

Estimate change



TP change



Rating change



Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1981.4 / 22.7
52-Week Range (INR)	184 / 111
1, 6, 12 Rel. Per (%)	-6/9/-17
12M Avg Val (INR M)	2303

#### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	7,581	7,326	7,334
EBITDA	360	456	442
Adj. PAT	107	165	148
Adj. EPS (INR)	7.8	11.9	10.7
EPS Gr. (%)	-73.6	53.9	-10.2
BV/Sh.(INR)	135.4	151.0	158.3

#### Ratios

Net D:E	0.7	0.6	0.6
RoE (%)	5.8	8.3	6.9
RoCE (%)	5.8	7.1	6.3
Payout (%)	30.4	22.1	31.2

#### Valuations

P/E (x)	18.0	11.7	13.0
P/BV (x)	1.0	0.9	0.9
EV/EBITDA (x)	9.2	7.2	7.4
Div. Yield (%)	2.1	3.1	2.4
FCF Yield (%)	(0.1)	11.4	6.7

#### Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.5	51.5	51.5
DII	29.9	29.6	29.6
FII	7.5	7.4	7.8
Others	11.2	11.6	11.1

FII includes depository receipts

**CMP: INR140**

**TP: INR150 (+7%)**

**Downgrade to Neutral**

### Earnings volatility and low ROE cap upside

- IOCL's EBITDA/PAT came in 16%/20% below our estimates in 1QFY26, impacted by higher-than-anticipated refining inventory loss (USD4.8/bbl). However, blended marketing margin stood 24% above estimate at INR7.8/litre. Refining throughput and marketing volumes came in line with estimates.
- The Union Cabinet has approved INR300b in LPG compensation to OMCs, which will be paid in 12 tranches. While the disbursement timeline remains undisclosed, we estimate IOCL to receive ~INR72b in both FY26/FY27 (48% of total compensation). This will result in a ~4% increase in IOCL's FY27E BVPS.
- **Petchem drag, weak refining, and low ROE drive downgrade:** In our [previous note](#), we highlighted that OMCs are entering the last phase of a rally. Since then, IOCL has corrected 2% (peak return of +8%). We now downgrade IOCL to Neutral as earnings remain highly volatile due to large refining inventory swings and limiting visibility. The petrochemical segment continues to post losses, and spreads are likely to remain muted given the significant upcoming capacity additions in China. Further, we maintain a bearish view on refining, expecting spreads to stay range-bound amid substantial global net capacity additions (IEA est. of ~2.6mb/d) and weak demand growth for refined products over CY24-30. With a modest ROE of ~7%-8.5% over FY26/27, returns remain unattractive compared to peers. Accordingly, we cut our P/B valuation multiple to 1x, as we see limited upside at the current levels.
- We continue to prefer HPCL over IOCL because of the following factors: 1) HPCL's leverage toward marketing segment, 2) higher dividend yield, as HPCL's capex cycle is tapering off, while IOCL's capex intensity remains high, and 3) start-up of HPCL's multiple mega-projects in the next 12 months providing a push to earnings.
- IOCL currently trades at 1x 1yr. fwd. P/B, at par with its 10-year average. We now value IOCL at 1x FY27E consol. P/B and arrive at a TP of INR150/sh.

### Other key takeaways from the conference call

- Total inventory losses stood at INR65b in 1Q (marketing + refining).
- IOCL plans to add 4,000+ retail outlets in FY26 (40k+ outlets operating currently; 48000+ outlets by FY27'end).
- Russian crude %: 24% (discounts of USD1-1.5/bbl vs. Dubai crude).
- 1Q capex stood at INR64.7b. FY26 planned capex is ~INR335b.
- Ennore terminal capacity utilization: 25% in FY25 and 31% expected in FY26.

