

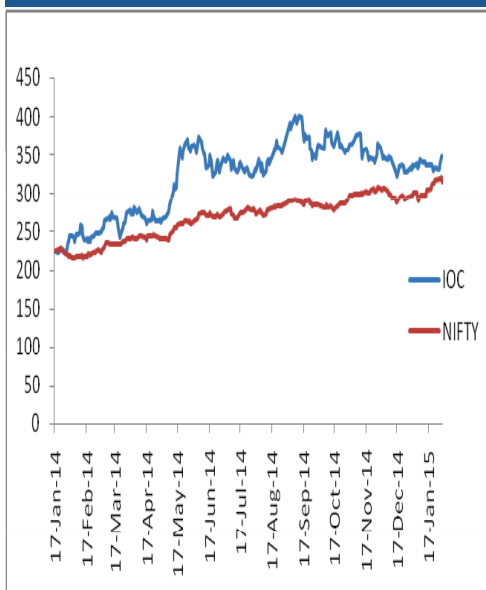
Result update	BUY
CMP	340.2
Target	420.0
Previous Target Price	-
Upside %	23
Change from Previous	-

Market Data	
BSE Code	530965
NSE Symbol	IOC
52wk Range H/L	410.90/231.70
Mkt Capital (Rs Crores)	84310.65
Average Daily Volume	138741
Nifty	8808.9

Stock Performance	1M	1yr	YTD
Absolute	4.4	46.6	26.8
Rel. to Nifty	-2.0	40.0	-4.0

Share Holding Pattern-%	Current	2QFY15	1QFY15
Promoters	69	69	69
FII	3	2	2
DII	4	5	5
Others	24	24	24

IOC Vs Nifty



Company Profile

Indian Oil Corporation (IOCL) is the largest oil marketing company in India and a leading player in the Indian petroleum industry which along with its subsidiary (CPCL) account for over 49% petroleum products market share, 31% national refining capacity and 71% downstream sector pipelines capacity in India. With its recent venture, IOCL has a presence across the industry chain.

Result Analysis

Quarterly results Highlights-Q2FY15

Decent 2Q: IOC reported Net Sales at Rs 111664Cr. (declined by 10.6% on sequential basis and increased by 1.2% on YoY basis) due to lower throughput and realization. Refining throughput at 13.4mmt declined by 4% on sequential basis. EBITDA (loss) of Rs356Cr (decreased by 109.6% on sequential basis however decreased by 109.7% on YoY basis) on account of inventory loss of 1160Cr and forex loss of 800Cr. The OPM for the quarter came at -0.32% as compared to 3.1%YoY. The huge loss for the quarter came at Rs 898Cr with decrease of 135.6% on sequential basis due to negative GRM of US\$1.95/bbl and tax write back of 380Cr. The NPM came at -0.8% for the quarter.

Operational Front

Crude throughput remained flattish at 13.4mmt YoY. While sales volume declined at 3.9%YOY to 16.9mmt. IOCL total under recovery came at 30Cr as against 400Cr in 2QFY14 after receiving Rs 9100Cr from upstream and Rs 3100Cr from the government.

Management Interaction and a road ahead....

Company guided that the interest cost for the company would be lower by 30%-40%. Total under recovery for the year of Rs 43000-44000Cr. Pradip Refinery of 15(MMTPA) would be commissioned in phases from 1QFY16 onwards with Capex of 34555Cr, which will contribute significantly towards the growth of IOCL.

