IOCL

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	155
12 month price target (INR)	140
52 Week High/Low	158/111
Market cap (INR bn/USD bn)	2,182/24.7
Free float (%)	0.0
Avg. daily value traded (INR mn)	1,411.4

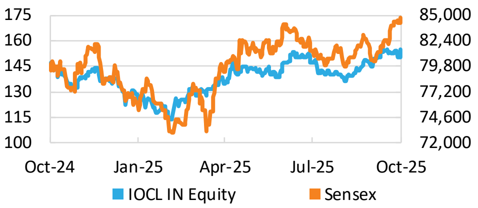
SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	51.5%	51.5%	51.5%
FII	7.7%	7.5%	7.4%
DII	10.4%	10.3%	10.0%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	7,581	7,497	7,709	7,990
EBITDA	360	524	622	667
Adjusted profit	154	227	291	310
Diluted EPS (INR)	10.9	16.1	20.6	21.9
EPS growth (%)	(62.8)	47.1	28.0	6.5
RoAE (%)	8.3	11.7	13.7	13.3
P/E (x)	14.2	9.6	7.5	7.1
EV/EBITDA (x)	10.0	6.9	5.8	5.4
Dividend yield (%)	1.9	3.1	4.0	4.2

PRICE PERFORMANCE



Refining outperforms; capex high

IOCL's Q2FY26 EBITDA/PAT at INR146bn/76bn (+3x/+10x YoY) beat our and consensus estimates owing to robust GRM, inventory gains and petchem profitability, partly offset by muted marketing margins.

Highlights: i) GRM surged +7x YoY to USD10.7/bbl owing to robust fuel cracks and inventory gain of USD1.7/bbl; Russian crude share fell to 18–19% in Q2 from 24% in Q1. ii) Petchem EBIT at INR1.7bn (loss INR916mn YoY). iii) LPG under-recoveries rose to INR258bn (INR21bn in Q2); INR145bn of LPG compensation (56% of total) in 12 monthly instalments announced. LPG loss shrinks to INR40/cylinder (INR100 in Q2). iv) FY26 capex guidance of INR335bn; capex to stay elevated, weighing on OCF, RoCE and may lift debt. Retain 'REDUCE'; TP: INR140.

Strong GRM drives beat; only 56% of LPG compensation announced

Refining: GRMs were USD10.7/bbl (+7x YoY/+5x QoQ), above estimate, led by strong fuel cracks and inventory gain of USD1.7/bbl. Russian crude share at 18–19% in Q2 (24% in Q1); Russian crude oil discount steady at USD2–3/bbl. Crude throughput at 17.6mmt (+5% YoY/-6% QoQ) was in-line. *Chemical:* EBIT of INR1.7bn (EBIT loss of INR916mn YoY/10mn QoQ); volume at 770TMT (flat YoY). *Marketing:* Petrol/diesel margin at INR11/litre (+3% YoY)/INR6/litre (-19% YoY) was muted in Q2. Domestic retail volume at 20MMT (+3% YoY/-10% QoQ) came in line. Q2 LPG under-recoveries were INR21bn; IOCL's LPG compensation is INR145bn (56% of its cumulative LPG under-recovery of INR258bn); shall be disbursed in 12 equal monthly instalments beginning Nov-25, which shall be recognised as revenue.

Capex elevated on expansion plans; LPG under-recovery likely to fall

IOCL guided for FY26 capex of INR335bn—refining (INR140bn), marketing/pipeline (INR100bn), petchem (INR25bn) and RE (INR20bn). Panipat and Koyali refinery expansion likely to be completed by Jun-26 and Barauni's by Aug-26. Management expects capacity utilisation on expanded capacity at 60% in the first year and ramp up beyond 80% in the second year. IOCL is setting up PX, PTA capacity at Paradip (INR140bn) by Q3FY27; Panipat PBR plant by Jun-26. IOCL is setting up 10ktpa green hydrogen (GH2) facility at Panipat and GH2 dispensing stations in Faridabad/Gujarat. LPG losses have fallen to INR40/cylinder (from INR100/cylinder in Q2).

Risk-reward unfavourable; retain 'REDUCE'

IOCL's peak FY24 earnings are behind owing to weak near-term refining margins, ballooning LPG under-recoveries and a weak petchem segment. Moreover, a high capex cycle shall keep return ratios and OCF muted, rendering risk-reward unfavourable. Raising FY26E/27E EBITDA by 9/4% factoring in H1 showing; '**REDUCE**'.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	17,88,797	17,38,476	2.9	19,29,706	(7.3)
EBITDA	1,45,832	43,378	236.2	1,26,072	15.7
Adjusted Profit	76,104	(4,119)	1,947.6	56,886	33.8
Diluted EPS (INR)	5.4	(0.3)	1,947.6	4.0	33.8

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	75,81,058	74,96,671	77,09,119	79,90,401
Gross profit	10,13,203	11,34,483	12,31,334	13,15,208
Employee costs	1,08,799	1,14,941	1,18,186	1,28,251
Other expenses	5,44,515	4,95,879	4,91,548	5,20,281
EBITDA	3,59,890	5,23,662	6,21,601	6,66,675
Depreciation	1,67,773	1,68,586	1,82,865	1,95,449
Less: Interest expense	92,619	87,808	93,406	99,190
Add: Other income	35,153	35,421	40,734	39,799
Profit before tax	1,70,635	3,30,322	4,15,765	4,41,354
Prov for tax	32,746	98,941	1,20,794	1,27,584
Less: Other adj	17,604	27,633	29,700	29,518
Reported profit	1,35,978	2,27,127	2,90,821	3,09,805
Less: Excp.item (net)	(18,380)	0	0	0
Adjusted profit	1,54,359	2,27,127	2,90,821	3,09,805
Diluted shares o/s	14,121	14,121	14,121	14,121
Adjusted diluted EPS	10.9	16.1	20.6	21.9
DPS (INR)	3.0	4.8	6.2	6.6
Tax rate (%)	19.2	30.0	29.1	28.9

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,37,716	1,37,716	1,37,716	1,37,716
Reserves	17,27,158	18,86,146	20,89,721	23,06,584
Shareholders funds	18,64,873	20,23,862	22,27,437	24,44,300
Minority interest	45,373	49,628	53,778	57,742
Borrowings	15,22,706	16,46,170	17,71,642	18,97,130
Trade payables	6,05,349	5,88,418	5,98,873	6,16,171
Other liabs & prov	9,68,083	10,32,820	10,65,766	11,12,437
Total liabilities	50,68,671	54,03,185	57,79,782	61,90,067
Net block	19,71,620	20,22,285	20,67,424	21,01,583
Intangible assets	39,801	39,801	39,801	39,801
Capital WIP	7,79,213	8,89,213	9,99,213	11,01,713
Total fixed assets	27,90,635	29,51,299	31,06,438	32,43,098
Non current inv	5,68,496	5,96,129	6,25,829	6,55,347
Cash/cash equivalent	1,36,739	1,02,708	2,59,064	4,47,236
Sundry debtors	1,85,510	1,97,084	2,03,883	2,12,942
Loans & advances	38,522	39,088	39,864	40,698
Other assets	13,48,770	15,16,877	15,44,704	15,90,746
Total assets	50,68,671	54,03,185	57,79,782	61,90,067

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Brent price ($/bbl)	78.2	70.0	70.0	70.0
Ref throughput (mmt)	71.7	69.5	76.9	85.5
Opex ($/bbl)	2.0	2.0	2.1	2.1
EBITDA margin (%)	4.7	7.0	8.1	8.3
Net profit margin (%)	2.0	3.0	3.8	3.9
Revenue growth (% YoY)	(2.4)	(1.1)	2.8	3.6
EBITDA growth (% YoY)	(52.6)	45.5	18.7	7.3
Adj. profit growth (%)	(62.8)	47.1	28.0	6.5

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,35,978	2,27,127	2,90,821	3,09,805
Add: Depreciation	1,67,773	1,68,586	1,82,865	1,95,449
Interest (net of tax)	74,845	61,507	66,268	70,517
Others	(35,133)	11,495	7,406	10,085
Less: Changes in WC	(3,530)	1,48,801	8,854	9,212
Operating cash flow	3,46,993	3,19,913	5,38,506	5,76,643
Less: Capex	(3,48,499)	(3,29,250)	(3,38,004)	(3,32,109)
Free cash flow	(1,507)	(9,337)	2,00,502	2,44,535

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.2	7.0	6.8	6.2
Repo rate (%)	6.0	5.0	4.5	4.5
USD/INR (average)	84.4	87.5	87.0	88.0
GRM (USD/bbl)	4.8	6.3	6.9	7.1
Total dom. sales (mmt)	85.0	89.7	92.8	95.1
Retail margins (INR/ltr)	5.8	6.0	6.2	6.2
Retail outlets	40,221.0	43,221.0	46,221.0	48,221.0
Pip throughput (BTKM)	52.7	51.6	51.6	51.6
Petchem. Prod. (MMT)	7.5	7.5	7.5	7.5

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	8.3	11.7	13.7	13.3
RoCE (%)	7.4	11.7	13.1	12.8
Inventory days	66	69	74	74
Receivable days	8	9	10	10
Payable days	34	34	34	34
Working cap (% sales)	2.7	4.7	4.7	4.7
Gross debt/equity (x)	1.3	1.3	1.4	1.6
Net debt/equity (x)	0.7	0.7	0.7	0.6
Interest coverage (x)	2.1	4.0	4.7	4.8

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	14.2	9.6	7.5	7.1
Price/BV (x)	1.2	1.1	1.0	0.9
EV/EBITDA (x)	10.0	6.9	5.8	5.4
Dividend yield (%)	1.9	3.1	4.0	4.2

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(62.8)	47.1	28.0	6.5
RoE (%)	8.3	11.7	13.7	13.3
EBITDA growth (%)	(52.6)	45.5	18.7	7.3
Payout ratio (%)	31.2	30.0	30.0	30.0

Q2FY26 management commentary

Financial, operational performance – Throughput: 17.6MMT; GRM USD10.7/bbl

PAT for Q2FY26 came in at INR76bn, up from INR57bn in Q1FY26 (+34% QoQ), surging 10x YoY led by better GRMs and lower operating costs, partly offset by subdued retail marketing margins. The company's Q2 throughput was 17.6mt, registering capacity utilisation of 99.5%, lower than 18.7mt (106.7% utilisation) in Q1FY26. Crude throughput was impacted due to a shutdown at Gujarat refinery in Q2. GRM came in at USD10.7/bbl versus USD2.2/bbl in Q1FY26, up 5x QoQ primarily led by product cracks and inventory gains. Inventory gains were USD1.7/bbl (INR19bn) in Q2.

