

Company Update

CMP	424
Target Price	445
Previous Target Price	410
Upside	5%
Change from Previous	-

Market Data

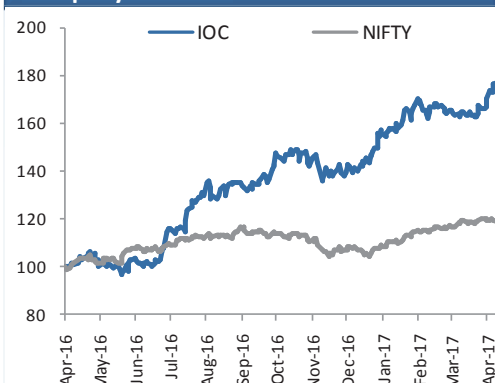
BSE Code	530965
NSE Symbol	IOC
52wk Range H/L	431/196
Mkt Capital (Rs Cr)	206,133
Av. Volume(,000)	452
Nifty	9,139

Stock Performance

	1M	3M	12M
Absolute	12.9	104.5	59.4
Rel.to Nifty	13.2	85.9	53.9

Share Holding Pattern-%

	3QFY17	2QFY17	1QFY17
Promoters	57.3	58.3	58.3
Public	42.7	41.7	41.7
Others			
Total	100	100	100

Company Vs NIFTY

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Recently Indian Oil Corporation has confirmed that it has received nod from National Green Tribunal to carry on its LPG import terminal project at Puthuvypeen, Kochi. The project work has been stalled since February 2015 due to protests, alleging that Indian Oil is violating NGT order. This project also includes LPG pipeline from the Jetty to Kochi refinery and the expected cost of the project is around Rs. 2200 Cr. This project will help the company to cater the growing demands of LPG by 2020. Further IOC's management indicated merger with Chennai Petroleum, but refrains from giving any timeline. Post merger management expects volume growth between 3- 4 million tonne for the year.

Q3FY17_Result Update

- Profit after tax has increased by 29% to Rs. 3995 Cr in 3QFY17 as compared to Rs. 3096 Cr in the same quarter in FY16.
- Revenue from sale of Petroleum products has increased from Rs. 93261 Cr to Rs. 111212 Cr in 3QFY17.
- Revenue from sale of Petrochemicals has increased from Rs. 4205 Cr to Rs. 4714 Cr in 3QFY17.
- Revenue from Other business activities has increased from Rs. 2758 Cr to Rs. 2940 Cr in 3QFY17.
- The effective tax rate for 3QFY17 is 35.5% and the company pays total tax of Rs. 2196 Cr.

Outlook

Indian Oil Corporation has plans to come up with a 15 MT refinery, with an investment of about Rs 40,000 Cr. at Nagapattinam in Tamil Nadu. Currently, Nagapattinam has a 1 MT plant operated by IOC's subsidiary Chennai Petroleum Corporation. This will improve the volume of the company up-to a large extent. IOC has equipped with BS VI standard HSD and BS VI standard motor spirit and by October 2017, a new unit will go on stream at the refinery, where only BS VI standard HSD and high quality motor spirit will be produced on a mass scale. Recently IOC stock has rallied and achieved our previous recommended price of Rs. 410, but considering upside potential we recommend "HOLD" rating in this stock while revising our target price to Rs. 445.

