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OIL & GAS

30 October 2024

Near-term challenges, earnings growth key for medium term

- **Q2 miss due to higher inventory losses and LPG under-recovery; underlying R&M margin strong on high auto fuel margins**
- **Weak refining, LPG under-recovery, cut in auto fuel prices and Q2 inventory losses weigh on FY25 earnings; medium-term outlook healthy**
- **Maintain BUY on HPCL (revised TP Rs 450) on growth delivery, HOLD on BPCL (TP Rs 315) and upgrade IOCL to HOLD (revised TP Rs 155)**

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Q2 miss but underlying margins fine: While Oil Marketing Companies (OMCs) missed consensus forecasts, underlying R&M profitability was healthy at US$ 6.4/bbl excluding inventory losses and at US$ 9.3/bbl further excluding LPG under-recovery on strong auto fuel margins after pullback in crude prices.

Near-term challenges: Despite strong auto fuel margins, OMC's profitability in FY25E is likely to be impacted by (i) near-term weak outlook on refining, (ii) lower probability of reversal of inventory losses faced in Q2 owing to range-bound outlook for crude prices, (iii) potential pass through of higher auto fuel costs to consumers, and (iv) timing uncertainty or budgetary support for recouping LPG under-recovery. We lower FY25E EBITDA by 6%/ 8%/ 13% for BPCL/ HPCL/ IOCL.

Healthy medium-term outlook: The ability of Indian consumers to absorb retail auto fuel prices at least up to crude prices of US$ 85-90/bbl and range-bound outlook on crude price given increasing OPEC surplus are positive drivers for the marketing margins of OMCs. While refining outlook has weakened, closures of high-cost refineries in developed world could help rebalance the market. Beyond FY25, we currently assume mid-cycle margins for OMCs.

Adjust TPs: We maintain our TP for BPCL at Rs 315, and adjust TPs for HPCL to Rs 450 (from Rs 465) and IOCL to Rs 155 (from Rs 165), factoring in changes to our estimates and roll forward of valuation to Sep'25. While we maintain our target 1Y fwd EV/EBITDA multiple at 6x for BPCL and HPCL, we continue to use a lower 5.5x for IOCL given its higher earnings volatility.

Prefer HPCL amongst OMCs: With stock prices baking in mid-cycle margin assumptions for FY26, earnings growth becomes the key catalyst. We maintain BUY on HPCL as it is well positioned to deliver earnings growth ahead of other OMCs from completion of projects. We maintain HOLD on BPCL given the growth hiatus till FY28 due to a pause in investments over FY20-23. We upgrade IOCL to HOLD from SELL given the 20% correction in stock price over the past month. While IOCL is pursuing an ambitious investment programme, visibility on its delivery is still low.

Recommendation snapshot

Ticker	Price	Target	Rating
BPCL IN	311	315	HOLD
HPCL IN	389	450	BUY
IOCL IN	144	155	HOLD

Price & Target in Rupees | Price as of 29 Oct 2024

OMCs Q2 review

Headline miss

All three OMCs missed Bloomberg consensus estimates as well as our forecasts for Q2. Miss to our estimates was due to higher inventory loss than our anticipation as well as higher under-recovery on LPG during the quarter.

Sequential decline for BPCL and IOCL: HPCL registered a contrasting trend with a sequential increase amid sharper recovery in marketing margin owing to lower base. All three OMCs were impacted by weak refining margin as well as inventory losses across both refining and marketing division. Under-recovery on LPG also continued to weigh on them.

Fig 1 – OMCs missed consensus and our forecasts

(Rs bn)	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	Consensus	Delta (%)	BOBCAPS	Delta (%)
BPCL									
Revenue	1,028	1,131	(9.1)	1,030	(0.2)	1,090	(5.7)	934	10.0
EBITDA	**45**	**57**	**(19.5)**	**129**	**(64.8)**	**60**	**(24.8)**	**62**	**(26.2)**
Net income (adjusted)	24	30	(20.5)	85	(71.8)	41	(41.8)	33	(27.8)
HPCL									
Revenue	999	1138	(12.2)	957	4.4	1024	(2.5)	976	2.3
EBITDA	**27**	**21**	**29.3**	**82**	**(66.8)**	**42**	**(35.4)**	**38**	**(28.2)**
Net income (adjusted)	6	4	77.4	51	(87.7)	19	(67.3)	18	(64.4)
IOCL									
Revenue	1,738	1,932	(10.0)	1,797	(3.3)	1,825	(4.8)	1,631	6.6
EBITDA	**36**	**89**	**(59.4)**	**212**	**(83.0)**	**98**	**(63.2)**	**91**	**(60.6)**
Net income (adjusted)	(10)	26	(137.0)	130	(107.5)	23	(143.2)	33	(129.4)

Source: Company, Bloomberg, BOBCAPS Research

Underlying R&M EBITDA still healthy

While apparent profitability for OMCs were low at US$ 3.9/bbl below the historical mid-cycle range of US$ 6-7/bbl, underlying profitability excluding inventory losses was within the band at US$ 6.4/bbl. Impact of weak refining margin was more than offset by healthy marketing margin, which was the result of steady retail auto fuel prices despite a sharp pullback in crude prices.

Even marketing profitability was impacted by under-recovery on LPG prices, which are usually reimbursed by central government separately. Excluding it, underlying Refining and Marketing (R&M) profitability works out to US$ 9.3/bbl. This is significantly above mid-cycle range.

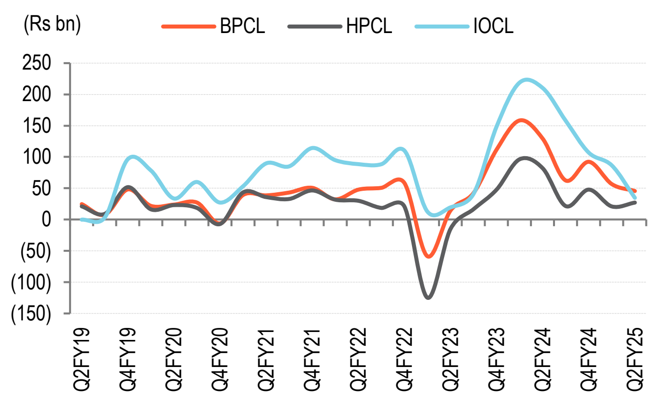
Of the three OMCs, BPCL's results were relatively stronger whereas IOCL was the weakest.

Fig 2 – Underlying R&M profitability was quite healthy in Q2

Parameter	BPCL	HPCL	IOCL	OMCs
R&M EBITDA (Rs bn)	45	27	35	108
Inventory loss estimate (Rs bn)	20	14	35	69
LPG under-recovery (Rs bn)	21	23	37	81
R&M Unit EBITDA (Rs/t)				
Including inventory loss	3,555	2,345	1,696	2,393
Excluding inventory loss	5,125	3,549	3,392	3,926
Excluding inventory loss and LPG under-recovery	**6,771**	**5,490**	**5,202**	**5,723**
R&M Unit EBITDA (US$/ bbl)				
Including inventory loss	5.8	3.8	2.8	3.9
Excluding inventory loss	8.3	5.8	5.5	6.4
Excluding inventory loss and LPG under-recovery	**11.0**	**8.9**	**8.5**	**9.3**

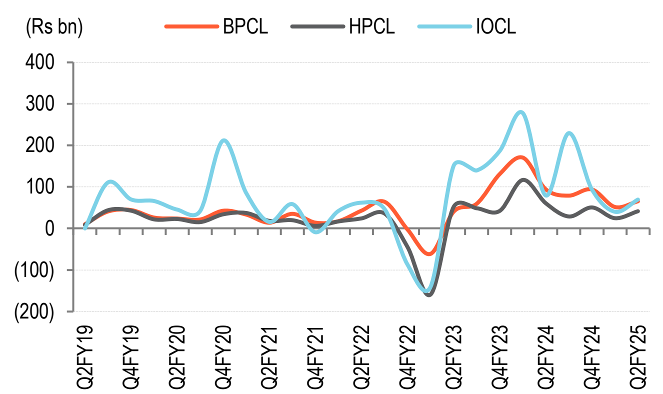
Source: Company, BOBCAPS Research

Fig 3 – R&M EBITDA including inventory gains



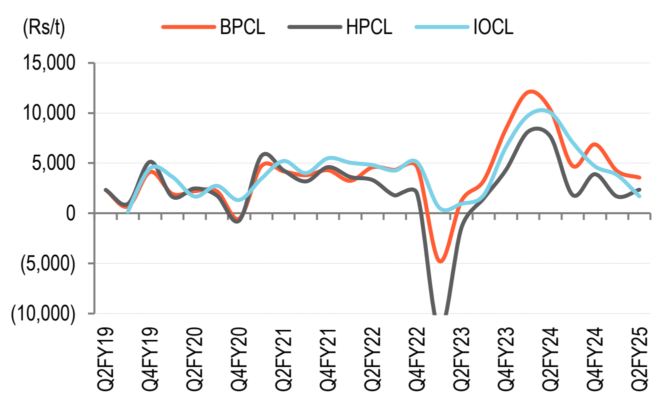
Source: Company, BOBCAPS Research | R&M: Refining & Marketing

Fig 4 – R&M EBITDA excluding inventory gains



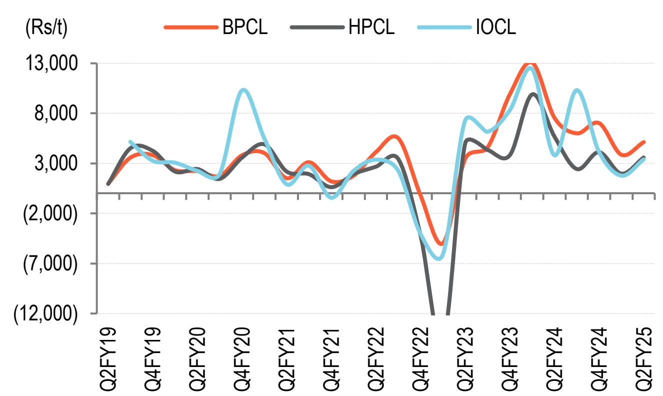
Source: Company, BOBCAPS Research

Fig 5 – R&M EBITDA/tonne including inventory gains



Source: Company, BOBCAPS Research

Fig 6 – R&M EBITDA/tonne excluding inventory gains



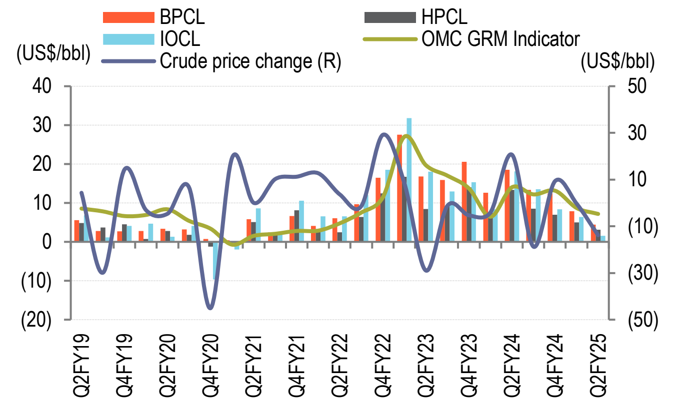
Source: Company, BOBCAPS Research

Refining impacted by external downturn

Refining EBITDA, including inventory loss, was significantly weak for all three OMCs. While BPCL clocked a modest profit with a 64% QoQ decline, HPCL retracted to break-even and IOCL plunged into a loss. Even excluding inventory loss, refining EBITDA was below mid-cycle levels for both HPCL and IOCL and were impacted by sharp contraction in fuel spreads.