IOCL's pipeline capacity utilisation was 66.7% in Q2FY26 versus 74% in Q1FY26. During Q1FY26, the pipeline throughput was 24.1mt. Pipeline throughput was impacted due to shutdown at Gujarat refinery.

In the marketing segment, IOCL's petroleum product sales were 24.3mt in Q2FY26.

IOCL's gas sales stood at 1.840mmt in Q2, including CGD sales of 44tmt.

LPG compensation announced; IOCL's share INR145bn (56% of under-recoveries)

On August 8, 2025, the government approved compensation of INR300bn for OMCs to cover under-recoveries incurred on the sale of LPG. IOCL's share of this compensation is INR145bn.

The compensation amount will be disbursed in 12 equal monthly instalments of INR12bn. These instalments are scheduled to begin in November 2025. Accordingly, revenue to the extent of the monthly instalment will be recognised in the relevant periods.

In case of over-recoveries, the profit will be adjusted against the under-recoveries incurred in past quarters. Management stated that in such a case, the amount will be shown as payable.

In Q2FY26, the loss per cylinder stood at INR100/cylinder, which has currently dropped to INR40/cylinder. As per management, even with the recent decline in Saudi CP, this number is not expected to go below INR25–30/cylinder.

Management continues to engage with the government to pursue under-recoveries for the balance amount.

Russian crude sourcing down at ~19% in Q2

The company had sourced 18–19% Russian crude in Q2FY26 versus 24% in Q1FY26. Current discount of Russian crude versus others is USD2–3/bbl.

Capex guidance of INR335bn for FY26E

During Q2FY26, the company incurred total capex of INR158.9bn. For FY26, the budgeted capex is ~INR335bn. Outlay by segment: Refining INR140bn, pipeline & marketing INR100bn, petchem INR25bn and INR20bn for the renewable segment.

Panipat and Gujarat refinery expansion projects to be commissioned by Jun-26E

Almost 90% of physical progress has been made on the Panipat 10mtpa refinery expansion project. 84% physical progress has been made on the Gujarat refinery expansion. Both Panipat and Gujarat are likely be commissioned by Jun-26. After commissioning, management expects 60% utilisation in the first year and ramp-up beyond 80% in the second year. 88% physical progress has been achieved for Barauni, whose commissioning will happen in phases starting from August 2026.

The company is also targeting petchem expansion. Its PX-PTA project at Paradip has achieved 90% physical progress. Commissioning is expected by Q3FY27 at capex of INR140bn. Its Poly Butadiene plant at Panipat is likely to be commissioned by Jun-26 at capex of INR30bn with 70% physical progress done.

IOCL's acrylic plant in Gujarat refinery was commissioned in July with capex of INR60bn. The company's other ongoing projects include the Mundra-Panipat and Ennore-Tuticorin-Bangalore pipelines.

First HH-linked mid-term contract signed with Trafigura

On August 1, 2025, IOCL signed an MoU with Trafigura Pvt Ltd for the supply of 0.4mtpa LNG for the period from July 2025 to December 2029. It is IOCL's first HH-linked mid-term contract. The first LNG cargo under this contract got delivered on Aug 10, 2025.

Debt increases INR67bn QoQ; D/E at 0.68x

IOCL's debt increased by INR67bn and currently stands at INR1,282bn as on September 30, 2025. This was attributable to working capital changes and FX transactions. D/E ratio stands at 0.68x.

Retail outlets: 597 added in Q2

In Q2FY26, the company added 597 retail outlets. Total retail outlets now stand at 41,263.

19.85% ethanol blending achieved

IOCL has achieved 19.85% blending of ethanol, higher than the industry rate of 19.83%.

New energy projects underway; planned capex of INR20bn

The planned capex for renewable projects in FY26E is INR20bn.

The company has target of achieving 31GW by 2030, which it expects to achieve through its subsidiary TerraClean and a JV with NTPC Green.

Terra Cleans has its own target of 30GW by 2030, implying addition of 4–5GW power capacity every year.

The company is setting up country's largest green hydrogen plant of 10ktpa at the Panipat refinery.

IOCL & Air India have signed an MoU for the supply of SAF. It is scheduled to begin in December 2025.

The company is also moving forward with its green hydrogen initiatives. India's first hydrogen-dispensing service station was set up at IOCL's R&D centre in Faridabad. Two new hydrogen-dispensing stations are planned along the Mumbai-Pune and Jamshedpur-Balasore corridors. A hydrogen station has been established at the Gujarat refinery.

Field trials of fuel cell buses are being conducted at the Gujarat refinery. The company has introduced 15 hydrogen fuel cell buses in collaboration with Tata Motors for operational testing in the Delhi NCR and Gujarat. A viability study is being taken up for the Hyundai Nexo hydrogen FCEV through a two-year real-world test.

Exhibit 1: Better-than-expected GRM led by strong product cracks and low operating cost, offset by subdued retail margins

IOCL	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ %	Nuvama Est	vs Est %	Consensus	Beat/Miss %
Net sales (INR mn)	17,88,797	17,38,476	2.9	19,29,706	-7.3	15,86,774	12.7	18,49,000	-3.3
EBITDA (INR mn)	1,45,832	43,378	236.2	1,26,072	15.7	1,37,523	6.0	1,33,984	8.8
Adjusted PAT (INR mn)	76,104	-4,119	-1,947.6	56,886	33.8	64,871	17.3	57,431	32.5
Refining Throughput (TMT)	17,609	16,738	5.2	18,683	-5.7	17,866	-1.4		
Reported GRM (USD/bbl)	10.7	1.6	570.4	2.2	395.8	6.1	74.8		
Pipeline throughput (TMT)	24,087	23,985	0.4	26,256	-8.3	24,465	-1.5		

Source: Company, Nuvama Research

Exhibit 2: Key operational highlights

Key Operational metrics	Q2FY26	Q2FY25	Q1FY26	% YoY	% QoQ
Refining					
Reported GRM (USD/bbl)	10.7	1.6	2.2	570.4	395.8
Throughput (TMT)	17,609	16,738	18,683	5.2	(5.7)
Distillate yield (%)	80.1	78.5	79.7	2.0	0.4
Refinery utilization (%)	106.7	103.7	107.1	300bps	-40bps
Marketing					
Retail sales volumes (TMT)					
MS	4,186	3,962	3,869	5.7	8.2
HSD	10,095	9,752	9,320	3.5	8.3
LPG	3,664	3,329	3,881	10.1	(5.6)
SKO	64	55	55	16.4	16.4
Others	4,388	4,431	4,742	(1.0)	(7.5)
Domestic Sales Volume	**22,397**	**21,529**	**21,867**	**4.0**	**2.4**
Exports Sales Volume	1,323	1,171	1,326	13.0	(0.2)
Total Sales Volume	**23,720**	**22,700**	**23,193**	**4.5**	**2.3**
Pipelines					
Throughput (TMT)	26.3	25.8	25.8	1.7	1.9
Chemicals					
Total Sales (TMT)	832.0	747.0	829.0	11.4	0.4

