

Estimate change

TP change

Rating change



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Bloomberg	IOCL IN
Equity Shares (m)	14,121
M.Cap.(INRb)/(USD\$)	1030.1 / 13
52-Week Range (INR)	95 / 68
1, 6, 12 Rel. Per (%)	-9/-12/-4
12M Avg Val (INR M)	1524

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	5,893	8,202	8,513
EBITDA	477.4	311.4	358.2
Adj. PAT	257.3	122.2	155.5
Adj. EPS (INR)	9.3	4.4	5.6
EPS Gr. (%)	18.2	(52.5)	27.2
BV/Sh.(INR)	48.5	44.0	40.1

Ratios

Net D:E	0.9	1.1	1.4
RoE (%)	21.0	9.6	13.4
RoCE (%)	11.9	6.2	7.3
Payout (%)	157.8	50.9	50.6

Valuations

P/E (x)	7.8	16.4	12.9
P/BV (x)	1.5	1.7	1.8
EV/EBITDA (x)	6.8	10.8	10.0
Div. Yield (%)	17.3	3.1	3.9
FCF Yield (%)	0.4	8.6	5.0

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: INR73
TP: INR100 (+37%)
Buy

Strong GRM steals the show in 1QFY23

- IOCL reported an EBITDA of INR13.6b (-88% YoY) ahead of our estimates of negative INR8.4b. The beat was mainly driven by robust reported GRM at USD31.8/bbl (v/s our estimate of USD25.8/bbl) with core GRM being at USD25.3/bbl.
- In the refining segment, throughput came in at 18.9mmt (+13% YoY) that was broadly in line with our estimate (of 18mmt) with an all-time high GRM of USD31.8/bbl. High GRM is primarily led by high Singapore GRM, which was at an all-time high of ~USD21/bbl in 1QFY23 (long-term avg of USD2-4/ bbl).
- In the marketing segment, both domestic sales volumes and export volumes remained strong, which were up 23% and 6% YoY to 21.3mmt and 1.7mmt, respectively. However, OMCs are estimated to have generated losses of INR8.8/INR12.4 per liter on petrol/diesel, respectively, in 1QFY23.
- While petchem margins remained modest in 1QFY23 (up 9%/4%/1% QoQ for PE/PP/PVC, respectively) they were muted in Jul'22 compared with 1QFY23 average cracks due to lower product prices. Petchem sales volumes also declined 2% YoY/17% QoQ to 0.64mmt in 1QFY23.
- Factoring in the aforementioned reasons, we lower our FY23E EBITDA by 24% due to downward revision in our GRM assumption for 2QFY23 to USD7.8/bbl v/s USD19.6/ bbl earlier (keeping FY24E broadly unchanged).
- IOCL is likely to benefit the most among its peers from an uptick in refining margin, further supported by robust near-term petchem margin. We value the stock at 2.5x FY24E P/BV to arrive at our TP of INR100. We maintain our BUY rating on the stock with a 37% upside potential.

GRM remains robust; refining throughput in line

- IOCL's standalone EBITDA came in at INR13.6b (down 88% YoY) and it posted a loss of INR19.9b (v/s profit of INR60b in 4QFY22 and INR59b in 1QFY22).
- Utilization of high sulphur crude oil was 57.9% in 1QFY23 (v/s 61.2% in 4QFY22), with refinery capacity utilization rate at 108.4%.
- IOCL reported GRM of USD31.8/bbl (v/s our estimate of USD25.8/ bbl) with core GRM at USD25.3/bbl. Refinery throughput was largely in line at 18.9mmt.
- Gross marketing margin (including inventory) was negative INR7.6/liter in 1QFY23 (v/s INR2.3/liter in 4QFY22) with domestic sales of products at 21.3mmt.
- Petchem EBITDA/mt stood at USD199 (+19% QoQ, -51% YoY); Petchem sales volumes declined 2% YoY/17% QoQ to 0.64mmt.

Valuation and View

- IOCL is set to commission various projects over the next three years driving growth further. Refinery projects currently underway are expected to be completed as follows as per earlier guidance: Panipat refinery (to 25mmt/tpa) by Sep'24, Gujarat refinery (to 18mmt/tpa) by Aug'23 and Baruni refinery (to 9mmt/tpa) by Apr'23.

