



## Indian Oil Corporation

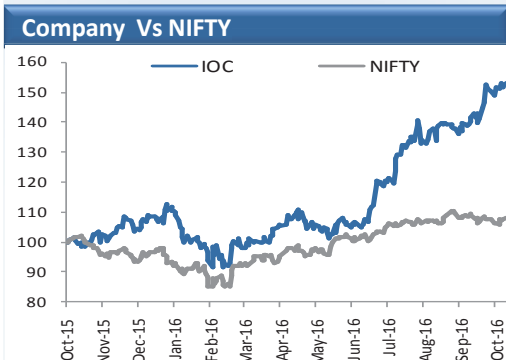
27-Oct-16

Company Update	
CMP	326
Target Price	410
Previous Target Price	
Upside	26%
Change from Previous	-

Market Data	
BSE Code	530965
NSE Symbol	IOC
52wk Range H/L	333/172
Mkt Capital (Rs Cr)	154,976
Av. Volume(,000)	608
Nifty	8,691

Stock Performance			
	1M	3M	12M
Absolute	10.4	61.1	68.1
Rel.to Nifty	10.7	56.1	50.7

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoters	58.3	58.3	58.6
Public	41.7	41.7	41.4
Others			
Total	100.0	100.0	100.0



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Indian Oil Corporation is a leader in market infrastructure with 46% market share in retail outlets, 86% in Bulk consumer pumps, 60% in LPG distribution and 64% in the Aviation Fuel. Oil demand in India is growing at a CAGR of 5.87% and to cope with the increasing Oil demand IOC is also increasing its capacity which will lead to increase in the volume as well as refining margin of the company .IOC will continue to outperform due to the successful commissioning of 15 MMTPA Paradip refinery . Paradip refinery is on track to achieve guidance of 9-10MT of production (60-65% utilisation) in FY17. LPG demand has grown 10.5% in FY16 due to the implementation of PAHAL scheme. Recently IOC plans to import LPG at Kandla in Gujarat and move it through the 1,987 kilometer pipeline to Gorakhpur via Ahmedabad (in Gujarat), Ujjain, Bhopal (in Madhya Pradesh), Kanpur, Allahabad, Varanasi and Lucknow (in Uttar Pradesh). The pipeline will carry 3.75 million tons per annum of LPG to cater the growing needs of LPG. Considering long-term opportunities we recommend “**BUY**” rating in this stock with a target price of Rs. **410**

### Investment Rational

- India Oil Corporation's Gujarat Refinery, invested Rs 1,330 crore to upgrade its systems to supply BS-IV fuels from FY17
- In next six years,IOC to spend Rs 1.70-1.80 trillion on refinery expansions, new petrochemical projects which are coming up and expenditure being incurred on natural gas, besides some exploration blocks
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- Expansion of Barauni refinery from 6 MTPA to 9 MTPA at a total cost of Rs. 8287 Cr
- All units of the Paradeep refinery has been commissioned and 95 % capacity utilisation is expected in 3QFY17
- Return ratios ROE and ROCE almost doubled due to strong performance in Refining and Petchem Earnings.

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	408924	461780	488345	449509	355927
EBITDA	19450	13800	17141	10550	23197
Net Profit	10914	4449	7086	4912	11219
EPS	45	18	29	20	46
P/E	5.8	15.4	9.7	18.2	8.5

(Source: Company/Eastwind)

## Financials Snap Shot

### INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	461780	488345	449509	355927
Other Income	3512	3442	4204	2246
Total Revenue	465291	491787	453713	358173
COGS	414541	432541	399121	289225
GPM	10%	11%	11%	19%
Other Expenses	25655	31525	32175	35277
EBITDA	13800	17141	10550	23197
EBITDA Margin (%)	3%	4%	2%	7%
Depreciation	5692	6360	5219	5919
EBIT	8108	10781	5331	17278
Interest	7119	5908	4175	3630
PBT	4504	8232	5346	15894
Tax	877	3,011	2,143	5,653
Tax Rate (%)	19%	37%	40%	36%
Reported PAT	4449	7086	4912	11219
Dividend Paid	1492	1850	2471	3437
No. of Shares	243	243	243	243

Souce: Eastwind/Company

### RATIOS

	FY13	FY14	FY15	FY16
EPS	18.32	29.19	20.23	46.21
Book Value	260	280	283	313
DPS	5	6	9	12
Payout (incl. Div. Tax.)	27%	21%	43%	26%
Valuation(x)				
P/E	15	10	18	9
Price / Book Value	1.1	1.0	1.3	1.3
Dividend Yield (%)	2%	2%	2%	3%
Profitability Ratios				
RoE	7%	10%	7%	15%
RoCE	9%	10%	5%	16%
Turnover Ratios				
Asset Turnover (x)	4.92	4.42	3.84	2.77
Debtors (No. of Days)	10	9	6	9
Inventory (No. of Days)	53	54	41	43
Creditors (No. of Days)	27	30	26	26
Net Debt/Equity (x)	0	1	1	0

Souce: Eastwind/Company

### BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	2428	2428	2428	2428
Reserves and surplus	60608	65485	66404	73566
Shareholders' funds	63036	67913	68832.3	75994
Long term Debt	35865	36796	30367	42367
Total Borrowings	88933	58154	50850	71622
Non Current liabilities	18206	20592	22814	30112
Long term provisions	421	443	476	2476
Short term Provisions	21913	26661	27601	29633
Current liabilities	72430	88071	82870	83614
Total liabilities	241725	266679	233743	241984
Net Fixed Assets	93927	110527	117088	128434
Non Current Investments	3694	8566	8761	8667
Other non Current assets	1282	1353	202	146
Current assets	137383	141166	101086	94474
Total Assets	241725	266679	233743	241984

Souce: Eastwind/Company

### CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	4504	9978	7014	17259
Depreciation	5710	6369	5190	5865
Direct Taxes Paid	1169	1896	2344	3250
Operating profit before v	14961	20649	13425	26295
CF from Op. Activity	9340	24204	45976	27020
Proceeds from sale of Cu	784	1120	587	629
Capital expenditure on fi	-4178	-8865	-4627	-4183
CF from Inv. Activity	-9294	-18594	-10177	-13805
Repayment of Long Term	3958	14543	1268	-3309
Interest Paid	-7824	-6872	-5188	-4661
Divd Paid (incl Tax)	-1492	-1850	-2609	-3590
CF from Fin. Activity	352	-3125	-38283	-12426
Inc/(Dec) in Cash	398	2485	-2483	789
Add: Opening Balance	822	1220	3705	1225
Closing Balance	1220	3705	1221	2014

Souce: Eastwind/Company