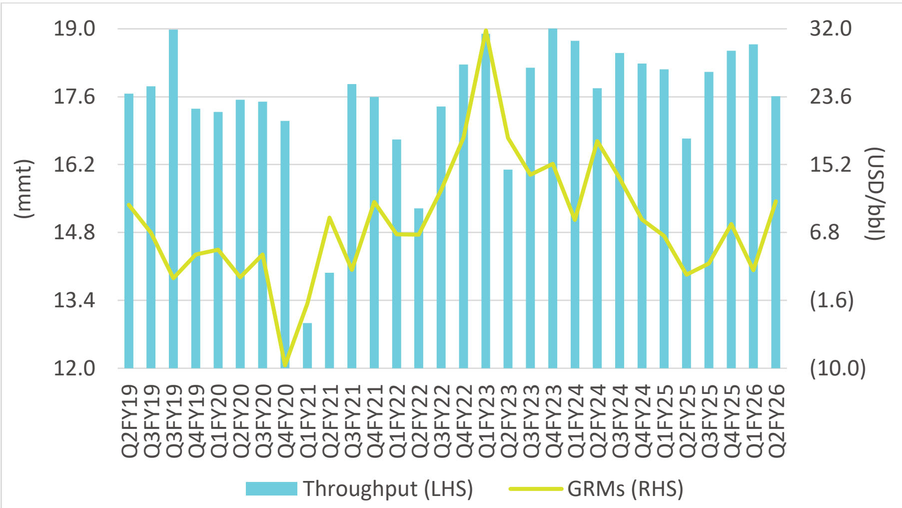
Source: Company, Nuvama Research

Exhibit 3: Quarterly comparison with peers

Particulars	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)
Refining Througput (MMT)																	
IOCL	17.4	18.3	18.9	16.1	18.2	19.2	18.8	17.8	18.5	18.3	18.2	16.7	18.1	18.5	18.7	17.6	5%
BPCL	9.9	10.2	9.7	8.8	9.4	10.6	10.4	9.4	9.9	10.4	10.1	10.3	9.5	10.6	10.4	NA	NA
HPCL	4.2	4.7	4.8	4.5	4.8	5.0	5.4	5.8	5.3	5.8	5.8	6.3	6.5	6.7	6.6	NA	NA
Throughput Growth (YoY %)																	
IOCL	(2.6)	3.8	13.0	5.2	4.6	5.0	(0.8)	10.4	1.7	(4.7)	(3.1)	(5.8)	(2.1)	1.5	2.8	5.2	
BPCL	37.3	(0.4)	14.9	(1.7)	(5.5)	4.7	6.9	6.0	5.0	(2.5)	(2.4)	9.9	(3.2)	2.1	3.1	NA	
HPCL	5.9	6.8	91.6	77.5	14.0	5.8	12.3	28.1	10.6	17.7	6.7	9.6	21.2	15.5	14.6	NA	
GRM ($/bbl)																	
IOCL	12.0	18.5	31.8	18.5	13.9	15.3	8.3	18.1	13.5	8.4	6.4	1.6	3.0	7.9	2.2	10.7	570%
BPCL	9.7	16.4	27.5	16.8	16.0	20.6	12.6	18.5	13.4	12.5	7.9	4.4	5.6	9.2	4.9	NA	NA
HPCL	6.4	12.4	16.7	8.4	9.1	14.0	7.4	13.3	8.5	7.0	5.0	3.1	6.0	8.4	3.1	NA	NA
Domestic retail sales volume (MMT)																	
IOCL	21.0	20.9	22.2	22.6	21.6	21.1	21.3	19.7	21.0	21.3	21.5	19.5	22.0	21.9	22.4	20.2	3%
BPCL	11.2	11.8	11.8	11.4	12.8	12.9	12.8	12.2	12.9	13.2	13.2	12.4	13.4	13.4	13.6	NA	NA
HPCL	10.0	10.3	10.5	9.9	11.0	10.9	11.4	10.1	11.4	11.8	12.1	10.8	12.3	12.1	12.3	NA	NA
Domestic volumes growth YoY (%)																	
IOCL	2.2	2.8	23.5	24.8	2.9	0.9	(4.0)	(13.0)	(2.8)	0.6	0.9	(0.7)	4.8	2.8	4.0	3.4	
BPCL	0.5	5.8	22.1	15.4	14.9	9.2	8.4	6.6	0.9	2.1	3.2	1.6	3.9	1.8	3.2	NA	
HPCL	(0.8)	4.4	23.7	12.3	10.1	6.4	9.4	2.1	3.7	8.1	5.6	7.0	8.5	2.6	1.6	NA	

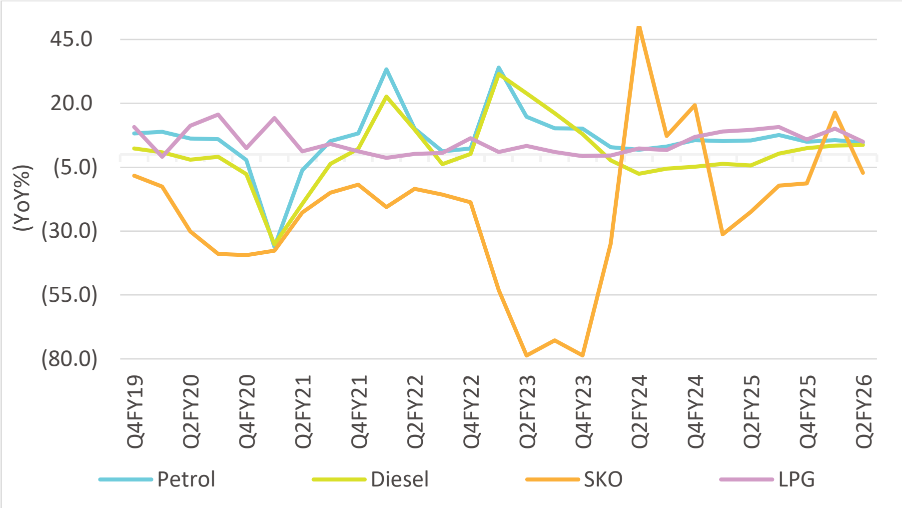
Source: Company, Nuvama Research

Exhibit 4: GRM surges 7x YoY; throughput rises 5% YoY



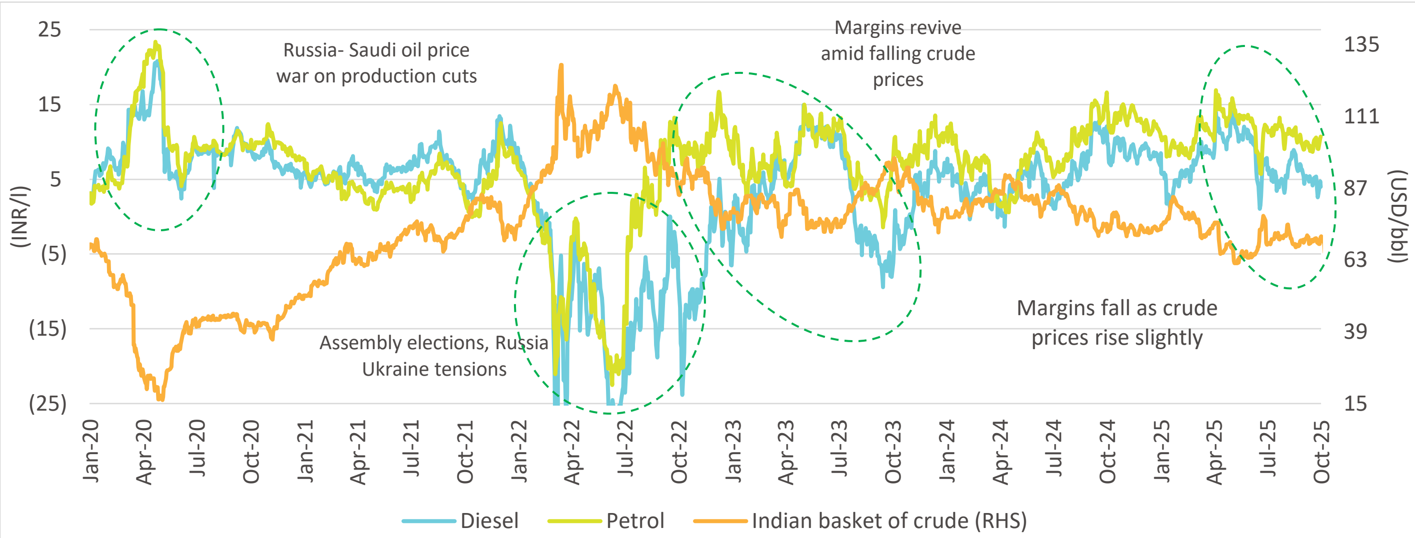
Source: Company, Nuvama Research

Exhibit 5: HSD sales rise 4% YoY; MS/LPG sales -7/+5% YoY



Source: Company, Nuvama Research

Exhibit 6: Retail margins fall in Q2FY26 amid a rise in crude prices



Source: Bloomberg, Nuvama Research

Exhibit 7: Standalone financial summary (INR mn)

Year to March	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %
Net revenue	**17,88,797**	**17,38,476**	**2.9**	**19,29,706**	**(7.3)**
Raw material costs	14,76,426	15,43,438	(4.3)	16,50,911	(10.6)
Gross profit	**3,12,371**	**1,95,038**	**60.2**	**2,78,795**	**12.0**
Employee expenses	27,510	24,935	10.3	29,237	(5.9)
Other expenses	1,39,029	1,26,725	9.7	1,23,486	12.6
EBITDA	**1,45,832**	**43,378**	**236.2**	**1,26,072**	**15.7**
Depreciation & Amortisation	38,711	37,179	4.1	38,428	0.7
EBIT	**1,07,121**	**6,199**	**1,628.1**	**87,644**	**22.2**
Less: Interest Expense	21,694	24,138	(10.1)	19,727	10.0
Add: Other income	15,228	13,748	10.8	6,132	148.4
Add: Exceptional items	0	11,573	NA	0	NA
Profit Before Tax	**1,00,656**	**7,382**	**1,263.5**	**74,049**	**35.9**
Less: Provision for Tax	24,551	-72	NA	17,163	43.0
Reported Profit	**76,104**	**7,454**	**921.0**	**56,886**	**33.8**
Adjusted Profit	**76,104**	**-4,119**	**NA**	**56,886**	**33.8**
No. of Diluted shares outstanding (mn)	14,121	14,121	-	14,121	-
Adjusted Diluted EPS	5.4	-0.3	NA	4.0	33.8
As % of net revenues					
Gross profit	17.5	11.2		14.4	
EBIDTA	8.2	2.5		6.5	
Profit before tax	5.6	0.4		3.8	
Net profit	4.3	0.4		2.9	

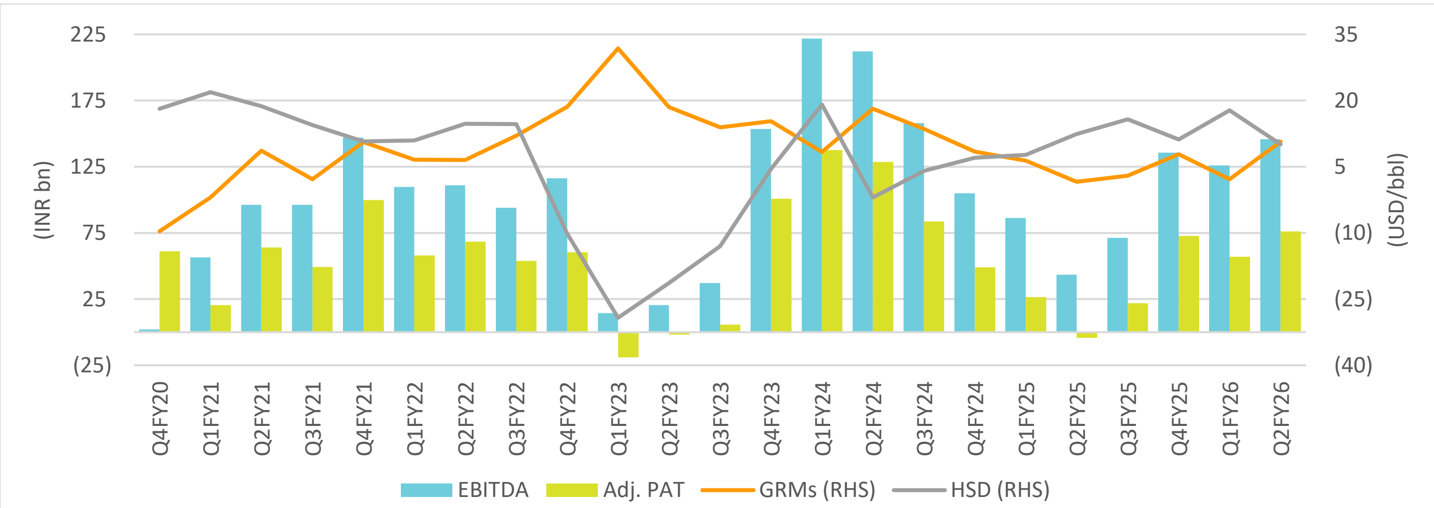
Source: Company, Nuvama Research

Exhibit 8: Consolidated financial summary (INR mn)

