



EQUITY REPORT





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OVERVIEW

Indian Oil Corporation (IOC) is the major commercial oil company owned by the Government of India and a key player in India's energy sector. Its downstream segment comprises thousands of refineries, pipelines, and fuel stations known for various petroleum goods, lubricants, and petrochemicals. Established in 1959, IOC plays a significant role in meeting the nation's energy needs, supported by its quality and extensive distribution network across India. While primarily focused on conventional fuels and oil distribution, IOCL is also aligning with the green economy trend, investing in renewable energy sources and expanding internationally.





REASONS TO BUY THE COMPANY'S STOCK

Investment Potential

IOCL presents a promising outlook for long-term investors. Its focus on operational efficiency, strategic diversification, and financial stability reflects a forward-looking approach to evolving energy demands. While the energy sector faces challenges like price volatility and the global push for renewables, IOCL has positioned itself as a resilient leader through modernization and innovation.

With these developments, IOCL demonstrates a bullish trend. It's an appealing option for investors seeking stable returns and growth over the long haul, especially in a sector that's critical to India's economic infrastructure and energy security.

Profitability and Revenue Trends

IOCL's net profits surged from ₹8,242 crore in FY 2023 to ₹39,619 crore in FY 2024, an impressive increase despite a dip in Revenue from Operations (RFO), which declined from ₹9,34,952.66 crore to ₹8,66,345.38 crore. This divergence highlights the company's:

- **Operational Efficiency:** By optimizing costs and adopting advanced technologies, IOCL has achieved higher profit margins, even with lower revenues.
- **Improved Marketing Margins:** A favorable pricing strategy in its downstream operations contributed to profitability despite external pressures.

Strategic Investments and Diversification

IOCL has been steadily expanding and modernizing its operations, with long-term investments growing from ₹52,190 crore in FY 2023 to ₹65,542 crore in FY 2024. This growth reflects its commitment to:

1. **Refinery Modernization:** Upgrading refineries to meet future energy demands while maintaining compliance with environmental regulations.
2. **Petrochemical Expansion:** Focusing on high-margin products that strengthen its revenue streams.
3. **Renewable Energy:** Investing in projects like a 1 GW renewable energy capacity and EV infrastructure, ensuring relevance in a rapidly transitioning energy market.

These efforts underscore IOCL's commitment to sustainable growth while maintaining its competitive edge in traditional sectors.

Liability Management and Financial Health

IOCL's financial health has seen marked improvement, with non-current liabilities reducing significantly from ₹63,313 crore to ₹46,793 crore. This reduction is attributed to:

- **Debt Repayment:** A proactive approach to reducing long-term borrowings, minimizing interest expenses.
- **Cash Flow Optimization:** Enhanced operational cash flows have supported debt repayments, leading to improved financial stability.
- **Stronger Credit Profile:** Lower liabilities make IOCL more attractive to lenders and investors, reinforcing its reputation as a financially sound entity.

Sector and Economic Context

IOCL operates in a dynamic sector that's undergoing rapid change, driven by global shifts toward sustainability and renewable energy. While its traditional oil and gas operations continue to provide a stable foundation, the company's diversification efforts position it for sustained growth. Its leadership in the Indian energy market and its proactive embrace of renewable energy opportunities make it a key player in the industry's transformation.

Conclusion

Why Bullish?

- IOCL has shown resilience through sharp profit growth, even in the face of revenue declines.
- Strategic investments in modernization and renewable energy indicate a strong commitment to long-term sustainability.
- The reduction in liabilities and focus on debt repayment enhance its financial stability.

Risks to Watch

- Dependency on crude oil prices could pose challenges in the short term.
- Renewable energy initiatives may take time to yield substantial returns.

IOCL's strategic approach to modernization and diversification ensures it remains a valuable player in the energy sector. Its strong financial performance, focus on operational efficiency, and commitment to innovation make it a sound choice for investors with a long-term perspective.

CASH FLOW STATEMENT

Cash flow from Operating activities:

Operating cash flow surged by 225% to ₹68,096.60 crore in 2023-2024, up from ₹20,985.30 crore in 2022-2023, driven by a fivefold increase in profit before tax to ₹52,344.21 crore. Operating profit before working capital changes rose to ₹70,626.51 crore from ₹28,457.58 crore, reflecting enhanced efficiency. Favorable working capital changes added ₹8,108.62 crore, reversing a ₹7,332.47 crore outflow from the previous year, supported by improved receivables, lower inventory, and higher trade payables. These results underline strong operational performance and financial management

Cash flow from Investing activities:

Cash outflows from investing activities rose to ₹29,701.62 crore in 2023-2024 from ₹25,285.63 crore in 2022-2023, driven by higher investments in long-term assets and reduced inflows from asset sales. Proceeds from PPE sales dropped to ₹610.75 crore from ₹804.15 crore, while purchases of PPE and intangible assets increased slightly to ₹4,284.68 crore from ₹4,137.40 crore. Expenditure on construction work in progress rose significantly to ₹30,924.39 crore from ₹27,113.06 crore, reflecting a focus on ongoing projects.

Proceeds from investment sales surged to ₹5,118.51 crore from ₹12.91 crore, but higher purchases of investments at ₹4,266.31 crore (up from ₹821.81 crore) offset this gain. Dividend and interest income declined to ₹2,277.42 crore and ₹1,875.92 crore, respectively, from ₹3,730.71 crore and ₹1,980.68 crore. Government grant receipts dropped sharply to ₹1.72 crore from ₹258.19 crore. The increased outflows indicate a focus on long-term growth through capital projects and asset building.

Cash flow from Financing activities:

In 2024, the company reported a net cash outflow of ₹38,294.02 crore from financing activities, compared to an inflow of ₹3,953.69 crore in 2023. This shift was driven by higher long-term borrowing repayments of ₹17,286.37 crore (up from ₹10,086.67 crore), increased interest payments of ₹7,388.58 crore (up from ₹6,315.79 crore), and lease liability payments of ₹2,803.78 crore. Dividend payouts more than tripled to ₹11,021.81 crore from ₹3,309.42 crore. Proceeds from long-term borrowings plunged to ₹343.61 crore from ₹16,601.51 crore. These outflows reflect the company's focus on debt reduction and shareholder returns.



Analysis Summary:

In 2024, the company achieved a net cash increase of ₹100.96 crore, recovering from a ₹346.59 crore decrease in 2023. Cash and cash equivalents rose to ₹464.28 crore from ₹363.32 crore, driven by higher current account balances of ₹449.10 crore (up from ₹354.15 crore) and increased non-scheduled bank balances at ₹12.91 crore (up from ₹2.74 crore). Cheques and drafts in hand fell to ₹1.31 crore, while cash in hand rose slightly to ₹0.96 crore. This improvement highlights stronger liquidity and better cash management.

The increase in cash and cash equivalents was due to the significant increase in cash inflows from Operating Activities, which was more than thrice of what it was last year. Profits increased to a great extent and was the driving force behind this increase in cash inflows.

The increased cash outflows from Investing Activities highlight the company's substantial investment in capital projects and acquisitions, signalling a strategic emphasis on long-term growth and asset development, despite the short-term strain on cash flows.

This cash flows from Financing Activities reflects the company's focused approach to reducing its debt burden while prioritizing shareholder returns. However, this strategy has significantly impacted liquidity, emphasizing the balance between fiscal responsibility and cash management.



QUALITATIVE ANALYSIS

SWOT ANALYSIS

Strengths :

- **Market Leader:** IOC is one of India's largest and most established oil companies, giving it a dominant position in the energy sector.
- **Wide Customer Base:** IOC serves a vast customer base, including households, businesses, and industries which provides a steady revenue stream.
- **Well-Established Brand:** As a trusted brand in India, IOC has high brand recognition, which fosters customer loyalty and attracts new customers.
- **Diverse Product Range:** IOC offers a wide variety of petroleum products, lubricants, and chemicals, meeting various market demands.

Weaknesses:

- **Import Dependence:** India is a significant importer of crude oil, making IOC susceptible to fluctuations in international market prices.
- **Limited Renewable Investments:** While primarily focused on fossil fuels, IOC has started to venture into renewables, though it lags behind some competitors in this space.
- **High Debt Levels:** IOC's debt levels are a significant concern. As of March 2024, the company's debt stands at ₹132,628 crore, and it increased to ₹163,401 crore by September 2024. Such high levels of debt limit the company's financial flexibility and could restrict its ability to invest in new projects or pursue expansion plans.
- **Operational Inefficiencies:** As a large public sector enterprise, IOC can face bureaucratic hurdles and slower decision-making, which can reduce operational efficiency compared to private competitors.

Opportunities:

- **EV Charging Expansion:** With electric vehicles becoming more popular, IOC has a great chance to tap into this trend by setting up EV charging stations at its fuel stations. This would make it super convenient for EV drivers to charge their cars while on the go, and it would also let IOC offer more services to its customers, making their visits even more useful.

- **Biofuel Production:** As India pushes for cleaner energy, IOC could get into biofuels, like ethanol-blended fuels. This move would not only help make use of agricultural waste but also reduce carbon emissions, which is a win for the environment and for India's green energy goals.
- **Digital Transformation:** By investing in smart digital tools—like AI to manage the supply chain more efficiently or customer apps to improve the overall experience—IOC could really streamline its operations.
- **Retail Diversification:** IOC could also look into offering more than just fuel by partnering with retail brands or opening convenience stores at its stations. This would give customers the chance to grab snacks, drinks, or even everyday essentials while filling up, creating a one-stop-shop experience that boosts revenue and keeps customers happy

Threats:

- **Oil Price Volatility:** The company is vulnerable to global oil price changes as it imports the majority of its crude oils.
- **Geopolitical Risks:** As a crude oil importer, IOC is vulnerable to geopolitical flare-ups in regions it sources from, which could lead to supply risks and higher prices.
- **Worldwide Migration to Renewables:** With a global pivot toward reducing carbon footprints, gasoline demand is expected to decrease, presenting a long-term challenge to IOC's traditional core business.
- **Intense Competition:** IOC faces competition from other public sector companies (like BPCL and HPCL) and private companies (like Reliance and foreign firms).