	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

Recent Events

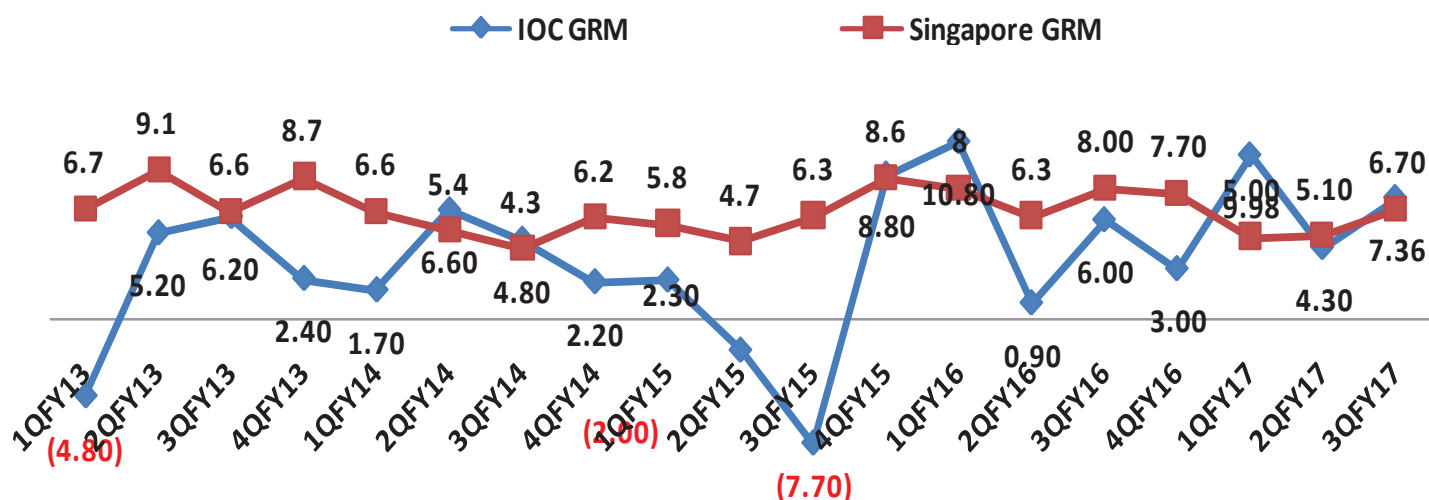
16 April 2017- NGT has confirmed its order dated August 2, 2016, permitting IndianOil to “go ahead” with its LPG import terminal project at Puthuvyppeen . IOCL is constructing a LPG Import Terminal of six lakh tonne capacity a year at Kochi in Puthuvyppeen SEZ of Cochin Port Trust

16 April 2017- Petrol price hiked by Rs1.39 per litre, diesel up by Rs1.04

2 March 2017- Indian Oil plans Rs 40K-crore mega refinery at Nagapattinam. Currently, Nagapattinam has a 1-mt plant operated by Chennai Petroleum Corporation (CPCL), an IOC subsidiary.

27 Dec 2016- IOC's Mathura refinery has despatched BS VI high-speed diesel (HSD) to two auto companies to test viability and compatibility as part of its efforts to provide cleaner fuel for an eco-friendly environment. Though the government has set a very stringent target of April 2017 for meeting BS IV and April 2020 for BS VI standard fuel quality, the Mathura refinery has completed the target ahead of the set deadline

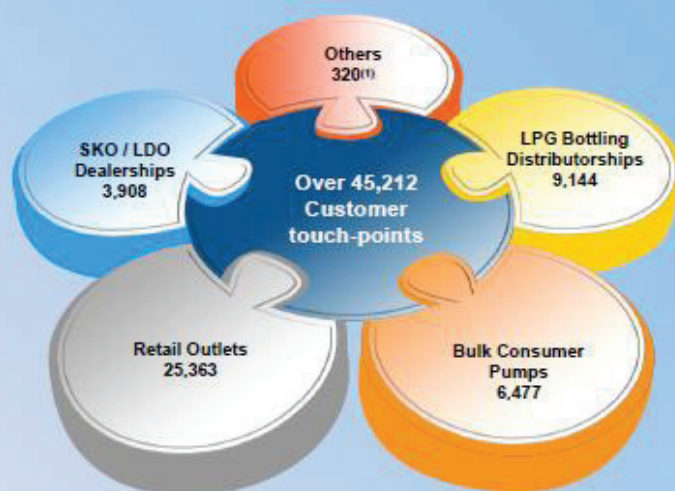
Gross Refining Margin



Business Model

Indian Oil Corporation Limited is an India-based oil company. The Company's segments include Sale of Petroleum Products, Sale of Petrochemicals and Other businesses, which consist of sale of gas, explosives and cryogenics, wind mill and solar power generation and oil and gas exploration activities. The Company's subsidiaries include Indian Oil (Mauritius) Ltd, IOC Middle East FZE, IOC Sweden AB, IOCL (USA) INC., Chennai Petroleum Corporation Ltd and Lanka IOC PLC. It is the largest refining and marketing company in India. It operates 8 refineries (incl BRPL) with a capacity of 54.2mmtpa and has a 52% stake in CPCL (11.5mmt refining capacity). The company controls a refining capacity of 65.7 mmtpa. It has a pipeline network of >10,300km (62mmtpa capacity), has 22,372 petrol/diesel outlets and has interests in petrochemicals and upstream oil and gas. IOC is a Public Sector Company with 78.9% Government stake.

Pan India Presence with Multiple Consumer Touch Points



Financials Snap Shot

	INCOME STATEMENT			
	FY13	FY14	FY15	FY16
Net Revenue	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

	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

	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

	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
OP before Wc	14961	20649	13425	26295
CF from Op. Activity	9340	24204	45976	27020
Current investments	784	1120	587	629
Capex	-4178	-8865	-4627	-4183
CF from Inv. Activity	-9294	-18594	-10177	-13805
Repayment of Debt	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