Motilal Oswal Financial Services

2 August 2026

1QFY27 Results Update | Sector: Oil & Gas

IOCL

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1979.4 / 20.7
52-Week Range (INR)	189 / 130
1, 6, 12 Rel. Per (%)	-2/-10/-2
12M Avg Val (INR M)	2358

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	7,844	10,164	9,503
EBITDA	843	618	658
Adj. PAT	398	280	286
Adj. EPS (INR)	28.9	20.3	20.8
EPS Gr. (%)	272.6	-29.8	2.3
BV/Sh.(INR)	159.4	172.4	185.6
Ratios			
Net D:E	0.5	0.6	0.5
RoE (%)	19.6	12.2	11.6
RoCE (%)	15.9	9.7	9.4
Payout (%)	27.0	36.0	36.5
Valuations			
P/E (x)	4.8	6.9	6.7
P/BV (x)	0.9	0.8	0.8
EV/EBITDA (x)	3.7	5.4	5.0
Div. Yield (%)	5.9	5.2	5.4
FCF Yield (%)	25.4	(4.6)	16.0

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	51.5	51.5	51.5
DII	29.1	28.7	29.9
FII	9.1	9.9	7.5
Others	10.3	10.0	11.2

FII includes depository receipts

CMP: INR140 TP: INR150 (+7%) Neutral

Marketing inventory gains boost 1QFY27 performance

- IOCL's EBITDA came in at INR19.5b (est. EBITDA loss: INR161b), and loss after tax came in 83% below our estimate at INR26.6b. LPG under-recovery of INR102b was booked in 1Q (INR2.4b in 4QFY26). The GRM (net of SAED) stood at USD15.6/bbl (est.: USD17/bbl). Gross marketing margin stood at INR(1.5)/lit (vs est. of INR(8)/lit). The strong beat was driven by marketing inventory gains, which were upwards of INR150b during the quarter.
- **Things we liked about the result:** 1) MS + HSD volumes grew 7.5% QoQ, reflecting resilient mobility and industrial demand despite calibrated fuel price adjustments. 2) IOCL posted a strong refining performance, fueled by elevated diesel and ATF cracks. Moreover, the company reported the lowest-ever quarterly fuel loss of 8%, reflecting improved operational efficiency. 3) Mega-capex cycle is coming to an end as key projects such as the Panipat, Gujarat, and Barauni refinery expansions (total: 17.3mmtpa) are scheduled for commissioning by Dec'26, Nov'26, and Dec'26, respectively. Additionally, the PX-PTA plant and polybutadiene rubber plant are expected to come online by Aug'26 and Dec'26.
- **Key monitorables:** 1) Domestic LPG losses surged to INR655/INR475 per cylinder in Jun'26/Jul'26 (vs. ~INR80/cylinder in 4QFY26). A key monitorable will be whether cylinder under-recoveries remain near the guided INR250/cylinder in 2QFY27. 2) Borrowings increased to INR1.4t as of 30th Jun'26 from INR1.1t as of 31st Mar'26. 3) With renewed US-Iran tensions and escalating Russia-Ukraine conflict, crude prices have rebounded to USD90-100/bbl. Combined with multi-year high gasoline, diesel, and ATF cracks, this is likely to keep marketing margins under pressure in the near term. Additionally, we see an increased risk of a higher Special Additional Excise Duty (SAED) on MS, HSD, and ATF. 4) With OMCs making huge marketing losses, we believe that some form of government compensation/support remains a possibility.
- **Valuation and view:** IOCL currently trades at 0.8x 1-year fwd. P/B, below its 10-year average. **We reiterate our Neutral rating on the stock with an SoTP-based valuation of INR150.**

Better-than-estimated marketing performance drives beat

- EBITDA came in at INR19.5b (our estimate – EBITDA loss of INR161b).
  - The GRM net of SAED stood at USD15.6/bbl (est.: USD17/bbl).
  - The marketing margin stood at INR(1.5)/lit (vs est. of INR(8)/lit).
  - LPG under-recovery of INR102b was booked in 1Q.
- **Segment update**:
  - The petroleum product segment posted an EBIT loss of INR28.7b (vs. EBIT of INR192b in 4QFY26).
  - The petchem segment reported EBIT of INR2.2b (vs. EBIT of INR12.1b in 4QFY26).
- IOCL's reported loss came in at INR26.6b (our estimate was a loss of INR161b).