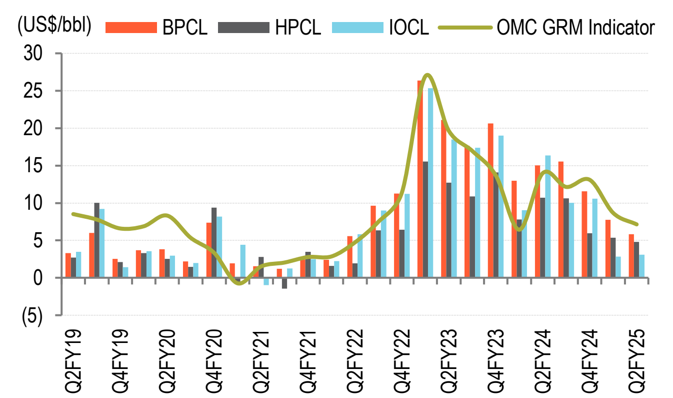
- **Core GRM (excluding inventory gain) impacted by lower product spreads:** IOCL's core GRM at US$ 3.1/bbl compares with US$ 4.8/bbl reported by HPCL.
- **Inventory loss adds to the woes:** Refining was impacted by an inventory loss this quarter with a sharp pullback in crude prices. While IOCL indicated impact of inventory loss at US$ 1.5/bbl, HPCL faced loss of US$ 1.7/bbl.
- **Headline GRM (including inventory gain) sees a sharp pullback:** GRM contracted by US$ 2-5/bbl QoQ for three OMCs. Absolute gross refining margin (GRM) for BPCL (US$ 4.4/bbl) was higher than HPCL (US$ 3.1/bbl) and IOCL (US$ 1.6/bbl).

Fig 7 – GRM including inventory gains



Source: Company, BOBCAPS Research

Fig 8 – Core GRM excluding inventory gains



Source: Company, BOBCAPS Research

High marketing margin offsets the impact

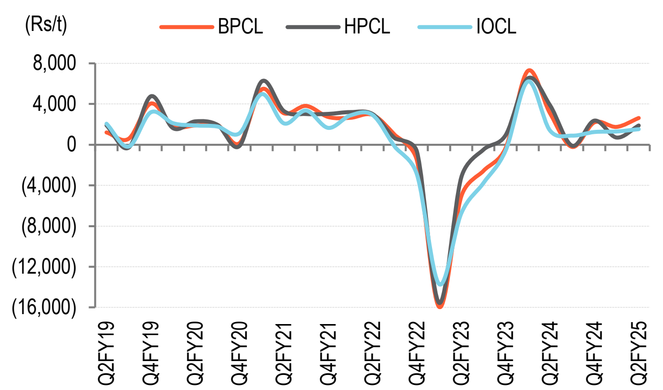
Amid steady retail auto fuel prices and sharp pullback in crude as well as refining margin, marketing EBITDA was strong. Collectively for OMCs, marketing EBITDA was at Rs 1,928/t including inventory losses, at Rs 2,769/t excluding inventory losses, and at Rs 4,721/t excluding LPG under-recovery. This is particularly strong in a context that we assume mid-cycle EBITDA margin at Rs 2,000-2,500/t for OMCs.

Fig 9 – Strong under-lying marketing margin in Q2 in historical context

Parameter	BPCL	HPCL	IOCL	OMCs
Marketing EBITDA (Rs bn)	**33**	**22**	**31**	**87**
Inventory loss estimate (Rs bn)	11	7	19	38
LPG under-recovery (Rs bn)	21	23	37	81
Marketing Unit EBITDA (Rs/t)				
Including inventory loss	2,612	1,885	1,526	1,928
Excluding inventory loss	3,482	2,530	2,460	2,769
Excluding inventory loss and LPG under-recovery	**4,983**	**4,387**	**4,732**	**4,721**

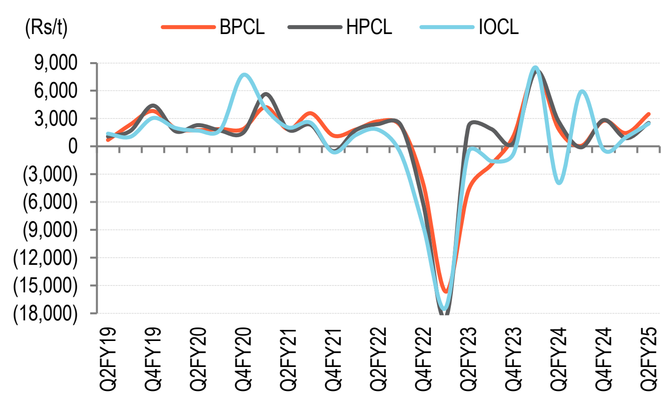
Source: Company, BOBCAPS Research

Fig 10 – Marketing EBITDA/t including inventory gain



Source: Company, BOBCAPS Research

Fig 11 – Marketing EBITDA/t excluding inventory gain



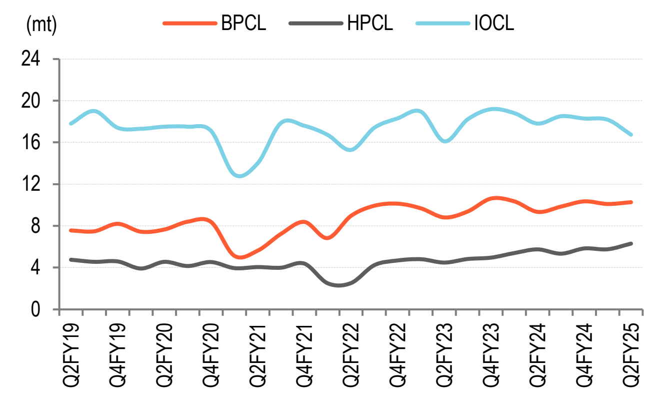
Source: Company, BOBCAPS Research

Volume growth mixed

On refining, HPCL clocked the highest sequential increase in throughput of 9% on the back of the ramp-up at the Vizag or Visakh refinery, operating close to its full capacity even prior to the completion of Residue Upgrade Facility. In contrast, IOCL's throughput was down -8% QoQ on maintenance shutdown at Haldia refinery.

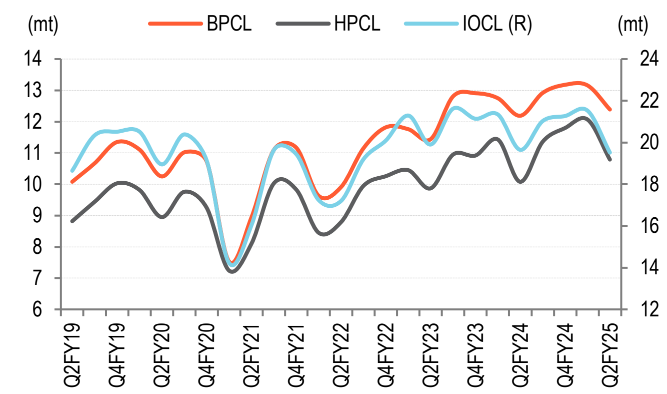
On domestic marketing, volume growth was soft collectively for the three OMCs at 3.7% YoY, in line with overall growth of 3.3% in India sales. Softness was primarily in diesel consumption which was flat YoY. Further OMCs have lost market share in diesel sales to other private players. Amongst OMCs, HPCL recorded 7% YoY growth due to lower base last year and IOCL recorded a modest -0.7% YoY decline owing to a stronger quarter. Effectively consumption is normalising for both HPCL and IOCL.

Fig 12 – Refining throughput



Source: Company, BOBCAPS Research

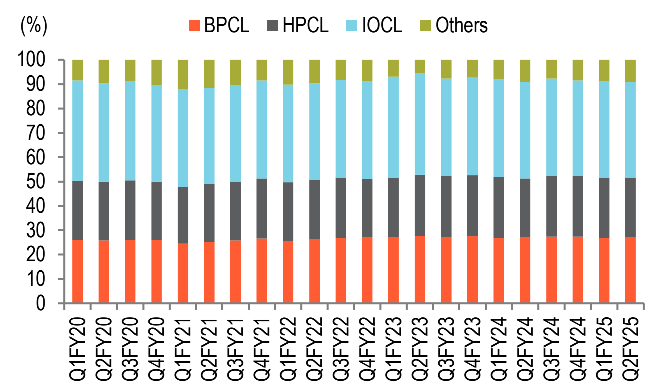
Fig 13 – Marketing throughput (domestic)



Source: Company, BOBCAPS Research

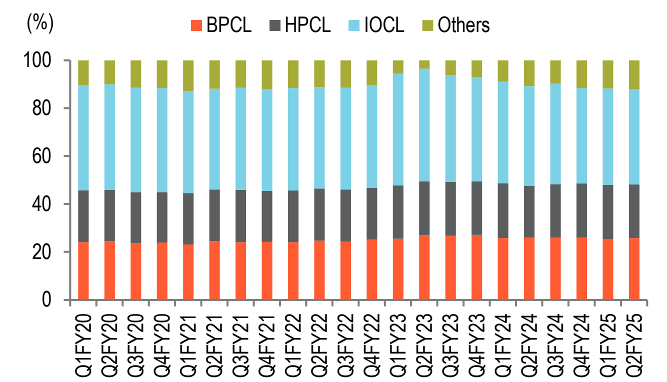
Amongst key product categories, OMCs collectively have been losing market share on diesel sales to private players for the last three quarters.

Fig 14 – Petrol: Steady market share for OMCs



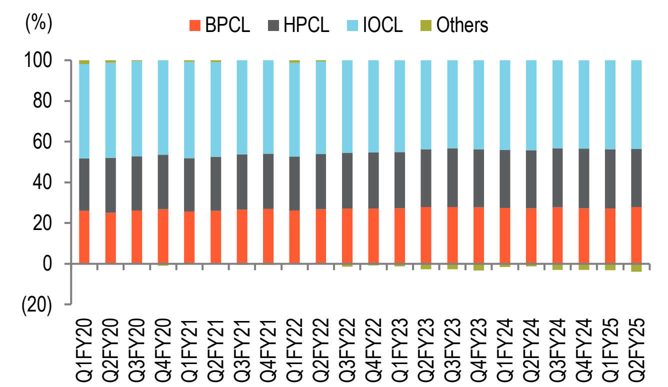
Source: Company, Petroleum Planning and Analysis Cell, Bloomberg

Fig 15 – Diesel: Losing market share



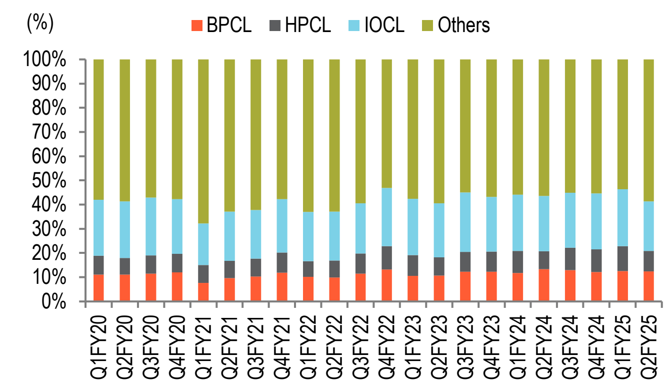
Source: Company, Petroleum Planning and Analysis Cell, Bloomberg

Fig 16 – LPG: Marginally gained market share



Source: Company, Petroleum Planning and Analysis Cell, BOBCAPS Research

Fig 17 – Other petroleum products: Market share trend



Source: Company, Petroleum Planning and Analysis Cell, BOBCAPS Research

We capture below quarterly performance for each of the OMCs.

