RESULT UPDATION

IOC

In 2QFY13, Indian Oil Ltd (IOC) reported better than expected result on the back of 4% YoY higher crude through put, marginal correction of crude and appreciation of rupees and budgetary support from Govt. This quarter IOC reported sales growth of 18.7% YoY and 9.5% QoQ to Rs.1058 bn. The company received budgetary support of Rs. 73 bn versus nil in both previous quarters same year and corresponding quarter last year. Total Sales during the quarter was 17.8 mn tones whereas refinery through put was 13.1 mn tones as against 13.6 mn tones in 1QFY13 and 13 mn tones in 2QFY12. The company reported GRM of $5.1/bbl versus negative GRM of $4.8/bbl reported in 1QFY13 and $2.8/bbl in 2QFY12.

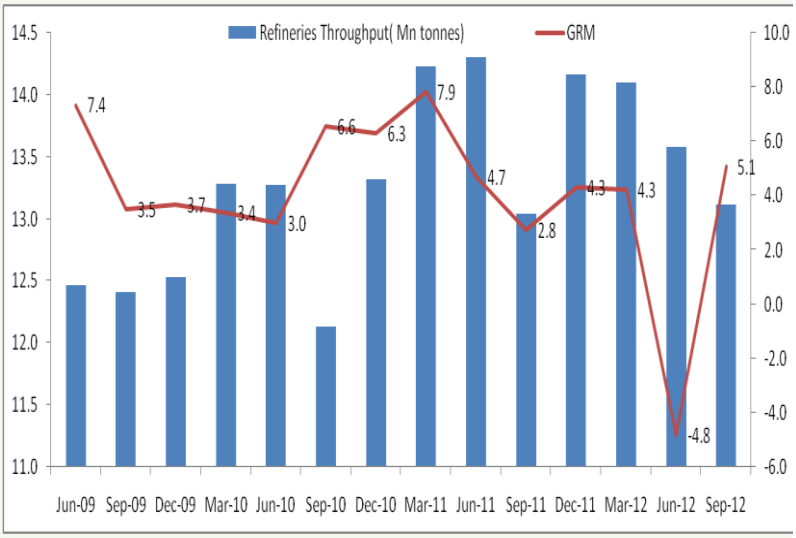
EBITDA for the quarter was Rs.115.6 bn versus Rs.-53.1 bn in 2QFY12 and Rs.-199.4 bn in 1QFY13 as against expectation of Rs.63 bn. Higher EBITDA was due to lower cost of materials consumed and lower other expenses. In 2QFY13 IOC registered forex gain of Rs 23 bn as against Rs.32 bn loss in 1QFY13. Consequently net forex loss in 1HFY13 stood at Rs 9 bn versus Rs.23.1 bn loss in 1HFY12. IOC reported Rs.82 bn discount from upstream companies (ONGC/ GAIL/ OIL/CPCL) on purchase of crude oil and products towards gross under recovery on sales of same products. This amount has been adjusted in profit and loss account under purchase cost.

Interest cost was declined by 18% QoQ to Rs.15 bn reflect lower interest rate and cash support received from Govt. At the end of 2QFY13, the company has debt of Rs.204.3 bn as against Rs.183.1 bn in FY12. Other income increased by 49% YOY and 37% QoQ to Rs.847 cr.

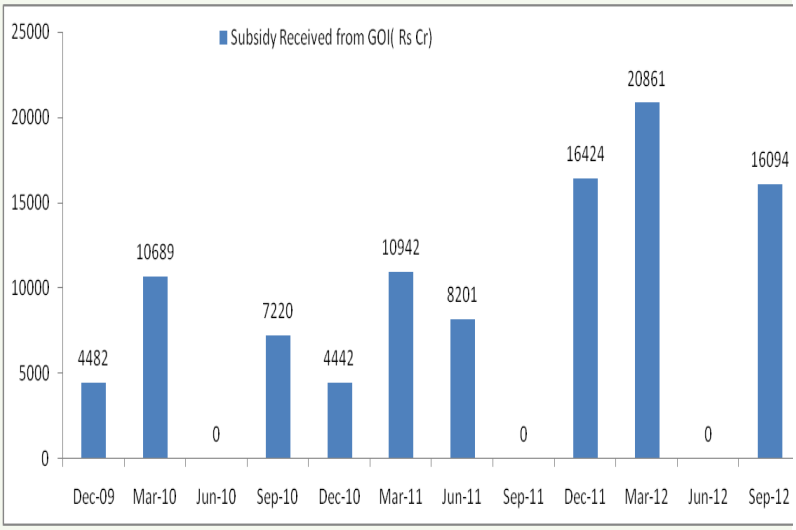
IOC reported Rs.96 bn profit in 2QFY13 as against Rs.75 bn loss in 2QFY12 and Rs.225 bn loss in 1QFY13. Profit growth reflection was due to budgetary support from Government, discount received from upstream companies and forex gain.

During the quarter gross under recovery stood at Rs.204 bn. The company received upstream discount of Rs.81.4 bn on purchase of crude and petroleum products from upstream companies (ONGC/GAIL/OIL/CPCL) towards part of under recovery suffered by the company on sale of petrol, diesel, kerosene and domestic LPG. This quarter the company received Rs.161 bn budgetary support from Govt. as against nil in last quarter. Consequently, IOC reported net under recovery of Rs.136.4 bn in 1HFY13. Subsidy sharing formula is highly ad hoc in nature and profitability of the company dependent on subsidy rather than fundamental.

At the price of Rs262, stock is trading at 0.9 times of FY13E book value. Although IOC trades at attractive valuation despite we not have rating on the stock owing to highly dependency on budgetary support from government rather than fundamental. Under recovery sharing mechanism is ad hoc in nature and we see high risk to earnings of IOC. Therefore we do not have rating on the stock.



(Source: Company/Eastwind)



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