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- Other income, interest, and depreciation stood below est.
- **As of 30th Jun'26,** IOCL had a cumulative negative net buffer of INR297b due to the under-recovery on LPG cylinders (INR231b in Mar'26).
- The MoP&NG, through letters dated 3rd/24th Oct'25, approved a compensation of INR144.9b to the company for under-recoveries on the sale of domestic LPG up to 31st Mar'25, and those expected up to 31st Mar'26. The amount will be released in 12 equal monthly installments, with accruals recognized monthly starting Nov'25. Accordingly, three equal monthly instalments totaling INR36.2b have been recognized in 1Q.

Valuation and view

- IOCL is set to commission multiple projects over the next two years, driving growth acceleration. Refinery projects that are currently underway, including the Panipat refinery (15mmtpa to 25mmtpa), Gujarat refinery (13.7mmtpa to 18mmtpa), and Barauni refinery (6mmtpa to 9mmtpa), are expected to be completed in 2HFY27.
- The stock trades at 6.7x consolidated FY28E EPS of INR20.8 and 0.8x FY28E P/B. **We reiterate our Neutral rating on the stock with a TP of INR150, valuing it at 4.5x Dec'27E EBITDA.**

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY26				FY27E				FY26	FY27E	FY27	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	**1929.7**	**1788.8**	**2044.2**	**2078.8**	**2624.4**	**2292.2**	**2627.1**	**2619.6**	**7841.6**	**10163.3**	**2788.5**	**-6%**
YoY Change (%)	*-0.1*	*2.9*	*5.4*	*6.6*	*36.0*	*28.1*	*28.5*	*26.0*	*3.7*	*29.6*	*44.5*	
EBITDA	**126.7**	**167.2**	**215.8**	**262.6**	**19.5**	**185.0**	**176.8**	**170.9**	**772.3**	**552.3**	**-160.6**	**-112%**
Margin (%)	*6.6*	*9.3*	*10.6*	*12.6*	*0.7*	*8.1*	*6.7*	*6.5*	*9.8*	*5.4*	*-5.8*	
Depreciation	38.4	38.7	40.8	39.6	40.0	43.8	43.8	47.7	157.5	175.2	43.8	
Interest	19.7	21.7	19.8	18.5	16.1	20.9	20.9	25.7	79.7	83.7	20.9	
Other Income	6.1	15.2	12.2	16.3	3.9	11.5	11.5	19.1	49.9	45.8	10.2	
PBT	**74.0**	**100.7**	**159.9**	**153.2**	**-32.7**	**131.8**	**123.6**	**116.6**	**487.8**	**339.2**	**-215.2**	**-85%**
Rate (%)	*23.2*	*24.4*	*24.2*	*25.7*	*18.7*	*25.2*	*25.2*	*25.2*	*24.6*	*25.8*	*25.2*	
Adj PAT	**56.9**	**76.1**	**121.3**	**131.8**	**-26.6**	**98.6**	**92.5**	**87.3**	**392.3**	**251.7**	**-161.0**	**-83%**
YoY Change (%)	*115.2*	*-842.2*	*424.8*	*81.5*	*-146.8*	*29.5*	*-23.8*	*-33.8*	*252.7*	*-35.8*	*-383.1*	
Margin (%)	*2.9*	*4.3*	*5.9*	*6.3*	*-1.0*	*4.3*	*3.5*	*3.3*	*5.0*	*2.5*	*-5.8*	
Key Assumptions												
Refining throughput (mmt)	18.7	17.6	19.4	19.7	19.2	19.2	19.2	19.2	75.5	76.7	19.5	-2%
Reported GRM	2.2	10.7	12.3	15.0	15.6	15.0	11.6	11.6	10.1	13.5	17.0	-8%
Domestic sale of refined products (mmt)	25.0	22.9	26.0	26.1	25.3	23.8	27.1	27.1	99.9	103.2	26.0	-3%
Marketing GM incld. inv. per litre (INR/litre)	7.8	6.2	6.3	6.5	-1.9	4.5	5.4	5.0	6.7	3.3	-8.0	-76%

