Indian Oil Corporation | REDUCE

Strong GRM drives earnings beat; marketing earnings slightly lower

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IOCL's standalone 2QFY26 EBITDA at INR 146bn was significantly higher than JMFe/consensus of INR 106bn/ INR 134bn due to higher reported GRM at USD 10.7/bbl (vs. JMFe of USD 6.5/bbl) aided by both higher core GRM of USD 8.9/bbl (vs. JMFe of USD 6.5/bbl) and higher crude inventory gain of USD 1.7/bbl (vs. JMFe of NIL gain); hence, refining EBITDA was higher at INR 73bn vs JMFe of INR 27bn. However, marketing EBITDA was slightly lower at INR 51bn vs. JMFe of INR 55.5bn. Hence, PAT was also significantly higher at INR 76bn vs. JMFe/consensus of INR 41bn/ INR 57bn, aided by higher other income. Thus, implied integrated reported EBITDA margin was higher at USD 8.9/bbl in 2QFY26 vs. JMFe of USD 6.5/bbl (vs. USD 8.9/bbl in 1QFY26). Separately, MoPNG has conveyed compensation of INR 144.9bn to IOCL (out of INR 300bn compensation announced for OMCs) towards LPG under-recoveries for FY25 and FY26; and this would be disbursed in 12 equal monthly instalments starting Nov'25. IOCL has not recognised any compensation in 2QFY26 but will start recognising it from 3QFY26 onwards on receipt basis. IOCL's LPG net under-recovery was INR 21.2bn in 2QFY26; hence, net negative LPG buffer was INR 257.7bn at end-2QFY26. Standalone gross debt rose by INR 67bn QoQ to INR 1,282bn at end-2QFY26 while consolidated gross debt also increased by INR 109bn QoQ to INR 1,369bn at end-2QFY26 - but this rise in debt in 2Q (Jul-Sep quarter) is a seasonal phenomenon due to higher tax outgo. We reiterate REDUCE on IOCL (with an unchanged TP of INR 145) on valuation grounds as it is trading at 0.97x FY27 PB (vs. last 3-year average of ~0.9x); however, it's likely to see strong earnings growth over FY27-28 due to refining capacity expansion by 18mmtpa or 25% in the next 12 months.

- **Refining EBITDA higher at INR 73bn vs. JMFe of INR 27bn as reported GRM higher at USD 10.7/bbl aided by both higher core GRM and higher inventory gain:** Implied EBITDA for the refining segment was higher at INR 73bn vs. JMFe of INR 27bn as reported GRM was higher at USD 10.7/bbl vs. JMFe of USD 6.5/bbl aided by both higher core GRM of USD 8.9/bbl (vs. JMFe of USD 6.5/bbl) and higher crude inventory gain of USD 1.7/bbl (vs. JMFe of NIL gain). In 2QFY26, RIL and MRPL's implied GRM was ~USD 9.5/bbl and ~USD 7.8/bbl respectively, while CPCL's reported GRM was strong at USD 9.1/bbl. However, IOCL's crude throughput was a tad lower than JMFe at 17.6mmt (vs. 18.7mmt in 1QFY26). Overall distillate yield was slightly lower QoQ at 79.3% in 2QFY26 (80.1% in 1QFY26); high sulphur crude utilisation increased slightly to 54% (vs. 53.2% in 1QFY26); and fuel and loss stood at 8.7% (vs. 8.5% in 1QFY26).

- **Implied marketing EBITDA was slightly lower at INR 51bn vs. JMFe of INR 55.5bn:** Our calculations suggest implied marketing EBITDA was slightly lower at INR 51bn vs. JMFe of INR 55.5bn. Implied normalised marketing EBITDA was slightly lower at INR 2,351/tn (vs. JMFe of INR 2,580/tn). But marketing sales volume was a tad higher than JMFe at 21.6mmt (vs 23.7mmt in 1QFY26); however, IOCL's implied market share in 2QFY26 declined slightly to 38.7% in MS (vs. 38.9% in 1QFY26) and down slightly at 40% in HSD (vs. 40.5% in 1QFY26). Hence, implied integrated reported EBITDA margin was higher at USD 8.9/bbl in 2QFY26 vs. JMFe of USD 6.5/bbl (vs. USD 8.9/bbl in 1QFY26). Separately, MoPNG has conveyed compensation of INR 144.9bn to IOCL (out of INR 300bn compensation announced for OMCs) towards LPG under-recoveries (upto FY25 and likely to be incurred upto FY26) and this would be disbursed in 12 equal monthly instalments, starting Nov'25. IOCL has not recognised any compensation in 2QFY26 but will start recognising it from 3QFY26 onwards on receipt basis. IOCL's LPG net under-recovery was INR 21.2bn in 2QFY26; hence, net negative LPG buffer was INR 257.7bn at end-2QFY26.

Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	145
Upside/(Downside)	-6.4%
Previous Price Target	145
Change	0.1%

Key Data – IOCL IN

Current Market Price	INR155
Market cap (bn)	INR2,191.6/US$24.8
Free Float	20%
Shares in issue (mn)	14,121.2
Diluted share (mn)	14,121.2
3-mon avg daily val (mn)	INR1,390.4/US$15.8
52-week range	157/111
Sensex/Nifty	84,779/25,966
INR/US$	88.2

Price Performance

%	1M	6M	12M
Absolute	7.0	15.3	6.1
Relative*	1.5	7.7	-0.7

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	88,12,355	85,93,627	87,13,032	91,00,734	95,34,812
Sales Growth (%)	-7.4	-2.5	1.4	4.4	4.8
EBITDA	7,55,951	3,59,905	6,25,719	5,18,191	5,52,024
EBITDA Margin (%)	8.6	4.2	7.2	5.7	5.8
Adjusted Net Profit	4,45,926	1,39,798	3,62,034	2,53,811	2,97,487
Diluted EPS (INR)	31.6	9.9	25.6	18.0	21.1
Diluted EPS Growth (%)	355.4	-68.6	159.0	-29.9	17.2
ROIC (%)	18.1	5.7	13.4	9.3	10.3
ROE (%)	27.6	7.6	18.3	11.6	12.6
P/E (x)	4.9	15.7	6.0	8.6	7.4
P/B (x)	1.2	1.2	1.0	1.0	0.9
EV/EBITDA (x)	4.5	10.1	5.4	6.5	6.0
Dividend Yield (%)	7.7	1.9	5.1	3.5	4.2

Source: Company data, JM Financial. Note: Valuations as of 27/Oct/2025

- **Petchem EBIT continues to be weak though it has recovered slightly QoQ, while pipeline volume was lower:** Based on segmental results, Petchem EBIT continues to be weak, though it has recovered slightly QoQ to +INR 1.7bn (vs. negative INR 0.01bn); petchem volume was slightly lower at 0.8mmt (vs. 0.8mmt in 1QFY26). Separately, pipeline throughput was lower at 24.1mmt (vs. 26.3mmt in 1QFY26).
- **Reiterate REDUCE on valuation grounds:** We reiterate REDUCE on IOCL (unchanged TP of INR 145) on valuation grounds as it is trading at 0.97x FY27 PB (vs. last 3-year average of ~0.9x); however, it's likely to see strong earnings growth over FY27-28 due to refining capacity expansion by 18mmtpa or 25% in the next 12 months. We believe OMCs' integrated refining cum marketing margin will normalise around historical levels as the government may retain the benefit of any sustained fall in crude price via excise duty hike and/or fuel price cut to pass on the benefit of lower crude price to end-consumers. At CMP, IOCL is trading at 0.97x FY27E P/B (vs. 3-year avg P/B of 0.9x).

2QFY26 Result Review

Exhibit 1. IOCL standalone quarterly snapshot

(INR mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)
Net sales	2,159,888	1,951,489	2,166,495	2,177,254	2,186,077	2,029,923	(7.1)	4.0
Cost of goods	1,927,253	1,761,983	1,926,932	1,889,668	1,907,282	1,717,553	(9.9)	(2.5)
Employee benefits exp.	26,995	24,935	23,918	27,788	29,237	27,510	(5.9)	10.3
Other Expenses	119,293	126,847	144,479	124,073	123,486	139,029	12.6	9.6
EBITDA	**86,347**	**37,724**	**71,166**	**135,725**	**126,072**	**145,832**	15.7	286.6
EBITDA Margin %	4.0%	1.9%	3.3%	6.2%	5.8%	7.2%	142bps	525bps
DDA	37,557	37,179	38,961	39,144	38,428	38,711	0.7	4.1
EBIT	48,791	545	32,205	96,580	87,644	107,121	22.2	19,558.8
Other income	5,339	13,748	18,817	11,734	6,132	15,228	148.4	10.8
Interest expenses	19,603	24,138	23,118	20,458	19,727	21,694	10.0	(10.1)
Extraordinary	0	11573	6797	11	0	0		
PBT	34,527	1,728	34,701	87,867	74,049	100,656	35.9	5,724.0
Tax expense	8,095	(72)	5,966	15,219	17,163	24,551	NM	(34,293.9)
Effective tax rate (%)	23.4%	-4.2%	17.2%	17.3%	23.2%	24.4%		
PAT	**26,432**	**1,800**	**28,735**	**72,649**	**56,886**	**76,104**	33.8	4,127.8
EPS	1.9	0.1	2.0	5.1	4.0	5.4		
Forex gain/(loss)	-2,090	-4,200	-20,490	4,240	-620	-21,390		
Debt/capex details								
Standalone Gross Debt excl. lease liabilities (INR Mn)	1,158,470	1,427,266	1,314,800	1,344,655	1,215,470	1,282,386		
Consolidated Gross Debt excl. lease liabilities (INR Mn)	1,207,916	1,534,637	1,392,860	1,425,599	1,260,362	1,369,244		

