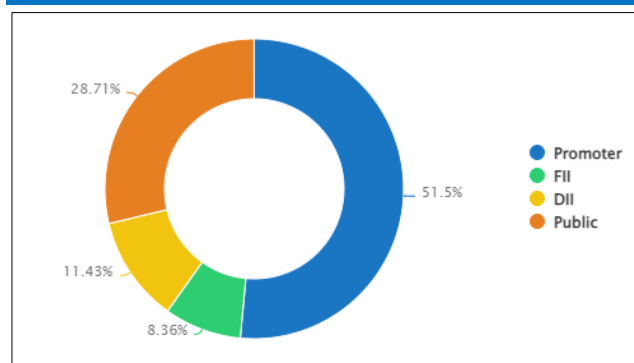


May 2022

VALUE PARAMETERS

Face Value (Rs.)	10
Mrk.Cap (Rs. in Cr)	1,12,217
52-Week High/Low	142/102
EPS (TTM)	26.7
P/E Ratio (TTM)	4.47
Book Value per share (Rs)	142
Industry P/E	4.62
P/B Ratio (calc at CMP)	0.83
Dividend Yield (%)	10.1
Enterprise value (Rs in Cr)	2,42,416

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Sales (Rs. b)	5893	6,660	6750
Growth (%)	61.9	13	1.3
EBITDA	477	418	354
EBITDA margin	8.1	6.27	5.24
PAT (Rs. b)	257	202	152
EPS (Rs)	28	22	17
RoE	21	15	10.3
RoCE	12	9.1	6.8
P/E (x)	4.4	5.6	7.5
EV/EBITDA	4.9	5.5	6.5

Our Recommendation: Petchem margin increased at 14%, 10%, and 5% QoQ in Q1FY23 till date for PE, PP, and PVC respectively due to spike in product prices. With the COVID lockdown restriction ease off and commissioning of new refineries by FY23 and FY24, we believe production will increase that will drive growth further. Stock is currently trading at 0.8x of its book value. We recommend BUY in price range Rs. 100-110 with target price Rs 130 (upside 23%).

Investment Rationale:

About Company: IOCL is a government owned entity which is an oil and gas explorer and producer. The company deals in entire hydrocarbon value chain that is from refining, pipeline transportation to marketing of natural gas and petrochemicals. The company also is under the 'Global 500' listing. The company accounts for almost half of India's Petroleum products market, and about 70% downstream sector pipelines through capacity. The company has a total capacity of about 80.49 million tonnes per year for crude oil and petroleum products. The company has a strong presence in India and also have multiple subsidiaries in countries like UAE, USA, Sri Lanka.

Q4FY22 Results:

- Consolidated Revenue for the Indian Oil Corporation Ltd. showed a significant increase of 62% YoY basis to Rs 5,893 billion compared to Rs 3,639 billion in the year ago quarter.
- On a sequential basis, revenue was up by 6.3% from Rs 1688 billion recorded in the previous quarter to Rs 1773 billion.
- EBITDA fell by 12.7% YoY to Rs 118 billion from Rs 135 billion but is up by 20% sequentially from Rs 99 billion to Rs 118 billion.
- PAT decreased by 31.4% to Rs 60 billion as compared to Rs 88 billion registered in the corresponding quarter of the previous fiscal year.

Key Highlights

- IOC's core GRM improved to US\$13.5/bbl vs. US\$8.9/bbl in Q3FY22.
- Crude throughput was up 4.9% QoQ to 18.3 MMT.
- Domestic marketing sales volume stood at 20.1mmt (+3.4% YoY) while exports were at 1.5mmt (+10% YoY).
- Board recommended the issue of bonus shares in the ratio of 1:2 - one new bonus equity share of ₹ 10 each for every two existing equity shares.
- The company has declared a final dividend of Rs 3.6/share leading to total dividend of | 12.6/share for FY22.
- IOCL is going to commission various projects in the next three years that will drive growth further. Refinery projects currently underway are Panipat refinery (to 25mmtpa) by Sep'24, Gujarat refinery (to 18mmtpa) by Aug'23, and Baruni refinery (to 9mmtpa) by Apr'23.

Risks:

- Alternative Energy & Environment Conservation.
- The sector in which the company operates has a high fluctuation in margin and profitability.
- Delay in land execution, regulatory and compliances issues.

