PL Capital

PRABHUDAS LILLADHER

Indian Oil Corporation (IOCL IN)

Rating: ACCUMULATE | CMP: Rs155 | TP: Rs166

October 28, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	166		162	
Sales (Rs bn)	8,650	8,947	8,664	8,970
% Chng.	*(0.2)*	*(0.3)*		
EBITDA (Rs bn)	543	550	535	550
% Chng.	*1.6*	*-*		
EPS (Rs.)	18.2	18.0	17.9	17.4
% Chng.	*1.7*	*3.6*		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	7,581	7,899	8,650	8,947
EBITDA (Rs. bn)	360	494	543	550
Margin (%)	*4.7*	*6.3*	*6.3*	*6.1*
PAT (Rs. bn)	120	214	251	248
EPS (Rs.)	8.7	15.6	18.2	18.0
Gr. (%)	*(72.3)*	*79.3*	*17.3*	*(1.2)*
DPS (Rs.)	3.0	4.2	5.1	5.0
Yield (%)	*1.9*	*2.7*	*3.3*	*3.2*
RoE (%)	*6.5*	*11.0*	*11.9*	*10.8*
RoCE (%)	*6.0*	*9.4*	*10.2*	*9.6*
EV/Sales (x)	0.5	0.4	0.4	0.4
EV/EBITDA (x)	9.8	7.1	6.3	6.2
PE (x)	17.8	9.9	8.5	8.6
P/BV (x)	1.1	1.1	1.0	0.9

Key Data	**IOC.BO | IOCL IN**
52-W High / Low	Rs.158 / Rs.111
Sensex / Nifty	84,628 / 25,936
Market Cap	Rs.2,182bn/ $ 24,722m
Shares Outstanding	14,121m
3M Avg. Daily Value	Rs.1411.36m

Shareholding Pattern (%)

Promoter's	51.50
Foreign	7.79
Domestic Institution	10.04
Public & Others	30.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.5	13.2	5.1
Relative	1.2	7.3	(0.6)

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GRM Improves, EBITDA and PAT beat cons

Quick Pointers:

- MoP&NG approved Rs14,486 crore compensation for LPG under-recoveries.
- Reported GRM came in at USD10.7/bbl with implied core GRM at USD8.9/bbl.

Indian Oil Corporation (IOCL) reported refining throughput of 17.6mmt with reported/core GRM of USD10.7/8.9/bbl, led by improvement in product cracks, especially HSD spreads. Inventory gain stood at USD1.8/bbl vs a loss of USD4.8/bbl QoQ. Domestic marketing sales volume stood at 20.19mmt, up 3.4% YoY. Implied gross marketing margin (GMM) stood at Rs7.1/lit vs Rs8.7/5.5 in Q1FY26/Q2FY25. Reported standalone EBITDA was above cons at Rs145.8bn (PIe Rs117.9bn, BBGe Rs133.9bn, Q1FY26/Q2FY25 – Rs126.1/37.7bn), while in H1FY26 it stood at Rs271.9bn vs Rs124.1bn in H1FY25. Standalone PAT came in at Rs76.1bn (PIe Rs52.6bn, BBGe Rs59.4bn) vs. Rs56.9bn/1.8bn in Q1FY26/Q2FY25, leading to a PAT of Rs133.0bn in H1FY26 vs Rs28.2bn in H1FY25. Petrochem EBIT stood at Rs1.6bn, vs a loss of Rs. -10mn in Q1FY26. Co. will receive LPG under-recoveries compensation for LPG sales of Rs144.9bn in 12 monthly instalments from Nov'25 onwards. We build in a GRM of USD7.2/6.0/bbl and a blended GMM of Rs4.9/4.4/lit for FY27/28E. Due to continued momentum in products cracks and expected compensation of LPG under-recoveries, we reiterate our 'Accumulate' rating on the stock with a TP of Rs166 based on 1.0x FY27/FY28E P/BV.

- **Reported/Core GRM improved:** Refining throughput stood at 17.6mmt in Q2FY26 vs 18.7/16.7mmt in Q1FY26/Q2FY25, declining QoQ due to partial refinery shutdown. Company expects throughput to be higher in 2HFY26. Core GRM stood at USD 8.9/bbl vs USD6.9/3.1/bbl in Q1FY26/Q2FY25. Company reported an inventory gain of USD1.8/bbl vs. a loss of USD4.8/bbl in Q1FY26.