### Higher-than-expected inventory losses drag down 1Q performance

- EBITDA came in 16% below our estimate at INR126.1b (up 46% YoY).
- Reported GRM came in significantly below our estimate at USD2.2/bbl; refining inventory loss stood at USD4.8/bbl during the quarter.
- Marketing margin stood at INR7.8/lit, 24% above estimates.
- LPG under-recovery of INR37.1b was booked in 1Q (INR55b in 4Q)
- Marketing and refining throughput came in line with our estimate.
- Petchem segment posted EBIT loss of INR10m (vs. INR2.1b loss in 4QFY25).
- Reported PAT came in 20% below our estimate at INR56.9b.

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

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- Other income came in above our estimates.
- **As of Jun'25**, IOCL had a cumulative negative net buffer of INR236.4b due to the under-recovery on LPG cylinders (INR199.3b as of Mar'25).
- As per the PIB release dated 8th Aug'25, the Union Cabinet approved INR300b in compensation for PSU OMCs. However, the company has not recognized this, as the exact split among OMCs is yet to be announced by MoPNG.

### 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 (25mmtpa), Gujarat refinery (18mmtpa), and Barauni refinery (9mmtpa), are expected to be completed in 4QFY26-FY27.
- The stock trades at 13x consolidated FY27E EPS of INR10.7 and 0.9x FY27E P/B. **We downgrade the stock to Neutral with a TP of INR150, valuing at 1x FY27E P/B.**

### Standalone - Quarterly Earning Model

												(INR b)
Y/E March	FY25				FY26E				FY25	FY26	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Net Sales</b>	<b>1932.4</b>	<b>1738.5</b>	<b>1939.0</b>	<b>1949.7</b>	<b>1929.7</b>	<b>1710.4</b>	<b>1851.6</b>	<b>1839.7</b>	<b>7559.5</b>	<b>7331.3</b>	<b>1879.9</b>	<b>3%</b>
YoY Change (%)	-2.2	-3.3	-2.6	-1.5	-0.1	-1.6	-4.5	-5.6	-2.4	-3.0	-2.7	
<b>EBITDA</b>	<b>86.3</b>	<b>41.9</b>	<b>91.7</b>	<b>135.7</b>	<b>126.1</b>	<b>86.6</b>	<b>88.8</b>	<b>88.0</b>	<b>355.7</b>	<b>389.5</b>	<b>150.1</b>	<b>-16%</b>
Margin (%)	4.5	2.4	4.7	7.0	6.5	5.1	4.8	4.8	4.7	5.3	8.0	
Depreciation	37.6	37.2	39.0	39.1	38.4	38.8	40.7	41.7	152.8	159.6	39.2	
Forex loss	0.0	4.2	20.5	0.0	0.0	0.0	0.0	0.0	24.7	0.0	0.0	
Interest	19.6	24.1	23.1	20.5	19.7	25.7	24.6	22.9	87.3	92.9	20.9	
Other Income	5.3	13.7	18.8	11.7	6.1	9.3	12.7	13.6	49.6	41.6	3.6	
<b>PBT before EO expense</b>	<b>34.5</b>	<b>-9.8</b>	<b>27.9</b>	<b>87.9</b>	<b>74.0</b>	<b>31.4</b>	<b>36.2</b>	<b>37.0</b>	<b>140.4</b>	<b>178.6</b>	<b>93.7</b>	<b>-21%</b>
Extra-Ord expense	0.0	-11.6	-6.8	0.0	0.0	-144.0	0.0	0.0	-18.4	-144.0	0.0	
<b>PBT</b>	<b>34.5</b>	<b>1.7</b>	<b>34.7</b>	<b>87.9</b>	<b>74.0</b>	<b>175.4</b>	<b>36.2</b>	<b>37.0</b>	<b>158.8</b>	<b>322.6</b>	<b>93.7</b>	<b>-21%</b>
Tax	8.1	-0.1	6.0	15.2	17.2	44.1	9.1	9.3	29.2	79.7	22.9	<b>-25%</b>
Rate (%)	23.4	-4.2	17.2	17.3	23.2	25.2	25.2	25.2	18.4	24.7	24.5	
<b>Reported PAT</b>	<b>26.4</b>	<b>1.8</b>	<b>28.7</b>	<b>72.6</b>	<b>56.9</b>	<b>131.2</b>	<b>27.1</b>	<b>27.7</b>	<b>129.6</b>	<b>242.9</b>	<b>70.7</b>	<b>-20%</b>
<b>Adj PAT</b>	<b>26.4</b>	<b>-10.3</b>	<b>23.1</b>	<b>72.6</b>	<b>56.9</b>	<b>23.5</b>	<b>27.1</b>	<b>27.7</b>	<b>111.2</b>	<b>98.9</b>	<b>70.7</b>	<b>-20%</b>
YoY Change (%)	-80.8	-107.9	-71.3	50.2	115.2	-328.9	17.1	-61.9	-71.9	-11.1	167.5	
Margin (%)	1.4	-0.6	1.2	3.7	2.9	1.4	1.5	1.5	1.5	1.3	3.8	
<b>Key Assumptions</b>												
Refining throughput (mmt)	18.2	16.7	18.1	18.5	18.7	18.7	18.7	18.7	71.6	74.7	18.7	0%
Reported GRM	6.4	1.6	2.9	8.0	2.2	6.5	6.5	6.5	4.7	5.4	7.0	-69%
Domestic sale of refined products (mmt)	24.1	21.9	24.8	24.6	25.0	24.1	25.8	25.6	95.4	100.5	25.0	0%
Marketing GM incld. inv. per litre (INR/litre)	4.9	5.9	6.4	5.9	7.8	4.4	4.3	4.4	5.8	5.2	6.3	24%



