

IOCL (IOCL) - SELL

Q4FY26 Result Update

Current Market Price (CMP) Rs.135	Fair Value (FV) Rs.120
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Rationale:

- Similar to HPCL, IOCL reported a strong Q4FY26.
- We believe that after a weak FY27E, OMCs will be allowed to recover in the coming years through higher retail fuel margins.
- Panipat expansion from 1.5 cr mt to 2.5 cr mt to be commissioned by Dec'26.
- We roll forward valuations to Jun'28E and assign a higher EV/EBITDA multiple of 5.5x (5.0x earlier). We raise FY28E earnings by ~7%.
- Retain SELL with an FV of Rs120 (Rs100 earlier).

👍 Positives:

- EBITDA of Rs20,716 cr was strong (up 26% yoy, +15%/41% above Kotak/consensus).
- IOCL reported the second-highest EBITDA and EPS in FY26.
- We expect Q4FY26 refining margins to be very strong for most refiners. We estimate IOCL's reported GRM of \$16/bbl.
- Russian crude share for IOCL remains high.
- IOCL's petchem segment reported the highest EBIT since Q2FY22.

👎 Negatives:

- With sharply higher oil prices and modest retail auto fuel price rises so far, it will likely have a large loss in H1FY27 and an overall loss in FY27E.
- LPG under-recoveries have spiked sharply due to a surge in global prices.

(GRM: Gross Refining Margin, LPG: Liquefied Petroleum Gas, EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization, EV: Enterprise Value, OMCs: Oil Marketing Companies, Bbl: Barrels, EPS: Earnings Per Share, Mt: Metric Ton, EBIT: Earnings Before Interest and Tax)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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