

## Sector Update

March 15, 2022

### Companies covered in the report

Name of the Company	Recommendation
HPCL	BUY (No Change)
BPCL	BUY (No Change)
IOCL	BUY (No Change)

## Delayed price hike impacts earnings and outlook

### Quick Pointers:

- Uncertain pricing clouds OMC's earnings and stock performance.
- Strong GRMs and elevated inventory gains to partially offset weak marketing performance.

**We cut our OMCs earnings for FY23-24E by 3-9% to factor in lower marketing margins, offset by higher GRMs. However, we increase our FY22E earnings by 4-25% to factor in strong Q4 results, given high inventory gains and GRMs. Government's dithering on fuel price hike despite sharp up-move in crude oil prices creates fresh headwinds on OMCs earnings. With crude prices likely to remain elevated due to geopolitical tensions compounded with marketing losses of over Rs12/litre, we cut our marketing margin assumptions for FY23-24E to Rs3.0/3.5litre for petrol and diesel from Rs4.2/4.5/litre earlier after factoring in higher GRMs (+USD1.2-1.8/bbl). We believe that comfortable valuations and high dividend yield of 6-9% offers downside support. However, affirmative government action will remain the key for stock performance. Reiterate 'Overweight' outlook on the sector on lowered P/E multiple at 6.5x FY23E (8X earlier). HPCL remains our preferred pick.**

**Crude price correction remains only hope:** Crude oil prices have been on a boil since mid Feb 22, due to geopolitical concerns in Ukraine. That coupled with move to impose sanctions on Russian crude has pushed Q4 average Brent prices to USD96/bbl vs Q3FY22 average of USD80/bbl. Due to geopolitical tensions, we expect crude oil prices to remain elevated, despite recent correction from highs of USD135/bbl. Contrary to expectation of increase in prices post state election results given the high marketing losses of ~Rs12/litre, government delayed retail price hikes thereby creating an uncertainty on OMC earnings. We reduce our marketing margin assumptions for FY23/24E to Rs3.0/3.5/litre for petrol and diesel (FY22E Rs3.8/1.6) from Rs4.2/4.5 earlier due to high crude prices.

**Refining margins and inventory gains offer earnings support:** GRMs have been strong due to low end product inventory levels along with disruptions in product supplies, due to ongoing geopolitical tensions. Low inventory in US and EU will likely keep diesel spreads strong (Q4 avg at USD17/bbl vs Q3 USD12/bbl). Along with resilient gasoline spreads of USD16/bbl, we expect OMCs to benefit as they account for ~70% of their refining product basket. We increase our GRM assumptions for FY23/24E to USD7.4-8.5/bbl (+USD1.2-1.8/bbl).

**Q4 results to mask weak marketing performance:** We expect OMCs to report strong Q4 results with PAT of Rs172bn (Q3FY22: Rs92bn), led by high refining margins and inventory gains of Rs225bn. However, weak marketing profits (Q4YTD marketing margins of Rs0/litre vs Q3 average of Rs5.5/3.0/litre in Q3) would impact earnings.

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**Exhibit 1: OMC key assumptions**

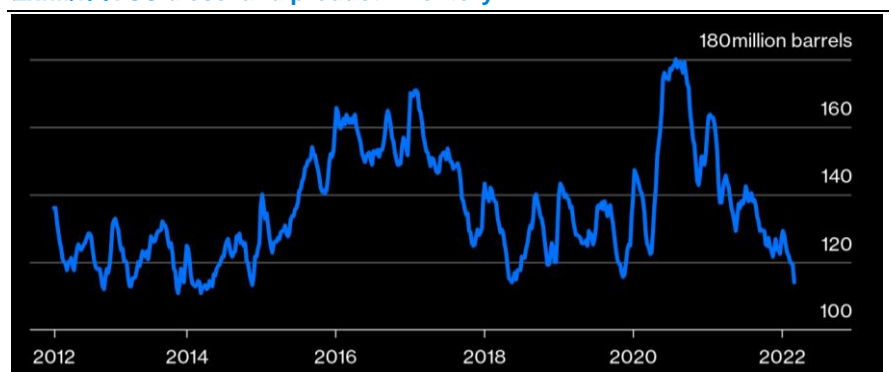
	IOCL		HPCL		BPCL	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
GRM (\$/bbl)	7.37	7.85	7.75	8.55	7.41	7.57
<b>Marketing margins (Rs/litre)</b>						
Diesel	3.5	3.5	3.5	3.5	3.5	3.5
Petrol	3	3	3	3	3	3

Source: Company, PL

**Exhibit 2: OMC earnings change**

	New			Old			% change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>HPCL</b>									
EBIDTA	117,213	128,220	141,059	105,263	131,244	146,673	11.4%	-2.3%	-3.8%
PAT	67,607	70,402	75,322	65,309	74,420	81,523	3.5%	-5.4%	-7.6%
<b>IOCL</b>									
EBIDTA	518,264	438,557	475,266	444,558	449,550	473,383	16.6%	-2.4%	0.4%
PAT	275,999	218,520	235,672	220,578	224,769	232,345	25.1%	-2.8%	1.4%
<b>BPCL</b>									
EBIDTA	202,855	179,805	178,737	182,704	194,067	197,120	11.0%	-7.3%	-9.3%
PAT	128,494	124,580	128,838	112,988	134,257	142,411	13.7%	-7.2%	-9.5%

