

Oil and Gas



What is OMCs' CMP discounting?

Our reverse valuation exercise suggests that, at CMP, OMCs are discounting either: a) sustainable GRM of USD 9-10/bbl (vs. historical GRM of USD 5-7/bbl and JMFe of USD 7.5-9/bbl); or b) sustainable GMM of INR 4-4.5/ltr (vs. JMFe and historical GMM of INR 3.5/ltr). A change in GRM by USD 1/bbl has an impact of 10-20% on EBITDA/TP while a change in GMM by INR 0.5/ltr has an impact of 8-20% on OMCs' EBITDA/TP. We expect their GRM to normalise to USD 7.5-9/bbl driven by: a) normalisation of diesel cracks due to easing supply side concerns and normalisation of Chinese diesel exports; b) end of windfall tax benefits following normalisation of diesel cracks; and c) narrowing of Russian crude discount. Further, we expect OMCs' sustainable GMM at the historical INR 3.5/ltr with OPEC+ strong pricing power likely to support Brent ~USD 80/bbl. Moreover, their aggressive capex plans accentuate our key structural concern as many of the projects fail to create long-term value for shareholders, with several of them being undertaken from the country's strategic energy security perspective. OMCs' valuations (HPCL 1.5x FY25 P/B; IOCL 1.4x FY25 P/B; and BPCL 1.6x FY25 P/B) are trading at 25-50% premium to historical valuations. Hence, we believe OMCs' risk-reward is unfavourable and we maintain our SELL rating on IOCL (revised TP of INR 145) and HPCL (revised TP of INR 440) and our HOLD rating on BPCL (revised TP of INR 565). We instead [prefer upstream PSUs \(ONGC/Oil India\)](#) as they are a play on high crude price, with CMP discounting ~USD 65/bbl net crude realisation, and have 4-6% dividend yield.

- **OMCs' CMP is discounting sustainable GRM of USD 9-10/bbl vs. historical GRM of USD 5-7/bbl; change in GRM by USD 1/bbl has an impact of 10-20% on EBITDA/TP:** Our reverse valuation exercise suggests (**Exhibit 1-2**) that, at CMP, **a)** IOCL is discounting sustainable gross refining margin (GRM) of USD 9.5/bbl (vs. JMFe of USD 8/bbl and vs. historical GRM of USD 5.5-6.5/bbl); **b)** BPCL is discounting sustainable GRM of USD 10/bbl (vs. JMFe of USD 9/bbl and historical GRM of USD 6-7/bbl); and **c)** HPCL is discounting sustainable GRM of USD 9.2/bbl (vs. JMFe of USD 7.5/bbl and vs. historical GRM of USD 5-6/bbl). Every USD 1/bbl change in reported GRM has an impact of: **a)** 10.3% (or INR 50bn) on IOCL FY25 consolidated EBITDA and 16.1% (or INR 23/share) on TP; **b)** 9.7% (or INR 24.9bn) on BPCL FY25 consolidated EBITDA and 13.9% (or INR 79/share) on TP; and **c)** 8.2% (or INR 14.5bn) on HPCL FY25 consolidated EBITDA and 19.5% (or INR 86/share) on TP — **Exhibit 3-8**.
- **Alternatively, OMCs' CMP is discounting sustainable GMM of INR 4-4.5/ltr vs. vs. historical GMM of INR 3.5/ltr; change in GMM by INR 0.5/ltr has an impact of 8-20% on OMCs EBITDA/TP:** Our reverse valuation exercise also suggests (**Exhibit 1-2**) that, at CMP, **a)** IOCL is discounting sustainable auto-fuel gross marketing margin (GMM) of INR 4.5/ltr (vs. historical GMM and JMFe of INR 3.5/ltr); **b)** BPCL is discounting sustainable auto-fuel GMM of INR 4.0/ltr (vs. historical GMM and JMFe of INR 3.5/ltr); and **c)** HPCL is discounting sustainable auto-fuel GMM of INR 4.2/ltr (vs. historical GMM and JMFe of INR 3.5/ltr). Every INR 0.5/ltr change in auto-fuel GMM has an impact of: **a)** 7.1% (or INR 34bn) on IOCL FY25 consolidated EBITDA and 10.8% (or INR 16/share) on TP; **b)** 8.3% (or INR 21.3bn) on BPCL FY25 consolidated EBITDA and 11.9% (or INR 67/share) on TP; and **c)** 10.5% (or INR 18.6bn) on HPCL FY25 consolidated EBITDA and 20% (or INR 88/share) on TP — **Exhibit 9-14**.
- **We expect OMCs' GRM to normalise to USD 7.5-9/bbl driven by normalisation of diesel crack and Russian crude discount:** OMCs had reported very strong GRM of USD 10-20/bbl in FY23 and FY24 (vs. USD 5-7/bbl historically) driven by: **a)** record high diesel cracks of (USD 20-35/bbl vs. normalised USD 15/bbl); **b)** windfall tax benefits that accrued to them because they sourced diesel from standalone refiners; and **c)** Russian crude discount adding USD 2-4/bbl to OMCs GRM. However, we believe their refining margin will revert to USD 7.5-9/bbl from FY25 onwards driven by: **a)** normalisation of diesel cracks due to easing supply side concerns and normalisation of Chinese diesel exports (**Exhibit 18**); **b)** end of windfall tax benefits following normalisation of diesel cracks (**Exhibit 19**); and **c)** narrowing of Russian crude discount (**Exhibit 20**). Further, there is significant terminal value risk that exists for the refining business due to the long-term threat to global oil demand on account of rising penetration of electric vehicles

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and alternative fuels (like gas, renewables, etc.). IEA expects global oil demand to peak at 105.7mmbpd in CY28, up only 3.9mmbpd vs. 101.8mmbpd in CY23 as energy transition advances. However, IEA expects net refining capacity addition of 4.5mmbpd till CY28, led by Asia, Middle East and Africa; out of this, 1.3mmbpd refining capacity addition is expected in CY24 — **Exhibit 21-24**.

- **OPEC+ strong pricing power to support Brent ~USD 80/bbl; we expect OMCs' sustainable GMM at historical INR 3.5/ltr:** We [continue](#) to believe OPEC+ will continue to use its strong pricing power to support Brent crude price ~USD 80/bbl, which is the fiscal break-even crude price needed by Saudi Arabia (**Exhibit 30**). The pricing power of OPEC+ has got strengthened over the past 2-3 years due to US oil production continuing to be at ~13.2mmbpd only (vs. pre-Covid peak of ~13.1mmbpd) as US shale investors have become disciplined in capital investment (**Exhibit 31-32**). We expect OMCs' sustainable auto-fuel (diesel/petrol) GMM at the historical run-rate of INR 3.5/ltr as the government is highly likely to either cut auto-fuel prices ahead of critical general elections in Apr-May'24 and/or hike auto-fuel excise duty post elections given that strong profits in FY24TD have enabled OMCs to recoup FY23 losses and repair their balance sheets — **Exhibit 45**. Moreover, OMCs themselves have historically kept GMM only at a normative level to mitigate serious competition from private fuel marketing companies (as private players need higher GMM to break-even as they don't have the advantage of OMCs' legacy depreciated retail outlet asset base). This is evident from the private players' market share in the fuel marketing business, which has stagnated at ~10% in the last few years due to OMCs' aggressive pricing strategy — **Exhibit 38-40**.
- **Sharp jump in capex guidance accentuates key structural concern for OMCs:** Over the past year, OMCs have announced very aggressive capex plans: **a)** BPCL plans a capex of INR 1,500bn in the next 5 years (INR 490bn on Bina petchem cum refining expansion, INR 260bn on E&P business, INR 260bn on CGD projects, INR 250bn on marketing & pipeline business, INR 100bn on renewables, etc.); **b)** HPCL has a capex plan of INR 750bn in the next 5 years (50-55% in Marketing segment, 20% in Refining segment, 25-30% in Renewable & gas segment, etc.); and **c)** IOCL's capex is likely to also grow from INR 250-300bn annual run-rate (though the company is yet to announce any long-term capex targets). Further, OMCs have historically seen significant cost- and time-overruns in execution of large projects (case in point being HPCL's Rajasthan refinery project cost jumping to ~INR 730bn vs. original INR 430bn). This accentuates our key structural concern as many of the projects fail to create long-term value for shareholders, with several of them being undertaken from the country's strategic energy security perspective.
- **OMCs risk-reward appears unfavourable; instead prefer upstream PSUs (ONGC/Oil India):** We have raised OMCs' FY25-26 EBITDA estimate by 10-14%, building in higher GRM of USD 8.0/bbl for IOCL (from USD 7.0/bbl assumed earlier), USD 9.0/bbl for BPCL (from USD 8/bbl) and USD 7.5/bbl for HPCL (from USD 7/bbl). Hence, aided by higher value of listed investment (which we value at CMP less 20% holding discount), our TP has been revised to: **a)** INR 145/share for IOCL (from INR 115/share), **b)** INR 440/share for HPCL (from INR 370/share); and **c)** INR 565/share for BPCL (from INR 460/share). However, after the strong rally in the last 4-5 months, OMCs' valuations are trading at 25-50% premium to historical P/B valuations: **a)** HPCL is trading at 1.5x FY25 P/B (vs. historical average of 1.0x); **b)** IOCL is trading at 1.4x FY25 P/B (vs. historical average of 1.0x); and **c)** BPCL is trading at 1.6x FY25 P/B (vs. historical average of 1.3x) — **Exhibit 48**. Hence, we believe OMCs' risk-reward is unfavourable and maintain our SELL rating on HPCL and IOCL and our HOLD rating on BPCL. We instead [prefer upstream PSUs \(ONGC/Oil India\)](#) as they are a play on high crude price, with CMP discounting ~USD 65/bbl net crude realisation, and have 4-6% dividend yield.
- **Key risks to our call:** **a)** OMCs' GRM continuing to be higher due to sustained high diesel cracks of +USD 20/bbl and/or high sustainable Russian crude discount; **b)** OMCs GMM being higher than INR 3.5/ltr aided by continued delay in fuel price cuts and/or excise duty hike; and **c)** stabilisation of crude price ~USD 60-70/bbl could strengthen earning visibility of the marketing business and drive its re-rating.

What is OMCs CMP discounting?

Our reverse valuation exercise suggests (**Exhibit 1-2**) that, at CMP, **a**) IOCL is discounting sustainable GRM of USD 9.5/bbl (vs. JMFe of USD 8/bbl and vs. historical GRM of USD 5.5-6.5/bbl); **b**) BPCL is discounting sustainable GRM of USD 10/bbl (vs. JMFe of USD 9/bbl and historical GRM of USD 6-7/bbl); and **c**) HPCL is discounting sustainable GRM of USD 9.2/bbl (vs. JMFe of USD 7.5/bbl and vs. historical GRM of USD 5-6/bbl).

Alternatively, the exercise suggests that, at CMP, **a**) IOCL is discounting sustainable auto-fuel GMM of INR 4.5/ltr (vs. historical GMM and JMFe of INR 3.5/ltr); **b**) BPCL is discounting sustainable auto-fuel GMM of INR 4.0/ltr (vs. historical GMM and JMFe of INR 3.5/ltr); and **c**) HPCL is discounting sustainable auto-fuel GMM of INR 4.2/ltr (vs. historical GMM and JMFe of INR 3.5/ltr).

Exhibit 1. OMCs' CMP implying sustainable GRM of USD 9-10/bbl or auto-fuel GMM of INR 4-4.5/ltr

	Base case			Implied by CMP via higher GRM			Implied by CMP via higher GMM			Assumptions
	IOCL	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL	BPCL	HPCL	
Our key Base case FY26 assumptions										
Crude throughput (mtpa)	82.5	40.4	24.2	82.5	40.4	24.2	82.5	40.4	24.2	
GRM (USD/bbl)	8.0	9.0	7.5	9.5	10.0	9.2	8.0	9.0	7.5	
Russian crude proportion (%)	40%	45%	35%							
Russian crude discount (USD/bbl)	2.5	2.5	2.5							
Russia crude contribution to GRM (USD/bbl)	1.0	1.1	0.9							
Diesel product slate (%)	45%	48%	40%							
Auto-fuel GMM (INR/ltr)	3.5	3.5	3.5	3.5	3.5	3.5	4.5	4	4.2	
Marketing sales volume (mtpa)	96.6	55.3	48.3	96.6	55.3	48.3	96.6	55.3	48.3	
FY26 EBITDA (INR Bn)										
Refining	209	154	73	288	179	99	209	154	73	CMP implying high sustainable GRM of USD 10/bbl for BPCL (vs JMFe of USD 9.0/bbl), USD 9.5/bbl for IOCL (vs JMFe of USD 8.0/bbl) and USD 9.2/bbl for HPCL (vs JMFe of USD 7.5/bbl) - this compares to OMCs historical GRM of USD 5-7/bbl CMP implying high sustainable auto-fuel GMM of INR 4.5/ltr for IOCL, INR 4.2/ltr for HPCL and INR 4.0/ltr for BPCL - this compares to JMFe of INR 3.5/ltr in-line with historical GMM
Marketing	176	110	130	176	110	130	247	132	157	
Petchem	47			47			47			Implying normalised margins
Pipeline	74			74			74			Implying normalised margins
Total	506	264	203	585	289	229	577	286	230	
EV/EBITDA multiple	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	Based on 5.5x EV/EBITDA multiple in-line with global peers
EV (INR Bn)	2,786	1,451	1,118	3,217	1,592	1,261	3,171	1,571	1,265	
Less: Net debt (INR Bn)	1,139	396	612	1,139	396	612	1,139	396	612	
Equity value (INR Bn)	1,647	1,055	506	2,078	1,196	649	2,033	1,175	653	
Add: Equity value of listed and other investments (at CMP less 20% holding company discount) (INR Bn)	400	151	117	400	151	117	400	151	117	
Total Equity value (INR Bn)	2,047	1,206	623	2,478	1,347	766	2,433	1,326	770	
No of shares (Bn)	14.1	2.1	1.4	14.1	2.1	1.4	14.1	2.1	1.4	
Equity value (INR/share) - Base case TP and near CMP for sensitivity analysis	145	565	440	175	632	540	172	623	543	

Source: JM Financial

Exhibit 2. OMCs' CMP implying sustainable GRM of USD 9-10/bbl or auto-fuel GMM of INR 4-4.5/ltr

	Base case			Implied by CMP			Assumptions
	IOCL	BPCL	HPCL	IOCL	BPCL	HPCL	
TP for Base case and CMP for Implied case (INR)	145	565	440	178	628	542	
No of shares (Bn)	14.1	2.1	1.4	14.1	2.1	1.4	
Implied market cap at CMP (INR Bn)	2,047	1,204	624	2,508	1,336	769	
Add: Net Debt (INR Bn)	1,139	396	612	1,139	396	612	
Less: Equity value of listed and other investments (at CMP less 20% holding company discount) (INR Bn)	400	151	117	400	151	117	
Enterprise Value of core business (INR Bn)	2,786	1,449	1,119	3,247	1,581	1,264	
EV/EBITDA multiple (x)	5.5	5.5	5.5	5.5	5.5	5.5	
Implied FY26 EBITDA as per CMP - this seems to be assuming either higher sustainable GRM or higher sustainable GMM	506	263	204	590	288	230	
a) Base case EBITDA or Implied EBITDA break-up assuming higher sustainable GRM							
Refining	209	154	73	288	179	99	CMP implying high sustainable GRM of USD 10/bbl for BPCL (vs JMFe of USD 9.0/bbl), USD 9.5/bbl for IOCL (vs JMFe of USD 8.0/bbl) and USD 9.2/bbl for HPCL (vs JMFe of USD 7.5/bbl) - this compares to OMCs historical GRM of USD 5-7/bbl
Marketing	176	110	130	176	110	130	
Petchem	47	0	0	47	0	0	
Pipeline	74	0	0	74	0	0	
Total	506	264	203	585	289	229	
b) Base case EBITDA or Implied EBITDA break-up assuming higher sustainable GMM							
Refining	209	154	73	209	154	73	CMP implying high sustainable auto-fuel GMM of INR 4.5/ltr for IOCL, INR 4.2/ltr for HPCL and INR 4.0/ltr for BPCL - this compares to JMFe of INR 3.5/ltr in-line with historical GMM
Marketing	176	110	130	247	132	157	
Petchem	47	0	0	47	0	0	
Pipeline	74	0	0	74	0	0	
Total	506	264	203	577	286	230	

Source: JM Financial

OMCs' valuation sensitivity to refining margin

Every USD 1/bbl change in reported GRM has an impact of: **a)** 10.3% (or INR 50bn) on IOCL FY25 consolidated EBITDA and 16.1% (or INR 23/share) on TP; **b)** 9.7% (or INR 24.9bn) on BPCL FY25 consolidated EBITDA and 13.9% (or INR 79/share) on TP; and **c)** 8.2% (or INR 14.5bn) on HPCL FY25 consolidated EBITDA and 19.5% (or INR 86/share) on TP.

