

Post price cut no cushion to margin if oil price rise

As we have been highlighting that before “Model Code of Conduct – Election 2024” retail fuel price cut can’t be ruled out. Today, Govt. slashed petrol/diesel price by Rs2/lt. this will drag the Gross Marketing Margins (GMM) by Rs1.7/lt. Based on today’s closing price; OMCs are earning ~Rs6/lt gross marketing margins (GMM) on the sale of Auto fuel. Post price cut, we calculate OMCs GMM on auto fuel would be ~Rs4/lt (higher than the long-term avg. of Rs3.5/lt). We have assumed ~ Rs3.5/lt GMM on auto fuel for the period of FY25E and FY26E, thus no change in our estimates. However, we reduced the valuation multiple for the marketing segment from 7x to 6x across the OMCs mainly due to **No cushion if the oil price shoots up**. Post-price cut GMM on auto fuel is largely in line with the long-term average. – Post-election - no guarantee – fuel price deregulation comes into effect. OMCs are likely to post bumper profits and dividends in FY24E. These record profits in FY24E (+2x vs FY23 / FY22 earnings) are expected to lead to jumbo dividend payouts implying yields @ 10% range vs long period average of ~5%. However, the same dividends are unlikely in FY25E. Hence, we downgrade the OMCs to Reduce.

CPI Inflation to cool by 12bps: Rs2/lt price cut in auto fuel can cool the CPI by ~12bps. and this does not capture the second-order impact on the economy. We do not see any major impact on the CNG economics vs. alternate fuel post this price cut – CNG/CGD companies have already cut the CNG prices by Rs2.5/kg.

HPCL is at major risk post-price cut: The marketing-to-refining ratio of HPCL is the highest among the OMCs. In 9MFY24, the Marketing segment contributed ~60% to EBITDA. Hence, we believe the “no cushion to margin” scenario is risky along with this no clarity on the de-regulation of auto fuel prices. Our earnings estimates are unchanged, but we have reduced valuation multiple for the marketing segment to 6x from 7x earlier. We downgrade HPCL to “Reduce” from “Accumulate” with a revised SoTP-based target price of Rs453 (vs. Rs472 earlier).

BPCL downgrade to Reduce: The marketing-to-refining ratio of BPCL is ~1.2x (slightly lower than the HPCL). Our earnings estimates are unchanged, but we have reduced valuation multiple for the marketing segment to 6x from 7x earlier. We downgrade BPCL to “Reduce” from “BUY” with a revised SoTP-based target price of Rs575 (vs. Rs605 earlier).

IOCL is least impacted among OMC: The marketing-to-refining ratio of IOCL is ~1.0x (lowest among OMCs). Our earnings estimates are unchanged, but we have reduced valuation multiple for the marketing segment to 6x from 7x earlier. We downgrade IOCL to “Reduce” from “Accumulate” with a revised SoTP-based target price of Rs150 (vs. Rs157 earlier).

| Comp. | CMP | Rev. TP | Old TP |
|-------|-----|---------|--------|
| BPCL | 609 | 575 | 605 |
| HPCL | 500 | 453 | 472 |
| IOCL | 170 | 150 | 157 |

| Comp. | Rev. Recc. | Old Recc. |
|-------|------------|------------|
| BPCL | Reduce | Buy |
| HPCL | Reduce | Accumulate |
| IOCL | Reduce | Accumulate |

Yogesh Patil

VP - Research

+9122 40969758

yogeshp@dolatcapital.com

Anish Jindal

Associate

+9122 40969773

anishj@dolatcapital.com

Exhibit 1: BPCL's SoTP Valuation

| Particulars (Rs mn) | Valuation base | | Multiple (x) | | Enterprise Value | |
|-------------------------------------|------------------------|----------|-----------------|-----------|---------------------|------------|
| | Metrics | Value | Multiple | Value (x) | (Rs bn) | (Rs/sh) |
| Business segments | | | | | | |
| Refining business | Mar'26E EBITDA (Rs mn) | 1,52,931 | EV/EBITDA | 7.0 | 1,071 | 501 |
| Marketing business | Mar'26E EBITDA (Rs mn) | 60,354 | EV/EBITDA | 6.0 | 362 | 170 |
| Total (a) | | | | 6.7 | 1,433 | 671 |
| Investments | | | | | Equity value | |
| Indraprastha Gas | NoSH (mn) | 158 | 40% disc to CMP | 221 | 35 | 16 |
| Petronet LNG | NoSH (mn) | 188 | 40% disc to CMP | 140 | 26 | 12 |
| Others (mostly BPRL) | Book value (Rs mn) | 1,03,358 | P/BV | 0.5 | 56 | 26 |
| Total (b) | | | | | 117 | 55 |
| Total Enterprise Value (a+b) | | | | | 1,550 | 725 |
| Less: Net debt | | | | | 322 | 151 |
| Total Equity Value | | | | | 1,228 | 575 |