Source: Company, JM Financial

Exhibit 2. IOCL consolidated quarterly snapshot

(INR mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)
Net sales	2,198,643	1,986,158	2,195,224	2,213,602	2,218,490	2,064,471	(6.9)	3.9
Cost of goods	1,942,621	1,787,015	1,945,842	1,904,947	1,924,813	1,726,915	(10.3)	(3.4)
Employee benefits exp.	28,170	26,222	25,250	29,157	30,681	29,027	(5.4)	10.7
Other Expenses	128,654	138,250	148,405	129,206	130,322	145,993	12.0	5.6
EBITDA	**99,199**	**34,671**	**75,727**	**150,293**	**132,675**	**162,535**	22.5	368.8
EBITDA Margin %	4.5%	1.7%	3.4%	6.8%	6.0%	7.9%	189bps	613bps
DDA	41,028	40,651	42,841	43,254	41,786	42,358	1.4	4.2
EBIT	58,170	(5,980)	32,886	107,040	90,888	120,178	32.2	(2,109.5)
Other income	5,327	7,233	10,216	12,378	5,833	6,443	10.5	(10.9)
Interest expenses	20,798	25,464	24,579	21,778	20,701	22,697	9.6	(10.9)
Extraordinary	0	-11573	-6797	-11	0	0		
PBT	42,699	(24,212)	18,523	97,640	76,020	103,924	36.7	(529.2)
Tax expense	11,184	(1,399)	6,191	16,770	19,424	29,129	50.0	(2,181.6)
Effective tax rate (%)	26.2%	5.8%	33.4%	17.2%	25.6%	28.0%		
Net Profit	**31,515**	**(11,239)**	**19,129**	**80,880**	**56,597**	**74,796**	32.2	(765.5)
Share of profit of associate/JVs	5,712	6,752	2,345	2,796	11,485	7,113		
Minority interest	1,941	(2,792)	321	2,440	(56)	3,733		
Reported Profit	**35,285**	**(1,696)**	**21,153**	**81,236**	**68,137**	**78,176**		
EPS	2.5	-0.1	1.5	5.8	4.8	5.5		

Source: Company, JM Financial

Exhibit 3. Standalone operational details

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)
Refining segment								
Crude throughput (mmt)	18.2	16.7	18.1	18.5	18.7	17.6	-5.7%	5.2%
Reported GRM (USD/bbl)	6.4	1.6	2.9	7.9	2.2	10.7		
Core GRM computed (USD/bbl)	2.8	3.1	6.6	5.4	6.9	8.9	29.2%	187.0%
Spore Dubai GRM (USD/bbl)	3.5	3.6	5.0	3.1	5.6	4.0		
Refining inventory gain/(loss) (INR mn)	39,545	-15,676	-41,375	28,738	-55,939	19,550		
Refining inventory gain/(loss) (USD/bbl)	3.6	-1.5	-3.7	2.4	-4.8	1.7		
Implied opex excl DDA (USD/bbl)	4.0	4.0	4.2	4.2	4.2	4.2		
Distillate yield (%)- Incl Paradip	78.5	82.2	82.2	79.7	80.1	79.3		
Fuel & Loss (%)- Incl Paradip	8.9	9.2	8.7	8.6	8.5	8.7		
High sulphur crude utilisation (%) - Incl Paradip	56.4	53.6	57.6	55.2	53.2	54.0		
Pipeline segment								
Throughput (mn tons)	25.8	24.0	24.9	25.8	26.3	24.1	-8.3%	0.4%
Implied EBITDA/ton (INR)	764	839	824	812	813	904	11.2%	7.8%
Petchem segment								
Sales volume (mn tons)	0.7	0.8	0.9	0.8	0.8	0.8	-7.5%	0.0%
EBITDA (INR/ton)	9,384	7,759	6,002	5,831	8,270	11,136	34.7%	43.5%
EBITDA (USD/ton)	112	93	71	67	97	128	32.0%	37.7%
Marketing segment								
Implied Marketing normalised EBITDA (INR/ton) *	1,380	2,610	3,499	3,157	5,717	2,351	-58.9%	-9.9%
Marketing inventory gain/(loss) (INR Mn)*	0	-10,054	-10,625	-1,621	-14,537	0		
Marketing inventory gain/(loss) (USD/bbl)	0.0	-0.8	-0.7	-0.1	-1.0	0.0		
Domestic sales volume (mmt)	21.5	19.4	22.0	21.9	22.4	20.2	-9.8%	4.1%
Export sales volume (mmt)	1.2	1.0	1.3	1.3	1.3	1.4	4.7%	37.8%
Total sales volume including exports (mmt)	22.7	20.4	23.4	23.2	23.7	21.6	-9.0%	5.7%
IOCL implied domestic market share (%)								
MS	39.4%	38.2%	39.1%	38.7%	38.9%	38.7%		
HSD	40.1%	39.9%	40.1%	40.2%	40.5%	40.0%		
LPG	46.9%	47.3%	47.7%	47.7%	47.3%	46.9%		
ATF	53.4%	52.9%	54.9%	56.5%	53.4%	54.1%		
Lubes	48.7%	54.0%	51.1%	45.6%	50.8%	51.1%		
Other I&C	15.4%	12.9%	15.9%	17.9%	17.1%	14.7%		
Total domestic	35.2%	34.7%	35.8%	36.1%	36.4%	35.5%		
Integrated Reported EBITDA margin (USD/bbl of marketing volume)	**4.2**	**1.5**	**3.9**	**7.8**	**6.5**	**8.9**	37%	511%

Source: Company, JM Financial, * based on total implied reported refining and marketing EBITDA divided by total refining and marketing volume ** From 4QFY21, in the absence of company's marketing inventory gain disclosure, marketing normalised EBITDA has been computed assuming in-line inventory gain with JMFe