- **Petrochem EBIT turned positive:** Sale of petrochemicals stood at 0.77mmt during the quarter vs 0.83mmt in Q1FY26. Petrochem EBIT improved sequentially from a loss of Rs10mn to a profit of Rs1.6bn. Although spreads remain at subdued levels due to weak demand and new capacity additions.

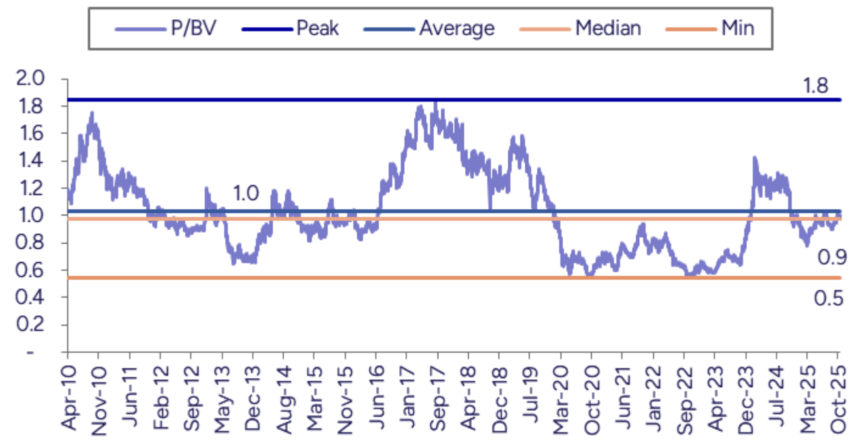
- **Concall Highlights: 1)** Avg Indian basket crude oil price were up 4.2% QoQ driven by increased geopolitical risk and stockpiling by China. **2)** HSD/MS spreads – improved/remained lower QoQ. **3)** Petchem – spreads remained at subdued levels due to volatile feedstock prices, weak demand and new capacity addition. **4)** IOCL added 597 retail outlets in Q2FY26 (total addition YTD – 1,052), current total outlets stand at 41,260, with a target to add 4,000 in FY25-26 and reach 48,000 outlets by FY26-27. **5)** Co. signed an MOU with Trafigura for LNG supply of 0.4mmtpa, linked to HH prices from July'2025 to Dec'2029. **6)** IOCL & Air India signed an MOU – where IOCL will be the certified SAF supplier. **7)** Borrowings increased by Rs66.92bn QoQ due to working capital requirements and Fx translations. Debt-Equity ratio stands at 0.7x. **8)** Russian crude exposure stands at 18-19% down from 22% QoQ. IOCL has different Russian suppliers to source crude from and does not solely rely on sanctioned companies. **9)** Panipat/Koyali/Barauni- commissioning expected in August/June/August 2026 with 90%/84%/88% progress made. **10)** Refinery throughput to be higher by 4-5 mmtpa on account of project completion in FY26-27.