Source: Company, DART

Exhibit 2: HPCL's SoTP Valuation

| Particulars | Valuation base | | Multiple (x) | | Enterprise Value | |
|-------------------------------------|-----------------------|----------|-----------------|-----------|------------------|------------|
| | Metrics | Value | Multiple | Value (x) | (Rs bn) | (Rs/sh) |
| Business segments | | | | | | |
| Refining business | Mar'26 EBITDA (Rs mn) | 1,20,487 | EV/EBITDA | 7.0 | 843 | 595 |
| Marketing business | Mar'26 EBITDA (Rs mn) | 35,757 | EV/EBITDA | 6.0 | 215 | 151 |
| Pipeline business | Mar'26 EBITDA (Rs mn) | 15,526 | EV/EBITDA | 5.5 | 85 | 60 |
| Total (a) | | | | 6.7 | 1,143 | 806 |
| Investments | | | | | | |
| Oil India | NoSH (mn) | 27 | 30% disc to CMP | 377 | 10 | 7 |
| MRPL | NoSH (mn) | 297 | 30% disc to CMP | 130 | 39 | 27 |
| Bhatinda Refinery | Investment (Rs mn) | 39,396 | P/BV | 1.0 | 39 | 28 |
| Other investments | Investment (Rs mn) | 1,13,631 | P/BV | 1.0 | 117 | 83 |
| Total (b) | | | | | 205 | 145 |
| Total Enterprise Value (a+b) | | | | | 1,348 | 951 |
| Less: Net debt | | | | | 707 | 498 |
| Total Equity Value | | | | | 642 | 453 |

Source: Company, DART

Exhibit 3: IOC's SoTP Valuation

| Particulars | Valuation base | | Multiple (x) | | Enterprise Value | |
|-------------------------------------|------------------------|----------|-----------------|------------|------------------|------------|
| | Metrics | Value | Multiple | Value (x) | (Rs bn) | (Rs/sh) |
| Business segments | | | | | | |
| Refining business | Mar'26E EBITDA (Rs mn) | 2,19,802 | EV/EBITDA | 7.0 | 1,539 | 109 |
| Marketing business | Mar'26E EBITDA (Rs mn) | 81,666 | EV/EBITDA | 6.0 | 490 | 35 |
| Pipeline business | Mar'26E EBITDA (Rs mn) | 80,845 | EV/EBITDA | 7.0 | 566 | 40 |
| Petchem business | Mar'26E EBITDA (Rs mn) | 47,552 | EV/EBITDA | 6.5 | 309 | 22 |
| Total (a) | | | | 6.8 | 2,904 | 206 |
| Investments | | | | | | |
| Chennai Petroleum | Mar'26E EBITDA (Rs mn) | 18,239 | EV/EBITDA | 7.0 | 66 | 5 |
| Petronet LNG | # shares (mn) | 188 | 50% disc to CMP | 156.0 | 29 | 2 |
| ONGC | # shares (mn) | 987 | 50% disc to CMP | 132.0 | 130 | 9 |
| Oil India | # shares (mn) | 54 | 50% disc to CMP | 240.0 | 13 | 1 |
| GAIL | # shares (mn) | 109 | 50% disc to CMP | 90.0 | 10 | 1 |
| Other investments | Investment (Rs mn) | 2,36,455 | P/BV | 1.0 | 246 | 17 |
| Total (b) | | | | | 494 | 35 |
| Total Enterprise Value (a+b) | | | | | 3,398 | 241 |
| Less: Net debt (Mar'26E) | | | | | 1,282 | 91 |
| Total Equity Value | | | | | 2,116 | 150 |

Source: Company, DART

BPCL's Financial Performance

Profit and Loss Account

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|--|------------------|------------------|------------------|------------------|
| Revenue | 47,31,247 | 44,32,486 | 40,40,812 | 40,81,868 |
| Total Expense | 46,21,680 | 40,12,900 | 38,40,456 | 38,68,583 |
| COGS | 43,32,143 | 37,57,609 | 35,71,939 | 35,89,798 |
| Employees Cost | 27,640 | 29,574 | 32,532 | 35,785 |
| Other expenses | 2,61,897 | 2,25,717 | 2,35,986 | 2,43,000 |
| EBIDTA | 1,09,566 | 4,19,586 | 2,00,356 | 2,13,284 |
| Depreciation | 63,475 | 63,713 | 73,153 | 81,633 |
| EBIT | 46,091 | 3,55,873 | 1,27,203 | 1,31,651 |
| Interest | 32,165 | 24,942 | 19,888 | 16,774 |
| Other Income | 21,840 | 23,439 | 25,016 | 25,517 |
| Exc. / E.O. items | 0 | 0 | 0 | 0 |
| EBT | 35,767 | 3,54,370 | 1,32,332 | 1,40,394 |
| Tax | 3,466 | 89,195 | 33,308 | 35,337 |
| RPAT | 32,301 | 2,65,175 | 99,024 | 1,05,057 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Profit/Loss share of associates | 0 | 0 | 0 | 0 |
| APAT | 32,301 | 2,65,175 | 99,024 | 1,05,057 |

