

BSE SENSEX	S&P CNX
36,034	11,050
Bloomberg	IOCL IN
Equity Shares (m)	4,739.3
M.Cap.(INRb)/(USD\$b)	1969.7 / 29.2
52-Week Range (INR)	463 / 351
1, 6, 12 Rel. Per (%)	1/1/-19
Avg Val, INRm	2062.0
Free float (%)	43.0

**Financials & Valuations (INR b)**

Y/E Mar	2018E	2019E	2020E
Sales	4,140	4,750	5,144
EBITDA	356.7	364.7	378.0
Adj. PAT	190.7	187.8	196.2
Adj. EPS (INR)	40.2	39.6	41.4
EPS Gr. (%)	(3.9)	(1.5)	4.5
BV/Sh.(INR)	244.4	270.4	296.7
RoE (%)	17.5	15.4	14.6
RoCE (%)	13.0	12.2	11.8
P/E (x)	10.3	10.5	10.0
P/BV (x)	1.7	1.5	1.4
EV/EBITDA (x)	6.8	6.5	6.1

<b>Estimate change</b>	↔
<b>TP change</b>	↔
<b>Rating change</b>	↔

**CMP: INR416 TP: INR533 (+28%)**
**Buy**
**Adj. EBITDA largely in-line; CP GRM at USD7.63/bbl**

IOCL's adj. EBITDA declined 3% YoY (+1% QoQ) to INR69.6b, largely in line with our estimate of INR67.6b, primarily as the strong refining performance largely offset the impact of lower marketing margins. Reported PAT rose 97% YoY (+113% QoQ) to INR79b (est. of INR56b), led by higher other income of INR13.5b (est. of INR5.6b; +174% YoY, +130% QoQ). Other income was boosted by a forex gain of INR6.3b in 3QFY18 (v/s a loss of INR2.6b in 2QFY18 and a loss of INR3.1b in 3QFY17).

- Strong refining performance:** IOCL reported CP (Current Price) GRM of USD7.63/bbl v/s SG GRM of USD7.3/bbl. However, the time difference in the calculation of RTP (Refinery Transfer Price) and inventory gain resulted in the difference in core GRM. Refining performance was boosted by (a) higher reported GRM of USD12.3/bbl (inventory gain of USD4.4/bbl; core GRM stood at USD7.9/bbl v/s est. of USD6.2/bbl) and (b) higher refinery throughput of 18.2mmt (v/s est. of 17.7mmt; +11% YoY; +13% QoQ). Refinery throughput was higher due to normalization of operations at the Panipat, Mathura, Gujarat and Barauni refineries. Paradip refinery operated at 94% utilization in 3QFY18.
- Poor marketing margins dampen marketing performance:** While domestic sales of refined products rose 4% YoY (+10% QoQ) to 19.7mmt, subdued marketing margins dampened the marketing segment performance. Marketing inventory gains stood at INR25b v/s INR2.7b in 2QFY18 and INR9.7b in 3QFY17. Implied gross marketing margin/liter adjusted for inventory gain declined 26% YoY/QoQ.
- Petrochemical performance improves:** Petrochem EBITDA rose 51% QoQ (-8% YoY) to INR15.6b, led by sales of 0.59mmt (-1% YoY, +31% QoQ) and a sequential improvement in spreads. Petchem sales were up due to normalization of operations at Panipat Naphtha cracker.

**Valuation and view**

- IOCL is expected to benefit from free cash flow generation over the next 2-3 years. Paradip refinery should help IOCL in a contracting benchmark refining margin scenario.
- After showing an improving trend in Jan'18, marketing margins are expected to normalize in 4QFY18. However, rising crude oil prices and upcoming elections could pose downside pressure. Thus, we adjust our marketing margin estimates for auto fuels, resulting in a 3%/5% cut in FY19/20 EPS.
- The stock trades at 10x FY20E EPS of INR41.4 and 6.1x FY20E EV/EBITDA. We value IOCL at 6x for refining and 7.5x for marketing to arrive at a fair value of INR533 (Sep-18 TP), implying a 28% upside. Maintain **Buy**.

## Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var. vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	est.	
<b>Net Sales</b>	<b>856,553</b>	<b>800,435</b>	<b>931,019</b>	<b>1,003,375</b>	<b>1,054,342</b>	<b>905,667</b>	<b>1,106,669</b>	<b>1,123,037</b>	<b>3,591,382</b>	<b>4,189,716</b>	<b>1,206,392</b>	<b>-8%</b>
YoY Change (%)	-15.3	-5.1	13.0	28.0	23.1	13.1	18.9	11.9	3.7	16.7	29.6	
Total Expenditure	720,652	748,519	848,541	959,289	1,002,427	831,935	973,982	1,040,996	3,277,001	3,849,340	1,105,117	-12%
<b>EBITDA</b>	<b>135,901</b>	<b>51,916</b>	<b>82,478</b>	<b>44,086</b>	<b>51,915</b>	<b>73,732</b>	<b>132,687</b>	<b>82,040</b>	<b>314,381</b>	<b>340,376</b>	<b>101,275</b>	<b>31%</b>
Margins (%)	15.9	6.5	8.9	4.4	4.9	8.1	12.0	7.3	8.8	8.1	8.4	
<b>EBITDA adj. for inventory and one-offs</b>	<b>65,840</b>	<b>62,044</b>	<b>71,745</b>	<b>83,756</b>	<b>92,335</b>	<b>69,172</b>	<b>69,657</b>	<b>82,040</b>	<b>283,385</b>	<b>313,206</b>	<b>67,646</b>	
Depreciation	14,350	15,048	15,541	17,290	17,213	16,970	17,151	17,145	62,230	68,479	16,982	1%
Interest	6,800	6,147	9,967	11,541	7,180	7,726	6,549	6,860	34,454	28,315	5,899	11%
Other Income	5,637	14,347	4,938	20,593	12,276	5,878	13,534	7,518	45,515	39,206	5,602	142%
<b>PBT</b>	<b>120,388</b>	<b>45,069</b>	<b>61,907</b>	<b>35,849</b>	<b>67,878</b>	<b>54,914</b>	<b>122,522</b>	<b>65,554</b>	<b>263,212</b>	<b>310,868</b>	<b>83,996</b>	<b>46%</b>
Tax	37,698	13,850	21,958	-1,358	22,393	17,951	43,690	21,849	72,148	105,883	27,996	56%
Rate (%)	31.3	30.7	35.5	-3.8	33.0	32.7	35.7	33.3	27.4	34.1	33.3	
<b>Reported PAT</b>	<b>82,690</b>	<b>31,219</b>	<b>39,949</b>	<b>37,206</b>	<b>45,485</b>	<b>36,963</b>	<b>78,832</b>	<b>43,705</b>	<b>191,064</b>	<b>204,985</b>	<b>56,000</b>	<b>41%</b>
<b>Adj PAT</b>	<b>82,690</b>	<b>31,219</b>	<b>39,949</b>	<b>37,206</b>	<b>26,767</b>	<b>36,963</b>	<b>78,832</b>	<b>43,705</b>	<b>191,064</b>	<b>186,469</b>	<b>56,000</b>	<b>41%</b>
YoY Change (%)	35.2	-456.2	52.3	85.5	-67.6	18.4	97.3	17.5	84.9	-2.4	40.2	
Margins (%)	9.7	3.9	4.3	3.7	2.5	4.1	7.1	3.9	5.3	4.5	4.6	
<b>Key Assumptions</b>												
Refining throughput (mmt)	16.1	15.6	16.4	17.1	17.5	16.1	18.2	18.0	65.2	69.8	17.7	3%
Core GRM (USD/bbl)	3.6	4.2	5.1	6.9	6.6	6.9	7.9	6.0	6.4	9.1	6.2	29%
Domestic sale of refined products (mmt)	19.3	17.3	19.0	18.5	19.8	18.0	19.6	19.3	74.1	76.7	19.6	0%
Marketing GM/litre net of inv gain (INR/litre)	3.5	3.8	4.0	4.0	5.1	3.9	2.9	3.8	3.8	3.9	3.2	-9%