## Highlights from the management commentary

### Inventory losses:

- Total inventory losses stood at INR65b in 1Q (marketing + refining).

### Marketing segment:

- IOCL plans to add 4,000+ retail outlets in FY26 (40k+ outlets operating currently; 48000+ outlets by FY27'end). The expansion run rate will come down in the coming years.
- Current under-recovery per cyl estimate: INR100/cyl (INR165-170/cyl in 1Q).

### Refining & Petrochemical segment:

- QoQ improvement in core GRM was attributable to higher product cracks.
- Russian crude %: 24% (discounts were in the range of USD1-1.5/bbl vs Dubai crude).

### CGD segment:

- 1Q performance: NG/CGD sale: 1644tmt/41tmt
- CGD capex will be INR10b p.a. for the next few years. The company will also focus on LNG sales.
- Ennore terminal capacity utilization: 25% in FY25 and 31% expected in FY26. FY27 utilization should be quiet high given strong CGD ramp-up in the area.
- IOCL has entered into a long-term sale and purchase agreement with ADNOC for the supply of 1mmtpa of LNG over a 15-year period commencing in FY29. In addition, a confirmation memorandum has been signed for the supply of ~0.4mmtpa of LNG between Jul'25 and Dec'29 under IOCL's first Henry Hub-linked mid-term contract. The first LNG cargo under this arrangement is scheduled for delivery at Dahej in Aug'25.

### Capex and debt:

- 1Q capex: INR64.7b; FY26 planned capex: Over INR335b.
- Borrowings decreased by INR13b QoQ, primarily due to excise duty payment in 4Q. Current debt: equity capex is 0.66x.

### Update on ongoing projects: Commissioning timelines maintained

- Panipat Refinery: Capacity expansion from 15mmtpa to 25mmtpa; Completion by 4QFY26.
- Gujarat Refinery: Addition of 4.3mmtpa; Completion by 4QFY26.
- Barauni Refinery: Capacity expansion from 6mmtpa to 9mmtpa; Capex of INR148b; Completion by 1HFY27.
- Refineries are expected to take 24 months to reach 100% utilization.
- Paradip petchem complex capex will be INR600b. The project is under stage-1 consideration and will take 54 months post approval.

