RESULT REVIEW

HOLD

TP: Rs 165 | ⮝ 7%

INDIAN OIL CORP | Oil & Gas | 28 October 2025

Above expectation results on improved product cracks

- **Q2 operational performance was above expectations due to better-than-expected refining performance**
- **Low crude prices will likely sustain the refining performance; refinery expansion to drive long-term growth**
- **Assuming coverage with HOLD and TP of Rs165, based on 6x EV/EBITDA on Sept'27**

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Operational performance above expectation: Revenue came in at Rs1,786bn (+2.1%YoY, -7.1%QoQ);8% below consensus estimates. EBITDA came in at Rs162bn (+368.5%YoY, +22.4%QoQ) and was 22% above consensus estimates, due to a better-than-expected refining segment performance.

Refining performance: GRM came at USD10.7/bbl vs USD1.8/bbl in Q2FY25, due to higher product cracks. Crude brent prices for Q2FY26E averaged USD68/bbl, down USD1/bbl QoQ and down USD11/bbl YoY. Cracks improved YoY: MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25.

Marketing business: Domestic sales volumes were 22.9mnt (+4.2%YoY, -8.5%QoQ). Exports volumes were 1.4mnt (+37%YoY, +4.1%QoQ).

LPG under-recovery: IOC has received communication in October 2025 regarding a compensation of Rs145bn towards underrecoveries incurred on the sale of domestic LPG up to 31st Mar.2025 and to be incurred up to 31st Mar.2026. This will be disbursed in 12 equal monthly instalments. 1st payment will be Rs12bn in Nov 2025.

Visibility on capex programme: IOCL has an ongoing capex programme of Rs1.6-1.8trn targeted at refining expansion and petchem projects. Considering the delays associated with large-scale expansion projects in the construction and stabilisation of operations, we estimate major benefit to kick in post FY28 only. Incurred a capex of Rs158bn in H1FY26. Net debt stood at Rs1,350bn vs Rs1,392bn on Mar'25, with Net Debt/Equity of 0.7x.

Coverage with HOLD: We remain positive on business growth, driven by sustainability of product cracks. However, concern remains on likely decline in usage of Russian crude which can impact GRM. We are assuming coverage with HOLD and TP of Rs165 on 6.0x EV/EBITDA on Sept.27.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IOCL IN/Rs 155
Market cap	US$ 24.1bn
Free float	49%
3M ADV	US$ 15.5mn
52wk high/low	Rs 157/Rs 111
Promoter/FPI/DII	52%/7%/10%

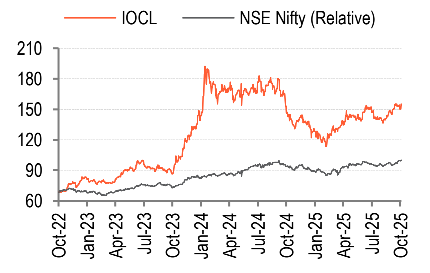
Source: NSE | Price as of 28 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	7,581,058	7,563,071	8,016,609
EBITDA (Rs mn)	359,905	551,628	548,990
Adj. net profit (Rs mn)	135,978	242,794	228,036
Adj. EPS (Rs)	9.9	17.6	16.6
Consensus EPS (Rs)	9.9	16.8	16.9
Adj. ROAE (%)	7.4	12.6	11.2
Adj. P/E (x)	15.6	8.8	9.3
EV/EBITDA (x)	9.2	6.3	6.6
Adj. EPS growth (%)	(67.4)	78.6	(6.1)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