Exhibit 1: Our key assumptions

Y End: March 31	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Exchange Rate (INR/USD)	**70.9**	**74.3**	**74.5**	**80.4**	**82.8**	**84.6**	**88.3**	**91.0**	**94.0**
Brent Crude (USD/bbl)	**61.2**	**44.4**	**80.5**	**96.1**	**83.0**	**78.6**	**70.2**	**86.6**	**75.0**
Domestic direct sales refined pdts (MMT)	84	76	80	91	92	95	100	103	107
YoY (%)	0%	-10%	6%	13%	2%	3%	5%	3%	4%
Reported GRM (USD/bbl)	**0.1**	**5.6**	**11.3**	**19.5**	**12.1**	**4.8**	**12.0**	**13.5**	**9.2**
Singapore GRM (USD/bbl)	3.2	0.5	5.0	10.7	6.6	3.8	6.5	12.5	7.0
Prem./(disc) (USD/bbl)	(3.1)	5.1	6.3	8.8	5.5	1.0	5.5	1.0	2.2
Total Refinery throughput (MMT)	**69.4**	**62.4**	**67.7**	**72.3**	**73.3**	**71.6**	**75.5**	**76.7**	**84.7**
YoY (%)	-3%	-10%	9%	7%	1%	-2%	5%	2%	10%
Marketing Margin (INR/lit)									
Blended gross marketing margin incld inventory	5.8	6.2	4.4	-1.1	6.0	5.8	6.7	3.3	5.0
Consolidated EPS	**1.8**	**15.8**	**18.7**	**6.6**	**29.5**	**7.8**	**28.9**	**20.3**	**20.8**

Source: Company, MOFSL

CONFERENCE CALL

Highlights from the management commentary

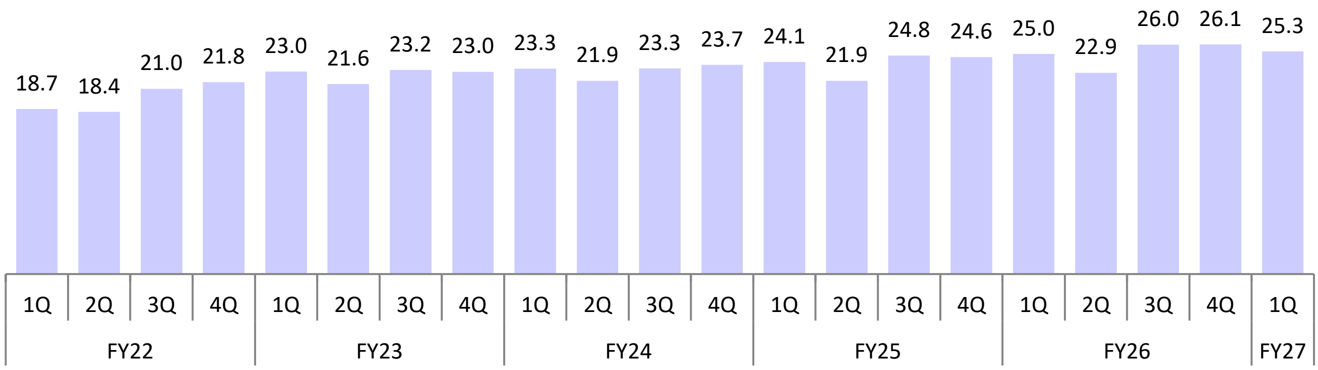
Operational performance:

- **Crude sourcing:**
  - **Spot crude imports** for the quarter were about **~84%,** up from 50-51% in the prior year, reflecting diversification of sourcing, including Russia, Venezuela, Brazil, and African countries, amid geopolitical volatility.
  - Landed cost split (including shipping and insurance cost): Pre-war: Brent less USD1-2/bbl; peak war: Brent plus USD10/bbl; the situation is highly dynamic and the premium keeps changing.
- **Product demand:**
  - MS + HSD volumes grew 7.5% QoQ, reflecting resilient mobility and industrial demand despite calibrated fuel price adjustments.
    - 10-15% of total HSD sales volumes are bulk LPG volumes.
  - ATF volumes declined ~5% QoQ, impacted by suspended international routes following airspace closures and weaker air travel due to higher airfares.
    - No airline availed the government's fixed-price ATF supply scheme, as international ATF prices corrected before the mechanism became operational.
    - International ATF costs were fully passed through to airlines, while domestic ATF continues to be sold under negotiated pricing arrangements.
  - LPG volumes fell ~20% QoQ, primarily due to tighter regulatory norms on commercial supply and government demand optimization measures.
- **Operational highlights** include refinery crude throughput of 19.2mmt at 109.4% capacity utilization (lowest-ever quarterly fuel loss of 8.04%), pipeline throughput of highest-ever 28.5mmt at 79.9% utilization, and total marketing sales volume of 26.2mmt.
  - **GRM inclusive of SAED would be USD36/bbl** (excl. SAED: USD15.6/bbl).
  - Inventory loss on refining**: USD3-4/bbl**.
  - **Marketing inventory gains in 1QFY27: INR150b**
- Borrowings increased to INR1,414.5b as of 30th Jun’26 from INR1,106.7b as of 31st Mar’26, mainly due to higher working capital requirements; gross debt-equity ratio stood at 0.71 (net debt-equity at 0.51).
- **LPG losses per cylinder:**
  - Jun’26: INR665
  - Jul’26: INR475
  - Expected LPG losses in 2QFY27: INR250 (as Saudi CP is much lower in Aug’26).
- **Capital expenditure** for 1QFY27 stood at INR64.6b, with a full-year planned capex target of INR327b, supporting refining, petrochemical, renewable energy, and biofuel expansion projects.
  - Capex shall be in the range of INR300-400b p.a. over the next few years as IOCL plans to increase petchem intensity to 15% from 6.5% (INR1000b capex shall be required over the next five years for this).
- **1QFY27 segment-wise capex breakup (total: INR64.6b):**
  - Refinery: INR39.5b
  - Marketing: INR14.2b
  - Petchem: INR5.7b
  - Pipelines: INR3.2b
  - Gas: INR0.6b