Year to March	Q2FY26	Q2FY25	YoY %	Q1FY26	QoQ %	FY25	FY26E	FY27E	FY28E
Net revenue	**17,86,282**	**17,49,761**	**2.1**	**19,23,407**	**(7.1)**	**75,81,058**	**74,96,671**	**77,09,119**	**79,90,401**
Raw material costs	14,48,726	15,50,618	(6.6)	16,29,729	(11.1)	65,67,855	63,62,188	64,77,785	66,75,193
Gross profit	**3,37,556**	**1,99,143**	**69.5**	**2,93,677**	**14.9**	**10,13,203**	**11,34,483**	**12,31,334**	**13,15,208**
Employee expenses	29,027	26,222	10.7	30,681	(5.4)	1,08,799	1,14,941	1,18,186	1,28,251
Other expenses	1,46,079	1,38,250	5.7	1,30,322	12.1	5,44,515	4,95,879	4,91,548	5,20,281
EBITDA	**1,62,450**	**34,671**	**368.5**	**1,32,675**	**22.4**	**3,59,890**	**5,23,662**	**6,21,601**	**6,66,675**
Depreciation & Amortisation	42,272	40,651	4.0	41,786	1.2	1,67,773	1,68,586	1,82,865	1,95,449
EBIT	**1,20,178**	**-5,980**	**NA**	**90,888**	**32.2**	**1,92,116**	**3,55,076**	**4,38,736**	**4,71,226**
Less: Interest Expense	22,697	25,464	(10.9)	20,701	9.6	92,619	87,808	93,406	99,190
Add: Other income	6,443	7,233	(10.9)	5,833	10.5	35,153	35,421	40,734	39,799
Add: Share of profit from associates	7,113	6,752	5.4	11,485	(38.1)	17,604	27,633	29,700	29,518
Add: Exceptional items	0	11,573	NA	0	NA	18,380	0	0	0
Profit Before Tax	**1,11,037**	**-5,887**	**NA**	**87,505**	**26.9**	**1,70,635**	**3,30,322**	**4,15,765**	**4,41,354**
Less: Provision for Tax	29,129	-1,399	NA	19,424	50.0	32,746	98,941	1,20,794	1,27,584
Less: Minority Interest	3,733	-2,792	NA	-56	NA	1,910	4,254	4,150	3,965
Reported Profit	**81,909**	**-4,488**	**NA**	**68,081**	**20.3**	**1,35,978**	**2,27,127**	**2,90,821**	**3,09,805**
Adjusted Profit	**78,176**	**-13,269**	**NA**	**68,137**	**14.7**	**1,54,359**	**2,27,127**	**2,90,821**	**3,09,805**
No. of Diluted shares outstanding (mn)	14,121	14,121	-	14,121	-	14,121	14,121	14,121	14,121
Adjusted Diluted EPS	**5.5**	**-0.9**	**NA**	**4.8**	**14.7**	**10.9**	**16.1**	**20.6**	**21.9**
As % of net revenues									
Gross profit	18.9	11.4		15.3		13.4	15.1	16.0	16.5
EBIDTA	9.1	2.0		6.9		4.7	7.0	8.1	8.3
Profit before tax	6.2	-0.3		4.5		2.3	4.4	5.4	5.5
Net profit	4.6	-0.3		3.5		1.8	3.0	3.8	3.9

Source: Company, Nuvama Research

Exhibit 9: EBITDA/PAT growth supported by better refining margins, product cracks and inventory gain



Source: Company, Bloomberg, Nuvama Research

Exhibit 10: Healthy OCF; capex to stay elevated

(INRbn)	H1FY26	H1FY25	H1FY24
Profit I (Loss) Before Tax	198.5	42.5	378.6
Operating Profit before Working Capital Changes	292.1	149.6	473.3
Net Cash Flow from Operating Activities	**327.5**	**5.7**	**587.1**
Capex	-158.0	-177.5	-181.8
Net Cash Generated/(Used} in Investing Activities	**-173.3**	**-146.1**	**-162.2**
Net Debt	-70.9	279.1	-351.0
Net Cash Generated/(Used) from Financing Activities	**-155.3**	**140.0**	**-428.5**
NET CHANGE IN CASH & CASH EQUIVALENTS	**-1.1**	**-0.5**	**-3.6**

Source: Company, Nuvama Research

Exhibit 11: SotP valuation of INR140/share

	Base value (USD bn)	Base value (INR bn)	Base value (INR/share)
IOCL refining (@ EV/EBITDA 6x)	18.7	1,401	99
IOCL marketing (@ EV/EBITDA 5x)	16.4	1,228	87
IOCL pipelines (@ EV/EBITDA 6x)	5.3	396	28
IOCL chemicals (@ EV/EBITDA 6x)	0.9	64	5
Enterprise value of operating assets	**41.2**	**3,089**	**219**
Value of CPCL	1.2	93	7
Investments at 30% discount	4.4	333	24
Cash & cash equivalents	1.4	103	7
Gross debt	21.9	1,646	117
CWIP, discounted at 70%	0.0	0	0
Net debt	16.1	1,211	86
Equity value	**26.3**	**1,971**	**140**
CMP (INR)			**155**
Upside (%)			**-10%**

Source: Company, Nuvama Research

Exhibit 12: Annual comparison with peers

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY25E-30E CAGR (%)
Refining Throughput (MMT)													
IOCL	71.8	69.4	62.4	67.7	72.4	73.3	71.7	69.5	76.9	85.5	85.5	85.5	3.6
BPCL	36.7	39.3	33.8	37.5	38.2	40.2	40.5	39.9	39.9	39.9	43.1	43.1	1.2
HPCL	18.5	17.2	16.4	14.0	19.1	22.3	25.3	25.7	27.0	27.0	27.0	27.0	1.3
Throughput Growth (YoY%)													
IOCL	4.1	(3.3)	(10.2)	8.5	7.0	1.2	(2.2)	(3.1)	10.7	11.2	0.0	0.0	
BPCL	28.7	7.1	(14.0)	10.9	1.9	5.1	0.9	(1.6)	0.0	0.0	8.0	0.0	
HPCL	1.6	(7.1)	(4.4)	(14.9)	36.7	17.0	13.2	1.8	4.8	0.0	0.0	0.0	
GRM ($/bbl)													
IOCL	5.4	0.1	5.6	11.3	19.5	12.1	4.8	6.3	6.9	7.1	7.4	7.4	8.9
BPCL	4.6	2.5	4.1	9.7	20.2	14.1	6.8	6.0	7.0	7.0	7.0	7.0	0.5
HPCL	5.0	1.0	3.9	7.2	12.1	9.1	5.7	6.8	8.0	8.0	8.0	8.0	7.0
Marketing sales volume (MMT)													
IOCL	85.1	84.4	77.9	83.9	92.6	88.5	89.8	94.8	98.1	100.6	103.1	105.6	3.3
BPCL	45.0	45.7	40.7	44.6	50.2	52.2	53.6	56.5	58.4	60.5	62.7	65.0	3.9
HPCL	38.7	39.6	36.6	39.1	43.5	46.8	49.8	52.1	54.6	57.2	60.1	63.0	4.8
Volume Growth (%)													
IOCL	0.9	(0.9)	(7.6)	7.7	10.4	(4.5)	1.5	5.6	3.5	2.5	2.5	2.5	
BPCL	4.1	1.7	(11.0)	9.7	12.5	3.9	2.7	5.3	3.4	3.5	3.6	3.7	
HPCL	4.8	2.4	(7.7)	7.0	11.0	7.8	6.4	4.6	4.7	4.8	4.9	5.0	
Core Marketing margin (INR/ltr)													
IOCL	4.6	5.6	5.0	2.9	(1.8)	5.9	5.8	6.0	6.2	6.2	6.3	6.4	2.0
BPCL	4.6	4.8	5.6	4.3	0.5	7.0	6.4	5.9	5.9	5.8	5.8	5.7	(2.1)
HPCL	4.4	4.6	6.5	4.5	0.9	7.4	6.3	6.6	6.4	6.5	6.6	6.7	1.4
Number of Retail outlets (No.)													
IOCL	27,702	29,085	32,062	34,559	36,559	38,559	40,221	43,221	46,221	48,221	50,221	52,221	5.4
BPCL	14,802	16,234	18,637	19,887	21,387	22,887	24,387	25,887	27,387	28,887	30,387	31,887	5.5
HPCL	15,440	16,476	17,226	18,476	21,186	22,022	23,747	25,247	26,747	28,247	29,747	31,247	5.6

