

Estimate change



TP change



Rating change



Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	2384.4 / 28.6
52-Week Range (INR)	197 / 81
1, 6, 12 Rel. Per (%)	-1/73/82
12M Avg Val (INR M)	3337

### Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7,764	10,621	11,418
EBITDA	768	440	458
Adj. PAT	406	176	187
Adj. EPS (INR)	29.5	12.7	13.6
EPS Gr. (%)	344.7	-56.7	6.6
BV/Sh.(INR)	133.2	140.7	148.6
<b>Ratios</b>			
Net D:E	0.7	0.7	0.6
RoE (%)	25.1	9.3	9.4
RoCE (%)	16.6	7.6	7.2
Payout (%)	39.6	41.2	41.4
<b>Valuations</b>			
P/E (x)	5.7	13.3	12.4
P/B (x)	1.3	1.2	1.1
EV/EBITDA (x)	3.6	8.2	7.9
Div. Yield (%)	10.7	3.1	3.3
FCF Yield (%)	42.6	3.4	6.2

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	51.5	51.5	51.5
DII	29.8	29.5	31.5
FII	8.5	8.9	6.9
Others	10.2	10.1	10.1

FII Includes depository receipts

**CMP: INR169**

**TP: INR195 (+15%)**

**Buy**

### Inventory loss and weak petchem lead to earnings miss

- IOCL's 4QFY24 EBITDA of INR104b (down 27% YoY) was 26% below our estimate of INR141b due to weaker-than-estimated reported GRM (USD8.4/bbl in 4QFY24 vs. our estimate of USD15.0/bbl). The subdued result was also due to the continuing weak performance of the petrochemical division (EBIT loss of INR4b).
- Core GRM in 4QFY24 came in at USD10.6/bbl; for FY25-26, we are building in GRMs of USD9/bbl. As such, we believe the refining segment's performance will remain healthy given the robust oil demand.
- However, the petchem segment reported an operating loss for the second consecutive quarter amid weak petchem spreads (PE, PP) for key products. While [we remain constructive on the petchem cycle turning around in 2HFY25](#), we believe the near-term earnings pressure may continue.
- OMCs are estimated to generate marketing margins of INR2.0/INR0.5 per lit on petrol/diesel in Apr'24 vs. our assumptions of INR3.3/lit for both products in FY25-26.
- Owing to the weak petchem performance recently, we cut our consolidated EBITDA/EPS estimates by 7%/21% for FY25 and by 3%/12% for FY26. We maintain our earnings assumptions for the refining and marketing segments. The stock trades at 12.4x consolidated FY26E EPS and 1.1x FY26E P/B. **We reiterate our BUY rating on the stock, valuing it at 1.3x FY26E P/B.**

### Throughput and marketing sales volume in line

- Reported GRM came in below our est. at USD8.4/bbl (vs. our est. of USD15.0/bbl and USD13.5/bbl in 3QFY24). Core GRM stood at USD10.6/bbl (v/s USD20.1/bbl in 4QFY23 and USD10/bbl in 3QFY24), implying an inventory loss of USD2.2/bbl during the quarter.
- Refining throughput came in line with our estimate at 18.3mmt (down 4% YoY). In the marketing segment, domestic sales volume was also in line with our estimate at 23.7mmt (up 3% YoY).
- Petchem sales volume rose 18% YoY to 0.80mmt (vs. 0.68mmt in 4QFY23). Petchem segment reported a loss of INR4b at the EBIT level. Petchem margins were also flat QoQ during 4QFY24.
- Marketing margin (including inv.) was above our est. at INR5.2/lit (est. INR3.8/lit and INR4.5/lit in 3QFY24). Marketing volume, excluding exports, was in line with our estimate at 23.7mmt (+3% YoY).
- EBITDA was below our est. at INR104.4b (our est. of INR140.7b, down 27% YoY). PAT came at INR48.4b (our est. of INR71.0b, down 52% YoY).
- **In FY24**, EBITDA was up ~2.4x YoY to INR694b, with a PAT of INR396b (vs. PAT of INR82b in FY23).
- Refining throughput was up 1% YoY to 73.3mmt, with reported GRM at USD12.1/bbl (vs. USD19.8/bbl in FY23). Marketing margin stood at INR6/lit (vs. loss of INR1.1/lit in FY23).

