global refining net capacity additions in CY24 (0.6mnbopd) are trailing oil demand growth of 0.9mnbopd (as per IEA). We believe that this would support refining margin of IOCL going forward.
- The stock trades at 6.9x consolidated FY25E EPS of INR13.5 and 0.7x FY25E P/BV. We reiterate our BUY rating on the stock, valuing it at 0.9x FY25E P/BV to arrive at a TP of INR115.

## Standalone - Quarterly Earning Model

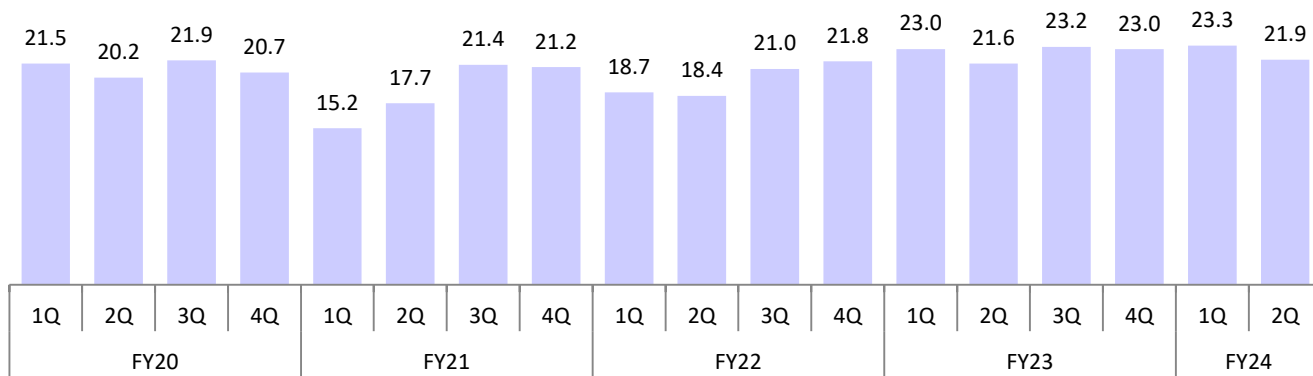
Y/E March	(INR b)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Net Sales</b>	<b>2242.5</b>	<b>2074.9</b>	<b>2047.4</b>	<b>2029.9</b>	<b>1975.3</b>	<b>1797.4</b>	<b>2913.9</b>	<b>3030.5</b>	<b>8394.7</b>	<b>9717.0</b>	<b>2099.1</b>	<b>-14%</b>
YoY Change (%)	89.0	53.2	22.8	14.5	-11.9	-13.4	42.3	49.3	40.3	15.8	1.2	
<b>EBITDA</b>	<b>43.0</b>	<b>50.1</b>	<b>52.9</b>	<b>143.5</b>	<b>221.6</b>	<b>213.1</b>	<b>115.2</b>	<b>114.3</b>	<b>289.5</b>	<b>664.2</b>	<b>209.5</b>	<b>2%</b>
Margin (%)	1.9	2.4	2.6	7.1	11.2	11.9	4.0	3.8	3.4	6.8	10.0	
Depreciation	28.5	29.6	31.0	29.5	31.5	32.8	33.3	35.6	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	0.0	
Interest	17.2	14.4	19.5	18.1	16.3	18.5	17.9	18.9	69.3	71.5	17.9	
Other Income	6.8	22.0	17.2	16.4	6.9	9.8	10.7	13.4	62.4	40.8	13.3	
<b>PBT</b>	<b>-25.3</b>	<b>-2.4</b>	<b>2.6</b>	<b>122.1</b>	<b>180.7</b>	<b>171.7</b>	<b>74.7</b>	<b>73.2</b>	<b>97.0</b>	<b>500.3</b>	<b>171.6</b>	<b>0%</b>
Tax	-5.4	0.3	-1.9	21.6	43.2	42.0	18.3	17.9	14.6	121.5	43.2	-3%
Rate (%)	21.2	-11.5	-74.6	17.7	23.9	24.5	24.5	24.5	15.0	24.3	25.2	
<b>Adj PAT</b>	<b>-19.9</b>	<b>-2.7</b>	<b>4.5</b>	<b>100.6</b>	<b>137.5</b>	<b>129.7</b>	<b>56.4</b>	<b>55.2</b>	<b>82.4</b>	<b>378.8</b>	<b>128.4</b>	<b>1%</b>
YoY Change (%)	PL	PL	-92.4	67.0	LP	LP	1158.7	-45.1	-65.9	359.6	LP	
Margin (%)	-0.9	-0.1	0.2	5.0	7.0	7.2	1.9	1.8	1.0	3.9	6.1	
<b>Key Assumptions</b>												
Refining throughput (mmt)	18.9	16.1	18.2	19.1	18.8	17.8	18.0	18.0	72.3	72.5	18.3	-3%
Reported GRM	31.8	19.2	12.9	15.3	8.3	17.9	10.0	10.0	19.8	11.6	14.9	20%
Domestic sale of refined products (mmt)	23.0	21.6	23.2	23.0	23.3	21.9	24.1	23.9	90.7	93.2	22.9	-4%
Marketing GM incld. inv. per litre (INR/litre)	-7.2	-0.7	0.7	2.7	8.7	5.8	4.1	4.1	-1.1	5.7	5.0	15%