- R&D: INR0.3b
- E&P: INR0.4b
- Others: INR0.9b

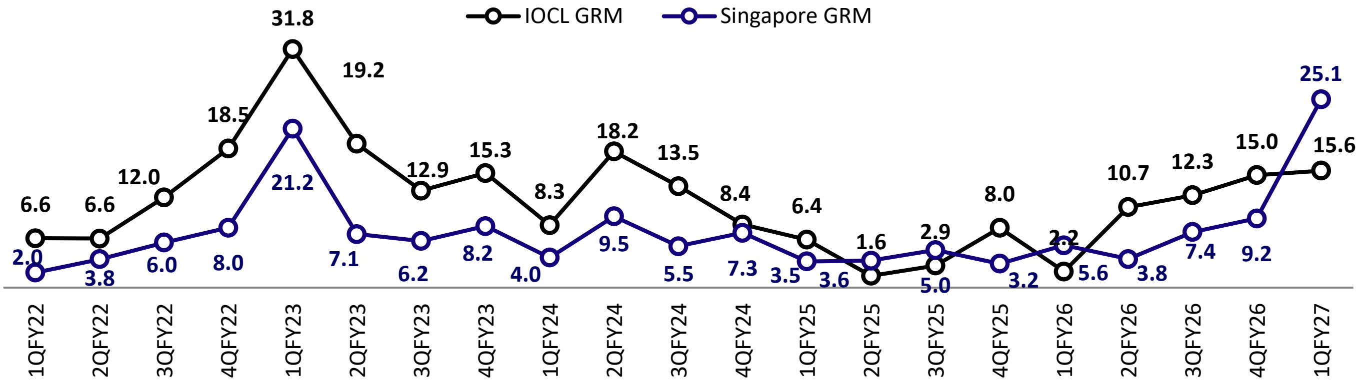
- **Projects update:**
  - Major projects are at advanced stages:
    - Panipat refinery expansion (15mmtpa to 25mmtpa): Gross approved cost of INR 382b; Physical progress at 94%; Expected commissioning date: Dec’26
    - Gujarat refinery expansion(13.7mmtpa to 18mmtpa): Gross approved cost of INR 189b; Physical progress at 89.2%; Expected commissioning date: Nov’26
    - Barauni refinery expansion(6mmtpa to 9mmtpa): Gross approved cost of INR 181b; Physical progress at 91.6%; Expected commissioning date: Dec’26
    - PX-PTA complex (Paradip refinery): Gross approved cost of INR 138b; Physical progress at 94.6%; Expected commissioning date: Aug’26
    - New Mundra Panipat crude oil pipeline: Gross approved cost of INR 90b; Physical progress at 94.1%; Under commissioning (Mechanically completed in Jul'26)
    - New R&D Campus-II (Faridabad, Haryana): Gross approved cost of INR 32b; Physical progress at 65.3%; Expected commissioning date: Oct’26
    - Poly Butadiene rubber plant (Panipat, Haryana): Gross approved cost of INR 29b; Physical progress at 88.7%; Expected commissioning date: Dec’26
  - Management guided for refinery throughput of **~77mmtpa in FY27**, increasing to ~**85mmtpa in FY28** and **~90mmtpa in FY29**.
  - Yields should improve as the company shall be able to process higher value-added products.
- **Sprint Initiatives:**
  - Sprint delivered INR20b of savings in FY26, and Sprint 2 is expected to generate an **additional INR20-25b** of savings.
  - The initiative focuses beyond cost reduction, targeting efficiency improvements, market share gains, logistics optimization, and opex savings, supported by tighter capex and opex monitoring.

Exhibit 2: Domestic sales rose 1.1% YoY at 25.3mmt



Source: Company, MOFSL

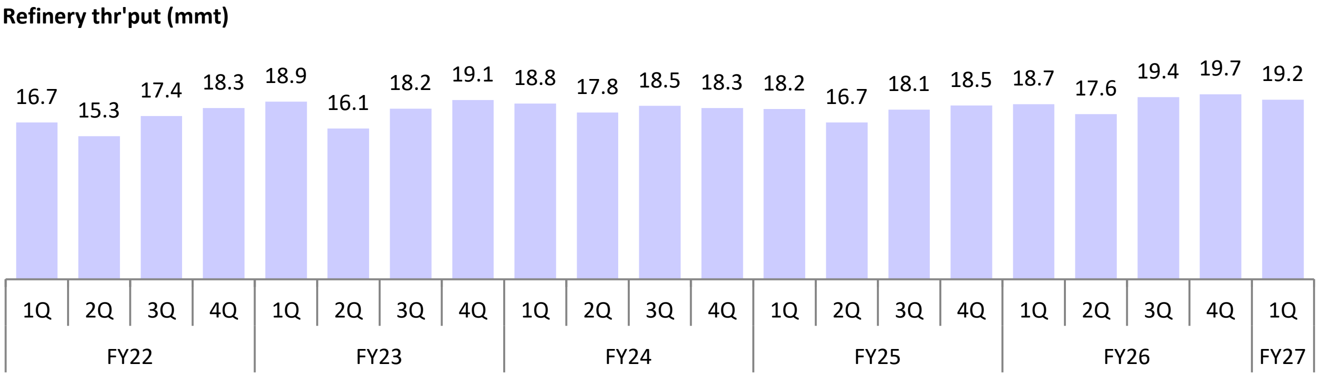
Exhibit 3: Reported GRM trend (USD/bbl)