### Others:

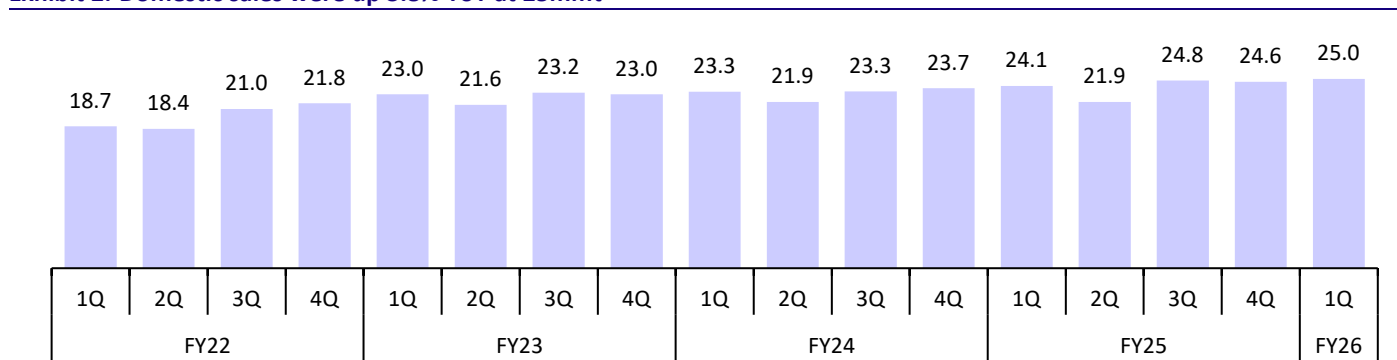
- Ethanol blending is at ~20% for IOCL.
- Clean energy: Scaling up on EV and Hydrogen mobility segments.

### Exhibit 1: Key assumptions

Y End: March 31	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Exchange Rate (INR/USD)	70.0	70.9	74.3	74.5	80.4	82.8	84.6	86.0	86.2
Brent Crude (USD/bbl)	70.1	61.2	44.4	80.5	96.1	83.0	78.6	65.4	65.0
Domestic direct sales refined pdts (MMT)	85	84	76	80	91	92	95	100	104
YoY (%)	10%	0%	-10%	6%	13%	2%	3%	5%	4%
Reported GRM (USD/bbl)	5.4	0.1	5.6	11.3	19.5	12.1	4.8	5.4	6.5
Singapore GRM (USD/bbl)	4.9	3.2	0.5	5.0	10.7	6.6	3.8	5.2	5.0
Prem./(disc) (USD/bbl)	0.5	(3.1)	5.1	6.3	8.8	5.5	1.0	0.2	1.5
Refining capacity utilization (%)	104%	100%	90%	98%	105%	106%	103%	105%	103%
Total Refinery throughput (MMT)	71.8	69.4	62.4	67.7	72.3	73.3	71.6	74.7	81.9
YoY (%)	4%	-3%	-10%	9%	7%	1%	-2%	4%	10%
<b>Marketing Margin (INR/lit)</b>									
Blended gross marketing margin incld inventory	5.0	5.8	6.2	4.4	-1.1	6.0	5.8	5.2	4.4
<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>7.8</b>	<b>11.9</b>	<b>10.7</b>