BCG MATRIX

Stars: Refining and Petrochemicals, Fuel Retailing

IOCL’s refining and petrochemicals business is a “Star” due to its high profitability, significant market share and robust growth. Moreover, IOCL’s fuel retailing business, with over 28,000 outlets across the country is a “Star” due to its vast network, strong brand presence and growing demand for fuel.

Cash Cow: LPG(Indane) and Lubricants

IOCL’s LPG business, with over 120 million customers, and lubricants business is a “Cash Cow” due to its established market presence, steady demand and high margins.

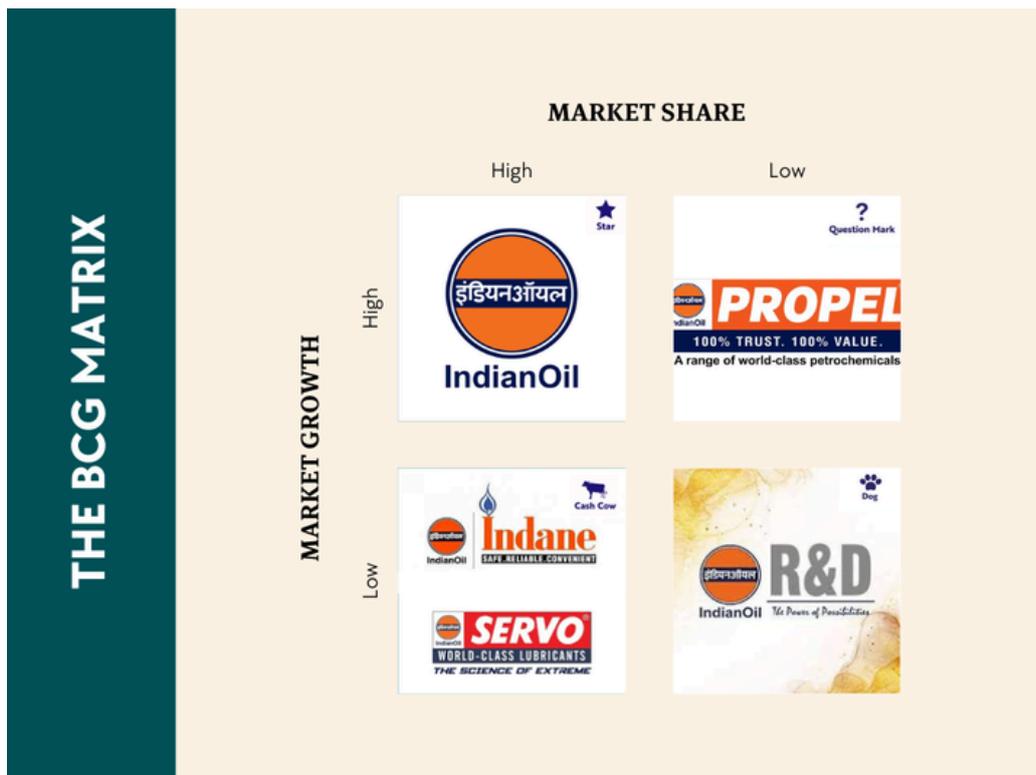
Question Marks: Petrochemicals(Polymer and Fibre) and Alternative Energy(Solar,Wind)

IOCL’s petrochemical business, although growing, faces intense competition and fluctuating demand, making it a “Question Mark.” Petrochemical business is highly cyclical depending on S&P Platts and MoPag price determining purchase and sale prices. IOCL’s foray into alternative energy sources is still in its nascent stage and faces competition from established players.

Dog: Exploration and Production(E&P)

IOCL’s E&P business, with limited reserves and high exploration cost is a “Dog” due to uncertain future prospects and low profitability.

The BCG Matrix is given below:



PORTER'S FIVE FORCE ANALYSIS

Competitive rivalry:

1. Competitive landscape: IOC has a 42% market share in Petroleum Oil and Lubricants with over 60,900 touch points. It is a leader in market infrastructure and controls 42% of retail outlets, 51% of LPG distributorships, and 45% of Aviation Fuel stations in India followed by Bharat Petroleum Corporation Ltd. The company sells more than 400 grades of lubricant products through its own brand MAK Lubricants. It has a market share of ~25% through a base of over 18,000 customers and the company also has a customer base of 55+ major LNG customers.

2. Promotional strategies: IOC has been following cost leadership strategy rather than product differentiation since oil products have become commodities. Indian Oil spends little on advertising. But by selling at a very low cost compared to its competitors Indian Oil has gained a large customer base. And it has selected strategic locations for its plants abroad so that it would reduce the cost of transport and will ensure prompt delivery.

Threat of Substitutes:

1. Cost of switching: There are many substitutes for oil products available in the market due to technical advancements and concern for the environment. We have coal, solar, chemical, wind energies substituting energy from oil. For example we have electric bikes available in the market which don't require oil to run and we have solar pump sets available these days even though the government is giving subsidies on alternative fuels. These substitutes pose a great threat to the oil industry in the long run.

2. Demand: In the past the oil industries price elasticity of demand has been inelastic. As a result regardless of whether the oil price rises, it would continuously be in great need due to its numerous applications and role as a key provider of power.

Threat of New Entrants :

1. Barriers to entry: For anyone to enter the Oil industry it becomes difficult to sustain because of increase in interest on capital and it takes some time to realize profit. A high level of expertise is required for exploration and operation of Oil Company as it is highly prone to accidents and there can be loss of life and transportation should be handled carefully as there are instances of Oil spills which resulted in heavy penalties.

2. Capital requirements: Oil industry is characterized by its economies of scale which says the more industry produces the better it is in terms of cost reduction and profit realization. As new entrants face substantial capital requirements for space and inventory profits realized depend on how well a firm maintains its distribution network, so new entrants find it very difficult to enter the space. IOCL's established position with increase in sales and operating profit makes it difficult for newcomers to compete without significant investment. The 'Pure for Sure' campaign ensures customers of high fuel quality and has been highly successful in building trust and loyalty.

Buyer power:

1.Brand differentiation: IOC's diverse portfolio targets different consumer segments (e.g., As of FY24, the company operates over 61,000 customer touchpoints including 37,472 retail outlets, 2,110 CNG stations, 85 CBG stations, 99 LPG bottling plants, 11 lube blending plants, 9,059 EV charging stations etc, Exploration and Production: The company's upstream portfolio consists of 18 domestic & 11 overseas assets, of which 8 are producing assets). This helps to retain customers.

2.Consumer choice: With numerous alternatives available, buyers have significant bargaining power. They can easily switch brands if their needs are not met.

Supplier power:

1.Supplier concentration: Due to the non-availability of sufficient fossil fuel resources in India, energy suppliers in India are heavily dependent on import of raw materials for energy production. So the petroleum industry in India is dependant on the importers (mainly OPEC).

2.Input costs: Suppliers enjoy a lot of power over fixing prices to supply IOC and it in turn affects the selling price and profit of IOC. IOC is calling tenders from all the suppliers (including non OPEC suppliers) and whoever bids to supply at lowest price is considered for supplying raw materials to IOC. By calling tenders from different suppliers top petro companies were successful in reducing power of suppliers over them.

PLC ANALYSIS

Introduction Stage (1959-1980)

- **Period:** IOCL was founded in 1959 and entered the Indian market during the post-independence industrial development phase.

- **Key Characteristics:**

Initial operations focused on setting up refining and distribution infrastructure to meet India's growing energy demands.

The company had to invest heavily in infrastructure, research, and operational setup while combating limited market penetration.

Challenges: Low consumer awareness of the brand and reliance on government funding and subsidies.

- **Performance:** Growth in this stage was slow but steady, fueled by India's gradual industrialization.

Growth Stage (1981-2000)

- **Period:** The company saw rapid growth starting in the 1980s, coinciding with India's liberalization and increased industrialization in the 1990s.

- **Key Characteristics:**

- Expansion of refining capacity and retail network across the country.
- Introduction of innovative products like Indane LPG cylinders, which helped expand its domestic footprint.
- IOCL ventured into international markets, strengthening its export portfolio.
- CAGR: During this phase, IOCL experienced strong growth in revenues and market share, with an estimated CAGR of 12%-15%, driven by rising fuel demand and liberalized trade policies.

- **Achievements:**

- Became India's largest commercial enterprise.
- Developed key refineries and pipelines, solidifying its position in the downstream segment.

Maturity Stage (2001-Present)

Period Overview

Since 2001, IOCL (Indian Oil Corporation Limited) has transitioned into a maturity phase characterized by market stability, sustained leadership, and strategic diversification. This stage reflects a shift from aggressive growth in traditional oil and gas operations to consolidating its position while exploring alternative and sustainable energy opportunities.

Key milestones of IOCL's Maturity phase

- **Consistent leadership:**

IOCL still leads the Indian energy market with a market share that stands at above 40% of the petroleum market. Its wide network of fuel stations, pipelines, and refineries speaks to how strongly it is built as part of the country's backbone energy infrastructure.

- **Expansion in renewable:**

As part of strategic visionary planning, IOCL has diversified into:
 Innovative Green Hydrogen production to augment the energy transition.
 Biofuel: Blending ethanol and compressed biogas as alternatives to sustainable fuels.
 Ev charging infrastructure towards future mobility.