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- Given the aggressive guidance of upcoming projects, we have assumed a capex of INR250b for FY23/24E with ROCE profile of 6-7%.
- We expect dividend payout to be around similar levels of 51% for FY23-24 as well. The stock trades at 5.6x consol. FY24E EPS and 1.8x FY24E PBV. IOCL is likely to benefit the most among its peers from an uptick in refining margin, further supported by robust petchem margin in the near term. **We value the stock at 2.5x FY24E P/BV to arrive at our target price of INR100. We maintain our BUY rating on the stock with 37% upside potential.**

Standalone - Quarterly Earnings Model

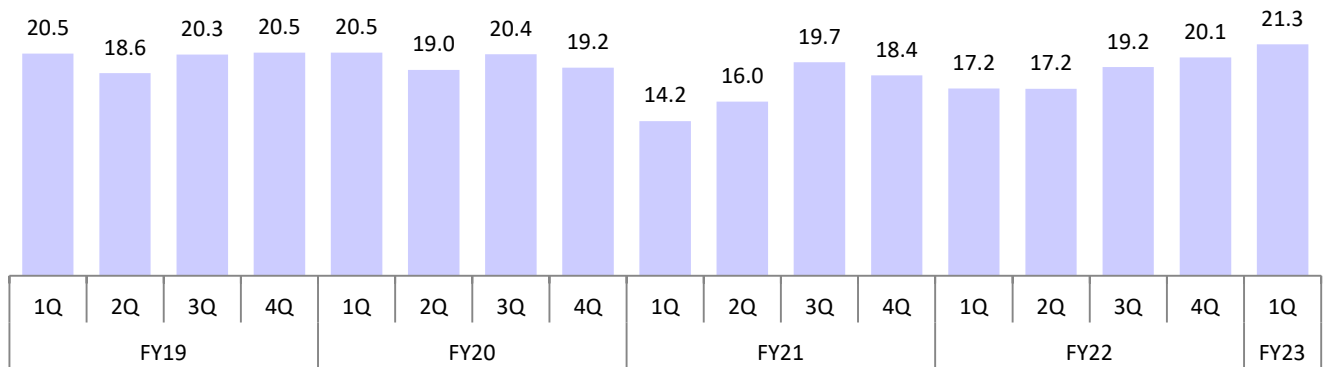
(INR b)

Y/E March	FY22				FY23				FY22	FY23	FY23	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	1,187	1,354	1,668	1,773	2,243	1,905	2,022	1,996	5,982	8,165	2,293	-2%
YoY Change (%)	90.2	58.2	56.8	43.3	89.0	40.7	21.2	12.6	58.2	36.5	93.2	
EBITDA	111.3	106.3	98.6	116.3	13.6	104.3	79.6	80.7	432	278	-8.4	-262%
Margins (%)	9.4	7.8	5.9	6.6	0.6	5.5	3.9	4.0	7.2	3.4	-0.4	
Depreciation	26.3	27.1	27.8	28.9	28.5	29.7	30.0	29.4	110	118	29.4	
Interest	12.6	9.9	9.8	16.1	17.2	13.4	14.0	4.1	48	49	12.2	
Other Income	5.6	14.3	13.8	9.5	6.8	15.4	12.6	21.1	43	56	12.7	
PBT before EO expense	78.0	83.7	74.8	80.8	-25.3	76.5	48.1	68.2	317	168	-37.3	-32%
PBT	78.0	83.7	74.8	80.8	-25.3	76.5	48.1	68.2	317	168	-37.3	-32%
Rate (%)	23.8	24.0	21.6	25.5	21.2	25.2	25.2	25.2	24	26	-	
Adj PAT	59.4	63.6	58.6	60.2	-19.9	57.3	36.0	51.1	242	124	-37.3	-47%
YoY Change (%)	210.9	2.1	19.2	-31.4	PL	(10.0)	(38.5)	(15.2)	11	(49)		
Margins (%)	5.0	4.7	3.5	3.4	-0.9	3.0	1.8	2.6	4.0	1.5	-1.6	
Key Assumptions												
Refining throughput (mmt)	16.7	15.3	17.4	18.3	18.9	18.0	18.0	18.0	67.7	72.9	18.0	5%
Reported GRM	6.6	6.6	12.0	18.5	31.8	7.8	5.0	5.0	10.9	12.4	25.8	23%
Domestic sale of refined products (mmt)	17.2	17.2	19.2	20.1	21.3	17.9	20.0	20.9	73.7	80.1	20.0	6%