Source: Company, MOFSL

*Note: IOCL has not reported 4QFY26 GRMs

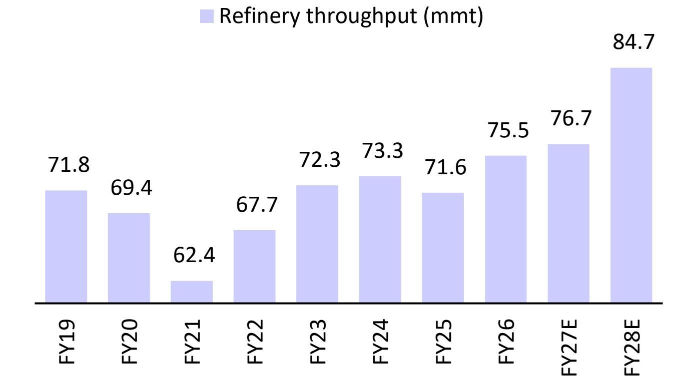
Exhibit 4: Refinery throughput at 19.2mmt, up 2.6% YoY



Source: Company, MOFSL

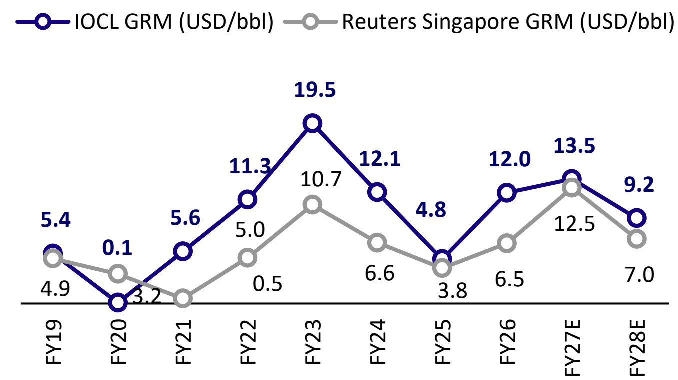
Story in charts

Exhibit 5: Refining throughput



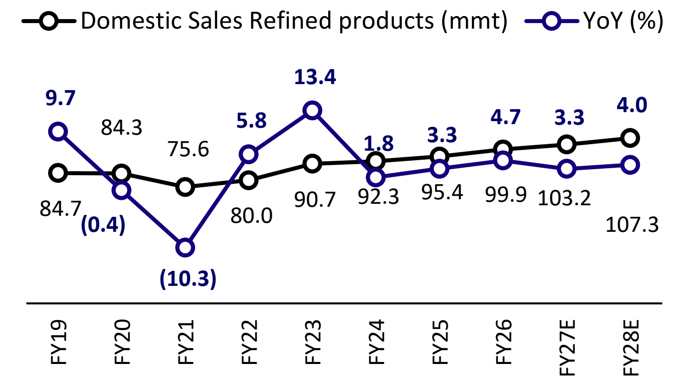
Source: Company, MOFSL

Exhibit 6: GRM trend



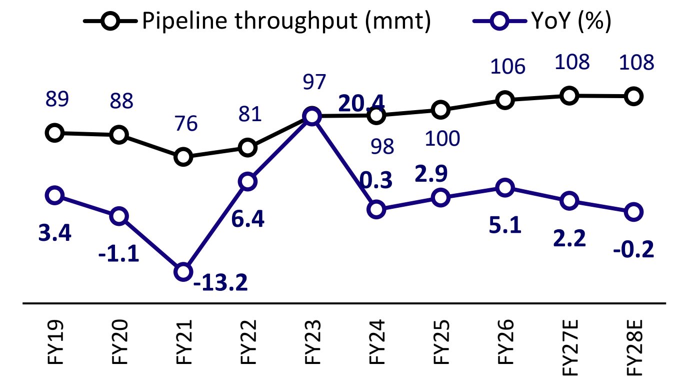
Source: Company, MOFSL

Exhibit 7: Marketing sales volume



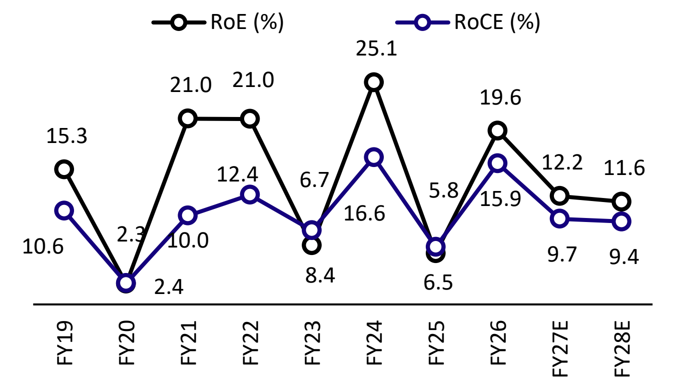
Source: Company, MOFSL

Exhibit 8: Pipeline throughput



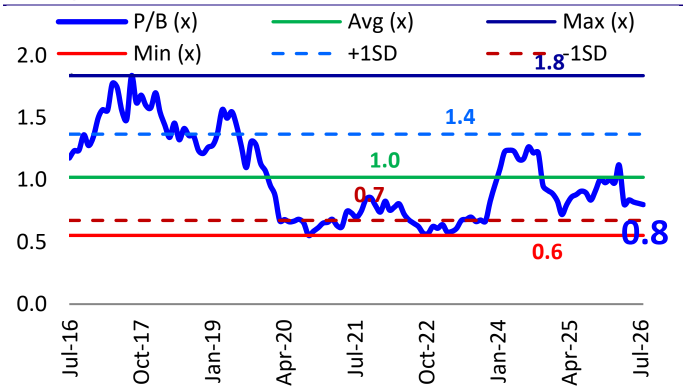
Source: Company, MOFSL

Exhibit 9: Return ratios



Source: Company, MOFSL

Exhibit 10: IOCL trades at a discount to its LT P/B of 1x average at 0.8x



Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement

(INR b)

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**8,418**	**7,764**	**7,581**	**7,844**	**10,164**	**9,503**