Exhibit 3. IOCL's valuation (INR/share) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		90.2	90.7	91.2	91.7	92.2	92.7	93.2
FY25 Core GRM (USD/bbl)	6.5	109	109	110	110	110	111	111
	7.0	120	121	121	122	122	122	123
	7.5	132	132	133	133	134	134	135
	8.0	143	144	144	145	146	146	147
	8.5	155	155	156	157	157	158	159
	9.0	166	167	168	168	169	170	170
	9.5	178	178	179	180	181	182	182

Source: Company, JM Financial

Exhibit 4. IOCL's EBITDA (INR Bn) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		90.2	90.7	91.2	91.7	92.2	92.7	93.2
FY25 Core GRM (USD/bbl)	6.5	406	407	407	408	409	410	411
	7.0	430	431	432	433	434	435	436
	7.5	455	456	457	458	459	460	461
	8.0	479	481	482	483	484	486	487
	8.5	504	505	507	508	509	511	512
	9.0	528	530	531	533	535	536	538
	9.5	553	555	556	558	560	561	563

Source: Company, JM Financial

Exhibit 5. BPCL's valuation (INR/share) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		29.9	30.4	30.9	31.4	31.9	32.4	32.9
FY25 Core GRM (USD/bbl)	7.5	437	440	444	447	451	454	457
	8.0	475	479	483	487	490	494	498
	8.5	513	517	521	526	530	535	539
	9.0	551	555	560	565	570	575	580
	9.5	588	594	599	604	610	615	621
	10.0	626	632	638	644	650	656	661
	10.5	664	670	677	683	689	696	702

Source: Company, JM Financial

Exhibit 6. BPCL's EBITDA (INR Bn) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		29.9	30.4	30.9	31.4	31.9	32.4	32.9
FY25 Core GRM (USD/bbl)	7.5	215	216	217	219	220	222	223
	8.0	227	228	230	231	233	234	236
	8.5	239	240	242	244	245	247	249
	9.0	251	252	254	256	258	260	262
	9.5	262	264	267	269	271	273	275
	10.0	274	277	279	281	283	285	287
	10.5	286	289	291	293	296	298	300

Source: Company, JM Financial

Exhibit 7. HPCL's valuation (INR/share) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		28.9	29.4	29.9	30.4	30.9	31.4	31.9
FY25 Core GRM (USD/bbl)	6.0	295	300	306	311	317	322	328
	6.5	335	342	348	354	360	367	373
	7.0	376	383	390	397	404	411	418
	7.5	417	424	432	440	448	455	463
	8.0	457	466	474	483	491	500	508
	8.5	498	507	517	526	535	544	553
	9.0	539	549	559	569	579	589	599

Source: Company, JM Financial

Exhibit 8. HPCL's EBITDA (INR Bn) sensitivity to refining business parameters

		FY25 Crude Throughput (mmtpa)						
		28.9	29.4	29.9	30.4	30.9	31.4	31.9
FY25 Core GRM (USD/bbl)	6.0	152	153	154	156	157	158	159
	6.5	159	160	162	163	164	165	167
	7.0	166	167	169	170	172	173	175
	7.5	173	174	176	177	179	181	182
	8.0	179	181	183	185	186	188	190
	8.5	186	188	190	192	194	196	198
	9.0	193	195	197	199	201	203	205

Source: Company, JM Financial

OMCs' valuation sensitivity to auto-fuel marketing margin

Every INR 0.5/itr change in auto-fuel GMM has an impact of: **a)** 7.1% (or INR 34bn) on IOCL FY25 consolidated EBITDA and 10.8% (or INR 16/share) on TP; **b)** 8.3% (or INR 21.3bn) on BPCL FY25 consolidated EBITDA and 11.9% (or INR 67/share) on TP; and **c)** 10.5% (or INR 18.6bn) on HPCL FY25 consolidated EBITDA and 20% (or INR 88/share) on TP.

Exhibit 9. IOCL's valuation (INR/share) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		47	50	53	55	58	61	64
FY25 Auto fuel GMM (INR/itr)	2.9	120	122	124	126	128	130	132
	3.1	125	128	130	132	134	137	139
	3.3	131	133	136	138	141	143	146
	3.5	136	139	142	145	148	150	153
	3.7	141	145	148	151	154	157	160
	3.9	147	150	154	157	161	164	168
	4.1	152	156	160	163	167	171	175

Source: Company, JM Financial

Exhibit 10. IOCL's EBITDA (INR Bn) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		47	50	53	55	58	61	64
FY25 Auto fuel GMM (INR/itr)	2.0	375	377	379	381	382	384	386
	2.5	404	408	411	415	418	422	425
	3.0	434	439	444	449	454	459	464
	3.5	463	469	476	483	490	497	504
	4.0	492	500	509	517	526	534	543
	4.5	521	531	541	551	562	572	582
	5.0	550	562	574	586	598	610	622

Source: Company, JM Financial

Exhibit 11. BPCL's valuation (INR/share) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		29.2	30.9	32.6	34.3	36.1	37.8	39.5
FY25 Auto fuel GMM (INR/itr)	2.0	354	357	361	364	367	371	374
	2.5	411	418	424	431	438	444	451
	3.0	468	478	488	498	508	518	528
	3.5	525	538	552	565	579	592	605
	4.0	582	599	615	632	649	666	683
	4.5	639	659	679	699	719	740	760
	5.0	696	719	743	766	790	813	837

Source: Company, JM Financial

Exhibit 12. BPCL's EBITDA (INR Bn) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		29.2	30.9	32.6	34.3	36.1	37.8	39.5
FY25 Auto fuel GMM (INR/itr)	2.0	189	190	191	192	193	194	195
	2.5	207	209	211	214	216	218	220
	3.0	225	228	232	235	238	241	244
	3.5	243	248	252	256	260	265	269
	4.0	261	267	272	277	283	288	293
	4.5	280	286	292	299	305	311	318
	5.0	298	305	312	320	327	335	342

Source: Company, JM Financial

Exhibit 13. HPCL's valuation (INR/share) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		26.2	27.7	29.3	30.8	32.3	33.9	35.4
FY25 Auto fuel GMM (INR/itr)	2.0	170	172	174	176	177	179	181
	2.5	245	251	257	264	270	276	283
	3.0	320	330	341	352	362	373	384
	3.5	395	410	425	440	455	470	485
	4.0	469	489	508	528	547	567	586
	4.5	544	568	592	616	640	664	688
	5.0	619	648	676	704	732	761	789

Source: Company, JM Financial

Exhibit 14. HPCL's EBITDA (INR Bn) sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (mmtpa)						
		26.2	27.7	29.3	30.8	32.3	33.9	35.4
FY25 Auto fuel GMM (INR/itr)	2.0	119	120	121	122	122	123	124
	2.5	135	136	138	140	142	144	146
	3.0	150	153	156	159	162	164	167
	3.5	166	170	174	177	181	185	189
	4.0	182	187	191	196	201	205	210
	4.5	198	203	209	215	220	226	231
	5.0	214	220	227	233	240	246	253

Source: Company, JM Financial

OMCs' GRM to normalise to USD 7.5-9/bbl driven by normalisation of diesel crack and Russian crude discount

OMCs had reported very strong GRM of USD 10-20/bbl in FY23 and FY24 (vs. USD 5-7/bbl historically) driven by: **a)** record high diesel cracks of (USD 20-35/bbl vs. normalised USD 15/bbl); **b)** windfall tax benefits that accrued to them because they sourced diesel from standalone refiners; and **c)** Russian crude discount adding USD 2-4/bbl to their GRM. However, we believe their refining margin will revert to USD 7.5-9/bbl from FY25 onwards driven by: **a)** normalisation of diesel cracks due to easing supply side concerns and normalisation of Chinese diesel exports (**Exhibit 18**); **b)** end of windfall tax benefits following normalisation of diesel cracks (**Exhibit 19**); and **c)** narrowing of Russian crude discount (**Exhibit 20**)

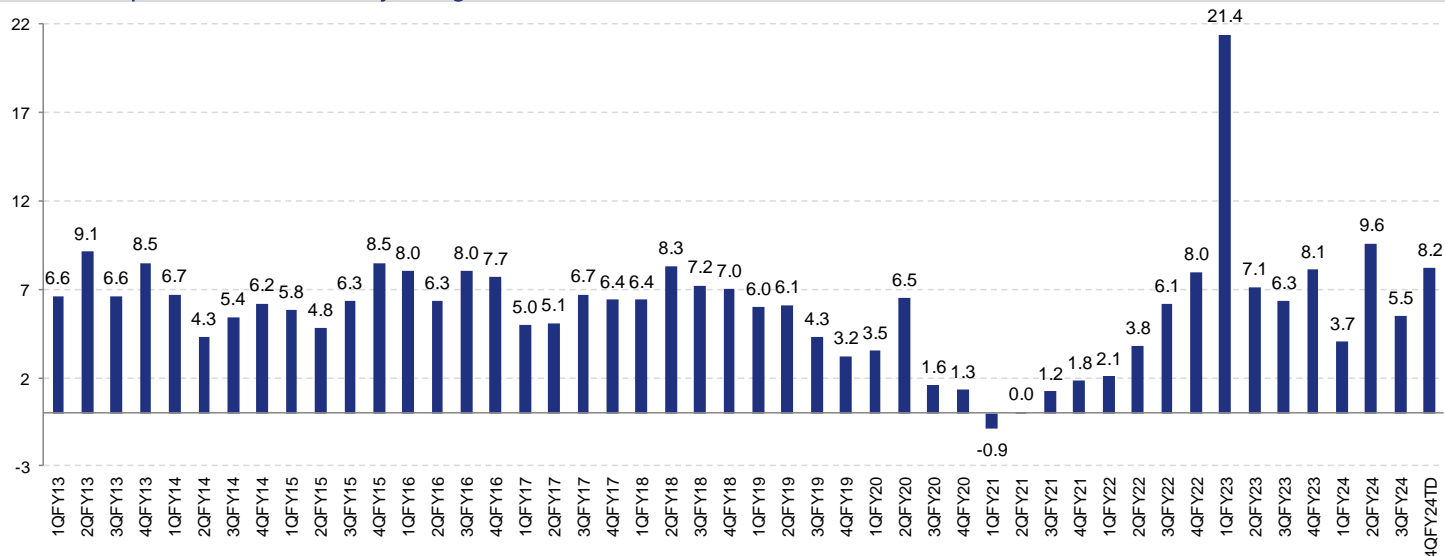
Further, there is significant terminal value risk that exists for the refining business due to the long-term threat to global oil demand on account of rising penetration of electric vehicles and alternative fuels (like gas, renewables, etc.). IEA expects global oil demand to peak at 105.7mmbpd in CY28, up only 3.9mmbpd vs. 101.8mmbpd in CY23 as energy transition advances. However, IEA expects net refining capacity addition of 4.5mmbpd till CY28, led by Asia, Middle East and Africa; out of this 1.3mmbpd refining capacity addition is expected to be added in CY24 — **Exhibit 21-24**.

Exhibit 15. Spore GRM strength in FY23 and FY24 has been driven by strong diesel cracks

	WE 23 Feb	Jan-24	Dec-23	4QFY24TD	3QFY24	2QFY24	1QFY24	4QFY23	2HFY23	FY23
S'pore GRM (USD/bbl)	7.8	7.7	7.4	8.2	5.5	9.6	4.0	8.1	7.2	10.8
Product cracks (USD/bbl)										
Diesel	21.9	21.6	19.1	22.8	20.3	26.5	13.9	25.2	32.4	35.7
Petrol	19.1	16.9	14.0	17.9	11.8	18.8	16.5	18.5	14.1	19.1
Naptha	-7.2	-4.8	-3.7	-5.5	-12.0	-16.4	-12.8	-4.8	-8.2	-12.1
LPG	-28.0	-24.3	-20.9	-25.8	-25.5	-32.1	-32.7	-27.4	-30.1	-36.3
Jet Fuel	21.9	21.6	19.1	22.8	20.3	26.5	13.9	25.0	29.4	32.9
Fuel Oil	-11.8	-10.0	-8.9	-10.6	-11.8	-5.9	-9.2	-18.2	-21.3	-18.4
Crude spreads (USD/bbl)										
Arab heavy-Dubai spread	-0.4	1.6	2.0	0.7	1.6	1.1	0.7	-1.3	0.5	2.6
Arab Light-Arab Heavy spread	1.8	1.8	2.0	1.8	2.1	2.1	1.8	4.1	3.9	3.1
Brent-Dubai crude spread	3.1	1.2	0.8	1.8	0.3	0.0	0.4	1.8	2.7	2.4
Brent (USD/bbl)	85.5	80.2	77.9	81.7	84.3	86.7	78.0	83.0	85.7	94.7
Asia spot LNG (\$/mmbtu)	8.8	10.4	14.0	10.0	15.5	12.2	11.1	22.8	27.5	32.5
US HH gas price (\$/mmbtu)	1.7	2.7	2.5	2.3	2.9	2.7	2.3	3.3	4.7	6.2
UK NBP gas price (\$/mmbtu)	7.4	9.4	9.5	8.9	13.4	10.5	10.5	19.1	25.5	28.7
Dutch TTF gas price (\$/mmbtu)	7.5	9.6	11.5	9.0	13.6	10.7	11.3	20.0	28.3	37.0

Source: Bloomberg, JM Financial

Exhibit 16. S'pore GRM has historically averaged ~USD 6/bbl



Source: Bloomberg, JM Financial

Exhibit 17. OMCs strong GRM in FY23 and FY24 was driven by strong diesel crack and high discount on Russian crude; we expect OMCs GRMs to gradually normalise to USD 7.5-9/bbl

(USD/bbl)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Spore Dubai GRM	5.2	7.9	7.7	5.9	6.3	7.5	5.8	7.2	4.9	3.2	0.5	5.0	10.7	6.6	6.0	6.0
S'pore Diesel Crack	13.8	17.8	19.5	17.4	15.7	12.0	11.1	13.2	14.4	13.6	4.7	10.5	35.5	20.6	18.0	18.0
S'pore Petrol Crack	8.3	11.5	15.4	12.7	14.5	19.2	14.9	14.6	8.4	10.0	4.6	13.7	18.8	16.0	14.7	14.7
Company reported GRM																
RIL	8.4	8.6	9.2	8.1	8.6	10.8	11.0	11.6	9.2	8.9	6.0	9.5	12.7	11.0	11.0	11.0
IOCL	5.7	3.6	2.3	4.2	1.5	4.9	7.8	8.5	5.4	0.1	5.6	11.3	19.5	13.0	8.0	8.0
BPCL	4.5	3.2	5.0	4.3	3.6	6.6	5.3	6.9	4.6	2.5	4.1	9.7	20.2	14.5	9.0	9.0
HPCL	5.3	2.9	2.1	3.4	2.8	6.7	6.2	7.4	5.0	1.0	3.9	7.2	12.1	10.7	7.5	7.5
CPCL	5.4	4.2	1.0	4.1	2.0	5.3	6.1	6.4	3.7	-1.2	7.1	8.9	11.9	10.5	7.0	6.5
MRPL	6.0	5.6	2.5	2.7	-0.6	5.2	7.8	7.5	4.1	-0.2	3.9	8.6	9.9	10.5	8.0	8.0

Source: Company, JM Financial

Exhibit 18. China's rising diesel exports is likely to cap diesel cracks

	CY19	CY20	CY21	CY22	CY23	% YoY	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% YoY	
Refinery Throughput																					
Total Throughput (mmt)	N/A	N/A	N/A	673.9	738.4	9.6%	59.9	58.0	58.0	63.3	61.1	62.0	61.0	63.1	64.7	63.6	63.9	59.5	60.1	0.4%	
Total Throughput (mmbpd)	N/A	N/A	N/A	13.5	14.8	9.6%	14.1	13.7	15.1	14.9	14.9	14.6	14.8	14.9	15.2	15.5	15.1	14.5	14.2	0.4%	
Exports																					
Diesel (mmt)	21.4	19.8	17.2	10.9	13.8	26%	2.8	2.4	2.2	1.4	0.6	0.6	0.3	0.9	1.3	1.2	1.1	1.2	0.7	-76.0%	
Gasoline (mmt)	16.4	16.0	14.6	12.7	12.3	-2.9%	1.9	1.2	1.0	0.8	0.8	1.4	1.0	1.2	1.4	1.1	0.8	0.9	0.8	-59.7%	
Total oil product exports (mmt)	66.9	61.9	60.3	53.8	62.8	16.8%	7.7	6.5	6.2	5.5	3.8	4.9	4.5	5.3	5.9	5.4	5.2	5.1	4.6	-39.7%	
Imports																					
Crude (mmt)	505.9	542.4	513.2	508.4	564.3	11.0%	48.1	43.3	40.7	52.3	42.4	51.4	52.1	43.7	52.8	45.7	49.0	42.4	48.4	0.6%	
Crude (mmbpd)	10.1	10.8	10.3	10.2	11.3	11.0%	11.3	10.2	10.6	12.3	10.3	12.1	12.7	10.3	12.4	11.1	11.5	10.3	11.4	0.6%	
Total oil product imports (mmt)	30.6	28.5	27.1	26.3	47.8	82%	3.3	2.4	2.9	3.9	4.4	4.6	4.4	4.5	3.5	4.2	4.1	4.2	4.8	45.1%	
LNG (mmt)	60.7	67.3	79.9	63.8	71.8	12.6%	6.6	5.9	5.2	5.4	4.8	6.4	6.0	5.9	6.3	5.7	5.2	6.8	8.4	27.3%	
Piped natural gas (mmt)	36.3	34.5	42.4	45.8	48.7	6.2%	3.7	3.4	3.5	3.5	4.2	4.2	4.4	4.5	4.6	4.5	3.6	4.2	4.3	15.5%	

Source: Bloomberg, JM Financial

Exhibit 19. Windfall tax on diesel exports on a declining trend along with normalisation of diesel crack (USD/bbl)

	FY23	FY24TD	Current Fortnight
Spore Diesel crack	34.3	20.6	25.9
India's windfall tax on Diesel exports	15.0	3.0	3.0

