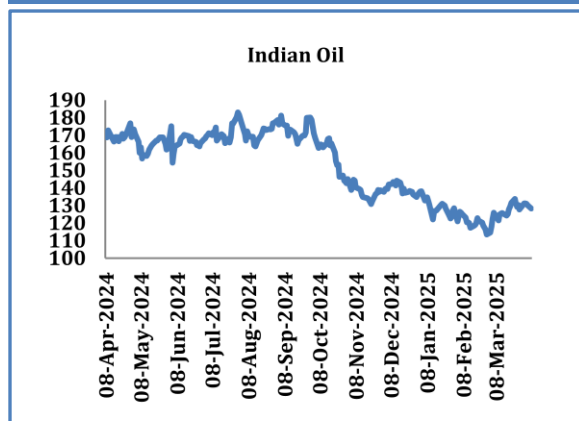


INDIAN OIL CORPORATION LTD	
Industry	Refineries
No. of Shares (Crore)	1,412.12
Face value (Rs.)	10.00
Mkt. Cap (Rs. Crore)	1,81,246.09
Price (07/04/2025)	128.35
Book Value (Rs)	130.01
P/BV	0.99
BSE Code	530965
NSE Code	IOC
Bloomberg	IOCL IN
Reuters	IOC.BO
Avg. Weekly Volume (NSE)	1,31,69,780
52 W H/L (Rs)	185.95 / 110.75
Shareholding Pattern	%
Indian Promoters	51.51
Institutions	37.08
Non- Institutions	11.41
<b>Total</b>	<b>100.00</b>
<b>(As on December 31, 2024)</b>	
Recommendation	
<b>BUY</b>	



### Company Background

Indian Oil Corporation Ltd (IOCL) is India's flagship Maharatna national oil company with business interests straddling the entire hydrocarbon value chain - from refining, pipeline transportation and marketing, to exploration and production of crude oil and gas, petrochemicals, gas marketing, alternative energy sources and globalisation of downstream operations.

### Investment Rationale

➤ In the Petrochemicals space, IOCL has established a significant presence in the Indian petrochemical sector, with a production capacity of 4.277 Million metric tons per annum, representing 6.1% of the Petrochemical Intensity Index (PII). (PII measures the percentage of crude oil converted into chemicals, rather than fuels)

➤ IOCL aims to enhance its Petrochemical Intensity Index from the current 5.9% to 15% by 2030 with petrochemicals expansions integral to all refinery expansions.

➤ IOCL is a major player in India's Natural Gas market, with its presence deeply entrenched across the natural gas value chain and commanding a share of 13% in India's natural gas market.

➤ The long term strategic vision of IOCL includes ambitious plans to expand its sales portfolio by three to four times by the end of the decade by continued investments in natural gas infrastructure ranging from RLNG terminals, cross country pipelines, to City Gas Distribution (CGD) networks and LNG stations.

➤ In addition to supplying natural gas to traditional sectors like refineries, fertilisers, CGD, etc. IOCL is also working with Industry partners & Regulatory bodies under the guidance of MoPNG (Ministry Of Petroleum and Natural Gas) & PNGRB (Petroleum and Natural Gas Regulatory Board), towards creating ecosystem for LNG as transport fuel.

➤ IOCL has well-balanced sourcing strategy consisting a mix of long-term contract and spot purchase to ensure affordable supplies and mitigate price fluctuations. In this context, the Company has secured deals with ADNOC (Abu Dhabi National Oil Company) and TotalEnergies for long term supplies beginning from 2026.

➤ IOCL holds leadership position in India's bulk explosives sector and is a major supplier to India's coal mining sector. With coal demand and production set to increase in the times to come in line with India's holistic energy growth strategy, opportunities abound for growth for IOCL's bulk explosives business.

➤ A key aspect of the Company's strategy is to tap overseas growth opportunities in the neighbourhood and beyond. IOCL has well established downstream oil subsidiaries in Sri Lanka, Mauritius and UAE and joint venture companies in Bangladesh and Nepal.

➤ India is one of the fastest growing markets for renewable energy and shifting to RE based electricity. IOCL plans to build a renewable energy portfolio of 31 GW by 2030.