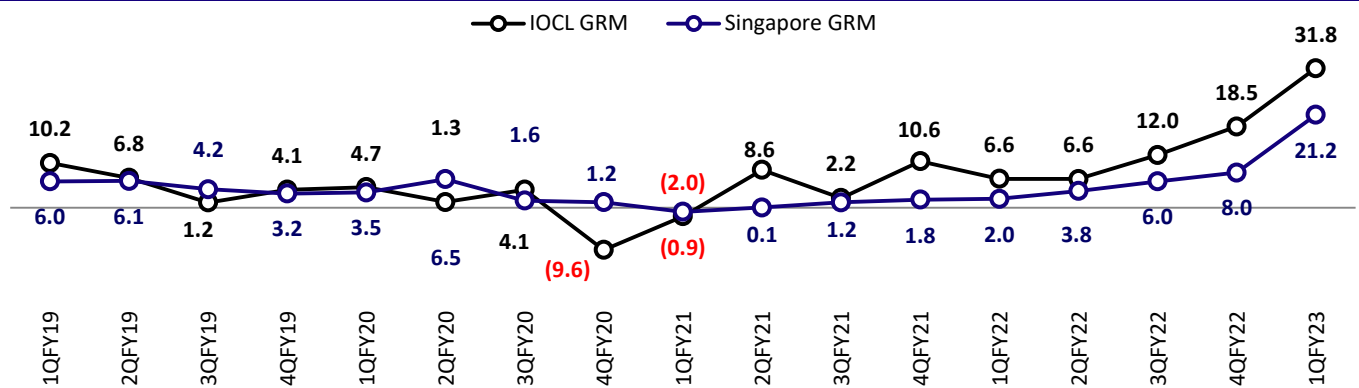
Exhibit 1: Key Assumptions

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	75.9	76.8
Brent Crude (USD/bbl)	49	58	70	61	44	80	100	90
Domestic direct sales refined pdts (MMT)	74	77	80	79	68	74	80	83
YoY (%)	2%	4%	4%	-1%	-13%	8%	9%	4%
Reported GRM (USD/bbl)	7.8	8.5	5.4	0.1	5.6	11.3	21.9	5.0
Singapore GRM (USD/bbl)	5.8	7.3	4.9	3.2	0.5	5.0	12.1	6.0
Prem/(disc) (USD/bbl)	2.0	1.2	0.5	(3.1)	5.1	6.3	9.8	(1.0)
Refining capacity utilization (%)	94%	100%	104%	100%	90%	98%	105%	104%
Total Refinery throughput (MMT)	65.2	69.0	71.8	69.4	62.4	67.7	72.9	72.0
YoY (%)	15%	6%	4%	-3%	-10%	9%	8%	-1%
Marketing Margin (INR/ltr)								
Blended gross marketing margin including inventory	4.2	4.4	5.3	6.2	6.8	4.7	1.3	4.3
Cons EPS	7.4	8.2	6.3	3.4	7.9	9.3	4.4	5.6