BPCL

Fig 18 – BPCL's quarterly performance

Parameters	Unit	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	H1FY25	H1FY24	YoY (%)
Revenue	Rs bn	1,028	1,131	(9.1)	1,030	(0.2)	2,159	2,160	0.0
EBITDA	**Rs bn**	**45**	**57**	**(19.5)**	**129**	**(64.8)**	**102**	**287**	**(64.5)**
EBITDA+Other income	Rs bn	54	62	(11.7)	137	(60.3)	116	300	(61.3)
Net income (adjusted)	Rs bn	24	30	(20.5)	85	(71.8)	54	191	(71.6)
EPS	Rs	5.6	7.1	(20.5)	20.0	(71.9)	12.7	44.7	(71.7)
EBITDA breakdown									
Refining incl inventory gains	Rs bn	12	33	(63.6)	91	(86.7)	45	154	(70.6)
Marketing incl inventory gains	Rs bn	33	23	43.0	38	(13.2)	57	133	(57.4)
Subtotal	**Rs bn**	**45**	**57**	**(19.5)**	**129**	**(64.8)**	**102**	**287**	**(64.5)**
EBITDA breakdown separating out inventory gains									
Refining excluding inventory gains	Rs bn	21	33	(35.5)	71	(70.4)	54	136	(60.7)
Marketing excl inventory gains	Rs bn	45	19	130.8	24	89.3	64	129	(50.6)
Inventory gains	Rs bn	(20)	5	(532.3)	35	(158.0)	(15)	22	(171.0)
Subtotal	**Rs bn**	**45**	**57**	**(19.5)**	**129**	**(64.8)**	**102**	**287**	**(64.5)**
Operational parameters									
Volume									
Refining throughput	Mt	10.3	10.1	1.7	9.4	9.9	20.4	19.7	3.5
Market sales- domestic	Mt	12.4	13.2	(5.9)	12.2	1.6	25.6	24.9	2.4
Market sales- domestic+ export	Mt	12.8	13.4	(4.8)	12.5	2.2	26.2	25.6	2.5
Gross refining margin									
i) BPCL	US$/bbl	4.4	7.9	(43.9)	18.5	(76.1)	6.1	15.4	(60.3)
ii) Mumbai Refinery	US$/bbl	3.4	4.7	(27.7)	14.5	(76.8)	4.0	10.6	(62.4)
iii) Kochi Refinery	US$/bbl	4.7	7.9	(39.7)	19.7	(76.0)	6.6	17.5	(62.4)
iv) Bina Refinery	US$/bbl	6.1	12.8	(52.6)	28.2	(78.5)	9.6	22.4	(57.2)
Marketing EBITDA									
Including inventory gains	Rs/t	2,612	1,740	50.1	3,077	(15.1)	2,164	5,209	(58.5)
Excluding inventory gains	Rs/t	3,482	1,437	142.3	1,881	85.2	2,433	5,042	(51.7)
R&M EBITDA per tonne of marketing volume									
Including inventory gains	Rs/t	3,555	4,207	(15.5)	10,318	(65.5)	3,889	11,222	(65.3)
Excluding inventory gains	Rs/t	5,125	3,861	32.7	7,552	(32.1)	4,478	10,372	(56.8)
Including inventory gains	US$/bbl	5.8	6.9	(15.9)	17.0	(66.0)	6.3	18.6	(65.8)
Excluding inventory gains	US$/bbl	8.3	6.3	32.2	12.5	(33.0)	7.3	17.2	(57.4)

Source: Company, BOBCAPS Research

HPCL

Fig 19 – HPCL quarterly performance

Parameter	Unit	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	H1FY25	H1FY24	YoY (%)
Revenue	Rs bn	999	1,138	(12.2)	957	4.4	2,137	2,077	2.9
EBITDA	**Rs bn**	**27**	**21**	**29.3**	**82**	**(66.8)**	**48**	**179**	**(73.0)**
EBITDA+ Other income	Rs bn	33	27	23.2	86	(61.5)	60	188	(68.3)
Net income (adjusted)	Rs bn	6	4	77.4	51	(87.7)	10	114	(91.4)
EBITDA breakup									
Refining incl inventory gains	Rs bn	0	7	(93.7)	36	(98.8)	8	50	(84.9)
Marketing incl inventory gains	Rs bn	27	14	92.3	46	(42.0)	41	128	(68.3)
Subtotal	**Rs bn**	**27**	**21**	**29.2**	**82**	**(66.8)**	**48**	**179**	**(73.0)**
EBITDA breakdown separating out inventory gains									
Refining excluding inventory gains	Rs bn	7	8	(15.0)	27	(73.9)	15	43	(64.0)
Marketing excl inventory gains	Rs bn	29	11	162.1	29	1.1	41	126	(67.6)
Inventory gains	Rs bn	(14)	(4)	(296.6)	21	(166.1)	(18)	1	(1694.8)
Pipeline	Rs bn	5	5	(4.4)	5	6.5	10	9	5.9
Subtotal	**Rs bn**	**27**	**21**	**29.2**	**82**	**(66.8)**	**48**	**179**	**(73.0)**
Operational parameters									
Volume									
Refining throughput	Mt	6.3	5.8	9.4	5.8	9.6	12.1	11.2	8.2
Pipeline throughput	Mt	6.5	6.8	(4.4)	6.1	6.5	13.4	12.6	5.9
Market sales- domestic	Mt	10.8	12.1	(10.6)	10.1	7.0	22.9	21.5	6.3
Market sales- domestic+ export	Mt	11.6	12.6	(8.0)	10.7	8.2	24.3	22.6	7.3
Margin									
GRM (incl inventory gains)	US$/bbl	3.1	5.0	(38.1)	13.3	(76.6)	4.0	10.5	(61.6)
Marketing EBITDA incl inventory gains	Rs/t	1,884	697	170.2	3,872	(51.3)	1,266	5,259	(75.9)
Marketing EBITDA excl inventory gains	Rs/t	2,538	891	184.8	2,716	(6.6)	1,680	5,561	(69.8)
R&M EBITDA incl inventory gains	Rs/t	2,344	1,669	40.4	7,650	(69.4)	1,993	7,911	(74.8)
R&M EBITDA excl inventory gains	Rs/t	3,565	1,952	82.6	5,652	(36.9)	2,725	7,862	(65.3)
R&M EBITDA incl inventory gains	US$/bbl	3.8	2.7	39.9	12.6	(69.8)	3.3	13.1	(75.2)
R&M EBITDA excl inventory gains	US$/bbl	5.8	3.2	81.8	9.3	(37.8)	4.4	13.0	(65.8)

Source: Company, BOBCAPS Research

IOCL

Fig 20 – IOCL's quarterly performance

Parameter	Unit	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)	H1FY25	H1FY24	YoY (%)
Revenue	Rs bn	1,738	1,932	(10.0)	1,797	(3.3)	3,671	3,773	(2.7)
EBITDA	**Rs bn**	**36**	**89**	**(59.4)**	**212**	**(83.0)**	**125**	**434**	**(71.2)**
EBITDA + Other income	Rs bn	50	94	(47.1)	222	(77.6)	144	451	(68.1)
Net income (adjusted)	Rs bn	(10)	26	(137.0)	130	(107.5)	17	267	(93.8)
EBITDA breakdown									
Refining incl inventory gains	Rs bn	(14)	38	(138.5)	163	(108.9)	23	223	(89.6)
Marketing incl inventory gains	Rs bn	31	29	6.3	29	7.6	61	169	(64.0)
Pipeline	Rs bn	18	19	(7.1)	18	0.5	37	37	2.0
Petrochemicals	Rs bn	1	2	(45.9)	2	(44.7)	3	5	(33.5)
Subtotal	**Rs bn**	**36**	**89**	**(59.4)**	**212**	**(83.0)**	**125**	**434**	**(71.2)**
EBITDA breakdown separating out inventory gains/losses									
Refining excl inventory gains	Rs bn	1	(2)	164.2	144	(99.2)	(1)	213	(100.3)
Marketing excl inventory gains	Rs bn	50	23	123.1	(82)	161.2	73	109	(32.7)
Inventory gain	Rs bn	(35)	46	(175.3)	130	(126.7)	11	71	(83.9)
Pipeline	Rs bn	18	19	(7.1)	18	0.5	37	37	2.0
Petrochemicals	Rs bn	1	2	(45.9)	2	(44.7)	3	5	(33.5)
Subtotal	**Rs bn**	**36**	**89**	**(59.4)**	**212**	**(83.0)**	**125**	**434**	**(71.2)**
Operational parameters									
Refining throughput	mt	16.7	18.2	(7.9)	17.8	(6.0)	34.9	36.6	(4.6)
Pipeline throughput	mt	24.0	25.8	(7.1)	23.9	0.4	49.8	48.9	1.8
Market sales- domestic	mt	19.5	21.5	(9.3)	19.7	(0.7)	41.0	41.0	0.1
Market sales- domestic+ export	mt	20.5	22.7	(9.6)	20.9	(1.9)	43.2	43.4	(0.3)
Petrochem sale volume	mt	0.8	0.7	3.1	0.8	(6.1)	1.5	1.6	(2.3)
GRM (incl inventory gains)	US$/bbl	1.6	6.4	(75.1)	18.1	(91.2)	4.1	13.1	(68.9)
GRM (excl inventory gains)	US$/bbl	3.1	2.8	9.5	16.3	(81.0)	3.0	12.6	(76.4)
Marketing EBITDA incl inventory gains	Rs/t	1,526	1,298	17.6	1,389	9.9	1,406	3,888	(63.8)
Marketing EBITDA excl inventory gains	Rs/t	2,460	997	146.7	(3,941)	162.4	1,692	2,505	(32.5)
Pipeline EBITDA assumption	Rs/t	750	750	-	749	-	750	749	-
R&M EBITDA incl inventory gains	Rs/t	1,696	3,809	(55.5)	10,035	(83.1)	2,806	9,886	(71.6)
R&M EBITDA excl inventory gains	Rs/t	3,392	1,772	91.5	3,798	(10.7)	2,541	8,251	(69.2)
R&M EBITDA incl inventory gains	US$/bbl	2.8	6.2	(55.7)	16.6	(83.3)	4.6	16.4	(71.8)
R&M EBITDA excl inventory gains	US$/bbl	5.5	2.9	90.7	6.3	(11.9)	4.2	13.7	(69.4)
Petrochemicals EBITDA	US$/t	19	36	(47.8)	33	(41.9)	28	41	(32.5)

Source: Company, BOBCAPS Research

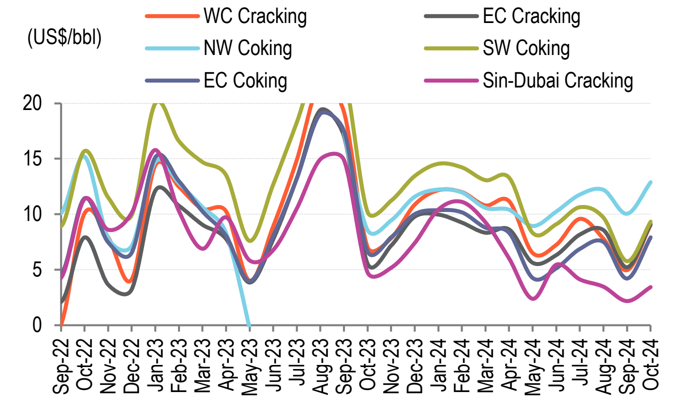
Outlook

Refining margin

Refining margin outlook for the near term remains soft. While there is a possibility of pick-up in winter months if refinery cuts come through, the outlook will still depend on demand recovery amid adequate supply of products with ramp-up of new refineries.

