

July 30, 2024

RESULT REPORT Q1 FY25 | Sector: Energy

Indian Oil Corporation Ltd

Strong reported performance driven by inventory & adventitious gains; core weak

Our View

Indian Oil Corp Q1 FY25 performance showcases a poor core performance, surprises on inventory and adventitious gains. The integrated core margins in USD/bbl were lower than our estimates at 1.6 vs 3. With EBITDA at Rs86.3bn and PAT of Rs26.4 bn, the core GRMs has been quite weaker with higher gains, while the marketing performance marginally weaker than our expectations. Reported EBITDA and PAT is higher than ours but lower than the consensus expectations. The reported GRM of USD6.4/bbl and Rs4.4/ltr of blended gross marketing margins, while the core integrated margins fell to USD1.6/bbl. We maintain BUY rating with a revised target price of Rs215 (earlier 210) valuing it on a sum-of-parts basis (core business at 8x EV/EBITDA and investments at Rs32). Prefer in OMCs, HPCL > BPCL > IOCL.

Result Highlights

- EBITDA/PAT were Rs86.3bn/Rs26.4bn; on weaker core GRMs and a surprise inventory and adventitious gains, while the marketing performance was impacted by a LPG subsidy burden of Rs 51.6bn. Reported EBITDA and PAT are higher than our and consensus expectations only due to higher than expected gains. The reported GRM was ~USD6.39/bbl (USD8.42 the previous quarter, USD8.34 a year ago). The core GRM at USD2.84/bbl, (USD10.58 the prior quarter, USD9.05 a year ago), was at a discount of USD0.56/bbl over the benchmark which was at USD3.4/bbl. The impact on GRM was due to shutdowns at Paradip refinery - DHHT for ~60days and maintenance shutdown at Bongaigaon refinery for 30days. The refining inventory gain at USD3.55/bbl (a loss of USD2.16 the previous quarter, and a loss of USD0.71 a year back). Refinery throughput was 18.17mmt at 103.7% utilisation (105% the previous quarter, 107% a year ago).
- The integrated core EBITDA margins was USD1.6/bbl (USD4.7 the prior quarter, USD9.2 a year ago) lower our estimated USD3/bbl.
- The core marketing EBITDA was Rs0.9/ltr (Rs0.8 the prior quarter, Rs5.3 a year back). The domestic marketing throughput was 25.25mmt, up by 3.5% YoY and flat QoQ (vs. the industry's growth of 2.5% YoY and -0.8% QoQ). MS sales were 3.96mmt, up 5.2% YoY and 7.5% QoQ, while diesel at 9.75mmt, down 3.7% YoY and up 7.3% QoQ. Industry motor spirit and diesel sales were up 6.7%/1.4% YoY and 6% QoQ for both. The company has a negative buffer amounting to Rs 51.6bn as of Q1FY25 pertaining to LPG subsidy. **Product market share:** The sales market shares of high-speed diesel and motor spirits both were stable at 40.2% and 39.6%.
- Petchem EBIT reported Rs 119mn vs Rs3.99bn loss the prior quarter, Rs 884mn a year back. The sequential improvement was due to better spreads but lower volumes.
- Debt of Rs1,158.5bn was up Rs148.4bn YoY, but down just Rs Rs6.5bn QoQ as there is a higher capex and possible increased working capital requirements on lowering of Russian crude discounts.
- Capex as per PPAC was Rs84.6bn and FY25 target of Rs 310bn.

Valuation

IOCL has a Rs34.2bn/Rs44.2bn sensitivity to a change of Rs0.5/ltr/\$1/bbl, respectively. At CMP, stock trades at 8.8x/8.0x FY25e/26e EV/EBITDA and 1.4x/1.3x P/BV (excl. investments, it trades at 7.7x/7.0x FY25e/26e EV/EBITDA and 1.1x/1.1x P/BV). We maintain BUY rating with a revised target price of Rs215 (earlier 210) valuing it on a sum-of-parts basis (core business at 8x EV/EBITDA and investments at Rs32).