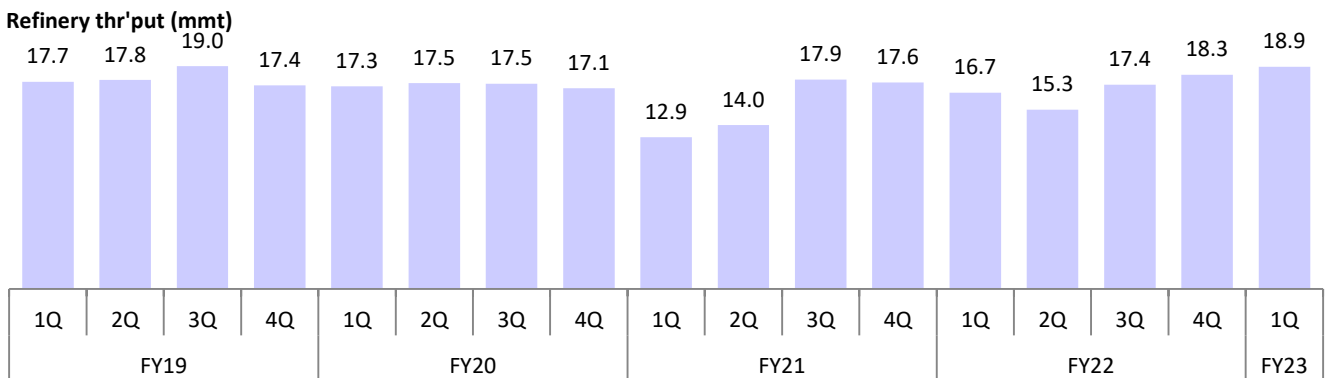
Source: Company, MOFSL

Exhibit 2: Domestic sales grew 23.5% YoY, +5.9% QoQ (21.3mmt) in 1QFY23

Source: Company, MOFSL

Exhibit 3: Reported GRM of USD31.8/bbl (v/s SG GRM of USD21.2/bbl)

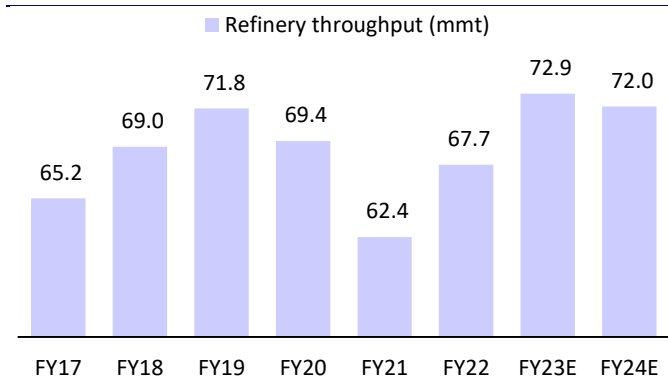
Source: Company, MOFSL

Exhibit 4: Refinery throughput at 18.9 mmt in 1QFY23 (+13.3% YoY, +3.7% QoQ)