(Rs mn)	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Revenue	1,786,282	1,923,407	(7.1)	1,749,761	2.1	3,709,688	3,688,210	0.6
EBITDA	162,450	132,675	22.4	34,671	368.5	295,125	133,885	120.4
EBITDA margin (%)	9.1	6.9		2.0		8.0	3.5	
Depreciation	42,272	41,786	1.2	40,651	4.0	84,059	81,679	2.9
Interest	22,697	20,701	9.6	25,464	(10.9)	43,397	46,262	(6.2)
Other income	6,443	5,833	10.5	7,233	(10.9)	12,276	12,543	(2.1)
PBT	103,924	76,020	36.7	(24,212)	529.2	179945	18,487	873.4
Tax	29,129	19,424	50.0	(1,399)	2181.6	48,552	9,785	396.2
Reported PAT	78,176	68,137	14.7	(1,696)	4709.9	146,313	32738.5	346.9
Exceptional item	0	0	NA	11,573	(100.0)	0	11573	-
Adj. PAT	78,176	68,137	14.7	(13,269)		146,313	23,957	510.7
Adj. PATM (%)	4.4	3.5		(0.8)		4.0	0.6	
EPS (Rs)	5.54	4.83	14.7	(1)	689.2	10.36	1.70	510.7

Source: Company

Fig 2 – Q2FY26 Actual v/s consensus

Particulars	Q2 Actual	Consensus	VAR (%)
Revenue (Rs mn)	1,786,282	1,938,490	(7.9)
EBITDA (Rs mn)	162,450	132,675	22.4
EBITDA margin (%)	9.1	6.8	NA
PAT (Rs mn)	78,176	68,137	14.7
EPS (Rs)	5.5	5.0	11.8

Source: Bloomberg

Fig 3 – Business performance

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Domestic sales (mnt)	22.9	25.0	(8.5)	21.9	4.2	47.8	46.0	4.0
Export sales (mnt)	1.4	1.4	4.1	1.0	37.0	2.8	2.2	24.7
Crude throughput (mnt)	17.6	18.7	(5.7)	16.7	5.2	36.3	34.9	4.0
Pipelines throughput (mnt)	24.1	26.3	(8.3)	24.0	0.4	50.3	49.8	1.1
Average gross refining margin (USD/bbl)	10.7	2.2	395.8	1.8	502.3	6.3	4.1	54.9

Source: Company

Fig 4 – Petchem details

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
Revenue	63,914	67,641	(5.5)	68,134	(6.2)	131,555	136,028	(3.3)
EBIT	1,684	(10)	-	(916)	-	1,674	(797)	-
EBIT % margin	2.6	(0.02)	-	(1)	-	1.3	(0.6)	-