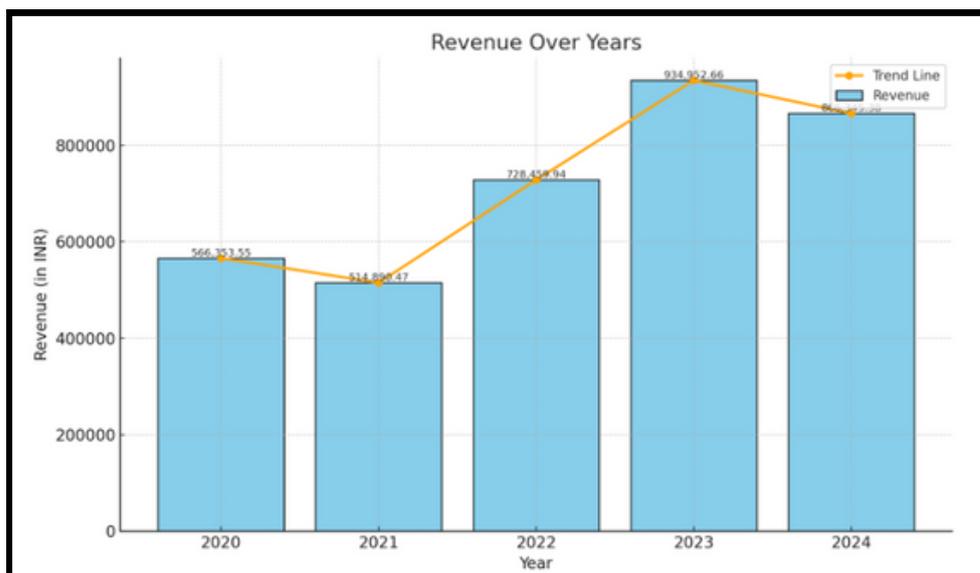
- **Operational excellence:**

The modernization of IOCL refineries and adoption of the latest available technologies have helped optimize productivity and profitability. IOCL has continuously optimized the refining process and managed competitive margins in the face of an ever-volatile oil price.

IOCL also aims for net zero by 2046. The corporation is investing in renewable projects and has partnered with other global players to reduce its carbon footprint and work toward meeting global energy objectives.

- **Global acceptance:**

Listed among Fortune Global 500, IOCL's size and financial stability have earned it a place among the most trusted names in the energy sector. IOCL is building on its base in traditional energy while preparing to thrive in a future of renewables. This balancing act means that it stays strong and fit for the new realities and becomes a healthy and relevant leader in a fast-changing industry - an excellent story about stability meeting innovation, a company set for sustainable growth.





QUALITY OF TOP MANAGEMENT

Chairman: Mr. V. Satish Kumar

Satish Kumar assumed the role of Chairman of Indian Oil Corporation Limited (IOCL) on September 2, 2024, following the tenure of Shrikant Madhav Vaidya. Alongside his role as Chairman, he has served as Director of Marketing since October 2021. His extensive career includes key leadership positions across India and abroad, notably as the Non-Executive Chairman of Indian Oil Petronas Pvt. Ltd., a venture with Malaysia's Petronas, and Indian Oil Mauritius Ltd, a subsidiary of IOCL. Under his leadership, IOCL has strengthened its presence in alternative energy, establishing new standards in retail infrastructure with comprehensive facilities along major highways. His commitment to innovation have reinforced IOCL's market leadership in petroleum, aligning with India's evolving energy landscape.

Director (Finance): Mr. Anuj Jain

Shri Anuj Jain joined IndianOil in 1996 and has over 28 years of rich and varied experience in Oil & Gas industry in handling Finance, Treasury & Fund Management, International Trade, Supply Chain Optimization, Pricing, Shipping, Direct & Indirect Taxation, Law, Corporate Affairs, and Information systems including SAP. Shri Anuj Jain is assiduously involved in identification and formulation of various business strategies for energy transition of the company in the changing landscape of India's energy sector. He is committed to enhancing enterprise value of the Company.

Director (Pipelines) holding additional charge of Director (Planning & Business Development): Mr. N. Senthil Kumar

Shri N. Senthil Kumar, is an Electronics and Communication Engineer with over three decades of versatile experience in the operations & maintenance of IndianOil's countrywide network of oil & gas pipelines. Before joining the IndianOil Board as Director (Pipelines), he was heading the Operations function at Pipelines Division Head Office. Shri Senthil has a vast and rich experience and has played a pivotal role in using technology to boost security systems in pipelines and conceptualization of Central Pipeline Information Management Systems (CPIMS) with backbone alternate communication system. Shri Senthil also played a vital role in pilot testing of drag reducing agents (innovated by IndianOil R&D) in LPG pipelines for the first time. Shri Senthil is also on the Board of two Joint Venture Companies viz. IHB Ltd. (a JV of IndianOil, HPCL & BPCL) and Indradhanush Gas Grid Ltd., (a JV of IndianOil, ONGC, GAIL, OIL & NRL). IHB Ltd. is implementing the world's longest LPG pipeline project from Kandla (Gujarat) to Gorakhpur (Uttar Pradesh). Indradhanush Gas Grid Ltd. is implementing Natural Gas Pipeline projects connecting the states in North East India.



Chairman: Mr. V. Satish Kumar



Director (Pipelines): Mr. N. Senthil Kumar



Director (Finance): Mr. Anuj Jain

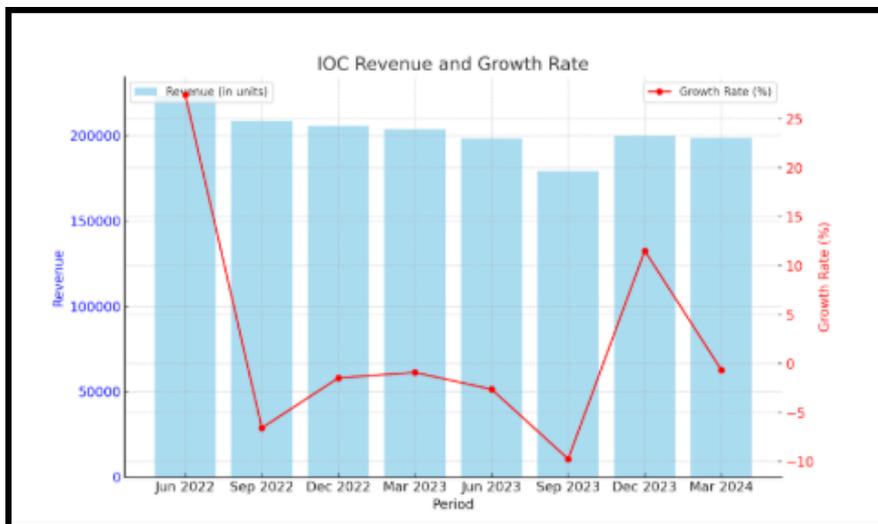


CATALYST

Indian Oil Corporation Limited (IOCL) is on a mission to fuel India's growth while embracing sustainability. It is India's largest integrated energy company, commanding a leading position in refining, pipeline transportation, and fuel retailing. With a diversified portfolio spanning traditional fuels, petrochemicals, and emerging energy solutions like hydrogen and biofuels, IOCL is critical to India's energy security. The company's strategic investments in infrastructure, innovation, and sustainability are key drivers of its long-term growth and resilience in a rapidly evolving energy landscape.

1. Growth Factors:

IOCL's growth is driven by India's soaring energy demands, rising mobility, and increasing industrial activity. As the country transitions to cleaner energy, IOCL is positioning itself as a key player in biofuels, hydrogen, and renewable energy. This strategic move not only aligns with the government's vision but also showcases IOCL's commitment to reducing its carbon footprint.



2. Operational Efficiency:

IOCL is upgrading its refineries with advanced technology to boost efficiency. Initiatives like IndMax and OCTAMAX aim to maximize high-value product yields. The company's digitization efforts, including IoT and AI, contribute to reduced downtime and improved energy efficiency. By embracing technology, IOCL is able to optimize its operations, reduce costs, and enhance its competitiveness.

3. Market Position & Competition:

As India's largest oil refining and marketing company, IOCL holds a dominant market share in fuel retailing. Despite competition from private players like Reliance Industries and Nayara Energy, IOCL maintains a strong edge due to its extensive infrastructure, brand trust, and government backing. Its focus on expanding the pipeline network and storage facilities further consolidates its position.

4. Demand for Energy:

India's growing population and urbanization are fueling energy consumption. IOCL is leveraging this trend by enhancing its retail network and introducing clean fuel options. With policies like BS-VI emission norms and ethanol blending mandates, IOCL is adapting to the evolving energy mix by integrating biofuels and launching green initiatives like solar-powered retail outlets.

5. Financial Performance:

IOCL reported robust financial performance in FY24, with revenues exceeding ₹776353 Crore. Despite crude oil price volatility and global uncertainties, the company maintained profitability due to its diversified portfolio and efficient operations. Rising refining margins and steady growth in petrochemical and fuel demand contributed to its strong performance.



6. Infrastructure & Capabilities:

IOCL boasts an extensive network of 11 refineries with a combined refining capacity of over 80 million metric tonnes per annum (MMTPA). Its pipeline network spans over 15,000 km, ensuring efficient transportation of crude oil and petroleum products. The company operates more than 35,000 retail outlets across India, serving as the backbone of its marketing operations.

7. Diversification Efforts:

IOCL is actively diversifying into renewable energy, with investments in green hydrogen, ethanol plants, and solar projects. It has set a target of achieving net-zero emissions by 2046. The company is also focusing on LNG infrastructure, including import terminals and gas marketing, to tap into the growing demand for cleaner fuels.

