

Rating: HOLD | CMP: Rs92 | TP: Rs94

November 2, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	94		97	
Sales (Rs.bn)	8,622	10,189	9,215	10,228
% Chng.	(6.4)	(0.4)		
EBITDA (Rs.bn)	642	435	609	390
% Chng.	5.4	11.3		
EPS (Rs.)	26.7	14.8	24.9	12.4
% Chng.	7.6	19.4		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	8,418	8,622	10,189	10,415
EBITDA (Rs. bn)	307	642	435	436
Margin (%)	3.6	7.4	4.3	4.2
PAT (Rs. bn)	117	368	203	198
EPS (Rs.)	8.5	26.7	14.8	14.4
Gr. (%)	(69.7)	214.7	(44.8)	(2.7)
DPS (Rs.)	3.0	11.8	5.8	5.5
Yield (%)	3.2	12.7	6.2	6.0
RoE (%)	8.6	24.6	12.2	11.1
RoCE (%)	6.5	16.4	8.1	7.1
EV/Sales (x)	0.3	0.3	0.2	0.2
EV/EBITDA (x)	8.6	4.0	5.8	5.7
PE (x)	10.9	3.5	6.3	6.4
P/BV (x)	0.9	0.8	0.7	0.7

Key Data

IOC.BO | IOCL IN

52-W High / Low	Rs.101 / Rs.68
Sensex / Nifty	63,591 / 18,989
Market Cap	Rs.1,306bn/ \$ 15,674m
Shares Outstanding	14,121m
3M Avg. Daily Value	Rs.1196.52m

Shareholding Pattern (%)

Promoter's	51.50
Foreign	7.84
Domestic Institution	10.84
Public & Others	29.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.6	13.6	35.0
Relative	5.2	9.1	29.7

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Elevated GRMs improve earnings

Quick Pointers:

- Singapore GRMs have softened to US\$4.6/bbl amidst decline in product cracks due to demand concerns.
- Gross marketing margin stood at Rs 5.4/ltr against estimate of Rs4.4/ltr.

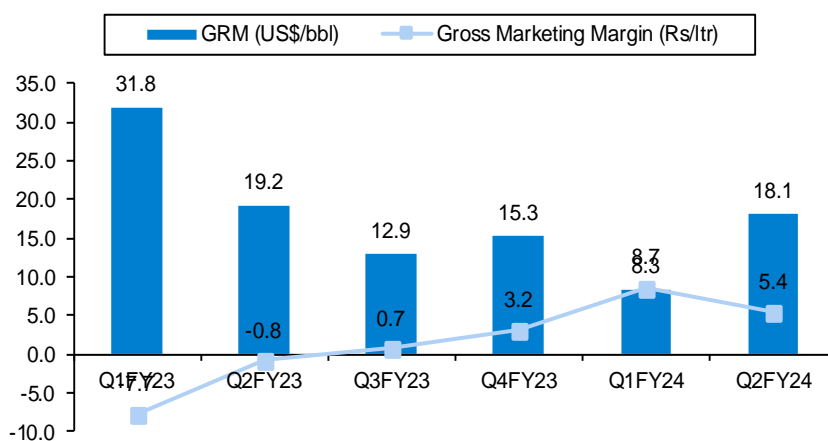
Indian Oil Corporation (IOCL) Q2 EBITDA stood at Rs 213.1 bn (down 4% QoQ, PLe: Rs 171.8 bn) and PAT at Rs 129.7 bn (down 6% QoQ, PLe: Rs96.4 bn). The beat on estimates was driven by higher than expected refining margins. Refining capacity utilization stood at 100.9%. Going ahead, we anticipate GRMs at US\$6/bbl for FY25/26E and gross marketing margin at Rs 4.2/ltr for FY25/26E. The stock is currently trading at a PBV of 0.8x and EV/EBITDA of 4x, factoring in the softening Singapore GRMs and inability to pass on rise in fuel cost. We maintain 'Hold' rating with a TP of Rs 94 (Previous TP Rs 97) based on 0.7x FY26E P/BV.