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

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- IOCL had a cumulative negative net buffer of INR10.2b as of 31<sup>st</sup> Mar'24 due to under-recovery on LPG cylinders (as the retail selling price was less than MDP). The total cumulative uncompensated loss stood at INR48b.
- IOCL announced a final dividend of INR7/share for FY24.

### Valuation and View

- IOCL is set to commission various projects over the next two years, driving further growth. Refinery projects, currently under way, are expected to be completed as follows: Panipat refinery (25mmtpa) by Dec'25, Gujarat refinery (18mmtpa) by Oct'24, and Baruni refinery (9mmtpa) by Dec'24.
- SG GRM has declined to ~USD4.1/bbl in 1QFY25 to date (vs. USD7.3/bbl during 4QFY24). IOCL has the highest leverage in the refining segment among its peers and is most likely to be susceptible to changes in SG GRM.
- The stock trades at 12.4x consolidated FY26E EPS of INR13.6 and 1.1x FY26E P/B. **We reiterate our BUY rating on the stock, valuing it at 1.3x FY26E P/B to arrive at our TP of INR195.**

### Standalone - Quarterly Earnings Model

(INR b)

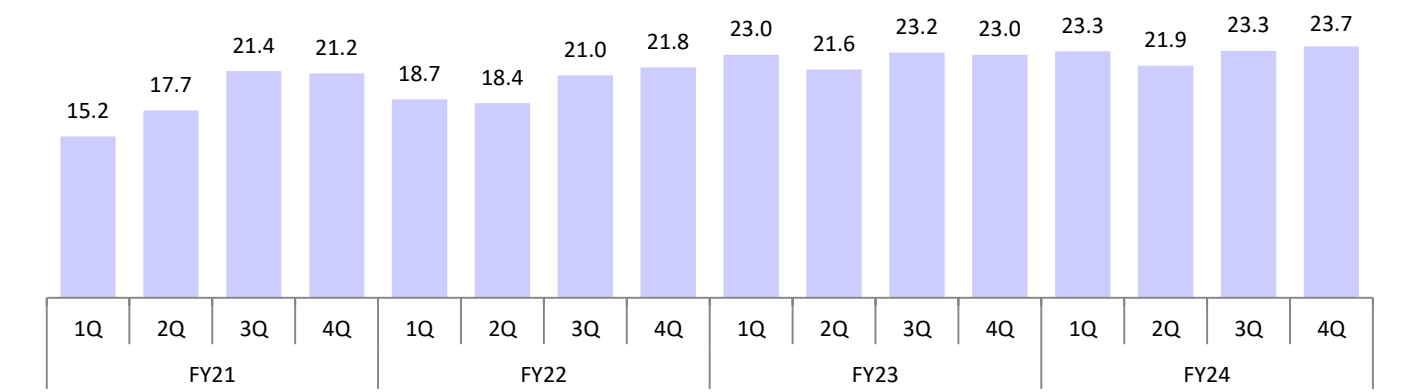
Y/E March	FY23				FY24				FY23	FY24	FY24 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Sales</b>	<b>2242.5</b>	<b>2074.9</b>	<b>2047.4</b>	<b>2029.9</b>	<b>1975.3</b>	<b>1797.4</b>	<b>1991.0</b>	<b>1979.8</b>	<b>8394.7</b>	<b>7743.5</b>	<b>1966.9</b>	<b>1%</b>
YoY Change (%)	89.0	53.2	22.8	14.5	-11.9	-13.4	-2.8	-2.5	40.3	-7.8	-3.1	
<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>154.9</b>	<b>104.4</b>	<b>289.5</b>	<b>694.0</b>	<b>140.7</b>	<b>-26%</b>
Margin (%)	1.9	2.4	2.6	7.1	11.2	11.9	7.8	5.3	3.4	9.0	7.2	
Depreciation	28.5	29.6	31.0	29.5	31.5	32.8	43.4	37.4	118.6	145.1	42.7	
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	18.3	20.2	69.3	73.3	18.5	
Other Income	6.8	22.0	17.2	16.4	6.9	9.8	14.5	16.6	62.4	47.8	14.6	
<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>107.7</b>	<b>63.3</b>	<b>97.0</b>	<b>523.4</b>	<b>94.0</b>	<b>-33%</b>
Tax	-5.4	0.3	-1.9	21.6	43.2	42.0	27.0	14.9	14.6	127.3	23.0	-35%
Rate (%)	21.2	-11.5	-74.6	17.7	23.9	24.5	25.1	23.6	15.0	24.3	24.5	
<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>80.6</b>	<b>48.4</b>	<b>82.4</b>	<b>396.2</b>	<b>71.0</b>	<b>-32%</b>
YoY Change (%)	PL	PL	-92.4	67.0	LP	LP	1699.8	-51.9	-65.9	380.7	-29.4	
Margin (%)	-0.9	-0.1	0.2	5.0	7.0	7.2	4.0	2.4	1.0	5.1	3.6	
<b>Key Assumptions</b>												
Refining throughput (mmt)	18.9	16.1	18.2	19.1	18.8	17.8	18.5	18.3	72.3	73.3	17.5	5%
Reported GRM	31.8	19.2	12.9	15.3	8.3	17.9	13.5	8.4	19.8	12.1	15.0	-44%
Domestic sale of refined products (mmt)	23.0	21.6	23.2	23.0	23.3	21.9	23.3	23.7	90.7	92.3	23.6	0%
Marketing GM incld. inv. per litre (INR/litre)	-7.2	-0.7	0.7	2.7	8.7	5.6	4.5	5.2	-1.1	6.0	3.8	36%