Exhibit 4. Standalone segment-wise EBITDA break-up

(INR mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	% QoQ	% YoY
EBITDA (including inventory gains/losses)								
Refining	26,623	-24,837	-14,064	43,097	-24,091	72,991	-403%	-394%
Marketing	31,334	43,221	71,190	71,602	121,070	50,723	-58%	17%
Pipeline	19,719	20,113	20,516	20,926	21,345	21,771	2%	8%
Petchem	7,010	5,974	5,342	4,834	6,881	8,575	25%	44%
Others	7,000	7,000	7,000	7,000	7,000	7,000	0%	0%
Total	**91,686**	**51,472**	**89,983**	**147,459**	**132,204**	**161,060**	22%	213%
Inventory gain/(loss)								
Refining	39,545	-15,676	-41,375	28,738	-55,939	19,550	NM	NM
Marketing*	0	-10,054	-10,625	-1,621	-14,537	0	NM	NM
Pipeline	0	0	0	0	0	0	NM	NM
Petchem	0	0	0	0	0	0	NM	NM
Others	0	0	0	0	0	0	NM	NM
Total	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	NM	NM
Core EBITDA								
Refining	-12,922	-9,161	27,311	14,359	31,848	53,441		
Marketing*	31,334	53,275	81,814	73,223	135,607	50,723	-63%	-5%
Pipeline	19,719	20,113	20,516	20,926	21,345	21,771	2%	8%
Petchem	7,010	5,974	5,342	4,834	6,881	8,575	25%	44%
Others	7,000	7,000	7,000	7,000	7,000	7,000	0%	0%
Total	52,141	77,202	141,983	120,342	202,680	141,511	-30%	83%
Forex gain/(loss)	-2,090	-4,200	-20,490	4,240	-620	-21,390		
Core EBITDA adjusted for forex gain/(loss)	**54,231**	**81,402**	**162,473**	**116,102**	**203,300**	**162,901**	**275%**	**100%**

Source: Company, JM Financial, * based on total implied reported refining and marketing EBITDA divided by total refining and marketing volume ** From 4QFY21, in the absence of company's marketing inventory gain disclosure, marketing normalised EBITDA has been computed assuming in-line inventory gain with JMFe

Assumptions and Estimates

Exhibit 5. Key assumptions

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	Comments
Marco assumptions								
Brent (USD/bbl)	80.0	95.4	83.1	78.9	70.0	70.0	70.0	
Exchange rate (INR/USD)	75.2	80.4	82.8	84.6	87.1	88.8	90.6	
Implied integrated Reported EBITDA margin (INR/ton of marketing sales volume)	**3,980**	**1,996**	**6,939**	**2,767**	**5,556**	**4,101**	**4,195**	Based on reported EBITDA of both refining & marketing segment divided by marketing sales volume
Refining segment								
Margins (USD/bbl)								
Singapore Dubai GRM	5.0	10.8	6.6	3.8	5.5	5.5	5.5	GRM to normalise from FY26
Reported GRM excluding Paradip refinery	11.3	20.6	12.3	3.7	6.1	6.4	6.4	
Reported GRM for Paradip refinery	11.0	15.0	11.0	9.0	9.0	9.0	9.0	Assumed at ~USD 9/bbl based on complexity
Reported GRM including Paradip refinery	11.3	19.5	12.1	4.8	6.7	6.9	6.9	
Implied inventory gain/(loss) on refining	3.6	-0.4	0.6	0.3	0.0	0.0	0.0	Not factoring any inventory loss/gain going forw ard
Implied core GRM	7.6	20.1	11.4	4.5	6.7	6.9	6.9	
Reported GRM differential to Spore Dubai GRM	6.3	8.8	5.5	1.0	1.2	1.4	1.4	
Core GRM differential to Spore Dubai GRM	2.6	9.4	4.9	0.7	1.2	1.4	1.4	
Crude throughput (mmtpa)								
Total standalone	67.7	72.5	73.3	71.7	73.6	80.0	85.8	
CPCL refinery	9.0	11.3	11.6	10.5	10.5	10.5	10.5	
Consolidated	76.7	83.8	84.9	82.2	84.1	90.5	96.3	
Refining capacity (mmtpa)								
Total standalone	70.1	70.1	70.3	70.3	70.3	87.6	87.6	
CPCL refinery	10.5	10.5	10.5	10.5	10.5	10.5	10.5	
Consolidated	80.6	80.6	80.8	80.8	80.8	98.1	98.1	
Refinery utilisation								
Consolidated	95%	104%	105%	102%	104%	92%	98%	
Marketing segment								
Margins								
Implied gross marketing margin on autofuel (INR/litre)	2.2	(5.8)	5.2	6.8	4.5	4.5	4.5	Margin to normalise at INR4.5/ltr from FY26 onw ards
Implied gross marketing margin overall (INR/ton)	2,520	(3,319)	5,015	3,920	5,968	4,320	4,316	FY26 margin higher due to factoring in of LPG compensation of ~INR145bn
Implied net marketing margin overall (INR/ton)	(130)	(5,096)	3,092	2,672	4,169	2,520	2,515	
Volume								
Volume break-up (mmtpa)								
HSD sales volume	32.7	39.1	37.1	36.7	37.4	38.1	38.9	
MS sales volume	12.3	14.3	14.8	15.5	16.2	16.8	17.5	
Other product sales volume	34.6	35.6	36.6	37.5	38.2	39.2	40.6	
Total sales volume	**79.6**	**89.0**	**88.5**	**89.7**	**91.8**	**94.2**	**97.0**	
Petchem segment								
Sales volume (mmtpa)	2.9	2.2	3.1	3.2	3.3	3.4	3.5	
EBITDA Margin (INR/ton)	19,675	6,275	8,086	7,157	7,864	8,591	9,338	
Pipeline segment								
Throughput (mmtpa)	83.2	95.1	95.8	96.9	97.9	98.9	99.9	
EBITDA (INR/mmt of throughput)	760	729	784	839	897	960	1,027	Assumed gradual recovery in margins after recent decline