Exhibit 1: IOCL's standalone financials

Quarterly Financials (Rs bn)	Q2 FY26	Q1 FY26	QoQ gr.	Q2 FY26E	% Var	Q2 FY25	YoY gr.	H1 FY26	H1 FY25	YoY gr.
Net Sales	**1,789**	**1,930**	*-7.3%*	**2,115**	*-15.4%*	**1,738**	*2.9%*	**3,719**	**3,671**	*1.3%*
YoY Change (%)	*2.9*	*-0.1*		*21.7*		*-3.3*				
EBITDA	**145.8**	**126.1**	*15.7%*	**117.9**	*23.7%*	**37.7**	*286.6%*	**271.9**	**124.1**	*119.2%*
Margins (%)	*8.2*	*6.5*		*5.6*		*2.2*				
Depreciation	38.7	38.4	*0.7%*	40.0	*-3.2%*	37.2	*4.1%*	77.1	74.7	*3.2%*
Interest	21.7	19.7	*10.0%*	21.8	*-0.4%*	24.1	*-10.1%*	41.4	43.7	*-5.3%*
Other Income	15.2	6.1	*148.4%*	14.2	*7.2%*	13.7	*10.8%*	21.4	19.1	*11.9%*
PBT	**100.7**	**74.0**	*35.9%*	**70.3**	*43.1%*	**1.7**	*5724.0%*	**174.7**	**36.3**	*381.9%*
Tax	24.6	17.2	*43.1%*	17.7	38.7%	-0.1		41.7	8.0	*419.9%*
Rate (%)	*24.4*	*23.2*		*25.2*		*-4.2*		*23.9*	*22.1*	
Reported PAT	**76.10**	**56.9**	*33.8%*	**52.6**	*44.6%*	**1.8**	*4127.7%*	**133.0**	**28.2**	*371.1%*
Refining throughput (mmt)	17.6	18.7	*-5.7%*	17.8	*-0.9%*	16.7	*5.2%*	36.3	34.9	*4.0%*
Core GRM (USD/bbl)	8.93	6.9	*29.2%*	0.0	*#DIV/0!*	3.1	*187.0%*	7.9	3.0	
Reported GRM (USD/bbl)	10.7	2.2	*395.8%*	7.95	*34.0%*	4.1	*161.3%*	6.3	4.1	*54.9%*
Domestic sale of refined products (mmt)	20.2	22.4	*-9.8%*	20.3	*-0.5%*	20	*3.4%*	42.6	41.0	*3.8%*
Marketing GM incld. inv. per litre (INR/litre)	7.1	8.7	*-18.9%*	4.7	*48.8%*	5.5	*29.0%*	7.9	5.4	*45.6%*

