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Stronger-than-expected marketing margin drives earnings beat

HPCL's standalone 2QFY24 EBITDA was significantly higher at INR 82.2bn vs. JMFe/consensus of INR 61.4bn/ INR 57bn despite reported GRM being slightly lower at USD 13.3/bbl (vs. JMFe of USD 14.7/bbl); hence, the beat is driven by significantly higher marketing margin as was witnessed in the case of IOCL and BPCL as well. Our calculations suggest HPCL's marketing segment EBITDA was significantly higher at INR 49bn in 2QFY24 vs. JMFe of INR 23bn (vs. INR 80bn in 1QFY24). This implies normalised marketing EBITDA of INR 3,948/tn vs. JMFe of +INR 1,500/tn (and vs. INR 1,654/tn for IOCL and INR 2,315/tn for BPCL in 2QFY24). Implied integrated reported EBITDA margin was INR 4,937/tn in 2QFY24 (vs. INR 5,553/tn in 1QFY24). Standalone gross debt rose marginally QoQ to INR 517.6bn at end-2QFY24. At end 2QFY24, standalone net debt was at INR 513.2bn and consolidated net debt was at INR 539.5bn; HPCL capex was INR 72bn in 1HFY24. We maintain BUY (revised TP of INR 280) on valuations (trading at 0.75x FY25 P/B); however, volatile crude price poses a risk to marketing segment earnings as the country enters a critical election phase in the next 6 months.

- Reported GRM a tad lower at USD13.3/bbl vs. JMFe of USD 14.7/bbl:** HPCL's standalone 2QFY24 EBITDA was significantly higher at INR 82.2bn vs. JMFe/consensus of INR 61.4bn/ INR 57bn despite reported GRM being slightly lower at USD 13.3/bbl (vs. JMFe of USD 14.7/bbl); hence, the beat is driven by significantly higher marketing margin as was witnessed in [IOCL](#) and [BPCL](#) results as well. So, reported PAT was also higher at INR 51.2bn (vs. JMFe/consensus of INR 33.4bn/ INR 32.2bn). HPCL's reported GRM was slightly lower at USD13.3/bbl vs. JMFe of USD 14.7/bbl (in 2QFY24, RIL's implied GRM was ~USD 13/bbl, while BPCL, IOCL, MRPL and CPCL's reported GRM was USD 18.5/bbl, USD 18.1/bbl, USD 17.1/bbl and USD 12.1/bbl, respectively). Hence, refining segment implied reported EBITDA was significantly lower at INR 33bn (vs. JMFe of INR 37bn). As expected, refinery throughput was up 6% QoQ at 5.8mmt. The Visakhapatnam refinery is operating at capacity of 11mmt and operated at throughput of 3.23mmt in 2QFY24 (117% utilisation) and Mumbai refinery operating at 106% utilisation with a throughput of 2.52mmt.
- Marketing segment implied EBITDA was significantly higher at INR 49bn vs. JMFe of INR 23bn:** Our calculations suggest HPCL's marketing segment EBITDA was significantly higher at INR 49bn in 2QFY24 vs. JMFe of INR 23bn (vs. INR 80bn in 1QFY24). This implies normalised marketing EBITDA of INR 3,948/tn vs. JMFe of +INR 1,500/tn (and vs. INR 1,654/tn for IOCL and INR 2,315/tn for BPCL in 2QFY24). However, marketing sales volume was 3% below JMFe at 10.7mmt as HPCL's implied market share in 2QFY24 was lower QoQ at 24.4% in MS (vs. 25.0% in 1QFY24) and at 21.7% in HSD (vs. 22.8% in 1QFY24). Implied integrated reported EBITDA margin was INR 4,937/tn in 2QFY24 (vs. INR 5,553/tn in 1QFY24).
- Maintain BUY on valuation grounds; however, volatile crude price poses a risk to marketing segment earnings as the country enters critical election phase in next 6 months:** We maintain our FY24-26 estimates for HPCL; however, TP has been raised to



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	280
Upside/(Downside)	6.7%
Previous Price Target	275
Change	1.7%

Key Data – HPCL IN

Current Market Price	INR262
Market cap (bn)	INR371.8/US\$4.5
Free Float	39%
Shares in issue (mn)	1,524.2
Diluted share (mn)	1,418.9
3-mon avg daily val (mn)	INR1,048.9/US\$12.6
52-week range	310/204
Sensex/Nifty	64,959/19,412
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	1.7	3.2	28.7
Relative*	3.3	-3.0	20.8