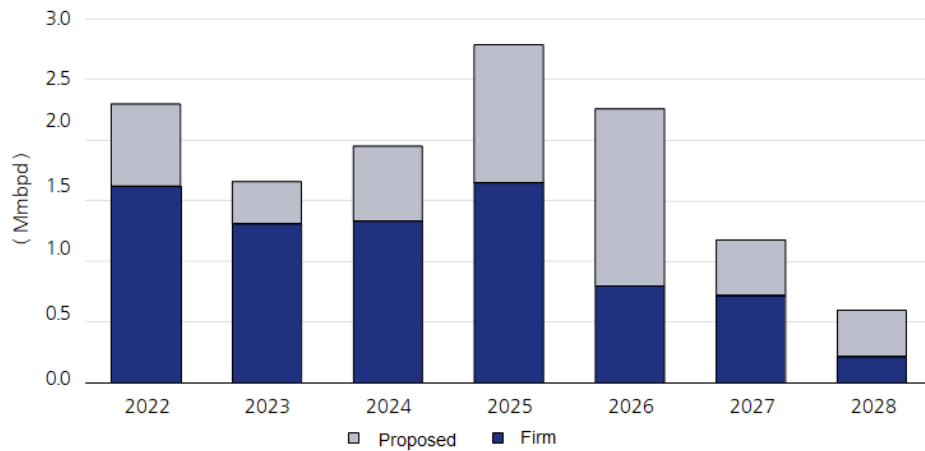
Source: JM Financial

Exhibit 20. Russia's share in India's crude imports has moderated to 30-35% in last few months (vs. +40% during May-Aug'23); discount on Russian crude has moderated to USD 2-4/bbl (lower than USD 6-10/bbl in 1HCY23)

Year/Month	No of Days	India's total crude imports				India's crude imports from Russia				Russia crude proportion and discount		
		Value (USD bn)	Qty (Tonnes)	Qty (mmbpd)	Average Cost (USD/bbl)	Value (USD bn)	Qty (Tonnes)	Qty (mmbpd)	Average Cost (USD/bbl)	Russia's share in India's crude imports	Russia crude premium/ (discount) (%)	Russia crude premium/ (discount) (\$/bbl)
Annual details												
FY14	365	143.7	189,178,265	3.81	103.4	0.1	113,318	0.00	94.9	0.1%	NM	NM
FY15	365	116.0	187,913,565	3.78	84.0	0.2	201,837	0.00	113.2	0.1%	NM	NM
FY16	366	65.6	202,314,313	4.06	44.1	0.1	144,642	0.00	65.8	0.1%	NM	NM
FY17	365	70.7	214,887,457	4.33	44.8	0.3	512,778	0.01	78.5	0.2%	NM	NM
FY18	365	87.4	218,106,769	4.39	54.5	1.2	2,963,759	0.06	53.7	1.4%	-2%	-0.8
FY19	365	114.2	226,452,730	4.56	68.6	1.2	2,219,741	0.04	72.6	1.0%	6%	4.0
FY20	366	102.7	220,869,666	4.44	63.3	1.7	3,556,107	0.07	66.6	1.6%	5%	3.3
FY21	365	59.3	188,180,227	3.79	42.8	0.9	2,759,863	0.06	46.5	1.5%	9%	3.7
FY22	365	122.6	220,033,450	4.43	75.8	2.5	4,316,598	0.09	77.9	2.0%	3%	2.0
FY23	365	162.1	236,665,956	4.77	93.2	31.3	50,848,698	1.02	83.6	21.5%	-10%	-9.5
Monthly details												
Jan-22	31	8.4	14,328,029	3.40	79.8	0.2	260,326	0.06	93.1	1.8%	17%	13.4
Feb-22	28	12.2	19,651,051	5.16	84.6	NA	NA	NA	117.7	NA	NA	NA
Mar-22	31	16.2	22,723,182	5.39	97.3	0.3	396,938	0.09	117.7	1.7%	21%	20.4
Apr-22	30	14.2	18,228,363	4.47	105.8	0.9	1,119,949	0.27	105.3	6.1%	0%	-0.5
May-22	31	12.8	16,387,565	3.89	106.1	1.3	1,964,637	0.47	92.9	12.0%	-12%	-13.2
Jun-22	30	15.4	19,945,399	4.89	105.1	2.4	3,208,325	0.79	100.2	16.1%	-5%	-4.9
Jul-22	31	14.0	17,262,605	4.09	110.6	2.4	3,240,651	0.77	99.3	18.8%	-10%	-11.3
Aug-22	31	13.1	17,094,281	4.05	104.7	1.9	2,812,249	0.67	93.8	16.5%	-10%	-10.9
Sep-22	30	14.0	19,069,985	4.67	100.1	3.1	4,715,182	1.16	90.2	24.7%	-10%	-9.9
Oct-22	31	12.3	18,048,963	4.28	92.8	2.6	4,229,395	1.00	84.5	23.4%	-9%	-8.3
Nov-22	30	12.1	17,161,115	4.20	95.8	2.7	4,099,942	1.00	90.3	23.9%	-6%	-5.5
Dec-22	31	15.2	25,698,588	6.09	80.7	3.1	5,406,515	1.28	78.9	21.0%	-2%	-1.8
Jan-23	31	12.0	20,466,137	4.85	80.0	3.2	5,906,580	1.40	73.1	28.9%	-9%	-6.9
Feb-23	28	13.3	23,149,626	6.08	78.3	3.4	6,338,153	1.66	71.9	27.4%	-8%	-6.4
Mar-23	31	13.6	24,152,842	5.73	76.7	4.0	7,807,120	1.85	70.0	32.3%	-9%	-6.8
Apr-23	30	10.9	19,301,548	4.73	76.6	3.4	6,889,836	1.69	68.0	35.7%	-11%	-8.6
May-23	31	12.1	22,074,302	5.23	74.7	4.6	8,920,224	2.11	70.0	40.4%	-6%	-4.7
Jun-23	30	10.0	20,073,052	4.92	67.8	3.8	8,908,174	2.18	58.1	44.4%	-14%	-9.7
Jul-23	31	9.0	14,962,542	3.55	81.6	3.4	5,823,313	1.38	78.8	38.9%	-3%	-2.8
Aug-23	31	11.8	19,498,028	4.62	82.1	4.4	7,591,605	1.80	79.4	38.9%	-3%	-2.7
Sep-23	30	10.4	16,445,670	4.03	86.2	3.5	5,561,258	1.36	85.2	33.8%	-1%	-1.0
Oct-23	31	12.4	19,038,147	4.51	88.8	3.8	5,989,537	1.42	86.0	31.5%	-3%	-2.8
Nov-23	30	11.9	18,402,071	4.51	87.7	3.6	5,738,890	1.41	85.7	31.2%	-2%	-2.0
Dec-23	31	11.6	19,337,120	4.58	81.4	3.9	6,882,104	1.63	77.6	35.6%	-5%	-3.8

Source: CMIE, JM Financial.

Exhibit 21. IEA expects net refining capacity addition of 4.4mmbpd by CY28; with 1.3mmbpd likely to be added in CY24



Source: IEA, JM Financial

IEA expects aggregate refining capacity of 1.3mmbpd during CY24:

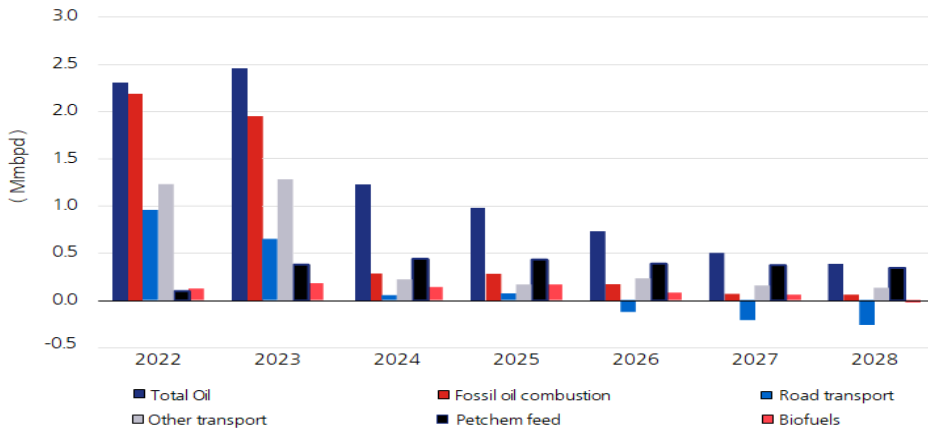
- a) Middle East – 630kbpd – Al Zour (Kuwait), Duqm (Oman) and Sitra (Bahrain)
- b) China – 340kbpd – Shadong
- c) Africa – 260kbpd – Dangote (Nigeria) and Sentuo (Ghana)

Exhibit 22. Region-wise break of 4.5mmbpd refining capacity addition by CY28; Asia, Middle East and Africa to drive capacity addition

	Total capacity (mmbpd)			Refinery throughput (mmbpd)			Utilisation rates (%)	
	2022	2028	Change	2022	2028	Change	2022	2028
US	17.7	17.6	-0.1	15.9	15.2	-0.8	90%	86%
Other North America	3.4	3.8	0.3	2.6	2.8	0.2	74%	73%
Europe	14.6	14.3	-0.2	12.2	11.4	-0.8	84%	80%
FSU	9.1	9.2	0.2	6.5	6.3	-0.2	72%	68%
China	18.2	19.7	1.5	13.7	16.5	2.9	75%	84%
India	5.2	6.2	1	5.1	6.2	1.1	96%	100%
Other Asia	14.6	14.5	-0.1	11	11	0	76%	76%
Middle East	10.5	11.4	0.9	8.5	9.8	1.3	80%	86%
Latin America	6.1	6.3	0.2	3.6	3.7	0.1	58%	58%
Africa	3.2	4	0.8	1.8	2.4	0.6	55%	60%
World	102.6	107.1	4.5	80.8	85.2	4.4	79%	80%

Source: IEA, JM Financial

Exhibit 23. IEA estimates global oil demand to peak at 105.7mmbpd in CY28, up only 3.9mmbpd vs. 101.8mmbpd in CY23 as energy transition advances



Source: IEA

Exhibit 24. IEA estimates muted growth in gasoline and diesel demand due to impact of rising penetration of Electric vehicles

(mmbpd)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2022-28 Growth Rate (%)	2022-28 Growth (mmbpd)
LPG/Ethane	13.2	13.2	13.8	14.2	14.4	14.6	14.8	15.1	15.5	15.9	1.9%	1.7
Naphtha	6.6	6.4	6.9	6.8	7	7.4	7.8	8	8.2	8.3	3.4%	1.5
Gasoline	26.7	23.7	25.6	26	26.6	26.6	26.6	26.4	26.1	25.8	-0.2%	-0.3
Jet/Kerosene	8	4.7	5.2	6.2	7.3	7.5	7.6	7.9	8	8.2	4.7%	2.0
Gasoi/Diesel	28.3	26.1	27.5	28.3	28.4	28.5	28.7	28.7	28.8	28.9	0.4%	0.6
Residual fuel oil	6.2	5.6	6.2	6.5	6.7	6.7	6.7	6.7	6.7	6.7	0.4%	0.2
Other products	11.8	11.9	12.2	11.8	11.8	11.9	11.9	12	12	12	0.3%	0.2
Total products	100.7	91.7	97.5	99.8	102.3	103.1	104.1	104.8	105.3	105.7	1.0%	5.9
Annual change	0.6	-9.0	5.8	2.3	2.4	0.9	1.0	0.7	0.5	0.4		

Source: IEA

OPEC+ strong pricing power to support Brent ~USD 80/bbl; we expect OMCs' GMM at historical INR 3.5/tr

We continue to believe OPEC+ will continue to use its strong pricing power to support Brent crude price ~USD 80/bbl, which is the fiscal break-even crude price needed by Saudi Arabia (Exhibit 30). The pricing power of OPEC+ has got strengthened over the past 2-3 years due to US oil production continuing to be at ~13.2mmbpd only (vs. pre-Covid peak of ~13.1mmbpd) as US shale investors have become disciplined in capital investment (Exhibit 31-32). We expect OMCs' sustainable auto-fuel (diesel/petrol) GMM at the historical run-rate of INR 3.5/tr as the government is highly likely to either cut auto-fuel prices ahead of critical general elections in Apr-May'24 and/or hike auto-fuel excise duty post elections given that strong profits in FY24TD have enabled OMCs to recoup FY23 losses and repair their balance sheets — Exhibit 45. Moreover, OMCs themselves have historically kept GMM only at a normative level to mitigate serious competition from private fuel marketing companies (as private players need higher GMM to break-even as they don't have advantage of OMCs' legacy depreciated retail outlet asset base). This is evident from the private players' market share in the fuel marketing business, which has stagnated at ~10% in the last few years due to OMCs' aggressive pricing strategy — Exhibit 38-40.

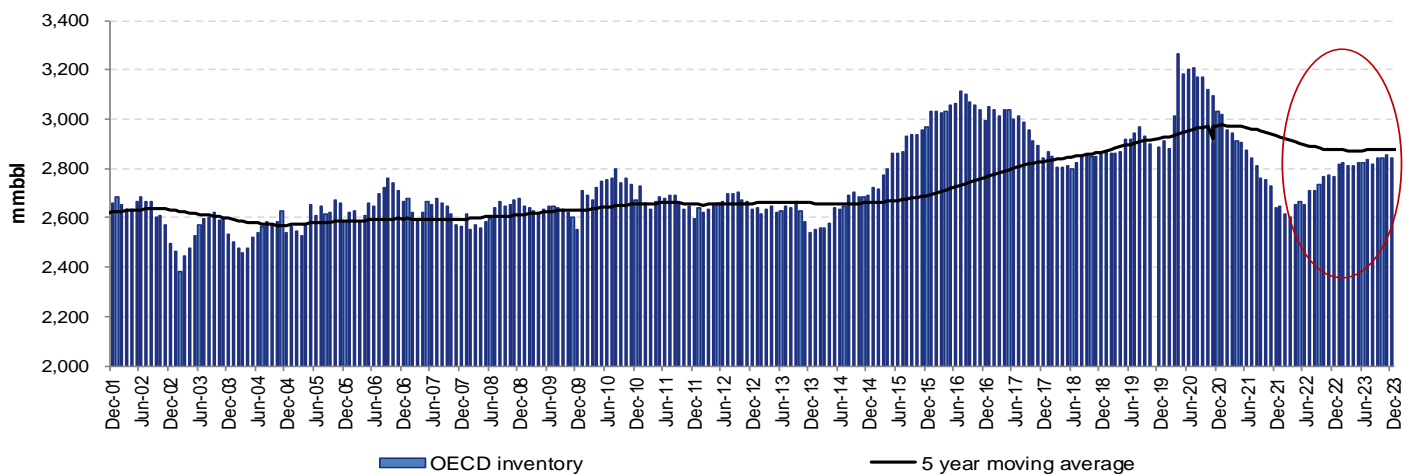
OPEC+ strong pricing power to support Brent ~USD 80/bbl

Exhibit 25. IEA expects global oil demand to grow by 1.2mmbpd in CY24 (vs. 2.3mmbpd growth in CY24)

mmbpd	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
IEA											
Global demand (mmbpd)	95.3	96.5	98.2	99.3	99.7	90.8	97.5	99.5	101.8	103.0	
Demand growth (mmbpd, YoY)	1.9	1.1	1.7	1.1	0.4	-8.9	6.7	2.0	2.3	1.2	
EIA											
Global demand (mmbpd)	95.9	97.5	99.4	100.1	100.9	91.6	97.1	99.1	101.0	102.4	103.7
Demand growth (mmbpd, YoY)	1.8	1.6	1.9	0.7	0.8	-9.3	5.6	2.0	1.9	1.4	1.3

Source: IEA, EIA, JM Financial

Exhibit 26. OECD total commercial oil inventory (mmbbl) still down ~30mmbbl vs. 5-year average



Source: IEA, Bloomberg, JM Financial

Exhibit 27. OPEC and non-OPEC countries' monthly crude production trend (mmbpd)

Countries	CY18	CY19	CY20	CY21	CY22	CY23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
OPEC																			
Saudi Arabia	10.3	9.8	9.2	9.1	10.6	9.6	10.4	10.5	10.4	10.5	10.0	10.0	9.1	9.0	9.0	9.0	8.9	9.0	9.0
Iran	3.8	2.4	2.0	2.4	2.6	3.0	2.6	2.7	2.7	2.8	3.0	3.0	3.0	3.1	3.1	3.1	3.1	3.2	3.2
Venezuela	1.5	0.9	0.5	0.6	0.7	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Nigeria	1.6	1.7	1.5	1.3	1.2	1.2	1.3	1.3	1.3	1.0	1.2	1.2	1.1	1.2	1.4	1.4	1.3	1.4	1.4
Libya	1.0	1.1	0.4	1.1	1.0	1.2	1.1	1.2	1.2	1.1	1.2	1.2	1.1	1.2	1.2	1.1	1.2	1.2	1.0
Iraq	4.5	4.7	4.1	4.0	4.4	4.3	4.4	4.4	4.4	4.1	4.1	4.2	4.3	4.3	4.3	4.4	4.3	4.3	4.2
UAE	2.9	3.1	2.9	2.7	3.2	3.3	3.2	3.2	3.4	3.3	3.3	3.2	3.2	3.2	3.3	3.3	3.2	3.2	3.2
Kuwait	2.7	2.7	2.4	2.4	2.7	2.6	2.7	2.7	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.5
Angola	1.5	1.4	1.3	1.1	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.2	1.1	1.1	1.2			
Other OPEC	2.3	2.2	1.6	1.5	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4
Total OPEC crude	32.0	30.0	25.8	26.3	29.0	28.3	29.1	29.2	29.2	28.9	28.7	28.8	27.9	28.0	28.2	28.2	27.0	27.0	26.7
Non-OPEC																			
Russia	11.4	11.6	9.7	9.6	9.7	9.6	9.8	9.9	9.6	9.6	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.4
US crude (excluding NGL's)	10.4	12.3	11.3	11.3	11.9	12.9	12.6	12.5	12.8	12.6	12.7	12.9	12.9	13.0	13.2	13.2	13.3	13.3	12.6
US NGL (Natural Gas Liquid)	4.4	4.8	5.2	5.4	5.9	6.4	5.9	6.0	6.2	6.4	6.4	6.5	6.4	6.5	6.8	6.8	6.8	6.6	6.4

Source: IEA, EIA, OPEC OMR, Reuters, JM Financial.