Reco	: BUY
CMP	: Rs 183
Target Price	: Rs 215
Potential Return	: +17.4%

Stock data (as on Jul 30, 2024)

Nifty	24,857
52 Week h/l (Rs)	197 / 86
Market cap (Rs/USD mn)	2547330 / 30433
Outstanding Shares (mn)	14,121
6m Avg t/o (Rs mn):	4,901
Div yield (%):	7.3
Bloomberg code:	IOCL IN
NSE code:	IOCL

Stock performance



Shareholding pattern (As of Mar '24 end)

Promoter	51.5%
FII+DII	38.3%
Others	10.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	215	210

Δ in estimates

(1-Yr)	FY25e	FY26e
EPS (New)	14.1	15.5
EPS (Old)	14.1	15.5
% Change	-	-

Financial Summary

(Rs bn)	FY24	FY25E	FY26E
Revenue	7,743.5	7,382.8	6,990.2
YoY Growth	(7.8)	(4.7)	(5.3)
EBIDTA	694.0	419.7	455.2
OPM %	9.0	5.7	6.5
PAT	396.2	198.4	219.5
YoY Growth	380.7	(49.9)	10.7
ROE	25.4	10.9	11.4
EPS	28.1	14.1	15.5
P/E	6.5	13.0	11.8
BV	125.1	132.2	140.7
EV/EBITDA	5.5	8.8	8.1

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Lead Analyst

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	1,932,355	1,475,651	2,018,260	30.95	-4.26	Strong reported performance driven by inventory and adventitious gains; core quite weak
EBITDA	86,347	75,321	101,276	14.64	-14.74	
EBITDA Margin (%)	4.47	5.10	5.02	-64bps	-55bps	
Adjusted PAT	26,432	19,415	49,970	36.14	-47.10	

Exhibit 2: Earnings snapshot

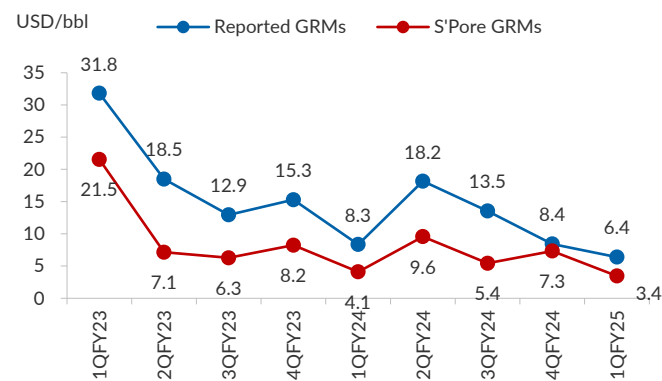
Particulars (Rs mn)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	1,975,266	1,797,398	1,991,040	1,979,782	1,932,355	(2.2)	(2.4)	8,394,722	7,743,486	(7.8)
Expenditure	1,753,627	1,584,268	1,836,153	1,875,431	1,846,008	5.3	(1.6)	8,172,195	7,049,478	(13.7)
-Raw Material	1,618,730	1,436,887	1,692,840	1,722,219	1,699,720	5.0	(1.3)	7,580,076	6,470,676	(14.6)
-Staff Cost	28,349	27,951	26,221	28,275	26,995	(4.8)	(4.5)	87,699	110,796	26.3
- Other expenses	106,548	119,430	117,092	124,937	119,293	12.0	(4.5)	504,421	468,007	(7.2)
Operating Profit	221,639	213,130	154,887	104,352	86,347	(61.0)	(17.3)	222,527	694,008	211.9
OPM(%)	11.2	11.9	7.8	5.3	4.5	-309 bps	-331 bps	2.7	9.0	631 bps
Other Income	6,885	9,825	14,529	16,570	5,339	(22.5)	(67.8)	62,352	47,808	(23.3)
Depreciation	31,522	32,797	43,413	37,364	37,557	19.1	0.5	118,594	145,096	22.3
Interest	16,263	18,460	18,321	20,234	19,603	20.5	(3.1)	69,303	73,278	5.7
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
PBT	180,738	171,699	107,682	63,323	34,527	(80.9)	(45.5)	96,982	523,442	439.7
Tax	43,234	42,026	27,048	14,946	8,095	(81.3)	(45.8)	14,563	127,254	773.8
PAT	137,504	129,673	80,634	48,377	26,432	(80.8)	(45.4)	82,418	396,188	380.7
Adj PAT	137,504	129,673	80,634	48,377	26,432	(80.8)	(45.4)	82,418	396,188	380.7