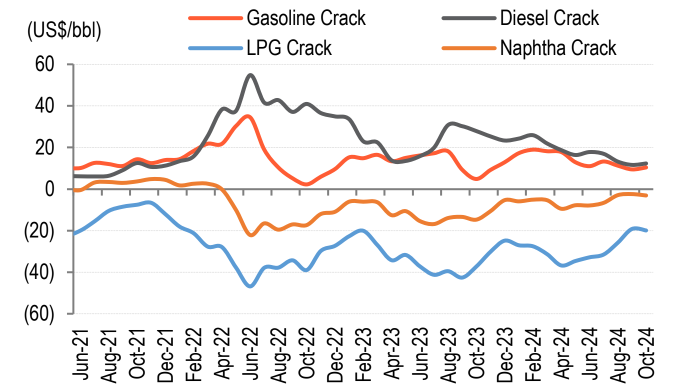
- **Several challenges exist in the near term –** (a) lower global operating rates for both refinery (79.2%) and petrochemical (80.0%), (b) weak demand amid adequate supply of products, and (c) continuing ramp-up of new refineries in Africa.
- **But possibility of tightening as well in the near term –** due to (a) potential refinery cuts in Europe and Asia amid weak margins, (b) further pick-up in aviation fuel demand, (c) pick-up in heating oil demand. However, the quantum of tightening will depend on the level of demand recovery.
- **Russian crude usage continuing –** Margins are supported by the continuing benefit of Russian crude usage with a modest discount of US$ 3-3.5.

Fig 21 – Refining margin



Source: LSEG Workspace, BOBCAPS Research, Notes: WC: West Coast, EC: East Coast, NW: North-west, Sin-Dubai: Singapore Dubai

Fig 22 – Petroleum product crack spread

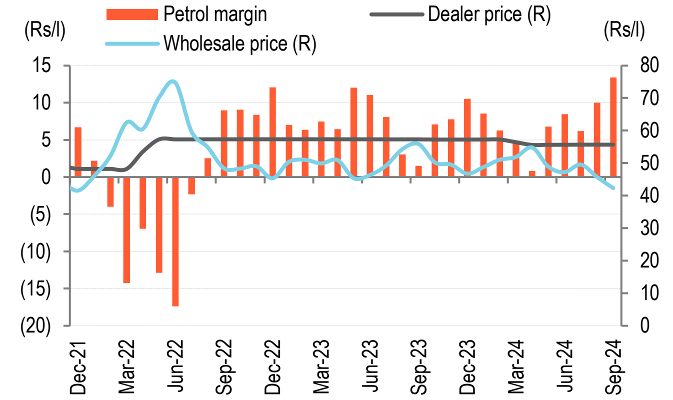


Source: Bloomberg, BOBCAPS Research

Marketing margin

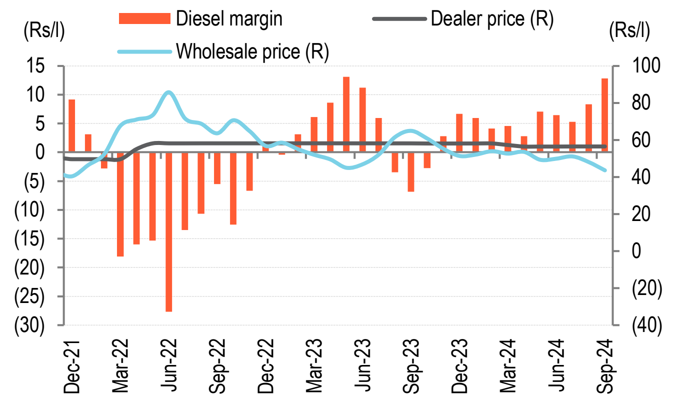
Retail auto fuel margin likely to normalise – BPCL confirmed that the retail auto fuel margin of Rs 3.5/l is sufficient for its cash generation needs for committed capex. This implies that current margin on both petrol and diesel are on the higher side and the benefit will be passed on to the consumer at some stage. OMCs are likely waiting for stability in crude prices before they undertake pass through.

Fig 23 – Petrol marketing margin indicator



Source: CMIE, Petroleum Planning and Analysis Cell, BOBCAPS Research

Fig 24 – Diesel marketing margin indicator



Source: CMIE, Petroleum Planning and Analysis Cell, BOBCAPS Research

Timing of LPG compensation uncertain

LPG under-recovery has continued through Q2 and impacted marketing margin by ~Rs 1,800/t. LPG under-recovery is likely to rise by 30-50% during the upcoming winter quarter as prices firm up with increase in global demand.

LPG being a controlled product, OMCs are allowed to adjust under-recovery against future excess gains when wholesale LPG prices drop. In the past, the government has also reimbursed OMCs for cumulative losses through budgetary allocations. However, the timing of compensation is uncertain.

Fig 25 – LPG under-recovery stayed high in Q2

	BPCL	HPCL	IOCL	OMCs
LPG under-recovery (Rs bn)				
Q1	20	23	52	95
Q2	21	23	37	81
H1	**41**	**46**	**89**	**176**
LPG under-recovery (Rs/t)				
Q1	1,500	1,857	2,272	1,952
Q2	1,646	1,940	1,809	1,797
H1	**1,571**	**1,897**	**2,052**	**1,877**
Marketing volume (mt)				
Q1	13.4	12.6	22.7	48.8
Q2	12.8	11.6	20.5	44.9
H1	**26.2**	**24.3**	**43.2**	**93.7**

Source: Company, BOBCAPS Research

Growth updates

BPCL

Capex plan: BPCL broadly reiterated its capex plan for the next five years with FY25 capex somewhat below the original guidance at Rs 150bn-160bn, FY26 at Rs 180bn, and FY27 Rs 200bn-220bn.Capex could possibly ramp up to Rs 250bn in FY28. With a gradual ramp-up of capex over the next two to three years, actual capex may turn out lower than the five-year plan of Rs 1,500bn.

Net debt pick-up only after FY27: BPCL believes that its internal cash generation should be sufficient to meet capex needs for the next couple of years.

CGDs to gain scale over time: Within its Geographic Areas (GAs), BPCL plans to add 700-800 CNG stations on top of the existing 600 stations. BPCL is looking to add 150 stations in FY25, 180 in FY26 and 200 in FY27. BPCL is currently selling 120kt and looking for 15-16% growth over the next few years on the back of network expansion. While BPCL has indicated capex of Rs 480bn on the City Gas Distribution (CGD**)** segment based on the Minimum Work Program, actual capex spend may tun out to be 80-90% of the initial plan as the company calibrates PNG development in response to volumes.

Mozambique LNG may restart early next year: With improving security situation on the grounds, there is a possibility that the force majeure may be lifted in early CY25. BPCL has invested Rs 80bn (US$ 2.15bn) on the project and will further invest Rs 200bn upon project restart.

Bina Petrochemicals: Physical progress of the project at 6.3% vs plan of 7.6%. All licensors, EPCM (Engineering Procurement Construction Management) and PMC (Project Management Consultant) contractors and consultants have been onboarded and site work has commenced. BPCL has approved a 1.2mtpa ethylene cracker and a 3.2mt expansion of refining capacity to 11mmtpa at the Bina refinery with a capex budget of Rs 490bn and commissioning target by FY28.

CBG plants: Ground-breaking has been done for Kochi and Bina CBG (Compressed biogas) plants. BPCL's plan includes 26 CBG plants over the next five years.

HPCL

Capex: H1 spend was Rs 66bn against the plan of Rs 130bn for FY25.

Guidance on increase in value and scale

- **Visakh expansion:** Potential to generate Rs 45bn of incremental EBITDA with expansion contributing Rs 20bn-25bn and Residue Upgrade contributing the rest. This is based on GRM assumptions of US$6-8/bbl for expansion and another US$ 2-3/bbl improvement for the entire Visakh refinery with bottom-of-the-barrel upgrade under mid-cycle margin environment.
- **Renewables:** Aims to grow to 2.0-2.5GW scale over next couple of years from 200MW currently with investment of Rs 150bn-200bn. Planning to tie-up of another 200MW in FY25.

- **CGDs:** Potential to contribute EBITDA of Rs 10bn over the next five years. Plans to spend Rs 18bn-20bn annually as capital expenditure.
- **Lube carve-out:** Will require approval from Ministry of Finance, Deepam and Niti Aayog. HPCL can complete carving out the Lube business within 6-8 months of approval. Initiatives around supply chain, cost optimisation, product-mix spread and customer engagement have been rolled-out to improve efficiency.

Project updates

- **Rajasthan Refinery:** Capital expenditure on the project totalled Rs 506bn, whereas capital commitments are Rs 708bn of total capex of Rs 730bn for setting up the refinery and petrochemical complex. HPCL has commenced pre-commissioning at Diesel Hydrotreater and Hydrogen Generation. The physical progress of the rest of the refining units is at 94%, and also at 94% for both crude pipelines. HPCL aims to start commissioning of refining from Q4FY25. Physical progress of the entire project is at 82% and targets commissioning of petrochemical units within 6-12 months of commissioning of refinery.
- **Residue Upgrade facility, Visakh refinery:** Pre-commissioning has started whereas commissioning is shifted by a quarter to Q4FY25. On Visakh refinery-related projects, HPCL is yet to capitalise on Rs 110bn of capital work-in-progress.
- **Chhara LNG terminal:** Plan to ramp-up the terminal to 2.5mmtpa (vs capacity of 5mmtp) over the next two years. HPCL estimates in-house LNG demand from the terminal at 1.5-1.7mmtpa once the terminal is connected to the national gas grid. Breakwater completion is targeted during this fair-weather season. It has already completed 1,015m out of the 1,900m breakwater facility. It plans to bring terminal pre-commissioning cargo in Dec’24-Jan’25 and plans to finish commissioning in this fair weather season.