Financials and Valuations

Financial Summary, consolidated (Rs. billion)

Y/E March	Q4FY22	Q3FY22	QoQ (%)	Q4FY21	YoY (%)
Net Revenues	1773	1688	6.3	1237	43.3
EBITDA	118	99	19.6	135	-12.7
PAT	60	59	2.7	88	-31.4
Adj. EPS (INR)	6.6	6.4	2.7	9.6	-31.4

Income Statement, consolidated (Rs. billion)

Y/E March	FY18	FY19	FY20	FY21	FY22
Revenue	4,215	5,282	4,838	3,639	5,893
<i>Change (%)</i>	18.6	25.3	-8.4	-24.8	61.9
EBITDA	416	352	168	406	477
<i>Margin (%)</i>	9.9	6.7	3.5	11.2	8.1
Depreciation	77	85	103	109	123
EBIT	340	267	66	296	354
Int. and Finance exp.	38	49	66	36	54
Other Income	34	27	28	35	31
PBT before EO Expenses	335	245	28	296	331
EO Items	0	0	-113	0	0
PBT after EO Exp.	335	245	-85	296	331
Tax	118	87	-53	90	86
<i>Tax Rate (%)</i>	35.3	35.3	62	30.4	25.9
Reported PAT	226	173	-19	218	257
Adjusted PAT	226	173	24	218	257
<i>Change (%)</i>	11	-23.7	-86	801.4	18.2
<i>Margin (%)</i>	5.4	3.3	0.5	6	4.4

Cash Flow Statement, consolidated (Rs. billion)

Y/E March	FY18	FY19	FY20	FY21	FY22
PBT	345	259	-72	308	331
Depreciation	77	85	103	109	123
Direct Taxes Paid	-73	-56	-22	-41	-86
(Inc.)/Dec. in WC	-29	-165	50	91	-171
CashFlow from Operations	291	127	71	499	277
(Inc.)/Dec. in FA	-61	-103	-116	-57	-270
Free Cash Flow	230	24	-44	442	8
(Purchase)/Sale of Investments	-24	-2	-5	-40	-76
CF from Investments	-171	-226	-291	-242	-346
Dividend Paid	-115	-117	-58	-84	-116
CashFlow from Fin. Activity	-119	104	232	-254	62
Inc./Dec. in Cash	1	6	12	2	-7
Opening Balance	4	5	11	23	25
Closing Balance	5	11	23	25	18

Balance Sheet, consolidated (Rs. billion)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Capital	95	92	92	92	92
Reserves & Surplus	1,044	1,033	862	1,027	1,244
Total Shareholder Equity	1,139	1,125	954	1,118	1,335
Minority Interest	22	19	9	10	16
Total Loans	621	927	1,260	1,085	1,236
Deferred Tax Liabilities	124	165	114	140	154
Capital Employed	1,905	2,236	2,337	2,353	2,740
Gross Block	1,429	1,599	1,847	2,057	2,214
Accumulated Depreciation	189	274	376	486	609
Net Fixed Assets	1,241	1,325	1,470	1,571	1,605
Capital Work in Progress	191	250	328	363	475
Total Investments	448	441	356	447	524
Current Assets	1,077	1,336	1,143	1,168	1,503
Inventory	706	771	670	834	1,117
Account Receivables	107	158	133	138	187
Cash and Bank Balance	5	11	23	25	18
Loans and Advances	259	396	317	171	180
Current Liability	1,051	1,116	961	1,196	1,366
Account Payables	885	992	848	1,087	1,252
Provisions	167	124	112	109	113
Net Current Assets	25	220	182	-28	137
Application of Funds	1,905	2,236	2,337	2,353	2,740

Key Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22
Per Share Data					
EPS	24.6	18.8	2.6	23.7	28
Cash EPS	33	28.1	13.8	35.6	41.5
BV/Share	124	122.5	103.9	121.8	145.4
Dividend per share	11.5	9.3	4.3	12	12.6
Dividend Payout Ratio (%)	55	58	-243	59	53
Valuation Ratios (x)					
P/E	5	6.6	47.3	5.2	4.4
P/BV	1	1	1.2	1	0.9
EV/EBITDA	4.2	5.8	14.1	5.4	4.9
Dividend Yield (%)	9.3	7.4	3.4	9.7	10.1
Return Ratios (%)					
RoE	21	15.3	2.3	21	21
RoCE	14.4	10	1.7	10.4	12
Working Capital Ratios					
Asset Turnover (x)	2.2	2.4	2.1	1.5	2.2
Inventory (Days)	61	53	51	84	69
Debtor (Days)	9	11	10	14	12
Creditor (Days)	77	69	64	109	78
Leverage Ratio (x)					
Current Ratio	1	1.2	1.2	1	1.1
Interest Coverage Ratio	8.8	5.5	1	8.3	6.5
Net Debt/Equity ratio	0.5	0.8	1.3	0.9	0.9

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Disclosure:

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