Exhibit 3: Operating highlights

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Throughput (mmt)	43.2	41.0	43.1	43.6	43.4					
Refinery	18.8	17.8	18.5	18.3	18.2	(3.1)	(0.6)	72.4	73.3	1.2
Marketing (domestic)	24.4	23.2	24.6	25.3	25.3	3.5	(0.1)	95.7	97.6	1.9
Pipeline	25.0	23.9	25.2	24.6	25.8	3.4	5.0	97.4	98.6	1.3
Margins (USD/bbl)										
Reported GRMs	8.3	18.2	13.5	8.4	6.4	(23.4)	(24.1)	19.7	12.1	(38.9)
Inventory gain/loss	(0.7)	1.8	3.5	(2.2)	3.6	(600.0)	(264.5)	(0.4)	0.6	(252.1)
Core GRM	9.1	16.4	10.0	10.6	2.8	(68.6)	(73.1)	20.1	11.4	(43.2)
S'Pore GRMs	4.1	9.6	5.4	7.3	3.4	(15.8)	(52.9)	11.0	6.6	(40.2)
Marketing EBITDA (Rs/ltr)	5.3	0.3	1.5	0.8	0.9	(83.7)	5.4	(3.7)	2.0	(154.7)
EBITDA Integrated margin (USD/bbl)	9.2	7.0	5.3	4.7	1.6	(82.2)	(64.9)	3.9	6.6	67.2
Inventory gain/loss (Rs mn)										
Refining	(8,209)	19,942	40,784	(24,568)	40,352	(591.6)	(264.2)	(22,369)	27,949	(224.9)
Marketing	(16,935)	23,485	(27,831)	4,077	3,373	(119.9)	(17.3)	(93,751)	(17,204)	(81.6)

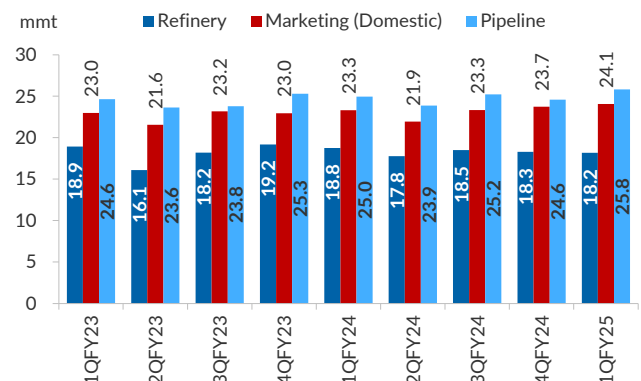
Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Rs mn										
Gross Debt	1,010,120	994,070	1,061,900	1,164,960	1,158,470	14.7	(0.6)	1,324,950	1,164,960	(12.1)
Forex gain/losses	910	(8,440)	(1,020)	(2,520)	(2,090)	(329.7)	(17.1)	(67,020)	(11,070)	(83.5)
Core EBITDA (Rs mn)	245,873	178,143	142,954	127,363	44,712	(81.8)	(64.9)	405,667	694,332	71.2
Marketing market share (%)										
HSD	42.3	41.7	41.9	39.7	40.2	(5.0)	1.2	45.5	41.4	(50.3)
MS	40.2	40.0	39.8	39.0	39.6	(1.4)	1.5	41.0	39.8	(2.9)