### Exhibit 1: Key assumptions

Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Exchange Rate (INR/USD)</b>	<b>70.0</b>	<b>70.9</b>	<b>74.3</b>	<b>74.5</b>	<b>80.4</b>	<b>82.8</b>	<b>83.9</b>	<b>85.0</b>
<b>Brent Crude (USD/bbl)</b>	<b>70.1</b>	<b>61.2</b>	<b>44.4</b>	<b>80.5</b>	<b>96.1</b>	<b>83.0</b>	<b>85.0</b>	<b>85.0</b>
Domestic direct sales refined pdts (MMT)	85	84	76	80	91	92	96	100
YoY (%)	10%	0%	-10%	6%	13%	2%	4%	4%
<b>Reported GRM (USD/bbl)</b>	<b>5.4</b>	<b>0.1</b>	<b>5.6</b>	<b>11.3</b>	<b>19.5</b>	<b>12.1</b>	<b>9.0</b>	<b>9.0</b>
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	6.0	6.0
Prem./(disc) (USD/bbl)	0.5	(3.1)	5.1	6.3	8.8	5.5	3.0	3.0
<b>Refining capacity utilization (%)</b>	<b>104%</b>	<b>100%</b>	<b>90%</b>	<b>98%</b>	<b>105%</b>	<b>106%</b>	<b>104%</b>	<b>104%</b>
Total Refinery throughput (MMT)	71.8	69.4	62.4	67.7	72.3	73.3	72.0	72.0
YoY (%)	4%	-3%	-10%	9%	7%	1%	-2%	0%
<b>Marketing Margin (INR/lit)</b>								
Blended gross marketing margin incld inventory	5.0	5.8	6.2	4.4	-1.1	6.0	4.1	4.1
<b>Consolidated EPS</b>	<b>12.5</b>	<b>1.8</b>	<b>15.8</b>	<b>18.7</b>	<b>6.6</b>	<b>29.5</b>	<b>12.7</b>	<b>13.6</b>