* To the BSE Sensex

Financial Summary (Consolidated)(INR mn)

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	3,499,132	4,407,093	3,670,323	3,373,321	3,540,282
Sales Growth (%)	50.0	25.9	-16.7	-8.1	4.9
EBITDA	102,443	-72,071	188,708	160,419	166,574
EBITDA Margin (%)	2.9	-1.6	5.1	4.8	4.7
Adjusted Net Profit	72,942	-69,802	119,699	94,017	93,879
Diluted EPS (INR)	51.4	-49.2	84.4	66.3	66.2
Diluted EPS Growth (%)	-30.0	0.0	0.0	-21.5	-0.1
ROIC (%)	6.9	-12.2	12.8	8.9	8.2
ROE (%)	18.4	-19.0	32.0	20.3	17.4
P/E (x)	5.1	-5.3	3.1	4.0	4.0
P/B (x)	0.9	1.2	0.9	0.7	0.6
EV/EBITDA (x)	8.2	-14.6	5.3	6.2	6.0
Dividend Yield (%)	5.3	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2023

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

INR 280 (from INR 275) due to increase in value of its listed investments (which is valued at CMP less 20% holding company discount). We maintain BUY on valuation grounds, and as risk to marketing segment earning is partly offset by strong GRMs. At CMP, HPCL is trading at 0.75x FY25 P/B (10-year avg: 1.0x). However, HPCL's earnings will continue to be contingent on volatility in crude price and any further risk to the company's marketing pricing freedom as India enters a critical election phase in the next 6 months.

2QFY24 Result Review

Exhibit 1. HPCL Standalone Quarterly Snapshot

(INR mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Net sales	7,75,855	8,76,004	10,34,224	10,52,885	12,14,488	11,41,723	11,61,266	11,44,447	11,90,437	10,26,184	(13.8)	(10.1)
Cost of goods	7,05,754	8,03,499	9,74,471	9,78,570	12,83,423	11,03,059	10,96,492	10,45,108	10,39,629	8,96,487	(13.8)	(18.7)
Employee benefits exp.	8,359	7,828	6,221	7,416	7,060	7,395	7,163	8,010	8,576	8,342	(2.7)	12.8
Other Expenses	29,812	34,541	34,825	45,912	48,951	46,248	40,894	43,344	45,684	39,186	(14.2)	(15.3)
EBITDA	31,930	30,136	18,707	20,986	(1,24,946)	(14,979)	16,717	47,986	96,548	82,169	(14.9)	(648.6)
EBITDA Margin %	4%	3%	2%	2%	-10%	-1%	1%	4%	8%	8%	-10bps	932bps
Depreciation	9,139	9,473	10,247	10,832	10,945	10,809	11,105	10,442	13,637	12,395	(9.1)	14.7
EBIT	22,790	20,663	8,460	10,154	(1,35,890)	(25,788)	5,612	37,544	82,911	69,774	(15.8)	(370.6)
Other income	3,720	4,494	5,504	15,979	3,397	2,805	2,889	11,600	6,277	3,445	(45.1)	22.8
Interest expenses	2,542	1,545	2,358	3,283	3,327	5,950	6,817	5,226	5,881	5,795	(1.5)	(2.6)
Extraordinary												
PBT	23,969	23,612	11,607	22,850	(1,35,820)	(28,932)	1,684	43,918	83,306	67,424	(19.1)	(333.0)
Tax expense	6,019	4,377	2,918	4,897	(33,850)	(7,211)	(40)	11,692	21,267	16,242		
Effective tax rate (%)	25.1	18.5	25.1	21.4	24.9	24.9	(2.4)	26.6	25.5	24.1	(5.6)	(3.3)
PAT	17,950	19,235	8,689	17,953	(1,01,969)	(21,722)	1,724	32,226	62,039	51,182	(17.5)	(335.6)
EPS (INR)	12.7	13.6	6.1	12.7	(71.9)	(15.3)	1.2	22.7	43.7	36.1		
Forex gain/(loss)	(710)	1,130	1,420	(870)	(9,450)	(6,030)	(4,030)	1,430	1,310	(3,640)		
Debt/capex details												
Standalone Debt excl. lease liabilities (INR Mn)	3,51,970	3,77,240	3,72,500	4,31,930	4,72,830	6,85,460	6,42,450	6,45,170	5,16,980	5,17,580		
Consolidated capex (as per cashflow statement)	27,651	27,651	27,755	27,755	23,310	23,310	23,924	23,924	27,390	27,390		
FCF (PAT+Dep-Capex)	-562	1,057	-8,819	1,030	-1,14,334	-34,222	-11,095	18,744	48,286	36,187		
Cons Working Cap at EoP (Inv + Debtor - Creditor)		1,32,535		1,55,295		1,44,399		1,34,942		1,65,911		