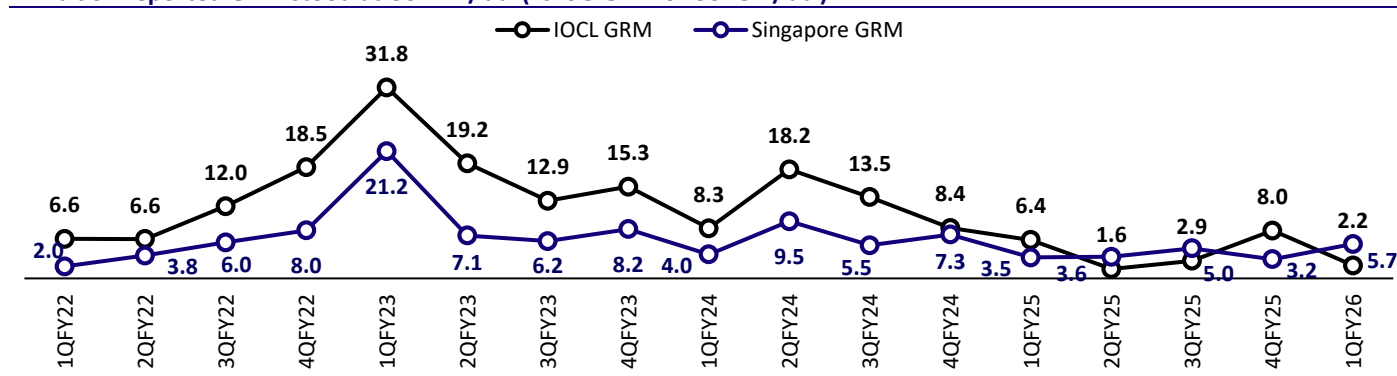
Source: Company, MOFSL

### Exhibit 2: Domestic sales were up 3.8% YoY at 25mmt



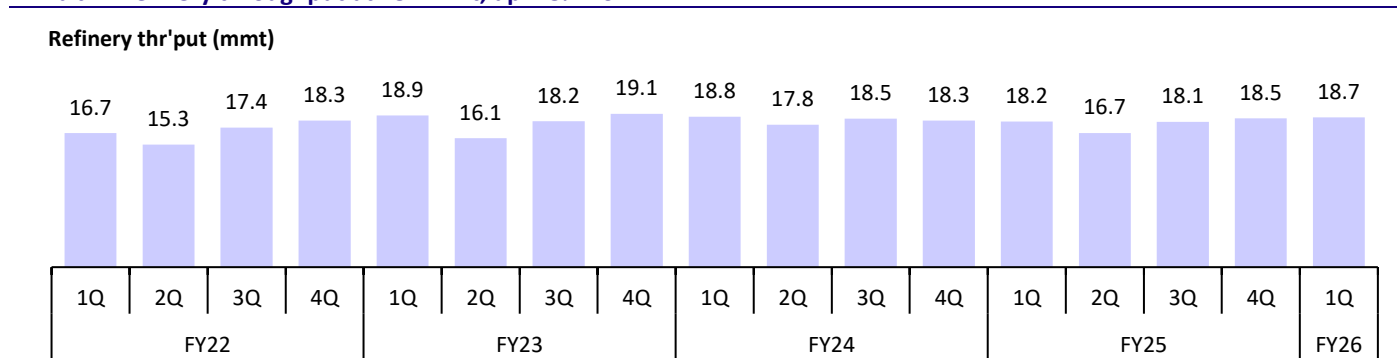
Source: Company, MOFSL

### Exhibit 3: Reported GRM stood at USD2.2/bbl (vs. SG GRM of USD5.7/bbl)



Source: Company, MOFSL

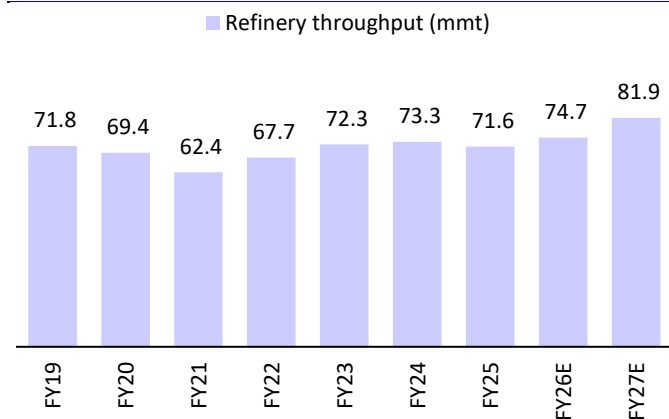
### Exhibit 4: Refinery throughput at 18.7mmt, up 2.8% YoY