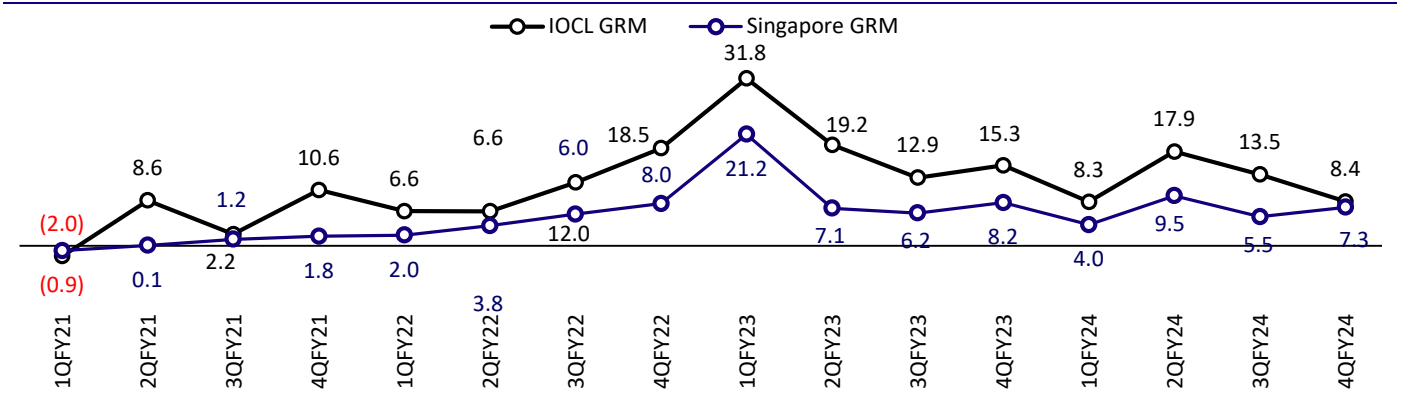
Source: Company, MOFSL

**Exhibit 2: Domestic sales grew 3.4% YoY to 23.7mmt**



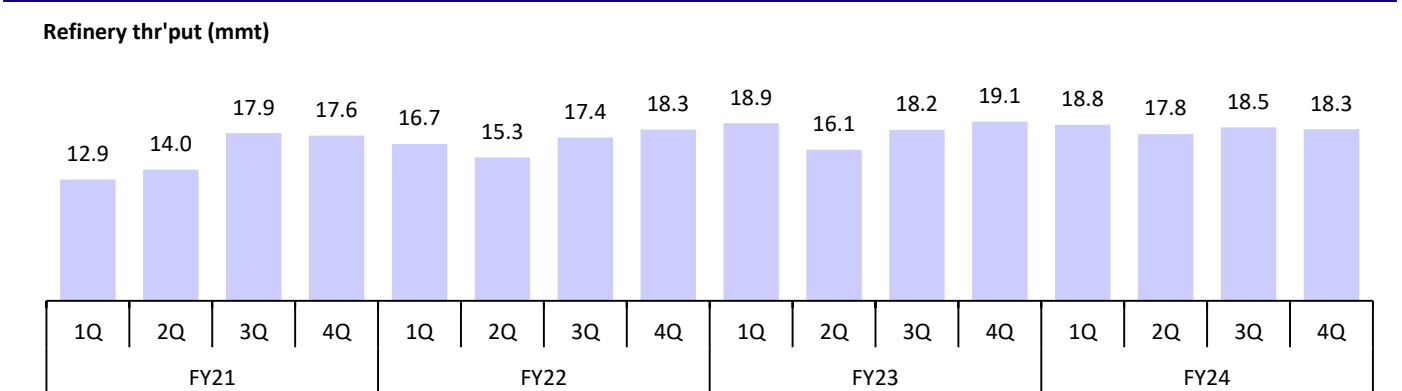
Source: Company, MOFSL

**Exhibit 3: Reported GRM stood at USD8.4/bbl (vs. SG GRM of USD7.3/bbl)**



Source: Company, MOFSL

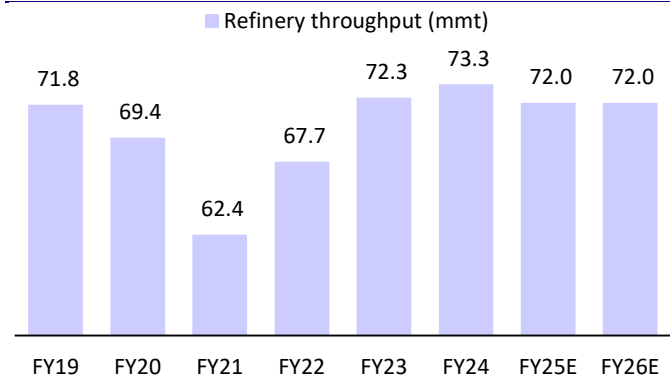
**Exhibit 4: Refinery throughput at 18.3mmt, down 4.4% YoY**