Source: Company, MOFSL

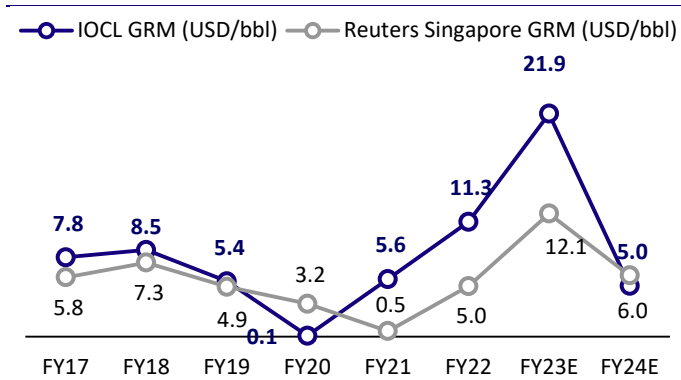
Story in charts

Exhibit 5: Refining throughput of IOCL



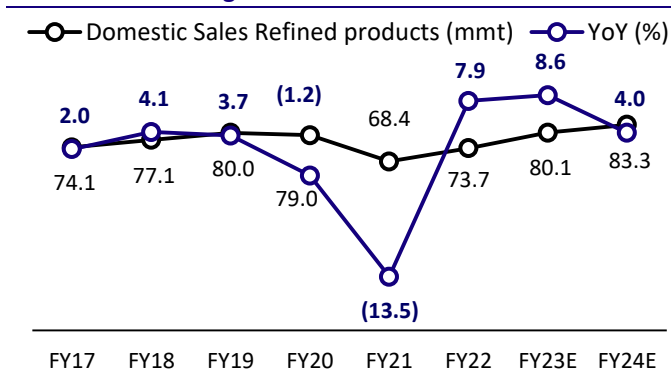
Source: Company, MOFSL

Exhibit 6: GRM trend of IOCL



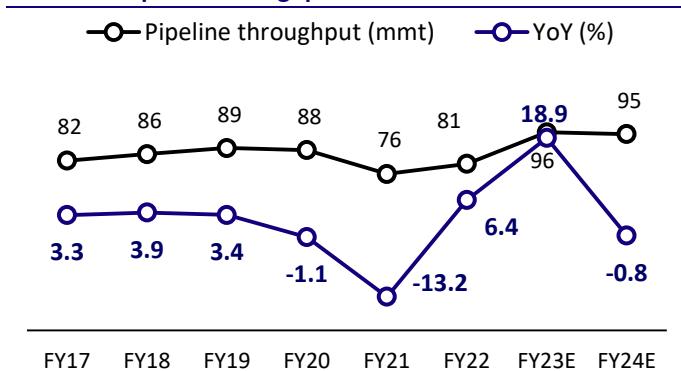
Source: Company, MOFSL

Exhibit 7: Marketing sales volume



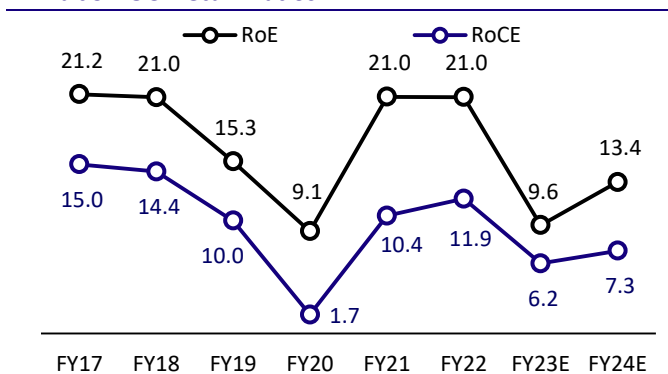
Source: Company, MOFSL

Exhibit 8: Pipeline throughput



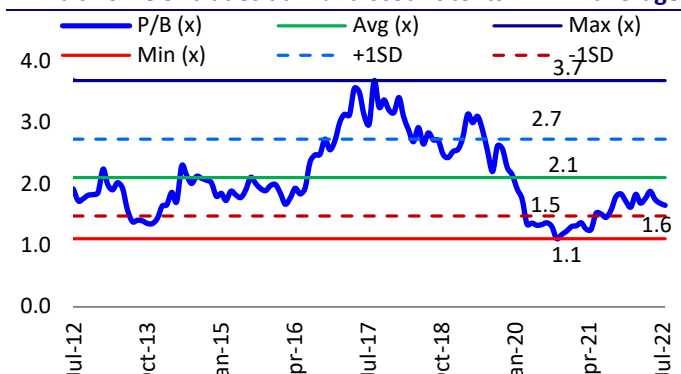
Source: Company, MOFSL

Exhibit 9: IOCL return ratios



Source: Company, MOFSL

Exhibit 10: IOCL trades at 24% discount to its LT PBV average



Source: Company, MOFSL

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	8,202	8,513
Change (%)	2.7	18.6	25.3	-8.4	-24.8	61.9	39.2	3.8
EBITDA	340	416	352	168	406	477	311	358
Margin (%)	9.6	9.9	6.7	3.5	11.2	8.1	3.8	4.2
Depreciation	68	77	85	103	109	123	129	131
EBIT	272	340	267	66	296	354	182	227
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	162	204
EO Items	0	0	0	-113	0	0	0	0
PBT after EO Exp.	273	335	245	-85	296	331	162	204
Total Tax	76	118	87	-53	90	86	42	51
Tax Rate (%)	27.7	35.3	35.3	62.0	30.4	25.9	25.8	25.2
Reported PAT	204	226	173	-19	218	257	122	155
Adjusted PAT	204	226	173	24	218	257	122	155
Change (%)	83.8	11.0	-23.7	-86.0	801.4	18.2	-52.5	27.2
Margin (%)	5.7	5.4	3.3	0.5	6.0	4.4	1.5	1.8

