

April 8, 2013

## INDIAN OIL CORPORATION LTD.

BSE Code: 530965 NSE Code: IOC Reuters Code: IOC.NS Bloomberg Code: IOC:IN

India's behemoth, Indian Oil Corporation Ltd (IOC), is a national oil company, incorporated in 1964. Indian Oil and its subsidiaries account for a 49% share in the petroleum products market, 31% share in refining capacity and 67% downstream sector pipelines capacity in India. It operates the largest and the widest network of fuel stations in the country, numbering about 20,575 (16,350 regular ROs & 4,225 Kisan Seva Kendra). With an aim to move ahead, it is currently investing ₹470 bn in various projects for augmentation of refining and pipelines capacities, expansion of marketing infrastructure and product quality up-gradation.

### Investor's Rationale

**Upturn in market sales and realizations lifted the revenue 7.4% YoY**

IOC registered a growth of 7.4% YoY in its top line at ₹1,155 bn in Q3FY'13 driven by 2.2% rise in market sales and 5.2% surge in realizations. The revenues further grew on higher gross refining margins (GRMs) at \$5.2/bbl YoY. The GRM's improved mainly on the account of increase in product spreads of light and mid distillates segment on the back of maintenance shutdown and seasonality. Besides, the Oil marketing companies have announced hike in petrol and diesel prices to limit the losses incurred on sale of fuel products which will surely help the company to gain revenues.

**Net Profit grew massively by 33.9% YoY on continued focus on completing under-construction projects**

Despite the decline in EBITDA margin, the bottom-line of the company grew significantly by 33.9% YoY to ₹33 bn in Q3FY'13 on higher revenues. The profit figures were again supported by the rise in other income 168.5% to ₹9.6 bn. It has also received a budgetary support worth ₹134.8 bn. Besides, the finance cost and depreciation rose by 6.8% and 3.1% YoY to ₹16.7 bn and ₹13.2 bn respectively. Finally, NPM strengthened by 55 bps to 2.9% as against 2.3%.

**EBITDA margin fell 572 bps on higher operating expenses**

The company's EBITDA plunged 51.8% YoY to ₹54 bn due to a fall in operating expenses barring other expenses. The stock-in-trade and material cost rose by 413 bps and 73 bps to 39.2% and 47.8% respectively. Consequently, EBITDA margin declined 572 bps YoY to 4.7% from 10.4%.

**IOC on a path to raise capacity**

IOC having seven refineries with a cumulative capacity of 54.2 million tons per annum (mtpa) is planning to establish a new 15 mtpa refinery in Gujarat as part of its plans to raise the capacity to 100 mtpa by FY'22.

### Market Data

|                            |                                 |
|----------------------------|---------------------------------|
| CMP (₹)                    | 282.7                           |
| Target Price               | 320                             |
| Stop Loss                  | 263                             |
| Duration                   | Short-term                      |
| 52-week High-Low (₹)       | 375/239                         |
| Rise from 52WL (%)         | 18.3                            |
| Correction from 52WH (%)   | (24.6)                          |
| Beta                       | 1.8                             |
| 1 year Average Volume (mn) | 0.6                             |
| Stock Return (%)           | 3M- 3.2<br>6M- 11.5<br>1Y- 10.4 |
| Market Cap (₹bn)           | 69.7                            |
| Book Value (₹)             | 2.3                             |

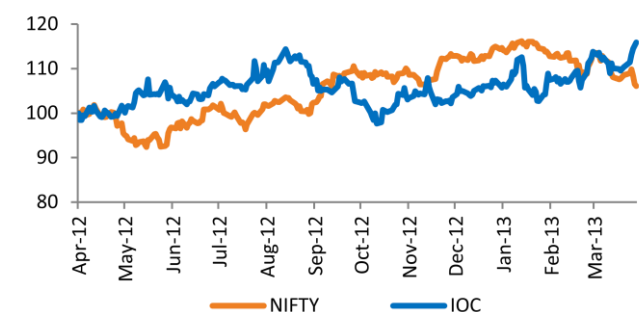
### Shareholding Pattern

|                     | Dec'12 | Sep'12 | Chg   |
|---------------------|--------|--------|-------|
| Promoters (%)       | 78.9   | 78.9   | -     |
| FII (%)             | 1.9    | 1.4    | 0.5   |
| DII (%)             | 4.5    | 4.6    | (0.1) |
| Public & Others (%) | 14.6   | 15.0   | (0.4) |

### Quarterly Performance

| (₹bn)      | Q3 FY'13 | Q3 FY'12 | Q2 FY'13 | YoY Change(%) | QoQ Change(%) |
|------------|----------|----------|----------|---------------|---------------|
| Revenue    | 1,155    | 1,075    | 1,060    | 7.4           | 9             |
| Op. exp    | 1,102    | 964      | 944      | 14.3          | 16.6          |
| EBITDA     | 54       | 112      | 116      | (51.8)        | (53.5)        |
| OPM (%)    | 4.7      | 10.4     | 10.9     | (572bps)      | (626bps)      |
| Net profit | 33       | 25       | 96       | 33.9          | (65.3)        |
| NPM (%)    | 2.9      | 2.3      | 9.0      | 55bps         | (613bps)      |
| EPS (₹)    | 13.7     | 10.3     | 39.6     | 33.9          | (65.3)        |

### One Year Price Chart





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