Source: Company, PL

**Exhibit 3: US diesel and product inventory**


Source: IEA

## Hindustan Petroleum Corporation

Rating: BUY | CMP: Rs274 | TP: Rs349

### Exhibit 4: Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>349</b>		<b>445</b>	
Sales (Rs. m)	31,87,037	33,00,913	31,90,061	33,06,526
<i>% Chng.</i>	<i>(0.1)</i>	<i>(0.2)</i>		
EBITDA (Rs. m)	1,28,220	1,41,059	1,31,244	1,46,673
<i>% Chng.</i>	<i>(2.3)</i>	<i>(3.8)</i>		
EPS (Rs.)	48.5	51.9	51.2	56.1
<i>% Chng.</i>	<i>(5.4)</i>	<i>(7.6)</i>		

Source: PL

### Exhibit 5: Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	2,330	2,874	3,187	3,301
EBITDA (Rs. bn)	159	117	128	141
<i>Margin (%)</i>	<i>6.8</i>	<i>4.1</i>	<i>4.0</i>	<i>4.3</i>
PAT (Rs. bn)	107	68	70	75
EPS (Rs.)	73.4	46.5	48.5	51.9
<i>Gr. (%)</i>	<i>190.9</i>	<i>(36.6)</i>	<i>4.1</i>	<i>7.0</i>
DPS (Rs.)	23.9	15.1	15.8	16.9
<i>Yield (%)</i>	<i>8.7</i>	<i>5.5</i>	<i>5.8</i>	<i>6.2</i>
RoE (%)	32.7	17.5	16.0	15.2
RoCE (%)	17.0	8.6	8.4	8.1
EV/Sales (x)	0.3	0.3	0.3	0.3
EV/EBITDA (x)	4.8	8.1	7.0	7.1
PE (x)	3.7	5.9	5.6	5.3
P/BV (x)	1.1	1.0	0.9	0.8