Source: Company, MOFSL

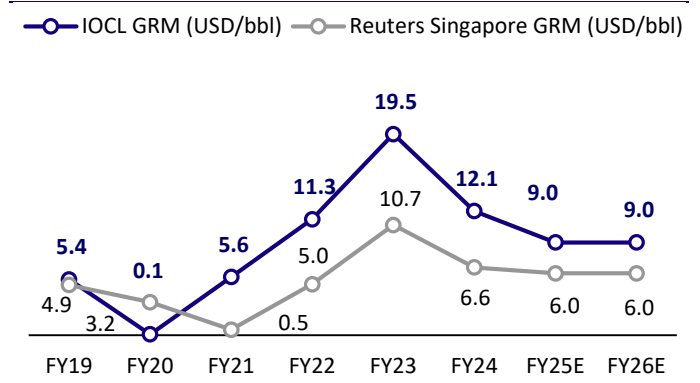
## Story in charts

**Exhibit 5: Refining throughput of IOCL**



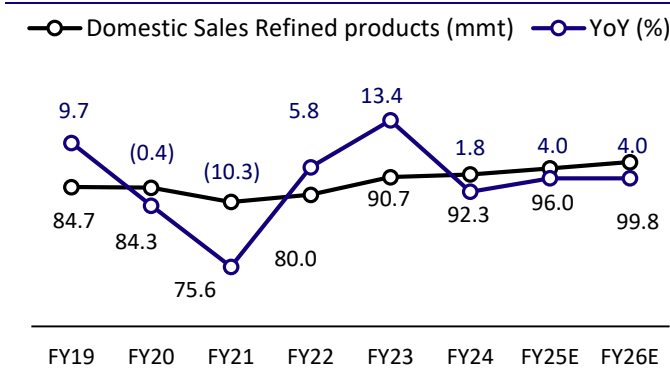
Source: Company, MOFSL

**Exhibit 6: GRM trend**



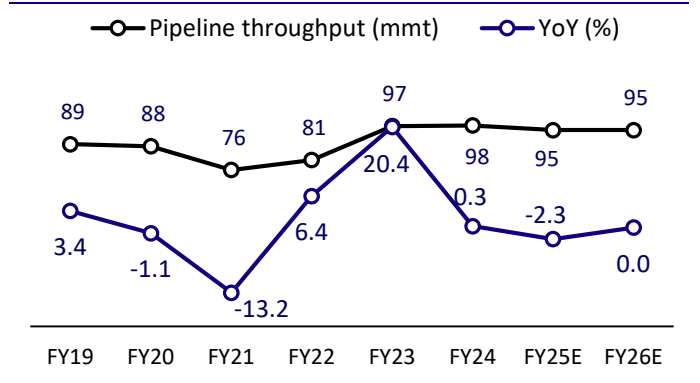
Source: Company, MOFSL

**Exhibit 7: Marketing sales volume**



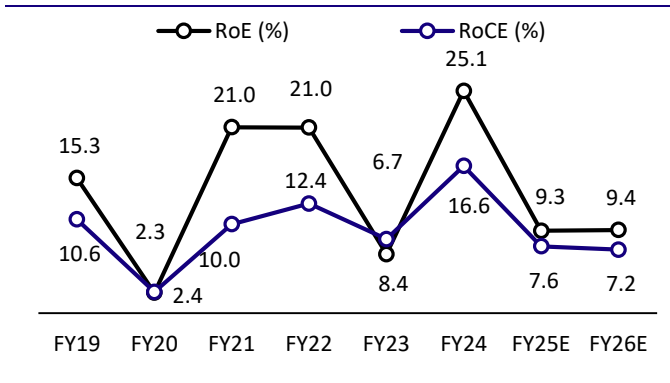
Source: Company, MOFSL

**Exhibit 8: Pipeline throughput**



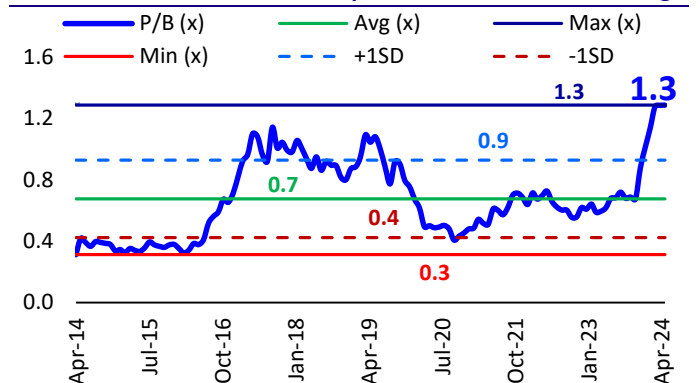
Source: Company, MOFSL

**Exhibit 9: Return ratios**



Source: Company, MOFSL

**Exhibit 10: IOCL trades at 86% premium to its LT P/B average**



Source: Company, MOFSL

## Financials and Valuations

Consolidated - Income Statement							(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>5,282</b>	<b>4,838</b>	<b>3,639</b>	<b>5,893</b>	<b>8,418</b>	<b>7,764</b>	<b>10,621</b>	<b>11,418</b>
<i>Change (%)</i>	25%	-8%	-25%	62%	43%	-8%	37%	8%
<b>EBITDA</b>	<b>352</b>	<b>168</b>	<b>406</b>	<b>477</b>	<b>306</b>	<b>768</b>	<b>440</b>	<b>458</b>