Exhibit 28. OPEC+ crude oil production (mmbpd) declined by ~330kbpd MoM in Jan'24 due to fall in output from Libya/Iraq/Kuwait/Algeria/Oman/Russia; partly offset by higher output from Nigeria/Venezuela/Mexico; but still continues to lag its output target by 0.7mmbpd

Countries	Dec 2023 Supply	Jan 2024 Supply	1QCY24 Target including voluntary cut of 2.2mmbpd	Jan 2024 production vs target	Sustainable Capacity ¹	Spare Capacity in Jan'24	CY24 Target excluding 1QCY24 voluntary cut of 2.2mmbpd
OPEC							
Algeria	0.95	0.91	0.96	0.0	1.0	0.1	1.0
Congo	0.26	0.25	0.28	0.0	0.3	0.0	0.3
Equatorial Guinea	0.05	0.05	0.07	0.0	0.1	0.0	0.1
Gabon	0.22	0.23	0.18	0.1	0.2	0.0	0.2
Iraq	4.33	4.23	4.21	0.0	4.8	0.6	4.4
Kuwait	2.55	2.47	2.54	-0.1	2.9	0.4	2.7
Nigeria	1.36	1.40	1.38	0.0	1.4	0.0	1.4
Saudi Arabia	8.95	8.97	9.48	-0.5	12.1	3.1	10.5
UAE	3.21	3.21	3.06	0.2	4.3	1.1	3.2
Total OPEC-9⁶	21.88	21.72	22.1	-0.4	27.0	5.3	23.7
Iran ³	3.15	3.15			3.8		
Libya ³	1.18	1.03			1.2	0.2	
Venezuela ³	0.80	0.83			0.8	0.0	
Total OPEC	27.01	26.73			32.9	5.5	
Azerbaijan	0.48	0.47	0.55	-0.1	0.5	0.1	0.6
Kazakhstan	1.62	1.62	1.55	0.1	1.7	0.1	1.6
Mexico ⁴	1.62	1.64	1.75	-0.1	1.7	0.0	1.8
Oman	0.80	0.76	0.80	0.0	0.9	0.1	0.8
Russia	9.48	9.44	9.53	-0.1	9.9		9.8
Others ⁵	0.82	0.85	0.87	0.0	0.9	0.0	0.9
Total Non-OPEC	14.82	14.78	15.0	-0.3	15.5	0.3	15.5
OPEC+-18 in cut deal³	36.7	36.5	37.2	-0.7	42.5	5.6	39.2
Total OPEC+	41.8	41.5			48.3	5.8	

Source: IEA, Note: Production excludes condensates; 1. Capacity levels can be reached within 90 days and sustained for extended period; 2. Excludes shut in Iranian, Russian crude; 3. Iran, Libya, Venezuela exempt from cuts; 4. Mexico excluded from OPEC+ compliance; only cut in May, June 2020; 5. Bahrain, Brunei, Malaysia, Sudan and South Sudan.

Exhibit 29. OPEC+ Jan'24 supply was 2.2mmbpd lower vs Sep'22 driven by output cut by Saudi (2.1mmbpd), Kuwait (0.4mmbpd) Iraq/Russia (0.3mmbpd each) and UAE (0.2mmbpd); partly offset by higher output from Iran (0.6mmbpd) and Kazakhstan/Nigeria (0.4mmbpd each)

Countries	Sep 2022 Supply	Jan 2024 Supply	Sep 2022 Target	1QCY24 target including voluntary cut of 2.2mmbpd	CY24 Target excluding 1QCY24 voluntary cut of 2.2mmbpd	Increase in actual cut in Jan'24 vs Sep'22	Increase in cut target Jan'24 vs Sep'22 (including voluntary cut of 2.2mmbpd)
OPEC							
Algeria	1.0	0.9	1.1	1.0	1.0	-0.1	-0.1
Congo	0.3	0.3	0.3	0.3	0.3	0.0	-0.1
Equatorial Guinea	0.1	0.1	0.1	0.1	0.1	0.0	-0.1
Gabon	0.2	0.2	0.2	0.2	0.2	0.0	0.0
Iraq	4.6	4.2	4.7	4.2	4.4	-0.3	-0.5
Kuwait	2.8	2.5	2.8	2.5	2.7	-0.4	-0.3
Nigeria	1.0	1.4	1.8	1.4	1.4	0.4	-0.5
Saudi Arabia	11.0	9.0	11.0	9.5	10.5	-2.1	-1.6
UAE	3.5	3.2	3.2	3.1	3.2	-0.2	-0.1
Total OPEC-9⁶	24.4	21.7	25.2	22.1	23.7	-2.7	-3.1
Iran ³	2.5	3.2				0.6	0.0
Libya ³	1.2	1.0				-0.1	0.0
Venezuela ³	0.7	0.8				0.2	0.0
Total OPEC	28.8	26.7				-2.1	-3.1
Azerbaijan	0.5	0.5	0.7	0.6	0.6	-0.1	-0.2
Kazakhstan	1.2	1.6	1.7	1.5	1.6	0.4	-0.2
Mexico ⁴	1.6	1.6	1.8	1.8	1.8	0.0	0.0
Oman	0.9	0.8	0.9	0.8	0.8	-0.1	-0.1
Russia	9.7	9.4	11.0	9.5	9.9	-0.3	-1.5
Others ⁵	0.9	0.9	1.1	0.9	0.7	0.0	-0.2
Total Non-OPEC	14.9	14.8	17.2	15.0	15.5	-0.1	-2.2
OPEC+-18 in cut deal³	39.3	36.5	42.4	37.2	39.2	-2.8	-5.3
Total OPEC+	43.7	41.5				-2.2	

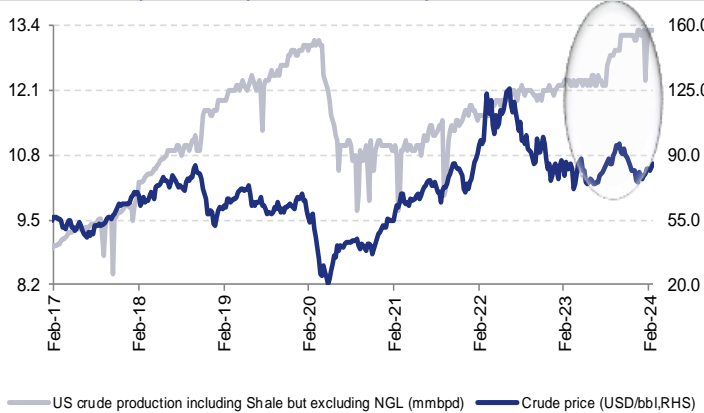
Source: IEA, Note: Production excludes condensates; 1. Capacity levels can be reached within 90 days and sustained for extended period; 2. Excludes shut in Iranian, Russian crude; 3. Iran, Libya, Venezuela exempt from cuts; 4. Mexico excluded from OPEC+ compliance; only cut in May, June 2020; 5. Bahrain, Brunei, Malaysia, Sudan and South Sudan.

Exhibit 30. Saudi Arabia's fiscal breakeven crude price is ~USD 80/bbl

USD/bbl	Avg 2000-19	2020	2021	2022	2023E	2024E
Algeria	102	90	111	86	112	112
Azerbaijan	52	66	58	64	77	78
Bahrain	83	114	135	134	126	129
Iran	86	547	259	278	352	375
Iraq	76	57	53	66	76	76
Kazakhstan	...	192	184	96	100	84
Kuwait	47	76	62	63	71	66
Libya	72	142	52	85	64	62
Oman	69	86	77	62	72	66
Qatar	45	49	47	45	45	42
Saudi Arabia	80	76	84	86	81	75
Turkmenistan	...	41	32	37	38	40
United Arab Emirates	50	52	53	55	56	55

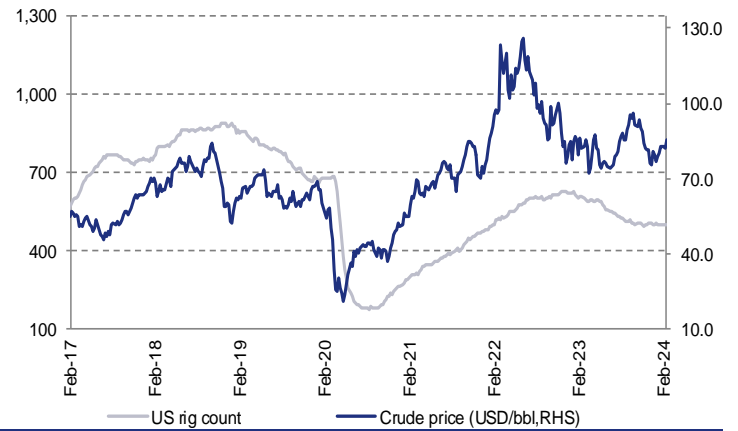
Source: IMF, JM Financial

Exhibit 31. US crude output largely steady at ~13.3mmbpd, slightly above its pre-Covid peak of ~13mmbpd



Source: Bloomberg, EIA JM Financial

Exhibit 32. US oil rig count at 497, still down vs.784 rigs in Jun'19



Source: Bloomberg, JM Financial

Exhibit 33. US monthly crude and natural gas (including NGL) production trend – NGL and crude production fall in Jan'24 due to winter storms after significant rise in NGL production and slight increase in crude output over CY23

	NGL		Crude Oil		Dry Natural Gas		YoY growth (%)	NGL production as % of Dry Natural Gas production
	Production (mmbpd)	YoY growth (%)	Production (mmbpd)	YoY growth (%)	Production (bcfcpd)	Production (mmbopd)		
CY10	2.07		5.47		58.39	9.92		20.9%
CY11	2.21	6.8%	5.64	3.1%	62.72	10.66	7.4%	20.8%
CY12	2.41	8.8%	6.50	15.1%	65.66	11.16	4.7%	21.6%
CY13	2.61	8.2%	7.45	14.7%	66.66	11.33	1.5%	23.0%
CY14	3.01	15.6%	8.67	16.4%	70.09	11.91	5.1%	25.3%
CY15	3.34	10.9%	9.43	8.8%	74.15	12.60	5.8%	26.5%
CY16	3.51	5.0%	8.83	-6.4%	72.66	12.35	-2.0%	28.4%
CY17	3.78	7.8%	9.35	5.9%	74.75	12.70	2.9%	29.8%
CY18	4.37	15.5%	10.93	16.9%	83.29	14.15	11.4%	30.9%
CY19	4.82	10.5%	12.31	12.6%	92.86	15.78	11.5%	30.6%
CY20	5.17	7.2%	11.32	-8.0%	92.40	15.70	-0.5%	33.0%
CY21	5.42	4.7%	11.26	-0.6%	94.54	16.06	2.3%	33.7%
CY22	5.93	9.5%	11.91	5.8%	99.58	16.92	5.3%	35.1%
CY23	6.43	8.5%	12.93	8.6%	103.74	17.63	4.2%	36.5%
CY24E	6.51	1.2%	13.10	1.3%	104.37	17.74	0.6%	36.7%
CY25E	6.67	2.4%	13.49	3.0%	106.45	18.09	2.0%	36.9%
Jan-23	5.85	6.2%	12.57	9.5%	101.90	17.32	5.9%	33.8%
Feb-23	5.96	8.1%	12.53	11.3%	101.98	17.33	6.3%	34.4%
Mar-23	6.21	4.4%	12.77	8.2%	102.88	17.48	5.4%	35.5%
Apr-23	6.37	7.7%	12.65	7.5%	102.65	17.44	4.4%	36.5%
May-23	6.38	7.0%	12.69	8.2%	103.56	17.60	4.5%	36.2%
Jun-23	6.53	8.6%	12.89	9.3%	103.25	17.54	3.9%	37.2%
Jul-23	6.45	4.2%	12.93	9.2%	103.38	17.57	3.0%	36.7%
Aug-23	6.55	8.0%	13.04	8.8%	104.52	17.76	3.6%	36.9%
Sep-23	6.75	9.7%	13.25	7.5%	104.49	17.75	2.1%	38.0%
Oct-23	6.77	9.8%	13.22	6.8%	104.36	17.73	2.1%	38.2%
Nov-23	6.76	10.2%	13.31	7.5%	105.95	18.00	3.6%	37.6%
Dec-23	6.61	18.1%	13.34	9.9%	105.98	18.01	5.7%	36.7%
Jan-24	6.44	10.1%	12.62	0.4%	101.80	17.30	-0.1%	37.2%

Source: EIA, JM Financial

We expect OMCs' sustainable GMM at historical INR 3.5/ltr

Exhibit 34. OMCs' auto-fuel gross marketing margin (GMM) at INR3.3/ltr at spot crude price and product cracks while 4QFY24TD GMM is higher at INR 5.2/ltr (vs. historical INR 3.5/ltr)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24TD	On spot crude price and spot product
OMCs gross marketing margin (GMM, INR/ltr)													
Diesel GMM (INR/ltr)	4.0	5.9	5.8	-1.3	-12.8	-7.5	-6.5	0.6	9.5	2.8	1.4	4.6	2.7
Petrol GMM (INR/ltr)	0.2	2.4	2.2	-2.0	-11.0	-3.7	7.2	5.0	7.4	4.3	5.7	6.6	4.3
Wt Avg GMM for Diesel & Petrol (INR/ltr)	2.7	4.8	4.6	-1.5	-12.2	-6.2	-2.0	2.1	8.8	3.3	2.8	5.2	3.3
Historical average GMM (INR/ltr)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

Source: Company, JM Financial Note: *Margin is based on spot Brent price of ~USD 82.5/bbl and current diesel crack of ~USD22/bbl and petrol crack of ~USD18/bbl

Exhibit 35. OMCs GMM annual trend – it has averaged at INR 3.5/ltr since last few years

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OMCs gross marketing margin (GMM, INR/ltr)											
Diesel GMM (INR/ltr)	2.4	2.5	2.5	3.1	3.6	4.1	3.6	-6.5	4.6	3.2	3.2
Petrol GMM (INR/ltr)	2.9	2.8	2.5	3.2	3.4	3.8	0.7	-0.6	6.0	4.0	4.0
Wt Avg GMM for Diesel & Petrol (INR/ltr)	2.5	2.6	2.5	3.2	3.6	4.0	2.6	-4.6	5.1	3.5	3.5
Historical average GMM (INR/ltr)	2.5	2.5	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

Source: Company, Reuters, JM Financial

Exhibit 36. India's election schedule

State	Election Month
General Election	May-24
Andhra Pradesh	Jun-24
Arunachal Pradesh	Jun-24
Odisha	Jun-24
Sikkim	Jun-24

Source: Election commission of India, JM Financial

Exhibit 37. Historical changes in excise duty on diesel/petrol (INR/ltr)

Date	Diesel		Petrol	
	Excise duty	Hike/(cut) in duty	Excise duty	Hike/(cut) in duty
01-May-12	2.0		14.4	
01-Oct-12	3.5	1.5	9.1	-5.3
1-Mar-14	3.6	0.1	9.5	0.4
01-Oct-14	5.1	1.6	11.0	1.5
01-Nov-14	6.1	1.0	13.3	2.3
01-Dec-14	10.3	4.1	17.5	4.1
01-Dec-15	10.7	0.4	19.1	1.6
01-Apr-16	17.3	6.7	21.5	2.4
01-Sep-17	15.3	-2.0	19.5	-2.0
04-Oct-18	13.8	-1.5	18.0	-1.5
06-Jul-19	15.8	2.0	20.0	2.0
14-Mar-20	18.8	3.0	23.0	3.0
06-May-20	31.8	13.0	33.0	10.0
04-Nov-21	21.8	-10.0	28.0	-5.0
22-May-22	15.8	-6.0	20.0	-8.0

Source: Company, JM Financial

Exhibit 38. Private sector's diesel/gasoline market share had not risen beyond 10-12% as OMCs kept GMM at normative levels to mitigate competition

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Diesel market share															
IOCL	42.7%	42.0%	42.6%	42.8%	42.8%	42.3%	42.6%	42.9%	46.8%	47.1%	44.8%	43.4%	42.3%	41.7%	41.9%
BPCL	23.3%	24.4%	24.0%	24.4%	24.1%	24.7%	24.2%	25.2%	25.6%	26.9%	26.8%	27.1%	25.8%	26.0%	25.8%
HPCL	21.5%	21.5%	21.9%	21.6%	21.5%	21.6%	21.7%	21.6%	22.2%	22.5%	22.2%	22.4%	22.8%	21.7%	22.4%
Total PSU	87.5%	87.9%	88.5%	88.7%	88.4%	88.6%	88.5%	89.7%	94.6%	96.5%	93.8%	93.0%	90.9%	89.4%	90.1%
Private	12.5%	12.1%	11.5%	11.3%	11.6%	11.4%	11.5%	10.3%	5.4%	3.5%	6.2%	7.0%	9.1%	10.6%	9.9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gasoline market share															
IOCL	40.8%	40.0%	40.0%	39.6%	40.3%	39.5%	39.5%	39.9%	41.7%	41.6%	40.5%	40.1%	40.1%	40.0%	39.8%
BPCL	24.9%	25.5%	26.0%	26.2%	25.8%	26.3%	26.5%	26.9%	27.2%	27.5%	27.5%	27.5%	27.0%	27.3%	27.2%
HPCL	23.7%	24.1%	24.3%	24.3%	24.0%	24.4%	24.4%	24.1%	24.4%	25.0%	25.0%	24.9%	25.0%	24.4%	24.6%
Total PSU	89.3%	89.7%	90.3%	90.0%	90.1%	90.1%	90.4%	90.9%	93.3%	94.1%	93.0%	92.5%	92.1%	91.7%	91.7%
Private	10.7%	10.3%	9.7%	10.0%	9.9%	9.9%	9.6%	9.1%	6.7%	5.9%	7.0%	7.5%	7.9%	8.3%	8.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: PPAC, JM Financial