Exhibit 4: GRMs



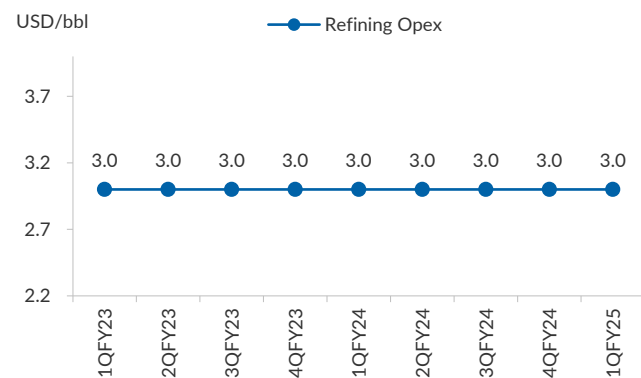
Source: Company, YES Sec

Exhibit 5: Throughput



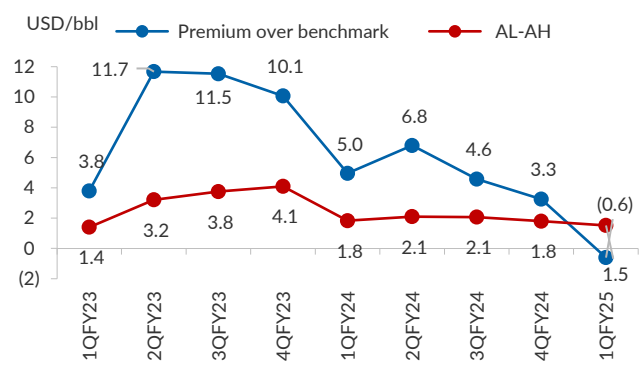
Source: Company, YES Sec

Exhibit 6: Refining Opex



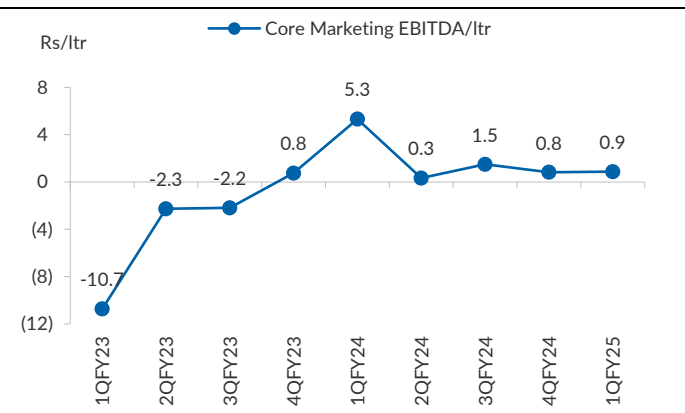
Source: Company, YES Sec

Exhibit 7: Premium and AL-AH difference



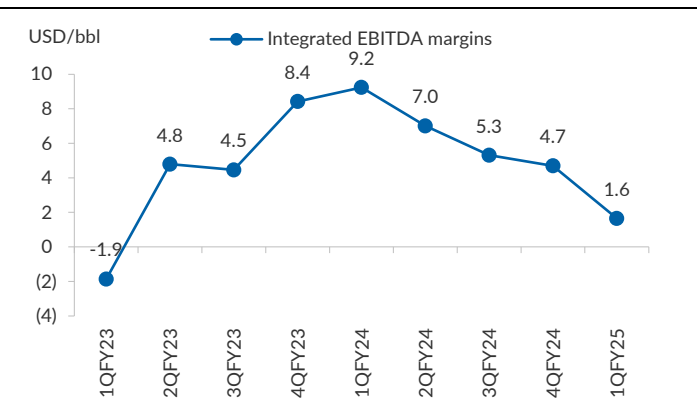
Source: Company, YES Sec

Exhibit 8: Core marketing EBITDA



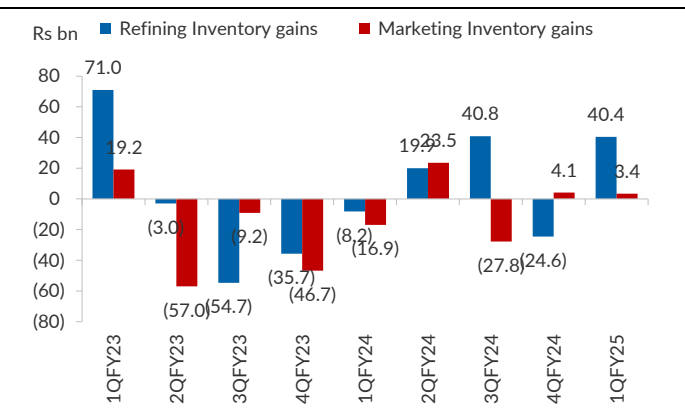
Source: Company, YES Sec

Exhibit 9: Integrated EBITDA margins



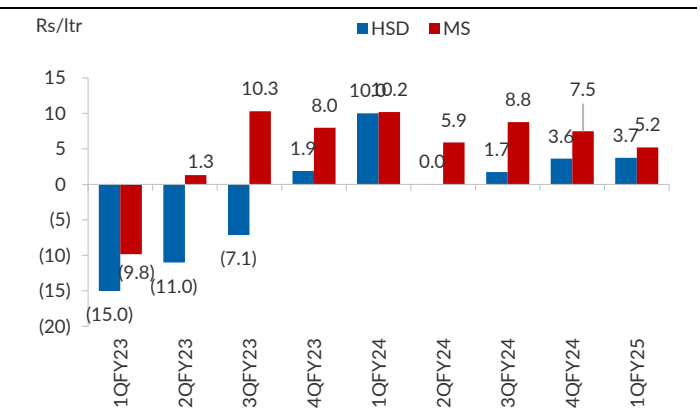
Source: Company, YES Sec