- **Refining throughput and marketing sales below expectation:** Refining throughput at 17.8 mmt fell by 5% QoQ (PLe: 18.3 mmt). The fall was due to maintenance shutdown undertaken by the company. Capacity utilization for the quarter was 100.9%. On a YoY basis, throughput grew by 10%. Marketing sales came in at 19.7 mmt, down 8% QoQ (PLe: 21.3 mmt). Sales were down 1% YoY. Exports for the quarter were 1.3 mmt.
- **Strong GRMs beat estimates:** IOC reported a GRM of US\$18.1/bbl, higher than our estimate of US\$12.4/bbl. GRMs rose by US\$9.8/bbl QoQ. Strong GRMs were on account of rise in Singapore GRM and inventory gains. On a YoY basis, GRMs were down by US\$1.1/bbl. Singapore GRMs in the current quarter have softened amid demand concerns and hence we build in a GRM of US\$10/6/6/bbl in FY24/25/26E. On the marketing front, implied gross marketing margin came in at Rs 5.4/ltr above our estimate of Rs 4.4/ltr. Marketing margins declined 38% QoQ due to rise in benchmark petrol and diesel prices and capped retail fuel prices. On YoY basis, gross marketing margins grew remarkably against a gross marketing loss of Rs 0.8/ltr. We build in gross marketing margins at Rs 5/4/4/ltr for FY24/25/26E.
- **Significant growth on a YoY basis:** EBITDA grew 325% YoY mainly on account of higher gross marketing margins. Net profit for the quarter was Rs 129.7 bn against a net loss of Rs 2.7 bn in Q2FY23. For H1FY24, EBITDA came in at Rs 3,772.7 bn, up 12.6% YoY. PAT during the period came in at Rs 267.2 bn against a net loss of Rs 23bn YoY.

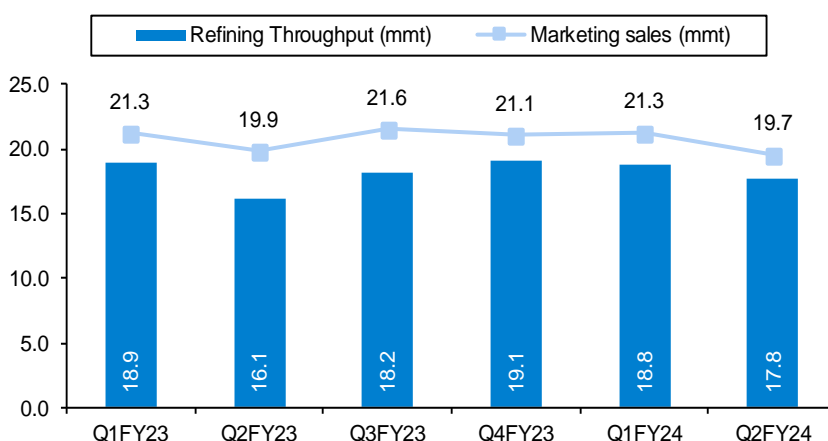
Exhibit 1: Quarterly and Half Yearly Income Statement