Source: Company

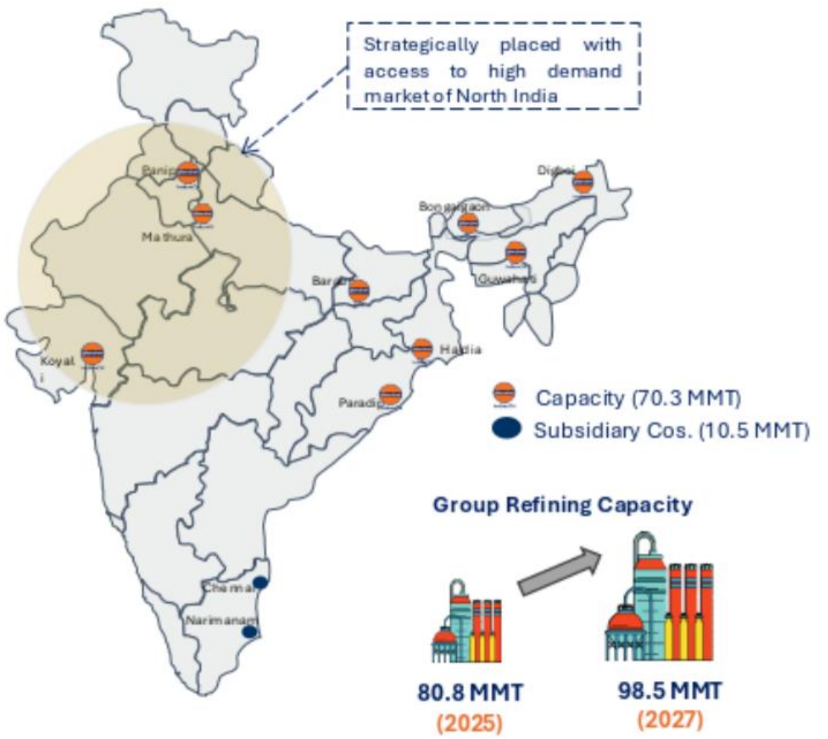
Call Highlights

- **Refining performance:** Refinery margin performance was strong due to higher product cracks and improvement in refinery efficiency. GRM came in at USD10.7 vs USD1.8 in Q2FY25 and USD2.2in Q1FY26. Normalised GRM stood at USD8.9/bbl in Q2FY26 vs USD6.9 in Q1FY26. MS petrol cracks stood at USD6/bbl vs USD4 in Q2FY25. HSD (Diesel) cracks are at USD14 vs USD10 in Q2FY25.
- **Russian crude usage:** Russian crude accounted for 18-19% of IOCL's crude basket in Q2FY26 down from the Q1FY26 level due to the decline in crude throughput QoQ. Discount stands at USD2-3/bbl. Management commented that the company continues to procure Russian oil in the month of October.
- **Marketing business:** Domestic volumes growth was good at 4.2%YoY. However, it decreased by 8.5%QoQ as the above-normal monsoon impacted the volumes of major products. Management is positive about volume performance due to the continuation of economic activity, which will keep the demand strong for petroleum products. It sees improvement in sales in H2FY26E.
- **Retail outlets:** During Q2 – 597, outlets were added, taking the total to 41,253outlets.
- **Pipeline business performance:** IOC achieved pipeline throughput of 24mnt in Q2FY26, higher on YoY basis. Pipeline capacity utilisation was at 66.7% vs 73.5% in Q1FY26. The Gujarat refinery shutdown has impacted the pipeline throughput on a QoQ basis.
- **Petchem business performance:** IOC reported sales volumes of 0.77mnt in Q2 vs 0.83mnt in Q2FY25. Reported volumes of 1.6mnt in H1FY26 vs 1.56mnt in H1FY25. Current spreads are subdued due to weak global demand and global capacity additions.
- **LPG under recovery:** The under-recovery per cylinder currently stands at Rs40 and for Q2FY26 – it was at Rs100.
- **Capex:** IOC guided a capex of Rs335bn for FY26E. This includes Rs140bn for refining, Rs100bn for marketing &pipeline business and Rs25bn for Petchem business.
- **Net debt:** Net debt decreased to Rs1,350bn on Sept'25 vs Rs1,392bn on Mar'25 due to strong cashflow generation. Gross debt was Rs1,369bn as on Sept.25. Net Debt/Equity stood at 0.7x.
- **Other business**
    - IOC has signed an LNG supply agreement with Tarfigura to procure 4mnt of LNG from July25 to Dec29.

Business Overview

- Indian Oil Corporation (IOCL) is engaged in the business of refining and marketing in India with interests in downstream and upstream value chain.
  - It has pipelines of both crude and product.
  - It has petrochemical capacity of 4.3mntpa.
  - E&P assets: 14 domestic and 11 overseas blocks
- Total refining capacity is 80.8mnt. Its standalone refining capacity is 70mnt with 9 refineries. IOCL has a 51.9% stake in Chennai Petroleum, which owns and operates a 10.5mnt refinery in Tamil Nadu.
- IOCL is the largest oil refiner with 31% market share and has 41,253 retail pump outlets. Its refineries are spread all over India. It has a strong position in North and East India.

Fig 5 – Geographic spread of IOC refineries



Source: Company

Pipeline segment:

- IOC owns 70% of India's total pipelines network for products. Crude pipelines supply crude to the refineries and the product pipelines connect IOC refineries to the consuming markets.
- As of March 2025; total pipeline length was 20,005km, comprising 130 MMTPA capacity of liquid pipelines (crude and product) and 49mmscmd capacity of gas pipelines.

- Its pipeline business is a natural monopoly business, and takes time to build a large network and get approvals for the same. Other OMCs – HPCL and BPCL – also have pipelines but are relatively of much lesser length vs IOC's network length.