Exhibit 10: Inventory gain / loss



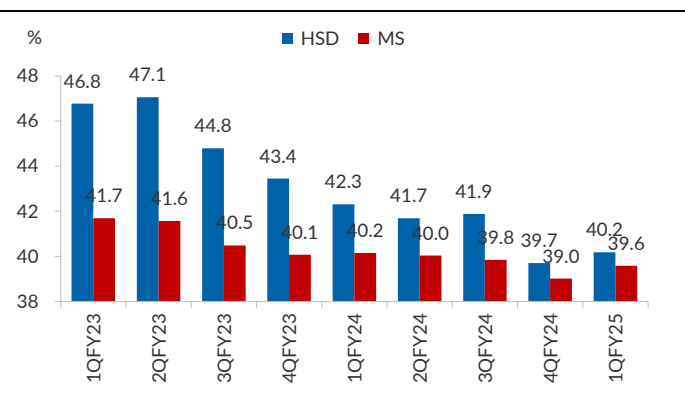
Source: Company, YES Sec

Exhibit 11: Auto fuel – gross marketing margins



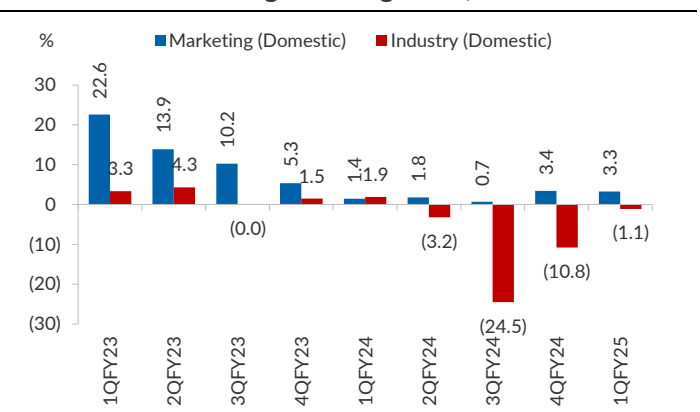
Source: Company, YES Sec

Exhibit 12: Auto fuel – market share



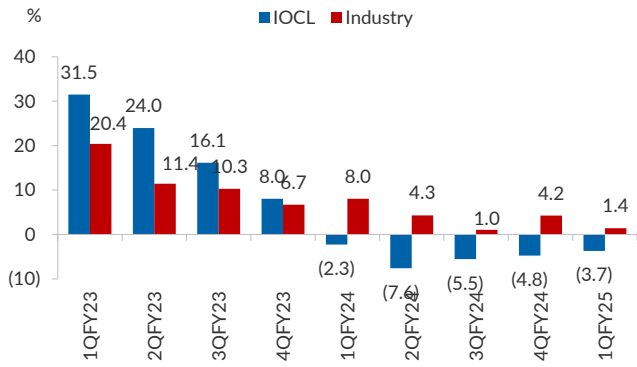
Source: Company, YES Sec

Exhibit 13: Marketing volume growth, YoY



Source: Company, YES Sec

Exhibit 14: HSD volume growth, YoY



Source: Company, YES Sec

Exhibit 15: MS volume growth, YoY

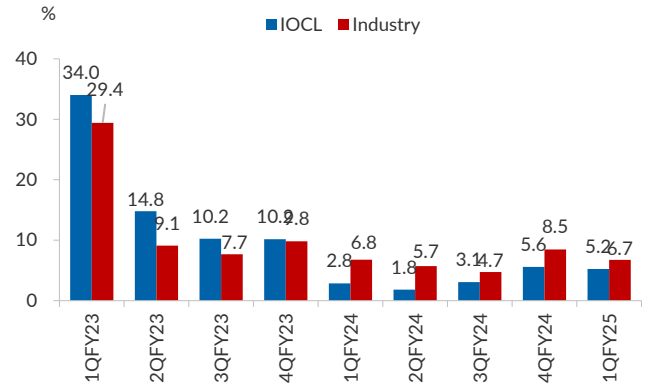
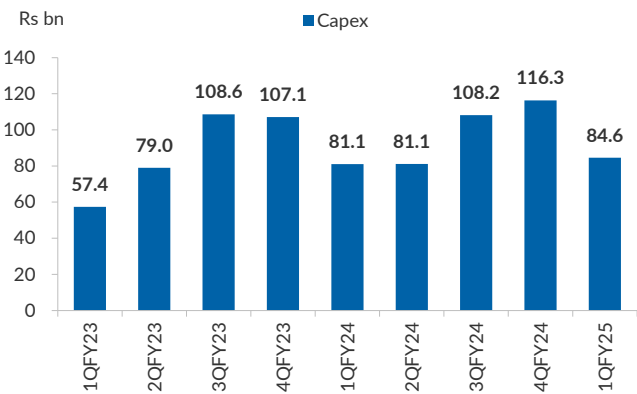
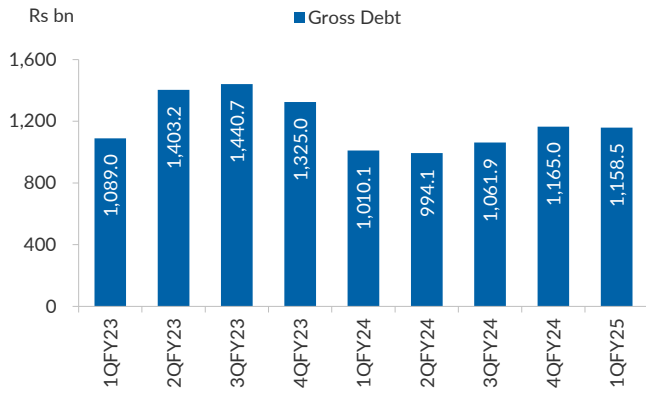