Change (%)	*43%*	*-8%*	*-2%*	*3%*	*30%*	*-7%*
EBITDA	**306**	**768**	**388**	**843**	**618**	**658**
Margin (%)	*4%*	*10%*	*5%*	*11%*	*6%*	*7%*
Depreciation	132	159	168	184	190	204
EBIT	**175**	**609**	**221**	**659**	**428**	**454**
Int. and Finance Charges	75	78	93	83	87	110
Net Forex Loss	72	12	28	73	0	0
Other Income	114	38	35	42	43	47
PBT bef. EO Exp.	**142**	**557**	**135**	**545**	**384**	**390**
EO Items	*9*	*15*	*36*	*30*	*0*	*0*
PBT after EO Exp.	**150**	**573**	**171**	**575**	**384**	**390**
Total Tax	33	141	33	138	97	98
Tax Rate (%)	*22.2*	*24.7*	*19.2*	*24.0*	*25.4*	*25.0*
Reported PAT	**98**	**417**	**136**	**421**	**280**	**286**
Adjusted PAT	**91**	**406**	**107**	**398**	**280**	**286**
Change (%)	*-65%*	*345%*	*-74%*	*273%*	*-30%*	*2%*
Margin (%)	*1.1*	*5.2*	*1.4*	*5.1*	*2.8*	*3.0*

Consolidated - Balance Sheet

(INR b)