Exhibit 39. Private sector's diesel/gasoline market share had not risen beyond 10-12% as OMCs kept GMM at normative levels to mitigate competition

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	
Diesel market share																					
IOCL	55.0%	53.9%	51.0%	53.2%	53.4%	54.0%	49.0%	52.9%	52.9%	51.5%	49.6%	49.7%	48.0%	46.6%	45.0%	44.4%	43.8%	42.5%	42.7%	45.5%	
BPCL	24.3%	23.0%	21.3%	23.1%	24.1%	24.4%	21.8%	24.2%	25.2%	26.1%	26.8%	26.5%	25.9%	25.1%	24.8%	24.4%	24.0%	24.0%	24.5%	26.6%	
HPCL	20.1%	19.3%	18.3%	18.4%	20.0%	20.9%	19.3%	20.5%	22.0%	22.4%	23.4%	22.8%	22.6%	22.3%	21.9%	21.7%	21.4%	21.6%	21.6%	22.4%	
Total PSU	99.5%	96.2%	90.5%	94.8%	97.5%	99.3%	90.1%	97.7%	100%	100%	99.8%	99.0%	96.5%	94.0%	91.7%	90.5%	89.2%	88.2%	88.8%	94.4%	
Private	0.5%	3.8%	9.5%	5.2%	2.5%	0.7%	9.9%	2.3%	0.0%	0.0%	0.2%	1.0%	3.5%	6.0%	8.3%	9.5%	10.8%	11.8%	11.2%	5.6%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Gasoline market share																					
IOCL	44.2%	44.9%	42.8%	40.9%	43.0%	45.3%	41.4%	45.2%	44.7%	44.2%	43.9%	43.8%	43.4%	42.7%	41.5%	41.0%	40.5%	40.0%	39.8%	40.9%	
BPCL	31.1%	29.8%	28.6%	28.4%	28.2%	28.7%	25.7%	27.6%	27.7%	28.2%	28.1%	28.0%	27.5%	27.0%	26.7%	26.3%	26.0%	25.7%	26.4%	27.4%	
HPCL	24.7%	24.7%	24.0%	25.6%	24.4%	25.3%	23.3%	25.4%	25.8%	25.9%	25.8%	26.2%	25.7%	25.2%	24.8%	24.5%	24.2%	24.1%	24.2%	24.8%	
Total PSU	99.9%	99.4%	95.4%	94.9%	95.6%	99.2%	90.4%	98.1%	98%	98%	97.8%	98.0%	96.6%	94.9%	93.0%	91.8%	90.8%	89.9%	90.4%	93.2%	
Private	0.1%	0.6%	4.6%	5.1%	4.4%	0.8%	9.6%	1.9%	1.8%	1.7%	2.2%	2.0%	3.4%	5.1%	7.0%	8.2%	9.2%	10.1%	9.6%	6.8%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Source: PPAC, JM Financial

Exhibit 40. Private sector's share of total fuel retail outlets stagnant at ~10% in last few years

Retail Outlets at end FY	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
IOCL	22,372	23,993	24,405	25,363	26,212	26,847	27,702	29,085	32,126	34,616	36,285
BPCL	3	3	4	4	4	14,341	14,803	16,234	18,639	20,088	21,029
HPCL	12,173	12,869	13,233	13,802	14,412	14,936	15,440	15,476	18,663	20,083	21,186
Others (MRPL)		3	4	4	4	5	7	7	18	34	63
Total PSUs	34,548	36,868	37,646	39,173	40,632	56,129	57,952	60,802	69,446	74,821	78,563
Reliance	287	300	320	950	1,221	1,313	1,372	1,398	1,419	1,459	1,555
Essar	1,382	1,382	1,491	2,100	3,499	4,354	5,128	5,702	6,080	6,604	6,386
Shell	90	100	77	82	85	100	145	189	268	324	351
Total Private	1,759	1,782	1,888	3,132	4,805	5,767	6,645	7,289	7,767	8,387	8,292
Total	36,307	38,650	39,534	42,305	45,437	61,896	64,597	68,091	77,213	83,208	86,855
Private as a % of Total	4.8%	4.6%	4.8%	7.4%	10.6%	9.3%	10.3%	10.7%	10.1%	10.1%	9.5%

Source: PPAC, JM Financial

Exhibit 41. India's FY24TD oil demand up 5.2% YoY with a) diesel demand up 4.3% YoY, b) gasoline demand up 6.1% YoY; however 4 year demand CAGR continues to be weak at 1.7%

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24TD	
Volume (mmt)												
Diesel	68.4	69.4	74.6	76.0	81.1	83.5	82.6	72.7	76.7	85.9	74.2	
Gasoline	17.1	19.1	21.8	23.8	26.2	28.3	30.0	28.0	30.8	35.0	30.9	
LPG	16.3	18.0	19.6	21.6	23.3	24.9	26.3	27.6	28.3	28.5	24.4	
Kerosene	7.2	7.1	6.8	5.4	3.8	3.5	2.4	1.8	1.5	0.5	0.4	
ATF	5.5	5.7	6.3	7.0	7.6	8.3	8.0	3.7	5.0	7.4	6.8	
Others	44.0	46.2	55.5	60.8	64.1	64.7	64.8	60.6	59.4	65.8	56.0	
Naphtha	11.3	11.1	13.3	13.2	12.9	14.1	14.3	14.1	13.2	12.1	11.5	
FO & LSHS	6.2	6.0	6.6	7.2	6.7	6.6	6.3	5.6	6.3	7.0	5.5	
Petroleum coke	11.8	14.6	19.3	24.0	25.7	21.3	21.7	15.6	14.3	18.3	16.2	
Others	14.7	14.6	16.3	16.4	18.8	22.7	22.5	25.3	25.7	28.3	22.9	
Total	158.4	165.5	184.7	194.6	206.2	213.2	214.1	194.3	201.7	223.0	192.7	
YoY growth (%)												
Diesel	(1.0)	1.5	7.5	1.8	6.6	3.0	(1.1)	(12.0)	5.4	12.1	4.3	FY24TD (4-Year CAGR %)
Gasoline	8.8	11.4	14.5	8.8	10.1	8.1	6.0	(6.7)	10.3	13.4	6.1	1.5
LPG	4.4	10.5	9.0	10.1	8.0	6.7	5.7	4.7	2.5	0.9	3.1	2.7
Kerosene	(4.5)	(1.1)	(3.7)	(20.9)	(28.8)	(10.0)	(30.7)	(25.0)	(16.9)	(67.2)	(3.5)	(33.2)
ATF	4.4	4.0	9.4	11.7	9.1	8.8	(3.6)	(53.8)	35.4	47.3	11.9	(0.2)
Others	0.2	5.2	20.0	9.6	5.4	1.0	0.1	(6.6)	(1.9)	10.7	6.2	3.4
Naphtha	(8.0)	(2.0)	19.8	(0.2)	(2.7)	9.6	1.0	(1.2)	(6.1)	(8.4)	15.4	(0.6)
FO & LSHS	(18.6)	(4.4)	11.3	7.8	(6.0)	(2.3)	(4.0)	(11.3)	12.1	11.1	(5.1)	1.2
Petroleum coke	16.0	23.8	32.6	24.2	7.1	(16.8)	1.7	(28.1)	(8.6)	28.7	9.0	(3.4)
Others	6.4	(0.2)	11.3	1.1	14.5	20.5	(0.7)	12.1	1.6	10.4	(4.7)	5.5
Total	0.9	4.5	11.6	5.4	5.9	3.4	0.4	(9.3)	3.8	10.6	5.2	1.7

Source: PPAC, JM Financial

Assumptions and Estimates

Exhibit 42. IOCL key assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
Marco assumptions							
Brent (USD/bbl)	44.7	80.0	95.4	82.0	70.0	70.0	
Exchange rate (INR/USD)	71.9	75.2	80.4	82.9	84.6	86.2	
Implied integrated Reported EBITDA margin (INR/ton)	2,078	2,151	2,143	4,302	2,138	2,153	Based on reported EBITDA of both refining & marketing segment
Refining segment							
Margins (USD/bbl)							
Singapore Dubai GRM	0.5	5.0	10.8	7.0	6.0	6.0	GRM to normalise from FY25
Reported GRM excluding Paradip refinery	5.7	11.3	20.6	13.4	8.0	8.0	
Reported GRM for Paradip refinery	5.4	11.0	15.0	11.0	8.0	8.0	Assumed at -USD 8/bbl from FY25 based on complexity
Reported GRM including Paradip refinery	5.6	11.3	19.5	13.0	8.0	8.0	
Implied inventory gain/(loss) on refining	3.4	3.6	-0.4	1.0	0.0	0.0	Not factoring any inventory loss/gain going forward
Implied core GRM	2.2	7.6	20.1	12.0	8.0	8.0	Assumed core GRM is -USD 2/bbl higher than Spore Dubai GRM due to
Reported GRM differential to Spore Dubai GRM	5.1	6.3	8.8	6.0	2.0	2.0	
Core GRM differential to Spore Dubai GRM	1.7	2.6	9.4	5.0	2.0	2.0	
Crude throughput (mmtpa)							
Total standalone	62.4	67.7	72.5	75.4	80.3	82.5	
CPCL refinery	8.2	9.0	11.3	11.4	11.4	11.4	
Consolidated	70.6	76.7	83.8	86.8	91.7	93.9	
Refining capacity (mmtpa)							
Total standalone	69.7	70.1	70.1	73.1	87.4	87.4	
CPCL refinery	10.5	10.5	10.5	10.5	10.5	10.5	
Consolidated	80.2	80.6	80.6	83.6	97.9	97.9	
Refinery utilisation							
Consolidated	88%	95%	104%	104%	94%	96%	
Marketing segment							
Margins							
Implied gross marketing margin on autofuel (INR/litre)	4.0	2.1	(5.3)	5.5	3.5	3.5	Margin to normalise at INR 3.5/ltr from FY25 onwards
Implied gross marketing margin overall (INR/ton)	4.2	2.5	(2.9)	5.2	3.8	3.8	
Implied net marketing margin overall (INR/ton)	2.3	0.6	(4.8)	3.3	1.8	1.8	
Volume							
Volume break-up (mmtpa)							
HSD sales volume	30.9	32.7	39.1	39.4	40.2	41.0	
MS sales volume	11.2	12.3	14.3	14.6	15.2	15.8	
Other product sales volume	32.6	34.6	35.6	36.6	37.9	39.7	
Total sales volume	74.7	79.6	89.0	90.7	93.3	96.6	
Petchem segment							
Sales volume (mmtpa)	2.7	2.9	2.2	2.3	2.5	2.6	
EBITDA Margin (INR/ton)	22,470	19,675	6,269	7,365	10,788	18,047	
Pipeline segment							
Throughput (mmtpa)	76.0	83.2	95.1	96.1	97.0	98.0	
EBITDA (INR/mmtpa of throughput)	756	760	729	729	744	759	Assumed gradual recovery in margins after recent decline

Source: JM Financial, Company

Exhibit 43. BPCL key assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
Marco assumptions							
Brent (USD/bbl)	44.7	80.0	95.4	82.0	70.0	70.0	
Exchange rate (INR/USD)	71.9	74.5	80.4	82.9	84.6	86.2	
Implied integrated Reported EBITDA margin (INR/ton)	2,541	2,233	378	5,585	3,008	3,032	Based on reported EBITDA of both refining & marketing segment
Refining segment							
Margins (USD/bbl)							
Spore Dubai GRM	0.5	5.0	10.8	7.0	6.0	6.0	GRM to normalise from FY25
GRM for Mumbai refinery	3.8	8.7	15.2	10.0	6.7	6.7	
GRM for Kochi refinery	4.4	9.4	21.0	15.0	9.0	9.0	
GRM for Bina refinery	4.1	12.6	28.2	21.5	13.0	13.0	Assumed at ~USD 13/bbl based on complexity
GRM for consolidated business	4.1	9.7	20.2	14.5	9.0	9.0	
Implied inventory gain/(loss) on refining	2.2	1.9	-1.0	0.0	0.0	0.0	Not factoring any inventory loss/gain going forward
Implied consolidated core GRM	1.9	7.8	21.2	14.5	9.0	9.0	Assumed core GRM is ~USD 3/bbl higher than Spore Dubai GRM due to some benefit from Russian crude discount and higher diesel
Consolidated reported GRM differential to Spore Dubai GRM	3.6	4.7	9.5	7.5	3.0	3.0	
Consolidated core GRM differential to Spore Dubai GRM	1.4	2.8	10.5	7.5	3.0	3.0	
Crude throughput (mmtpa)							
Mumbai refinery	12.9	14.4	14.7	14.8	15.0	15.1	
Kochi refinery	13.3	15.4	16.1	16.3	16.4	16.6	
Bina refinery	6.2	7.4	7.8	8.5	8.6	8.7	
Total consolidated	32.2	37.2	38.5	39.6	40.0	40.4	
Refining capacity (mmtpa)							
Mumbai refinery	12.0	12.0	12.0	12.0	12.0	12.0	
Kochi refinery	15.5	15.5	15.5	15.5	15.5	15.5	
Bina refinery	7.8	7.8	7.8	7.8	7.8	7.8	
Total consolidated	34.4	31.4	31.4	31.4	31.4	31.4	
Refinery utilisation (%)							
Mumbai refinery	108	120	122	123	125	126	
Kochi refinery	86	99	104	105	106	107	
Bina refinery	79	95	99	109	110	111	
Overall utilisation	94	119	123	126	127	129	
Refining cover (%)							
	79%	83%	77%	76%	74%	73%	
Marketing segment							
Margins							
Implied gross marketing margin on autofuel (INR/litre)	4.5	2.1	-3.8	5.5	3.5	3.5	Margin to normalise at INR 3.5/ltr from FY25 onwards
Implied gross marketing margin overall (INR/ton)	4738	2490	-2137	5473	3886	3889	
Implied net marketing margin overall (INR/ton)	2541	432	-4037	3574	1989	1991	
Volume							
Volume break-up (mmtpa)							
MS sales volume	7.2	8.1	9.6	10.1	10.6	11.0	
HSD sales volume	17.5	18.8	22.8	23.3	23.8	24.2	
Other product sales volume	16.0	17.7	17.8	18.6	19.4	20.0	
Total sales volume	40.7	44.6	50.2	52.0	53.7	55.3	
Volume growth (YoY)							
MS sales volume	-7.8%	13.1%	17.9%	5.0%	5.0%	4.0%	Steady volume growth going forward
HSD sales volume	-12.0%	7.6%	21.4%	2.0%	2.0%	2.0%	
Other product sales volume	-11.3%	10.4%	0.7%	4.8%	4.0%	3.3%	
Total sales volume	-11.0%	9.7%	12.5%	3.6%	3.3%	2.9%	

Source: JM Financial, Company

Exhibit 44. HPCL key assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
Marco assumptions							
Brent (USD/bbl)	44.7	80.0	95.4	82.0	70.0	70.0	
Exchange rate (INR/USD)	71.9	74.5	80.4	82.9	84.6	86.2	
Implied integrated Reported EBITDA margin (INR/ton)	3,393	2,144	-1,342	4,286	2,774	2,802	Based on reported EBITDA of both refining & marketing segment
Refining segment							
Margins (USD/bbl)							
Singapore Dubai GRM	0.5	5.0	10.8	7.0	6.0	6.0	GRM to normalise from FY25
GRM for Mumbai refinery	4.1	7.6	14.8	11.0	8.0	8.0	
GRM for Visakh refinery	3.7	6.9	9.2	10.5	7.2	7.2	
GRM for standalone business	3.9	7.2	12.1	10.7	7.5	7.5	
Implied inventory gain/(loss) on refining	2.8	2.6	-1.6	0.0	0.0	0.0	Not factoring any inventory loss/gain going forward Assumed core GRM is ~USD 1.5/bbl higher than Spore Dubai GRM due to some benefit from Russian crude discount and higher diesel
Implied standalone core GRM	1.1	4.6	13.6	10.7	7.5	7.5	cracks
Standalone reported GRM differential to Spore Dubai GRM	3.4	2.2	1.3	3.7	1.5	1.5	
Standalone core GRM differential to Spore Dubai GRM	0.6	-0.4	2.9	3.7	1.5	1.5	
GRM for Bhatinda refinery	6.0	11.0	13.0	10.0	10.0	10.0	Assumed at ~USD 10/bbl based on complexity
GRM for consolidated business	4.4	8.4	12.3	10.6	8.1	8.0	
Consolidated GRM differential to Spore Dubai GRM	3.9	3.4	1.6	3.6	2.1	2.0	
Crude throughput (mmtpa)							
Mumbai refinery	7.4	5.6	9.8	10.0	10.2	10.4	
Visakh refinery	9.1	8.4	9.3	12.5	13.2	13.8	
Total standalone	16.4	14.0	19.1	22.5	23.4	24.2	
Bhatinda refinery (HPCL's 49% share)	4.9	6.4	6.2	6.2	6.2	6.2	
Total consolidated	21.4	20.4	25.3	28.8	29.6	30.4	
Refining capacity (mmtpa)							
Mumbai refinery	7.5	9.5	9.5	9.5	9.5	9.5	
Visakh refinery	8.3	8.3	8.3	12.0	15.0	15.0	Expanding to 15mmtpa at capex of INR260bn
Total standalone	15.8	17.8	17.8	21.5	24.5	24.5	
Bhatinda refinery (HPCL's 49% share)	5.5	5.5	5.5	5.5	5.5	5.5	
Total consolidated	21.3	23.3	23.3	27.0	30.0	30.0	
Refinery utilisation							
Mumbai refinery	98%	59%	103%	105%	107%	109%	
Visakh refinery	109%	101%	112%	105%	88%	92%	
Bhatinda refinery	104%	78%	107%	105%	95%	99%	
Overall utilisation	89%	115%	112%	112%	112%	112%	
Refining cover (%)	58%	52%	58%	64%	63%	63%	
Marketing segment							
Margins							
Implied gross marketing margin on autofuel (INR/litre)	4.0	2.1	-3.4	5.5	3.5	3.5	Margin to normalise at INR 3.5/ltr from FY25 onwards
Implied gross marketing margin overall (INR/ton)	5.1	2.9	-1.4	6.0	4.6	4.6	
Implied net marketing margin overall (INR/ton)	3.0	1.2	-3.8	4.1	2.7	2.7	
Sales volume							
Volume break-up (mmtpa)							
HSD	15.9	16.6	19.3	19.9	20.4	20.9	
MS	6.7	7.5	8.7	9.1	9.6	10.0	
Other product	14.0	15.1	15.5	16.2	16.9	17.5	
Total	36.6	39.1	43.5	45.2	47.0	48.3	
Volume growth (YoY)							
HSD	-11.0%	4.2%	16.4%	3.0%	3.0%	2.0%	Steady volume growth going forward
MS	-11.1%	10.9%	16.0%	5.0%	5.0%	4.0%	
Other product	-1.7%	8.2%	2.6%	4.5%	4.6%	3.3%	
Total	-7.7%	7.0%	11.0%	3.9%	4.0%	2.9%	