Exhibit 16: Capex



Source: Company, YES Sec

Exhibit 17: - Gross debt



VIEW & VALUATION

Maintain BUY with a TP of Rs 215/sh.

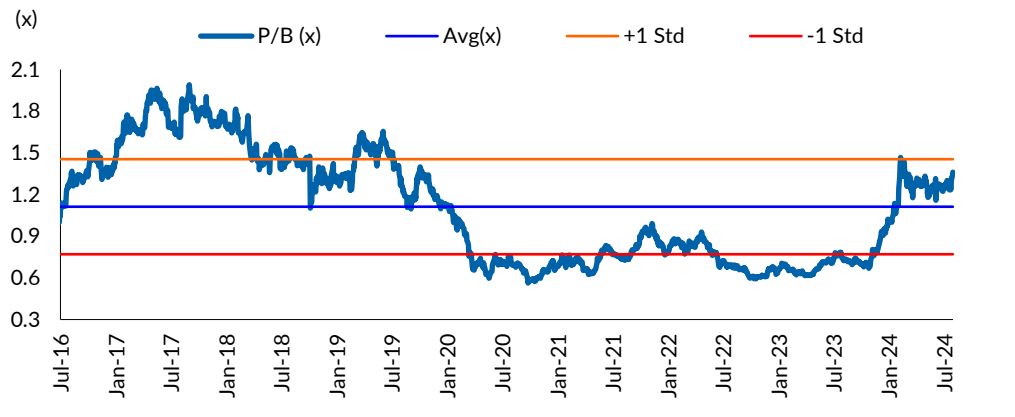
IOCL has a Rs34.2bn/Rs44.2bn sensitivity to a change of Rs0.5/ltr/\$1/bbl, respectively. Declared dividend of Rs 12/share in FY24 (6.6% dividend yield), an expectation of 3.8/3.8% in FY25e/26e, would be key for shareholders. The BV/share for FY25e/26e is at Rs 132/141 and debt: equity at 0.6/0.5x for FY25e/26e.

At CMP, stock trades at 8.8x/8.0x FY25e/26e EV/EBITDA and 1.4x/1.3x P/BV (excl. investments, it trades at 7.7x/7.0x FY25e/26e EV/EBITDA and 1.1x/1.1x P/BV). We maintain BUY rating with a revised target price of Rs215 (earlier 210) valuing it on a sum-of-parts basis (core business at 8x EV/EBITDA and investments at Rs32).

Exhibit 18: Valuation table

EV/EBITDA method	FY26E EBITDA (Rs mm)	EV/EBITDA (x)	Fair Value (Rs mm)	Fair Value (Rs/share)
Standalone	455,228	8.0 x	3,641,822	258
Refining	139,039	8.0 x	1,112,310	79
Marketing	195,205	8.0 x	1,561,643	111
Petchem	50,075	8.0 x	400,597	28
Pipeline	70,909	8.0 x	567,271	40
Cash & Current Investments			146,673	10
Gross Debt			1,208,134	86
Standalone Equity Value (Using EV/EBITDA)			2,580,362	183
Listed Investments	Full Value (Rs mm)	Holdco discount (%)	Fair Value (Rs mm)	Fair Value (Rs/share)
ONGC (Upstream)	335,541	30%	234,879	17
PLNG (LNG Regasification)	69,375	30%	48,563	3
GAIL (Natural gas pipeline)	37,899	30%	26,529	2
CPCL (Refining)	79,042	30%	55,330	4
OINL (Upstream)	46,011	30%	32,208	2
Listed Investments Equity Value			397,508	28
Unlisted Investments			Fair Value (Rs mm)	Fair Value (Rs/share)
Vankor, Tass, Oman			26,454	2
Unlisted Investments Equity Value			26,454	2
Treasury Stock	42,661	30%	29,862	2
Equity Value			3,034,186	215