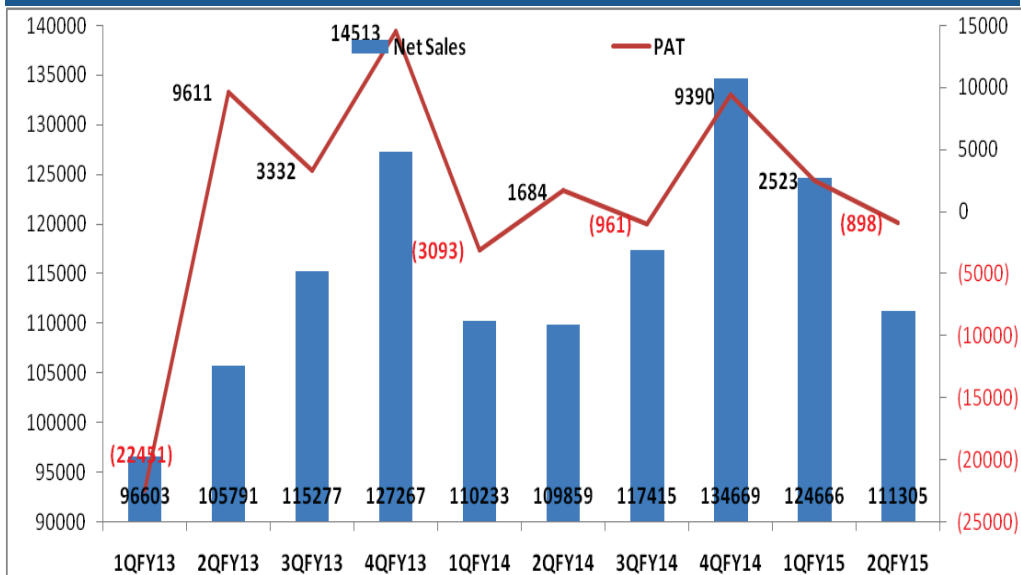
View And Valuation

Reforms made by the government regarding subsidy sharing mechanism would be a trigger point and an important event to watch. So we retain Buy recommendation on the stock, assuming Rs 420 to be the Fair Value of the Company based on FY15 EPS (E) at Current P/E of 12.9 times.

Financials

	1QFY15	2QFY15	(QoQ)-%	2QFY14	(YoY)-%
Revenue	124957	111664	12	110390	13.2
EBIT	2202	-1086	-302.8	2219	(0.8)
PAT	2523.00	(898.00)	-381.0	1684	49.8
EBIT Margin	1.8%	-1.0%	60bps	2.0%	170bps
PAT Margin	2.0%	-0.8%	40bps	1.5%	150bps

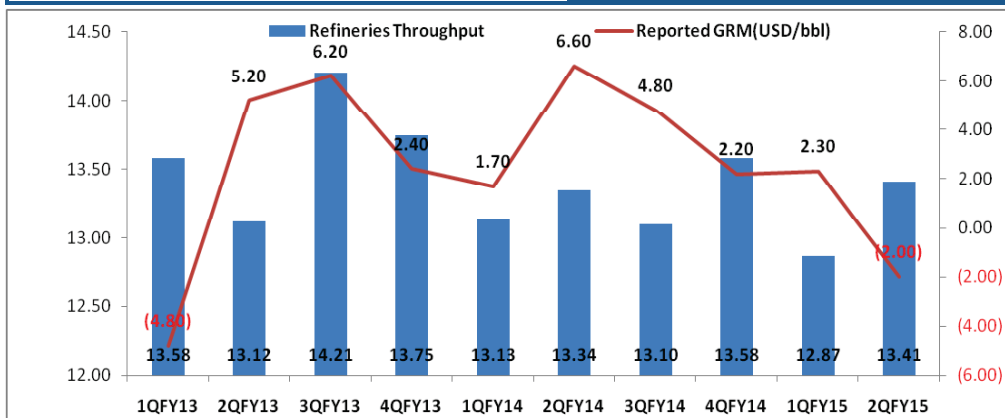
Sales and PAT



Net Sales of RS111664Cr, decline due to lower throughput and realisation

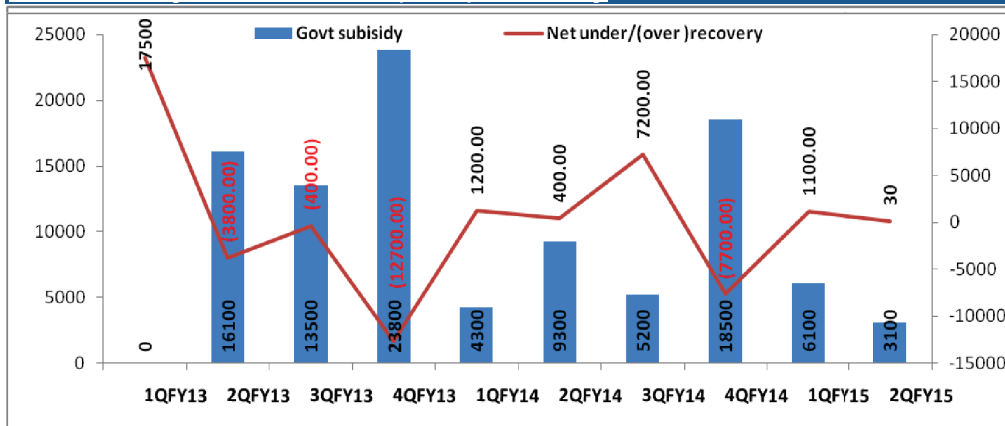
Heavy loss due to negative GRM of 1.95US\$/bbl

Refineries Throughput And Reported GRM



GRM turned negative due to heavy inventory loss

Govt Subsidy And Net Under/(Over) Recovery



Net Under/(Over) Recovery Shared Between Government