Source: JM Financial, Company

Exhibit 45. OMCs' historical quarterly financial and operational comparison; we estimate OMCs 4QFY24E to be robust aided by strengthening diesel cracks and improvement in auto-fuel GMM

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24E
Standalone EBITDA (INR Mn)								
IOCL	16,647	19,604	35,938	153,403	221,639	213,130	154,887	143,480
BPCL	(58,649)	14,340	42,339	111,537	158,098	129,080	62,263	112,079
HPCL	(124,946)	(14,979)	16,717	47,986	96,548	82,169	21,636	61,843
Standalone PAT (INR Mn)								
IOCL	(19,925)	(2,724)	4,480	100,587	137,504	129,673	80,634	75,577
BPCL	(62,630)	(3,042)	19,596	64,777	105,509	85,012	33,973	71,007
HPCL	(101,969)	(21,722)	1,724	32,226	62,039	51,182	5,290	39,810
Consolidated EBITDA (INR Mn)								
IOCL	54,151	32,769	43,042	176,994	237,163	233,284	165,756	154,350
BPCL	(58,241)	14,149	42,126	110,848	157,851	129,405	61,989	111,805
HPCL	(124,961)	(15,147)	16,740	51,297	96,456	82,400	21,604	61,812
Consolidated PAT (INR Mn)								
IOCL	(2,794)	(9,915)	7,732	102,898	144,370	131,143	90,296	85,238
BPCL	(61,479)	(3,385)	17,470	68,705	106,443	82,435	31,814	68,849
HPCL	(85,571)	(24,757)	4,443	36,083	67,655	58,270	7,128	41,648
OMCs auto-fuel gross marketing margin trend (INR/tr)								
Diesel	(12.8)	(7.5)	(6.5)	0.6	9.5	2.8	1.4	4.6
Petrol	(11.0)	(3.7)	7.2	5.0	7.4	4.3	5.7	6.6
Wt Avg for Diesel & petrol	(12.2)	(6.2)	(2.0)	2.1	8.8	3.3	2.8	5.2
Brent (USD/bbl)	113	99	88	81	78	86	83	80
Diesel spread (USD/bbl)	43	35	40	25	14	26	20	23
Petrol spread (USD/bbl)	35	13	10	19	17	19	12	18
Refining reported GRM (USD/bbl)								
IOCL	31.8	18.5	12.9	15.3	8.3	18.1	13.5	11.5
BPCL	27.5	16.8	15.9	20.6	12.6	18.5	13.4	17.0
HPCL	16.7	8.4	9.1	14.0	7.4	13.3	8.5	13.0
Implied Marketing normalised EBITDA (INR/ton) *								
IOCL	-12,531	-5,068	-2,964	321	6,810	1,654	2,362	2,000
BPCL	-15,469	-4,548	-1,802	1,334	8,052	2,315	265	1,765
HPCL	-14,915	-2,660	301	1,746	7,091	4,434	247	2,247
Marketing total sales volume (mmt)								
IOCL	23.0	20.8	22.8	22.5	22.4	20.9	22.3	22.2
BPCL	12.3	11.7	13.0	13.3	13.1	12.5	13.2	13.3
HPCL	10.7	10.4	11.3	11.1	11.9	10.7	11.9	11.6
Refining crude throughput (mmt)								
IOCL	18.9	16.1	18.2	19.2	18.8	17.8	18.5	19.0
BPCL	9.7	8.8	9.4	10.6	10.4	9.4	9.9	10.4
HPCL	4.8	4.5	4.8	5.0	5.4	5.8	5.3	5.8
Implied integrated Reported EBITDA margin (INR/ton)**								
IOCL	(142)	401	751	3,310	4,732	4,881	3,395	3,048
BPCL	(2,671)	699	1,889	4,671	6,745	5,905	2,700	4,739
HPCL	(8,104)	(1,057)	993	2,939	5,553	4,937	1,211	3,519
IOCL standalone reported EBITDA Break-Up								
Refining	288,288	127,348	98,228	130,787	52,504	141,554	102,254	81,215
Marketing	-294,238	-112,555	-67,469	7,216	142,402	47,319	36,298	44,460
Pipeline	16,830	17,167	17,510	17,860	18,217	18,582	18,953	19,665
Petchem	6,620	2,620	-2,180	6,920	8,400	8,500	4,910	6,640
Others	6,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Total	23,500	41,580	53,089	169,784	228,524	222,955	169,416	158,980
BPCL standalone reported EBITDA Break-Up								
Refining	134,868	71,347	73,315	112,987	63,476	85,152	62,459	88,697
Marketing	-193,518	-57,007	-30,976	-1,450	94,622	43,928	-196	23,382
Total	-58,650	14,340	42,339	111,537	158,098	129,080	62,263	112,079
HPCL standalone reported EBITDA Break-Up								
Refining	38,759	15,566	19,381	34,517	16,119	32,594	17,943	34,995
Marketing	-164,454	-31,295	-3,415	12,718	79,679	48,826	2,943	26,099
Others	750	750	750	750	750	750	750	750
Total	-124,946	-14,979	16,716	47,986	96,548	82,169	21,636	61,843
Gross standalone Debt excl lease liability (INR Mn)								
IOCL	1,089,000	1,403,220	1,440,650	1,324,950	1,010,120	994,070	1,061,900	
BPCL	322,840	482,370	402,560	358,550	279,390	225,680	160,170	
HPCL	472,830	685,460	642,450	645,170	516,980	517,580	499,990	
Net consolidated Debt excl lease liability (INR Mn)								
IOCL		1,494,064		1,380,182		1,045,233		
BPCL (higher due to E&P subsidiary)		705,432		578,802		303,745		
HPCL		704,855		663,759		539,549		

Source: Company, JM Financial * from 4QFY21 onwards, in absence of disclosure, marketing normalised EBITDA has been computed assuming in-line inventory gain with JMFs ** based on total implied reported refining and marketing EBITDA divided by total refining and marketing volume

Exhibit 46. OMCs' historical and estimated annual financial and operational comparison

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Standalone EBITDA (INR Mn)									
IOCL	396,731	338,270	74,858	380,708	434,166	222,526	785,051	454,677	492,713
BPCL	116,689	119,643	55,585	171,388	190,260	109,566	464,194	256,098	263,771
HPCL	106,720	114,420	41,205	159,254	101,759	(75,222)	262,461	177,384	185,053
Standalone PAT (INR Mn)									
IOCL	213,461	168,942	13,132	218,360	241,841	82,418	525,865	223,760	262,665
BPCL	79,193	71,320	26,832	190,417	113,634	18,701	291,213	132,600	136,194
HPCL	63,571	60,287	26,373	106,639	63,826	(89,740)	157,485	89,043	89,781
Consolidated EBITDA (INR Mn)									
IOCL	416,055	352,269	164,106	405,850	477,271	306,990	837,022	483,091	518,199
BPCL	151,727	151,122	70,387	213,046	191,373	108,881	464,194	256,098	263,771
HPCL	107,130	115,273	46,596	160,034	102,443	(72,071)	262,461	177,384	185,053
Consolidated PAT (INR Mn)									
IOCL	221,895	171,710	(28,595)	216,382	251,022	97,921	565,399	252,214	267,190
BPCL	90,086	77,998	30,554	161,650	116,815	21,311	292,131	132,821	137,146
HPCL	72,183	66,906	26,387	106,629	72,942	(69,802)	176,562	108,406	109,436
OMCs auto-fuel gross marketing margin trend (INR/ltr)									
Diesel	2.5	3.2	3.3	4.0	2.1	(6.5)	5.5	3.5	3.5
Petrol	2.5	3.1	3.6	4.0	2.1	(2.0)	5.5	3.5	3.5
Wt Avg for Diesel & petrol	2.5	3.2	3.4	4.0	2.1	(5.0)	5.5	3.5	3.5
Brent (USD/bbl)	58	70	61	45	80	95	82	70	70
Diesel spread (USD/bbl)	13	15	14	6	12	41	20	15	15
Petrol spread (USD/bbl)	15	8	10	3	12	15	15	15	15
Refining reported GRM (USD/bbl)									
IOCL	8.5	5.4	0.1	5.6	11.3	19.5	13.0	8.0	8.0
BPCL	6.9	4.6	2.5	4.1	9.7	20.2	14.5	9.0	9.0
HPCL	7.4	5.0	1.0	3.9	7.2	12.1	10.7	7.5	7.5
Implied Marketing normalised EBITDA (INR/ton) *									
IOCL	856	1,657	1,958	2,331	568	-4,836	3,318	1,839	1,826
BPCL	1,154	1,916	1,649	2,541	432	-4,037	3,574	1,989	1,991
HPCL	1,995	2,567	2,050	3,007	1,188	-3,785	4,077	2,686	2,699
Marketing total sales volume (mmt)									
IOCL	84.3	85.1	83.8	74.7	79.6	89.0	90.7	93.3	96.6
BPCL	43.2	45.0	45.7	40.7	44.6	50.2	52.0	53.7	55.3
HPCL	36.9	38.7	39.6	36.6	39.1	43.5	45.2	47.0	48.3
Refining crude throughput (mmt)									
IOCL	69.0	71.9	69.4	62.4	67.7	72.5	75.4	80.3	82.5
BPCL	34.7	36.8	38.2	32.2	37.2	38.5	39.6	40.0	40.4
HPCL	18.3	18.5	17.2	16.4	14.0	19.1	22.5	23.4	24.2
Implied integrated Reported EBITDA margin (INR/ton)**									
IOCL	1,874	1,482	153	2,078	2,151	2,143	4,302	2,138	2,153
BPCL	1,626	1,557	716	2,541	2,233	378	5,585	3,008	3,032
HPCL	2,265	2,185	795	3,393	2,144	-1,342	4,286	2,774	2,802
IOCL consolidated reported EBITDA Break-Up									
Refining	226,179	87,535	-144,317	86,165	294,161	701,624	465,562	228,036	234,639
Marketing	82,060	150,320	146,240	218,800	49,909	-298,580	300,804	171,588	176,359
Pipeline	63,230	64,390	62,950	57,490	63,230	69,367	70,060	72,176	74,356
Petchem	61,040	51,640	26,770	61,410	57,450	13,980	17,246	26,524	46,589
Others	-16,453	-1,616	72,463	-18,015	12,522	-179,402	-16,650	-15,233	-13,744
Total	416,055	352,269	164,106	405,850	477,271	306,990	837,022	483,091	518,199
BPCL consolidated reported EBITDA Break-Up									
Refining	97,840	61,816	18,906	24,551	119,030	313,581	278,294	149,222	153,728
Marketing	53,886	89,307	51,480	188,494	72,343	-204,700	185,899	106,877	110,043
Total	151,727	151,122	70,387	213,046	191,373	108,881	464,194	256,098	263,771
HPCL consolidated reported EBITDA Break-Up									
Refining	48,660	22,540	-23,150	16,195	38,935	102,489	106,039	68,962	72,850
Marketing	76,270	102,350	68,321	163,647	74,928	-186,445	184,123	126,122	130,403
Others	-17,801	-9,617	1,425	-19,808	-11,420	11,885	-27,700	-17,700	-18,200
Total	107,130	115,273	46,596	160,034	102,443	-72,071	262,461	177,384	185,053
Gross Debt excl lease liability (INR Mn)									
IOCL	621,410	927,117	1,259,681	1,093,624	1,235,501	1,401,148	1,512,489	1,624,507	1,746,495
BPCL	369,973	429,145	616,482	542,883	559,327	604,546	582,486	561,530	541,621
HPCL	205,354	260,365	393,858	426,741	449,787	670,483	644,429	659,082	643,941

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

Valuation

We have raised OMCs' FY25-26 EBITDA estimate by 10-14% building it higher GRM of USD 8.0/bbl for IOCL (from USD 7.0/bbl assumed earlier), USD 9.0/bbl for BPCL (from USD 8/bbl) and USD 7.5/bbl for HPCL (from USD 7/bbl). Hence, aided by higher value of listed investment (which we value at CMP less 20% holding discount), our TP has been revised to: **a)** INR 145/share for IOCL (from INR 115/share), **b)** INR 440/share for HPCL (from INR 370/share); and **c)** INR 565/share for BPCL (from INR 460/share). However, after the strong rally in the last 4-5 months, OMCs' valuations are trading at 25-50% premium to historical P/B valuations: **a)** HPCL is trading at 1.5x FY25 P/B (vs. historical average of 1.0x); **b)** IOCL is trading at 1.4x FY25 P/B (vs. historical average of 1.0x); and **c)** BPCL is trading at 1.6x FY25 P/B (vs. historical average of 1.3x) — **Exhibit 48**. Hence, we believe OMCs risk-reward is unfavourable and maintain our SELL rating on HPCL and IOCL while maintaining our HOLD rating on BPCL.

Exhibit 47. Change in estimates and TP

	Revenue (INR mn)			EBITDA (INR mn)			PAT (INR mn)			TP (INR)	Rating
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY25E		
IOCL											
New	8,300,438	7,545,738	7,940,898	837,022	483,091	518,199	565,399	252,214	267,190	145	SELL
Old	8,449,087	7,242,694	7,663,982	753,060	430,347	463,363	495,646	207,816	220,719	115	SELL
Change	-2%	4%	4%	11%	12%	12%	14%	21%	21%	26%	
BPCL											
New	4,310,529	3,790,847	3,905,331	464,194	256,098	263,771	292,131	132,821	137,146	565	HOLD
Old	4,310,529	3,520,073	3,626,379	410,639	231,053	232,125	251,965	114,038	113,411	460	HOLD
Change	0%	8%	8%	13%	11%	14%	16%	16%	21%	23%	
HPCL											
New	4,056,535	3,672,321	3,854,081	262,461	177,384	185,053	176,562	108,406	109,436	440	SELL
Old	4,056,535	3,410,012	3,578,790	261,239	160,863	167,141	174,226	94,590	94,549	370	SELL
Change	0%	8%	8%	0%	10%	11%	1%	15%	16%	19%	

Source: JM Financial

Exhibit 48. OMCs' current P/B valuation at CMP vs historical P/B valuation

CMP (INR)	Book Value (INR)		Implied P/B at CMP		OMCs historical average P/B			OMCs historical peak P/B			OMCs historical trough P/B		
	FY24	FY25	FY24	FY25	3 year	5 year	Since May'14	3 year	5 year	Since May'14	3 year	5 year	Since May'14
IOCL 178	118	126	1.51	1.41	0.78	0.87	1.06	1.17	1.63	1.90	0.61	0.55	0.55
BPCL 628	347	391	1.81	1.61	1.40	1.54	1.80	2.02	2.40	2.83	1.02	1.02	1.02
HPCL 542	316	360	1.71	1.50	0.96	0.98	1.27	1.40	1.52	2.70	0.73	0.59	0.59

Source: JM Financial

Exhibit 49. OMCs' valuation table

Company	Rating	TP (INR)	Upside/ (downside)	P/E (x)			P/B (x)			EV/EBITDA (x)			ROE (%)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
IOCL	SELL	145	-18%	4.4	9.9	9.4	1.5	1.4	1.3	4.5	7.8	7.3	36.9	14.7	14.5
BPCL	HOLD	565	-10%	4.6	10.1	9.8	1.8	1.6	1.4	3.7	6.6	6.5	45.8	16.9	15.6
HPCL	SELL	440	-19%	4.4	7.1	7.0	1.7	1.5	1.3	5.3	7.9	7.8	45.8	22.6	20.2

Source: JM Financial

Exhibit 50. IOCL's SoTP valuation

	FY26 EBITDA (INR Bn)	EV/EBITDA multiple (x)	Value (INR Bn)	Value (INR/share)	Comment
Core business					
Standalone core business					
Refining segment	209	5.5	1,150	81	Refining EBITDA based on GRM of USD 8/bbl (vs historical GRM of USD 5.5-6.5/bbl)
Marketing segment	176	5.5	970	69	Marketing EBITDA based on historical auto-fuel GMM of INR 3.5/ltr
Petchem segment	47	5.5	256	18	
Pipeline segment	74	5.5	409	29	
Standalone core business			2,786	197	
Less: Net debt			1,139	81	
Standalone core business equity value			1,647	117	
CPCL (51.9% stake)			58	4	At 20% discount to CMP
Total core business (a)			1,705	121	
Other investments	No of shares (Mn)	discount (INR/sh)			
ONGC (7.8% stake)	987	216	213	15	At 20% discount to CMP
PLNG (12.5% stake)	188	229	43	3	At 20% discount to CMP
Oil India (4.9% stake)	54	454	24	2	At 20% discount to CMP
GAIL (2.4% stake)	82	146	12	1	At 20% discount to CMP
Treasury shares (2.5% stake)	350	142	50	4	At 20% discount to CMP
Total other investments (b)			342	24	
Equity value (a+b)				145	