8. Challenges & Risks:

IOCL faces challenges like crude oil price volatility, regulatory environment, and competition from electric vehicles and private sector participation in fuel retailing. However, with its diversified portfolio and efficient operations, IOCL is well-equipped to navigate these challenges.

9. R&D and Innovation:

IOCL's R&D Centre in Faridabad focuses on developing innovative catalysts, cleaner fuels, and advanced materials. Recent achievements include high-throughput testing for hydroprocessing catalysts and biofuel technologies. These efforts enhance its operational efficiency and sustainability.

SHAREHOLDING PATTERN

As on	Promoter & Promoter group	FII	DII	Government	Public	Total
30-Sep-2024	51.50	7.90	10.43	19.57	10.60	100.00
30-June-2024	51.50	7.79	10.04	19.57	11.10	100.00
31-Mar-2024	51.50	8.49	10.23	19.57	10.21	100.00
31-Dec-2023	51.50	8.84	9.90	19.60	10.16	100.00
30-Sep-2023	51.50	7.84	10.70	19.60	10.36	100.00

KEY INSIGHTS

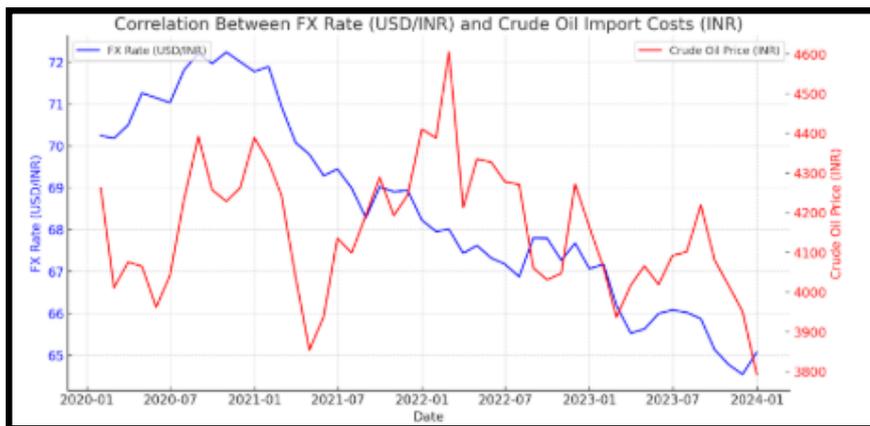
- **Promoter holding:** Constant at 51.50%, showing the Government's stake remained unchanged.
- **FII (Foreign Investors):** Fluctuated between 7.8% – 8.8%, peaking in Dec-2023 (8.84%) but ending slightly higher than Sep-2023 (7.84% → 7.90%).
- **DII (Domestic Institutions):** Small variation, from 10.70% (Sep-2023) down to 9.90% (Dec-2023), then recovering to 10.43% (Sep-2024).
- **Government (non-promoter holdings like PSU entities):** Stable at ~19.57–19.60% throughout.
- **Public shareholding:** Fairly stable in the 10–11% range, with a small rise in Jun-2024 (11.10%) before dipping again.

RISKS AND CHALLENGES

- **Foreign Exchange Fluctuations:**

Most of IOC's crude oil is imported and such transactions are paid for in U.S. dollars. So, a drop in the Indian Rupee makes crude oil costly, thereby reducing profit margins unless the company is able to pass on these costs through to consumers—a step generally restricted by government trades.

Fluctuating exchange rates can also cause your costs to spike unexpectedly, exerting financial pressure.



- **Fuel price Regulations and Subsidies:**

The retail fuel prices in India are controlled by the government for most of the time especially for few essential fuels like diesel, LPG and kerosene. When global crude oil prices are high, the government can and will freeze prices to protect consumers from inflation. But, this results in revenue loss to companies like IOC, that are compelled to sell the product at rates below market price.

IOC is compensated in such cases but the timing and quantum cannot be ascertained which may create cash flow and profitability concerns for IOC.

- **Potential Impact of Electric Vehicles (EVs) and Alternative Energy:**

The growing popularity of electric vehicles (EVs) and the rise of renewable energy sources like solar and wind in India could significantly reduce the country's reliance on traditional fuels such as gasoline and diesel. If the government steps up its efforts to build more EV infrastructure, it could pose a real challenge to companies like Indian Oil Corporation (IOC), as their future revenue streams may take a hit. This shift in energy usage could disrupt the market, changing the way IOC does business in the long run.



EXPANSION PLAN AND BENEFIT FOR INVESTORS

Indian Oil Corporation Limited (IOCL) has unveiled an ambitious expansion plan to enhance its refining capacity, diversify its product portfolio, and cater to India's growing energy demands. The plan is aimed at strengthening IOCL's position as a leading energy player in India.

Refining Capacity Expansion:

IOCL plans to expand its refining capacity from 80.7 MMTPA to 104.5 MMTPA seeing a 29.5% growth by 2025. The Panipat refinery will see a capacity increase from 15 MMTPA to 25 MMTPA seeing 67% growth, while the Gujarat refinery will expand from 13.7 MMTPA to 18 MMTPA seeing a 31% growth. The Barauni refinery will increase its capacity from 6 MMTPA to 9 MMTPA seeing a 50% growth.

Petrochemical Expansion:

The Corporation is envisaging an investment of Rs 30,000 crore in the petrochemicals business in the next few years. IOC is investing over Rs 61,000 crore in setting up a mega petrochemical complex in Paradip, Odisha. By 2030, company's aim is to achieve an index of 15% and expand the petrochemical capacity to 14 million tonnes. The firm aims to enhance its renewable energy capacity to 31 GW by 2030, primarily through solar and wind projects.

Lube Integration:

IOC's lubricant brand Servo registered its highest-ever sales volume of 701,000 tonnes with a growth of 9% during 2022-23. This growth in lubricant sales came on the back of a spectacular 24% rise during 2021-22 and 26% growth in 2020-21. This translates to a market share rise from 24.9% in 2020-21 to 27.1% in 2022-23, thus cementing Servo's stronghold across all lube segments in India.

Alternative Energy:

The firm aims to enhance its renewable energy capacity to 31 GW by 2030, primarily through solar and wind projects. The Company is diligently working towards attaining 1 MMT biogas production target by 2030. As of March 2023, IOCL's installed capacity of renewable energy was 238.7 MW, including 167.6 MW of wind energy and 71.10 MW of solar PV.

Benefits of Investor:

IOCL is set to commission various projects over the next two years, driving further growth. Refinery projects are expected to be completed as follows: Panipat refinery (25mmtpa) by Dec'25, Gujarat refinery (18 mmtpa) by Oct'24, and Baruni refinery (9mmtpa) by Dec'24. The stock trades at 12.4x consolidated FY26E EPS of INR13.6 and 1.1x FY26E P/B. Valuations at 5.0x FY25E P/E, 5.0x EV/EBITDA and 0.8x P/BV remain attractive. We believe dividend yield of ~7-8% (average estimated for FY24E/FY25E) is an added value driver for the stock.

INCOME STATEMENT ANALYSIS

IOC's gross revenue from operations from the last five years has been increasing but from Mar '23 it has decreased. For FY '23 it was Rs 9,34,952.66 but for FY'24 it reduced to Rs 8,66,345.38. As on 31st March 2024, the company had a cumulative negative buffer of 1,017 crore (2023: rs 2,220 crore) as the retail selling price was less than MDP (market determined price). This amount is after adjustment of one-time grant of rs 10,801 crore provided by Government of India in FY 2022-23 against under-recoveries on sale of Domestic LPG during FY 2021-22 and FY 2022-23 and cumulative uncompensated cost of rs 4,796 crore (2023: rs 4,166 crore). The sales growth of the company for FY' 24 is -7.76 % where it was 40.34% in FY' 23.

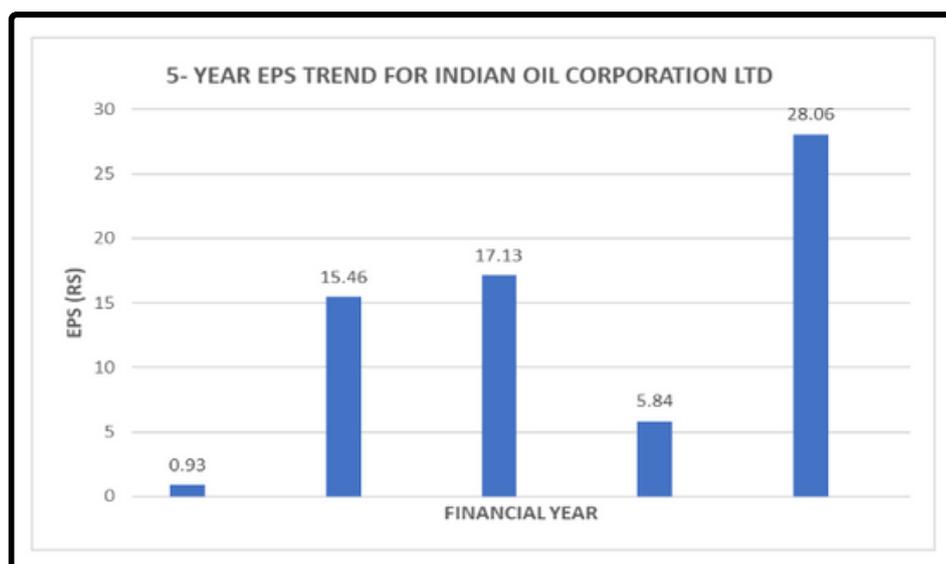
Suffering from lower refining and marketing margins, state-run Indian Oil Corporation Ltd (IOCL) ended the second quarter of FY25 (July-September) with a net loss of Rs 169.58 crore (attributable to the owners), compared to the Rs 13,114.3 crore net profit registered in Q2 FY24. On a sequential basis, the oil marketing company's net profit fell from Rs 3,528.5 crore recorded in the preceding quarter. The sharp reduction in net profit in Q2 was due to a crash in average gross refining margins (GRMs)—the revenue refiners accrue from transforming each barrel of crude oil into refined fuel products. The company's revenue from operations did not shrink significantly, reducing by 3.24 per cent to Rs 1.98 trillion, compared to Rs 2.05 trillion in Q2 FY24.