Source: Company, JM Financial

Exhibit 2. HPCL Consolidated Quarterly Snapshot

(INR mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)
Net sales	7,76,336	8,76,541	10,34,888	10,53,505	12,14,965	11,42,175	11,62,114	11,45,733	11,91,623	10,26,693	(13.8)	(10.1)
Cost of goods	7,06,000	8,03,690	9,74,885	9,78,873	12,83,693	11,03,405	10,97,003	10,45,886	10,40,614	8,96,771	(13.8)	(18.7)
Employee benefits exp.	8,440	7,900	6,324	7,509	7,138	7,481	7,270	8,117	8,718	8,433	(3.3)	12.7
Other Expenses	29,959	34,688	37,109	45,401	49,095	46,436	41,100	40,433	45,835	39,089	(14.7)	(15.8)
EBITDA	31,937	30,263	16,569	21,722	(1,24,961)	(15,147)	16,740	51,297	96,456	82,400	(14.6)	(644.0)
EBITDA Margin %	4%	3%	2%	2%	-10%	-1%	1%	4%	8%	8%	-7bps	935bps
Depreciation	9,267	9,596	10,346	10,794	11,060	10,936	11,228	12,378	13,715	12,473	(9.1)	14.1
EBIT	22,670	20,667	6,223	10,928	(1,36,021)	(26,083)	5,512	38,919	82,742	69,927	(15.5)	(368.1)
Other income	3,465	4,313	6,729	11,834	3,331	2,802	2,744	5,783	5,995	3,414	(43.1)	21.9
Interest expenses	2,593	1,593	2,440	3,348	3,402	6,033	6,935	5,371	6,268	5,901	(5.9)	(2.2)
Extraordinary	0	0	0	0	0	0	0	0	0	0		
PBT	23,543	23,387	10,512	19,413	(1,36,092)	(29,314)	1,321	39,330	82,468	67,440	(18.2)	(330.1)
Tax expense	6,506	4,376	2,764	4,848	(33,739)	(7,117)	(226)	11,046	21,811	16,160		
Effective tax rate (%)	27.6	18.7	26.3	25.0	24.8	24.3	(17.1)	28.1	26.4	24.0	(9.4)	(1.3)
Net Profit	17,037	19,012	7,748	14,566	(1,02,353)	(22,197)	1,548	28,285	60,658	51,280	(15.5)	(331.0)
Share of profit of associate/JVs	3,002	177	5,782	5,619	16,782	(2,560)	2,895	7,798	6,997	6,990		
Reported Profit	20,039	19,189	13,530	20,185	(85,571)	(24,757)	4,443	36,083	67,655	58,270		
EPS (INR)	12.7	13.6	6.1	12.7	(71.9)	(15.3)	1.2	22.7	43.7	36.1		

Source: Company, JM Financial

Exhibit 3. Implied standalone core EBITDA break-up

(INR mn)	1QFY22**	2QFY22**	3QFY22**	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Implied EBITDA break-up (incl inv gains)*										
Refining	1,511	469	9,788	25,781	38,759	15,566	19,381	34,517	16,119	32,594
Marketing	33,389	33,411	13,673	-5,544	-1,64,454	-31,295	-3,415	12,718	79,679	48,826
Others	750	750	750	750	750	750	750	750	750	750
Total	35,650	34,630	24,211	20,986	-1,24,946	-14,979	16,716	47,986	96,548	82,169
Inventory gain/(loss)**										
Refining	3,812	690	-117	15,614	1,912	7,862	8,713	-1,484	-1,980	10,428
Marketing	16,762	1,984	-17,460	29,503	-4,861	6,003	6,697	-6,684	-4,344	6,427
Total	20,573	2,674	-17,577	45,117	-2,949	13,865	15,409	-8,168	-6,323	16,855
Implied Core EBITDA										
Refining	-2,301	-221	9,905	10,167	36,847	7,704	10,668	36,001	18,098	22,166
Marketing	16,627	31,427	31,133	-35,048	-1,59,593	-37,298	-10,111	19,402	84,023	42,398
Others	750	750	750	750	750	750	750	750	750	750
Total	15,076	31,956	41,788	-24,131	-1,21,997	-28,844	1,307	56,154	1,02,871	65,314
Forex gain/(loss)	-710	1,130	1,420	-870	-9,450	-6,030	-4,030	1,430	1,310	-3,640
Core EBITDA adjusted for forex gain/(loss)	15,786	30,826	40,368	-23,261	-1,12,547	-22,814	5,337	54,724	1,01,561	68,954