Forecasts and valuation

OMCs: Forecast assumptions

Along with the weak Q2 results across OMCs, we factor in below assumptions for FY25 estimates. We largely maintain our FY26/FY27 estimates.

Lower refining margin assumption: Factoring in weakness in refining environment in Q2 and soft outlook for H2, we lower our refining margin assumptions for FY25. We continue to factor in Russian crude usage at 35-40% where possible but with a modest discount of US$ 3.0-3.5/bbl. We see limited opportunities for recovery from inventory losses in H2 with a range-bound outlook for crude prices.

Marketing margin

FY25E: While auto fuel margins have remained well above historical averages during H1, their benefit have been significantly offset by higher under-recoveries on LPG as well as inventory losses. Looking to Q3, absence of inventory losses is likely to be offset by guidance on higher under-recovery on LPG with increase in LPG cracks during winter. For Q4, we are building in a modest pass through of lower crude price to consumers, along with adjustment of LPG prices to lower under-recoveries. At this stage, we are not factoring in budgetary support for under-recoveries due to uncertainty regarding timing of recovery. All these factors keep our marketing margin assumption close to mid-cycle levels even for FY25.

FY26E/ FY27E: With Indian consumers accepting the current level of petrol and diesel prices and crude likely to remain range bound, marketing margin is likely to stay in a healthy zone over the medium term.

BPCL

Forecast changes

We lower our FY25 EBITDA by 6% factoring in weak Q2 results, pull back in refining environment, higher under-recoveries on LPG, potential modest adjustment to auto fuel and LPG prices in Q4 partially offset by higher auto fuel retail margins. We tweak our FY26E/FY27 estimates.

Our forecasts build in tepid 5% CAGR growth over FY25-27E EBITDA. This reflects a pause on investments exercised by BPCL over FY20-23, and new projects will contribute to earnings only after FY28.

Fig 26 – BPCL: Revised estimates

(Rs bn)	Actuals	New			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,481	4,231	4,238	4,268	4,461	4,490	4,522	(5.1)	(5.6)	(5.6)
EBITDA	**441**	**233**	**250**	**256**	**248**	**252**	**257**	**(6.2)**	**(0.6)**	**(0.6)**
Adj Net profit	271	122	136	137	136	141	143	(9.8)	(3.3)	(4.0)
EPS	63.7	28.7	32.0	32.2	31.8	33.1	34	(9.8)	(3.3)	(4.0)

Source: Company, BOBCAPS Research

Fig 27 – BPCL: Key assumptions

(Rs bn)	FY24	FY25E	FY26E	FY27E
Refining EBITDA	282	118	133	132
Marketing EBITDA	159	115	118	124
Consolidated EBITDA	**442**	**233**	**250**	**256**
YoY Growth (%)	303.0	(47.2)	7.4	2.3
Throughput (mt)	39.9	41.6	42.0	42.4
YoY Growth (%)	3.6	4.2	1.0	1.0
Domestic marketing sales (mt)	51.0	53.5	56.3	59.3
YoY Growth (%)	4.3	4.8	5.2	5.3
Exchange rate	82.8	83.8	84.0	84.0
Crude price (US$/bbl)	82.1	80.9	80.0	80.0
GRM (US$/bbl)	14.1	7.1	7.6	7.5
Marketing EBITDA (Rs/t)	3,124	2,149	2,090	2,092

Source: Company, BOBCAPS Research

Valuation

We retain our HOLD rating on BPCL with 1% upside to our TP.

- **Target price retained at Rs 315:** We base our valuation on FY26 earnings, and apply 1Y forward multiple to arrive at Mar'25 TP and then roll forward to Sep'25 to arrive at a 1Y forward TP of Rs 315 (unchanged).

- **Unchanged target multiple at the same level as OMCs:** We continue to value the refining and marketing business at an unchanged multiple of 6x 1Y fwd EV/EBITDA, in line with our target multiple of 6x for OMC peers. While BPCL has historically traded at a premium to its OMC peers, reflecting better operational and managerial parameters, we believe the case for a premium does not remain as strong, and we assign it the same target value multiple as the sector. Given a slowdown in commitment to new investments during FY20-23, growth from its large capex programmes will only start accruing post FY28.

- **Discount on investments:** We assume a 20% discount on the market value of its investments in IGL, OINL and PLNG.

- **Upstream:** We currently factor in upstream investments in Mozambique and Brazil at the carrying value by BPCL. Restart of project execution at Mozambique LNG and approval of field development plan for the Brazilian project by the Brazilian regulator could potentially translate into upside to fair value of these investments. However, at this stage, revised project details are not available.

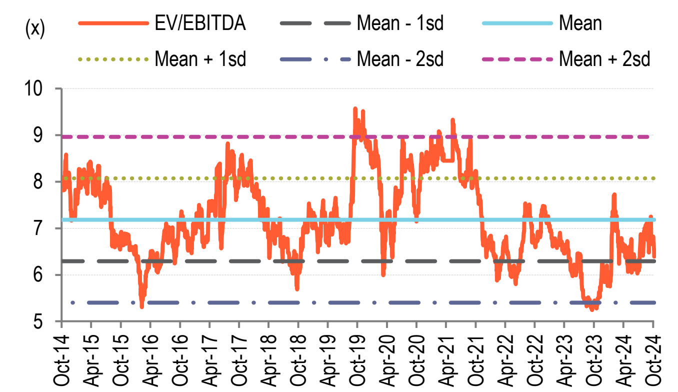
- **Catalysts – Positive triggers ahead:** (a) Healthy marketing margin amid range-bound outlook on crude prices, b) budgetary allocation for under-recoveries on LPG, (c) improvement in visibility of E&P investments in Mozambique and Brazil. **Downside factors:** (a) floating of retail prices on downside to pass on benefit of lower crude price, (b) slower recovery in refining margin.

Fig 28 – BPCL: Valuation summary

Business segments	New		Comments	Old
	EV (Rs bn)	Value (Rs/sh)		Value (Rs/sh)
Refining				
Standalone including Bina refinery	795	186	6x FY26E EBITDA	189
Marketing	706	165	6x FY26E EBITDA	164
Total core business EV, Mar'25	**1,501**	**351**	**-**	**353**
Less: Net Debt FY25E	417	98	-	99
Equity value of core business, Mar'25	**1,084**	**254**	**-**	**255**
Investments	144	34	Investments in PLNG, OINL, IGL @ 20% holding discount to CMP	38
Total E&P	57	13	At carrying value estimated by BPCL	15
Total equity value for BPCL, Mar'25	**1,285**	**301**	**-**	**307**
Equity value discounted to Sep'25	**-**	**316**	**-**	314
Target price (rounded to nearest Rs5)	**-**	**315**	**-**	315

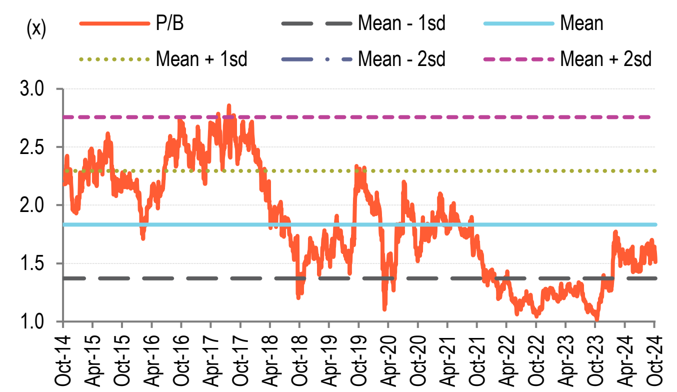
Source: BOBCAPS Research

Fig 29 – BPCL 2Y fwd EV/EBITDA



Source: Bloomberg, BOBCAPS Research

Fig 30 – BPCL 1Y fwd P/B



Source: Bloomberg, BOBCAPS Research

HPCL

Forecast changes

We lower our FY25E EBITDA by 10% factoring in weak Q2 results, pull back in refining environment, higher under-recoveries on LPG, potential modest adjustment to auto fuel and LPG prices in Q4 partially offset by higher auto fuel retail margins. We tweak our FY26/FY27 estimates.

We build in 18% EBITDA CAGR over FY25E-FY27E on ramp-up of expansion and residue upgrade facility at Visakh refinery.

- **Refining throughput:** We factor in increase in Visakh refining throughput from full commissioning through FY25E and expect marketing volumes to grow in line with sector.
- **Residue upgradation at Visakh refinery:** In FY26, we expect HPCL to clock 27% YoY growth in EBITDA, ahead of its OMC peers as HPCL stabilises bottom residue upgrade project at Visakh refinery. We still conservatively pencil in only US$ 1.5/bbl and US$ 2.5/bbl upside in gross refining margin at Visakh refinery in FY26 and

FY27 against management guidance of US$ 3/bbl upside, factoring in typical delays in stabilising to 100% utilisation.

- **Fuel margin:** We factor in improvement in marketing EBITDA margin to Rs 2,300/t for FY26 and Rs 2,350/t for FY27 as HPCL leverages the benefit of increased production at the Visakh refinery.
- **Rajasthan Refinery:** We do not account for earnings accretion from Rajasthan Refinery at this stage due to typical challenges in delivering large-scale greenfield refinery on time.

Fig 31 – HPCL: Revised estimates

(Rs bn)	Actuals	New			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue excl other operating income	4,339	4,034	4,120	4,180	4,171	4,312	4,374	(4.5)	(3.8)	(5.5)
EBITDA	**249**	**160**	**203**	**224**	**173**	**203**	**223**	**(7.5)**	**0.4**	**0.3**
Adj Net profit	160	84	118	127	94	117	127	(10.3)	0.6	0.5
EPS (Rs)	75.2	39.6	55.2	59.9	44.1	54.9	59.6	(10.3)	0.6	0.5

Source: Company, BOBCAPS Research

Fig 32 – HPCL: Key assumptions

(Rs bn)	FY24	FY25E	FY26E	FY27E
Refining EBITDA	86	58	87	99
Marketing EBITDA	163	101	116	124
Consolidated EBITDA	**249**	**160**	**203**	**224**
YoY Growth (%)	445.9	(35.9)	27.4	9.9
Throughput (mt)	23.0	24.6	25.0	25.8
YoY Growth (%)	20.5	6.7	1.8	3.0
Domestic marketing sales (mt)	44.7	46.5	48.8	51.2
YoY Growth (%)	5.9	4.0	5.0	5.0
Exchange rate (US$/Rs)	82.8	83.8	84.0	84.0
Crude price (US$/bbl)	82.1	80.9	80.0	80.0
GRM (US$/bbl)	9.2	6.6	8.2	8.7
Marketing EBITDA (Rs/t)	3,472	2,100	2,300	2,350

Source: Company, BOBCAPS Research

Valuation

We maintain our BUY rating on HPCL with 16% upside to our revised TP.