## Exhibit 1: Key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Exchange Rate (INR/USD)</b>	<b>64.5</b>	<b>70.0</b>	<b>70.9</b>	<b>74.3</b>	<b>74.5</b>	<b>80.4</b>	<b>83.1</b>	<b>84.6</b>
<b>Brent Crude (USD/bbl)</b>	<b>57.6</b>	<b>70.1</b>	<b>61.2</b>	<b>44.4</b>	<b>80.5</b>	<b>96.1</b>	<b>85.0</b>	<b>90.0</b>
Domestic direct sales refined pdts (MMT)	77	85	84	76	80	91	93	97
YoY (%)	4%	10%	0%	-10%	6%	13%	3%	4%
<b>Reported GRM (USD/bbl)</b>	<b>8.5</b>	<b>5.4</b>	<b>0.1</b>	<b>5.6</b>	<b>11.3</b>	<b>19.5</b>	<b>16.6</b>	<b>8.0</b>
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Prem./(disc) (USD/bbl)	1.2	0.5	(3.1)	5.1	6.3	8.8	10.1	2.0
<b>Refining capacity utilization (%)</b>	<b>100%</b>	<b>104%</b>	<b>100%</b>	<b>90%</b>	<b>98%</b>	<b>105%</b>	<b>105%</b>	<b>104%</b>
Total Refinery throughput (MMT)	69.0	71.8	69.4	62.4	67.7	72.3	72.5	72.0
YoY (%)	6%	4%	-3%	-10%	9%	7%	0%	-1%
<b>Marketing Margin (INR/lit)</b>								
Blended gross marketing margin incld inventory	4.4	5.0	5.8	6.2	4.4	-1.1	5.7	4.1
<b>Consolidated EPS</b>	<b>16.4</b>	<b>12.5</b>	<b>1.8</b>	<b>15.8</b>	<b>18.7</b>	<b>8.5</b>	<b>31.3</b>	<b>13.5</b>