Source: Company, JM Financial, *HPCL has stopped giving EBITDA break-up since 1QFY21; hence EBITDA (incl inv gains) since 1QFY21 is based on our assumptions, **HPCL has stopped giving inventory gain details (for both refining and marketing) since 1QFY22; hence, it is based on our assumptions

Exhibit 4. Standalone Operational details

	1QFY22**	2QFY22**	3QFY22**	4QFY22**	1QFY23**	2QFY23**	3QFY23**	4QFY23**	1QFY24**	2QFY24**	% QoQ	% YoY
Refining segment												
Crude throughput (mmt)	2.5	2.5	4.2	4.7	4.8	4.5	4.8	5.0	5.4	5.8	6%	28%
Reported GRM (USD/bbl)	3.3	2.4	6.4	12.4	16.7	8.4	9.1	14.0	7.4	13.3	79%	59%
Core GRM computed (USD/bbl)	0.5	1.9	6.4	6.4	16.0	5.4	6.2	14.5	8.0	10.3	29%	91%
Spore Dubai GRM (USD/bbl)	2.1	3.8	6.1	8.0	21.4	7.1	6.3	8.1	4.0	9.7	140%	36%
Refinery inventory gain/(loss) (INR mn)	3,812	690	-117	15,614	1,912	7,862	8,713	-1,484	-1,980	10,428		
Refinery inventory gain/(loss) (USD/bbl)	2.8	0.5	-0.1	6.0	0.7	3.0	3.0	-0.5	-0.6	3.0		
Assumed opex excl DDA (USD/bbl)	2.2	2.1	2.2	2.5	2.5	2.5	2.5	2.5	2.5	4.0	60%	60%
Pipeline segment												
Throughput (mmt)	4.3	4.8	5.5	5.3	5.8	5.5	5.8	6.1	6.5	6.1	-6%	11%
Marketing segment												
Implied Marketing normalised EBITDA (INR/ton)	1,883	3,453	2,954	-3,285	-14,915	-3,590	-899	1,746	7,091	3,948		
Marketing inventory gain/(loss) (INR Mn)	16,762	1,984	-17,460	29,503	-4,861	6,003	6,697	-6,684	-4,344	6,427		
Marketing inventory gain/(loss) (USD/bbl)	3.5	0.4	-3.0	5.0	-0.8	1.0	1.0	-1.0	-0.6	1.0		
Sales volume including exports (mmt)	8.8	9.1	10.5	10.7	10.7	10.4	11.3	11.1	11.9	10.7	-9.4%	3%
HPCL implied domestic market share (%)												
MS	24.0%	24.4%	24.4%	24.1%	24.4%	25.0%	25.0%	24.9%	24.9%	24.4%		
HSD	21.5%	21.6%	21.7%	21.6%	22.2%	22.5%	22.2%	22.4%	22.8%	21.7%		
SKO	15.9%	17.9%	21.8%	22.4%	27.0%	41.8%	35.8%	41.3%	32.5%	29.9%		
LPG	26.9%	27.5%	27.4%	27.9%	27.8%	28.2%	29.1%	28.6%	28.4%	28.8%		
ATF	10.7%	10.0%	11.1%	9.8%	9.2%	9.1%	9.5%	9.6%	10.2%	10.5%		
Lubes	4.2%	7.8%	8.6%	12.0%	7.4%	7.3%	10.0%	11.4%	8.8%	9.8%		
Other I&C	7.3%	7.6%	8.2%	9.2%	8.6%	7.6%	8.0%	8.2%	8.8%	6.6%		
Total domestic	18.1%	18.6%	18.7%	18.7%	18.9%	18.9%	19.1%	18.9%	19.4%	18.4%		
Implied integrated Reported EBITDA margin* (INR/ton)	3,078	2,913	1,587	1,317	-8,104	-1,057	993	2,939	5,553	4,937	-11%	-567%

Source: Company, JM Financial, * based on total implied reported refining and marketing EBITDA divided by total refining and marketing volume **HPCL has stopped giving inventory gain details (for both refining and marketing) since 1QFY22; hence, it is based on our assumptions