<i>Margin (%)</i>	7%	3%	11%	8%	4%	10%	4%	4%
Depreciation	85	103	109	123	132	159	162	166
<b>EBIT</b>	<b>267</b>	<b>66</b>	<b>296</b>	<b>354</b>	<b>175</b>	<b>609</b>	<b>277</b>	<b>292</b>
Int. and Finance Charges	49	66	36	54	75	78	79	80
Net Forex Loss	17	41	-13	15	72	12	0	0
Other Income	45	69	22	45	114	38	39	40
<b>PBT bef. EO Exp.</b>	<b>245</b>	<b>28</b>	<b>296</b>	<b>331</b>	<b>142</b>	<b>557</b>	<b>237</b>	<b>251</b>
<i>EO Items</i>	0	-113	0	0	9	15	0	0
<b>PBT after EO Exp.</b>	<b>245</b>	<b>-85</b>	<b>296</b>	<b>331</b>	<b>150</b>	<b>573</b>	<b>237</b>	<b>251</b>
Total Tax	87	-53	90	86	33	141	55	58
<i>Tax Rate (%)</i>	35.3	62.0	30.4	25.9	22.2	24.7	23.1	22.9
Share of JVs/associates	-14	-14	-12	-12	19	14	7	7
<b>Reported PAT</b>	<b>173</b>	<b>-19</b>	<b>218</b>	<b>257</b>	<b>98</b>	<b>417</b>	<b>176</b>	<b>187</b>
<b>Adjusted PAT</b>	<b>173</b>	<b>24</b>	<b>218</b>	<b>257</b>	<b>91</b>	<b>406</b>	<b>176</b>	<b>187</b>
<i>Change (%)</i>	-24%	-86%	801%	18%	-65%	345%	-57%	7%
<i>Margin (%)</i>	3.3	0.5	6.0	4.4	1.1	5.2	1.7	1.6