Balance Sheet

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|-------------------------------|------------------|------------------|------------------|------------------|
| Sources of Funds | | | | |
| Equity Capital | 21,295 | 21,295 | 21,295 | 21,295 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Reserves & Surplus | 4,98,669 | 6,84,291 | 7,43,706 | 7,99,596 |
| Net Worth | 5,19,963 | 7,05,586 | 7,65,000 | 8,20,890 |
| Total Debt | 4,47,751 | 3,97,751 | 3,97,751 | 3,47,751 |
| Net Deferred Tax Liability | 70,683 | 70,683 | 70,683 | 70,683 |
| Total Capital Employed | 10,38,398 | 11,74,020 | 12,33,435 | 12,39,325 |

Applications of Funds

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net Block | 8,66,246 | 9,52,533 | 10,39,380 | 11,17,747 |
| CWIP | 56,451 | 56,451 | 56,451 | 56,451 |
| Investments | 1,38,724 | 1,38,724 | 1,38,724 | 1,38,724 |
| Current Assets, Loans & Advances | 5,46,620 | 5,24,203 | 4,73,582 | 5,47,382 |
| Inventories | 3,80,647 | 3,56,611 | 3,25,099 | 3,28,402 |
| Receivables | 67,219 | 62,974 | 57,409 | 57,993 |
| Cash and Bank Balances | 21,204 | 31,965 | 24,841 | 94,529 |
| Loans and Advances | 16,632 | 15,582 | 14,205 | 14,349 |
| Other Current Assets | 60,918 | 57,072 | 52,028 | 52,110 |
| Less: Current Liabilities & Provisions | 5,69,642 | 4,97,890 | 4,74,702 | 6,20,979 |
| Payables | 5,41,030 | 4,69,278 | 4,46,090 | 5,92,367 |
| Other Current Liabilities | 28,612 | 28,612 | 28,612 | 28,612 |
| <i>sub total</i> | | | | |
| Net Current Assets | (23,022) | 26,313 | (1,120) | (73,596) |
| Total Assets | 10,38,398 | 11,74,020 | 12,33,435 | 12,39,325 |

E – Estimates

Important Ratios

| Particulars | FY23A | FY24E | FY25E | FY26E |
|---|-----------|-----------|-----------|-----------|
| (A) Margins (%) | | | | |
| Gross Profit Margin | 8.4 | 15.2 | 11.6 | 12.1 |
| EBIDTA Margin | 2.3 | 9.5 | 5.0 | 5.2 |
| EBIT Margin | 1.0 | 8.0 | 3.1 | 3.2 |
| Tax rate | 9.7 | 25.2 | 25.2 | 25.2 |
| Net Profit Margin | 0.7 | 6.0 | 2.5 | 2.6 |
| (B) As Percentage of Net Sales (%) | | | | |
| COGS | 91.6 | 84.8 | 88.4 | 87.9 |
| Employee | 0.6 | 0.7 | 0.8 | 0.9 |
| Other | 5.5 | 5.1 | 5.8 | 6.0 |
| (C) Measure of Financial Status | | | | |
| Gross Debt / Equity | 0.9 | 0.6 | 0.5 | 0.4 |
| Interest Coverage | 1.4 | 14.3 | 6.4 | 7.8 |
| Inventory days | 29 | 29 | 29 | 29 |
| Debtors days | 5 | 5 | 5 | 5 |
| Average Cost of Debt | 7.4 | 5.9 | 5.0 | 4.5 |
| Payable days | 42 | 39 | 40 | 53 |
| Working Capital days | (2) | 2 | 0 | (7) |
| FA T/O | 5.5 | 4.7 | 3.9 | 3.7 |
| (D) Measures of Investment | | | | |
| AEPS (Rs) | 15.1 | 124.1 | 46.4 | 49.2 |
| CEPS (Rs) | 44.8 | 154.0 | 80.6 | 87.4 |
| DPS (Rs) | 4.0 | 37.2 | 18.5 | 23.0 |
| Dividend Payout (%) | 26.6 | 30.0 | 40.0 | 46.8 |
| BVPS (Rs) | 243.4 | 330.3 | 358.1 | 384.3 |
| RoANW (%) | 6.2 | 43.3 | 13.5 | 13.2 |
| RoACE (%) | 6.3 | 26.2 | 9.9 | 9.9 |
| RoAIC (%) | 4.6 | 33.0 | 10.8 | 11.2 |
| (E) Valuation Ratios | | | | |
| CMP (Rs) | 609 | 609 | 609 | 609 |
| P/E | 40.3 | 4.9 | 13.1 | 12.4 |
| Mcap (Rs Mn) | 13,00,327 | 13,00,327 | 13,00,327 | 13,00,327 |
| MCap/ Sales | 0.3 | 0.3 | 0.3 | 0.3 |
| EV | 17,26,874 | 16,66,113 | 16,73,237 | 15,53,549 |
| EV/Sales | 0.4 | 0.4 | 0.4 | 0.4 |
| EV/EBITDA | 15.8 | 4.0 | 8.4 | 7.3 |
| P/BV | 2.5 | 1.8 | 1.7 | 1.6 |
| Dividend Yield (%) | 0.7 | 6.1 | 3.0 | 3.8 |
| (F) Growth Rate (%) | | | | |
| Revenue | 36.5 | (6.3) | (8.8) | 1.0 |
| EBITDA | (42.4) | 283.0 | (52.2) | 6.5 |
| EBIT | (66.1) | 672.1 | (64.3) | 3.5 |
| PBT | (74.5) | 890.8 | (62.7) | 6.1 |
| APAT | (66.8) | 721.0 | (62.7) | 6.1 |
| EPS | (66.8) | 721.0 | (62.7) | 6.1 |