Assumptions and Estimates

Exhibit 5. HPCL Key Assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
Marco assumptions							
Brent (USD/bbl)	44.7	80.0	95.4	75.0	65.0	65.0	
Exchange rate (INR/USD)	71.9	74.5	80.4	82.0	83.6	85.3	
Implied integrated Reported EBITDA margin (INR/ton)	3,393	2,144	-1,342	3,197	2,533	2,547	Based on reported EBITDA of both refining & marketing segment
Refining segment							
Margins (USD/bbl)							
Singapore Dubai GRM	0.5	5.0	10.8	6.0	6.0	6.0	GRM to normalise from FY24
GRM for Mumbai refinery	4.1	7.6	14.8	6.5	6.5	6.5	
GRM for Visakh refinery	3.7	6.9	9.2	5.6	5.6	5.6	
GRM for standalone business	3.9	7.2	12.1	6.0	6.0	6.0	
Implied inventory gain/(loss) on refining	2.8	2.6	1.5	0.0	0.0	0.0	Not factoring any inventory loss/gain going forward Assumed FY24 onwards core GRM is similar to Spore Dubai GRM 6.0 based on historical trend
Implied standalone core GRM	1.1	4.6	10.6	6.0	6.0	6.0	
Standalone reported GRM differential to Spore Dubai GRM	3.4	2.2	1.3	0.0	0.0	0.0	
Standalone core GRM differential to Spore Dubai GRM	0.6	-0.4	-0.2	0.0	0.0	0.0	
GRM for Bhatinda refinery	6.0	11.0	13.0	9.5	9.5	9.5	9.5 Assumed at -USD 9.5/bbl from FY24 based on complexity
GRM for consolidated business	4.4	8.4	12.3	6.8	6.7	6.7	
Consolidated GRM differential to Spore Dubai GRM	3.9	3.4	1.6	0.8	0.7	0.7	
Crude throughput (m mtpa)							
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 (m mtpa)							
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 15m mtpa 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	5.0	3.5	3.5	Margin to normalise at INR 3.5/tr from FY25 onwards
Implied gross marketing margin overall (INR/ton)	5.1	2.9	-1.4	5.6	4.6	4.6	
Implied net marketing margin overall (INR/ton)	3.0	1.1	-4.3	3.6	2.6	2.6	
Sales volume							
Volume break-up (m mtpa)							
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%	Volume to recover to normalised growth from FY24
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

Valuation

Exhibit 6. Valuation

			Value (INR Bn)	Value (INR/share)	Comment
Core business	FY25 EBITDA (INR Bn)	EV/EBITDA multiple (x)			
Standalone core business					
Refining segment	54	5.5	298	210	Valued at 5.5x FY25 EBITDA ; in-line with peers
Marketing segment	124	5.0	619	436	Valued at 5x FY25 EBITDA ; in-line with peers
Standalone core business			918	647	
Less: Net debt			586	413	
Standalon core business equity value (a)			332	234	
Bhatinda refinery JV (49% stake)					
EV	30	5.5	162	114	Valued at 5.5x FY25 EBITDA ; in-line with peers
Less: Net debt			131	92	
Bhatinda refinery equity value (b)			31	22	
Total core business (c= a+b)			363	256	
Other investments	No of shares (Mn)	CMP less 20% discount			
MRPL (17.0% stake)	297	88	26	18	At 20% discount to CMP
Oil India (2.2% stake)	27	246	7	5	At 20% discount to CMP
Sub-total (d)			33	24	
Equity value				280	

Source: JM Financial

If FY25 core GRM changes by +/- USD 0.5/bbl, our valuation will change by +/- INR 32/share (or +/-11.3%).

Exhibit 7. : Valuation sensitivity to refining business parameters

		FY25 Crude Throughput (m mtpa)						
		28.9	29.4	29.9	30.4	30.9	31.4	31.9
FY25 Core GRM (USD/bbl)	4.5	162	169	177	185	193	200	208
	5.0	189	198	207	216	226	235	244
	5.5	216	227	237	248	259	269	280
	6.0	244	256	268	280	292	304	316
	6.5	271	285	298	311	325	338	351
	7.0	299	313	328	343	358	372	387
	7.5	326	342	358	375	391	407	423

Source: Company, JM Financial

If FY25 auto fuel gross marketing margin (GMM) changes by +/- INR 0.2/ltr, our valuation will change by +/- INR 30/share (+/-10.8%).