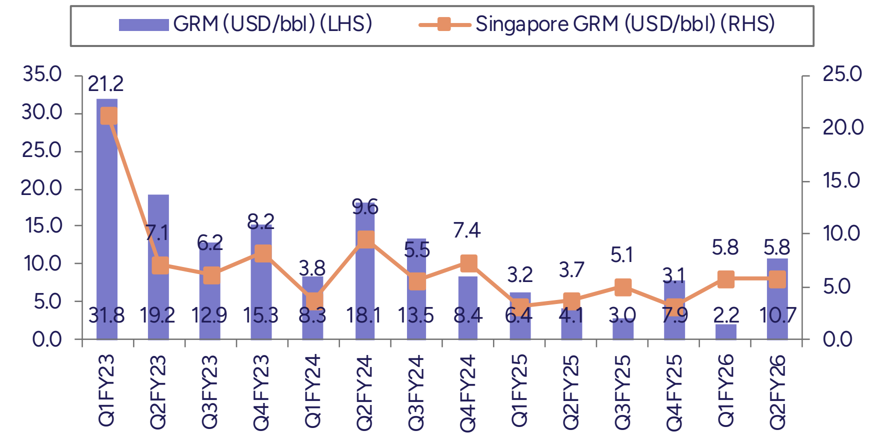
Source: Company, PL

Exhibit 2: Currently trading at 1.0x FY27 P/BV



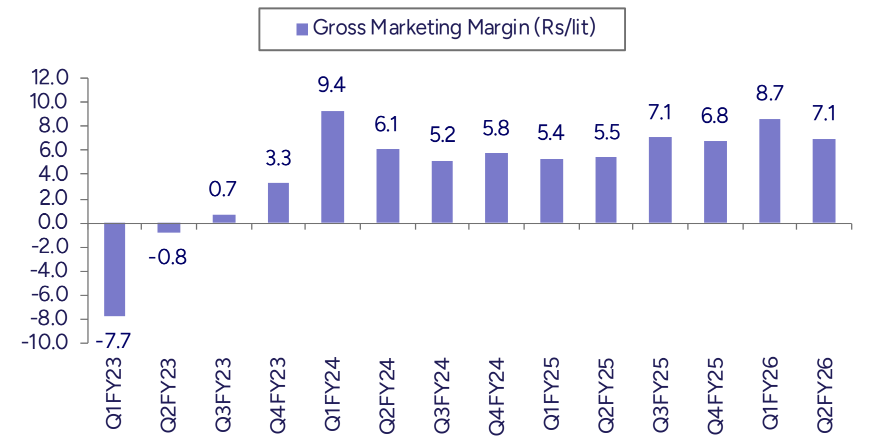
Source: Industry, PL

Exhibit 3: Reported GRM improved to USD10.7/bbl in Q2FY26



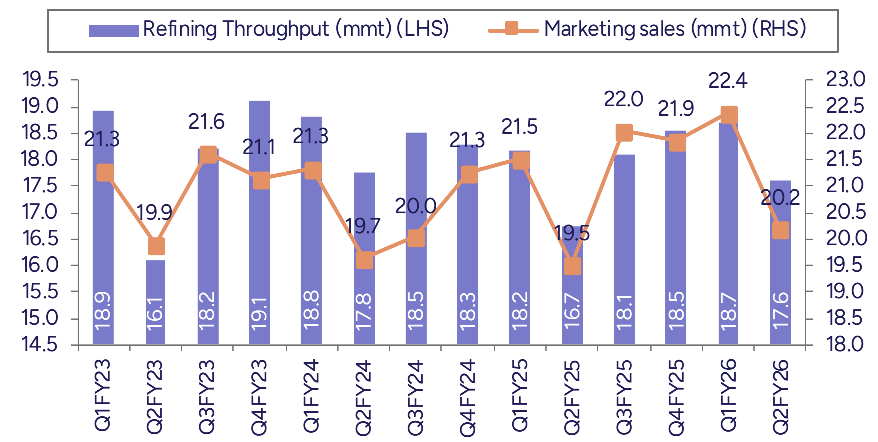
Source: Company, PL

Exhibit 4: GMM improves YoY



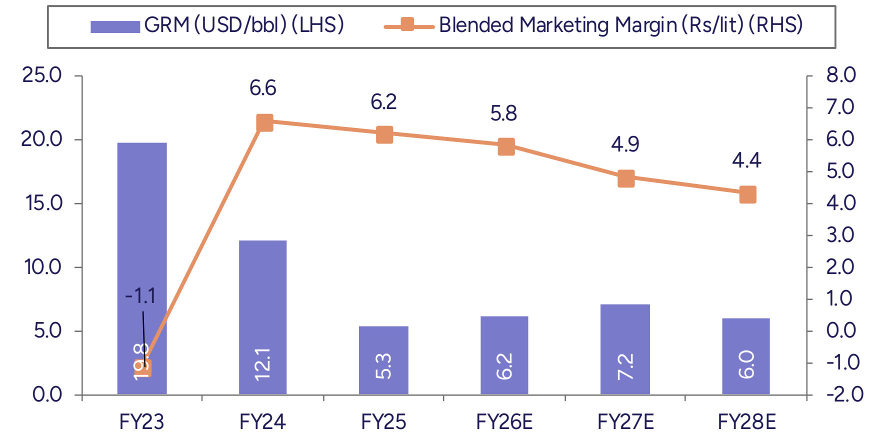
Source: Company, PL

Exhibit 5: Throughput at 17.6mmt, domestic sales at 20.2mmt



Source: Company, PL

Exhibit 6: GRM at USD7.2/6.0/bbl for FY27/28E



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**7,581**	**7,899**	**8,650**	**8,947**
YoY gr. (%)	*(2.4)*	*4.2*	*9.5*	*3.4*
Cost of Goods Sold	6,568	6,914	7,653	7,914
Gross Profit	1,013	984	998	1,032
Margin (%)	*13.4*	*12.5*	*11.5*	*11.5*
Employee Cost	109	-	-	-
Other Expenses	544	490	454	483
EBITDA	**360**	**494**	**543**	**550**
YoY gr. (%)	*(52.4)*	*37.3*	*10.0*	*1.2*
Margin (%)	*4.7*	*6.3*	*6.3*	*6.1*
Depreciation and Amortization	168	175	177	182
EBIT	**192**	**319**	**366**	**368**
Margin (%)	*2.5*	*4.0*	*4.2*	*4.1*
Net Interest	93	93	90	94
Other Income	35	50	51	50
Profit Before Tax	**153**	**276**	**326**	**323**
Margin (%)	*2.0*	*3.5*	*3.8*	*3.6*
Total Tax	33	69	82	81
Effective tax rate (%)	*21.4*	*25.2*	*25.2*	*25.2*
Profit after tax	**120**	**206**	**244**	**242**
Minority interest	-	-	-	-
Share Profit from Associate	18	8	7	6
Adjusted PAT	**120**	**214**	**251**	**248**
YoY gr. (%)	*(72.3)*	*79.3*	*17.3*	*(1.2)*
Margin (%)	*1.6*	*2.7*	*2.9*	*2.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**120**	**214**	**251**	**248**
YoY gr. (%)	*(72.3)*	*79.3*	*17.3*	*(1.2)*
Margin (%)	*1.6*	*2.7*	*2.9*	*2.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	120	214	251	248
Equity Shares O/s (bn)	**14**	**14**	**14**	**14**
EPS (Rs)	**8.7**	**15.6**	**18.2**	**18.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**3,079**	**3,862**	**4,265**	**4,596**
Tangibles	3,079	3,862	4,265	4,596
Intangibles	-	-	-	-
Acc: Dep / Amortization	**1,068**	**1,243**	**1,420**	**1,602**
Tangibles	1,068	1,243	1,420	1,602
Intangibles	-	-	-	-
Net fixed assets	**2,011**	**2,620**	**2,845**	**2,993**