However, IOCL's expenses rose by 7.49 per cent to reach Rs 2.01 trillion in Q2, up from Rs 1.87 trillion in the year-ago period. The cost of materials consumed, up by 7.6 per cent, and purchases of stock in trade, higher by 6.1 per cent, were the two biggest expenses. This drop in revenue is primarily attributed to lower earnings from the largest segment of petroleum products, which dipped 3.9 per cent to Rs 1.83 trillion, down from Rs 1.9 trillion in the same quarter of the previous year. For example, IOCL achieved domestic product sales of 2.93 million metric tonnes (MMT) during Q2, while export sales stood at 1.03 MMT. With its 10 refineries accounting for a cumulative 80 million metric tonnes per annum (MMTPA) capacity, IOCL controls nearly 33 per cent of India's refining capacity. In 2022, disruptions in the supply of Russian oil coupled with a decrease in petroleum product exports from China led to a reduction in the supply of refined products, prompting GRMs to skyrocket to record highs. Consequently, earnings for Indian refiners had seen an upswing. However, while Moscow has kept a check on supplies to the international market in 2023, GRMs for Indian refiners have remained at lower levels. Indian OMCs continued to secure oil from Russia at a discounted price. But as average discount levels on Russian crude have reduced to less than \$4 per barrel in FY24, GRMs have slid.

The operating profit margin has increased by a good percentage from 3% to 9% in FY'24. If we analyze the trend from the past 5 years, in Mar '23 it was rs 22,275 crore but in Mar'24 it has significantly increased to rs 69,437 crore. This reflects the company's ability to manage its primary operating expenses despite pressure, achieving a notable recovery in profitability. Interest received by the company has also increased by 6% which majorly came from Oil companies GOI SPL Bonds/ Other Investments.

The net profit of the company has increased massively from rs 8,242 crore in FY '23 to rs 39,619 crore in FY'24, whereas in FY'21 it was 21,836 crore and in FY'22 RS 24,184 crore. But if we see the trailing twelve months it is rs 15,724 crore, this decline can be attributed to a crash in average gross refining margin (GRMs)- the revenue refiners accrue from transferring each barrel of crude oil into refined fuel products. Meanwhile, its expenses also rose 7.49 per cent to reach Rs 2,01,760 crore in Q2, up from Rs 1,87,699.29 crore in the year-ago period. The cost of materials consumed was up 7.6 per cent, and purchases of stock in trade, higher by 6.1 per cent, were the two biggest expenses. However, sales from the much smaller petrochemicals business rose 3 per cent to Rs 6,813.3 crore, up from Rs 6,613.3 crore in Q1 FY24. The EPS has increased from rs 5.84 in FY' 23 to rs 28.06 in FY'24.

Indian Oil Corporation financials (₹ cr)			
	Net sales	Other income	Net profit
Q2FY25	1,74,976	2,556	-170
Y-o-Y chg (%)	-2.4	208.3	Profit to loss

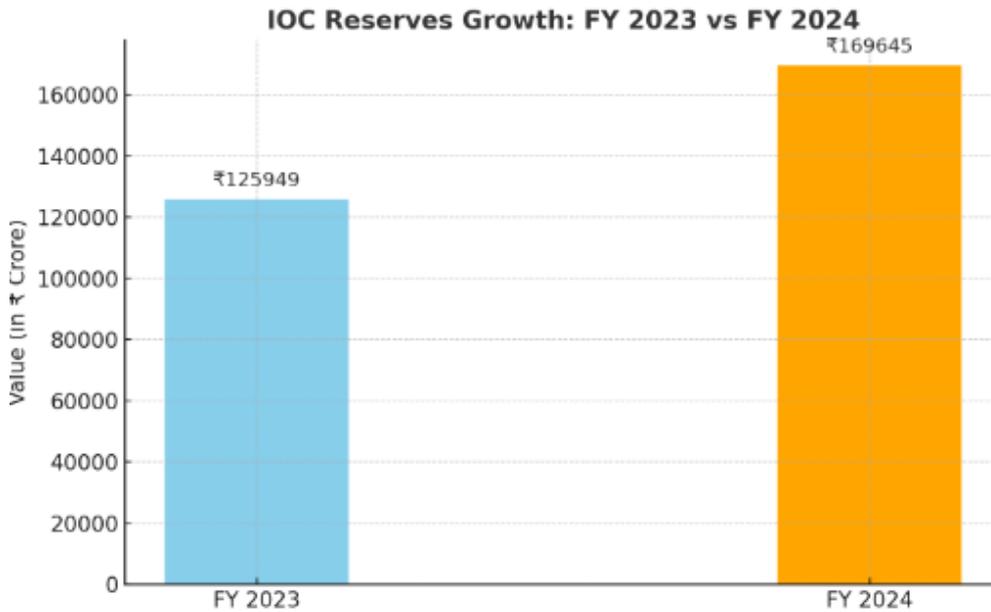




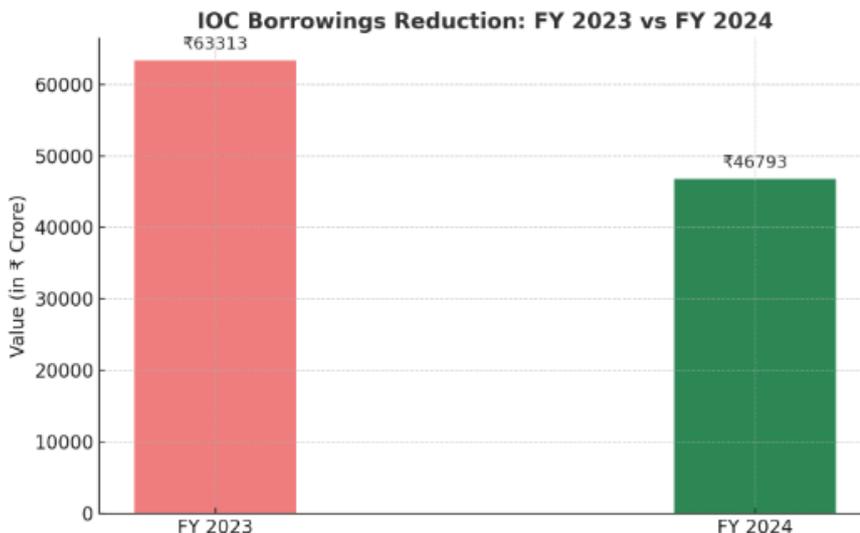
BALANCE SHEET ANALYSIS

Liability Side :

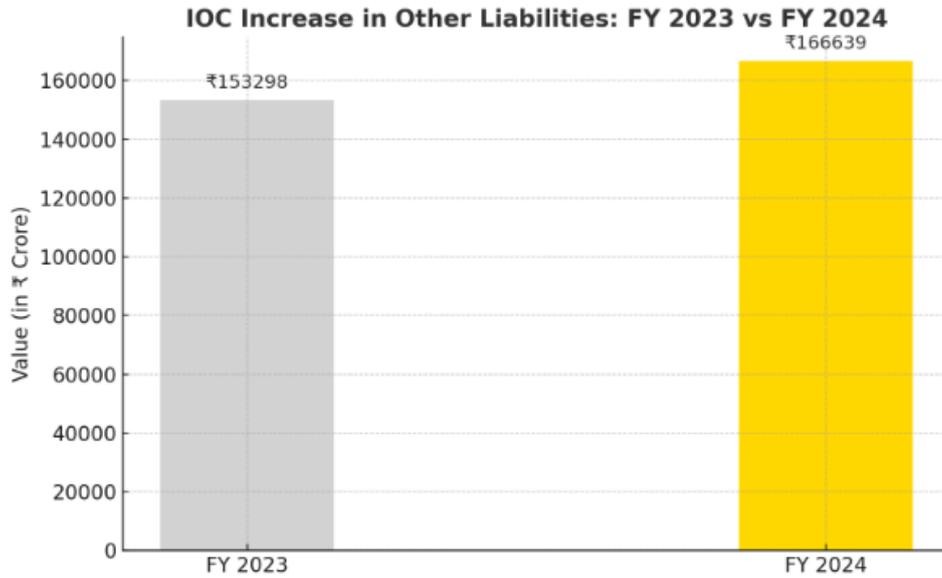
1. **Reserves Analysis:** Increased significantly from ₹1,25,949 crore in FY 2023 to ₹1,69,645 crore in FY 2024, driven by robust profitability. This shows efficient utilization of retained earnings for growth. IOC experienced a significant boost in profitability, particularly in Q1 of FY24, when its net profit rose by 36.7% compared to the previous quarter. This growth was driven by higher fuel sales and better marketing margins, which helped offset challenges such as fluctuations in global crude oil prices.



2. **Borrowings Analysis:** Non-current liabilities decreased from ₹63,313 crore to ₹46,793 crore. This reduction shows IOC's focus on repaying long-term borrowings and minimizing interest obligations. It highlights improved financial health and reduced dependency on external funding. Improved cash flow from operations allowed IOC to repay long-term debt, enhancing its credit profile and reducing financial risk. This reduction in debt also contributes to a stronger capital structure.