Exhibit 8. Valuation sensitivity to marketing business parameters

		FY25 Auto fuel marketing sales volume (m mtpa)						
		26.2	27.7	29.3	30.8	32.3	33.9	35.4
FY25 Auto fuel GMM (INR/ltr)	2.9	165	173	181	189	197	205	213
	3.1	191	201	210	219	229	238	248
	3.3	217	228	239	249	260	271	282
	3.5	242	255	267	280	292	305	317
	3.7	268	282	296	310	324	338	352
	3.9	294	309	325	340	355	371	386
	4.1	319	336	353	370	387	404	421

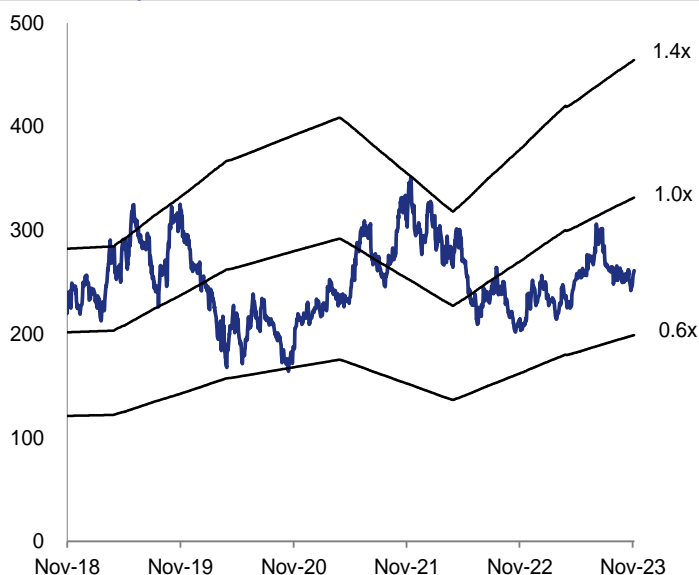
Source: Company, JM Financial

Exhibit 9. Global refiners valuation snapshot

Company	EV/EBITDA (x)			EBITDA Margins (%)			P/E (x)			P/B (x)			ROE (%)		
	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24
US peers															
Holly Corporation	12.4	9.7	9.2	58.6	73.8	72.7	10.3	11.4	9.9	1.3	NM	NM	19.0	25.0	26.0
Valero Energy	3.1	3.4	5.1	10.5	10.2	7.2	4.3	5.1	8.5	2.0	1.6	1.5	54.9	35.2	19.6
US peers average	7.7	6.6	7.2	34.6	42.0	40.0	7.3	8.3	9.2	1.6	1.6	1.5	36.9	30.1	22.8
European peers															
Galp Energia	3.7	4.1	4.4	14.0	16.6	15.7	7.0	11.5	10.9	2.5	2.6	2.4	40.9	23.8	21.9
Motor Oil Hellas	2.5	3.6	5.0	10.2	8.9	6.5	2.5	3.6	5.5	1.2	1.1	1.0	60.1	34.7	18.3
PKN Orlen	1.5	2.0	2.2	17.2	12.3	12.9	2.2	3.6	4.5	0.5	0.5	0.5	35.7	17.5	11.2
Saras	0.7	1.9	3.4	7.4	6.5	3.8	2.6	4.3	12.2	0.9	1.0	1.0	41.6	24.0	6.9
MOL Hungarian oil & gas plc	1.4	3.0	2.7	17.5	12.8	14.1	3.1	4.5	4.5	0.5	0.6	0.6	26.6	13.8	13.3
OMV Ag	2.0	2.8	2.8	22.5	21.1	22.1	4.3	4.6	5.0	0.9	0.7	0.7	24.5	13.4	13.0
European peers average	3.4	2.9	3.4	12.8	11.3	10.8	4.6	5.4	7.1	1.1	1.1	1.0	33.1	18.7	13.0
Asian peers															
SK Innovation	5.8	8.8	6.3	7.3	5.6	7.5	8.6	18.9	8.4	0.7	0.7	0.7	8.4	3.8	8.1
GS Holdings	2.8	4.3	4.6	21.4	14.6	14.0	1.9	3.0	2.9	0.3	0.3	0.3	18.5	9.3	9.3
SK Energy Co Ltd	5.8	8.8	6.3	7.3	5.6	7.5	8.6	18.9	8.4	0.7	0.7	0.7	8.4	3.8	8.1
MRPL	4.0	5.0	6.5	6.0	7.7	5.5	3.5	5.8	7.7	0.9	1.5	1.3	31.0	28.0	16.4
CPCL	1.4	3.0	5.2	7.4	6.0	3.4	1.0	3.5	7.1	0.6	NM	NM	77.9	34.0	14.5
BPCL	11.0	3.4	5.3	2.6	7.0	4.6	34.4	3.9	7.3	1.4	1.2	1.1	4.0	33.0	15.9
HPCL	NM	5.8	6.6	-1.6	4.3	3.7	NM	3.5	4.4	1.0	0.9	0.8	-19.0	28.3	21.1
IOCL	6.6	4.2	5.1	4.5	7.4	6.1	11.0	4.0	5.4	0.8	0.9	0.8	7.2	20.8	13.7
RIL	13.0	11.5	10.2	16.1	17.2	17.9	23.8	21.5	18.6	2.2	1.9	1.7	8.9	9.0	9.5
Asian peers average	6.3	6.1	6.2	7.9	8.4	7.8	11.6	9.2	7.8	1.0	1.0	0.9	16.1	18.9	13.0
Global peers average	5.3	5.0	5.3	12.8	13.2	12.5	8.1	7.7	7.7	1.1	1.1	1.0	25.0	20.1	14.1
Global peers median	3.7	4.1	5.1	8.8	8.3	7.4	4.3	4.5	7.3	0.9	0.9	0.8	21.7	22.3	13.5