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>23,29,968</b>	<b>28,73,544</b>	<b>31,87,037</b>	<b>33,00,913</b>
YoY gr. (%)	-	-	-	-
Cost of Goods Sold	20,04,241	25,61,553	28,41,354	29,26,594
Gross Profit	3,25,727	3,11,990	3,45,684	3,74,319
Margin (%)	14.0	10.9	10.8	11.3
Employee Cost	31,884	33,159	40,786	43,641
Other Expenses	1,34,589	1,61,618	1,76,678	1,89,619
<b>EBITDA</b>	<b>1,59,254</b>	<b>1,17,213</b>	<b>1,28,220</b>	<b>1,41,059</b>
YoY gr. (%)	210.8	(26.4)	9.4	10.0
Margin (%)	6.8	4.1	4.0	4.3
Depreciation and Amortization	35,527	39,319	41,720	50,114
<b>EBIT</b>	<b>1,23,728</b>	<b>77,894</b>	<b>86,500</b>	<b>90,945</b>
Margin (%)	5.3	2.7	2.7	2.8
Net Interest	9,147	9,081	14,847	15,597
Other Income	27,887	22,548	23,485	26,438
<b>Profit Before Tax</b>	<b>1,42,468</b>	<b>91,361</b>	<b>95,138</b>	<b>1,01,786</b>
Margin (%)	6.1	3.2	3.0	3.1
Total Tax	35,829	23,754	24,736	26,464
Effective tax rate (%)	25.1	26.0	26.0	26.0
<b>Profit after tax</b>	<b>1,06,639</b>	<b>67,607</b>	<b>70,402</b>	<b>75,322</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,06,639</b>	<b>67,607</b>	<b>70,402</b>	<b>75,322</b>
YoY gr. (%)	177.2	(36.6)	4.1	7.0
Margin (%)	4.6	2.4	2.2	2.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,06,639</b>	<b>67,607</b>	<b>70,402</b>	<b>75,322</b>
YoY gr. (%)	-	-	-	-
Margin (%)	4.6	2.4	2.2	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,06,639	67,607	70,402	75,322
<b>Equity Shares O/s (m)</b>	<b>1,452</b>	<b>1,452</b>	<b>1,452</b>	<b>1,452</b>
<b>EPS (Rs)</b>	<b>73.4</b>	<b>46.5</b>	<b>48.5</b>	<b>51.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,59,151</b>	<b>8,19,151</b>	<b>11,44,151</b>	<b>12,14,151</b>
Tangibles	6,59,151	8,19,151	11,44,151	12,14,151
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,66,543</b>	<b>2,05,862</b>	<b>2,47,582</b>	<b>2,97,696</b>
Tangibles	1,66,543	2,05,862	2,47,582	2,97,696
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>4,92,609</b>	<b>6,13,289</b>	<b>8,96,569</b>	<b>9,16,455</b>
Tangibles	4,92,609	6,13,289	8,96,569	9,16,455
Intangibles	-	-	-	-
Capital Work In Progress	2,40,533	2,00,533	15,533	85,533
Goodwill	8,199	8,199	8,199	8,199
Non-Current Investments	1,07,279	1,16,666	1,27,199	1,38,785
Net Deferred tax assets	(55,111)	(60,593)	(66,301)	(72,408)
Other Non-Current Assets	27,665	30,432	33,475	36,822
<b>Current Assets</b>				
Investments	54,176	59,593	65,553	72,108
Inventories	2,85,922	3,44,101	3,79,051	3,93,003
Trade receivables	68,563	82,840	91,239	94,603
Cash & Bank Balance	2,372	2,609	2,870	3,157
Other Current Assets	4,269	4,695	5,165	5,681
<b>Total Assets</b>	<b>13,12,392</b>	<b>16,36,714</b>	<b>17,00,362</b>	<b>19,18,374</b>
<b>Equity</b>				
Equity Share Capital	14,524	14,524	14,524	14,524
Other Equity	3,47,337	3,98,442	4,51,660	5,08,596
<b>Total Networkth</b>	<b>3,61,861</b>	<b>4,12,966</b>	<b>4,66,184</b>	<b>5,23,120</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,70,697	3,70,697	3,20,697	3,30,697
Provisions	517	568	625	688
Other non current liabilities	3,700	4,070	4,477	4,925
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,48,194	2,48,194	2,48,194	3,48,194
Trade payables	1,76,973	2,14,762	2,36,535	2,45,257
Other current liabilities	2,95,330	3,24,863	3,57,350	3,93,085
<b>Total Equity &amp; Liabilities</b>	<b>13,12,392</b>	<b>16,36,714</b>	<b>17,00,362</b>	<b>19,18,374</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,42,468	91,361	95,138	1,01,786
Add. Depreciation	35,527	39,319	41,720	50,114
Add. Interest	9,147	9,081	14,847	15,597
Less Financial Other Income	27,887	22,548	23,485	26,438
Add. Other	-	-	-	-
Op. profit before WC changes	1,87,142	1,39,761	1,51,705	1,67,497
Net Changes-WC	5,526	(1,60,612)	1,05,856	(65,178)
Direct tax	(35,862)	(18,272)	(19,028)	(20,357)
<b>Net cash from Op. activities</b>	<b>1,56,806</b>	<b>(39,123)</b>	<b>2,38,534</b>	<b>81,963</b>
Capital expenditures	(1,45,490)	(1,29,233)	(1,50,157)	(1,51,172)
Interest / Dividend Income	-	-	-	-
Others	(1,120)	(342)	(376)	(414)
<b>Net Cash from Inv. activities</b>	<b>(1,46,610)</b>	<b>(1,29,575)</b>	<b>(1,50,533)</b>	<b>(1,51,586)</b>
Issue of share cap. / premium	307	-	-	-
Debt changes	34,561	2,00,000	(50,000)	1,10,000
Dividend paid	(34,676)	(21,984)	(22,893)	(24,492)
Interest paid	(9,147)	(9,081)	(14,847)	(15,597)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(8,955)</b>	<b>1,68,936</b>	<b>(87,740)</b>	<b>69,910</b>
<b>Net change in cash</b>	<b>1,241</b>	<b>238</b>	<b>261</b>	<b>287</b>
Free Cash Flow	11,316	(1,68,356)	88,377	(69,209)

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	73.4	46.5	48.5	51.9
CEPS	97.9	73.6	77.2	86.4
BVPS	249.1	284.3	321.0	360.2
FCF	7.8	(115.9)	60.8	(47.7)
DPS	23.9	15.1	15.8	16.9
<b>Return Ratio(%)</b>				
RoCE	17.0	8.6	8.4	8.1
ROIC	9.9	4.9	5.3	4.9
RoE	32.7	17.5	16.0	15.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.0	1.3	1.1	1.2
Net Working Capital (Days)	28	27	27	27
<b>Valuation(x)</b>				
PER	3.7	5.9	5.6	5.3
P/B	1.1	1.0	0.9	0.8
P/CEPS	2.8	3.7	3.5	3.2
EV/EBITDA	4.8	8.1	7.0	7.1
EV/Sales	0.3	0.3	0.3	0.3
Dividend Yield (%)	8.7	5.5	5.8	6.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>7,48,434</b>	<b>7,24,434</b>	<b>8,30,645</b>	<b>9,66,024</b>
YoY gr. (%)	13.1	92.1	60.4	40.7
Raw Material Expenses	6,51,674	6,54,333	7,58,140	9,06,271
Gross Profit	96,761	70,101	72,505	59,753
Margin (%)	12.9	9.7	8.7	6.2
<b>EBITDA</b>	<b>46,664</b>	<b>31,930</b>	<b>30,136</b>	<b>18,707</b>
YoY gr. (%)	(760.4)	(26.7)	(16.4)	(43.3)
Margin (%)	6.2	4.4	3.6	1.9
Depreciation / Depletion	9,372	9,139	9,473	10,247
<b>EBIT</b>	<b>37,292</b>	<b>22,791</b>	<b>20,663</b>	<b>8,460</b>
Margin (%)	5.0	3.1	2.5	0.9
Net Interest	2,053	2,542	1,545	2,358
Other Income	5,446	3,720	4,494	5,504
<b>Profit before Tax</b>	<b>40,685</b>	<b>23,969</b>	<b>23,612</b>	<b>11,607</b>
Margin (%)	5.4	3.3	2.8	1.2
Total Tax	10,506	6,019	4,377	2,918
Effective tax rate (%)	25.8	25.1	18.5	25.1
<b>Profit after Tax</b>	<b>30,179</b>	<b>17,950</b>	<b>19,235</b>	<b>8,688</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>30,179</b>	<b>17,950</b>	<b>19,235</b>	<b>8,688</b>
YoY gr. (%)	11,165.2	(36.2)	(22.4)	(63.1)
Margin (%)	4.0	2.5	2.3	0.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>30,179</b>	<b>17,950</b>	<b>19,235</b>	<b>8,688</b>
YoY gr. (%)	11,165.2	(36.2)	(22.4)	(63.1)
Margin (%)	4.0	2.5	2.3	0.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>30,179</b>	<b>17,950</b>	<b>19,235</b>	-
Avg. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	-	-	-	-