Exhibit 19: P/BV (x) band, one-year-forward



FINANCIALS

Exhibit 20: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,981,638	8,394,722	7,743,486	7,382,825	6,990,179
Total Expense	5,549,199	8,172,196	7,049,478	6,963,156	6,534,952
Operating Profit	432,438	222,526	694,008	419,669	455,228
Other Income	43,243	62,352	47,808	56,629	64,530
Depreciation	110,059	118,594	145,096	150,104	168,344
EBIT	365,622	166,284	596,720	326,195	351,415
Interest	48,291	69,303	73,278	64,057	61,357
Extraordinary Item	-	-	-	-	-
PBT	317,331	96,981	523,442	262,138	290,058
Tax	75,490	14,563	127,254	63,728	70,516
PAT	241,841	82,418	396,188	198,410	219,542
Adj. PAT	241,841	82,418	396,188	198,410	219,542
Eps	17.1	5.8	28.1	14.1	15.5

Exhibit 21: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	91,810	137,716	137,716	137,716	137,716
Reserves	1,221,053	1,209,860	1,629,434	1,728,995	1,849,689
Net worth	1,312,864	1,347,575	1,767,150	1,866,711	1,987,404
Debt	1,194,628	1,415,500	1,258,667	1,188,667	1,150,667
Deferred tax liab (net)	136,274	146,130	166,371	166,371	166,371
Capital Employed	2,643,765	2,909,206	3,192,188	3,221,749	3,304,442
Fixed assets	1,913,349	2,144,761	2,399,324	2,438,511	2,570,168
Investments	596,824	556,763	712,103	712,103	712,103
Net working capital	133,593	207,682	80,761	71,134	22,171
Inventories	1,032,069	1,138,534	1,125,075	1,015,553	944,804
Sundry debtors	181,366	156,674	127,794	148,046	140,172
Cash & Bank Balance	8,830	7,730	8,322	61,988	51,364
Other current assets	150,953	194,551	199,788	199,788	199,788
Sundry creditors	424,853	486,764	515,010	490,267	456,112
Other liabilities	814,773	803,043	865,209	863,973	857,844
Application of Funds	2,643,765	2,909,206	3,192,188	3,221,749	3,304,442

Exhibit 22: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	317,331	96,981	523,442	262,138	290,058
Depreciation & amortization	110,059	118,594	145,096	150,104	168,344
Interest expense	48,291	69,303	73,278	64,057	61,357
(Inc)/Dec in working capital	(41,874)	(61,663)	(41,057)	-	-
Tax paid	(136,342)	(73,325)	81,086	63,292	38,339
Less: Interest/Dividend Income Received	72,305	1,398	106,385	(63,728)	(70,516)
Other operating Cash Flow	(141,858)	58,565	(207,264)	-	-
Cash flow from operating activities	227,913	209,854	680,966	475,862	487,581
Capital expenditure	(43,229)	(41,374)	(42,847)	(189,291)	(300,000)
Inc/(Dec) in investments	44,377	57,114	41,533	-	-
Add: Interest/Dividend Income Received	(209,148)	(268,596)	(295,703)	-	-
Cash flow from investing activities	(208,000)	(252,856)	(297,016)	(189,291)	(300,000)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	134,847	135,810	(198,836)	(70,000)	(38,000)
Interest Paid	(42,018)	(63,158)	(73,886)	(64,057)	(61,357)
Dividend Paid	(108,960)	(33,094)	(110,218)	(98,849)	(98,849)
Others	180	(21)	-	-	-
Cash flow from financing activities	(15,951)	39,537	(382,940)	(232,905)	(198,205)
Net cash flow	3,962	(3,466)	1,010	53,666	(10,624)