Source: JM Financial, Company

Exhibit 6. Change in estimates

	New	Old	Divergence
TP (INR)	145	145	0%
Rating	REDUCE	REDUCE	
Revenue (INR Mn)			
FY26	7,686,393	7,637,588	0.6%
FY27	8,028,414	7,978,632	0.6%
FY28	8,411,345	8,360,568	0.6%
EBITDA (INR Mn)			
FY26	625,719	629,984	-0.7%
FY27	518,191	522,284	-0.8%
FY28	552,024	556,199	-0.8%
PAT (INR Mn)			
FY26	362,034	363,702	-0.5%
FY27	253,811	254,911	-0.4%
FY28	297,487	298,569	-0.4%
EPS (INR)			
FY26	25.6	25.8	-0.5%
FY27	18.0	18.1	-0.4%
FY28	21.1	21.1	-0.4%

Source: JM Financial

Valuation

Exhibit 7. Valuation

Valuation			Value (INR Bn)	Value (INR/share)	Comment
Core business	**FY27 EBITDA (INR Bn)**	**EV/EBITDA multiple (x)**			
Standalone core business					
Refining segment	149	5.5	819	58	Refining EBITDA based on GRM of USD 6.9/bbl (vs historical GRM of USD 5.5-6.5/bbl)
Marketing segment	237	5.5	1,305	92	Marketing EBITDA based on auto-fuel GMM of INR 4.5/ltr
Petchem segment	29	5.5	162	11	
Pipeline segment	95	5.5	522	37	
Standalone core business			**2,809**	**199**	
Less: Net debt			1,116	79	
Standalone core business equity value			**1,693**	**120**	
CPCL (51.9% stake)			48	3	At 20% discount to CMP
Total core business (a)			**1,740**	**123**	
Other investments	**No of shares (Mn)**	**CMP less 20% discount (INR/sh)**			
ONGC (7.84% stake)	987	203	200	14	At 20% discount to CMP
PLNG (12.5% stake)	188	224	42	3	At 20% discount to CMP
Oil India (4.93% stake)	80	338	27	2	At 20% discount to CMP
GAIL (2.5% stake)	82	144	12	1	At 20% discount to CMP
Treasury shares (2.5% stake)	350	124	43	3	At 20% discount to CMP
Total other investments (b)			**324**	**22**	
Equity value (a+b)				**145**	

Source: JM Financial

If FY27 core GRM changes by +/- USD 0.5/bbl, our valuation will change by +/- INR 10/share (or +/- 7%).

Exhibit 8. Valuation sensitivity to refining business parameters

FY27 Core GRM (USD/bbl) \ FY27 Crude Throughput (mmtpa)	89.0	89.5	90.0	90.5	91.0	91.5	92.0
5.4	114	114	115	115	115	115	115
5.9	124	124	125	125	125	125	126
6.4	134	134	135	135	135	136	136
6.9	144	144	145	**145**	146	146	146
7.4	154	155	155	155	156	156	157
7.9	164	165	165	166	166	167	167
8.4	174	175	175	176	176	177	177

Source: Company, JM Financial

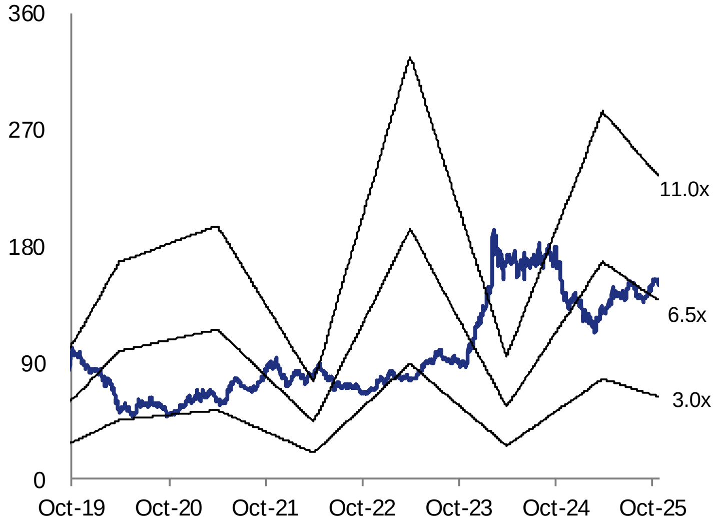
If FY27 auto fuel gross marketing margin (GMM) changes by +/-INR 0.5/ltr, our valuation will change by +/- INR 27/share (+/-18.3%).

