



Pick of the week

IOCL (IOCL)

Recommendation: **BUY**

Date: **23rd May 2022**

Current Price: ₹117

Time Period: **12 Months**

Potential Upside: **19.66%**

Target Price: ₹140

Why invest?

- Normalized refining margins was ahead of our estimate, rising sharply to US\$13.6/bbl in Q4FY22 from US\$8.9/bbl in Q3FY22 led by an increase in premium to benchmark refining margins to US\$4.8/bbl in Q4FY22; crude throughput increased 5% qoq to 1.83 cr tons.
- Domestic marketing sales volumes increased 3.7% qoq to 2.18 cr tons in Q4FY22.
- Pipeline volumes increased 1.3% to 2.21 cr tons. Net income increased 8% qoq (EPS of Rs6.6) in Q4FY22.
- IOCL's diesel sales increased modestly in contrast to a marginal decline in domestic consumption in Q4FY22.
- Gasoline sales for IOCL grew at a faster pace than domestic consumption in Q4FY22.
- We increase our FY24E EBITDA by 7% on factoring higher refining margins of US\$6.5/bbl from US\$5.8/bbl earlier.
- The Board has recommended (1) final dividend of Rs3.6/share and (2) issuance of bonus shares in the ratio of 1:2, with a record date of July 1, 2022.
- We retain our BUY rating on the stock with an unchanged fair value of Rs140 on rollover to June 2024.