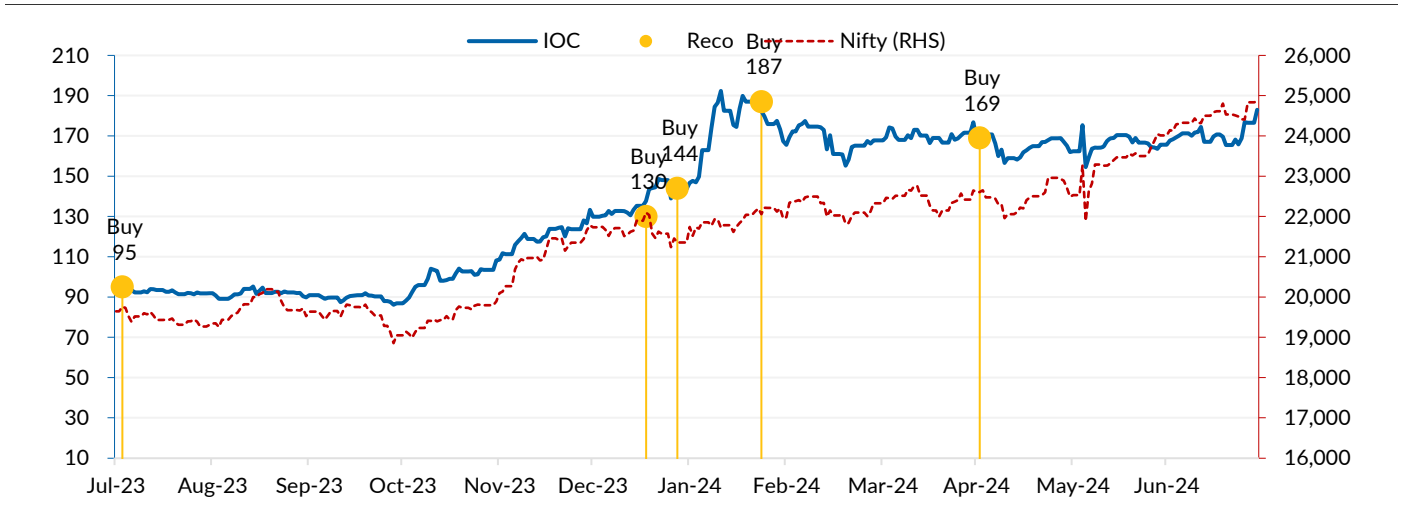
Exhibit 23: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.8	0.8	0.8	0.8	0.8
Interest burden (x)	0.9	0.6	0.9	0.8	0.8
EBIT margin (x)	0.1	0.0	0.1	0.0	0.1
Asset turnover (x)	1.7	2.1	1.8	1.6	1.5
Financial leverage (x)	3.0	3.0	2.8	2.5	2.4
RoE (%)	20.0	6.2	25.4	10.9	11.4

Exhibit 24: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Revenue growth	58.2	40.3	(7.8)	(4.7)	(5.3)
Op profit growth	13.6	(48.5)	211.9	(39.5)	8.5
EBIT growth	11.4	(54.5)	258.9	(45.3)	7.7
Net profit growth	10.8	(65.9)	380.7	(49.9)	10.7
Profitability ratios (%)					
OPM	7.2	2.7	9.0	5.7	6.5
EBIT margin	6.1	2.0	7.7	4.4	5.0
Net profit margin	4.0	1.0	5.1	2.7	3.1
RoCE	15.1	6.0	19.6	10.2	10.8
RoE	20.0	6.2	25.4	10.9	11.4
RoA	6.7	2.0	9.0	4.3	4.8
Per share ratios					
EPS	17.1	5.8	28.1	14.1	15.5
Dividend per share	9.0	3.0	12.0	7.0	7.0
Cash EPS	24.9	14.2	38.3	24.7	27.5
Book value per share	93.0	95.4	125.1	132.2	140.7
Valuation ratios					
P/E	4.6	13.3	6.5	13.0	11.8
P/CEPS	3.2	5.5	4.8	7.4	6.7
P/B	0.9	0.8	1.5	1.4	1.3
EV/EBIDTA	5.3	11.3	5.5	8.8	8.1
Payout (%)					
Dividend payout	52.6	51.4	42.8	49.8	45.0
Tax payout	23.8	15.0	24.3	24.3	24.3
Liquidity ratios					
Debtor days	11.1	6.8	6.0	7.3	7.3
Inventory days	59.7	48.5	58.6	56.1	54.7
Creditor days	25.1	20.4	25.9	26.3	26.4

Recommendation Tracker



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