E – Estimates

Cash Flow

| Particulars | FY23A | FY24E | FY25E | FY26E |
|--|-----------------|-------------------|-------------------|-------------------|
| Profit before tax | 67,931 | 3,79,312 | 1,52,219 | 1,57,168 |
| Depreciation & w.o. | 63,475 | 63,713 | 73,153 | 81,633 |
| Net Interest Exp | (32,165) | (24,942) | (19,888) | (16,774) |
| Direct taxes paid | 8,557 | (89,195) | (33,308) | (35,337) |
| Change in Working Capital | 12,630 | (38,574) | 20,308 | 1,42,165 |
| Non Cash | 0 | 0 | 0 | 0 |
| (A) CF from Operating Activities | 1,20,428 | 2,90,314 | 1,92,485 | 3,28,855 |
| Capex {(Inc.)/ Dec. in Fixed Assets n WIP} | (98,136) | (1,50,000) | (1,60,000) | (1,60,000) |
| Free Cash Flow | 22,292 | 1,40,314 | 32,485 | 1,68,855 |
| (Inc.)/ Dec. in Investments | 1,228 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| (B) CF from Investing Activities | (96,908) | (1,50,000) | (1,60,000) | (1,60,000) |
| Issue of Equity/ Preference | 0 | 0 | 0 | 0 |
| Inc./(Dec.) in Debt | 25,599 | (50,000) | 0 | (50,000) |
| Interest exp net | 0 | 0 | 0 | 0 |
| Dividend Paid (Incl. Tax) | (8,602) | (79,552) | (39,610) | (49,167) |
| Other | 0 | 0 | 0 | 0 |
| (C) CF from Financing | 16,996 | (1,29,552) | (39,610) | (99,167) |
| Net Change in Cash | 40,516 | 10,761 | (7,125) | 69,688 |
| Opening Cash balances | 14,509 | 21,204 | 31,965 | 24,841 |
| Closing Cash balances | 55,025 | 31,965 | 24,841 | 94,529 |

E – Estimates

Notes

HPCL's Financial Performance

Profit and Loss Account

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|--|-------------------|------------------|------------------|------------------|
| Revenue | 44,04,030 | 43,42,619 | 41,06,347 | 41,50,342 |
| Total Expense | 44,79,252 | 41,15,983 | 39,51,322 | 39,78,572 |
| COGS | 42,70,188 | 39,00,657 | 37,15,760 | 37,34,339 |
| Employees Cost | 29,628 | 31,773 | 32,709 | 33,854 |
| Other expenses | 1,79,436 | 1,83,553 | 2,02,852 | 2,10,380 |
| EBIDTA | (75,222) | 2,26,636 | 1,55,025 | 1,71,770 |
| Depreciation | 43,300 | 47,204 | 51,404 | 55,604 |
| EBIT | (1,18,522) | 1,79,432 | 1,03,621 | 1,16,166 |
| Interest | 21,319 | 23,681 | 24,641 | 25,441 |
| Other Income | 20,691 | 24,338 | 24,285 | 23,682 |
| Exc. / E.O. items | 0 | 0 | 0 | 0 |
| EBT | (1,19,149) | 1,80,089 | 1,03,265 | 1,14,407 |
| Tax | (29,409) | 44,450 | 25,488 | 28,238 |
| RPAT | (89,740) | 1,35,639 | 77,777 | 86,169 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Profit/Loss share of associates | 0 | 0 | 0 | 0 |
| APAT | (89,740) | 1,35,639 | 77,777 | 86,169 |