### Recommendation

**A fall in international crude oil prices bodes well for OMCs as lower procurement costs leads to lower production expenses which ultimately helps in improving their margins. IOCL has a large operating capacity with services ranging from Refining, Natural Gas and Exploration activities. It is undertaking a significant capex which is expected to further entrench its position. We would recommend a BUY with a target price of Rs 158 in the next 9-12 months' time period thus implying a rise of 23% from the current levels.**

Particulars (In Rs. Crs)	Q3FY25	Q3FY24	Var%	9MFY25	9MFY24	Var%
Net Sales	219,522.35	226,892.08	-3.25	638,002.49	657,585.60	-2.98
PBIDT (Excluding OI)	7,572.69	16,733.19	-54.74	20,959.63	63,603.72	-67.05
Net Profit	1,912.86	8,577.14	-77.70	5,474.20	36,580.02	-89.16
PBIDTM% (Excluding OI)	3.45	7.37	-53.19	3.29	9.67	-65.98
PATM%	0.87	3.78	-76.98	0.62	5.53	-88.79
Equity	14,121.24	14,121.24	-	14,121.24	14,121.24	-
EPS (Rs.)	1.50	6.39	-76.53	3.88	25.90	-85.02

\*Source: Comnav. Ace Equity. AIIM Research

**Fall In Crude Oil Prices to benefit Oil Marketing Companies (OMCs)**

- **Current scenario:-** Brent crude oil prices are hovering near the \$60 a barrel mark while that of US WTI crude oil prices dropped below \$60/barrel. The fall in crude oil prices came after the reciprocal tariffs that US President Donald Trump imposed on its trade partners are likely to hurt oil demand, and may continue for a longer duration.
- **OPEC’s actions:-** Adding to the downward pressure, OPEC+ unexpectedly agreed to increase output to 411,000 barrels per day from May, a substantial jump from the previously planned 135,000 barrels. The combination of rising supply and concerns over weakening global demand—particularly from trade disruptions—continues to weigh heavily on crude oil prices.
- **Effect on Oil Marketing Companies:-** OMCs like IOCL, BPCL and HPCL benefit significantly from lower crude oil prices. Reduced procurement costs lead to lower production expenses for petroleum products such as petrol, diesel and jet fuel. These companies can pass on savings to consumers or retain them to improve profit margins. Lower fuel costs can also increase demand, driving higher revenues and profitability of OMCs. With selling prices holding steady while crude costs decline, margins expand, further strengthening profitability.

**Brent Crude Prices**



**Effect on the Indian Economy as a whole**

- **Geopolitical Events:-** Geopolitical events have a significant impact on crude prices and India is at the receiving end because the country is the second-largest crude importer after China. The high crude prices directly affect India’s forex outgo and this is impacted more when the rupee depreciates against the dollar.
- **Rupee depreciation:-** In the last 5 years, the rupee has depreciated 15% against the dollar. Partially due to this reason, in the April – December 2024 period, the country’s oil import bill increased by 3.7% to \$102.5 Bn as against \$98.8 Bn in the same period in FY24. The country imported 179.3 Million Tonnes of crude oil in 9MFY25 as against 173.7 Million Tonnes in 9MFY24.
- **Central taxes:-** The Union Government in the past had reduced central taxes multiple times to lower consumer prices of petrol and diesel. However, this is no longer an option as it struggles with a rising fiscal deficit as well as managing inflationary levels. ***Recently it has raised excise duty by Rs 2 on petrol and diesel. However, there shall not be any change in the retail prices for the general public as the increase is expected to be adjusted against the price cut that was warranted because of the falling international oil prices.***

## **Rationale for Investment**

### **1. Established player in oil and gas industry in India with continued support from the government**

- **Operations:-** IOCL owns and operates 11 of India's 23 refineries - ranging from the oldest one in the country at Digboi (capacity - 0.65 MMTPA) which commenced operations in 1901, to the latest at Paradip (capacity - 15 MMTPA).
- **IOCL's position:-** The market position is underpinned by IOCL's entrenched marketing and distribution infrastructure, with 35,000 retail outlets, 25,000+ LPG distributors and an unparalleled cross-country pipeline network of 19,500+ Kms
- **Support from Government of India:-** GoI has supported OMCs through budgetary subsidies and discounts from upstream companies, minimising their sales-related underrecovery burden. Under-recoveries of OMCs have declined significantly, post de-regulation of diesel prices, and aided by favourable crude prices in the past, and reduced consumption of subsidised LPG. IOC has received tangible support from the state in the form of subsidies to meet the under-recoveries on products sold below market prices. It has also received indirect government support for its upstream acquisitions outside the country. GoI is likely to continue to support IOCL by absorbing a large portion of its sales-related under-recoveries, if it occurs.