Consolidated - Balance Sheet							(INR b)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	92	92	92	92	138	138	138	138
Total Reserves	1,033	862	1,027	1,244	1,259	1,696	1,800	1,909
<b>Net Worth</b>	<b>1,125</b>	<b>954</b>	<b>1,118</b>	<b>1,335</b>	<b>1,397</b>	<b>1,834</b>	<b>1,937</b>	<b>2,047</b>
Minority Interest	19	9	10	16	35	47	47	47
Total Loans	927	1,260	1,085	1,236	1,401	1,235	1,444	1,690
Deferred Tax Liabilities	165	114	140	154	168	190	190	190
<b>Capital Employed</b>	<b>2,236</b>	<b>2,337</b>	<b>2,353</b>	<b>2,740</b>	<b>3,001</b>	<b>3,306</b>	<b>3,619</b>	<b>3,974</b>
Gross Block	1,599	1,847	2,057	2,214	2,542	2,860	3,496	3,859
Less: Accum. Deprn.	274	376	486	609	741	900	1,062	1,228
<b>Net Fixed Assets</b>	<b>1,325</b>	<b>1,470</b>	<b>1,571</b>	<b>1,605</b>	<b>1,800</b>	<b>1,960</b>	<b>2,433</b>	<b>2,630</b>
Capital WIP	250	328	363	475	511	610	270	201
<b>Total Investments</b>	<b>441</b>	<b>356</b>	<b>447</b>	<b>524</b>	<b>522</b>	<b>655</b>	<b>655</b>	<b>655</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,336</b>	<b>1,143</b>	<b>1,168</b>	<b>1,503</b>	<b>1,583</b>	<b>1,598</b>	<b>2,344</b>	<b>2,720</b>
Inventory	771	670	834	1,117	1,211	1,214	1,764	1,899
Account Receivables	158	133	138	187	164	138	207	222
Cash and Bank Balance	11	23	25	18	21	32	168	400
Loans and Advances	396	317	171	180	187	214	205	199
<b>Curr. Liability &amp; Prov.</b>	<b>1,116</b>	<b>961</b>	<b>1,196</b>	<b>1,366</b>	<b>1,416</b>	<b>1,518</b>	<b>2,083</b>	<b>2,234</b>
Account Payables	992	848	1,087	1,252	1,300	1,397	1,963	2,113
Provisions	124	112	109	113	116	120	120	120
<b>Net Current Assets</b>	<b>220</b>	<b>182</b>	<b>-28</b>	<b>137</b>	<b>168</b>	<b>80</b>	<b>261</b>	<b>487</b>
<b>Appl. of Funds</b>	<b>2,236</b>	<b>2,337</b>	<b>2,353</b>	<b>2,740</b>	<b>3,001</b>	<b>3,306</b>	<b>3,619</b>	<b>3,974</b>