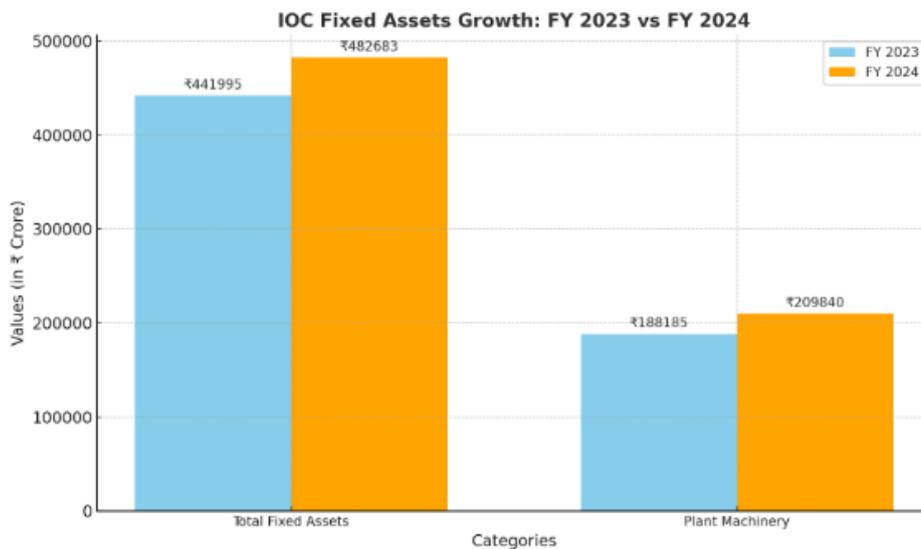


3. Increase in Other Liabilities: Significant increase in Other Liabilities from 153,298 crore to 166,639 crore. This rise in "Other Liabilities" for Indian Oil Corporation (IOC) in FY 2023-24 can be attributed to several factors. A major contributor is the increase in financial obligations associated with capital projects and ongoing operations. IOC has notably expanded its petrochemical ventures, which likely contributed to the growth in long-term liabilities.



Asset Side:

1. Fixed Assets: We can see an increase in fixed assets from 441,995 crore to 482,683 crore. There has been a sharp increase in Plant Machinery from 188,185 crore to 209,840 crore which indicated that IOC is actively investing in expanding and upgrading its refinery capacities, such as the Panipat Refinery which also includes petrochemical expansions. Similar expansions are underway at other refineries like Gujarat and Barauni, aimed at increasing output and integrating value-added products.

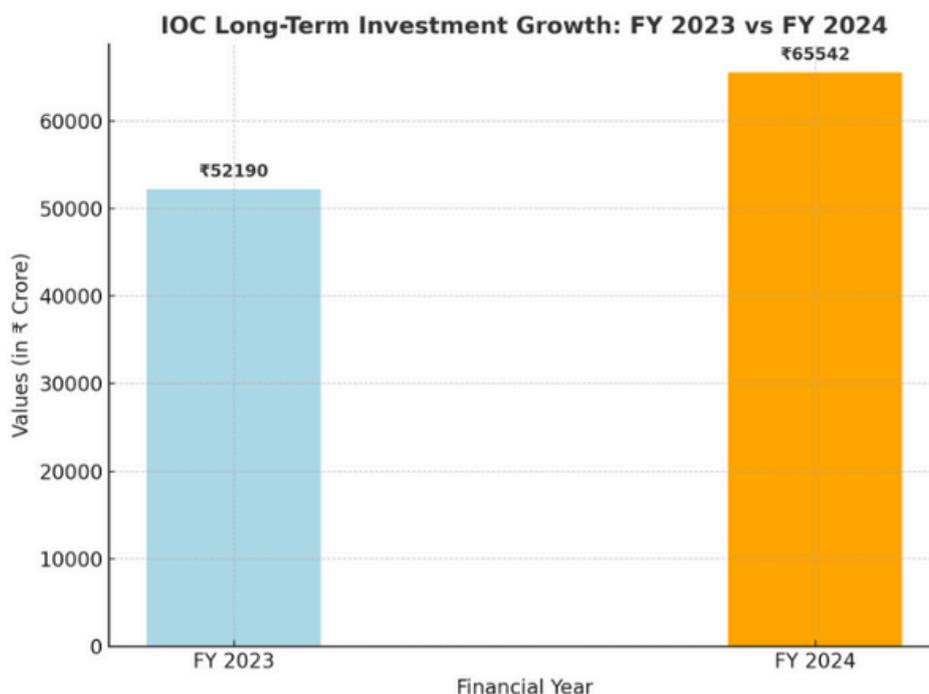




2. Rise in CWIP: The amount allocated to CWIP rose to ₹51,133 crore, up from ₹61,032 crore in FY 2023-24, indicating a continued focus on ongoing projects. IOC is broadening its focus on petrochemical products, which are considered higher-margin business segments. This expansion involves increasing production capacity to meet growing demand in both domestic and international markets.



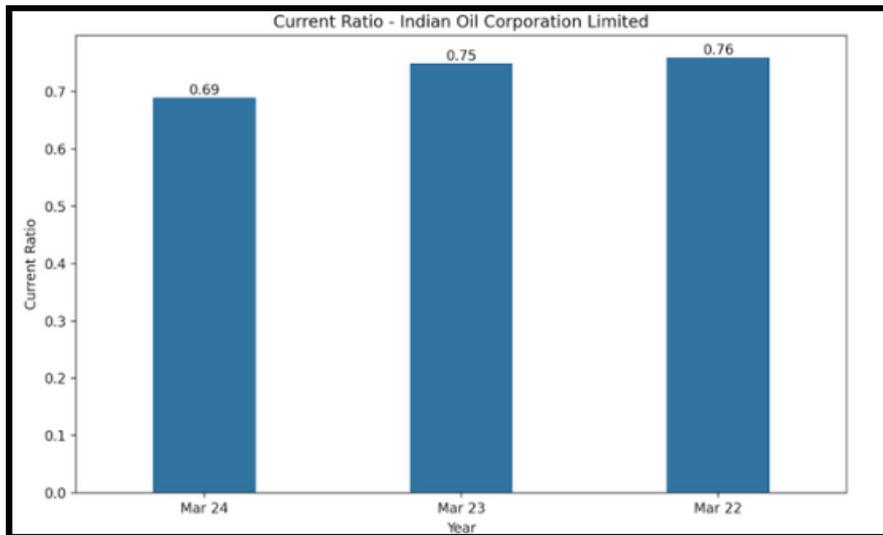
3. Increase in Investment: IOC's long-term investments saw a marked increase. The value of investments grew from INR 52,190 crore in FY 2023 to INR 65,542 crore in FY 2024. The rise in long-term investments is in line with IOC's strategic focus on expanding and modernizing its infrastructure. This involves capital spending on refinery upgrades, expanding petrochemical capacity, and improving storage and distribution networks. These investments are essential for bolstering IOC's market position and enhancing operational efficiency.



RATIO ANALYSIS

LIQUIDITY RATIOS:

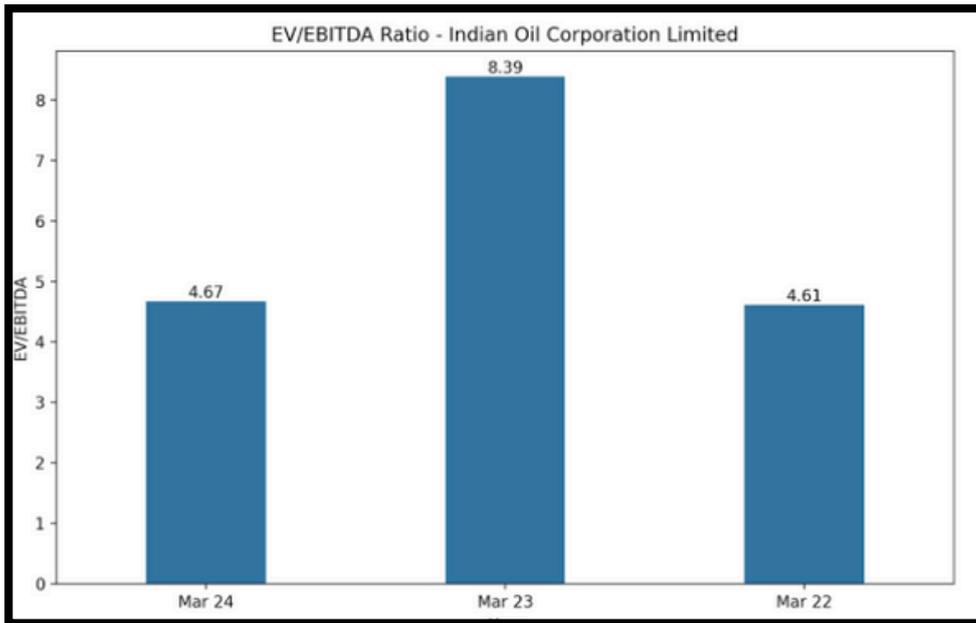
1. Current Ratio- IOCL's current ratio declined to 0.69 in FY2024 from 0.75 in FY2023 and 0.76 in FY2022. This consistent downward trend suggests that the company's short-term assets are increasingly inadequate to cover its short-term liabilities. A ratio below 1 indicates potential liquidity concerns, requiring efficient cash flow management and reliance on external financing or inventory liquidation to meet obligations.