Fig 6 – Pipeline network (km) of IOC, HPCL & BPCL

	IOC	HPCL	BPCL
Product pipeline (Km)	20,005	5,134	3,537

Source: Company

Petrochemical segment:

- The company has a production capacity of 4.3mntpa and sold 3.2mnt in FY25. With an extensive portfolio, it markets under the brand name "Propel".

Fig 7 – Sales volumes in last 3years

	FY23	FY24	FY25
Petchem volumes (mn t)	2.2	3.1	3.2

Source: Company

- Going forward, the company plans to increase petrochemical capacity to 13.2mntpa by 2030. In this, it will be enhancing petrochemicals integration at Paradip, Panipat and Gujarat refineries. A key focus of this expansion would be the development of high-margin specialty chemicals, targets 25% of new capacity in specialty chemicals by 2030. This will take the petrochemical intensity index from 6.1% to 15.0% by 2030.
- Previously, it has forward integrated into Petrochemicals in 2005 at important locations at the Koyali refinery site and Panipat refinery site.

Growth drivers exit via expansion projects

IOCL has an ongoing capex programme targeted at refining expansion and petchem projects. Under this, IOC plans to invest Rs1.6-1.8trn over the next 5 years on various projects. Considering the delays associated with large-scale expansion projects in the construction and stabilisation of operations, we estimate the benefits to kick in post FY28 only.

Key growth drivers

- **Investment plan**: IOC plans to invest Rs1.6-1.8trn over the next 5 years on various projects. It will be Rs300-350bn investment per year. Major projects accounting for Rs1.1trn of investments are 1) refinery expansion – Rs600bn; petrochemicals – Rs280bn and pipeline projects – Rs190bn.

- **Refinery capacity expansion**: IOC is increasing its overall capacity by 26mnt from 81mnt to 107mnt, along with associated value-added projects by FY28. Expansion would be at Panipat refinery, Gujarat refinery, Barauni refinery and at Nagapattnum under JV with Chennai Petroleum (CPCL). Considering the delays associated with projects, we expect the benefit to come in once stabilisation happens – most likely post FY28E.

Fig 8 – Expansion projects

Details	Expansion (mnt)	From	Capacity post expansion (mnt)	Estimated commissioning
Panipat Refinery	10.0	15.0	25.0	Q1FY27
Gujarat Refinery	4.3	13.7	18.0	Q1FY27
CPCL - CBR Nagapattinam Refinery	9.0	0.0	9.0	FY28
Barauni Refinery	3.0	6.0	9.0	Q2FY27
Total	**26.3**	**34.7**	**61.0**	

Source: Company

- **Petrochemical capacity and integration:** IOCL plans to ramp up petrochemical capacity to 13.2mntpa by 2030. In this, it will be enhancing petrochemicals integration at Paradip, Panipat and Gujarat refineries. A key focus of this expansion would be the development of high-margin specialty chemicals. It targets 25% of new capacity in specialty chemicals by 2030. This will take the petrochemical intensity index from 6.1% to 15.0% by 2030.

- **Pipeline projects:** IOCL will spend Rs190bn on pipeline projects. Key pipeline project is Mundra-Panipat crude pipeline and Kandla-Gorakhpur LPG pipeline.

  Execution of these projects over the long term would drive business growth and value-added projects will likely benefit, in terms of margin expansion. Since the demand for refinery products is strong, we expect utilisation to remain high and volumes to be easily absorbed in the market.

Valuation Methodology

We remain positive on business growth, driven by the sustainability of product cracks and likely low crude prices.

Based on the growth drivers and assumptions:

- We estimate growth in petroleum products to be in line with industry growth. Considering the competition among OMCs, we estimate petrol growth to be 3% in FY26E and FY27E; diesel growth is likely to be 1% for FY26E and 1.5% for FY27E.
- Blended GRM is estimated to be in the range of USD7.0-7.8 during the FY26-FY28E period.
- Petchem volumes are estimated to remain stable at 3.5mnt, considering a limited upside in production volumes.