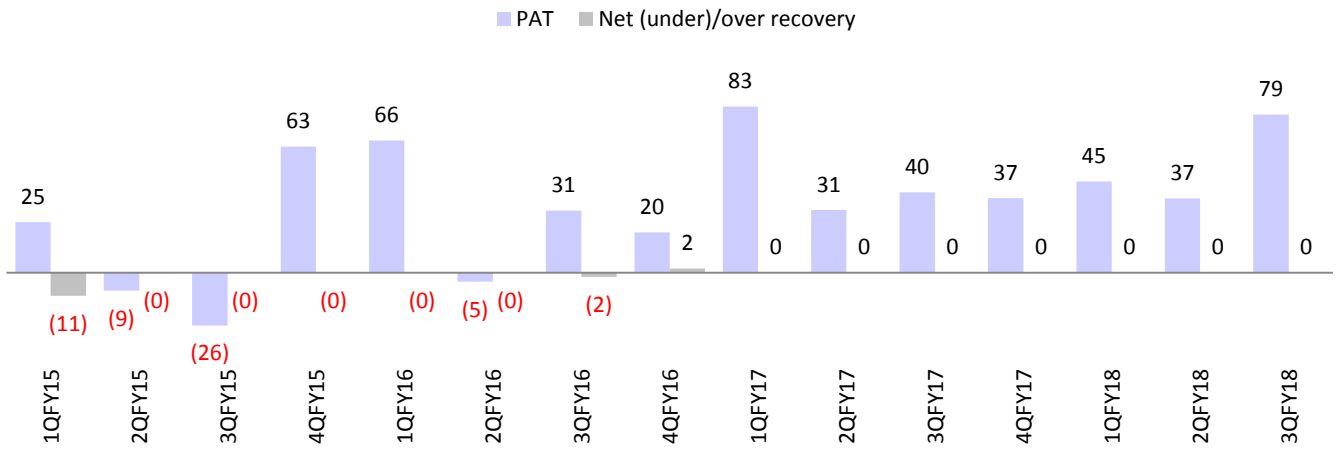
E: MOSL Estimates

## Exhibit 1: IOCL 3QFY18 earnings snapshot (INR m)

	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY (%)	QoQ (%)
<b>Key Operating Metrics</b>											
Brent (USD/bbl)	43.4	34.4	46.0	45.7	50.2	54.1	50.2	51.7	60.7	21%	17%
Fx rate (INR/USD)	65.9	67.5	66.9	67.0	67.4	67.2	64.5	64.3	64.8	-4%	1%
Marketing volume (mmt)	18.2	19.2	19.3	17.3	19.0	18.5	19.8	18.0	19.7	4%	10%
GRM (USD/bbl)	6.0	3.0	10.0	4.3	7.7	8.9	4.3	8.0	12.3	60%	54%
Reuters Singapore GRM (USD/bbl)	7.8	7.8	5.0	5.1	6.7	6.4	6.4	8.3	7.3	8%	-12%
Refinery thr' put (mmt)	14.4	15.0	16.1	15.6	16.4	17.1	17.5	16.1	18.2	11%	13%
<b>Financial Summary (INRm)</b>											
<b>Net Sales</b>	<b>823,899</b>	<b>784,155</b>	<b>856,553</b>	<b>800,435</b>	<b>931,019</b>	<b>1003,375</b>	<b>1054,342</b>	<b>905,667</b>	<b>1106,669</b>	19%	22%
<b>Adj. EBITDA</b>	<b>65,106</b>	<b>62,387</b>	<b>119,685</b>	<b>59,952</b>	<b>76,048</b>	<b>19,926</b>	<b>58,155</b>	<b>73,632</b>	<b>101,347</b>	33%	38%
Refining	25,220	1,260	60,360	15,000	24,070	33,320	44,240	33,820	86,970	261%	157%
Petchem	12,160	18,340	20,320	18,280	16,980	20,310	18,190	10,340	15,620	-8%	51%
Pipelines	15,390	15,820	16,060	15,480	15,190	14,550	15,900	14,240	15,710	3%	10%
Marketing & others	12,336	26,967	22,945	11,192	19,808	(48,254)	(20,175)	15,232	(16,953)	-186%	-211%
<i>EBITDA Margin (%)</i>	<i>7.9%</i>	<i>8.0%</i>	<i>14.0%</i>	<i>7.5%</i>	<i>8.2%</i>	<i>2.0%</i>	<i>5.5%</i>	<i>8.1%</i>	<i>9.2%</i>		
Adventitious gain/(loss)	(9,670)	(10,920)	23,790	(7,310)	9,570	9,160	(12,360)	2,730	25,030	162%	817%