Source: Company, Nuvama Research

Exhibit 13: Global refining peer comps

Company	Mcap	Adjusted EPS (LC)			EV/EBITDA(x)			ROE (%)			P/B (x)	P/E (x)	Div yield (%)	EPS CAGR (%)
	(USD mn)	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY27E	FY27E	FY26E	FY25-27E
India OMC														
Indian Oil Corporation Limited	24,836	10.9	14.0	19.4	9.9	7.4	6.0	8.3	10.3	13.1	1.0	8.0	2.7	33.2
Bharat Petroleum Corporation Limited	16,864	34.9	36.7	43.3	7.4	6.9	5.5	17.5	16.5	16.7	1.1	7.9	3.2	11.5
Hindustan Petroleum Corporation Limited	10,941	31.6	54.1	59.9	6.5	5.0	4.5	13.7	20.9	20.2	1.3	7.6	4.0	37.6
India OMC-Mean					**8.0**	**6.4**	**5.3**	**13.2**	**15.9**	**16.6**	**1.1**	**7.8**	**3.3**	**27.4**
India Refining														
Reliance Industries Limited	2,27,598	51.5	64.2	67.7	12.8	11.4	9.8	8.5	10.0	9.7	1.9	21.9	0.5	14.7
Chennai Petroleum Corp Ltd	1,422	5.6	120.3	99.9	17.3	4.6	4.9	1.0	21.0	15.5	1.2	8.4	4.7	NM
Mangalore Refinery & Petrochemicals Ltd	3,035	(0.2)	8.1	10.8	17.7	8.9	7.3	(0.2)	10.4	12.7	1.7	14.1	0.9	NM
India Refining-Mean					**15.9**	**8.3**	**7.3**	**3.1**	**13.8**	**12.6**	**1.6**	**14.8**	**2.0**	**14.7**
US Refining														
Marathon Petroleum Corp	59,658	8.6	10.1	13.4	8.8	8.5	7.7	14.7	16.5	21.0	3.6	14.7	1.9	24.4
Phillips 66	54,727	6.0	5.6	11.1	11.0	9.8	7.9	9.8	8.8	14.7	1.8	12.2	3.5	35.4
Valero Energy Corp	53,178	7.8	9.3	11.7	9.8	9.0	7.8	9.7	10.8	13.1	2.1	15.0	2.6	22.1
US Refining-Mean					**9.9**	**9.1**	**7.8**	**11.4**	**12.0**	**16.3**	**2.5**	**13.9**	**2.7**	**27.3**
Europe Refining														
Rubis	3,789	3.4	3.1	3.2	7.0	6.7	6.6	11.8	10.8	27.6	1.1	9.7	6.5	(1.8)
Neste OYJ	16,540	0.4	0.4	0.9	13.6	12.8	9.5	3.0	3.6	8.8	1.8	20.8	1.2	58.4
Dcc Plc	6,545	4.8	4.5	5.1	6.3	6.7	6.3	13.5	13.7	15.1	1.6	10.0	4.1	3.2
Europe Refining-Mean					**9.0**	**8.8**	**7.5**	**9.4**	**9.4**	**17.1**	**1.5**	**13.5**	**3.9**	**19.9**
South Korea Refining														
SK Innovation Co Ltd	15,552	(12,410)	(10,056)	625	21.1	21.2	13.1	(5.6)	(5.3)	0.1	0.9	211.3	1.5	NM
S-Oil Corp	5,802	37	689	5,069	12.2	15.3	8.4	0.0	0.9	6.2	0.9	14.6	0.5	NM
South Korea Refining-Mean					**16.6**	**18.2**	**10.7**	**(2.8)**	**(2.2)**	**3.2**	**0.9**	**113.0**	**1.0**	
APAC Refining														
Vietnam National Petroleum	1,644	2,325	2,031	2,591	8.8	9.4	8.3	11.3	9.2	11.6	1.5	13.1	2.2	5.5
Binh Son Refining	3,063	402	957	1,266	18.0	17.3	10.5	2.3	4.3	5.7	1.4	20.5	NA	77.4
Petrochina	2,29,724	0.9	0.9	0.9	4.2	4.5	4.4	11.1	10.3	9.9	0.8	8.3	6.2	(2.2)
Sinopec	89,151	0.5	0.4	0.4	4.6	5.2	4.9	6.8	5.1	5.6	0.6	9.3	6.1	(5.3)
APAC Refining-Mean					**8.9**	**9.1**	**7.0**	**7.9**	**7.2**	**8.2**	**1.0**	**12.8**	**4.8**	**18.9**
Global Refining - Mean					**11.4**	**10.0**	**7.6**	**7.0**	**9.3**	**12.3**	**1.4**	**29.3**	**3.0**	**21.7**

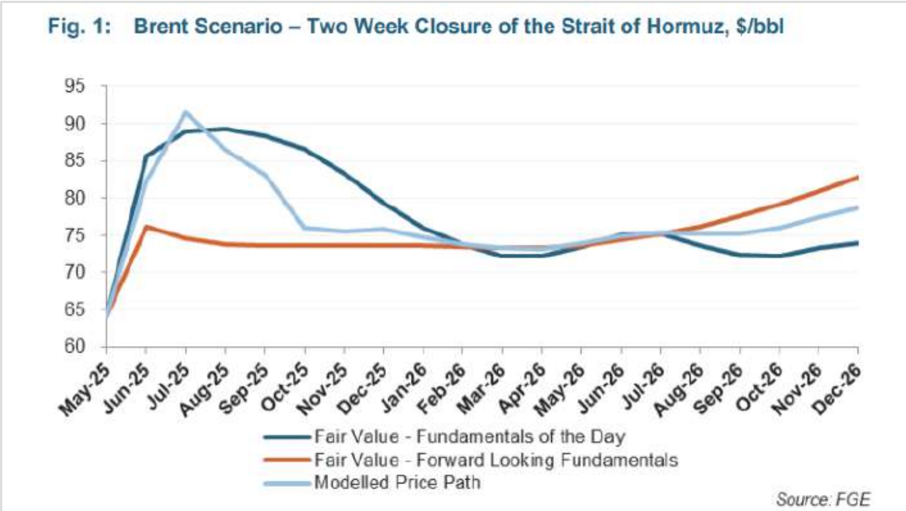
Source: Company, Nuvama Research, Bloomberg

Oil: Geopolitics driving near-term strength

War premium pushing up near-term oil prices

Oil prices veered towards USD80/bbl before retracing as a upshot of Israel's attack on Iran, factoring in a war premium and a risk of closure of 20mbpd of supply in the near term on potential closure of the Strait of Hormuz. In the unlikely event of a temporary closure, oil prices could spike to USD100/bbl. However, mitigating measures such as accelerated unwinding of OPEC+ production cuts and use of strategic reserves could cushion the impact to USD92/bbl on a monthly average basis. Even if the market sees only a 30% risk of closure, that can still be enough to fuel prices towards USD85/bbl for the rest of June.

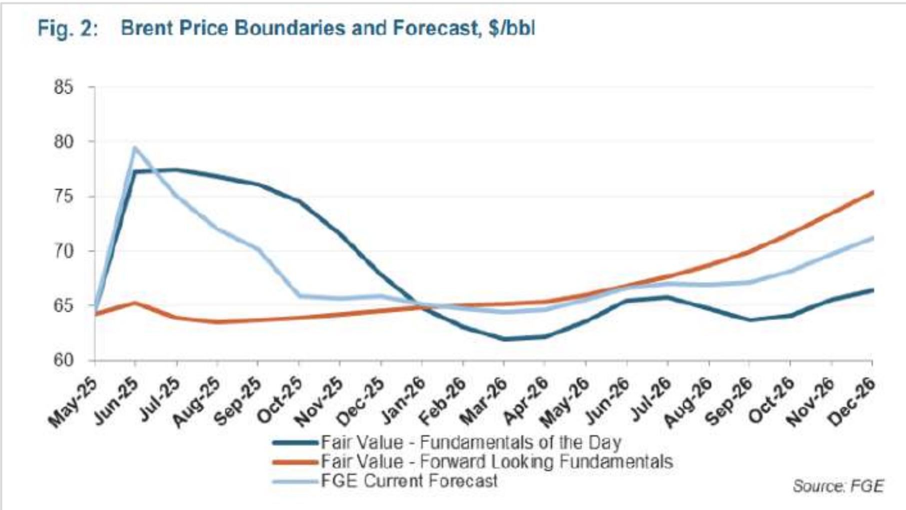
Exhibit 14: A two-week closure of the Strait could see prices averaging USD92/bbl



Source: FGE

FGE has increased its floor price for the rest of 2025 by USD10/bbl to USD65–70/bbl on discounting of war premium, risk of closure of the Strait of Hormuz and greater potential for loss of Iranian supply due to a potential snapback of sanctions on Iran.

Exhibit 15: Floor price increased by USD10/bbl to USD65–70/bbl for rest of 2025

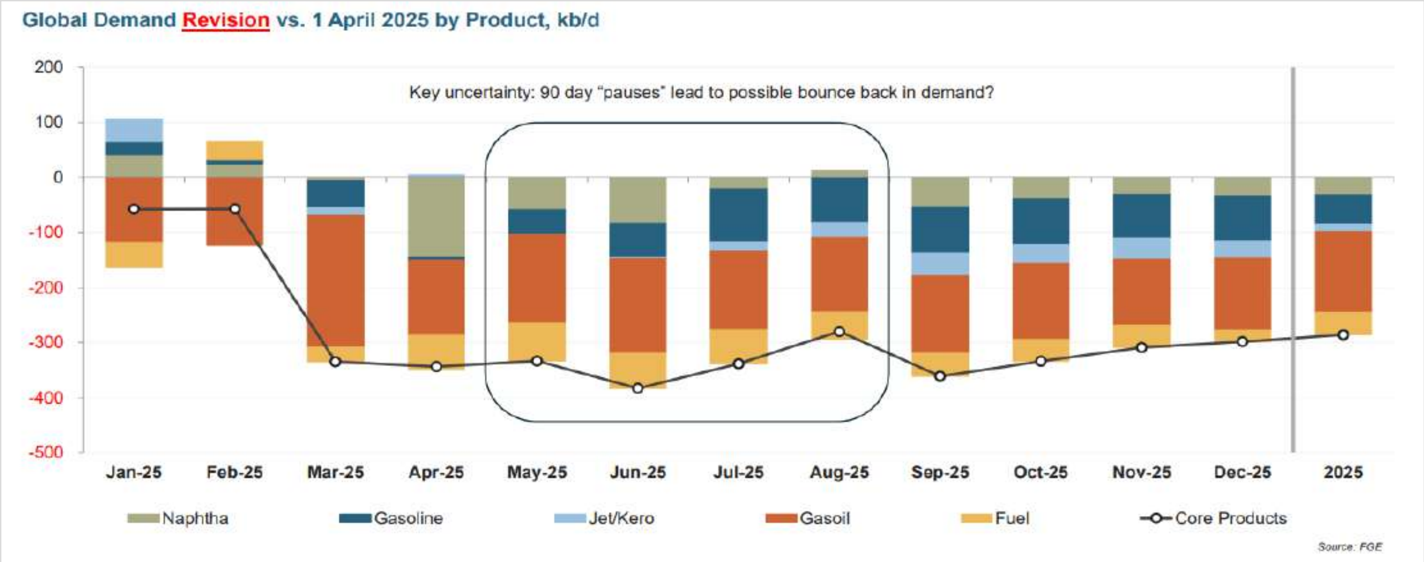


Source: FGE

Elevated OPEC+ spare capacity; tariff shocks suppressing oil prices

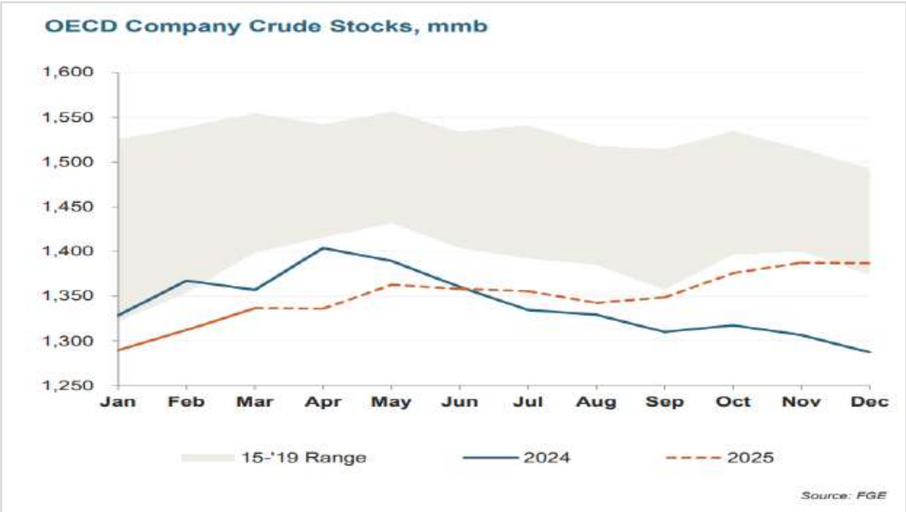
Crude oil prices have been subdued largely on elevated OPEC+ spare capacity and Liberation Day tariff shocks from the Trump administration sparking concerns over economic growth, which prompted cuts in oil demand forecast. However, tight crude inventories in OECD countries and geopolitical tensions have supported oil prices.