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	138	138	138	138	138	138
Total Reserves	1,259	1,696	1,727	2,057	2,237	2,418
Net Worth	**1,397**	**1,834**	**1,865**	**2,195**	**2,374**	**2,556**
Minority Interest	35	47	45	60	60	60
Total Loans	1,401	1,235	1,426	1,201	1,501	1,576
Deferred Tax Liabilities	168	190	207	216	216	216
Capital Employed	**3,001**	**3,306**	**3,542**	**3,673**	**4,152**	**4,409**
Gross Block	2,542	2,860	3,079	3,337	4,188	4,611
Less: Accum. Deprn.	741	900	1,068	1,252	1,442	1,646
Net Fixed Assets	**1,800**	**1,960**	**2,011**	**2,086**	**2,747**	**2,965**
Capital WIP	511	610	779	860	335	222
Total Investments	**522**	**655**	**662**	**733**	**733**	**733**
Curr. Assets, Loans&Adv.	**1,583**	**1,598**	**1,616**	**1,610**	**2,157**	**2,184**
Inventory	1,211	1,214	1,139	1,171	1,700	1,575
Account Receivables	164	138	186	146	153	143
Cash and Bank Balance	21	32	33	44	68	237
Loans and Advances	187	214	259	249	236	228
Curr. Liability & Prov.	**1,416**	**1,518**	**1,526**	**1,617**	**1,819**	**1,695**
Account Payables	1,300	1,397	1,412	1,498	1,700	1,575
Provisions	116	120	114	119	119	119
Net Current Assets	**168**	**80**	**90**	**-7**	**338**	**489**
Appl. of Funds	**3,001**	**3,306**	**3,542**	**3,673**	**4,152**	**4,409**

Financials and Valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)						
EPS	**6.6**	**29.5**	**7.8**	**28.9**	**20.3**	**20.8**
Cash EPS	16.2	41.0	19.9	42.3	34.1	35.6
BV/Share	101.5	133.2	135.4	159.4	172.4	185.6
DPS	3.0	12.0	3.0	8.3	7.3	7.6
Payout (%)	42	40	30	27	36	36
Valuation (x)						
P/E	21.1	4.8	18.0	4.8	6.9	6.7
Cash P/E	8.6	3.4	7.0	3.3	4.1	3.9
P/BV	1.4	1.1	1.0	0.9	0.8	0.8
EV/Sales	0.4	0.4	0.4	0.4	0.3	0.3
EV/EBITDA	10.8	4.1	8.6	3.7	5.4	5.0
Dividend Yield (%)	2.1	8.6	2.1	5.9	5.2	5.4
FCF per share	-2.3	24.7	3.4	35.5	-6.5	22.4
Return Ratios (%)						
RoE	6.7	25.1	5.8	19.6	12.2	11.6
RoCE	8.4	16.6	6.5	15.9	9.7	9.4
RoIC	7.4	23.2	8.7	24.4	12.6	10.9
Working Capital Ratios						
Fixed Asset Turnover (x)	3.3	2.7	2.5	2.4	2.4	2.1
Asset Turnover (x)	2.8	2.3	2.1	2.1	2.4	2.2
Inventory (Days)	53	57	55	55	61	61
Debtor (Days)	7	7	9	7	6	6
Creditor (Days)	56	66	68	70	61	61
Leverage Ratio (x)						
Current Ratio	1.1	1.1	1.1	1.0	1.2	1.3
Interest Cover Ratio	2.3	7.8	2.4	7.9	4.9	4.1
Net Debt/Equity	1.0	0.7	0.7	0.5	0.6	0.5

Consolidated - Cash Flow Statement

(INR b)

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	150	573	171	575	384	390
Depreciation	132	159	168	184	190	204
Direct Taxes Paid	-15	-119	-31	-114	-97	-98
(Inc)/Dec in WC	-57	63	-9	29	-321	18
CF from Operations	**296**	**711**	**345**	**761**	**236**	**619**
(Inc)/Dec in FA	-328	-372	-298	-273	-325	-310
Free Cash Flow	**-32**	**340**	**47**	**489**	**-89**	**309**
(Pur)/Sale of Investments	-20	-39	-14	5	0	0
CF from Investments	**-280**	**-315**	**-316**	**-223**	**-325**	**-310**
Dividend Paid	-33	-110	-95	-137	-101	-104
CF from Fin. Activity	-13	-394	-34	-527	112	-140
Inc/Dec of Cash	**3**	**3**	**-6**	**12**	**24**	**169**
Opening Balance	18	10	12	6	44	68
Closing Balance	**21**	**12**	**6**	**18**	**68**	**237**

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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