Source: JM Financial

Exhibit 51. BPCL's SOTP valuation

			Value (INR Bn)	Value (INR/share)	Comment
SOTP Valuation					
	FY26 EBITDA (INR Bn)	EV/EBITDA multiple (x)			
Core business					
Refining segment	154	5.5	846	397	Refining EBITDA based on GRM of USD 9.0/bbl (vs historical GRM of USD 6-7/bbl)
Marketing segment	110	5.5	605	284	Marketing EBITDA based on historical auto-fuel GMM of INR 3.5/ltr
Core business			1,451	681	
Less: Net debt			396	186	
Core business equity value (a)			1,055	495	
	No of shares (Mn)	discount (INR/sh)			
Other investments					
PLNG (12.5% stake)	188	229	43	20	At 20% discount to CMP
IGL (22.5% stake)	158	345	54	25	At 20% discount to CMP
Oil India (2.5% stake)	27	454	12	6	At 20% discount to CMP
MNGL (22.5% stake)			14	7	Valued at 15x FY23 PAT
Sabarmati Gas (49.94% stake)			24	11	Valued at 15x FY23 PAT
CUGL (25% stake)			3	2	Valued at 15x FY23 PAT
Total other investments (e)			151	71	
Equity value (d+e)				565	

Source: JM Financial

Exhibit 52. HPCL's SOTP valuation

			Value (INR Bn)	Value (INR/share)	Comment
	FY26 EBITDA (INR Bn)	EV/EBITDA multiple (x)			
Core business					
Standalone core business					
Refining segment	73	5.5	401	282	Refining EBITDA based on GRM of USD 7.5/bbl (vs historical GRM of USD 5-6/bbl)
Marketing segment	130	5.5	717	505	Marketing EBITDA based on historical auto-fuel GMM of INR 3.5/ltr
Standalone core business			1,118	788	
Less: Net debt			612	432	
Standalon core business equity value (a)			506	356	
Bhatinda refinery JV (49% stake)					
EV	32	5.5	178	126	Bhatinda EBITDA based on GRM of USD 10/bbl
Less: Net debt			131	92	
Bhatinda refinery equity value (b)			47	33	
Total core business (c= a+b)			553	389	
	No of shares (Mn)	CMP less 20% discount			
Other investments					
MRPL (17.0% stake)	297	195	58	41	At 20% discount to CMP
Oil India (2.2% stake)	27	454	12	9	At 20% discount to CMP
Sub-total (d)			70	50	
Equity value				440	

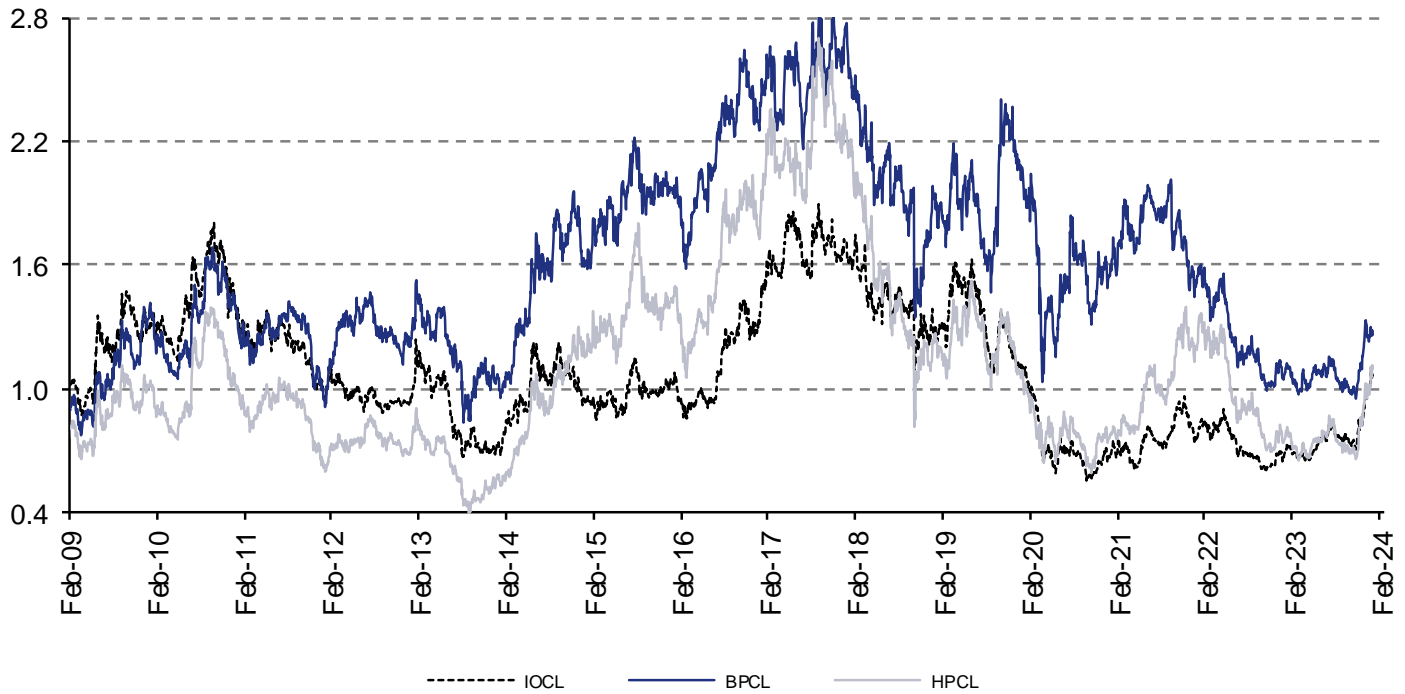
Source: JM Financial

Exhibit 53. Global refiners valuation snapshot

Company	EV/EBITDA (x)			EBITDA Margins (%)			P/E (x)			P/B (x)			ROE (%)		
	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25
US peers															
Valero Energy	3.9	5.8	6.6	9.9	7.4	6.7	6.0	9.5	11.1	1.9	1.8	1.7	14.2	8.4	6.2
Marathon Petroleum	4.9	6.5	7.1	11.6	9.7	8.9	7.9	11.5	12.0	3.0	2.7	2.7	20.1	7.3	3.9
US peers average	4.4	6.1	6.9	10.7	8.5	7.8	6.9	10.5	11.6	2.4	2.2	2.2	17.2	7.9	5.1
European peers															
Galp Energia	4.2	4.7	4.6	16.7	15.4	15.7	12.4	12.7	12.3	2.6	2.3	2.1	17.9	4.9	6.0
Motor Oil Hellas	2.9	4.7	5.2	10.3	6.7	6.0	3.3	6.0	7.7	1.0	0.9	0.9	10.8	10.9	9.0
PKN Orlen	2.1	2.7	2.3	12.5	10.9	13.4	3.4	6.7	5.2	0.5	0.5	0.4	8.9	11.5	8.9
Saras	2.0	3.2	3.6	6.1	4.2	3.8	5.3	11.7	16.2	1.2	1.2	1.2	8.1	8.0	4.6
MOL Hungarian oil & gas plc	3.1	2.9	3.2	12.3	14.2	13.4	4.2	4.4	4.9	0.6	0.5	0.5	10.7	7.4	6.8
OMV Ag	3.0	3.3	3.3	19.6	21.1	21.3	5.3	6.2	6.4	0.7	0.7	0.7	10.0	1.4	4.2
European peers average	2.9	3.6	3.7	12.9	12.1	12.3	5.6	7.9	8.8	1.1	1.0	1.0	11.1	7.3	6.6
Asian peers															
SK Innovation	8.3	6.5	4.8	5.5	7.3	9.2	19.5	9.6	5.6	0.6	0.5	0.5	8.4	6.3	4.7
GS Holdings	4.4	4.6	4.6	15.0	14.7	14.2	2.6	2.8	2.8	0.3	0.3	0.3	9.3	4.7	4.0
SK Energy Co Ltd	8.3	6.5	4.8	5.5	7.3	9.2	19.5	9.6	5.6	0.6	0.5	0.5	8.4	6.3	4.7
MRPL	8.1	9.7	10.4	8.1	6.5	6.2	12.3	15.2	17.2	3.3	2.8	2.5	13.9	8.5	1.2
CPCL	4.0	5.4	7.0	6.6	5.1	4.1	5.2	7.5	10.7	1.6	1.3	1.2	12.3	7.1	-1.5
BPCL	4.3	7.4	7.0	8.4	5.0	5.3	5.2	10.5	10.9	1.8	1.7	1.5	14.8	7.9	6.1
HPCL	5.3	7.5	6.8	5.9	4.2	4.6	4.9	7.9	7.0	1.7	1.5	1.3	20.3	8.5	6.8
IOCL	4.8	7.0	6.6	9.4	6.3	6.7	5.7	9.7	9.0	1.5	1.3	1.2	13.4	7.8	5.5
RIL	14.1	12.5	11.3	17.1	18.0	18.5	28.2	24.2	21.6	2.4	2.2	2.0	9.7	4.7	4.4
Asian peers average ex- RIL	5.9	6.8	6.5	8.1	7.0	7.5	9.4	9.1	8.6	1.4	1.2	1.1	12.6	7.1	3.9
Global peers average ex- RIL	4.6	5.5	5.5	10.2	9.1	9.3	7.7	8.9	9.0	1.4	1.3	1.2	12.6	7.3	5.1
Global peers median ex- RIL	4.3	5.6	5.0	9.6	7.3	7.8	5.3	9.5	8.4	1.3	1.3	1.2	11.6	7.6	5.1