Exhibit 16: Oil demand revised lower following announcement of Liberation Day tariffs; growth seen at ~700kbpd in Q2–Q4CY25



Source: FGE

Exhibit 17: Tightness in crude inventory supports crude oil prices



Source: FGE

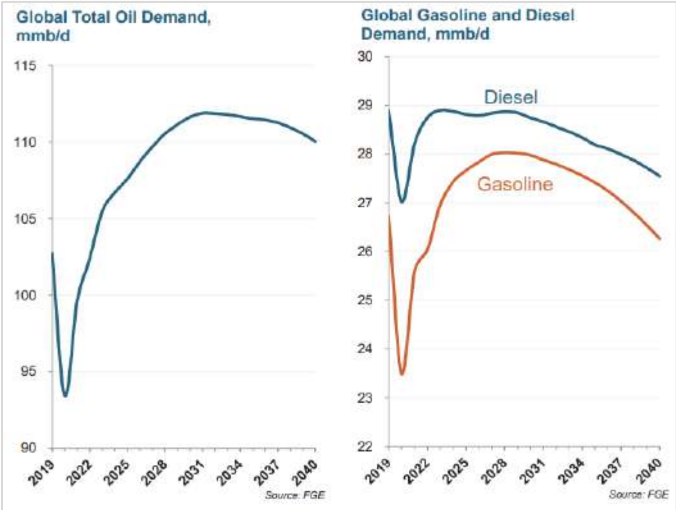
Oil demand to peak in 2030s; current cost of alternatives excessive

FGE expects oil demand to peak in the 2030s with about 4mbpd of growth yet to crystallise before growth plateaus and then reduces after reaching 110mbpd in 2040. Chinese oil demand is expected to peak in 2028/29E, primarily due to rapid adoption of EVs, and pan-Asia oil demand is set to peak in the 2040s.

Importantly, the current cost of alternatives is excessive and unfeasible for rapid adoption without sustained major government support. Only electricity use in road transport can compete with conventional gasoline and diesel after considering taxes on oil products.

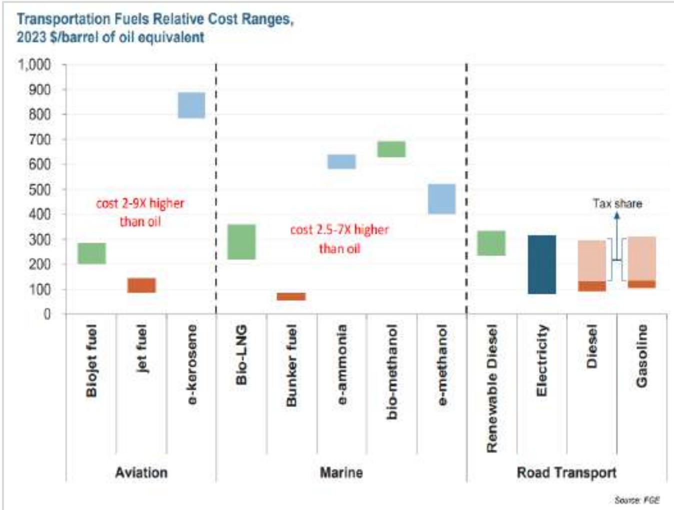
- Renewable diesel (RD) is expensive, but can compete with conventional diesel (CD), particularly if RD is subsidised and CD taxed.
- SAF is up to three times more expensive than conventional jet fuel.
- Bio-LNG is up to four times more expensive than conventional bunker fuel while hydrogen-based synthetic fuels are generally prohibitively expensive.

Exhibit 18: Oil demand peak in 2030s; ~4mbpd growth to unfold



Source: FGE

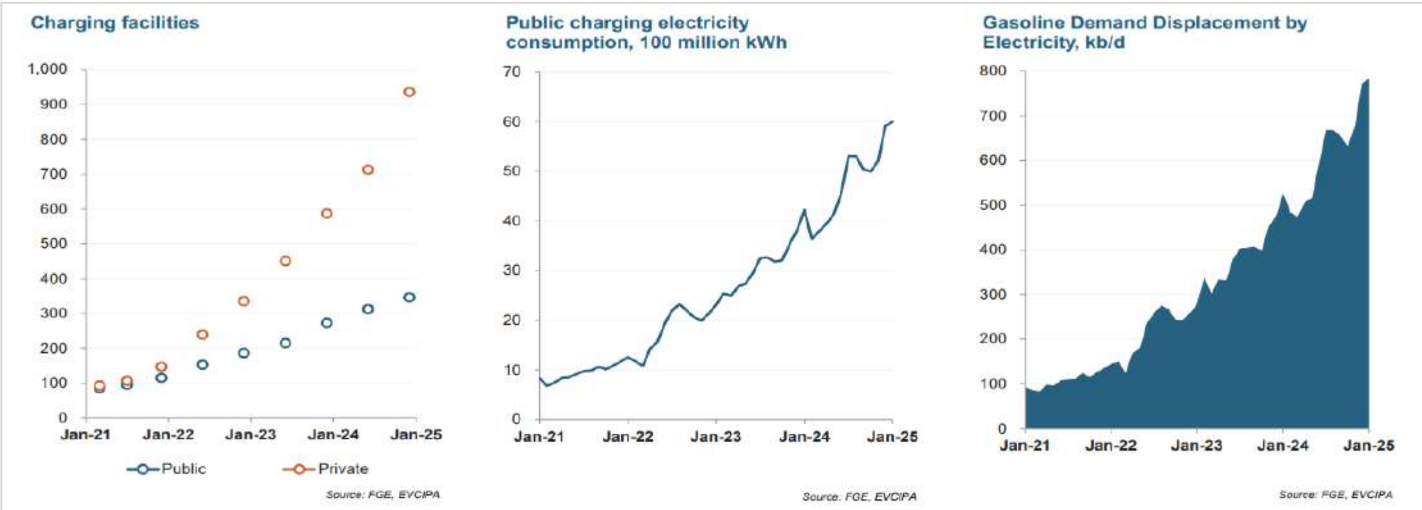
Exhibit 19: Cost of alternatives to oil too high, except for EVs



Source: FGE

**led by robust EV adoption*

Exhibit 20: Chinese gasoline demand replacement owing to rapid EV adoption has been on the rise for years



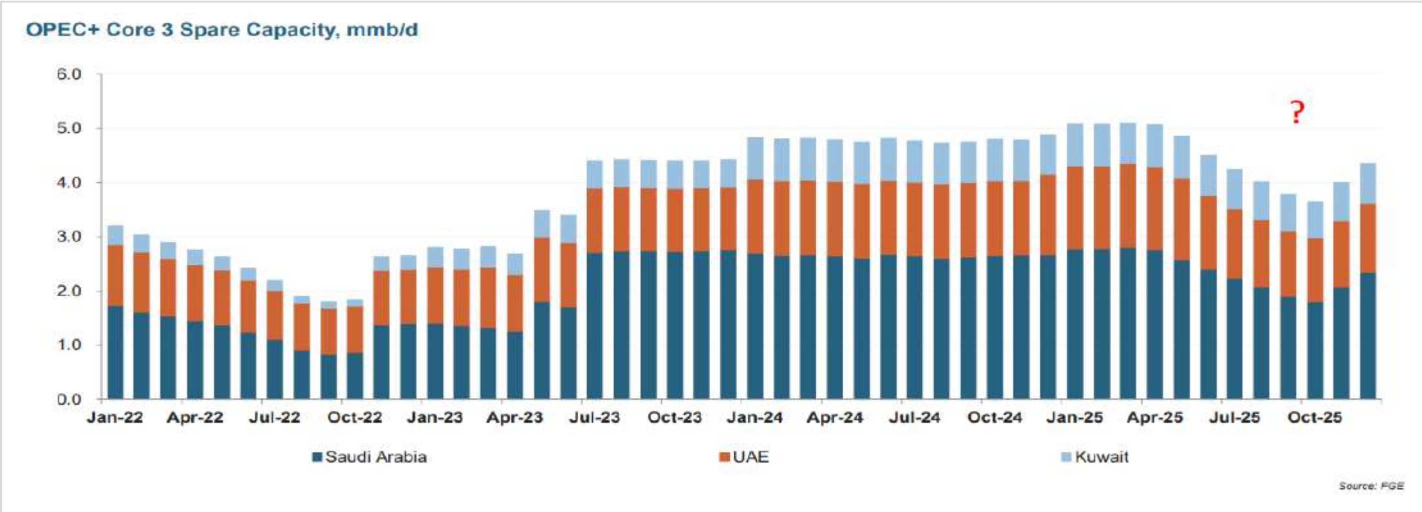
Source: FGE

Managing its spare capacity a continuing challenge for OPEC+

OPEC+'s spare capacities remain high. It has been cutting production since 2022 to keep the market in balance, which has increased OPEC+'s core spare capacity to as high as ~5mbpd. At high oil prices, the spare capacity has declined to as low as ~2mbpd. However, in the current scenario, despite all the ongoing geopolitical concerns, there is cushion from high spare capacity, which has restricted any material spike in crude oil prices.