### **2. Refineries based on diversified location, integration in marketing, pipelines, and petrochemicals segments reducing cyclicity**

- **Locational advantage:-** IOCL owns and operates nine refineries spread across the country besides having a majority stake in Chennai Petroleum Corporation Ltd (CPCL), which provides it control over an additional two refineries, taking the aggregate to eleven. Seven out of its nine refineries are located in inland areas. The most recently set up refinery at Paradip, being situated at the coast, has improved IOCL's diversification from the perspective of land-locked vis-à-vis coastal presence.
- **Forward Integration:-** The forward integration of IOCL into petrochemical segment provides operational synergies, like conversion of surplus products in the country such as naphtha, into higher value petrochemicals which also lead to higher margins. Overall, significant integration across segments reduces the risks related to refining operations. IOC's large marketing operations generate largely stable profits, although subject to risks related to regulatory developments and inventory gains/losses to some extent. Further, a large pipeline infrastructure owned by IOCL also results in stable cash generation.

### **3. Long term vision of IOCL:-**

- **Capex:-** To fortify its position in the Oil & Gas industry, IOCL is currently overseeing various on going projects. With a combined capital investment of about Rs 2.5 Lakh Crore across these projects, it aims to further strengthen its core businesses.
- **Refining, Pipelines and Marketing:-** As one of India's leading downstream oil and gas Companies, IOCL continues to broaden its range of offerings and introduce innovative energy solutions. Currently, it is in the process of enhancing its petroleum marketing and distribution network to fortify its leadership and gain market share.
- **Natural Gas:-** IOCL forayed into the Natural Gas segment in 2004 and has emerged as a major player by judiciously investing in LPG sourcing, import terminals, cross country pipelines and City Gas Distribution (CCD) networks. With a sharper focus on reliability, IOCL is expanding its reach in this segment.
- **Petrochemicals:-** IOCL is intensifying its downstream operations and expanding globally. With significant investments in the pipeline, IOCL aims to leverage its existing refinery operations to position itself as a leader in South-East Asia.
- **Exploration and Production:-** IOCL is strengthening its presence in Exploration and Production (E&P) through strategic investments.
- **Alternative Energy and other businesses:-** In line with India's commitment to Net-Zero aspirations, IOCL is vigorously exploring opportunities in various segments like Renewable Energy, Waste-To-Energy, Bio-Energy, Sustainable Aviation Fuel, Green Hydrogen etc.
- **India's Oil Demand:-** India's oil demand is projected to rise from 5.4 Million barrels per day (bpd) in 2023 to 9.3 Million bpd by 2040. Leading companies like IOCL are expected to play a major role in this transition.

**Financials**

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q3FY25	Q3FY24	Var%	9MFY25	9MFY24	Var%
Net Sales & Other Operating Income	219,522.35	226,892.08	-3.25	638,002.49	657,585.60	-2.98
Total Expenditure	211,949.66	210,158.89	0.85	617,042.86	593,981.88	3.88
PBIDT (Excl OI)	7,572.69	16,733.19	-54.74	20,959.63	63,603.72	-67.05
Other Income	1,021.57	1,268.23	-19.45	2,277.47	2,405.94	-5.34
Operating Profit	8,594.26	18,001.42	-52.26	23,237.10	66,009.66	-64.80
Interest	2,457.90	1,957.61	25.56	7,084.09	5,678.54	24.75
Exceptional Items	679.67	0.00		1,836.97	0.00	
PBDT	6,816.03	16,043.81	-57.52	17,989.98	60,331.12	-70.18
Depreciation	4,284.05	4,686.24	-8.58	12,451.99	11,772.36	5.77
PBT	2,531.98	11,357.57	-77.71	5,537.99	48,558.76	-88.60
Tax	619.12	2,780.43	-77.73	1,597.60	12,194.92	-86.90
Net Profit	1,912.86	8,577.14	-77.70	3,940.39	36,363.84	-89.16
Minority Interest	-32.06	-195.29	-	53.00	-1,092.41	-
Share Of Associates	234.49	647.81	-	1,480.81	1,309.39	-
Adjusted Net Profit	1,912.86	8,577.14	-77.70	5,474.20	36,580.02	-89.16
Equity	14,121.24	14,121.24	-	14,121.24	14,121.24	-
EPS (Rs.)	1.50	6.39	-76.53	3.88	25.90	-85.02