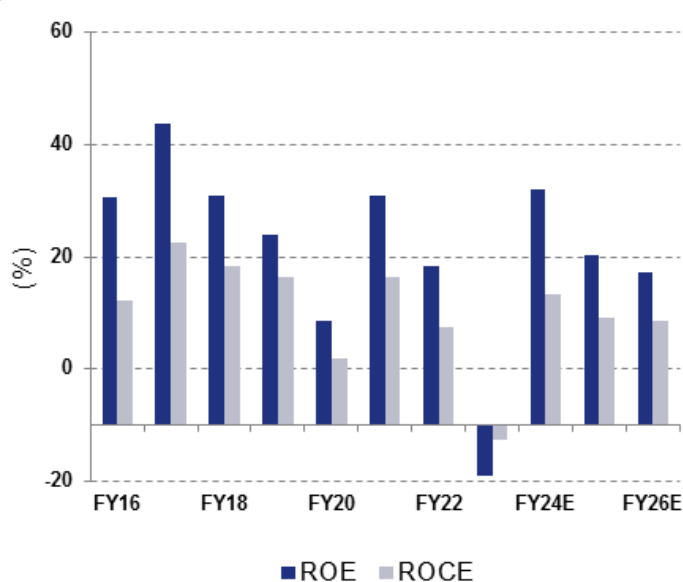
Source: Bloomberg, JM Financial

Exhibit 10. 1-year forward PB chart



Source: JM Financial, Bloomberg

Exhibit 11. RoE and RoCE



Source: JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	3,499,132	4,407,093	3,670,323	3,373,321	3,540,282	
Sales Growth	50.0%	25.9%	-16.7%	-8.1%	4.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,499,132	4,407,093	3,670,323	3,373,321	3,540,282	
Cost of Goods Sold/Op. Exp	3,221,310	4,272,093	3,545,985	3,259,044	3,420,349	
Personnel Cost	30,174	30,007	33,007	36,308	39,939	
Other Expenses	145,205	177,064	-97,376	-82,450	-86,579	
EBITDA	102,443	-72,071	188,708	160,419	166,574	
EBITDA Margin	2.9%	-1.6%	5.1%	4.8%	4.7%	
EBITDA Growth	-36.0%	0.0%	0.0%	-15.0%	3.8%	
Depn. & Amort.	40,004	45,602	50,423	57,393	64,502	
EBIT	62,440	-117,672	138,285	103,027	102,072	
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	136,645	101,995	101,467	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	76,856	-124,754	136,645	101,995	101,467	
Taxes	18,494	-30,037	34,365	25,651	25,518	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	14,581	24,915	17,419	17,672	17,930	
Reported Net Profit	72,942	-69,802	119,699	94,017	93,879	
Adjusted Net Profit	72,942	-69,802	119,699	94,017	93,879	
Net Margin	2.1%	-1.6%	3.3%	2.8%	2.7%	
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	84.4	66.3	66.2	
Diluted EPS Growth	-30.0%	0.0%	0.0%	-21.5%	-0.1%	
Total Dividend + Tax	19,865	0	0	0	0	
Dividend Per Share (INR)	14.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	414,042	322,633	424,913	501,257	577,206	
Share Capital	14,190	14,189	14,189	14,189	14,189	
Reserves & Surplus	399,853	308,443	410,723	487,068	563,017	
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	1,098,618	1,189,616	1,250,424	
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	505,962	499,840	500,009	
Inventories	355,147	295,750	303,981	279,570	293,293	
Sundry Debtors	63,403	68,324	56,966	52,369	54,953	
Cash & Bank Balances	4,795	16,548	37,393	60,279	44,141	
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	630,718	628,065	658,074	
Current Liabilities	264,773	229,132	252,001	231,658	243,094	
Provisions & Others	358,102	361,871	378,718	396,407	414,980	