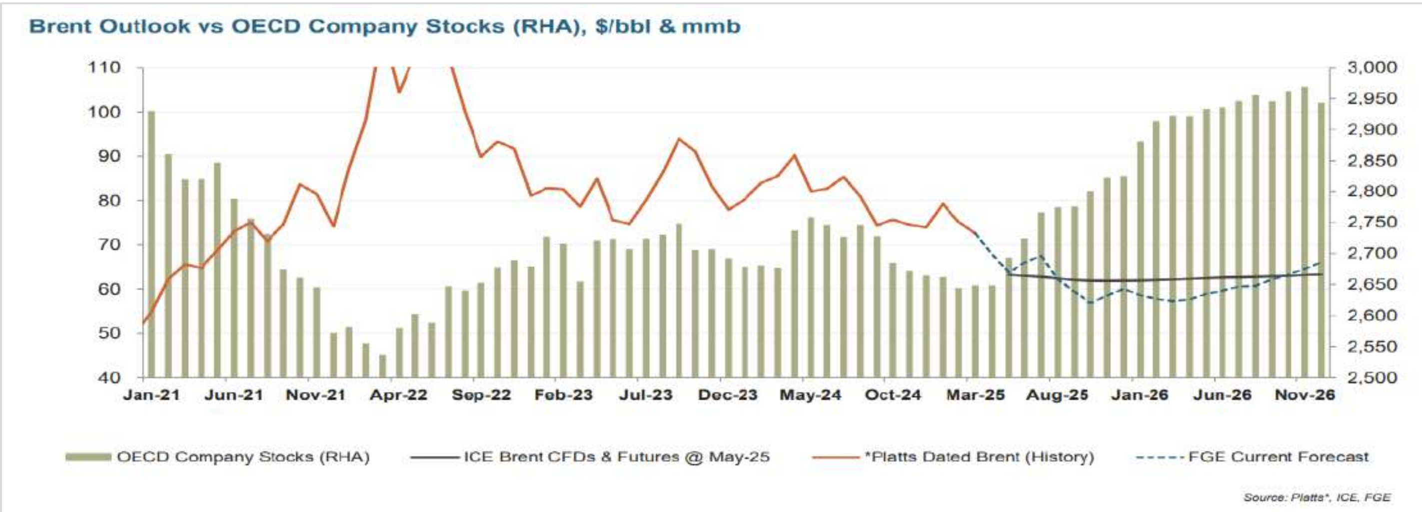
FGE believes crude oil prices could drop down to USD60/bbl levels as the impact of production hikes is felt a few months from now once seasonal demand from the North America driving season tails off.

Exhibit 21: OPEC's core spare capacity above 4mbpd



Source: FGE

Exhibit 22: OPEC strategy seems to be shifting as OECD inventories are allowed to build up



Source: FGE

Price more important for US energy supplies than policy

Trump 2.0 aims to alleviate inflationary pressures in energy prices by increasing US output and reducing prices. The administration has planned to:

1. open new areas to drilling—but most shale areas are not on federal land;
2. reduce regulatory burdens in areas such as methane emissions, which seems to be a mixed blessing as it can damage the US oil/LNG "brand"; and
3. speed up regulatory process for new pipelines and infrastructure, but benefits are expected over the medium to long term.

However, history shows that price is the most important driver of growth in US energy production. WTI above USD70/bbl sees growth, whereas oil below USD60/bbl results in flattening/declines. Large producers can maintain output and even grow marginally at USD50–60/bbl, while hedging can limit production losses in the short term.

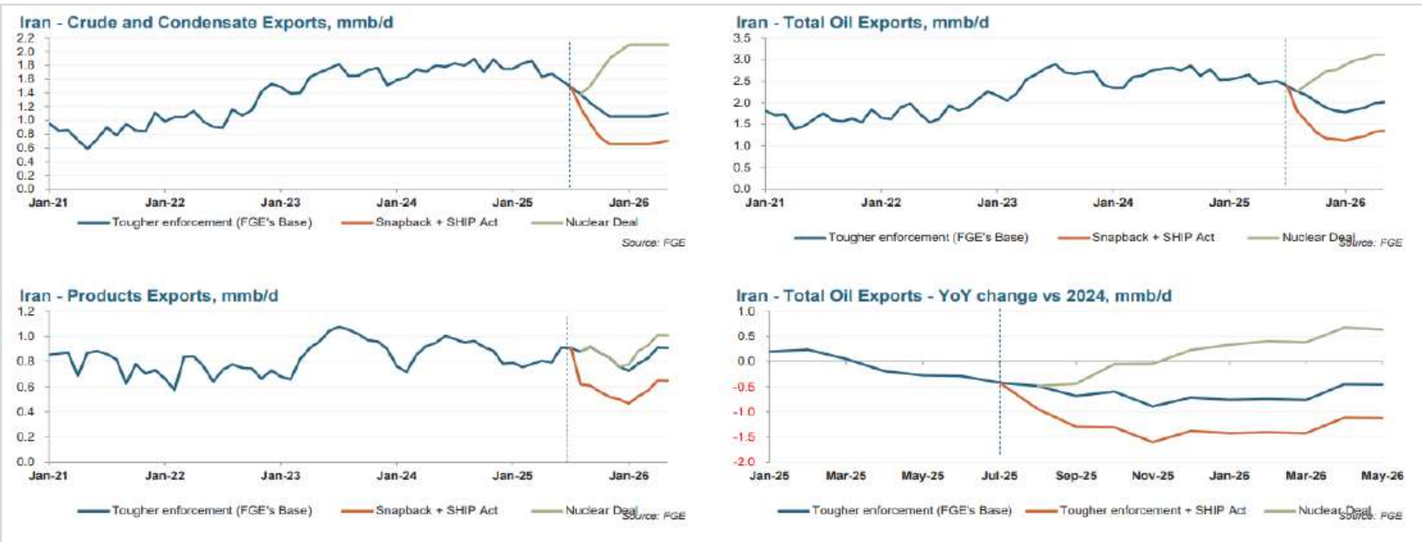
Exhibit 23: Price is more important for US energy producers with growth in supply seen only when WTI is beyond USD70/bbl

Source: FGE

Iranian crude supply under threat of disruption

Iran's oil production has hit a 40-year high of late led by elevated Chinese buying. The Trump administration might target (shipping) ports by imposing sanctions pertaining to trading in Iranian oil, thereby creating widespread friction and a potential spike in oil prices. Furthermore, the likelihood of a snapback of full sanctions is increasing due to the ongoing geopolitical tensions, reducing FGE's Iranian supply estimates by 300kbpd for Q4CY25 and 2026.

Exhibit 24: Iran crude and product exports scenario analysis



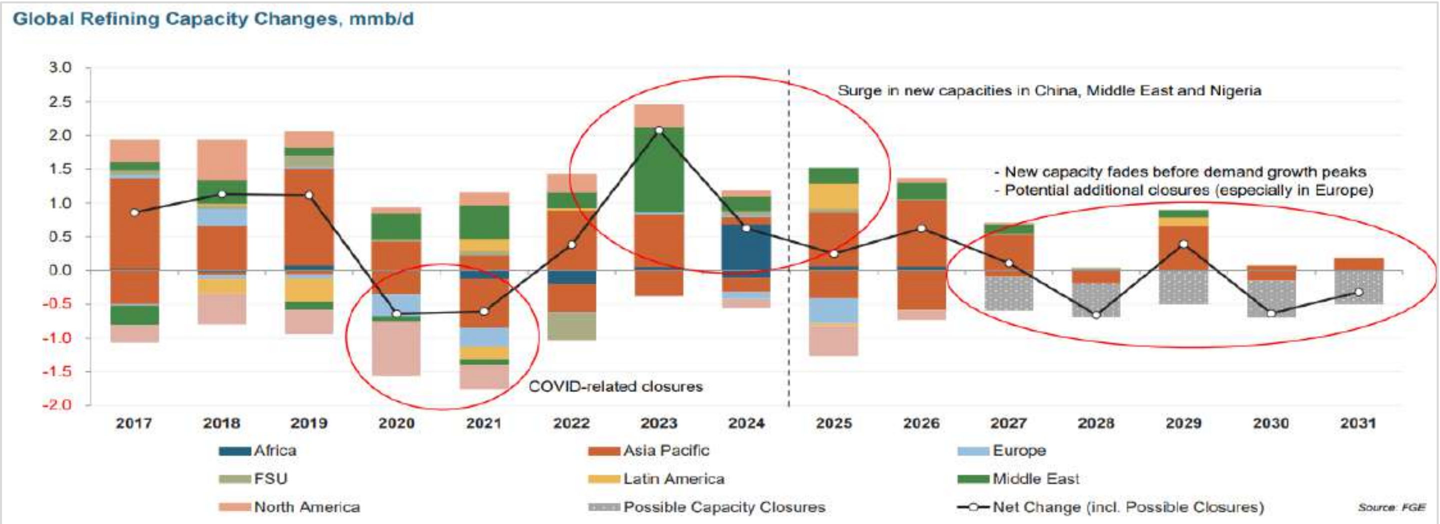
Source: FGE

Refining: Bright long-term prospects

Negative capacity-adds beyond CY27E

Global refinery capacity surged in CY23 led by lucrative margins in the wake of the post-covid supply deficit and the Russia-Ukraine conflict. These capacity additions, particularly in the Middle East, have led to the current subdued margin environment. However, post-CY27E, net global additions are expected to turn negative as new capacity-adds would fade before demand growth peaks out.