Source: Company, MOFSL

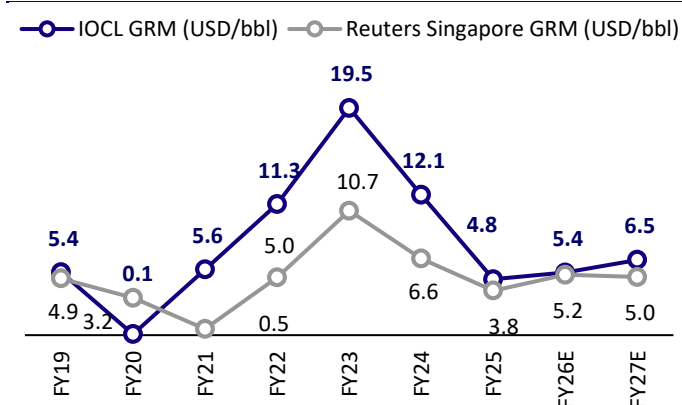
## Story in charts

**Exhibit 5: Refining throughput**



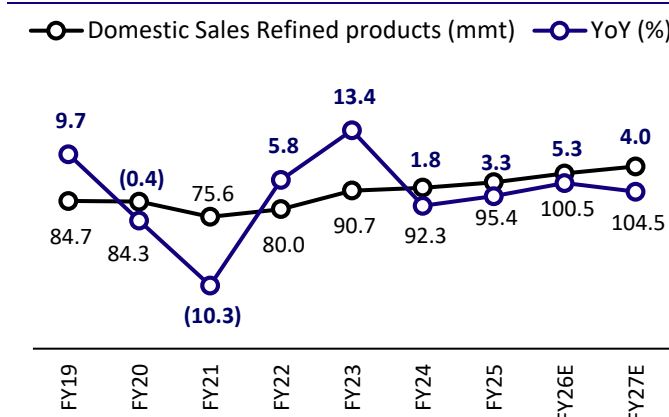
Source: Company, MOFSL

**Exhibit 6: GRM trend**



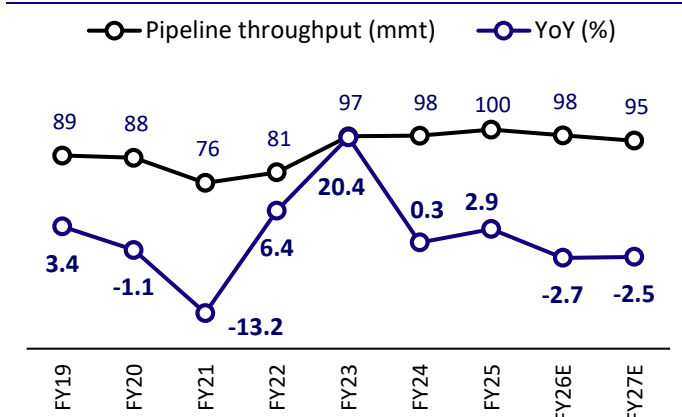
Source: Company, MOFSL

**Exhibit 7: Marketing sales volume**



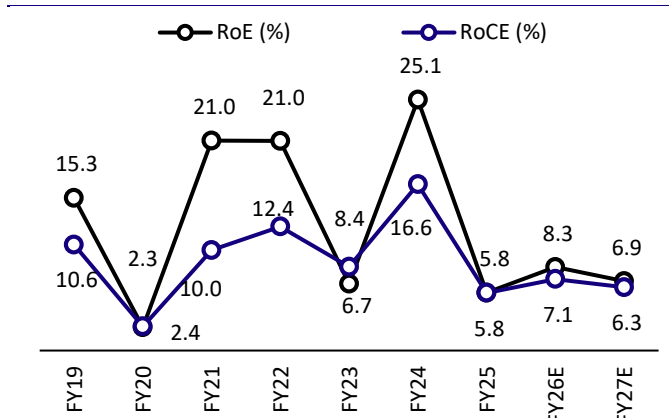
Source: Company, MOFSL

**Exhibit 8: Pipeline throughput**



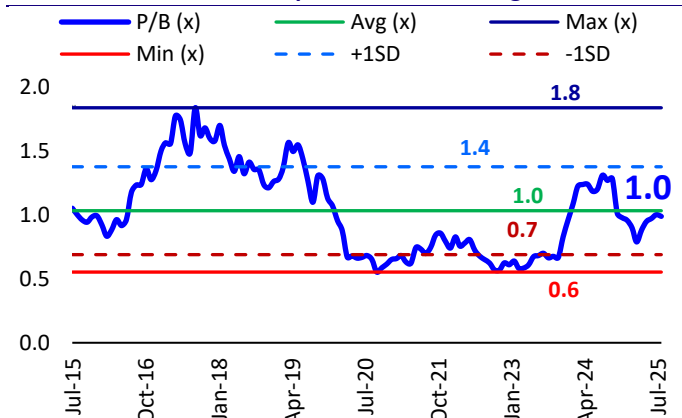
Source: Company, MOFSL

**Exhibit 9: Return ratios**



Source: Company, MOFSL

**Exhibit 10: IOCL trades at par its LT P/B average at 1x**



Source: Company, MOFSL

## Financials and Valuations

### Consolidated - Income Statement

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Total Income from Operations</b>	<b>8,418</b>	<b>7,764</b>	<b>7,581</b>	<b>7,326</b>	<b>7,334</b>