Tangibles	2,011	2,620	2,845	2,993
Intangibles	-	-	-	-
Capital Work In Progress	779	316	213	203
Goodwill	0	0	0	0
Non-Current Investments	672	672	672	672
Net Deferred tax assets	(207)	(207)	(207)	(207)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,139	1,206	1,321	1,368
Trade receivables	186	169	185	191
Cash & Bank Balance	33	62	164	288
Other Current Assets	-	-	-	-
Total Assets	**5,069**	**5,282**	**5,629**	**5,939**
Equity				
Equity Share Capital	138	138	138	138
Other Equity	1,727	1,883	2,065	2,244
Total Networth	**1,865**	**2,021**	**2,202**	**2,382**
Non-Current Liabilities				
Long Term borrowings	1,426	1,454	1,483	1,557
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,412	1,440	1,577	1,633
Other current liabilities	114	114	114	114
Total Equity & Liabilities	**5,069**	**5,282**	**5,629**	**5,939**

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	153	276	326	323
Add. Depreciation	168	175	177	182
Add. Interest	93	93	90	94
Less Financial Other Income	35	50	51	50
Add. Other	35	8	7	6
Op. profit before WC changes	448	552	601	606
Net Changes-WC	2	(11)	14	9
Direct tax	(33)	(69)	(82)	(81)
Net cash from Op. activities	**417**	**472**	**533**	**533**
Capital expenditures	(388)	(320)	(300)	(320)
Interest / Dividend Income	-	-	-	-
Others	(17)	-	-	-
Net Cash from Invt. activities	**(405)**	**(320)**	**(300)**	**(320)**
Issue of share cap. / premium	-	-	-	-
Debt changes	191	29	29	74
Dividend paid	(41)	(58)	(70)	(69)
Interest paid	(93)	(93)	(90)	(94)
Others	(68)	-	-	-
Net cash from Fin. activities	**(11)**	**(123)**	**(131)**	**(89)**
Net change in cash	**1**	**29**	**102**	**124**
Free Cash Flow	29	152	233	213

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	8.7	15.6	18.2	18.0
CEPS	20.9	28.3	31.1	31.3
BVPS	135.4	146.7	159.9	172.9
FCF	2.1	11.0	16.9	15.4
DPS	3.0	4.2	5.1	5.0
Return Ratio(%)				
RoCE	6.0	9.4	10.2	9.6
ROIC	3.8	6.1	6.7	6.5
RoE	6.5	11.0	11.9	10.8
Balance Sheet				
Net Debt : Equity (x)	0.7	0.7	0.6	0.5
Net Working Capital (Days)	3	5	4	4
Valuation(x)				
PER	17.8	9.9	8.5	8.6
P/B	1.1	1.1	1.0	0.9
P/CEPS	20.9	28.3	31.1	31.3
EV/EBITDA	9.8	7.1	6.3	6.2
EV/Sales	0.5	0.4	0.4	0.4
Dividend Yield (%)	1.9	2.7	3.3	3.2