## Financials and Valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>12.5</b>	<b>1.8</b>	<b>15.8</b>	<b>18.7</b>	<b>6.6</b>	<b>29.5</b>	<b>12.7</b>	<b>13.6</b>
Cash EPS	18.7	9.2	23.7	27.6	16.2	41.0	24.5	25.6
BV/Share	81.7	69.3	81.2	97.0	101.5	133.2	140.7	148.6
DPS	9.3	4.3	12.0	12.6	4.5	18.0	5.3	5.6
Payout (%)	58	-243	59	53	42	40	41	41
<b>Valuation (x)</b>								
P/E	13.5	96.4	10.7	9.0	25.5	5.7	13.3	12.4
Cash P/E	9.0	18.3	7.1	6.1	10.4	4.1	6.9	6.6
P/B	2.1	2.4	2.1	1.7	1.7	1.3	1.2	1.1
EV/Sales	0.5	0.6	0.7	0.5	0.3	0.4	0.3	0.3
EV/EBITDA	7.0	16.6	6.4	5.8	9.6	3.6	8.2	7.9
Dividend Yield (%)	5.5	2.5	7.1	7.5	2.7	10.7	3.1	3.3
FCF per share	2.6	-4.8	48.1	21.4	26.6	72.0	5.7	10.5
<b>Return Ratios (%)</b>								
RoE	15.3	2.3	21.0	21.0	6.7	25.1	9.3	9.4
RoCE	10.6	2.4	10.0	12.4	8.4	16.6	7.6	7.2
RoIC	12.4	1.6	13.1	16.2	7.4	23.2	9.4	8.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.3	2.6	1.8	2.7	3.3	2.7	3.0	3.0
Asset Turnover (x)	2.4	2.1	1.5	2.2	2.8	2.3	2.9	2.9
Inventory (Days)	53	51	84	69	53	57	61	61
Debtor (Days)	11	10	14	12	7	7	7	7
Creditor (Days)	69	64	109	78	56	66	67	68
<b>Leverage Ratio (x)</b>								
Current Ratio	1.2	1.2	1.0	1.1	1.1	1.1	1.1	1.2
Interest Cover Ratio	5.5	1.0	8.3	6.5	2.3	7.8	3.5	3.6
Net Debt/Equity	0.8	1.3	0.9	0.9	1.0	0.7	0.7	0.6

### Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	259	-72	308	343	150	573	237	251
Depreciation	85	103	109	123	132	159	162	166
Direct Taxes Paid	-56	-22	-41	-75	-15	-119	-55	-58
(Inc)/Dec in WC	-165	50	91	-140	-57	62	-44	6
<b>CF from Operations</b>	<b>127</b>	<b>71</b>	<b>499</b>	<b>246</b>	<b>296</b>	<b>711</b>	<b>373</b>	<b>440</b>
(Inc)/Dec in FA	-103	-116	-57	-49	-52	-50	-295	-295
<b>Free Cash Flow</b>	<b>24</b>	<b>-44</b>	<b>442</b>	<b>196</b>	<b>245</b>	<b>661</b>	<b>78</b>	<b>145</b>
(Pur)/Sale of Investments	-2	-5	-40	-18	-20	-39	0	0
<b>CF from Investments</b>	<b>-226</b>	<b>-291</b>	<b>-242</b>	<b>-212</b>	<b>-280</b>	<b>-315</b>	<b>-295</b>	<b>-295</b>
Dividend Paid	-117	-58	-84	-109	-33	-110	-72	-78
CF from Fin. Activity	104	232	-254	-40	-13	-394	58	88
<b>Inc/Dec of Cash</b>	<b>6</b>	<b>12</b>	<b>2</b>	<b>-7</b>	<b>3</b>	<b>3</b>	<b>136</b>	<b>232</b>
Opening Balance	5	11	23	25	18	10	32	168
<b>Closing Balance</b>	<b>11</b>	<b>23</b>	<b>25</b>	<b>18</b>	<b>21</b>	<b>12</b>	<b>168</b>	<b>400</b>

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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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