Y/e March (Rs bn)	Q2FY24	Q1FY24	QoQ gr.	Q2FY23	YoY gr.	H1FY24	H1FY23	YoY gr.
Net Sales	1797.4	1,975.3	-9.0%	2,074.9	-13.4%	3,772.7	4,317	-12.6%
Total Expenditure	1584.3	1,753.6	-9.7%	2,024.7	-21.8%	3,337.9	4,224	-21.0%
EBITDA	213.1	221.6	-3.8%	50.1	325.2%	434.8	93	367.0%
<i>Margins (%)</i>	<i>11.9</i>	<i>11.2</i>		<i>2.4</i>				
Depreciation	32.8	31.5	4.0%	29.6	10.7%	64.3	58	10.7%
Interest	18.5	16.3	13.5%	14.4	28.1%	34.7	32	9.7%
Other Income	9.8	6.9	42.7%	22.0	-55.3%	16.7	29	-42.0%
PBT	171.7	180.7	-5.0%	-2.4	NA	352.4	-28	NA
Tax	42.0	43.2	-2.8%	0.3	14845.1%	85.3	-5	NA
<i>Rate (%)</i>	<i>24.5</i>	<i>23.9</i>		<i>-11.5</i>				
Reported PAT	129.7	137.5	-5.7%	-2.7	NA	267.2	-23	NA

Source: Company, PL

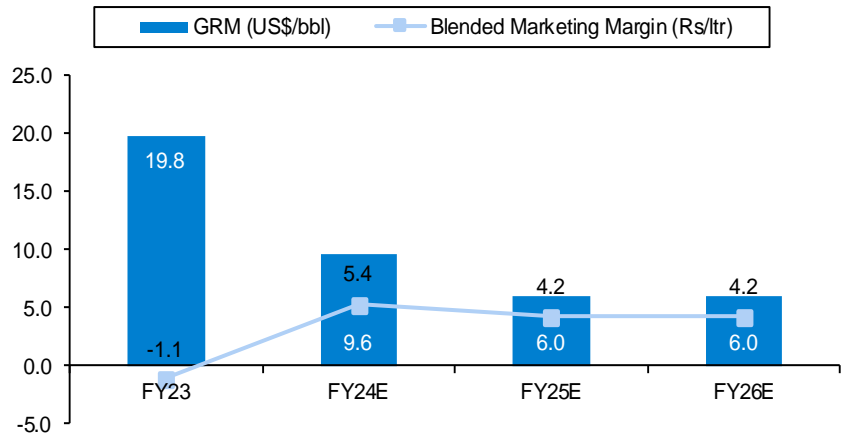
Exhibit 2: GRMs grow by US\$9.8/bbl sequentially


Source: Company, PL

Exhibit 3: Refining throughput declines QoQ due to maintenance shutdown


Source: Company, PL

Exhibit 4: Anticipate GRMs at US\$6/bbl in FY25/26E



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	8,418	8,622	10,189	10,415
YoY gr. (%)	42.8	2.4	18.2	2.2
Cost of Goods Sold	7,476	7,390	9,206	9,425
Gross Profit	941	1,232	983	990
Margin (%)	11.2	14.3	9.7	9.5
Employee Cost	94	-	-	-
Other Expenses	541	589	549	553
EBITDA	307	642	435	436
YoY gr. (%)	(35.7)	109.2	(32.3)	0.4
Margin (%)	3.6	7.4	4.3	4.2
Depreciation and Amortization	132	147	155	160
EBIT	175	496	280	276
Margin (%)	2.1	5.7	2.7	2.7
Net Interest	75	86	87	90
Other Income	42	72	73	73
Profit Before Tax	142	482	266	259
Margin (%)	1.7	5.6	2.6	2.5
Total Tax	33	115	64	64
Effective tax rate (%)	23.5	23.9	24.2	24.5
Profit after tax	108	367	202	196
Minority interest	-	-	-	-
Share Profit from Associate	9	2	2	2
Adjusted PAT	117	368	203	198
YoY gr. (%)	(54.5)	214.7	(44.8)	(2.7)
Margin (%)	1.4	4.3	2.0	1.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	117	368	203	198
YoY gr. (%)	(54.5)	214.7	(44.8)	(2.7)
Margin (%)	1.4	4.3	2.0	1.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	117	368	203	198
Equity Shares O/s (m)	14	14	14	14
EPS (Rs)	8.5	26.7	14.8	14.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	2,542	3,076	3,382	3,644
Tangibles	2,542	3,076	3,382	3,644
Intangibles	-	-	-	-
Acc: Dep / Amortization	741	888	1,042	1,203
Tangibles	741	888	1,042	1,203
Intangibles	-	-	-	-
Net fixed assets	1,800	2,188	2,340	2,441
Tangibles	1,800	2,188	2,340	2,441
Intangibles	-	-	-	-
Capital Work In Progress	511	227	170	159
Goodwill	0	0	0	0
Non-Current Investments	522	522	522	522
Net Deferred tax assets	(168)	(168)	(168)	(168)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,211	1,145	1,400	1,432
Trade receivables	163	179	212	216
Cash & Bank Balance	21	375	680	1,040
Other Current Assets	-	-	-	-
Total Assets	4,418	4,817	5,499	5,982
Equity				
Equity Share Capital	138	138	138	138
Other Equity	1,259	1,466	1,590	1,712
Total Networkth	1,397	1,604	1,728	1,849
Non-Current Liabilities				
Long Term borrowings	1,401	1,639	1,918	2,244
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,301	1,256	1,535	1,570
Other current liabilities	116	116	116	116
Total Equity & Liabilities	4,418	4,817	5,499	5,982