- **Target price lowered to Rs 450:** We base our valuation on FY26E earnings, and apply 1Y forward target multiple to arrive at Mar'25 TP and then roll forward to Sep'25 to arrive at a 1Y forward TP of Rs 450 (from Rs 460). The decrease in TP is on account of changes in estimates and pullback in market value of quoted investments.
- **Unchanged target multiple at the same level as OMCs:** We continue to value the refining and marketing business at an unchanged multiple of 6x 1Y forward EV/EBITDA, in line with our target multiple of 6x for OMC peers.

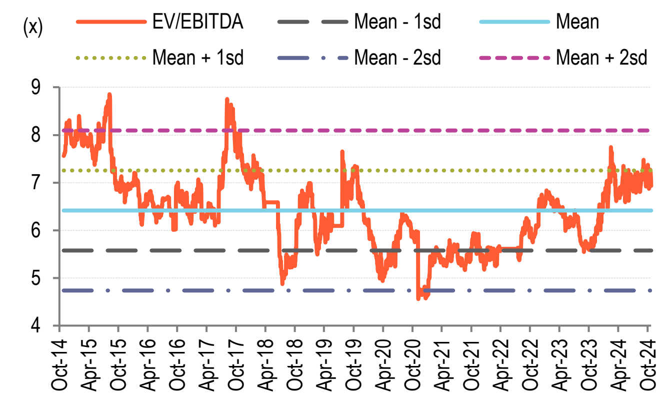
- **Discount on investments:** For quoted investments in MRPL and OINL, we assume a 20% discount (30% previously) on the market value. For investment in HMEL (HPCL Mittal Energy), we value underlying equity applying a 6x 1Y forward EV/EBITDA. For other unquoted investments on books, we now use a P/B of 1.3x factoring in substantial progress on Chhara LNG terminal and Rajasthan Refinery.
- **Catalysts: Positive triggers ahead:** (a) Healthy marketing margin amid range-bound outlook on crude prices, (b) budgetary allocation for under-recoveries on LPG, (c) timely delivery of Bottom Residue Upgrade facility at Visakh refinery, Chhara LNG terminal and Rajasthan Refinery. **Downside risks:** (a) floating of retail prices on downside to pass on benefit of lower crude price, (b) slower recovery in refining margin.

Fig 33 – HPCL: Valuation summary

Business segments	New		Comments	Old
	EV (Rs bn)	Value (Rs/sh)		Value (Rs/sh)
Refining standalone	522	245	6x FY26E EBITDA	244
Marketing	699	328	6x FY26E EBITDA	328
Refining and marketing EV, Mar'25	**1,221**	**574**	**-**	**572**
Less: Net Debt FY25E	595	280	-	277
HMEL Bhatinda equity value	48	23	6x FY26E	22
Equity value of core business, Mar'25	**674**	**316**	**-**	**317**
Investment in MRPL and Oil India	48	23	20% holding discount to CMP	33
Other subsidiaries/ JVs/ Affiliates	187	88	At P/B of 1.3x	88
Total equity value for HPCL, Mar'25	**909**	**427**	**-**	**438**
Total equity value discounted to Sep'25	**-**	**448**	**-**	**459**
Target price rounded to nearest Rs 5	**-**	**450**	**-**	**460**

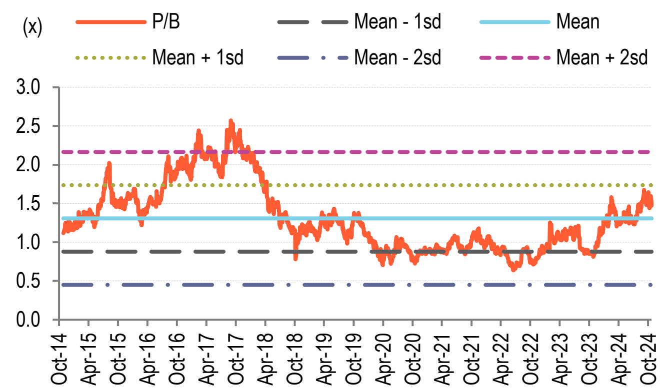
Source: BOBCAPS Research

Fig 34 – HPCL EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 35 – HPCL P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

IOCL

Forecast changes

We lower our FY25E EBITDA by 13% factoring in weak Q2 results, pull back in refining environment, higher under-recoveries on LPG, potential modest adjustment to auto fuel and LPG prices in Q4 partially offset by higher auto fuel retail margins. We tweak our FY26E/FY27 estimates.

We build in 16% EBITDA CAGR over FY25E-FY27E as we conservatively build a modest increase in throughput in FY27E, factoring in the start-up of at least one of the refineries under execution.

While IOCL is pursuing an annual investment plan of Rs 300bn-350bn, most of its large expansion projects are targeted for completion in FY26. We factor in only a modest benefit of the same into our estimates as we await more information on these projects.

Fig 36 – IOCL Revised estimates

(Rs bn)	Actuals	New			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,764	7,685	7,779	7,688	8,129	8,153	8,063	(5.5)	(4.6)	(4.7)
EBITDA	**759**	**432**	**532**	**583**	**495**	**544**	**596**	**(12.8)**	**(2.3)**	**(2.2)**
Adj Net profit	417	175	244	276	223	253	286	(21.3)	(3.8)	(3.7)
EPS (Rs)	30.3	12.7	17.7	20.0	16.2	18.4	20.8	(21.3)	(3.8)	(3.7)

Source: Company, BOBCAPS Research

Fig 37 – IOCL Key assumptions

Key Drivers (Rs bn)	FY24	FY25E	FY26E	FY27E
Consolidated EBITDA				
Refining	430	102	145	151
Marketing	217	176	190	198
Petrochemicals	4	18	29	35
Pipeline	76	83	86	89
Others	13	22	54	82
CPCL EBITDA	45	32	28	28
Consolidated EBITDA	**784**	**432**	**532**	**583**
YoY growth (%)	221.2	(44.9)	23.1	9.7
Volume				
Refining throughput (mt)	73.3	72.0	73.5	76.5
YoY growth (%)	1.2	(1.8)	2.1	4.1
Domestic Marketing sales (mt)	83.3	86.5	90.5	94.6
YoY growth (%)	(0.8)	3.9	4.5	4.5
Pipeline throughput (mt)	98.6	107.5	111.0	114.5
YoY growth (%)	3.7	9.0	3.3	3.2
Margin				
Ex rate (Rs/US$)	82.8	83.8	84.0	84.0
Crude price (US$/bbl)	82.2	80.9	80.0	80.0
GRM (US$/bbl)	12.1	5.3	6.2	6.2
Marketing EBITDA (Rs/t)	2,450	1,950	2,000	2,000
Petrochemicals EBITDA (US$/t)	16	70	113	137

Source: Company, BOBCAPS Research

Valuation

We lower our TP to Rs 155 (from Rs 165) as we incorporate our lower estimates, account for lower market value of investments applying 20% holding discount, and roll forward valuation to Sep'25 to arrive at a 1Y forward TP. We upgrade to HOLD rating from SELL rating on the stock with 8% upside.

We value the refining and marketing business at an unchanged multiple of 5.5x 1Y forward EV/EBITDA, a marginal discount to our target multiple of 6x for OMC peers. With inland refineries, IOCL needs to maintain a higher level of inventory for its operations, which tends to increase earnings volatility relative to peers. Currently, we account for only a modest benefit of earnings ramp-up from expansion projects under implementation owing to less visibility on implementation timeline and typical delays associated with such large projects.

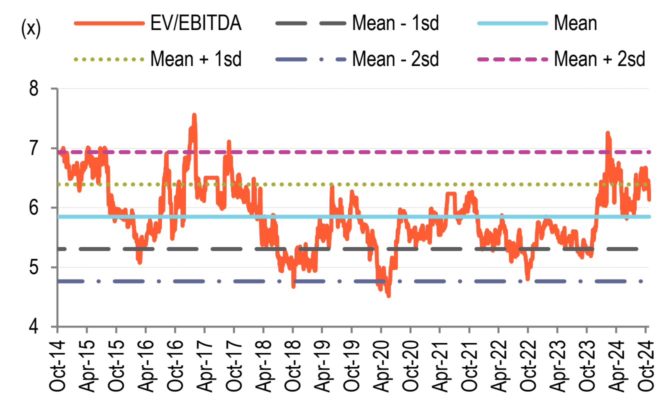
Catalysts for SELL rating: (a) floating of retail prices on downside to pass on benefit of lower crude and product price, (b) pullback in refining margin, (c) further delays to projects. **Upside risks:** (a) lower pressure on marketing margin with range-bound crude, and (b) timely delivery of targeted expansion projects.

Fig 38 – IOCL: Valuation summary

Business segments	New		Comments	Old
	EV (Rs bn)	Value (Rs/sh)		Value (Rs/sh)
Refining	796	58	5.5x FY26E EBITDA	66
Marketing	1,045	76	5.5x FY26E EBITDA	76
Petrochemicals	174	13	6x FY26E EBITDA	13
Pipeline	515	37	6x FY26E EBITDA	37
Others	322	23	6x FY26E EBITDA	20
Total core business EV, Mar'25	**2,853**	**207**	**-**	**212**
Less: Net Debt FY25E	1,209	88	-	87
Equity value of core business, Mar'25	**1,644**	**119**	**-**	**125**
Investments	383	28	Listed holdings at 20% holding discount to CMP, and others at cost	34
Total equity value for IOCL, Mar'25	**2,027**	**147**	**-**	**159**
Equity value discounted to Jun'25	**-**	**154**	**-**	**163**
Target price rounded to nearest Rs 5	**-**	**155**	**-**	**165**

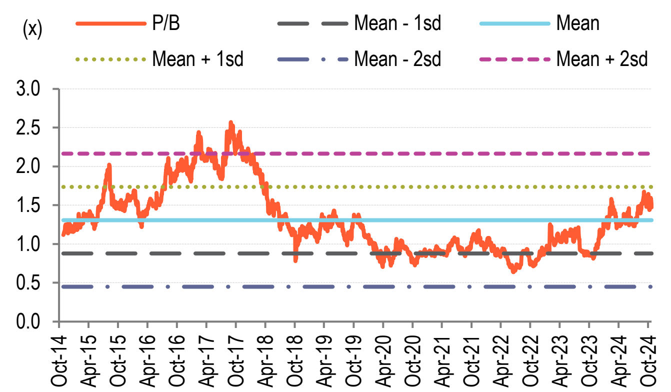
Source: BOBCAPS Research

Fig 39 – IOCL 2Y fwd EV/EBITDA



Source: Bloomberg, BOBCAPS Research

Fig 40 – IOCL 1Y fwd P/B



Source: Bloomberg, BOBCAPS Research

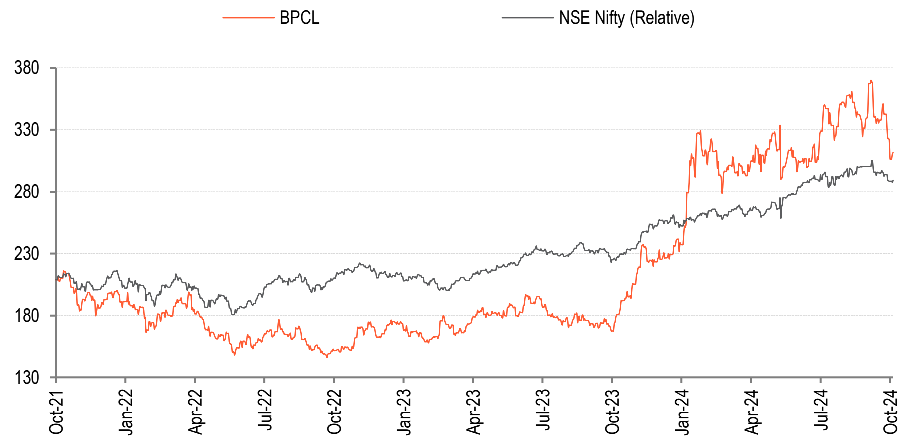
Key risks

OMC valuations are highly sensitive to refining and marketing profitability. Key factors that can increase our refining and marketing profitability and are risks to our SELL rating are as follows:

- We assume oil price remaining range-bound over FY25-27 assuming that OPEC retains control to rebalance the market. Any material downside below the range could potentially improve marketing margin for OMCs if retail price is retained at current levels.
- We currently assume a modest benefit due to the use of Russian crude over the medium term assuming current discount level of US$ 3-3.5/bbl. If usage of Russian crude or discount changes materially upwards, this could lead to higher refining margin than our forecasts.
- An adverse change in global demand-supply balance for the refining or petrochemical product chain could increase margins versus our current assumptions.
- Market share gains on fuel product sales could result in higher volumes and improve marketing business earnings.
- OMCs are implementing large expansion projects. Any acceleration in implementation of projects ahead of our current assumptions could result in higher earnings estimates than our current assumptions.
- Refiners are exposed to the requirement of additional investments to lower their carbon footprint, including potential investments in green hydrogen.
- IOCL's earnings carry relatively higher volatility considering its higher inventory days than other OMCs.
- Adverse pipeline tariff orders or regulations by Petroleum and Natural Gas Regulatory Board (PNGRB) mandating third-party use of pipelines could hurt marketing positioning.

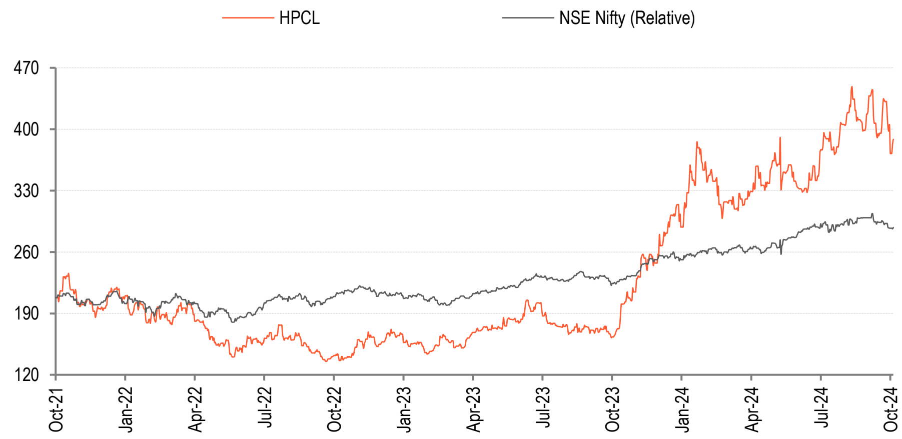
Stock performance

Fig 41 – BPCL



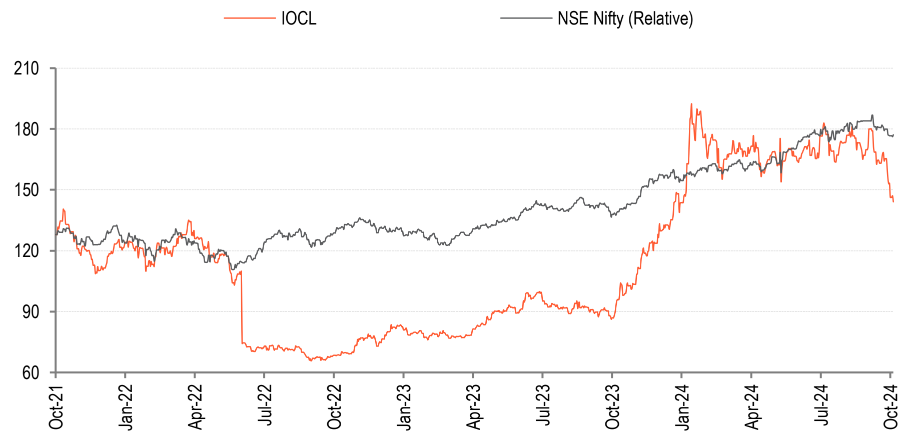
Source: NSE

Fig 42 – HPCL



Source: NSE

Fig 43 – IOCL



Source: NSE

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Financials – BPCL

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**47,31,872**	**44,80,830**	**42,31,304**	**42,38,292**	**42,68,444**
EBITDA	1,08,881	4,40,820	2,33,004	2,50,139	2,55,789
Depreciation	(63,688)	(67,713)	(71,188)	(75,774)	(79,470)
EBIT	45,193	3,73,108	1,61,816	1,74,364	1,76,319
Net interest inc./(exp.)	(42,628)	(41,489)	(34,184)	(35,747)	(38,872)
Other inc./(exp.)	14,982	22,347	20,557	24,934	25,144
Exceptional items	(11,255)	(2,677)	0	0	0
EBT	17,547	3,53,966	1,48,189	1,63,552	1,62,592
Income taxes	(6,901)	(93,356)	(41,961)	(45,828)	(45,586)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(21,919)	(10,655)	(15,983)	(18,380)	(20,218)
Reported net profit	**21,311**	**2,68,588**	**1,22,211**	**1,36,104**	**1,37,224**
Adjustments	0	0	0	0	0
Adjusted net profit	**20,222**	**2,70,554**	**1,22,211**	**1,36,104**	**1,37,224**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,40,243	2,83,058	2,54,622	2,53,688	2,55,105
Other current liabilities	3,03,575	3,25,735	3,34,523	3,31,214	3,30,380
Provisions	29,375	33,286	33,286	33,286	33,286
Debt funds	6,93,760	5,45,991	5,45,991	5,95,991	6,45,991
Other liabilities	79,206	79,757	81,855	84,146	86,426
Equity capital	21,295	21,363	42,726	42,726	42,726
Reserves & surplus	5,13,929	7,34,988	7,98,407	8,93,633	9,90,195
Shareholders' fund	5,35,224	7,56,351	8,41,133	9,36,359	10,32,920
Total liab. and equities	**18,81,382**	**20,24,178**	**20,91,409**	**22,34,684**	**23,84,108**
Cash and cash eq.	76,520	1,23,555	1,35,779	1,06,214	42,373
Accounts receivables	67,238	83,420	65,583	65,692	66,159
Inventories	3,80,692	4,28,361	4,07,395	4,05,901	4,08,169
Other current assets	62,466	63,903	63,903	63,903	63,903
Investments	2,17,007	2,05,614	2,15,614	2,65,614	3,15,614
Net fixed assets	8,54,711	8,55,943	9,56,879	10,58,029	11,98,484
CWIP	1,62,489	2,02,040	1,84,915	2,07,990	2,28,066
Intangible assets	12,040	12,040	12,040	12,040	12,040
Deferred tax assets, net	4,860	4,774	4,774	4,774	4,774
Other assets	43,360	44,527	44,527	44,527	44,527
Total assets	**18,81,382**	**20,24,178**	**20,91,409**	**22,34,684**	**23,84,108**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**79,413**	**3,19,698**	**1,94,096**	**1,86,379**	**1,91,677**
Capital expenditures	(91,414)	(1,08,494)	(1,55,000)	(2,00,000)	(2,40,000)
Change in investments	(31,624)	1,477	(10,000)	(50,000)	(50,000)
Other investing cash flows	14,982	22,347	20,557	24,934	25,144
Cash flow from investing	**(1,08,056)**	**(84,670)**	**(1,44,443)**	**(2,25,066)**	**(2,64,856)**
Equities issued/Others	0	68	21,363	0	0
Debt raised/repaid	48,418	(1,47,770)	0	50,000	50,000
Interest expenses	0	0	0	0	0
Dividends paid	(17,036)	(1,79,448)	(37,429)	(40,878)	(40,663)
Other financing cash flows	11,892	1,31,919	(21,363)	0	0
Cash flow from financing	**43,275**	**(1,95,231)**	**(37,429)**	**9,122**	**9,337**
Chg in cash & cash eq.	**14,632**	**39,797**	**12,224**	**(29,565)**	**(63,841)**
Closing cash & cash eq.	**36,999**	**65,541**	**75,087**	**45,522**	**(18,319)**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	5.0	63.1	28.7	32.0	32.2
Adjusted EPS	4.7	63.5	28.7	32.0	32.2
Dividend per share	4.0	42.0	8.8	9.6	9.5
Book value per share	125.7	177.0	196.9	219.2	241.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	16.8	4.4	8.0	7.1	7.0
Adjusted P/E	65.6	4.9	10.9	9.7	9.7
P/BV	2.5	1.8	1.6	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	321.4	77.0	82.5	83.2	84.4
Interest burden (PBT/EBIT)	13.9	94.2	91.6	93.8	92.2
EBIT margin (EBIT/Revenue)	1.0	8.3	3.8	4.1	4.1
Asset turnover (Rev./Avg TA)	251.9	229.5	205.6	195.9	184.8
Leverage (Avg TA/Avg Equity)	3.6	3.0	2.6	2.4	2.3
Adjusted ROAE	3.8	41.9	15.3	15.3	13.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	36.4	(5.3)	(5.6)	0.2	0.7
EBITDA	(43.1)	304.9	(47.1)	7.4	2.3
Adjusted EPS	(81.4)	1237.9	(54.8)	11.4	0.8
Profitability & Return ratios (%)					
EBITDA margin	2.3	9.8	5.5	5.9	6.0
EBIT margin	1.0	8.3	3.8	4.1	4.1
Adjusted profit margin	0.4	6.0	2.9	3.2	3.2
Adjusted ROAE	3.8	41.9	15.3	15.3	13.9
ROCE	(0.4)	21.6	8.6	8.6	7.9
Working capital days (days)					
Receivables	6	6	6	6	6
Inventory	34	39	41	40	40
Payables	21	24	25	23	23
Ratios (x)					
Gross asset turnover	4.3	3.8	3.3	2.9	2.6
Current ratio	0.8	0.8	0.8	0.8	0.7
Net interest coverage ratio	1.1	9.0	4.7	4.9	4.5
Adjusted debt/equity	1.2	0.6	0.5	0.5	0.6