Fig 9 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Refinery Utilization (%)					
Standalone	105	98	100	100	95
CPCL	100	100	100	100	100
GRM (USD/bbl)					
Blended GRM	12.1	4.8	7.0	7.5	7.8
CPCL	7.0	6.0	6.0	6.3	6.5
Marketing margin (Rs/KL)					
Petrol	5,000	2,500	2,600	2,600	2,600
Diesel	500	2,300	2,500	2,500	2,650
Growth in key products (%)					
Petrol	6.0	3.0	3.0	3.0	4.0
Diesel	4.0	2.5	1.0	1.5	2.5
Petchem business					
Sales volumes (mn t)	3.1	3.2	3.5	3.5	3.5
USD-INR rate	**82.8**	**87.0**	**87.0**	**87.0**	**87.0**
Brent (US$/bbl)	80.0	80.0	60.0	60.0	60.0

Source: BOBCAPS Research

EV/EBITDA-based valuation rationale

We are assuming coverage with HOLD and TP of Rs165 on 6x EV/EBITDA on Sept'27 and value of investments.

Fig 10 – Valuation summary

	EBITDA (Rs mn)	Multiple (x)	Rs mn	Value (Rs/share)	Comments
IOC (Standalone)	539,250	6.0	3,235,497	235	Assign a 6.0x multiple in-line normalized commodity cycle
Valuation of Investments					
ONGC				18	
Petronet LNG				4	
Oil India				2	
GAIL				2	
CPCL				5	
Investments - Total				31	
Net debt			1,392,550	101	
Target price			**3,235,497**	**165**	

Source: BOBCAPS Research

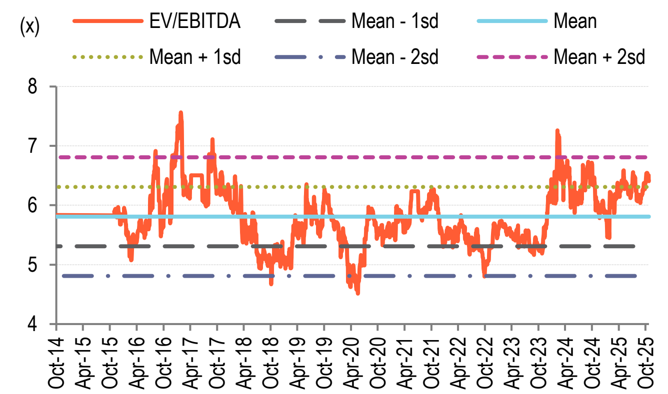
Key Risks

Key downside risks to our estimates:

- **Delay in projects execution may raise cost and postpone growth**: IOC has faced delays and cost overruns in the past on key projects. Its Panipat refinery expansion was delayed due to a delay in awarding PMC project management consultancy contracts, high tender quotations and rise in steel prices after the contract was awarded. As there are major projects in refinery expansion, along with petrochemicals and pipeline projects, execution pace would continue to be a concern.

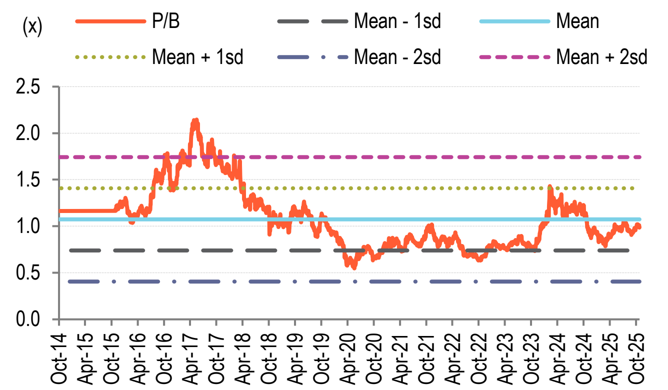
- **Refining business:** Lower-than-estimated GRM in the refining business can affect the operational performance of Refining business. Thus, low crude prices and the usage of Russian crude going forward, is key. With the current sanction relating to Russian crude, this can impact margins up to some extent.