<i>Change (%)</i>	43%	-8%	-2%	-3%	0%
<b>EBITDA</b>	<b>306</b>	<b>768</b>	<b>360</b>	<b>456</b>	<b>442</b>
<i>Margin (%)</i>	4%	10%	5%	6%	6%
Depreciation	132	159	168	174	180
<b>EBIT</b>	<b>175</b>	<b>609</b>	<b>192</b>	<b>282</b>	<b>261</b>
Int. and Finance Charges	75	78	93	97	102
Net Forex Loss	72	12	0	0	0
Other Income	114	38	35	39	39
<b>PBT bef. EO Exp.</b>	<b>142</b>	<b>557</b>	<b>135</b>	<b>223</b>	<b>198</b>
<i>EO Items</i>	9	15	36	144	0
<b>PBT after EO Exp.</b>	<b>150</b>	<b>573</b>	<b>171</b>	<b>367</b>	<b>198</b>
Total Tax	33	141	33	86	45
<i>Tax Rate (%)</i>	22.2	24.7	19.2	23.5	22.8
Share of JVs/associates	19	14	2	6	5
<b>Reported PAT</b>	<b>98</b>	<b>417</b>	<b>136</b>	<b>275</b>	<b>148</b>
<b>Adjusted PAT</b>	<b>91</b>	<b>406</b>	<b>107</b>	<b>165</b>	<b>148</b>
<i>Change (%)</i>	-65%	345%	-74%	54%	-10%
<i>Margin (%)</i>	1.1	5.2	1.4	2.2	2.0