Exhibit 25: Refinery capacity changes (mbpd)

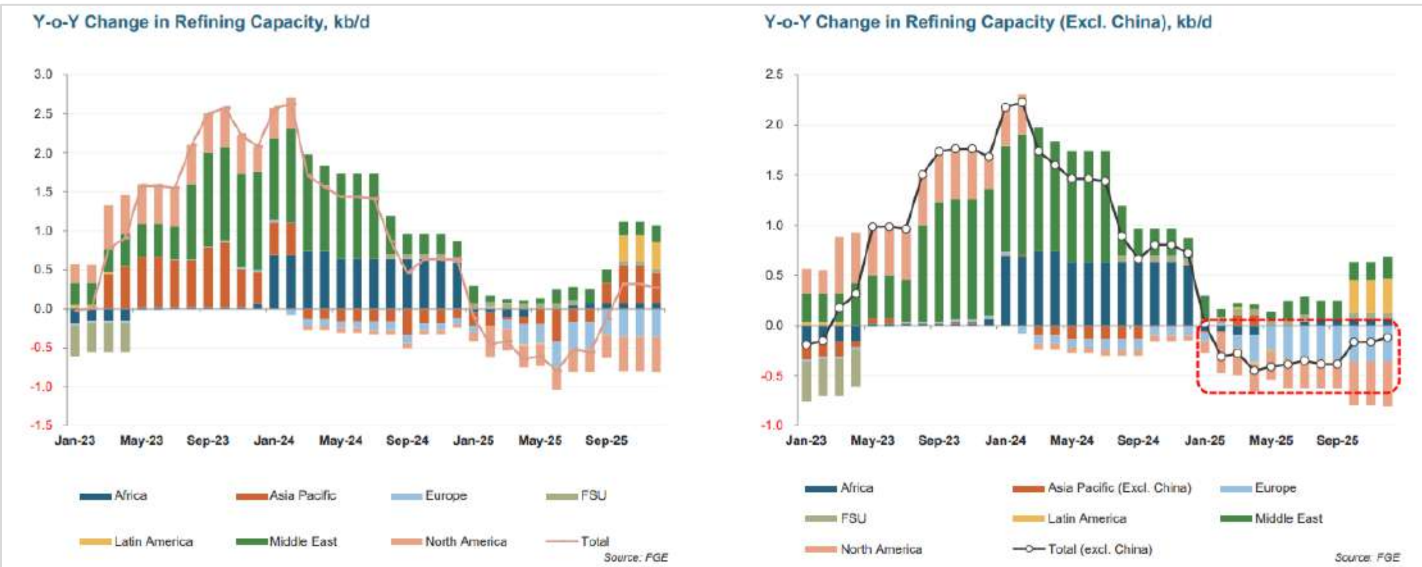


Source: FGE

Current GRMs elevated; near-term challenges persist

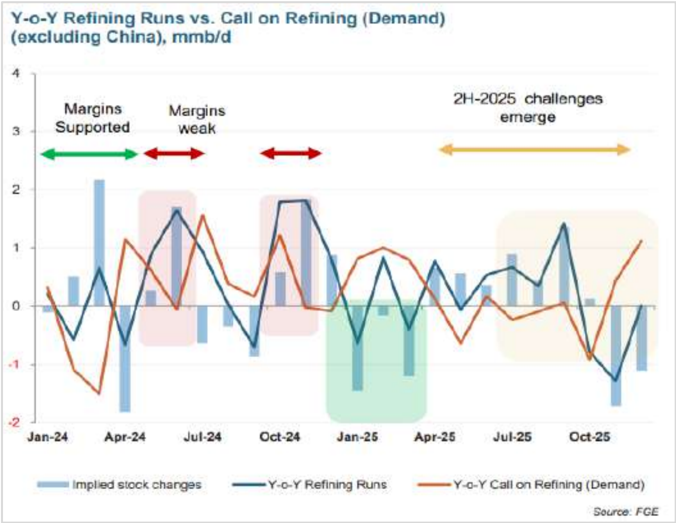
Current Singapore GRM of USD6–7/bbl is driven by seasonal demand on account of the driving season in North America. That is however expected to weaken during the course of the year as seasonal demand wanes and product inventory loosens—on lower demand and increased run rates from ramp-up of recent refineries.

Exhibit 26: CY25 may see net closures of refining capacity (ex-China) primarily in North America and Europe



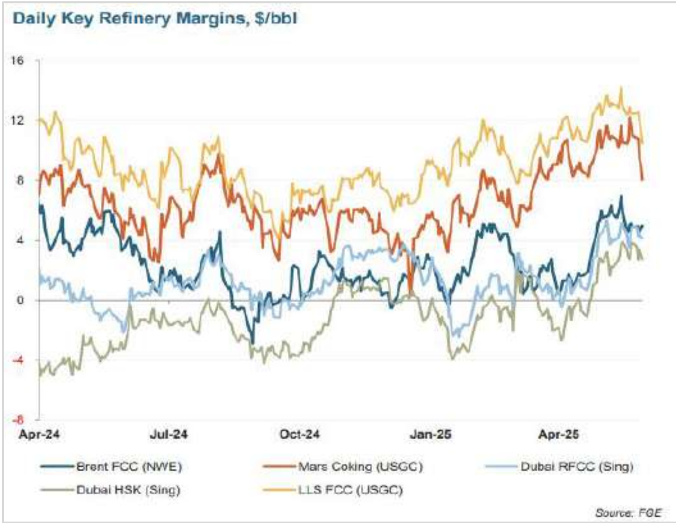
Source: FGE

Exhibit 27: YoY refining runs versus call on refining



Source: FGE

Exhibit 28: Daily refinery margins over last few months



Source: FGE

Company Description

Indian Oil Corporation (IOCL) is the largest oil marketing company (OMC) in India with a market share of ~47%. It also has the largest network of retail outlets (more than 35,000) and largest refining capacity at 80.7mtpa in the country. IOC has commissioned a 15mtpa refinery at Paradip, which is the most complex PSU refinery. The company also has a large presence in pipelines and chemicals.

Investment Theme

Among OMCs, IOCL's refineries are better in terms of complexity and, on average, have generated higher refining margins. The Paradip refinery, on full capacity utilisation, will consistently generate GRMs at a premium to Singapore benchmarks given its high complexity, adding to the company's overall refining margins.

IOCL enjoys the first-mover advantage and has a strong presence in the high entry barrier rural areas (~26%). This would enable it to ride robust rural demand growth.

We anticipate the golden era of refining to kick off CY24 onwards, enabling GRMs of >USD10/bbl. This shall improve earnings visibility in the long run.

With refining environment remaining subdued in the near term and the impact of LPG under recoveries, the peak earnings seen in FY24 are likely to deteriorate further. Thus, our downgrade to a REDUCE is panning out as highlighted previously [Irrationality prompt downgrade]

Key Risks

- Volatility in crude oil price due to geopolitical concerns remains a key risk
- Although we expect the deregulation regime to continue, a spate of state elections could herald a return of regulation of auto fuel prices, especially in the face of high oil prices.
- Investment in capital-intensive projects could result in lower returns.

Additional Data

Management

Chairman	Shri A S Sahney
Director (Pipelines)	Shri Nachimuthu Senthil Kumar
Director (Marketing)	Shri Satish Kumar Vaduguri
Director (Finance)	Shri Anuj Jain
Auditor	KHANDELWAL JAIN & CO, KG SOMANI & CO LLP, M K P S & ASSOCIATES, KOMANDOOR & CO LLP

Holdings – Top 10*

	% Holding		% Holding
Republic of Ind	51.50	Vanguard Group	1.18
Oil & Natural G	14.20	SBI Funds Manag	1.01
Life Insurance	6.46	BlackRock Inc	0.77
Oil India Ltd	5.16	ICICI Prudentia	0.54
IOC SHARES TRUS	2.48	Jupiter Fund Ma	0.46

**Latest public data*

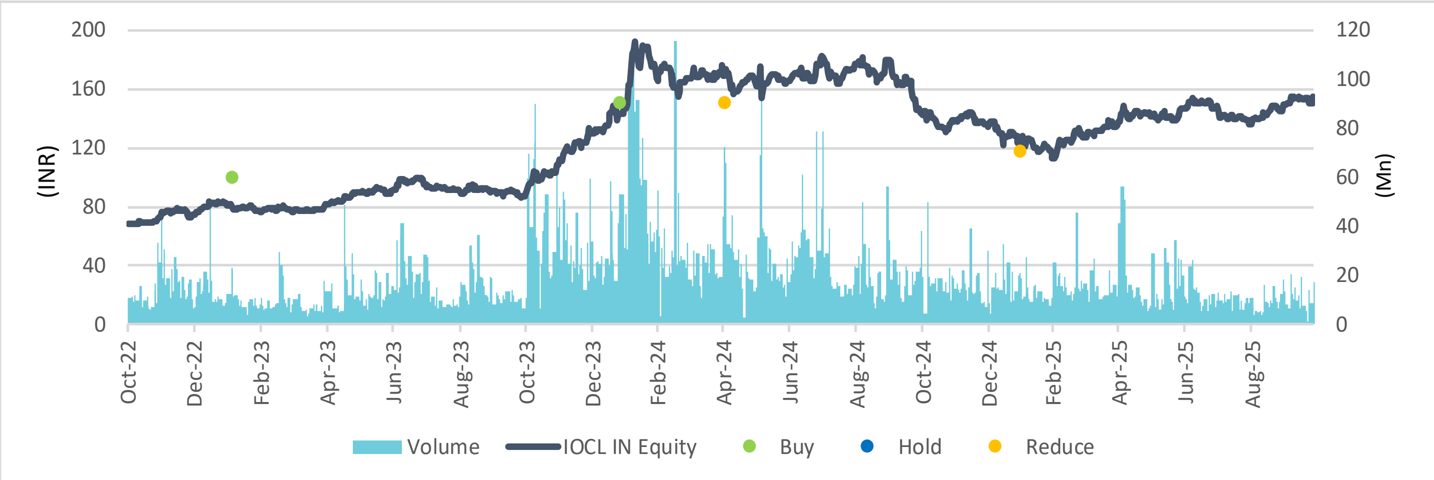
Recent Company Research

Date	Title	Price	Reco
18-Aug-25	Earnings miss on weak GRMs and petchem; *Result Update*	140	Reduce
02-May-25	Refining segment outperforms; *Result Update*	143	Reduce
28-Jan-25	Earnings deteriorate further; *Result Update*	127	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
19-Oct-25	Reliance Inds.	NE ramp up; multi-decadal drivers; *Result Update*
06-Oct-25	Oil & Gas	RIL, OMCs to outperform led by refining; *Sector Update*
29-Aug-25	Reliance Inds.	AGM speech: Multi-decadal opportunity ; *Company Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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