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Crude /bbl	45	65	70	70
US\$/Rs	74	77	79	81
GRM (US\$/bbl)	3	5	8	9
Refining volume (MTPA)	16	14	23	23

Source: Company Data, PL Research

## Bharat Petroleum Corporation

Rating: BUY | CMP: Rs350 | TP: Rs416

### Exhibit 6: Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>416</b>		<b>543</b>	
Sales (Rs. m)	35,69,927	37,35,746	35,84,189	37,54,129
<i>% Chng.</i>	<i>(0.4)</i>	<i>(0.5)</i>		
EBITDA (Rs. m)	1,79,805	1,78,737	1,94,067	1,97,120
<i>% Chng.</i>	<i>(7.3)</i>	<i>(9.3)</i>		
EPS (Rs.)	59.5	61.6	64.1	68.0
<i>% Chng.</i>	<i>(7.2)</i>	<i>(9.5)</i>		

Source: PL

### Exhibit 7: Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	2,302	3,219	3,570	3,736
EBITDA (Rs. bn)	213	203	180	179
<i>Margin (%)</i>	<i>9.3</i>	<i>6.3</i>	<i>5.0</i>	<i>4.8</i>
PAT (Rs. bn)	121	128	125	129
EPS (Rs.)	57.6	61.4	59.5	61.6
<i>Gr. (%)</i>	<i>209.0</i>	<i>6.6</i>	<i>(3.0)</i>	<i>3.4</i>
DPS (Rs.)	79.0	28.5	24.3	25.1
<i>Yield (%)</i>	<i>22.6</i>	<i>8.1</i>	<i>6.9</i>	<i>7.2</i>
RoE (%)	26.8	22.3	19.3	18.2
RoCE (%)	17.0	15.7	13.5	12.6
EV/Sales (x)	0.5	0.3	0.2	0.2
EV/EBITDA (x)	5.0	4.3	4.4	3.9
PE (x)	6.1	5.7	5.9	5.7
P/BV (x)	1.4	1.2	1.1	1.0