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

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Financials – HPCL

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**44,07,093**	**43,38,565**	**40,34,185**	**41,19,752**	**41,79,667**
EBITDA	(72,071)	2,49,278	1,59,672	2,03,482	2,23,564
Depreciation	(45,602)	(55,964)	(63,219)	(69,021)	(76,384)
EBIT	(1,17,672)	1,93,314	96,453	1,34,461	1,47,180
Net interest inc./(exp.)	(21,741)	(25,560)	(25,489)	(26,155)	(27,202)
Other inc./(exp.)	14,659	19,169	20,000	20,000	20,000
Exceptional items	0	0	0	0	0
EBT	(1,24,754)	1,86,923	90,964	1,28,306	1,39,977
Income taxes	30,037	(44,857)	(23,193)	(32,651)	(35,640)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(24,915)	(18,080)	(16,419)	(21,874)	(23,059)
Reported net profit	**(69,802)**	**1,60,146**	**84,190**	**1,17,529**	**1,27,396**
Adjustments	0	0	0	0	0
Adjusted net profit	**(69,802)**	**1,60,146**	**84,190**	**1,17,529**	**1,27,396**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,29,132	2,73,000	2,50,105	2,53,445	2,55,965
Other current liabilities	69,185	78,188	1,06,151	1,07,295	1,08,386
Provisions	27,667	34,759	34,759	34,759	34,759
Debt funds	7,06,710	6,66,838	6,71,838	7,01,838	7,26,838
Other liabilities	2,63,883	3,05,848	3,10,633	3,17,371	3,24,725
Equity capital	14,189	14,189	21,284	21,284	21,284
Reserves & surplus	3,08,443	4,55,024	5,10,835	5,98,354	6,92,973
Shareholders' fund	3,22,633	4,69,214	5,32,119	6,19,638	7,14,257
Total liab. and equities	**16,19,211**	**18,27,847**	**19,05,606**	**20,34,347**	**21,64,931**
Cash and cash eq.	65,518	73,596	92,521	90,894	98,694
Accounts receivables	68,324	93,241	66,069	67,475	68,460
Inventories	2,95,750	3,42,115	3,00,125	3,04,134	3,07,158
Other current assets	71,573	93,950	93,950	93,950	93,950
Investments	1,78,097	2,26,541	2,77,460	3,22,834	3,69,394
Net fixed assets	6,80,825	7,94,576	9,02,957	9,75,536	10,40,752
CWIP	2,56,074	2,00,778	1,69,474	1,76,474	1,83,474
Intangible assets	3,049	3,049	3,049	3,049	3,049
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**16,19,211**	**18,27,847**	**19,05,606**	**20,34,347**	**21,64,931**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**(50,394)**	**2,03,126**	**2,22,842**	**1,94,232**	**2,13,797**
Capital expenditures	(1,12,195)	(1,12,337)	(1,40,296)	(1,48,600)	(1,48,600)
Change in investments	(49,695)	(48,444)	(67,338)	(67,249)	(69,619)
Other investing cash flows	16,136	9,102	20,000	20,000	20,000
Cash flow from investing	**(1,45,754)**	**(1,51,679)**	**(1,87,634)**	**(1,95,849)**	**(1,98,219)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,21,733	(39,872)	5,000	30,000	25,000
Interest expenses	0	0	0	0	0
Dividends paid	0	(67,045)	(21,284)	(30,011)	(32,778)
Other financing cash flows	(21,440)	53,480	0	0	0
Cash flow from financing	**2,00,293**	**(53,437)**	**(16,284)**	**(11)**	**(7,778)**
Chg in cash & cash eq.	**4,144**	**(1,990)**	**18,925**	**(1,628)**	**7,800**
Closing cash & cash eq.	**6,724**	**4,734**	**23,659**	**22,032**	**29,832**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	(32.8)	75.2	39.6	55.2	59.9
Adjusted EPS	(32.8)	75.2	39.6	55.2	59.9
Dividend per share	0.0	31.5	10.0	14.1	15.4
Book value per share	151.6	220.5	250.0	291.1	335.6

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	0.3	0.3	0.4	0.3	0.3
EV/EBITDA	(16.9)	5.4	9.0	6.9	6.4
Adjusted P/E	(11.8)	5.2	9.8	7.0	6.5
P/BV	2.6	1.8	1.6	1.3	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	56.0	85.7	92.6	91.6	91.0
Interest burden (PBT/EBIT)	106.0	96.7	94.3	95.4	95.1
EBIT margin (EBIT/Revenue)	(2.7)	4.5	2.4	3.3	3.5
Asset turnover (Rev./Avg TA)	278.4	251.7	216.1	209.1	199.1
Leverage (Avg TA/Avg Equity)	4.3	4.4	3.7	3.4	3.1
Adjusted ROAE	(19.0)	40.4	16.8	20.4	19.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	25.9	(1.6)	(7.0)	2.1	1.5
EBITDA	(170.4)	(445.9)	(35.9)	27.4	9.9
Adjusted EPS	(195.7)	(329.4)	(47.4)	39.6	8.4
Profitability & Return ratios (%)					
EBITDA margin	(1.6)	5.7	4.0	4.9	5.3
EBIT margin	(2.7)	4.5	2.4	3.3	3.5
Adjusted profit margin	(1.6)	3.7	2.1	2.9	3.0
Adjusted ROAE	(19.0)	40.4	16.8	20.4	19.1
ROCE	(12.2)	13.6	6.1	7.9	7.9
Working capital days (days)					
Receivables	5	7	7	6	6
Inventory	95	94	102	90	88
Payables	20	22	25	23	23
Ratios (x)					
Gross asset turnover	5.1	4.3	3.4	3.1	2.8
Current ratio	1.0	0.9	0.9	0.9	0.9
Net interest coverage ratio	0.0	7.6	3.8	5.1	5.4
Adjusted debt/equity	2.0	1.3	1.1	1.0	0.9

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

Financials – IOCL

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**84,17,559**	**77,63,519**	**76,84,847**	**77,78,998**	**76,87,645**
EBITDA	3,13,195	7,58,652	4,31,812	5,31,630	5,83,231
Depreciation	(1,31,811)	(1,58,661)	(1,60,343)	(1,73,227)	(1,83,933)
EBIT	1,81,385	5,99,991	2,71,469	3,58,402	3,99,299
Net interest inc./(exp.)	(75,414)	(78,257)	(72,151)	(72,712)	(73,353)
Other inc./(exp.)	35,784	35,684	32,687	35,074	34,946
Exceptional items	0	0	0	0	0
EBT	1,41,755	5,57,419	2,32,005	3,20,765	3,60,891
Income taxes	(33,334)	(1,41,266)	(60,090)	(82,207)	(92,295)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(10,500)	1,145	3,184	5,391	7,005
Reported net profit	**97,921**	**4,17,297**	**1,75,099**	**2,43,949**	**2,75,601**
Adjustments	0	0	0	0	0
Adjusted net profit	**97,921**	**4,17,297**	**1,75,099**	**2,43,949**	**2,75,601**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	5,47,341	5,94,541	5,35,117	5,36,513	5,47,567
Other current liabilities	6,62,790	7,08,805	6,24,418	6,23,843	6,09,352
Provisions	1,15,527	1,20,431	1,20,431	1,20,431	1,20,431
Debt funds	14,91,379	13,28,607	13,41,445	13,77,414	13,64,787
Other liabilities	1,68,004	1,89,607	1,97,232	2,04,605	2,11,955
Equity capital	1,37,716	1,37,716	1,37,716	1,37,716	1,37,716
Reserves & surplus	12,59,487	16,96,447	18,09,279	19,63,300	21,36,863
Shareholders' fund	13,97,202	18,34,163	19,46,994	21,01,015	22,74,578
Total liab. and equities	**44,17,185**	**48,23,620**	**48,20,919**	**50,25,715**	**51,97,058**
Cash and cash eq.	1,25,332	1,35,387	1,22,886	1,72,501	1,84,925
Accounts receivables	1,63,987	1,38,315	1,25,894	1,27,475	1,25,974
Inventories	12,11,076	12,13,758	10,74,045	10,76,858	11,01,422
Other current assets	1,87,441	2,14,238	1,93,767	1,96,280	1,93,930
Investments	4,17,539	5,51,620	5,51,620	5,51,620	5,51,620
Net fixed assets	18,00,465	19,59,968	21,83,295	23,72,490	25,51,622
CWIP	5,11,335	6,10,324	5,69,401	5,28,479	4,87,555
Intangible assets	10	10	10	10	10
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**44,17,185**	**48,23,620**	**48,20,919**	**50,25,715**	**51,97,058**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**1,77,064**	**6,56,187**	**3,39,174**	**3,83,391**	**4,07,789**
Capital expenditures	(3,50,222)	(2,74,858)	(3,42,748)	(3,21,500)	(3,22,140)
Change in investments	1,615	(1,33,514)	0	0	0
Other investing cash flows	35,784	35,684	32,687	35,074	34,946
Cash flow from investing	**(3,12,823)**	**(3,72,688)**	**(3,10,061)**	**(2,86,426)**	**(2,87,194)**
Equities issued/Others	45,905	0	0	0	0
Debt raised/repaid	1,69,132	(1,62,772)	12,839	35,969	(12,628)
Interest expenses	0	0	0	0	0
Dividends paid	(33,052)	(1,10,173)	(62,268)	(89,928)	(1,02,038)
Other financing cash flows	709	930	559	559	560
Cash flow from financing	**1,82,694**	**(2,72,015)**	**(48,871)**	**(53,400)**	**(1,14,106)**
Chg in cash & cash eq.	**46,935**	**11,484**	**(19,758)**	**43,564**	**6,488**
Closing cash & cash eq.	**65,136**	**32,451**	**11,830**	**62,652**	**75,190**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	7.1	30.3	12.7	17.7	20.0
Adjusted EPS	7.1	30.3	12.7	17.7	20.0
Dividend per share	3.6	12.0	6.8	9.8	11.1
Book value per share	152.2	199.8	212.1	228.8	247.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	10.1	4.4	7.7	6.1	5.6
Adjusted P/E	20.3	4.8	11.3	8.1	7.2
P/BV	0.9	0.7	0.7	0.6	0.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	69.1	74.9	75.5	76.1	76.4
Interest burden (PBT/EBIT)	78.2	92.9	85.5	89.5	90.4
EBIT margin (EBIT/Revenue)	2.2	7.7	3.5	4.6	5.2
Asset turnover (Rev./Avg TA)	197.5	168.0	159.4	158.0	150.4
Leverage (Avg TA/Avg Equity)	3.1	2.9	2.6	2.4	2.3
Adjusted ROAE	7.2	25.8	9.3	12.1	12.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	42.8	(7.8)	(1.0)	1.2	(1.2)
EBITDA	(34.0)	142.2	(43.1)	23.1	9.7
Adjusted EPS	(74.0)	326.2	(58.0)	39.3	13.0
Profitability & Return ratios (%)					
EBITDA margin	3.7	9.8	5.6	6.8	7.6
EBIT margin	2.2	7.7	3.5	4.6	5.2
Adjusted profit margin	1.2	5.4	2.3	3.1	3.6
Adjusted ROAE	7.2	25.8	9.3	12.1	12.6
ROCE	5.0	14.6	6.1	7.7	8.2
Working capital days (days)					
Receivables	8	7	6	6	6
Inventory	57	69	62	58	57
Payables	23	30	28	27	28
Ratios (x)					
Gross asset turnover	3.6	3.0	2.7	2.4	2.1
Current ratio	0.8	0.8	0.7	0.8	0.8
Net interest coverage ratio	2.4	7.7	3.8	4.9	5.4
Adjusted debt/equity	1.0	0.7	0.6	0.6	0.5

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

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