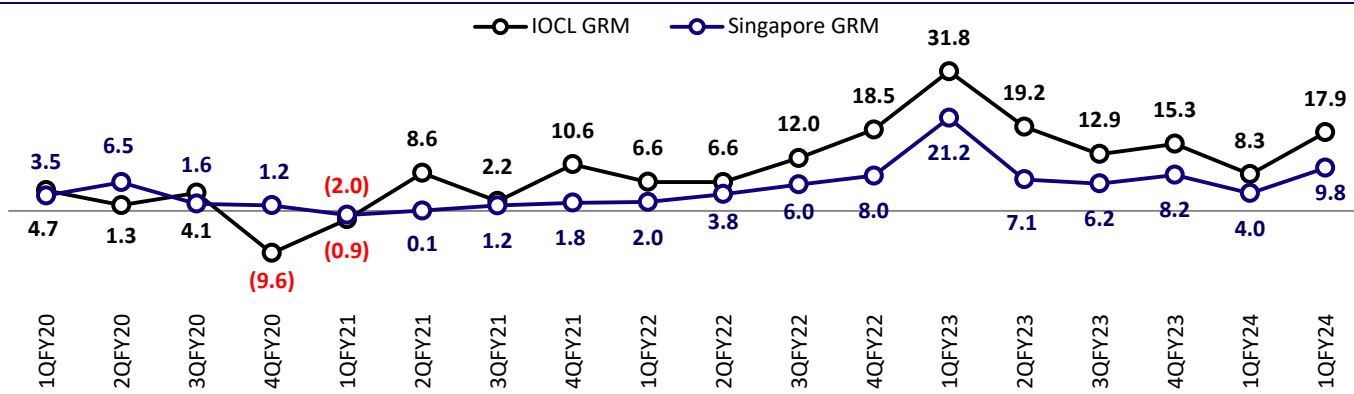
Source: Company, MOFSL

**Exhibit 2: Domestic sales grew 2% YoY to 21.9mmt**



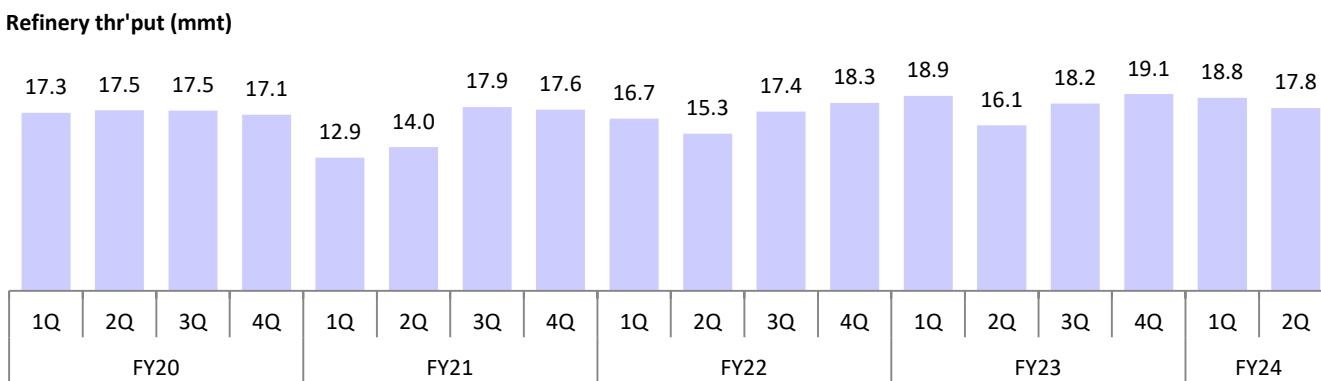
Source: Company, MOFSL

**Exhibit 3: Reported GRM stood at USD17.9/bbl (vs. SG GRM of USD9.8/bbl)**



Source: Company, MOFSL

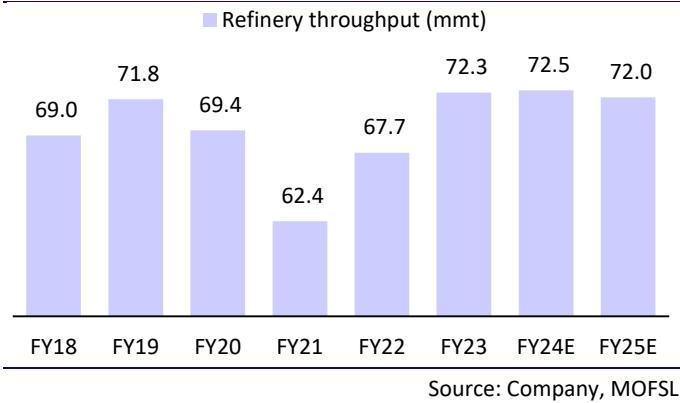
**Exhibit 4: Refinery throughput at 17.8mmt, up 10% YoY**