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	150	482	266	259
Add. Depreciation	132	147	155	160
Add. Interest	75	86	87	90
Less Financial Other Income	42	72	73	73
Add. Other	10	2	2	2
Op. profit before WC changes	368	716	509	512
Net Changes-WC	(57)	12	(2)	2
Direct tax	(15)	(115)	(64)	(64)
Net cash from Op. activities	296	613	442	450
Capital expenditures	(52)	(250)	(250)	(250)
Interest / Dividend Income	-	-	-	-
Others	(229)	-	-	-
Net Cash from Inv. activities	(280)	(250)	(250)	(250)
Issue of share cap. / premium	-	-	-	-
Debt changes	108	238	279	326
Dividend paid	(33)	(162)	(79)	(76)
Interest paid	(70)	(86)	(87)	(90)
Others	(18)	-	-	-
Net cash from Fin. activities	(13)	(9)	113	160
Net change in cash	3	354	305	360
Free Cash Flow	245	363	192	200

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	2,047	2,030	1,975	1,797
YoY gr. (%)	22.8	14.5	(11.9)	(13.4)
Raw Material Expenses	1,870	1,754	1,619	1,437
Gross Profit	178	276	357	361
Margin (%)	8.7	13.6	18.1	20.1
EBITDA	53	144	222	213
YoY gr. (%)	(46.4)	13.7	415.9	325.2
Margin (%)	2.6	7.1	11.2	11.9
Depreciation / Depletion	31	30	32	33
EBIT	22	114	190	180
Margin (%)	1.1	5.6	9.6	10.0
Net Interest	20	18	16	18
Other Income	-	26	7	10
Profit before Tax	3	122	181	172
Margin (%)	0.1	6.0	9.2	9.6
Total Tax	(2)	22	43	42
Effective tax rate (%)	(74.6)	17.7	23.9	24.5
Profit after Tax	4	101	138	130
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4	101	138	130
YoY gr. (%)	(92.4)	67.0	(790.1)	(4,861.3)
Margin (%)	0.2	5.0	7.0	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	101	138	130
YoY gr. (%)	(92.4)	67.0	(790.1)	(4,861.3)
Margin (%)	0.2	5.0	7.0	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	101	138	130
Avg. Shares O/s (m)	14	14	14	14
EPS (Rs)	0.3	7.3	10.0	9.4