Balance Sheet

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|-------------------------------|------------------|------------------|------------------|------------------|
| Sources of Funds | | | | |
| Equity Capital | 14,189 | 14,189 | 14,189 | 14,189 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Reserves & Surplus | 2,62,945 | 3,56,536 | 4,10,202 | 4,69,658 |
| Net Worth | 2,77,134 | 3,70,725 | 4,24,391 | 4,83,848 |
| Total Debt | 6,80,081 | 7,40,081 | 7,70,081 | 7,95,081 |
| Net Deferred Tax Liability | 2,76,095 | 2,76,095 | 2,76,095 | 2,76,095 |
| Total Capital Employed | 12,33,310 | 13,86,901 | 14,70,567 | 15,55,023 |

Applications of Funds

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net Block | 7,18,541 | 7,76,336 | 8,29,932 | 8,79,328 |
| CWIP | 2,28,028 | 2,73,028 | 3,18,028 | 3,63,028 |
| Investments | 2,12,107 | 2,12,107 | 2,12,107 | 2,12,107 |
| Current Assets, Loans & Advances | 3,86,175 | 4,14,467 | 3,89,508 | 3,83,283 |
| Inventories | 2,93,440 | 2,89,348 | 2,73,605 | 2,76,536 |
| Receivables | 68,172 | 67,221 | 63,564 | 64,245 |
| Cash and Bank Balances | 5,386 | 43,720 | 43,162 | 36,824 |
| Loans and Advances | 14,105 | 9,105 | 4,105 | 605 |
| Other Current Assets | 5,072 | 5,072 | 5,072 | 5,072 |
| Less: Current Liabilities & Provisions | 3,11,541 | 2,89,038 | 2,79,009 | 2,82,723 |
| Payables | 2,28,524 | 2,08,748 | 1,98,853 | 1,99,847 |
| Other Current Liabilities | 83,017 | 80,290 | 80,156 | 82,876 |
| <i>sub total</i> | | | | |
| Net Current Assets | 74,634 | 1,25,429 | 1,10,500 | 1,00,560 |
| Total Assets | 12,33,310 | 13,86,901 | 14,70,567 | 15,55,023 |

E – Estimates

Important Ratios

| Particulars | FY23A | FY24E | FY25E | FY26E |
|---|-----------|-----------|-----------|-----------|
| (A) Margins (%) | | | | |
| Gross Profit Margin | 3.0 | 10.2 | 9.5 | 10.0 |
| EBIDTA Margin | (1.7) | 5.2 | 3.8 | 4.1 |
| EBIT Margin | (2.7) | 4.1 | 2.5 | 2.8 |
| Tax rate | 24.7 | 24.7 | 24.7 | 24.7 |
| Net Profit Margin | (2.0) | 3.1 | 1.9 | 2.1 |
| (B) As Percentage of Net Sales (%) | | | | |
| COGS | 97.0 | 89.8 | 90.5 | 90.0 |
| Employee | 0.7 | 0.7 | 0.8 | 0.8 |
| Other | 4.1 | 4.2 | 4.9 | 5.1 |
| (C) Measure of Financial Status | | | | |
| Gross Debt / Equity | 2.5 | 2.0 | 1.8 | 1.6 |
| Interest Coverage | (5.6) | 7.6 | 4.2 | 4.6 |
| Inventory days | 24 | 24 | 24 | 24 |
| Debtors days | 6 | 6 | 6 | 6 |
| Average Cost of Debt | 3.7 | 3.3 | 3.3 | 3.3 |
| Payable days | 19 | 18 | 18 | 18 |
| Working Capital days | 6 | 11 | 10 | 9 |
| FA T/O | 6.1 | 5.6 | 4.9 | 4.7 |
| (D) Measures of Investment | | | | |
| AEPS (Rs) | (63.3) | 95.6 | 54.8 | 60.7 |
| CEPS (Rs) | (32.7) | 128.9 | 91.1 | 99.9 |
| DPS (Rs) | 0.0 | 29.6 | 17.0 | 18.8 |
| Dividend Payout (%) | 0.0 | 31.0 | 31.0 | 31.0 |
| BVPS (Rs) | 195.4 | 261.3 | 299.2 | 341.1 |
| RoANW (%) | (27.0) | 41.9 | 19.6 | 19.0 |
| RoACE (%) | (5.8) | 12.2 | 7.2 | 7.4 |
| RoAIC (%) | (10.0) | 14.0 | 7.5 | 7.9 |
| (E) Valuation Ratios | | | | |
| CMP (Rs) | 500 | 500 | 500 | 500 |
| P/E | (7.9) | 5.2 | 9.1 | 8.2 |
| Mcap (Rs Mn) | 7,09,416 | 7,09,416 | 7,09,416 | 7,09,416 |
| MCap/ Sales | 0.2 | 0.2 | 0.2 | 0.2 |
| EV | 13,84,111 | 14,05,777 | 14,36,335 | 14,67,673 |
| EV/Sales | 0.3 | 0.3 | 0.3 | 0.4 |
| EV/EBITDA | (18.4) | 6.2 | 9.3 | 8.5 |
| P/BV | 2.6 | 1.9 | 1.7 | 1.5 |
| Dividend Yield (%) | 0.0 | 5.9 | 3.4 | 3.8 |
| (F) Growth Rate (%) | | | | |
| Revenue | 25.9 | (1.4) | (5.4) | 1.1 |
| EBITDA | (173.9) | (401.3) | (31.6) | 10.8 |
| EBIT | (291.0) | (251.4) | (42.3) | 12.1 |
| PBT | (245.2) | (251.1) | (42.7) | 10.8 |
| APAT | (240.6) | (251.1) | (42.7) | 10.8 |
| EPS | (240.6) | (251.1) | (42.7) | 10.8 |