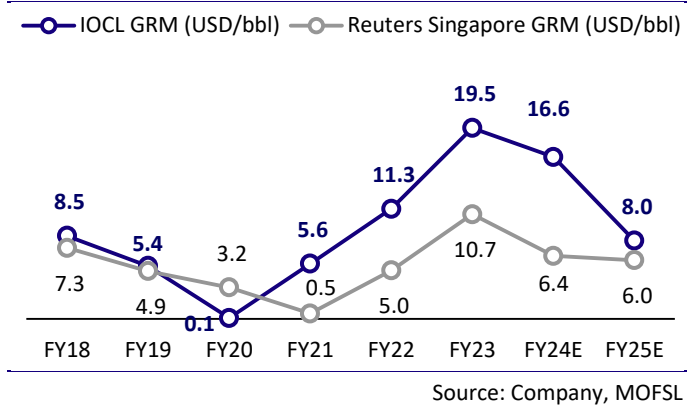
Source: Company, MOFSL

## Story in charts

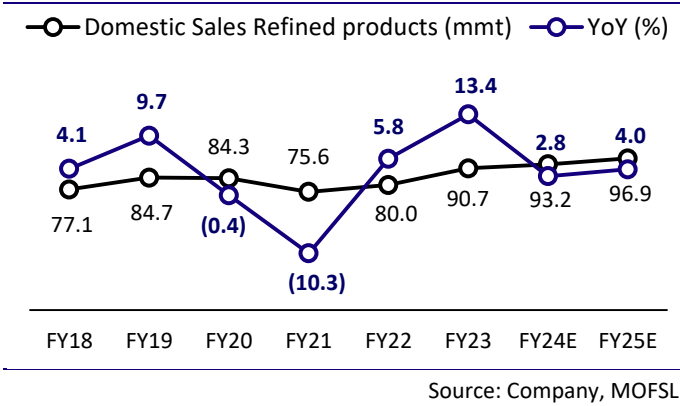
**Exhibit 5: Refining throughput of IOCL**