Consolidated - Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	142	284	275	275	275	275	275	275
Total Reserves	879	854	849	679	843	1,060	936	829
Net Worth	1,021	1,139	1,125	954	1,118	1,335	1,212	1,105
Minority Interest	19	22	19	9	10	16	16	16
Total Loans	588	621	927	1,260	1,085	1,236	1,384	1,619
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	2,765	2,893
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	1,859	1,925
Inventory	659	706	771	670	834	1,117	1,422	1,469
Account Receivables	89	107	158	133	138	187	226	235
Cash and Bank Balance	4	5	11	23	25	18	39	55
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	1,818	1,875
Account Payables	815	885	992	848	1,087	1,252	1,704	1,761
Provisions	223	167	124	112	109	113	113	113
Net Current Assets	-67	25	220	182	-28	137	41	51
Appl. of Funds	1,697	1,905	2,236	2,337	2,353	2,740	2,765	2,893

Financials and Valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	7.4	8.2	6.3	0.9	7.9	9.3	4.4	5.6
Cash EPS	9.9	11.0	9.4	4.6	11.9	13.8	9.1	10.4
BV/Share	37.1	41.3	40.8	34.6	40.6	48.5	44.0	40.1
DPS	3.8	11.5	9.3	4.3	12.0	12.6	2.3	2.9
Payout (%)	62	164	173	-730	178	158	51	51
Valuation (x)								
P/E	9.9	8.9	11.6	83.3	9.2	7.8	16.4	12.9
Cash P/E	7.4	6.6	7.8	15.8	6.1	5.3	8.0	7.0
P/BV	2.0	1.8	1.8	2.1	1.8	1.5	1.7	1.8
EV/Sales	0.7	0.6	0.6	0.7	0.8	0.5	0.4	0.4
EV/EBITDA	7.6	6.3	8.3	19.3	7.6	6.8	10.8	10.0
Dividend Yield (%)	5.2	15.8	12.7	5.8	16.4	17.3	3.1	3.9
FCF per share	8.6	8.4	0.9	-1.6	16.0	0.3	6.3	3.6
Return Ratios (%)								
RoE	21.2	21.0	15.3	2.3	21.0	21.0	9.6	13.4
RoCE	15.0	14.4	10.0	1.7	10.4	11.9	6.2	7.3
RoIC	19.9	18.7	12.4	1.6	13.1	16.2	7.3	8.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.8	2.9	3.3	2.6	1.8	2.7	3.0	2.8
Asset Turnover (x)	2.1	2.2	2.4	2.1	1.5	2.2	3.0	2.9
Inventory (Days)	68	61	53	51	84	69	63	63
Debtor (Days)	9	9	11	10	14	12	10	10
Creditor (Days)	84	77	69	64	109	78	76	76
Leverage Ratio (x)								
Current Ratio	0.9	1.0	1.2	1.2	1.0	1.1	1.0	1.0
Interest Cover Ratio	7.3	8.8	5.5	1.0	8.3	6.5	3.4	4.0
Net Debt/Equity	0.6	0.5	0.8	1.3	0.9	0.9	1.1	1.4

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	162	204
Depreciation	69	77	85	103	109	123	129	131
Direct Taxes Paid	-70	-73	-56	-22	-41	-86	-42	-51
(Inc)/Dec in WC	-76	-29	-165	50	91	-171	117	7
CF from Operations	282	291	127	71	499	277	422	350
(Inc)/Dec in FA	-45	-61	-103	-116	-57	-270	-250	-250
Free Cash Flow	237	230	24	-44	442	8	172	100
(Pur)/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	-347	-62	-79
CF from Fin. Activity	-112	-119	104	232	-254	62	-152	-84
Inc/Dec of Cash	-6	1	6	12	2	-7	21	16
Opening Balance	11	4	5	11	23	25	18	39
Closing Balance	4	5	11	23	25	18	39	55

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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