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>23,01,626</b>	<b>32,19,180</b>	<b>35,69,927</b>	<b>37,35,746</b>
YoY gr. (%)	(19.1)	39.9	10.9	4.6
Cost of Goods Sold	18,73,988	27,89,871	31,40,919	32,82,845
Gross Profit	4,27,639	4,29,309	4,29,007	4,52,901
Margin (%)	18.6	13.3	12.0	12.1
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>2,12,964</b>	<b>2,02,855</b>	<b>1,79,805</b>	<b>1,78,737</b>
YoY gr. (%)	155.1	(4.7)	(11.4)	(0.6)
Margin (%)	9.3	6.3	5.0	4.8
Depreciation and Amortization	43,342	51,904	55,343	58,252
<b>EBIT</b>	<b>1,69,622</b>	<b>1,50,951</b>	<b>1,24,462</b>	<b>1,20,485</b>
Margin (%)	7.4	4.7	3.5	3.2
Net Interest	17,234	20,998	21,558	19,833
Other Income	22,530	31,553	46,729	53,961
<b>Profit Before Tax</b>	<b>1,74,918</b>	<b>1,61,505</b>	<b>1,49,632</b>	<b>1,54,612</b>
Margin (%)	7.6	5.0	4.2	4.1
Total Tax	51,122	33,011	25,053	25,774
Effective tax rate (%)	29.2	20.4	16.7	16.7
<b>Profit after tax</b>	<b>1,23,796</b>	<b>1,28,494</b>	<b>1,24,580</b>	<b>1,28,838</b>
Minority interest	3,255	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,20,541</b>	<b>1,28,494</b>	<b>1,24,580</b>	<b>1,28,838</b>
YoY gr. (%)	228.8	6.6	(3.0)	3.4
Margin (%)	5.2	4.0	3.5	3.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,20,541</b>	<b>1,28,494</b>	<b>1,24,580</b>	<b>1,28,838</b>
YoY gr. (%)	228.8	6.6	(3.0)	3.4
Margin (%)	5.2	4.0	3.5	3.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,20,541	1,28,494	1,24,580	1,28,838
<b>Equity Shares O/s (m)</b>	<b>2,093</b>	<b>2,093</b>	<b>2,093</b>	<b>2,093</b>
<b>EPS (Rs)</b>	<b>57.6</b>	<b>61.4</b>	<b>59.5</b>	<b>61.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>8,19,535</b>	<b>10,19,646</b>	<b>10,74,646</b>	<b>11,29,646</b>
Tangibles	8,19,535	10,19,646	10,74,646	11,29,646
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>1,83,647</b>	<b>2,55,552</b>	<b>3,10,896</b>	<b>3,69,148</b>
Tangibles	1,83,647	2,55,552	3,10,896	3,69,148
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,35,888</b>	<b>7,64,094</b>	<b>7,63,751</b>	<b>7,60,498</b>
Tangibles	6,35,888	7,64,094	7,63,751	7,60,498
Intangibles	-	-	-	-
Capital Work In Progress	1,71,401	18,054	18,847	19,720
Goodwill	5,094	4,097	4,097	4,097
Non-Current Investments	2,53,334	1,74,659	1,92,125	2,11,338
Net Deferred tax assets	(37,729)	(60,561)	(77,733)	(95,514)
Other Non-Current Assets	12,762	1,743	1,917	2,108
<b>Current Assets</b>				
Investments	67,943	74,737	82,211	90,432
Inventories	2,67,060	3,68,870	4,09,030	4,28,058
Trade receivables	78,348	1,09,149	1,21,057	1,26,665
Cash & Bank Balance	81,101	87,635	1,23,067	1,82,761
Other Current Assets	17,834	19,791	21,771	23,948
<b>Total Assets</b>	<b>16,09,920</b>	<b>16,31,164</b>	<b>17,47,040</b>	<b>18,59,709</b>
<b>Equity</b>				
Equity Share Capital	20,929	20,929	20,929	20,929
Other Equity	5,14,622	5,95,117	6,55,581	7,18,145
<b>Total Networkth</b>	<b>5,35,551</b>	<b>6,16,047</b>	<b>6,76,510</b>	<b>7,39,075</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,33,553	2,49,565	2,20,278	1,94,706
Provisions	16,089	17,848	19,633	21,596
Other non current liabilities	5,500	6,049	6,654	7,320
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	42,328	42,328	42,328	42,328
Trade payables	1,62,627	2,21,308	2,45,350	2,56,813
Other current liabilities	3,64,349	4,10,324	4,51,356	4,96,492
<b>Total Equity &amp; Liabilities</b>	<b>16,09,920</b>	<b>16,24,668</b>	<b>17,40,544</b>	<b>18,54,615</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,74,918	1,61,505	1,49,632	1,54,612
Add. Depreciation	43,342	51,904	55,343	58,252
Add. Interest	17,234	20,998	21,558	19,833
Less Financial Other Income	22,530	31,553	46,729	53,961
Add. Other	(9,862)	34,947	13,964	14,253
Op. profit before WC changes	2,25,632	2,69,355	2,40,497	2,46,951
Net Changes-WC	1,00,715	(30,708)	10,193	28,869
Direct tax	(50,300)	(24,758)	(21,112)	(21,778)
<b>Net cash from Op. activities</b>	<b>2,76,047</b>	<b>2,13,889</b>	<b>2,29,579</b>	<b>2,54,042</b>
Capital expenditures	(56,588)	54,605	(67,306)	(68,536)
Interest / Dividend Income	-	-	-	-
Others	(1,360)	(424)	(466)	(513)
<b>Net Cash from Inv. activities</b>	<b>(57,947)</b>	<b>54,181</b>	<b>(67,772)</b>	<b>(69,049)</b>
Issue of share cap. / premium	1,90,386	3,423	(17,170)	(70,270)
Debt changes	(1,40,602)	(1,83,987)	(29,287)	(25,572)
Dividend paid	(1,65,340)	(59,674)	(50,886)	-
Interest paid	(17,234)	(20,998)	(21,558)	(19,833)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,32,789)</b>	<b>(2,61,237)</b>	<b>(1,18,902)</b>	<b>(1,15,676)</b>
<b>Net change in cash</b>	<b>85,310</b>	<b>6,832</b>	<b>42,905</b>	<b>69,317</b>
Free Cash Flow	2,19,459	2,68,493	1,62,273	1,85,505