E – Estimates

Cash Flow

| Particulars | FY23A | FY24E | FY25E | FY26E |
|--|-------------------|-------------------|-------------------|-------------------|
| Profit before tax | (97,831) | 2,03,770 | 1,27,906 | 1,39,848 |
| Depreciation & w.o. | 43,300 | 47,204 | 51,404 | 55,604 |
| Net Interest Exp | (21,319) | (23,681) | (24,641) | (25,441) |
| Direct taxes paid | 29,409 | (44,450) | (25,488) | (28,238) |
| Change in Working Capital | 12,064 | (12,460) | 14,371 | 3,602 |
| Non Cash | (49,639) | (24,338) | (24,285) | (23,682) |
| (A) CF from Operating Activities | (84,015) | 1,46,044 | 1,19,267 | 1,21,692 |
| Capex {(Inc.)/ Dec. in Fixed Assets n WIP} | (1,10,546) | (1,50,000) | (1,50,000) | (1,50,000) |
| Free Cash Flow | (1,94,561) | (3,956) | (30,733) | (28,308) |
| (Inc.)/ Dec. in Investments | (32,670) | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| (B) CF from Investing Activities | (1,43,216) | (1,50,000) | (1,50,000) | (1,50,000) |
| Issue of Equity/ Preference | 0 | 0 | 0 | 0 |
| Inc./(Dec.) in Debt | 2,14,168 | 60,000 | 30,000 | 25,000 |
| Interest exp net | 0 | 0 | 0 | 0 |
| Dividend Paid (Incl. Tax) | 0 | (42,048) | (24,111) | (26,712) |
| Other | 17,069 | 24,338 | 24,285 | 23,682 |
| (C) CF from Financing | 2,31,237 | 42,290 | 30,174 | 21,970 |
| Net Change in Cash | 4,006 | 38,335 | (558) | (6,338) |
| Opening Cash balances | 1,310 | 5,386 | 43,720 | 43,162 |
| Closing Cash balances | 5,315 | 43,720 | 43,162 | 36,824 |

E – Estimates

Notes

IOC's Financial Performance

Profit and Loss Account

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|--|------------------|------------------|------------------|------------------|
| Revenue | 84,17,559 | 88,44,840 | 82,09,600 | 83,21,181 |
| Total Expense | 81,10,569 | 81,31,995 | 77,93,122 | 78,73,076 |
| COGS | 74,76,350 | 75,47,199 | 71,89,486 | 72,25,433 |
| Employees Cost | 93,591 | 94,472 | 95,712 | 96,981 |
| Other expenses | 5,40,628 | 4,90,323 | 5,07,924 | 5,50,661 |
| EBIDTA | 3,06,990 | 7,12,845 | 4,16,479 | 4,48,105 |
| Depreciation | 1,31,811 | 1,36,474 | 1,37,939 | 1,50,394 |
| EBIT | 1,75,179 | 5,76,371 | 2,78,539 | 2,97,711 |
| Interest | 75,414 | 79,846 | 73,447 | 75,797 |
| Other Income | 41,989 | 43,718 | 63,047 | 63,677 |
| Exc. / E.O. items | 0 | 0 | 0 | 0 |
| EBT | 1,41,755 | 5,40,243 | 2,68,139 | 2,85,591 |
| Tax | 33,334 | 1,31,654 | 60,959 | 64,952 |
| RPAT | 89,299 | 3,97,385 | 2,04,361 | 2,17,525 |
| Minority Interest | 19,121 | 11,203 | 2,819 | 3,114 |
| Profit/Loss share of associates | 0 | 0 | 0 | 0 |
| APAT | 89,299 | 3,97,385 | 2,04,361 | 2,17,525 |

Balance Sheet

| (Rs Mn) | FY23A | FY24E | FY25E | FY26E |
|-------------------------------|------------------|------------------|------------------|------------------|
| Sources of Funds | | | | |
| Equity Capital | 1,37,716 | 1,37,716 | 1,37,716 | 1,37,716 |
| Minority Interest | 34,941 | 46,351 | 49,222 | 52,394 |
| Reserves & Surplus | 12,59,487 | 14,64,131 | 15,67,748 | 16,61,918 |
| Net Worth | 13,97,202 | 16,01,846 | 17,05,464 | 17,99,633 |
| Total Debt | 14,89,771 | 14,65,545 | 15,00,545 | 15,47,545 |
| Net Deferred Tax Liability | 2,07,031 | 2,07,031 | 2,07,031 | 2,07,031 |
| Total Capital Employed | 31,28,946 | 33,20,774 | 34,62,262 | 36,06,604 |