Fig 11 – EV/EBITDA2YF



Source: Bloomberg

Fig 12 – P/B1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**7,763,519**	**7,581,058**	**7,563,071**	**8,016,609**	**8,217,858**
EBITDA	755,951	359,905	551,628	548,990	584,108
Depreciation	(158,661)	(167,773)	(180,720)	(201,070)	(210,902)
EBIT	635,675	227,269	406,748	384,477	410,494
Net interest inc./(exp.)	(78,257)	(92,619)	(99,412)	(97,101)	(109,416)
Other inc./(exp.)	38,386	35,137	35,840	36,557	37,288
Exceptional items	0	0	0	0	0
EBT	557,419	153,030	307,336	287,376	301,078
Income taxes	(141,266)	(32,746)	(77,356)	(72,333)	(75,781)
Extraordinary items	0	18,380	0	0	0
Min. int./Inc. from assoc.	29,774	19,514	22,746	22,924	23,103
Reported net profit	**417,297**	**135,978**	**242,794**	**228,036**	**238,469**
Adjustments	0	0	0	0	0
Adjusted net profit	**417,297**	**135,978**	**242,794**	**228,036**	**238,469**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	594,541	605,349	493,214	522,790	535,915
Other current liabilities	696,609	692,626	692,626	692,626	692,626
Provisions	106,283	100,127	100,127	100,127	100,127
Debt funds	1,234,536	1,425,599	1,590,599	1,718,599	1,823,599
Other liabilities	310,022	334,722	334,722	334,722	334,722
Equity capital	137,716	137,716	137,716	137,716	137,716
Reserves & surplus	1,696,447	1,727,158	1,848,555	1,962,573	2,081,807
Shareholders' fund	1,881,630	1,910,247	2,036,609	2,155,593	2,279,793
Total liab. and equities	**4,823,620**	**5,068,671**	**5,247,898**	**5,524,458**	**5,766,782**
Cash and cash eq.	31,571	33,049	35,405	38,269	42,668
Accounts receivables	138,315	185,510	193,598	230,104	248,642
Inventories	1,213,758	1,138,785	1,138,288	1,206,548	1,236,837
Other current assets	92,055	109,111	109,111	109,111	109,111
Investments	551,620	568,496	568,496	568,496	568,496
Net fixed assets	1,921,595	1,971,620	2,140,901	2,309,831	2,498,929
CWIP	573,169	737,404	737,404	737,404	737,404
Intangible assets	38,372	39,791	39,791	39,791	39,791
Deferred tax assets, net	0	0	0	0	0
Other assets	706,058	743,424	743,424	743,424	743,424
Total assets	**4,823,620**	**5,068,671**	**5,247,898**	**5,524,458**	**5,766,782**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**784,972**	**401,307**	**390,385**	**438,024**	**509,912**
Capital expenditures	(417,153)	(388,106)	(350,000)	(370,000)	(400,000)
Change in investments	(133,514)	(16,766)	0	0	0
Other investing cash flows	(14,636)	(9,473)	0	0	0
Cash flow from investing	**(565,303)**	**(414,345)**	**(350,000)**	**(370,000)**	**(400,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(166,613)	191,063	165,000	128,000	105,000
Interest expenses	(78,257)	(92,619)	(99,412)	(97,101)	(109,416)
Dividends paid	(165,259)	(41,315)	(121,397)	(114,018)	(119,234)
Other financing cash flows	201,063	(42,613)	17,780	17,958	18,138
Cash flow from financing	**(209,064)**	**14,516**	**(38,029)**	**(65,161)**	**(105,513)**
Chg in cash & cash eq.	**10,604**	**1,479**	**2,356**	**2,863**	**4,400**
Closing cash & cash eq.	**31,570**	**33,049**	**35,405**	**38,269**	**42,668**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	30.3	9.9	17.6	16.6	17.3
Adjusted EPS	30.3	9.9	17.6	16.6	17.3
Dividend per share	12.0	3.0	8.8	8.3	8.7
Book value per share	133.2	135.4	144.2	152.5	161.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	0.4	0.4	0.5	0.5	0.5
EV/EBITDA	4.4	9.2	6.3	6.6	6.4
Adjusted P/E	5.1	15.6	8.8	9.3	8.9
P/BV	1.2	1.1	1.1	1.0	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.7	78.6	74.8	74.8	74.8
Interest burden (PBT/EBIT)	0.9	0.6	0.8	0.7	0.7
EBIT margin (EBIT/Revenue)	8.2	3.0	5.4	4.8	5.0
Asset turnover (Rev./Avg TA)	1.7	1.5	1.5	1.5	1.5
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	25.8	7.4	12.6	11.2	11.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(7.8)	(2.4)	(0.2)	6.0	2.5
EBITDA	146.2	(52.4)	53.3	(0.5)	6.4
Adjusted EPS	326.2	(67.4)	78.6	(6.1)	4.6
Profitability & Return ratios (%)					
EBITDA margin	9.7	4.7	7.3	6.8	7.1
EBIT margin	8.2	3.0	5.4	4.8	5.0
Adjusted profit margin	5.4	1.8	3.2	2.8	2.9
Adjusted ROAE	25.8	7.4	12.6	11.2	11.0
ROCE	19.4	6.4	10.7	9.4	9.5
Working capital days (days)					
Receivables	7	9	9	10	11
Inventory	57	55	55	55	55
Payables	31	31	26	26	26
Ratios (x)					
Gross asset turnover	1.7	1.5	1.5	1.5	1.5
Current ratio	0.7	0.7	0.7	0.8	0.8
Net interest coverage ratio	8.1	2.5	4.1	4.0	3.8
Adjusted debt/equity	0.6	0.7	0.7	0.7	0.7