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	57.6	61.4	59.5	61.6
CEPS	78.3	86.2	86.0	89.4
BVPS	255.9	294.3	323.2	353.1
FCF	104.9	128.3	77.5	88.6
DPS	79.0	28.5	24.3	25.1
<b>Return Ratio(%)</b>				
RoCE	17.0	15.7	13.5	12.6
ROIC	11.6	10.3	8.1	7.6
RoE	26.8	22.3	19.3	18.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.6	0.2	0.1	0.0
Net Working Capital (Days)	29	29	29	29
<b>Valuation(x)</b>				
PER	6.1	5.7	5.9	5.7
P/B	1.4	1.2	1.1	1.0
P/CEPS	4.5	4.1	4.1	3.9
EV/EBITDA	5.0	4.3	4.4	3.9
EV/Sales	0.5	0.3	0.2	0.2
Dividend Yield (%)	22.6	8.1	6.9	7.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>7,68,823</b>	<b>7,09,213</b>	<b>8,15,367</b>	<b>10,10,452</b>
YoY gr. (%)	11.4	82.9	62.6	51.4
Raw Material Expenses	6,58,369	6,26,675	7,19,577	9,12,067
Gross Profit	1,10,454	82,538	95,790	98,385
Margin (%)	14.4	11.6	11.7	9.7
<b>EBITDA</b>	<b>50,579</b>	<b>32,528</b>	<b>44,778</b>	<b>42,130</b>
YoY gr. (%)	(917.3)	(16.9)	16.3	(2.2)
Margin (%)	6.6	4.6	5.5	4.2
Depreciation / Depletion	9,998	11,446	11,681	11,680
<b>EBIT</b>	<b>40,581</b>	<b>21,082</b>	<b>33,096</b>	<b>30,450</b>
Margin (%)	5.3	3.0	4.1	3.0
Net Interest	4,776	4,867	3,940	4,460
Other Income	16,640	4,517	6,805	6,826
<b>Profit before Tax</b>	<b>52,445</b>	<b>20,732</b>	<b>35,961</b>	<b>32,815</b>
Margin (%)	6.8	2.9	4.4	3.2
Total Tax	2,973	4,945	9,020	8,192
Effective tax rate (%)	5.7	23.9	25.1	25.0
<b>Profit after Tax</b>	<b>49,472</b>	<b>15,787</b>	<b>26,941</b>	<b>24,623</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,19,401</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>
YoY gr. (%)	(438.9)	(27.7)	19.9	(11.4)
Margin (%)	15.5	2.1	3.3	2.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,19,401</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>
YoY gr. (%)	(589.0)	(27.7)	19.9	(11.4)
Margin (%)	15.5	2.1	3.3	2.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,19,401</b>	<b>15,016</b>	<b>26,941</b>	<b>24,623</b>
Avg. Shares O/s (m)	20,929	20,929	20,929	20,929
<b>EPS (Rs)</b>	<b>23.6</b>	<b>7.5</b>	<b>12.9</b>	<b>11.8</b>

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Crude /bbl	45	65	70	70
US\$/Rs	74	77	79	81
GRM (US\$/bbl)	4	7	7	8
Refining volume (MTPA)	26	30	31	31

Source: Company Data, PL Research



## Indian Oil Corporation

Rating: BUY | CMP: Rs119 | TP: Rs150

### Exhibit 8: Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>150</b>		<b>205</b>	
Sales (Rs. m)	60,07,524	63,00,425	60,18,517	62,98,543
<i>% Chng.</i>	<i>(0.2)</i>	<i>-</i>		
EBITDA (Rs. m)	4,38,557	4,75,266	4,49,550	4,73,383
<i>% Chng.</i>	<i>(2.4)</i>	<i>0.4</i>		
EPS (Rs.)	23.8	25.7	24.5	25.3
<i>% Chng.</i>	<i>(2.8)s</i>	<i>1.4</i>		

Source: PL

### Exhibit 9: Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	3,639	5,444	6,008	6,300
EBITDA (Rs. bn)	406	518	439	475
<i>Margin (%)</i>	<i>11.2</i>	<i>9.5</i>	<i>7.3</i>	<i>7.5</i>
PAT (Rs. bn)	194	276	219	236
EPS (Rs.)	21.1	30.1	23.8	25.7
<i>Gr. (%)</i>	<i>189.3</i>	<i>42.5</i>	<i>(20.8)</i>	<i>7.8</i>
DPS (Rs.)	12.0	15.0	11.8	12.8
<i>Yield (%)</i>	<i>10.1</i>	<i>12.6</i>	<i>9.9</i>	<i>10.7</i>
RoE (%)	18.7	23.0	16.1	15.7
RoCE (%)	13.4	17.1	12.6	12.4
EV/Sales (x)	0.6	0.3	0.3	0.3
EV/EBITDA (x)	5.1	3.6	4.4	4.1
PE (x)	5.6	4.0	5.0	4.6
P/BV (x)	1.0	0.8	0.8	0.7