Exhibit 9. Valuation sensitivity to marketing business parameters

FY27 Auto fuel GMM (INR/ltr) \ FY27 Auto fuel marketing sales volume (mmtpa)	47	49	52	55	58	60	63
7.5	201	209	217	225	233	241	249
6.5	178	185	192	198	205	212	218
5.5	156	161	166	172	177	182	188
4.5	133	137	141	**145**	149	153	157
3.5	111	113	116	119	121	124	127
2.5	88	90	91	92	94	95	96
1.5	66	66	66	66	66	66	66

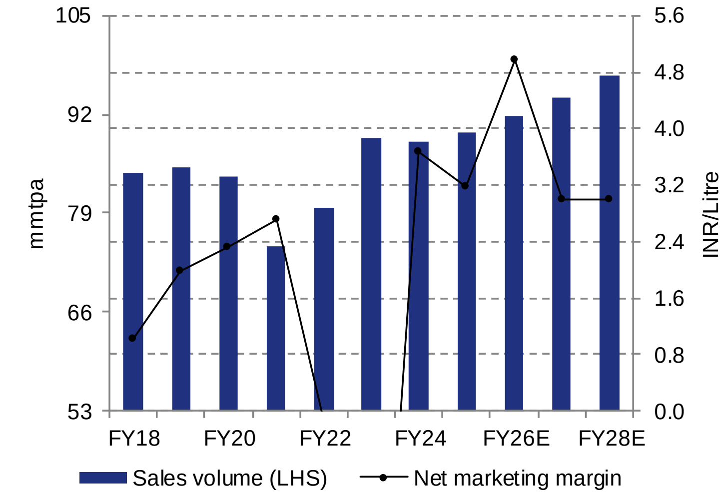
Source: Company, JM Financial

Exhibit 10. 1-year forward PE Chart



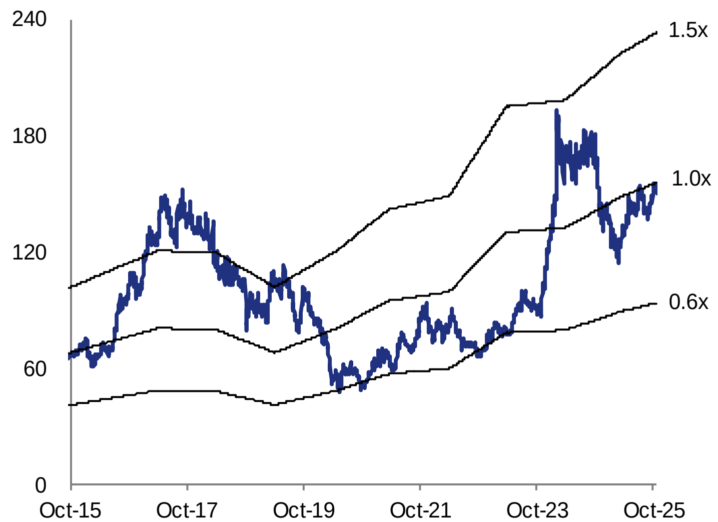
Source: JM Financial, Company

Exhibit 11. Sales volume vs. net marketing margin



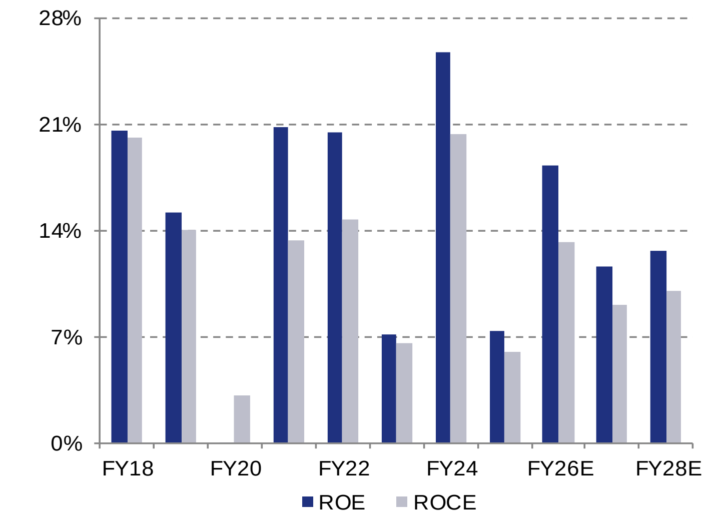
Source: JM Financial, Company

Exhibit 12. 1-year forward PB Chart



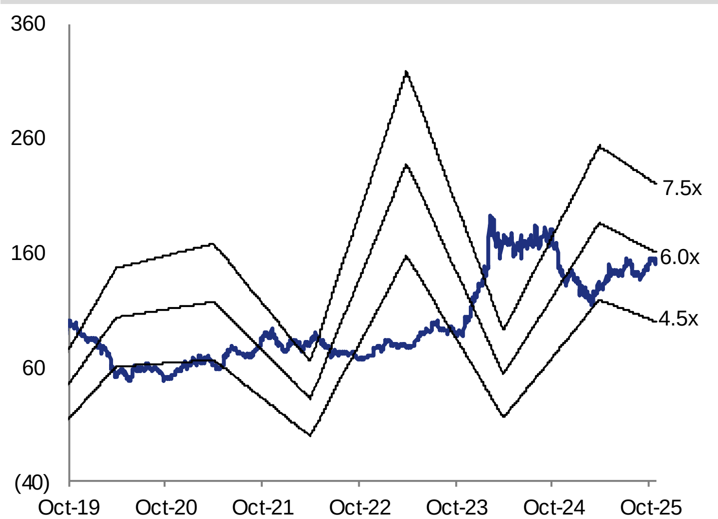
Source: Company, JM Financial

Exhibit 13. RoE vs. RoCE



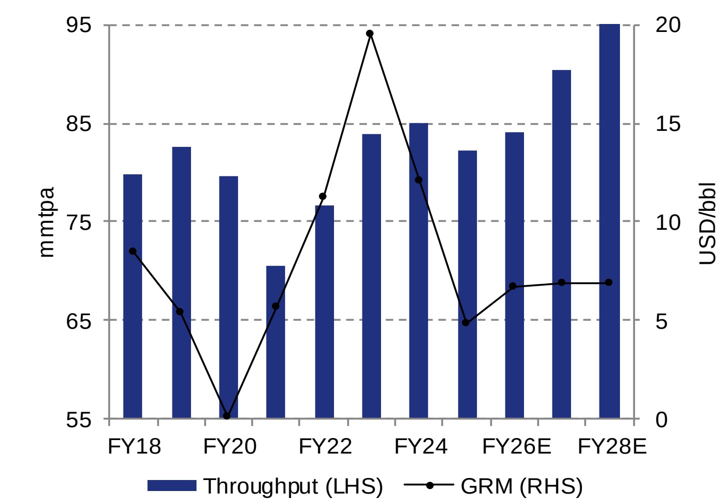
Source: Company, JM Financial

Exhibit 14. 1-year forward EV-EBITDA Chart



Source: Company, JM Financial

Exhibit 15. Throughput vs. GRM



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	88,12,355	85,93,627	87,13,032	91,00,734	95,34,812
Sales Growth	*-7.4%*	*-2.5%*	*1.4%*	*4.4%*	*4.8%*
Other Operating Income	0	0	0	0	0
Total Revenue	**88,12,355**	**85,93,627**	**87,13,032**	**91,00,734**	**95,34,812**
Cost of Goods Sold/Op. Exp	0	0	0	0	0
Personnel Cost	0	0	0	0	0
Other Expenses	0	0	0	0	0
EBITDA	**7,55,951**	**3,59,905**	**6,25,719**	**5,18,191**	**5,52,024**
EBITDA Margin	*8.6%*	*4.2%*	*7.2%*	*5.7%*	*5.8%*
EBITDA Growth	*146.2%*	*-52.4%*	*73.9%*	*-17.2%*	*6.5%*
Depn. & Amort.	1,58,661	1,67,773	1,73,195	1,90,038	1,70,521
EBIT	5,97,290	1,92,132	4,52,524	3,28,154	3,81,503
Other Income	38,386	35,137	49,834	46,396	46,693
Finance Cost	78,257	92,619	64,314	66,956	67,146
PBT before Excep. & Forex	5,57,419	1,34,650	4,38,045	3,07,593	3,61,050
Excep. & Forex Inc./Loss(-)	0	18,380	0	0	0