Net Current Assets	-125,377	-102,759	-124,756	-128,225	-158,065	
Total - Assets	923,407	1,022,392	1,098,618	1,189,616	1,250,424	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	76,856	-124,754	136,645	101,995	101,467	
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	42,842	26,355	13,702	
Others	-5,719	15,395	0	0	0	
Taxes Paid	-14,511	-1,598	-34,365	-25,651	-25,518	
Operating Cash Flow	158,102	-34,663	211,752	175,982	169,914	
Capex	-123,448	-94,467	-139,561	-142,352	-145,199	
Free Cash Flow	34,655	-129,130	72,192	33,631	24,715	
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	-22,125	-21,926	-21,917	
Financing Cash Flow	-20,662	160,252	-48,179	-7,272	-37,058	
Inc / Dec (-) in Cash	-8	11,753	20,844	22,886	-16,138	
Opening Cash Balance	4,804	4,795	16,548	37,393	60,279	
Closing Cash Balance	4,795	16,548	37,393	60,279	44,141	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		2.1%	-1.6%	3.3%	2.8%	2.7%
Asset Turnover (x)		3.9	4.5	3.5	2.9	2.9
Leverage Factor (x)		2.2	2.6	2.8	2.5	2.3
RoE		18.4%	-19.0%	32.0%	20.3%	17.4%

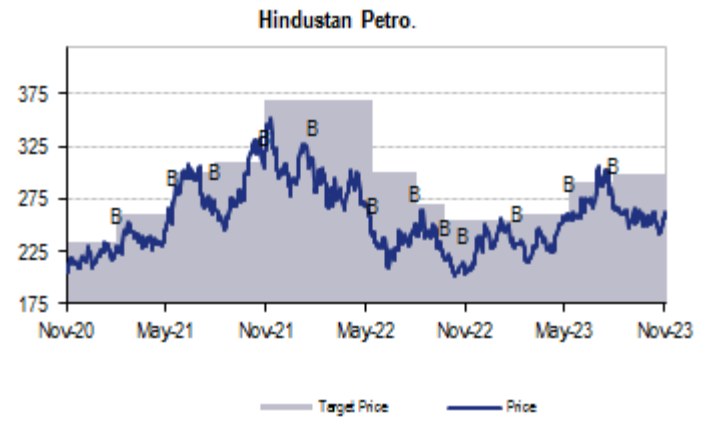
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		291.8	227.4	299.5	353.3	406.8
ROIC		6.9%	-12.2%	12.8%	8.9%	8.2%
ROE		18.4%	-19.0%	32.0%	20.3%	17.4%
Net Debt/Equity (x)		1.1	2.0	1.4	1.2	1.0
P/E (x)		5.1	-5.3	3.1	4.0	4.0
P/B (x)		0.9	1.2	0.9	0.7	0.6
EV/EBITDA (x)		8.2	-14.6	5.3	6.2	6.0
EV/Sales (x)		0.2	0.2	0.3	0.3	0.3
Debtor days		7	6	6	6	6
Inventory days		37	24	30	30	30
Creditor days		28	19	26	26	26

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Feb-20	Hold	240	
17-Jun-20	Hold	231	-4.0
8-Aug-20	Hold	240	3.9
25-Oct-20	Buy	235	-2.0
4-Nov-20	Buy	235	-0.1
4-Feb-21	Buy	260	10.8
20-May-21	Buy	300	15.3
4-Aug-21	Buy	310	3.3
2-Nov-21	Buy	370	19.3
31-Jan-22	Buy	370	-0.1
19-May-22	Buy	300	-18.8
7-Aug-22	Buy	270	-10.1
28-Sep-22	Buy	255	-5.6
3-Nov-22	Buy	255	0.1
9-Feb-23	Buy	260	2.1
13-May-23	Buy	290	11.4
2-Aug-23	Buy	300	3.3

Recommendation History



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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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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