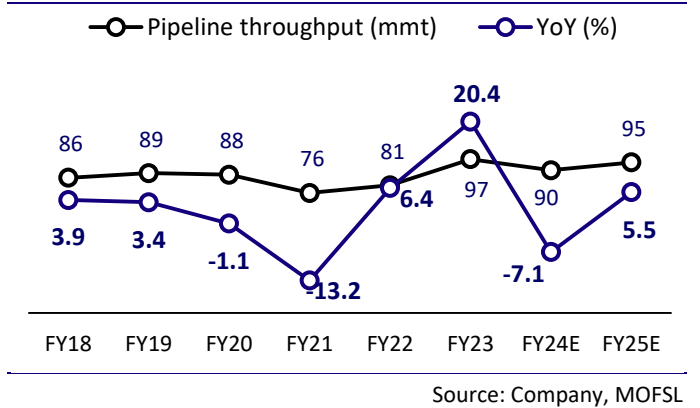
**Exhibit 6: GRM trend**



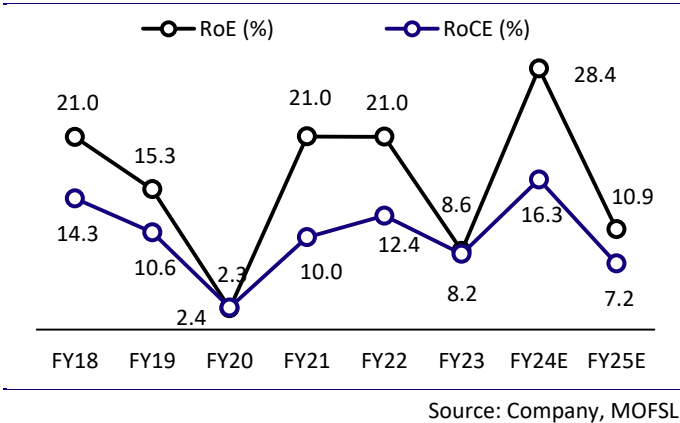
**Exhibit 7: Marketing sales volume**



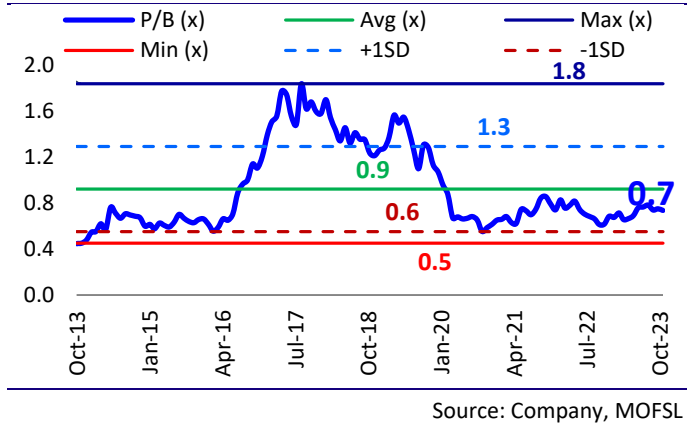
**Exhibit 8: Pipeline throughput**



**Exhibit 9: Return ratios**



**Exhibit 10: IOCL trades at 22% discount to its LT P/BV average**



## Financials and Valuations

### Consolidated - Income Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>4,215</b>	<b>5,282</b>	<b>4,838</b>	<b>3,639</b>	<b>5,893</b>	<b>8,418</b>	<b>9,580</b>	<b>11,153</b>
Change (%)	19%	25%	-8%	-25%	62%	43%	14%	16%
<b>EBITDA</b>	<b>416</b>	<b>352</b>	<b>168</b>	<b>406</b>	<b>477</b>	<b>307</b>	<b>726</b>	<b>410</b>
Margin (%)	10%	7%	3%	11%	8%	4%	8%	4%
Depreciation	77	85	103	109	123	132	147	155
<b>EBIT</b>	<b>340</b>	<b>267</b>	<b>66</b>	<b>296</b>	<b>354</b>	<b>175</b>	<b>580</b>	<b>255</b>
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
<b>PBT bef. EO Exp.</b>	<b>335</b>	<b>245</b>	<b>28</b>	<b>296</b>	<b>331</b>	<b>142</b>	<b>575</b>	<b>242</b>
EO Items	0	0	-113	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>335</b>	<b>245</b>	<b>-85</b>	<b>296</b>	<b>331</b>	<b>142</b>	<b>575</b>	<b>242</b>
Total Tax	118	87	-53	90	86	33	138	58
Tax Rate (%)	35.3	35.3	62.0	30.4	25.9	23.5	24.0	23.9
<b>Reported PAT</b>	<b>226</b>	<b>173</b>	<b>-19</b>	<b>218</b>	<b>257</b>	<b>117</b>	<b>431</b>	<b>185</b>
<b>Adjusted PAT</b>	<b>226</b>	<b>173</b>	<b>24</b>	<b>218</b>	<b>257</b>	<b>117</b>	<b>431</b>	<b>185</b>
Change (%)	11%	-24%	-86%	801%	18%	-55%	268%	-57%
Margin (%)	5.4	3.3	0.5	6.0	4.4	1.4	4.5	1.7

### 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	1,501	1,616
<b>Net Worth</b>	<b>1,139</b>	<b>1,125</b>	<b>954</b>	<b>1,118</b>	<b>1,335</b>	<b>1,397</b>	<b>1,639</b>	<b>1,754</b>
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
<b>Capital Employed</b>	<b>1,905</b>	<b>2,236</b>	<b>2,337</b>	<b>2,353</b>	<b>2,740</b>	<b>3,001</b>	<b>3,481</b>	<b>3,875</b>
Gross Block	1,429	1,599	1,847	2,057	2,214	2,542	3,098	3,445
Less: Accum. Deprn.	189	274	376	486	609	741	888	1,042
<b>Net Fixed Assets</b>	<b>1,241</b>	<b>1,325</b>	<b>1,470</b>	<b>1,571</b>	<b>1,605</b>	<b>1,800</b>	<b>2,210</b>	<b>2,403</b>
Capital WIP	191	250	328	363	475	511	250	197
<b>Total Investments</b>	<b>448</b>	<b>441</b>	<b>356</b>	<b>447</b>	<b>524</b>	<b>522</b>	<b>522</b>	<b>522</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,077</b>	<b>1,336</b>	<b>1,143</b>	<b>1,168</b>	<b>1,503</b>	<b>1,584</b>	<b>2,008</b>	<b>2,559</b>
Inventory	706	771	670	834	1,117	1,211	1,271	1,542
Account Receivables	107	158	133	138	187	163	199	232
Cash and Bank Balance	5	11	23	25	18	21	357	610
Loans and Advances	259	396	317	171	180	189	181	175
<b>Curr. Liability &amp; Prov.</b>	<b>1,051</b>	<b>1,116</b>	<b>961</b>	<b>1,196</b>	<b>1,366</b>	<b>1,416</b>	<b>1,509</b>	<b>1,806</b>
Account Payables	885	992	848	1,087	1,252	1,301	1,394	1,691
Provisions	167	124	112	109	113	116	116	116
<b>Net Current Assets</b>	<b>25</b>	<b>220</b>	<b>182</b>	<b>-28</b>	<b>137</b>	<b>168</b>	<b>499</b>	<b>753</b>
<b>Appl. of Funds</b>	<b>1,905</b>	<b>2,236</b>	<b>2,337</b>	<b>2,353</b>	<b>2,740</b>	<b>3,001</b>	<b>3,481</b>	<b>3,875</b>