PBT	5,57,419	1,53,030	4,38,045	3,07,593	3,61,050
Taxes	1,41,266	32,746	81,016	57,995	68,077
Extraordinary Inc./Loss(-)	0	18,380	0	0	0
Assoc. Profit/Min. Int.(-)	1,145	15,694	15,568	17,700	18,851
Reported Net Profit	4,45,926	1,58,178	3,62,034	2,53,811	2,97,487
Adjusted Net Profit	**4,45,926**	**1,39,798**	**3,62,034**	**2,53,811**	**2,97,487**
Net Margin	*5.1%*	*1.6%*	*4.2%*	*2.8%*	*3.1%*
Diluted Share Cap. (mn)	14,121.2	14,121.2	14,121.2	14,121.2	14,121.2
Diluted EPS (INR)	**31.6**	**9.9**	**25.6**	**18.0**	**21.1**
Diluted EPS Growth	*355.4%*	*-68.6%*	*159.0%*	*-29.9%*	*17.2%*
Total Dividend + Tax	1,69,455	42,364	1,11,706	76,709	90,865
Dividend Per Share (INR)	12.0	3.0	7.9	5.4	6.4

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,72,878	1,70,635	4,48,331	3,18,550	3,72,732
Depn. & Amort.	1,58,661	1,67,773	1,73,195	1,90,038	1,70,521
Net Interest Exp. / Inc. (-)	45,814	59,938	14,480	20,560	20,453
Inc (-) / Dec in WCap.	62,562	-7,333	1,30,864	2,014	2,323
Others	-9,401	-13,080	0	0	0
Taxes Paid	-1,19,050	-30,941	-81,016	-57,995	-68,077
Operating Cash Flow	**7,11,464**	**3,46,993**	**6,85,854**	**4,73,167**	**4,97,953**
Capex	-3,71,754	-3,48,499	-3,44,837	-3,46,877	-3,49,015
Free Cash Flow	*3,39,711*	*-1,507*	*3,41,016*	*1,26,289*	*1,48,938*
Inc (-) / Dec in Investments	12,594	-13,524	23,451	18,928	27,482
Others	44,044	43,541	49,834	46,396	46,693
Investing Cash Flow	**-3,15,115**	**-3,18,482**	**-2,71,553**	**-2,81,554**	**-2,74,841**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	-1,78,303	1,78,144	12,809	10,268	-17,022
Others	-2,15,544	-2,12,389	-1,76,020	-1,43,665	-1,58,011
Financing Cash Flow	**-3,93,846**	**-34,245**	**-1,63,211**	**-1,33,397**	**-1,75,033**
Inc / Dec (-) in Cash	**2,502**	**-5,734**	**2,51,090**	**58,216**	**48,080**
Opening Cash Balance	9,964	12,466	6,732	2,57,822	3,16,037
Closing Cash Balance	12,466	6,732	2,57,821	3,16,037	3,64,117