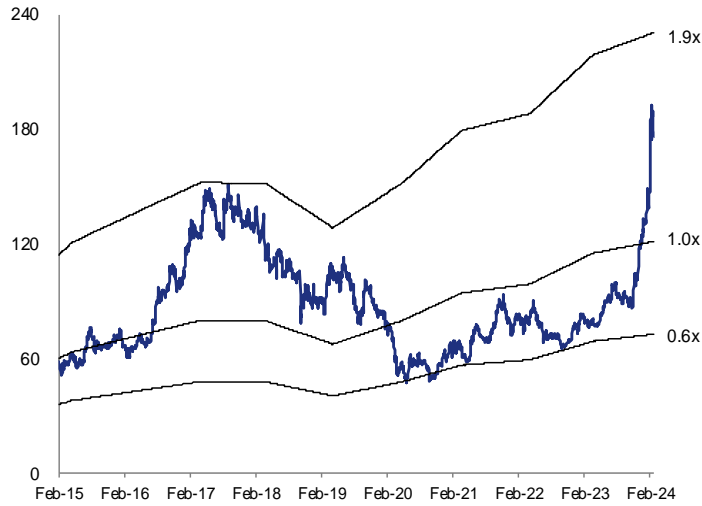
Source: Bloomberg, JM Financial

Exhibit 54. OMC's 1-year forward PB chart



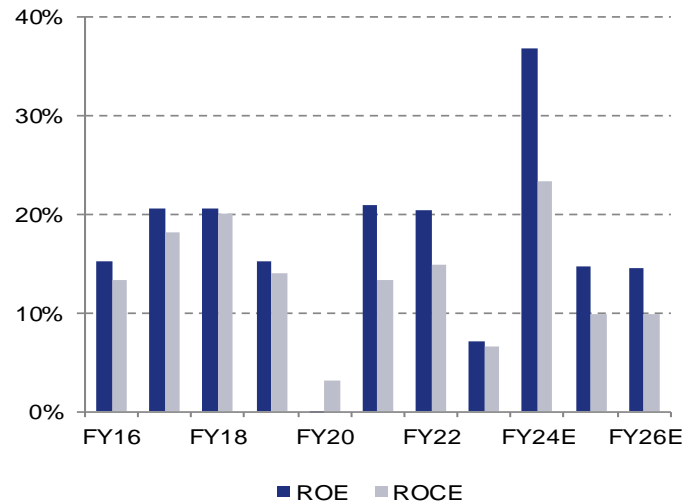
Source: Bloomberg, JM Financial

Exhibit 55. IOCL 1-year forward PB chart



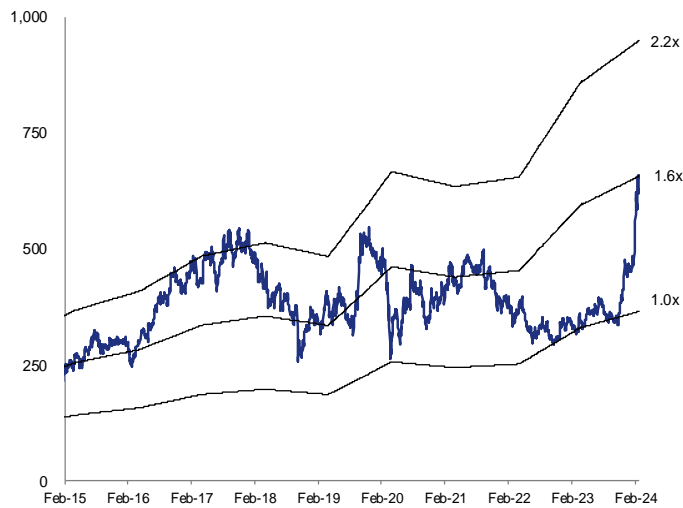
Source: Bloomberg, JM Financial

Exhibit 56. IOCL: RoE vs. RoCE



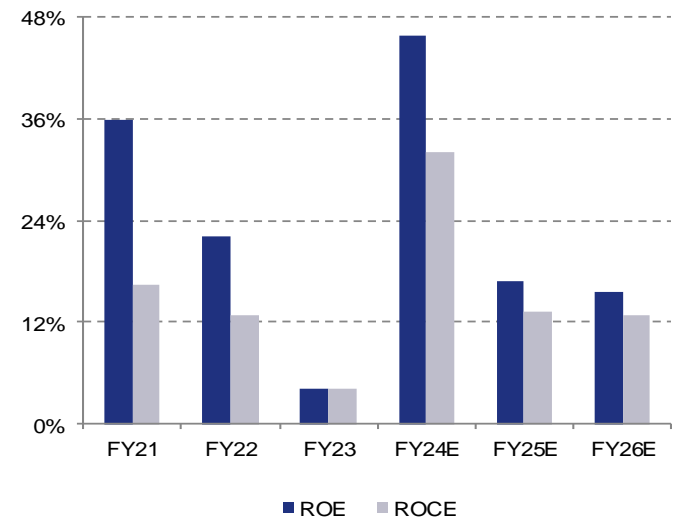
Source: Bloomberg, JM Financial

Exhibit 57. BPCL 1-year forward PB chart



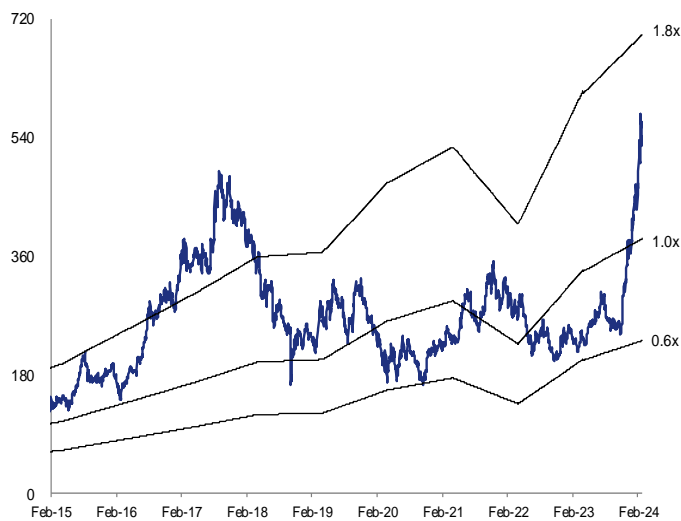
Source: Bloomberg, JM Financial

Exhibit 58. BPCL: RoE vs. RoCE



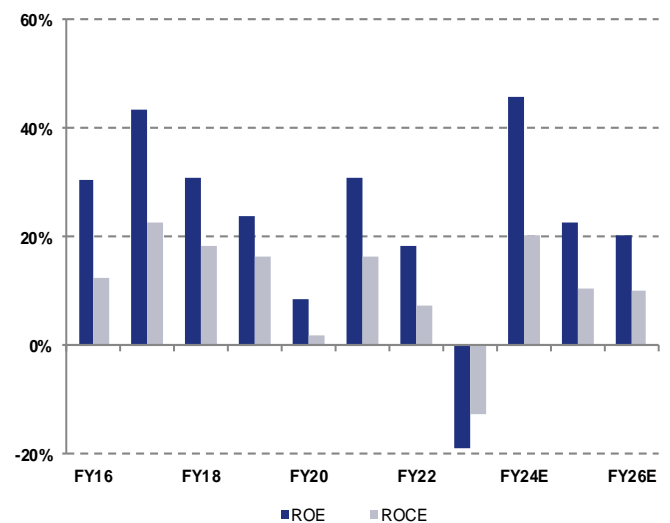
Source: Bloomberg, JM Financial

Exhibit 59. HPCL 1-year forward PB chart



Source: Bloomberg, JM Financial

Exhibit 60. HPCL: RoE vs. RoCE



Source: Bloomberg, JM Financial

IOCL Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	7,367,163	9,514,099	9,381,722	8,528,708	8,975,344	
Sales Growth	41.6%	29.1%	-1.4%	-9.1%	5.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	7,367,163	9,514,099	9,381,722	8,528,708	8,975,344	
EBITDA	477,271	306,990	837,022	483,091	518,199	
EBITDA Margin	6.5%	3.2%	8.9%	5.7%	5.8%	
EBITDA Growth	17.6%	-35.7%	172.7%	-42.3%	7.3%	
Depn. & Amort.	123,476	131,811	141,564	158,914	170,178	
EBIT	353,796	175,179	695,458	324,177	348,021	
Other Income	30,968	41,989	45,406	40,154	40,701	
Finance Cost	54,233	75,414	64,618	70,443	75,768	
PBT before Excep. & Forex	330,531	141,755	676,246	293,888	312,955	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	330,531	141,755	676,246	293,888	312,955	
Taxes	85,620	33,334	104,565	44,645	50,540	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	18,599	27,743	24,466	16,455	15,674	
Reported Net Profit	251,022	97,921	565,399	252,214	267,190	
Adjusted Net Profit	251,022	97,921	565,399	252,214	267,190	
Net Margin	3.4%	1.0%	6.0%	3.0%	3.0%	
Diluted Share Cap. (mn)	14,121.2	14,121.2	14,121.2	14,121.2	14,121.2	
Diluted EPS (INR)	17.8	6.9	40.0	17.9	18.9	
Diluted EPS Growth	16.0%	-61.0%	477.4%	-55.4%	5.9%	
Total Dividend + Tax	160,982	42,364	270,300	115,015	135,012	
Dividend Per Share (INR)	11.4	3.0	19.1	8.1	9.6	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	1,335,352	1,397,202	1,664,374	1,778,209	1,909,976	
Share Capital	91,810	137,716	137,716	137,716	137,716	
Reserves & Surplus	1,243,541	1,259,487	1,526,659	1,640,494	1,772,260	
Preference Share Capital	0	0	0	0	0	
Minority Interest	15,915	34,941	45,703	50,422	54,237	
Total Loans	1,235,501	1,401,148	1,512,489	1,624,507	1,746,495	
Def. Tax Liab. / Assets (-)	153,544	168,004	168,004	168,004	168,004	
Total - Equity & Liab.	2,740,311	3,001,296	3,390,570	3,621,143	3,878,712	
Net Fixed Assets	2,079,836	2,311,810	2,480,751	2,633,566	2,776,282	
Gross Fixed Assets	2,204,989	2,518,570	2,853,570	3,188,570	3,523,570	
Intangible Assets	10	10	10	10	10	
Less: Depn. & Amort.	599,856	718,104	859,668	1,018,582	1,188,760	
Capital WIP	474,693	511,335	486,839	463,569	441,462	
Investments	449,823	428,542	372,323	324,442	301,026	
Current Assets	1,576,589	1,677,268	1,874,375	1,870,083	2,073,886	
Inventories	1,117,365	1,211,076	1,196,897	1,182,425	1,189,547	
Sundry Debtors	187,004	162,712	148,533	134,061	141,183	
Cash & Bank Balances	11,766	9,964	319,108	458,040	587,953	
Loans & Advances	38,022	26,648	-36,819	-125,435	-78,981	
Other Current Assets	222,432	266,869	246,656	220,992	234,185	
Current Liab. & Prov.	1,365,937	1,416,325	1,336,880	1,206,948	1,272,482	
Current Liabilities	490,459	547,341	543,426	496,657	521,101	
Provisions & Others	875,478	868,984	793,454	710,291	751,381	
Net Current Assets	210,652	260,943	537,495	663,134	801,405	
Total - Assets	2,740,311	3,001,296	3,390,570	3,621,143	3,878,712	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	342,886	150,377	685,338	303,601	323,179	
Depn. & Amort.	123,476	131,811	141,564	158,914	170,178	
Net Interest Exp. / Inc. (-)	24,310	33,739	19,212	30,289	35,066	
Inc (-) / Dec in WCap.	-146,498	-56,811	32,593	13,293	-8,357	
Others	-11,297	52,099	0	0	0	
Taxes Paid	-75,411	-14,777	-104,565	-44,645	-50,540	
Operating Cash Flow	257,467	296,437	774,141	461,452	469,526	
Capex	-231,410	-326,001	-310,505	-311,729	-312,893	
Free Cash Flow	26,056	-29,564	463,637	149,722	156,633	
Inc (-) / Dec in Investments	-23,491	-20,276	23,679	22,495	21,370	
Others	41,966	65,981	45,406	40,154	40,701	
Investing Cash Flow	-212,936	-280,296	-241,420	-249,080	-250,821	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	129,953	107,768	111,340	112,019	121,988	
Others	-170,530	-125,712	-334,918	-185,458	-210,780	
Financing Cash Flow	-40,577	-17,944	-223,577	-73,439	-88,792	
Inc / Dec (-) in Cash	3,954	-1,802	309,144	138,932	129,913	
Opening Cash Balance	7,812	11,766	9,964	319,108	458,040	
Closing Cash Balance	11,766	9,963	319,108	458,040	587,953	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	3.4%	1.0%	6.0%	3.0%	3.0%	
Asset Turnover (x)	2.9	3.3	2.9	2.4	2.4	
Leverage Factor (x)	2.1	2.1	2.1	2.0	2.0	
RoE	20.5%	7.2%	36.9%	14.7%	14.5%	

Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	94.6	98.9	117.9	125.9	135.3	
ROIC	13.5%	5.9%	23.9%	10.6%	10.6%	
ROE	20.5%	7.2%	36.9%	14.7%	14.5%	
Net Debt/Equity (x)	0.9	1.0	0.7	0.7	0.6	
P/E (x)	10.0	25.7	4.4	10.0	9.4	
P/B (x)	1.9	1.8	1.5	1.4	1.3	
EV/EBITDA (x)	7.9	12.8	4.5	7.8	7.3	
EV/Sales (x)	0.5	0.4	0.4	0.4	0.4	
Debtor days	9	6	6	6	6	
Inventory days	55	46	47	51	48	
Creditor days	26	22	23	23	22	

Source: Company, JM Financial

BPCL Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	4,325,696	5,335,473	4,310,529	3,790,847	3,905,331	
Sales Growth	87.9%	23.3%	-19.2%	-12.1%	3.0%	
Other Operating Income	0	0	0	0	0	
Total Revenue	4,325,696	5,335,473	4,310,529	3,790,847	3,905,331	
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	191,373	108,881	464,194	256,098	263,771	
EBITDA Margin	4.4%	2.0%	10.8%	6.8%	6.8%	
EBITDA Growth	-10.2%	-43.1%	326.3%	-44.8%	3.0%	
Depn. & Amort.	54,344	63,688	70,715	76,284	81,296	
EBIT	137,030	45,193	393,479	179,814	182,475	
Other Income	22,685	14,982	24,024	24,745	25,487	
Finance Cost	26,056	37,454	29,219	27,758	26,370	
PBT before Excep. & Forex	133,659	22,721	388,283	176,801	181,591	
Excep. & Forex Inc./Loss(-)	11,352	-16,429	0	0	0	
PBT	145,010	6,292	388,283	176,801	181,591	
Taxes	43,552	6,901	97,071	44,200	45,398	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	15,357	21,919	919	221	952	
Reported Net Profit	116,815	21,311	292,131	132,821	137,146	
Adjusted Net Profit	105,464	37,740	292,131	132,821	137,146	
Net Margin	2.4%	0.7%	6.8%	3.5%	3.5%	
Diluted Share Cap. (mn)	2,129.5	2,129.5	2,129.5	2,129.5	2,129.5	
Diluted EPS (INR)	49.5	17.7	137.2	62.4	64.4	
Diluted EPS Growth	-4.9%	-64.2%	674.1%	-54.5%	3.3%	
Total Dividend + Tax	34,071	8,518	87,364	39,780	40,858	
Dividend Per Share (INR)	16.0	4.0	41.0	18.7	19.2	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	519,056	535,224	739,072	831,893	927,228	
Share Capital	21,295	21,295	21,295	21,295	21,295	
Reserves & Surplus	497,762	513,929	717,778	810,598	905,934	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	559,327	604,546	582,486	561,530	541,621	
Def. Tax Liab. / Assets (-)	63,757	79,206	79,206	79,206	79,206	
Total - Equity & Liab.	1,142,140	1,218,975	1,400,764	1,472,628	1,548,054	
Net Fixed Assets	993,344	1,029,240	1,091,362	1,174,649	1,278,665	
Gross Fixed Assets	1,164,037	1,142,741	1,272,741	1,372,741	1,462,741	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	220,492	275,990	346,704	422,988	504,285	
Capital WIP	49,799	162,489	165,326	224,896	320,209	
Investments	263,761	227,628	225,710	223,829	221,986	
Current Assets	618,182	624,219	800,938	755,802	736,896	
Inventories	421,787	380,692	413,383	373,937	385,228	
Sundry Debtors	97,075	67,238	61,261	53,877	55,504	
Cash & Bank Balances	20,555	23,127	173,132	174,825	143,002	
Loans & Advances	0	0	0	0	0	
Other Current Assets	78,765	153,162	153,162	153,162	153,162	
Current Liab. & Prov.	733,146	662,113	717,246	681,651	689,493	
Current Liabilities	303,477	240,243	295,376	259,781	267,623	
Provisions & Others	429,669	421,870	421,870	421,870	421,870	
Net Current Assets	-114,964	-37,893	83,693	74,150	47,404	
Total - Assets	1,142,140	1,218,975	1,400,764	1,472,628	1,548,055	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	145,010	6,292	388,283	176,801	181,591	
Depn. & Amort.	54,344	63,688	70,715	76,284	81,296	
Net Interest Exp. / Inc. (-)	14,882	29,278	5,195	3,014	883	
Inc (-) / Dec in WCcap.	13,226	-1,761	28,419	11,235	-5,077	
Others	-5,528	35,173	0	0	0	
Taxes Paid	-18,577	-8,014	-97,071	-44,200	-45,398	
Operating Cash Flow	203,356	124,656	395,542	223,134	213,297	
Capex	-77,506	-85,486	-132,837	-159,570	-185,313	
Free Cash Flow	125,850	39,170	262,705	63,563	27,984	
Inc (-) / Dec in Investments	18,826	-21,681	1,919	1,881	1,843	
Others	-22,695	29,103	24,024	24,745	25,487	
Investing Cash Flow	-81,376	-78,064	-106,894	-132,945	-157,983	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-9,836	14,297	-22,060	-20,957	-19,909	
Others	-166,880	-58,317	-116,583	-67,538	-67,228	
Financing Cash Flow	-177,101	-44,020	-138,643	-88,495	-87,137	
Inc / Dec (-) in Cash	-55,120	2,572	150,005	1,693	-31,824	
Opening Cash Balance	75,676	20,555	23,127	173,132	174,825	
Closing Cash Balance	20,556	23,127	173,133	174,825	143,002	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	2.4%	0.7%	6.8%	3.5%	3.5%	
Asset Turnover (x)	3.8	4.5	3.3	2.6	2.6	
Leverage Factor (x)	2.2	2.2	2.1	1.8	1.7	
RoE	20.0%	7.2%	45.8%	16.9%	15.6%	

Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	243.8	251.3	347.1	390.7	435.4	
ROIC	12.6%	-0.5%	32.6%	14.1%	13.0%	
ROE	20.0%	7.2%	45.8%	16.9%	15.6%	
Net Debt/Equity (x)	1.0	1.1	0.6	0.5	0.4	
P/E (x)	12.7	35.4	4.6	10.1	9.7	
P/B (x)	2.6	2.5	1.8	1.6	1.4	
EV/EBITDA (x)	9.7	17.4	3.7	6.6	6.5	
EV/Sales (x)	0.4	0.4	0.4	0.4	0.4	
Debtor days	8	5	5	5	5	
Inventory days	36	26	35	36	36	
Creditor days	27	17	28	27	27	

Source: Company, JM Financial

HPCL Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	3,499,132	4,407,093	4,056,535	3,672,321	3,854,081	
Sales Growth	50.0%	25.9%	-8.0%	-9.5%	4.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,499,132	4,407,093	4,056,535	3,672,321	3,854,081	
Cost of Goods Sold/Op. Exp	3,221,310	4,272,093	3,919,113	3,547,915	3,723,517	
Personnel Cost	30,174	30,007	33,007	36,308	39,939	
Other Expenses	145,205	177,064	-158,046	-89,285	-94,428	
EBITDA	102,443	-72,071	262,461	177,384	185,053	
EBITDA Margin	2.9%	-1.6%	6.5%	4.8%	4.8%	
EBITDA Growth	-36.0%	0.0%	0.0%	-32.4%	4.3%	
Depn. & Amort.	40,004	45,602	50,423	57,393	64,502	
EBIT	62,440	-117,672	212,039	119,991	120,551	
Other Income	24,389	14,659	20,484	20,894	21,312	
Finance Cost	9,973	21,741	22,125	21,926	21,917	
PBT before Excep. & Forex	76,856	-124,754	210,398	118,960	119,946	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	76,856	-124,754	210,398	118,960	119,946	
Taxes	18,494	-30,037	52,913	29,917	30,165	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	14,581	24,915	19,077	19,363	19,655	
Reported Net Profit	72,942	-69,802	176,562	108,406	109,436	
Adjusted Net Profit	72,942	-69,802	176,562	108,406	109,436	
Net Margin	2.1%	-1.6%	4.4%	3.0%	2.8%	
Diluted Share Cap. (mn)	1,418.9	1,418.9	1,418.9	1,418.9	1,418.9	
Diluted EPS (INR)	51.4	-49.2	124.4	76.4	77.1	
Diluted EPS Growth	-30.0%	0.0%	0.0%	-38.6%	1.0%	
Total Dividend + Tax	19,865	0	31,497	26,713	26,934	
Dividend Per Share (INR)	14.0	0.0	22.2	18.8	19.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	414,042	322,633	448,621	510,951	573,798	
Share Capital	14,190	14,189	14,189	14,189	14,189	
Reserves & Surplus	399,853	308,443	434,432	496,761	559,608	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	449,787	670,483	644,429	659,082	643,941	
Def. Tax Liab. / Assets (-)	59,577	29,276	29,276	29,276	29,276	
Total - Equity & Liab.	923,407	1,022,392	1,122,326	1,199,309	1,247,015	
Net Fixed Assets	867,117	936,899	1,026,037	1,110,996	1,191,693	
Gross Fixed Assets	790,206	934,997	1,069,997	1,207,697	1,348,151	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	212,161	254,172	304,594	361,987	426,489	
Capital WIP	289,072	256,074	260,634	265,286	270,031	
Investments	181,666	188,252	197,337	206,845	216,796	
Current Assets	497,499	488,244	556,123	530,013	518,094	
Inventories	355,147	295,750	313,497	284,023	319,084	
Sundry Debtors	63,403	68,324	62,945	56,997	59,811	
Cash & Bank Balances	4,795	16,548	72,060	81,370	31,576	
Loans & Advances	0	0	0	0	0	
Other Current Assets	74,153	107,622	107,622	107,622	107,622	
Current Liab. & Prov.	622,875	591,003	657,171	648,544	679,567	
Current Liabilities	264,773	229,132	278,454	252,138	264,587	
Provisions & Others	358,102	361,871	378,718	396,407	414,980	
Net Current Assets	-125,377	-102,759	-101,048	-118,532	-161,474	
Total - Assets	923,407	1,022,392	1,122,326	1,199,309	1,247,015	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	76,856	-124,754	210,398	118,960	119,946	
Depn. & Amort.	40,004	45,602	50,423	57,393	64,502	
Net Interest Exp. / Inc. (-)	5,977	17,507	16,208	15,890	15,761	
Inc (-) / Dec in WCcap.	55,496	13,186	53,800	26,795	-6,852	
Others	-5,719	15,395	0	0	0	
Taxes Paid	-14,511	-1,598	-52,913	-29,917	-30,165	
Operating Cash Flow	158,102	-34,663	277,916	189,120	163,192	
Capex	-123,448	-94,467	-139,561	-142,352	-145,199	
Free Cash Flow	34,655	-129,130	138,356	46,768	17,993	
Inc (-) / Dec in Investments	-26,083	-32,277	-9,085	-9,508	-9,951	
Others	12,082	12,909	5,917	6,036	6,156	
Investing Cash Flow	-137,448	-113,836	-142,729	-145,824	-148,993	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	39,170	212,508	-26,054	14,653	-15,141	
Others	-59,832	-52,256	-53,622	-48,638	-48,851	
Financing Cash Flow	-20,662	160,252	-79,676	-33,985	-63,993	
Inc / Dec (-) in Cash	-8	11,753	55,511	9,311	-49,794	
Opening Cash Balance	4,804	4,795	16,548	72,060	81,370	
Closing Cash Balance	4,795	16,548	72,060	81,370	31,576	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	2.1%	-1.6%	4.4%	3.0%	2.8%	
Asset Turnover (x)	3.9	4.5	3.8	3.2	3.2	
Leverage Factor (x)	2.2	2.6	2.8	2.4	2.3	
RoE	18.4%	-19.0%	45.8%	22.6%	20.2%	

Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	291.8	227.4	316.2	360.1	404.4	
ROIC	6.9%	-12.2%	19.7%	10.5%	9.7%	
ROE	18.4%	-19.0%	45.8%	22.6%	20.2%	
Net Debt/Equity (x)	1.1	2.0	1.3	1.1	1.1	
P/E (x)	10.5	-11.0	4.4	7.1	7.0	
P/B (x)	1.9	2.4	1.7	1.5	1.3	
EV/EBITDA (x)	12.4	-20.5	5.3	7.9	7.8	
EV/Sales (x)	0.4	0.3	0.3	0.4	0.4	
Debtor days	7	6	6	6	6	
Inventory days	37	24	28	28	30	
Creditor days	28	19	27	26	26	

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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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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