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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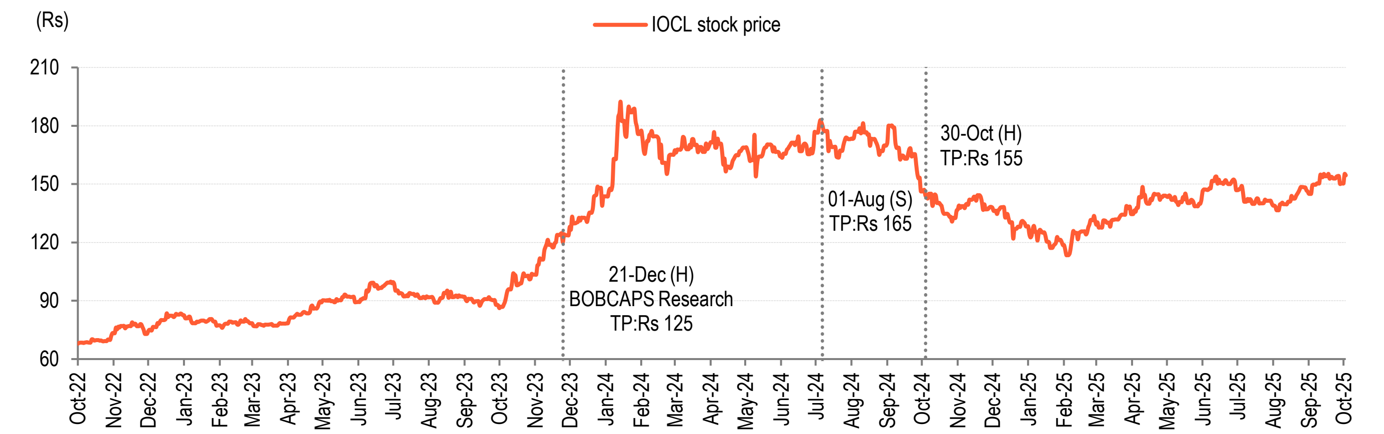
Recommendation scale: Recommendations and Absolute returns (%) over 12 months
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): INDIAN OIL CORP (IOCL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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