### Consolidated - Balance Sheet

(INR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	138	138	138	138	138
Total Reserves	1,259	1,696	1,727	1,941	2,043
<b>Net Worth</b>	<b>1,397</b>	<b>1,834</b>	<b>1,865</b>	<b>2,079</b>	<b>2,181</b>
Minority Interest	35	47	45	45	45
Total Loans	1,401	1,235	1,426	1,497	1,572
Deferred Tax Liabilities	168	190	207	207	207
<b>Capital Employed</b>	<b>3,001</b>	<b>3,306</b>	<b>3,542</b>	<b>3,828</b>	<b>4,004</b>
Gross Block	2,542	2,860	3,079	3,857	4,261
Less: Accum. Deprn.	741	900	1,068	1,241	1,422
<b>Net Fixed Assets</b>	<b>1,800</b>	<b>1,960</b>	<b>2,011</b>	<b>2,616</b>	<b>2,840</b>
Capital WIP	511	610	779	311	217
<b>Total Investments</b>	<b>522</b>	<b>655</b>	<b>662</b>	<b>662</b>	<b>662</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,583</b>	<b>1,598</b>	<b>1,616</b>	<b>1,689</b>	<b>1,740</b>
Inventory	1,211	1,214	1,139	1,119	1,123
Account Receivables	164	138	186	156	157
Cash and Bank Balance	21	32	33	167	222
Loans and Advances	187	214	259	247	239
<b>Curr. Liability &amp; Prov.</b>	<b>1,416</b>	<b>1,518</b>	<b>1,526</b>	<b>1,451</b>	<b>1,455</b>
Account Payables	1,300	1,397	1,412	1,336	1,341
Provisions	116	120	114	114	114
<b>Net Current Assets</b>	<b>168</b>	<b>80</b>	<b>90</b>	<b>239</b>	<b>285</b>
<b>Appl. of Funds</b>	<b>3,001</b>	<b>3,306</b>	<b>3,542</b>	<b>3,828</b>	<b>4,004</b>

## Financials and Valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>					
<b>EPS</b>	<b>6.6</b>	<b>29.5</b>	<b>7.8</b>	<b>11.9</b>	<b>10.7</b>
Cash EPS	16.2	41.0	19.9	24.6	23.8
BV/Share	101.5	133.2	135.4	151.0	158.3
DPS	3.0	12.0	3.0	4.4	3.3
Payout (%)	42	40	30	22	31
<b>Valuation (x)</b>					
P/E	21.1	4.8	18.0	11.7	13.0
Cash P/E	8.6	3.4	7.0	5.7	5.9
P/BV	1.4	1.1	1.0	0.9	0.9
EV/Sales	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	10.8	4.1	9.2	7.2	7.4
Dividend Yield (%)	2.1	8.6	2.1	3.1	2.4
FCF per share	-2.3	24.7	-0.1	16.0	9.4
<b>Return Ratios (%)</b>					
RoE	6.7	25.1	5.8	8.3	6.9
RoCE	8.4	16.6	5.8	7.1	6.3
RoIC	7.4	23.2	7.6	9.1	7.2
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	3.3	2.7	2.5	1.9	1.7
Asset Turnover (x)	2.8	2.3	2.1	1.9	1.8
Inventory (Days)	53	57	55	56	56
Debtor (Days)	7	7	9	8	8
Creditor (Days)	56	66	68	67	67
<b>Leverage Ratio (x)</b>					
Current Ratio	1.1	1.1	1.1	1.2	1.2
Interest Cover Ratio	2.3	7.8	2.1	2.9	2.6
Net Debt/Equity	1.0	0.7	0.7	0.6	0.6

### Consolidated - Cash Flow Statement

(InR b)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	150	573	171	367	198
Depreciation	132	159	168	174	180
Direct Taxes Paid	-15	-119	-31	-86	-45
(Inc)/Dec in WC	-57	63	-7	-15	9
<b>CF from Operations</b>	<b>296</b>	<b>711</b>	<b>347</b>	<b>531</b>	<b>439</b>
(Inc)/Dec in FA	-328	-372	-348	-310	-310
<b>Free Cash Flow</b>	<b>-32</b>	<b>340</b>	<b>-2</b>	<b>221</b>	<b>129</b>
(Pur)/Sale of Investments	-20	-39	-76	0	0
<b>CF from Investments</b>	<b>-280</b>	<b>-315</b>	<b>-318</b>	<b>-310</b>	<b>-310</b>
Dividend Paid	-33	-110	-95	-61	-46
CF from Fin. Activity	-13	-394	-34	-87	-73
<b>Inc/Dec of Cash</b>	<b>3</b>	<b>3</b>	<b>-6</b>	<b>134</b>	<b>55</b>
Opening Balance	18	10	12	33	167
<b>Closing Balance</b>	<b>21</b>	<b>12</b>	<b>7</b>	<b>167</b>	<b>222</b>

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## NOTES

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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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