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>36,39,497</b>	<b>54,44,383</b>	<b>60,07,524</b>	<b>63,00,425</b>
YoY gr. (%)	(24.9)	49.6	10.3	4.9
Cost of Goods Sold	28,16,405	44,18,972	50,24,888	52,59,351
Gross Profit	8,23,092	10,25,412	9,82,636	10,41,075
Margin (%)	22.6	18.8	16.4	16.5
Employee Cost	-	-	-	-
Other Expenses	4,17,242	5,07,147	5,44,079	5,65,809
<b>EBITDA</b>	<b>4,05,850</b>	<b>5,18,264</b>	<b>4,38,557</b>	<b>4,75,266</b>
YoY gr. (%)	147.4	27.7	(15.4)	8.4
Margin (%)	11.2	9.5	7.3	7.5
Depreciation and Amortization	1,09,415	1,18,773	1,16,725	1,30,035
<b>EBIT</b>	<b>2,96,436</b>	<b>3,99,492</b>	<b>3,21,832</b>	<b>3,45,231</b>
Margin (%)	8.1	7.3	5.4	5.5
Net Interest	35,891	58,225	62,975	66,475
Other Income	34,995	39,972	43,644	46,873
<b>Profit Before Tax</b>	<b>2,95,540</b>	<b>3,81,239</b>	<b>3,02,500</b>	<b>3,25,629</b>
Margin (%)	8.1	7.0	5.0	5.2
Total Tax	89,885	1,03,192	81,933	88,181
Effective tax rate (%)	30.4	27.1	27.1	27.1
<b>Profit after tax</b>	<b>2,05,655</b>	<b>2,78,046</b>	<b>2,20,567</b>	<b>2,37,447</b>
Minority interest	11,967	2,048	2,047	1,775
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,93,688</b>	<b>2,75,999</b>	<b>2,18,520</b>	<b>2,35,672</b>
YoY gr. (%)	189.3	42.5	(20.8)	7.8
Margin (%)	5.3	5.1	3.6	3.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,93,688</b>	<b>2,75,999</b>	<b>2,18,520</b>	<b>2,35,672</b>
YoY gr. (%)	189.3	42.5	(20.8)	7.8
Margin (%)	5.3	5.1	3.6	3.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,93,688	2,75,999	2,18,520	2,35,672
<b>Equity Shares O/s (m)</b>	<b>9,181</b>	<b>9,181</b>	<b>9,181</b>	<b>9,181</b>
<b>EPS (Rs)</b>	<b>21.1</b>	<b>30.1</b>	<b>23.8</b>	<b>25.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>20,05,019</b>	<b>22,30,170</b>	<b>25,34,695</b>	<b>28,39,220</b>
Tangibles	20,05,019	22,30,170	25,34,695	28,39,220
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>4,68,035</b>	<b>5,64,293</b>	<b>6,81,018</b>	<b>8,11,053</b>
Tangibles	4,68,035	5,64,293	6,81,018	8,11,053
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>15,36,984</b>	<b>16,65,877</b>	<b>18,53,677</b>	<b>20,28,167</b>
Tangibles	15,36,984	16,65,877	18,53,677	20,28,167
Intangibles	-	-	-	-
Capital Work In Progress	3,96,759	2,37,266	2,36,714	2,36,348
Goodwill	10	27,322	30,054	33,059
Non-Current Investments	4,00,020	4,48,600	4,74,270	5,02,505
Net Deferred tax assets	(1,39,645)	(1,68,364)	(1,98,172)	(2,30,366)
Other Non-Current Assets	53,300	58,382	64,220	70,642
<b>Current Assets</b>				
Investments	92,826	88,673	88,673	88,673
Inventories	8,34,275	9,16,285	10,32,952	10,87,744
Trade receivables	1,38,003	2,25,440	2,60,544	2,74,310
Cash & Bank Balance	24,747	3,11,648	3,11,233	3,65,403
Other Current Assets	37,861	38,914	40,859	42,902
<b>Total Assets</b>	<b>35,49,159</b>	<b>40,65,613</b>	<b>44,43,296</b>	<b>47,82,947</b>
<b>Equity</b>				
Equity Share Capital	91,810	91,810	91,810	91,810
Other Equity	10,26,570	11,93,846	13,33,025	14,83,025
<b>Total Network</b>	<b>11,18,381</b>	<b>12,85,656</b>	<b>14,24,836</b>	<b>15,74,835</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	6,09,349	6,84,259	7,34,259	7,84,259
Provisions	15,968	11,061	11,614	12,194
Other non current liabilities	25,834	25,761	25,761	25,761
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	4,75,800	4,88,236	5,08,236	5,28,236
Trade payables	3,72,479	5,68,091	6,56,638	6,91,379
Other current liabilities	7,73,469	8,10,502	8,56,116	9,04,520
<b>Total Equity &amp; Liabilities</b>	<b>35,49,158</b>	<b>40,65,613</b>	<b>44,43,296</b>	<b>47,82,947</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	2,95,540	3,81,239	3,02,500	3,25,629
Add. Depreciation	1,09,415	1,18,773	1,16,725	1,30,035
Add. Interest	35,891	58,225	62,975	66,475
Less Financial Other Income	34,995	39,972	43,644	46,873
Add. Other	-	-	-	-
Op. profit before WC changes	4,40,846	5,58,237	4,82,201	5,22,139
Net Changes-WC	2,27,549	87,706	(533)	32,915
Direct tax	(68,685)	(65,511)	(52,125)	(55,988)
<b>Net cash from Op. activities</b>	<b>5,99,710</b>	<b>5,80,432</b>	<b>4,29,543</b>	<b>4,99,067</b>
Capital expenditures	(2,58,877)	(1,57,293)	(3,06,706)	(3,07,164)
Interest / Dividend Income	-	-	-	-
Others	(67,166)	(21,931)	(22,617)	(24,879)
<b>Net Cash from Inv. activities</b>	<b>(3,26,043)</b>	<b>(1,79,224)</b>	<b>(3,29,323)</b>	<b>(3,32,043)</b>
Issue of share cap. / premium	48,715	(5,998)	1,031	1,035
Debt changes	(1,74,531)	87,345	70,000	70,000
Dividend paid	(1,10,172)	(1,37,428)	(1,08,690)	(1,17,412)
Interest paid	(35,891)	(58,225)	(62,975)	(66,475)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,71,880)</b>	<b>(1,14,306)</b>	<b>(1,00,635)</b>	<b>(1,12,853)</b>
<b>Net change in cash</b>	<b>1,787</b>	<b>2,86,902</b>	<b>(415)</b>	<b>54,170</b>
Free Cash Flow	3,40,833	4,23,139	1,22,837	1,91,902