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
Net sales	7,76,351.85	8,41,755.91	5,89,321.20
Total Expenditure	7,00,706.10	8,11,073.21	5,41,563.25
Operating Profit (Excl OI)	75,645.75	30,682.70	47,757.95
Other Income	3,842.85	4,261.70	3,096.76
Operating Profit	79,488.60	34,944.40	50,854.71
Interest	7,880.63	7,587.85	5,454.07
PBDT	71,607.97	27,356.55	45,400.64
Depreciation	15,866.11	13,181.05	12,347.58
Profit Before Tax & Exceptional Items	55,741.86	14,175.50	33,053.06
Share of Profit/Loss of JV & Associates	1,545.93	862.19	1,235.56
Profit Before Tax	57,287.79	15,037.69	34,288.62
Provision for Tax	14,126.64	3,333.43	8,562.02
Net Profit	43,161.15	11,704.26	25,726.60
Minority Interest	-1,431.46	-1,912.14	-624.37
Adjusted Net Profit	41,729.69	9,792.12	25,102.23
EPS (Rs.)	30.30	7.11	18.23

\*Source: Company, Ace Equity, AUM Research

<b>Consolidated Balance Sheet (Value in Rs. Crs)</b>			
<b>Particulars</b>	<b>FY24</b>	<b>FY23</b>	<b>FY22</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	13,771.56	13,771.56	9,181.04
Total Reserves	1,69,644.71	1,25,948.68	1,24,354.14
<b>Shareholder's Funds</b>	<b>1,83,416.27</b>	<b>1,39,720.24</b>	<b>1,33,535.18</b>
Minority Interest	4,746.71	3,494.10	1,591.47
Secured Loans	24.70	74.19	306.55
Unsecured Loans	46,768.20	63,238.75	55,637.99
Deferred Tax Assets / Liabilities	18,960.70	16,800.42	15,354.37
Other Long Term Liabilities	10,626.67	10,345.60	9,749.32
Long Term Provisions	10,853.86	14,981.10	7,209.96
<b>Total Non-Current Liabilities</b>	<b>87,234.13</b>	<b>1,05,440.06</b>	<b>88,258.19</b>
Trade Payables	59,454.10	54,734.13	49,061.85
Other Current Liabilities	85,954.68	80,858.55	79,893.64
Short Term Borrowings	59,393.75	60,859.35	53,514.93
Short Term Provisions	22,323.49	10,185.65	16,534.66
<b>Total Current Liabilities</b>	<b>2,27,126.02</b>	<b>2,06,637.68</b>	<b>1,99,005.08</b>
<b>Total Liabilities</b>	<b>5,02,541.90</b>	<b>4,55,303.14</b>	<b>4,22,414.98</b>
<b>ASSETS</b>			
Gross Block	2,78,661.58	2,47,127.54	2,17,038.20
Less: Accumulated Depreciation	81,668.53	66,093.74	55,589.05
Less- Impairment of Assets	995.26	986.23	934.80
<b>Net Block</b>	<b>1,95,997.79</b>	<b>1,80,047.57</b>	<b>1,60,514.35</b>
Capital Work in Progress	57,316.86	47,550.08	44,049.82
Intangible Assets Under Development	3,715.56	3,583.39	3,419.45
Non Current Investments	55,162.04	41,753.92	44,338.76
Long Term Loans & Advances	19,556.98	22,497.29	15,993.85
Other Non Current Assets	1,603.54	1,034.01	1,072.54
<b>Total Non-Current Assets</b>	<b>3,33,352.77</b>	<b>2,96,466.26</b>	<b>2,69,388.77</b>
Current Investments	10,379.86	10,436.54	8,013.30
Inventories	1,21,375.83	1,21,107.58	1,11,736.51
Sundry Debtors	13,831.45	16,398.69	18,700.42
Cash and Bank	3,158.79	2,096.64	1,820.14
Other Current Assets	1,634.92	1,952.54	1,641.02
Short Term Loans and Advances	17,624.63	5,861.46	10,326.67
<b>Total Current Assets</b>	<b>1,68,005.48</b>	<b>1,57,853.45</b>	<b>1,52,238.06</b>
Assets as Held For Sale and Discontinued Opewrations	1,183.65	983.43	788.15
Net Current Assets (Including Current Investments)	-59,120.54	-48,784.23	-46,767.02
Total Current Assets Excluding Current Investments	1,57,625.62	1,47,416.91	1,44,224.76
<b>Total Assets</b>	<b>5,02,541.90</b>	<b>4,55,303.14</b>	<b>4,22,414.98</b>

\*Source: Company, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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