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	**1,939**	**1,950**	**1,930**	**1,789**
YoY gr. (%)	*(2.6)*	*(1.5)*	*(0.1)*	*2.9*
Raw Material Expenses	1,699	1,662	1,651	1,476
Gross Profit	240	288	279	312
Margin (%)	*12.4*	*14.8*	*14.4*	*17.5*
EBITDA	**71**	**136**	**126**	**146**
YoY gr. (%)	*(54.1)*	*30.1*	*46.0*	*286.6*
Margin (%)	*3.7*	*7.0*	*6.5*	*8.2*
Depreciation / Depletion	39	39	38	39
EBIT	**32**	**97**	**88**	**107**
Margin (%)	*1.7*	*5.0*	*4.5*	*6.0*
Net Interest	23	20	20	22
Other Income	19	12	6	15
Profit before Tax	**35**	**88**	**74**	**101**
Margin (%)	*1.8*	*4.5*	*3.8*	*5.6*
Total Tax	6	15	17	25
Effective tax rate (%)	*17.2*	*17.3*	*23.2*	*24.4*
Profit after Tax	**29**	**73**	**57**	**76**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**22**	**73**	**57**	**76**
YoY gr. (%)	*(72.8)*	*50.2*	*115.2*	*(878.7)*
Margin (%)	*1.1*	*3.7*	*2.9*	*4.3*
Extra Ord. Income / (Exp)	7	-	-	-
Reported PAT	**29**	**73**	**57**	**76**
YoY gr. (%)	*(64.4)*	*50.2*	*115.2*	*4,127.7*
Margin (%)	*1.5*	*3.7*	*2.9*	*4.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**29**	**73**	**57**	**76**
Avg. Shares O/s (bn)	14	14	14	14
EPS (Rs)	**1.6**	**5.3**	**4.1**	**5.5**

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Brent (US$/bbl)	78.9	71.0	75.0	75.0
Refining Throughput (mmt)	71.6	73.8	76.7	80.8
GRM (US$/bbl)	5.3	6.2	7.2	6.0
Marketing Sales (mmt)	85.0	88.3	88.7	89.1
Gross Marketing Margin (Rs/ltr)	6.2	5.8	4.9	4.4

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-25	Accumulate	162	150
2	18-Aug-25	Accumulate	152	140
3	03-Jul-25	Reduce	138	148
4	04-May-25	Reduce	122	143
5	22-Apr-25	Reduce	125	139
6	08-Apr-25	Hold	125	128
7	25-Feb-25	Hold	125	120
8	28-Jan-25	Hold	124	123
9	08-Jan-25	Hold	152	134
10	09-Dec-24	Hold	153	142

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	395	377
2	Bharat Petroleum Corporation	Hold	347	342
3	Bharti Airtel	Accumulate	2,090	1,930
4	Clean Science and Technology	Hold	1,111	1,068
5	Deepak Nitrite	Hold	1,924	1,844
6	Fine Organic Industries	BUY	5,571	4,651
7	GAIL (India)	Accumulate	199	177
8	Gujarat Fluorochemicals	Hold	3,742	3,643
9	Gujarat Gas	Hold	442	436
10	Gujarat State Petronet	Accumulate	339	325
11	Hindustan Petroleum Corporation	Accumulate	458	446
12	Indian Oil Corporation	Accumulate	162	150
13	Indraprastha Gas	Reduce	192	209
14	Jubilant Ingrevia	Hold	695	677
15	Laxmi Organic Industries	Reduce	199	215
16	Mahanagar Gas	BUY	1,471	1,281
17	Mangalore Refinery & Petrochemicals	Accumulate	159	142
18	Navin Fluorine International	Accumulate	5,196	4,568
19	NOCIL	Hold	187	181
20	Oil & Natural Gas Corporation	BUY	278	244
21	Oil India	BUY	525	415
22	Petronet LNG	Hold	290	279
23	Reliance Industries	BUY	1,668	1,417
24	SRF	Hold	2,894	2,943
25	Vinati Organics	BUY	1,946	1,690

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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