Applications of Funds

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net Block | 19,35,926 | 20,84,069 | 22,21,598 | 23,30,489 |
| CWIP | 4,75,501 | 5,06,001 | 5,35,501 | 5,65,001 |
| Investments | 5,21,905 | 5,21,905 | 5,21,905 | 5,21,905 |
| Current Assets, Loans & Advances | 14,84,179 | 19,16,362 | 17,47,348 | 17,65,459 |
| Inventories | 12,11,076 | 13,61,570 | 12,64,661 | 12,81,615 |
| Receivables | 1,62,713 | 2,31,641 | 2,15,353 | 2,18,278 |
| Cash and Bank Balances | 20,966 | 1,94,970 | 1,38,688 | 1,36,359 |
| Loans and Advances | 3,797 | 42,554 | 43,019 | 43,580 |
| Other Current Assets | 85,627 | 85,627 | 85,627 | 85,627 |
| Less: Current Liabilities & Provisions | 12,88,565 | 17,07,562 | 15,64,089 | 15,76,250 |
| Payables | 11,73,038 | 14,71,277 | 14,01,396 | 14,08,419 |
| Other Current Liabilities | 1,15,527 | 2,36,285 | 1,62,693 | 1,67,831 |
| <i>sub total</i> | | | | |
| Net Current Assets | 1,95,614 | 2,08,800 | 1,83,259 | 1,89,209 |
| Total Assets | 31,28,946 | 33,20,774 | 34,62,262 | 36,06,604 |

E – Estimates

Important Ratios

| Particulars | FY23A | FY24E | FY25E | FY26E |
|---|-----------|-----------|-----------|-----------|
| (A) Margins (%) | | | | |
| Gross Profit Margin | 11.2 | 14.7 | 12.4 | 13.2 |
| EBIDTA Margin | 3.6 | 8.1 | 5.1 | 5.4 |
| EBIT Margin | 2.1 | 6.5 | 3.4 | 3.6 |
| Tax rate | 23.5 | 24.4 | 22.7 | 22.7 |
| Net Profit Margin | 1.1 | 4.5 | 2.5 | 2.6 |
| (B) As Percentage of Net Sales (%) | | | | |
| COGS | 88.8 | 85.3 | 87.6 | 86.8 |
| Employee | 1.1 | 1.1 | 1.2 | 1.2 |
| Other | 6.4 | 5.5 | 6.2 | 6.6 |
| (C) Measure of Financial Status | | | | |
| Gross Debt / Equity | 1.1 | 0.9 | 0.9 | 0.9 |
| Interest Coverage | 2.3 | 7.2 | 3.8 | 3.9 |
| Inventory days | 53 | 56 | 56 | 56 |
| Debtors days | 7 | 10 | 10 | 10 |
| Average Cost of Debt | 5.4 | 5.4 | 5.0 | 5.0 |
| Payable days | 51 | 61 | 62 | 62 |
| Working Capital days | 8 | 9 | 8 | 8 |
| FA T/O | 4.3 | 4.2 | 3.7 | 3.6 |
| (D) Measures of Investment | | | | |
| AEPS (Rs) | 6.3 | 28.1 | 14.5 | 15.4 |
| CEPS (Rs) | 15.7 | 37.8 | 24.2 | 26.1 |
| DPS (Rs) | 0.0 | 13.6 | 7.1 | 5.8 |
| Dividend Payout (%) | 0.0 | 48.5 | 49.3 | 37.8 |
| BVPS (Rs) | 98.9 | 113.4 | 120.8 | 127.4 |
| RoANW (%) | 6.5 | 26.5 | 12.4 | 12.4 |
| RoACE (%) | 6.1 | 15.1 | 8.3 | 8.4 |
| RoAIC (%) | 5.9 | 18.5 | 8.6 | 8.8 |
| (E) Valuation Ratios | | | | |
| CMP (Rs) | 170 | 170 | 170 | 170 |
| P/E | 26.9 | 6.1 | 11.8 | 11.1 |
| Mcap (Rs Mn) | 24,05,512 | 24,05,512 | 24,05,512 | 24,05,512 |
| MCap/ Sales | 0.3 | 0.3 | 0.3 | 0.3 |
| EV | 38,74,317 | 36,76,087 | 37,67,369 | 38,16,698 |
| EV/Sales | 0.5 | 0.4 | 0.5 | 0.5 |
| EV/EBITDA | 12.6 | 5.2 | 9.0 | 8.5 |
| P/BV | 1.7 | 1.5 | 1.4 | 1.3 |
| Dividend Yield (%) | 0.0 | 8.0 | 4.2 | 3.4 |
| (F) Growth Rate (%) | | | | |
| Revenue | 42.8 | 5.1 | (7.2) | 1.4 |
| EBITDA | (35.7) | 132.2 | (41.6) | 7.6 |
| EBIT | (50.5) | 229.0 | (51.7) | 6.9 |
| PBT | (57.1) | 281.1 | (50.4) | 6.5 |
| APAT | (62.6) | 345.0 | (48.6) | 6.4 |
| EPS | (62.6) | 345.0 | (48.6) | 6.4 |