## Financials and Valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>16.4</b>	<b>12.5</b>	<b>1.8</b>	<b>15.8</b>	<b>18.7</b>	<b>8.5</b>	<b>31.3</b>	<b>13.5</b>
Cash EPS	22.0	18.7	9.2	23.7	27.6	18.1	41.9	24.7
BV/Share	82.7	81.7	69.3	81.2	97.0	101.5	119.0	127.4
DPS	11.1	9.3	4.3	12.0	12.6	4.5	13.8	5.1
Payout (%)	55	58	-243	59	53	35	44	38
<b>Valuation (x)</b>								
P/E	5.6	7.4	52.8	5.9	5.0	10.9	3.0	6.9
Cash P/E	4.2	4.9	10.0	3.9	3.3	5.1	2.2	3.7
P/BV	1.1	1.1	1.3	1.1	1.0	0.9	0.8	0.7
EV/Sales	0.4	0.3	0.4	0.5	0.4	0.3	0.3	0.2
EV/EBITDA	3.6	5.0	12.4	4.7	4.3	7.3	3.5	6.3
Dividend Yield (%)	12.0	10.0	4.6	13.0	13.6	4.9	14.9	5.5
FCF per share	24.3	2.6	-4.8	48.1	21.4	26.6	26.5	9.5
<b>Return Ratios (%)</b>								
RoE	21.0	15.3	2.3	21.0	21.0	8.6	28.4	10.9
RoCE	14.3	10.6	2.4	10.0	12.4	8.2	16.3	7.2
RoIC	18.7	12.4	1.6	13.1	16.2	7.3	20.5	7.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.9	3.3	2.6	1.8	2.7	3.3	3.1	3.2
Asset Turnover (x)	2.2	2.4	2.1	1.5	2.2	2.8	2.8	2.9
Inventory (Days)	61	53	51	84	69	53	48	50
Debtor (Days)	9	11	10	14	12	7	8	8
Creditor (Days)	77	69	64	109	78	56	53	55
<b>Leverage Ratio (x)</b>								
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	7.5	2.9
Net Debt/Equity	0.5	0.8	1.3	0.9	0.9	1.0	0.8	0.7

### Consolidated - Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>(INR b)</b>								
OP/(Loss) before Tax	345	259	-72	308	343	150	575	242
Depreciation	77	85	103	109	123	132	147	155
Direct Taxes Paid	-73	-56	-22	-41	-75	-15	-138	-58
(Inc)/Dec in WC	-29	-165	50	91	-140	-57	5	-1
<b>CF from Operations</b>	<b>291</b>	<b>127</b>	<b>71</b>	<b>499</b>	<b>246</b>	<b>296</b>	<b>660</b>	<b>426</b>
(Inc)/Dec in FA	-61	-103	-116	-57	-49	-52	-295	-295
<b>Free Cash Flow</b>	<b>230</b>	<b>24</b>	<b>-44</b>	<b>442</b>	<b>196</b>	<b>245</b>	<b>365</b>	<b>131</b>
(Pur)/Sale of Investments	-24	-2	-5	-40	-18	-20	0	0
<b>CF from Investments</b>	<b>-171</b>	<b>-226</b>	<b>-291</b>	<b>-242</b>	<b>-212</b>	<b>-280</b>	<b>-295</b>	<b>-295</b>
Dividend Paid	-115	-117	-58	-84	-109	-33	-189	-70
CF from Fin. Activity	-119	104	232	-254	-40	-13	-29	122
<b>Inc/Dec of Cash</b>	<b>1</b>	<b>6</b>	<b>12</b>	<b>2</b>	<b>-7</b>	<b>3</b>	<b>336</b>	<b>253</b>
Opening Balance	4	5	11	23	25	18	21	357
<b>Closing Balance</b>	<b>5</b>	<b>11</b>	<b>23</b>	<b>25</b>	<b>18</b>	<b>21</b>	<b>357</b>	<b>610</b>

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Explanation of Investment Rating	
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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