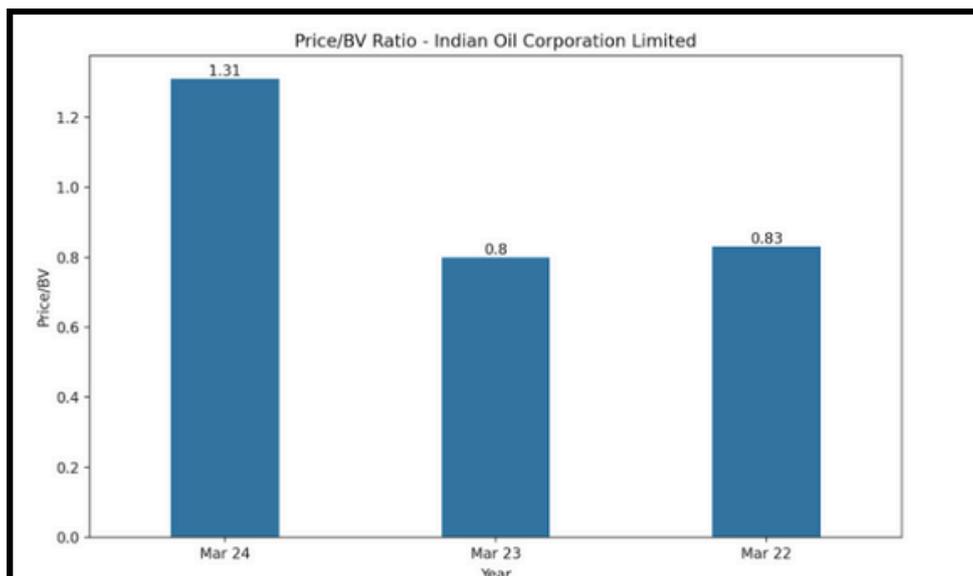
2. Quick Ratio- The quick ratio dropped further to 0.16 in FY2024 from 0.18 in FY2023 and 0.19 in FY2022, reflecting a steep dependency on inventory to settle short-term liabilities. With minimal liquid assets excluding inventory, IOCL's ability to manage immediate financial obligations appears constrained, signaling potential risks in volatile market conditions or during periods of high operational costs.

VALUATION RATIOS:

1. EV/EBITDA Ratio- Indian Oil Corporation Ltd.'s EV/EBITDA ratio improved to 4.67 in FY2024, down from 8.39 in FY2023, aligning with 4.61 in FY2022. This decline reflects stronger earnings, improved efficiency, and a return to sustainable valuations. At 4.67, IOCL trades attractively compared to peers, signaling stability and resilience in the volatile oil and gas sector.

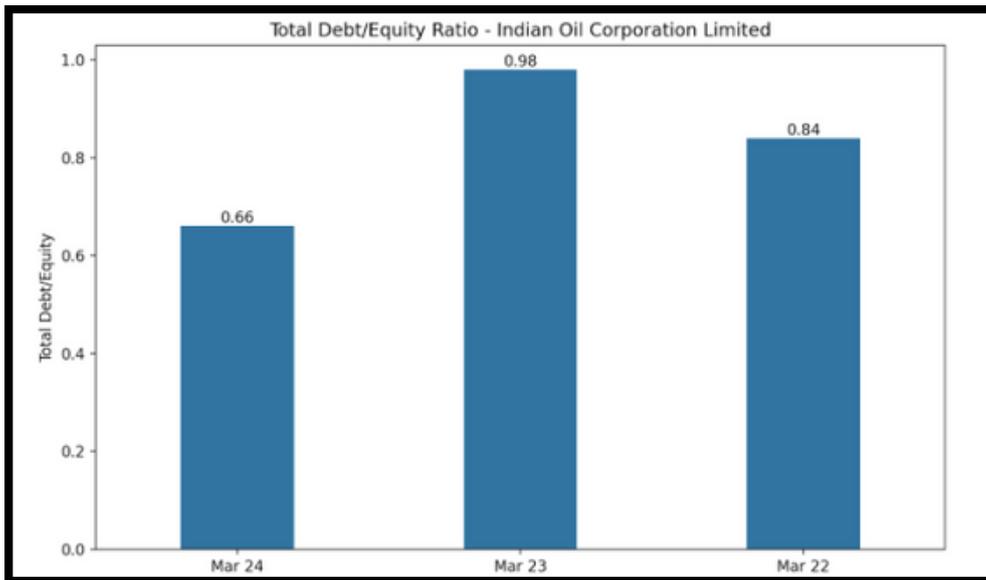


2. Price to Book Value Ratio-Indian Oil Corporation Ltd (IOCL) has witnessed a significant improvement in market sentiment, as evidenced by its Price to Book Value (P/BV) ratio, which rose steadily to 1.31 in FY2024 from 0.80 in FY2023 and 0.83 in FY2022. This upward trajectory reflects growing investor confidence in the company's profitability and asset quality, with the current ratio exceeding 1 indicating a favorable revaluation of IOCL's intrinsic value.



LEVERAGE RATIOS:

1.Total Debt to Equity Ratio-Indian Oil Corporation Ltd (IOCL) has demonstrated significant improvement in its capital structure, with its Total Debt to Equity ratio declining substantially to 0.66 as of March 2024, compared to 0.98 in March 2023 and 0.84 in March 2022. This downward trend indicates reduced reliance on debt financing, an enhanced equity base, and improved financial leverage, suggesting IOCL's efforts to strengthen its balance sheet, reduce debt burden, and enhance financial stability, thereby bolstering investor confidence and contributing to the company's long-term sustainability.



2. Interest Coverage Ratio-IOCL has demonstrated a remarkable turnaround in its financial resilience, with its Interest Coverage Ratio surging to 10.15% in March 2024. This substantial growth, up from 4.63% in March 2023 and 9.37% in March 2022, highlights the company's improved profitability and debt servicing capabilities, instilling confidence in its long-term sustainability and growth prospects.

PROFITABILITY RATIOS

1.PBDIT Margin %-IOCL's PBDIT margin surged to 10.23% in FY2024, reflecting a robust recovery from the dip to 4.14% in FY2023 and outperforming the 8.62% margin in FY2022. This improvement can be attributed to multiple factors, including a recovery in refining margins, optimization of operational costs, and better inventory management amid fluctuating crude oil prices. Additionally, improved capacity utilization and favorable pricing dynamics in the oil and gas sector contributed to the enhanced profitability. The sharp rise also signals the company's ability to adapt to external challenges such as geopolitical tensions and market volatility, positioning it strongly for sustained growth and stability.



2. Return on Capital Employed(ROCE)-IOCL's Return on Capital Employed (ROCE) witnessed a significant improvement in FY2024, rising to 24.21% from 7.59% in FY2023, reflecting enhanced operational efficiency and effective capital utilization. This recovery marks a robust turnaround from the dip observed in FY2023, where ROCE had declined from 17.65% in FY2022, possibly due to challenging market conditions or higher costs. This metric indicates how efficiently the company is using its capital to generate profits, reflecting a robust operational performance and effective capital allocation strategies.

3. Return on Assets(ROA)-IOCL's Return on Assets (ROA) improved significantly to 8.66% in FY2024 from 1.96% in FY2023, reflecting stronger profitability and better asset utilization. This recovery marks a sharp rebound from the challenges of FY2023, where ROA had declined from 6.22% in FY2022, due to market pressures or lower returns. The FY2024 performance highlights IOCL's resilience and effective use of its assets, reinforcing its position in the energy sector.

EFFICIENCY RATIOS

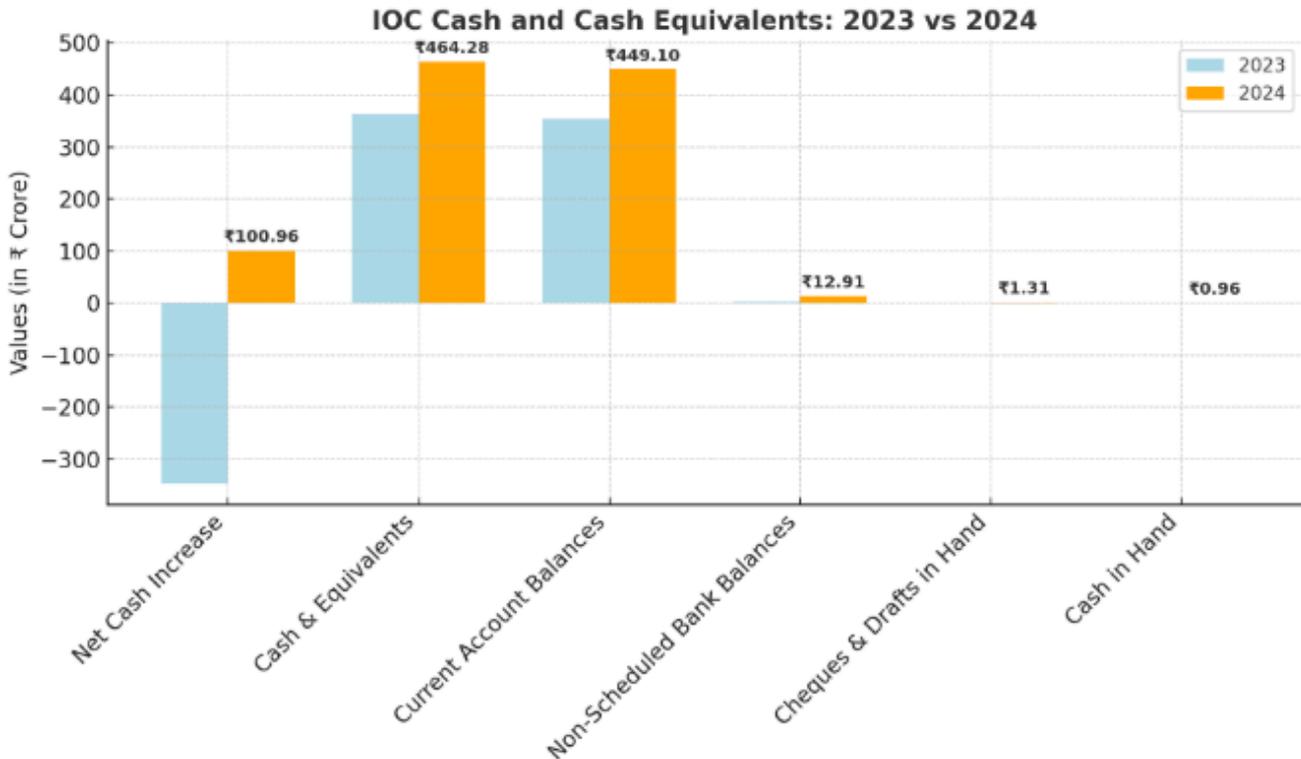
1.Asset Turnover Ratio-IOCL's Asset Turnover Ratio (ATR) decreased to 1.77 in FY2024 from 2.08 in FY2023, indicating slightly lower efficiency in generating revenue from its assets. However, the figure remains above the 1.66 recorded in FY2022, reflecting an overall improvement in long-term asset utilization. While the recent dip highlights the need for enhanced efficiency, IOCL continues to demonstrate stable performance in leveraging its assets.