E – Estimates

Cash Flow

| Particulars | FY23A | FY24E | FY25E | FY26E |
|--|-------------------|-------------------|-------------------|-------------------|
| Profit before tax | 2,17,169 | 6,20,089 | 3,41,586 | 3,61,388 |
| Depreciation & w.o. | 1,31,811 | 1,36,474 | 1,37,939 | 1,50,394 |
| Net Interest Exp | (75,414) | (79,846) | (73,447) | (75,797) |
| Direct taxes paid | (21,049) | (2,52,412) | 12,633 | (70,090) |
| Change in Working Capital | (44,423) | 1,60,818 | (30,741) | (8,279) |
| Non Cash | (1,917) | 0 | 0 | 0 |
| (A) CF from Operating Activities | 2,06,177 | 5,85,123 | 3,87,971 | 3,57,616 |
| Capex {(Inc.)/ Dec. in Fixed Assets n WIP} | (3,49,234) | (3,15,117) | (3,04,968) | (2,88,785) |
| Free Cash Flow | (1,43,057) | 2,70,006 | 83,003 | 68,831 |
| (Inc.)/ Dec. in Investments | (24,233) | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| (B) CF from Investing Activities | (3,73,467) | (3,15,117) | (3,04,968) | (2,88,785) |
| Issue of Equity/ Preference | (3,495) | 0 | 0 | 0 |
| Inc./(Dec.) in Debt | 1,69,575 | (24,226) | 35,000 | 47,000 |
| Interest exp net | 0 | 0 | 0 | 0 |
| Dividend Paid (Incl. Tax) | 0 | (1,92,651) | (1,00,661) | (82,331) |
| Other | (95) | 207 | 52 | 58 |
| (C) CF from Financing | 1,65,985 | (2,16,669) | (65,608) | (35,273) |
| Net Change in Cash | (1,305) | 53,336 | 17,394 | 33,558 |
| Opening Cash balances | 18,201 | 20,966 | 1,94,970 | 1,38,688 |
| Closing Cash balances | 16,896 | 74,303 | 2,12,365 | 1,72,246 |

E – Estimates

Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

| | |
|------------|-----------|
| Buy | > 20% |
| Accumulate | 10 to 20% |
| Reduce | 0 to 10% |
| Sell | < 0% |

DART Team

| | | | |
|-------------|-------------------|-------------------------|-----------------|
| Purvag Shah | Managing Director | purvag@dolatcapital.com | +9122 4096 9747 |
|-------------|-------------------|-------------------------|-----------------|

| | | | |
|-------------------|------------------|-----------------------|-----------------|
| Amit Khurana, CFA | Head of Equities | amit@dolatcapital.com | +9122 4096 9745 |
|-------------------|------------------|-----------------------|-----------------|

CONTACT DETAILS

| Equity Sales | Designation | E-mail | Direct Lines |
|---------------------|--|------------------------------|-----------------|
| Dinesh Bajaj | VP - Equity Sales | dineshb@dolatcapital.com | +9122 4096 9709 |
| Kapil Yadav | VP - Equity Sales | kapil@dolatcapital.com | +9122 4096 9735 |
| Jubbin Shah | VP - Equity Sales | jubbins@dolatcapital.com | +9122 4096 9779 |
| Girish Raj Sankunny | VP - Equity Sales | girishr@dolatcapital.com | +9122 4096 9625 |
| Pratik Shroff | AVP - Equity Sales | pratiks@dolatcapital.com | +9122 4096 9621 |
| Rajeev Lala | AVP - Equity Sales | rajeevl@dolatcapital.com | +9122 4096 9767 |
| Equity Trading | Designation | E-mail | |
| P. Sridhar | SVP and Head of Sales Trading | sridhar@dolatcapital.com | +9122 4096 9728 |
| Chandrakant Ware | VP - Sales Trading | chandrakant@dolatcapital.com | +9122 4096 9707 |
| Shirish Thakkar | VP - Head Domestic Derivatives Sales Trading | shirisht@dolatcapital.com | +9122 4096 9702 |
| Kartik Mehta | Asia Head Derivatives | kartikm@dolatcapital.com | +9122 4096 9715 |
| Bhavin Mehta | VP - Derivatives Strategist | bhavinm@dolatcapital.com | +9122 4096 9705 |

Dolat Capital Market Private Limited.

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com