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	21.1	30.1	23.8	25.7
CEPS	33.0	43.0	36.5	39.8
BVPS	121.8	140.0	155.2	171.5
FCF	37.1	46.1	13.4	20.9
DPS	12.0	15.0	11.8	12.8
<b>Return Ratio(%)</b>				
RoCE	13.4	17.1	12.6	12.4
ROIC	8.6	10.9	8.0	8.0
RoE	18.7	23.0	16.1	15.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.9	0.6	0.6	0.5
Net Working Capital (Days)	60	38	39	39
<b>Valuation(x)</b>				
PER	5.6	4.0	5.0	4.6
P/B	1.0	0.8	0.8	0.7
P/CEPS	32.3	42.0	35.7	38.9
EV/EBITDA	5.1	3.6	4.4	4.1
EV/Sales	0.6	0.3	0.3	0.3
Dividend Yield (%)	10.1	12.6	9.9	10.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>12,37,140</b>	<b>11,86,705</b>	<b>13,54,178</b>	<b>16,67,882</b>
YoY gr. (%)	4.5	90.2	58.2	56.8
Raw Material Expenses	9,64,349	9,65,595	11,24,612	14,39,701
Gross Profit	2,72,791	2,21,110	2,29,566	2,28,180
Margin (%)	22.1	18.6	17.0	13.7
<b>EBITDA</b>	<b>1,46,972</b>	<b>1,11,261</b>	<b>1,06,281</b>	<b>93,911</b>
YoY gr. (%)	6,827.1	101.8	12.7	(2.4)
Margin (%)	11.9	9.4	7.8	5.6
Depreciation / Depletion	37,750	26,342	27,058	23,077
<b>EBIT</b>	<b>1,09,223</b>	<b>84,919</b>	<b>79,224</b>	<b>70,834</b>
Margin (%)	8.8	7.2	5.9	4.2
Net Interest	10,729	12,570	9,857	9,791
Other Income	11,017	5,636	14,337	13,753
<b>Profit before Tax</b>	<b>1,09,511</b>	<b>77,985</b>	<b>83,703</b>	<b>74,796</b>
Margin (%)	8.9	6.6	6.2	4.5
Total Tax	21,698	18,571	20,103	16,188
Effective tax rate (%)	19.8	23.8	24.0	21.6
<b>Profit after Tax</b>	<b>87,812</b>	<b>59,414</b>	<b>63,600</b>	<b>58,608</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>87,812</b>	<b>59,414</b>	<b>63,600</b>	<b>58,608</b>
YoY gr. (%)	(269.3)	210.9	2.1	19.2
Margin (%)	7.1	5.0	4.7	3.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>87,812</b>	<b>59,414</b>	<b>63,600</b>	<b>58,608</b>
YoY gr. (%)	43.5	210.9	2.1	19.2
Margin (%)	7.1	5.0	4.7	3.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>87,812</b>	<b>59,414</b>	<b>63,600</b>	<b>58,608</b>
Avg. Shares O/s (m)	9,181	9,181	9,181	9,181
<b>EPS (Rs)</b>	<b>9.6</b>	<b>6.5</b>	<b>6.9</b>	<b>6.4</b>

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Crude /bbl	45	65	70	70
US\$/Rs	74	77	79	81
GRM (US\$/bbl)	6	7	7	8
Refining volume (MTPA)	62	66	69	71

Source: Company Data, PL Research

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	543	382
2	GAIL (India)	BUY	205	147
3	Gujarat Gas	BUY	675	511
4	Hindustan Petroleum Corporation	BUY	445	314
5	Indian Oil Corporation	BUY	205	124
6	Indraprastha Gas	BUY	660	392
7	Mahanagar Gas	BUY	1,187	799
8	Oil & Natural Gas Corporation	BUY	210	168
9	Oil India	BUY	351	229
10	Petronet LNG	BUY	356	220
11	Reliance Industries	BUY	2,955	2,478

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<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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