2. Inventory Turnover Ratio-IOCL's Inventory Turnover Ratio declined to 3.45 in FY2024 from 4.06 in FY2023, indicating a slower pace of inventory utilization. However, it remains above the 3.25 recorded in FY2022, reflecting improved long-term inventory management. Strengthening inventory efficiency will be crucial to optimizing operations and sustaining performance

CASH FLOW STATEMENT ANALYSIS

In 2024, the company achieved a net cash increase of ₹100.96 crore, recovering from a ₹346.59 crore decrease in 2023. Cash and cash equivalents rose to ₹464.28 crore from ₹363.32 crore, driven by higher current account balances of ₹449.10 crore (up from ₹354.15 crore) and increased non-scheduled bank balances at ₹12.91 crore (up from ₹2.74 crore). Cheques and drafts in hand fell to ₹1.31 crore, while cash in hand rose slightly to ₹0.96 crore. This improvement highlights stronger liquidity and better cash management.

The increase in cash and cash equivalents was due to the significant increase in cash inflows from Operating Activities, which was more than thrice of what it was last year. Profits increased to a great extent and was the driving force behind this increase in cash inflows. The increased cash outflows from Investing Activities highlight the company's substantial investment in capital projects and acquisitions, signalling a strategic emphasis on long-term growth and asset development, despite the short-term strain on cash flows. This cash flows from Financing Activities reflects the company's focused approach to reducing its debt burden while prioritizing shareholder returns. However, this strategy has significantly impacted liquidity, emphasizing the balance between fiscal responsibility and cash management.



VALUATION: DCF BASED ON TARGET PRICE

METHODOLOGY

The following steps were undertaken in conducting the DCF analysis:

Step 1- We took the historic cash flow from operating activities and net capex for the past three years to derive free cash flows. Then, we took the average of the resultant free cash flow figure for these three years.

Step 2 - We proceeded with the calculation of the Weighted Average Cost of Capital (WACC). For the calculation of the cost of equity, we have used the Capital Asset Pricing Model (CAPM). The cost of debt was obtained by dividing the interest expense by the total of long-term debt and short-term debt.

Step 3 - Further, we projected the future free cash flow for the next ten years taking the average free cash flow obtained in step 1 as the base. The WACC obtained in Step 2 was used as the discount rate for arriving at the PV of the projected cash flows.

Step 4 - We also took a terminal growth rate for discounting perpetual free cash flow after the tenth year.

Step 5- The summation of steps 3 and step 4 was taken to arrive at the total PV of future free cash flow which is also the Enterprise Value.

Step 6- The resultant value of step 5 was used to arrive at the intrinsic value of the share. We have subtracted the Net Debt from Enterprise Value (refer to step 5) to arrive at equity value. The equity value is divided by the number of shares outstanding to arrive at the intrinsic value per share.

Valuation: DCF Based Target Price Assumptions

The following assumptions were taken in preparing the DCF valuation model:

- **Growth Rate:** Maintaining a 4.6% growth rate resists major fluctuations. Factors driving this expansion include rising domestic demand for petroleum derivatives, considered relatively low risk both in the long and medium-term perspectives, alongside smart investments to increase refining potential, and diversification into clean energy solutions including green hydrogen and biofuels. With the continuing rate of support, IOC is further consolidating its asset in India's ever-growing energy landscape, enabling India's economic growth and energy transition vision. But they will need to rise to the challenge of balancing its growth with volatile global crude oil prices, regulatory changes, and competition from private players and their companies from abroad.

•**Cost of Debt:** Both long term and short term debt have been considered while computing the cost of debt. Indian Oil Corporation Ltd has a mature debt profile and understanding the same can help us assess refinancing risks.

•**Risk-Free Rate:** The government 10-year treasury yield rate is utilized as the risk-free rate. This choice is based on the notion that it represents a risk-free and highly secure investment, making it a suitable benchmark for calculating the cost of equity.

Share Price (INR)	206.4
Model Error Leeway	10%
Lower intrinsic Band	185.76
Lower Intrinsic Value	227.04

[For detailed workings of the DCF valuation exercise, readers can be referred to the following link : Indian Oil Corporation Ltd DCF Valuation Model-XFC](#)

[Indian Oil Corporation DCF Model -XFC](#)

Indian Oil Corporation Ltd V/s Competition's Valuation

Indian Oil Corporation Ltd

- **Market Cap:** ₹1,95,071 Cr.
- **Sales:** ₹776,352 Cr. in FY'24
- **Store Network:** Indian Oil Corporation (IOC) operates India's largest retail network, with over 36,000 fuel stations, a widespread LPG distribution system serving millions of households, and aviation fueling stations across the country, making it the most extensive energy distribution network in India.
- **Brand Loyalty:** IOC enjoys strong brand recognition, supported by its flagship offerings such as Servo Lubricants, premium fuel brands like XP100 and XtraGreen, and customer-centric programs like the "XTRAREWARDS" loyalty program. Its focus on quality assurance, innovation, and reliability fosters consumer trust and ensures its leadership in India's energy market.

Hindustan Petroleum Corporation Limited

- **Market Cap** 81517 Cr.
- **Sales** 433857 cr. in the FY'24
- **Extensive Distribution Network:** HPCL boasts one of the largest fuel retail networks in India, ensuring widespread accessibility and customer reach.
- **Strong Focus on Innovation:** HPCL differentiates itself with advanced technology initiatives, such as automated fuel stations and integrated digital platforms, enhancing customer convenience and operational efficiency.

Mangalore Refineries and Petrochemicals Limited

- **Market Cap** 27088 Cr.
- **Sales** 90,407 cr. in the FY'24
- **High Complexity Refinery:** Mangalore Refinery and Petrochemicals Ltd. (MRPL) operates a highly complex refinery, enabling it to process a diverse range of crude oils and produce high-value products efficiently.
- **Strategic Coastal Location:** MRPL's proximity to Mangalore port facilitates cost-effective crude imports and product exports, giving it a logistical advantage over competitors

Bharat Petroleum Corporation Ltd

- **Market Cap** 1,26,728 Cr.
- **Sales** 448083 cr. in the FY'24
- **Store Network:** BPCL operates a vast retail network with thousands of fuel stations, LPG distribution points, and aviation fueling stations across India.

- **Brand Loyalty:** BPCL has a strong brand presence driven by its innovative offerings such as premium fuel brands MAK Lubricants, and initiatives like "Pure for Sure" certification to ensure fuel quality. These programs contribute to its consumer trust and loyalty.

Chennai Petroleum Corporation Ltd

- **Market Cap** 9,333 Cr.
- **Sales** INR 66,024 cr. in the FY'24
- **Business Focus:** CPCL specializes in refining and marketing petroleum products. Its portfolio includes fuels like LPG, diesel, naphtha, and specialized petrochemical products
- **Net Income:** Earned ₹2,711 crore in the last year, with challenges due to fluctuations in input costs and margins.
- **Refining Capacity:** CPCL has significant refining operations, primarily at its Manali refinery, supporting India's energy needs.

EXECUTIVE SUMMARY

Summary :

Indian Oil Corporation Limited (IOCL) is a cornerstone of India's energy sector, commanding a 42% market share in petroleum and operating with an expansive network of over 60,000 touchpoints, including 37,472 fuel stations and 9,059 EV charging points. Its leadership in refining, supported by 11 refineries with 33% of India's refining capacity, is complemented by strategic diversification into renewables like green hydrogen and solar energy, targeting 31 GW capacity by 2030. Despite challenges like crude price volatility and competition from alternative energy, IOCL has achieved remarkable financial resilience, with FY2024 profits surging to ₹39,619 crore and a reduced debt-to-equity ratio of 0.66. By balancing traditional energy dominance with investments in sustainability and modernization, IOCL is well-poised to sustain its leadership and drive India's energy transition

Disclosure:

The equity reports provided on this platform are not verified by the Securities and Exchange Board of India (SEBI) and should not be construed as financial advice or a recommendation to buy, sell, or hold any securities. These reports are for informational purposes only and do not constitute professional investment advice. Investors should conduct their own due diligence and consult with a qualified financial advisor before making any investment decisions.

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Disclaimer: All the above financial information and figures pertain to the period ending September 2024 and are presented solely for reference purposes.

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