Source: Company Data, PL Research

Key Financial Metrics

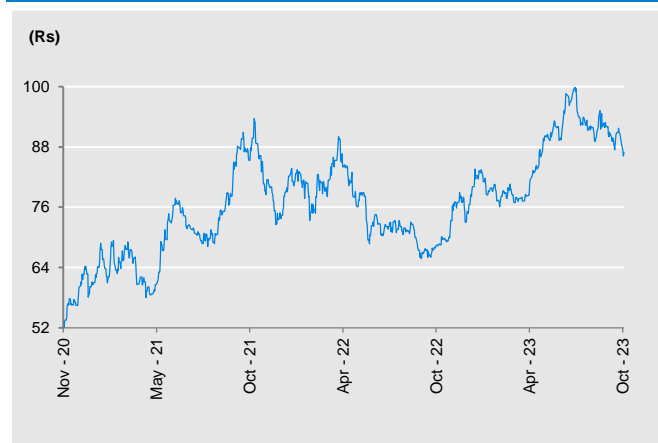
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	8.5	26.7	14.8	14.4
CEPS	18.1	37.4	26.0	26.0
BVPS	101.5	116.4	125.5	134.3
FCF	17.8	26.4	14.0	14.6
DPS	3.0	11.8	5.8	5.5
Return Ratio(%)				
RoCE	6.5	16.4	8.1	7.1
ROIC	4.0	11.2	5.8	5.6
RoE	8.6	24.6	12.2	11.1
Balance Sheet				
Net Debt : Equity (x)	1.0	0.8	0.7	0.7
Net Working Capital (Days)	9	11	8	8
Valuation(x)				
PER	10.9	3.5	6.3	6.4
P/B	0.9	0.8	0.7	0.7
P/CEPS	18.1	37.4	26.0	26.0
EV/EBITDA	8.6	4.0	5.8	5.7
EV/Sales	0.3	0.3	0.2	0.2
Dividend Yield (%)	3.2	12.7	6.2	6.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Crude Cost (US\$/bbl)	96.1	89.2	90.0	90.0
Refining Throughput (mmtpa)	72.3	72.6	72.0	72.0
GRM (US\$/bbl)	19.8	9.6	6.0	6.0
Marketing Sales (mmtpa)	84.0	85.5	88.9	92.4
Gross Marketing Margin (Rs/ltr)	(1.1)	5.4	4.2	4.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-23	Hold	97	90
2	22-Aug-23	Hold	97	92
3	04-Jul-23	BUY	125	95
4	17-May-23	BUY	125	87
5	06-Apr-23	BUY	125	77
6	31-Jan-23	BUY	125	82
7	03-Jan-23	BUY	130	78
8	09-Dec-22	BUY	130	77

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	472	489
2	Bayer Cropscience	Accumulate	4,720	5,270
3	Bharat Petroleum Corporation	Hold	365	347
4	Bharti Airtel	Accumulate	936	926
5	Clean Science and Technology	Hold	1,418	1,410
6	Deepak Nitrite	Reduce	1,854	2,125
7	Dhanuka Agritech	BUY	950	854
8	Fine Organic Industries	Hold	4,710	4,921
9	GAIL (India)	BUY	139	120
10	Godrej Agrovet	Hold	420	515
11	Gujarat Fluorochemicals	Accumulate	3,230	2,846
12	Gujarat Gas	Accumulate	480	425
13	Gujarat State Petronet	BUY	327	290
14	Hindustan Petroleum Corporation	Hold	263	258
15	Indian Oil Corporation	Hold	97	90
16	Indraprastha Gas	Hold	539	460
17	Insecticides India	Accumulate	550	514
18	Jubilant Ingrevia	Hold	462	484
19	Laxmi Organic Industries	Reduce	220	254
20	Mahanagar Gas	Hold	1,065	1,015
21	Manglore Refinery & Petrochemicals	Hold	94	96
22	Navin Fluorine International	BUY	4,007	3,430
23	NOCIL	Hold	228	226
24	Oil & Natural Gas Corporation	BUY	202	181
25	Oil India	BUY	341	296
26	P.I. Industries	BUY	4,850	3,421
27	Petronet LNG	Hold	208	202
28	Rallis India	Reduce	190	217
29	Reliance Industries	BUY	2,618	2,266

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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