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,34,163	18,64,873	20,98,929	22,62,009	24,54,566
Share Capital	1,37,716	1,37,716	1,37,716	1,37,716	1,37,716
Reserves & Surplus	16,96,447	17,27,158	19,61,213	21,24,294	23,16,850
Preference Share Capital	0	0	0	0	0
Minority Interest	47,467	45,373	49,070	53,791	58,809
Total Loans	12,34,536	14,25,599	14,38,408	14,48,675	14,31,653
Def. Tax Liab. / Assets (-)	1,89,607	2,06,650	2,06,650	2,06,650	2,06,650
Total - Equity & Liab.	**33,05,773**	**35,42,495**	**37,93,056**	**39,71,124**	**41,51,677**
Net Fixed Assets	25,70,302	27,90,635	29,62,277	31,19,117	32,97,611
Gross Fixed Assets	28,15,054	30,04,050	33,10,780	36,17,645	39,24,647
Intangible Assets	10	10	10	10	10
Less: Depn. & Amort.	8,55,087	9,92,639	11,65,833	13,55,871	15,26,392
Capital WIP	6,10,324	7,79,213	8,17,320	8,57,332	8,99,346
Investments	5,70,725	5,94,814	5,53,506	5,18,533	4,74,835
Current Assets	16,82,593	16,83,222	17,22,252	18,45,269	19,66,006
Inventories	12,13,758	11,38,785	10,69,239	10,74,374	10,80,140
Sundry Debtors	1,38,315	1,85,510	1,15,964	1,21,099	1,26,865
Cash & Bank Balances	12,466	6,732	2,57,822	3,16,037	3,64,117
Loans & Advances	30,799	38,522	35,536	77,687	1,24,913
Other Current Assets	2,87,255	3,13,674	2,43,690	2,56,072	2,69,971
Current Liab. & Prov.	15,17,848	15,26,175	14,44,979	15,11,794	15,86,775
Current Liabilities	5,94,541	6,05,349	5,84,186	6,08,319	6,35,368
Provisions & Others	9,23,307	9,20,826	8,60,793	9,03,475	9,51,407
Net Current Assets	1,64,745	1,57,047	2,77,273	3,33,475	3,79,231
Total – Assets	**33,05,773**	**35,42,495**	**37,93,056**	**39,71,124**	**41,51,677**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.1%	1.6%	4.2%	2.8%	3.1%
Asset Turnover (x)	2.8	2.5	2.4	2.3	2.3
Leverage Factor (x)	2.0	1.9	1.9	1.8	1.7
RoE	27.6%	7.6%	18.3%	11.6%	12.6%

Key Ratios

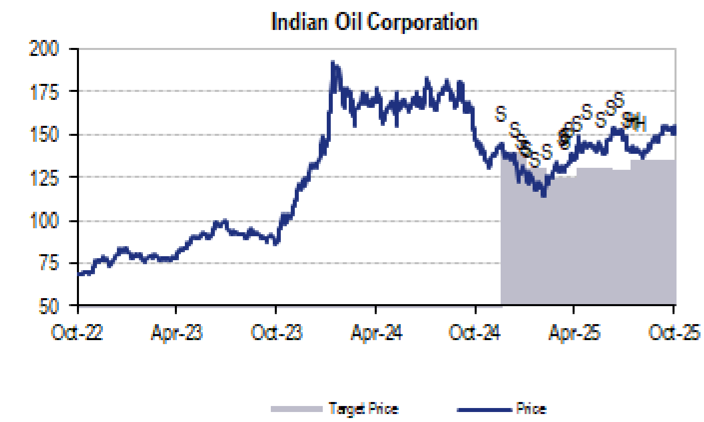
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	129.9	132.1	148.6	160.2	173.8
ROIC	18.1%	5.7%	13.4%	9.3%	10.3%
ROE	27.6%	7.6%	18.3%	11.6%	12.6%
Net Debt/Equity (x)	0.7	0.7	0.6	0.5	0.4
P/E (x)	4.9	15.7	6.0	8.6	7.4
P/B (x)	1.2	1.2	1.0	1.0	0.9
EV/EBITDA (x)	4.5	10.1	5.4	6.5	6.0
EV/Sales (x)	0.4	0.4	0.4	0.4	0.4
Debtor days	6	8	5	5	5
Inventory days	50	48	45	43	41
Creditor days	27	27	26	26	26

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Dec-24	Sell	140	
7-Jan-25	Sell	140	-0.2
17-Jan-25	Sell	140	0.0
27-Jan-25	Sell	130	-6.9
29-Jan-25	Sell	130	0.0
14-Feb-25	Sell	130	-0.1
5-Mar-25	Sell	125	-4.0
6-Apr-25	Sell	125	0.2
7-Apr-25	Sell	125	0.0
8-Apr-25	Sell	125	0.0
17-Apr-25	Sell	125	0.0
30-Apr-25	Sell	130	4.1
18-May-25	Sell	130	0.1
15-Jun-25	Sell	130	0.0
3-Jul-25	Sell	130	-0.5
16-Jul-25	Sell	130	0.1
2-Aug-25	Sell	130	0.0
9-Aug-25	Hold	135	4.4
14-Aug-25	Hold	135	0.0
28-Aug-25	Hold	135	0.0
6-Oct-25	Reduce	145	7.4

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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