Net subsidy gain/(loss)	(2,065)	2,010	0	0	0	0	0	0	0		
Forex gain/(loss)	180	(3,020)	(3,320)	2,540	(3,140)	15,000	6,120	(2,630)	6,310	-301%	-340%
<b>Reported EBITDA</b>	<b>53,551</b>	<b>50,457</b>	<b>140,155</b>	<b>55,182</b>	<b>82,478</b>	<b>44,086</b>	<b>51,915</b>	<b>73,732</b>	<b>132,687</b>	61%	80%
<i>EBITDA Margin (%)</i>	<i>6.5%</i>	<i>6.4%</i>	<i>16.4%</i>	<i>6.9%</i>	<i>8.9%</i>	<i>4.4%</i>	<i>4.9%</i>	<i>8.1%</i>	<i>12.0%</i>		
Depreciation	(11,913)	(13,171)	(14,350)	(15,048)	(15,541)	(17,290)	(17,213)	(16,970)	(17,151)	10%	1%
<b>EBIT</b>	<b>41,637</b>	<b>37,286</b>	<b>125,805</b>	<b>40,134</b>	<b>66,936</b>	<b>26,796</b>	<b>34,702</b>	<b>56,762</b>	<b>115,537</b>	73%	104%
Interest	(6,406)	(10,733)	(6,800)	(6,147)	(9,967)	(11,541)	(7,180)	(7,726)	(6,549)	-34%	-15%
Other Income	6,484	7,414	4,703	8,541	8,078	20,593	12,276	5,878	13,534	68%	130%
<b>PBT b/f exceptionals</b>	<b>41,715</b>	<b>33,966</b>	<b>123,708</b>	<b>42,529</b>	<b>65,047</b>	<b>35,849</b>	<b>39,798</b>	<b>54,914</b>	<b>122,522</b>	88%	123%
Exceptionals	4,731	(75)	0	0	0	0	28,081	0	0		
<b>PBT</b>	<b>46,446</b>	<b>33,891</b>	<b>123,708</b>	<b>42,529</b>	<b>65,047</b>	<b>35,849</b>	<b>67,878</b>	<b>54,914</b>	<b>122,522</b>	88%	123%
Income Tax	(15,487)	(10,812)	(37,698)	(13,850)	(21,958)	1,358	(22,393)	(17,951)	(43,690)	99%	143%
<i>Tax rate (%)</i>	<i>33.3%</i>	<i>31.9%</i>	<i>30.5%</i>	<i>32.6%</i>	<i>33.8%</i>	<i>n.a.</i>	<i>33.0%</i>	<i>32.7%</i>	<i>35.7%</i>		
<b>PAT</b>	<b>30,960</b>	<b>23,079</b>	<b>86,010</b>	<b>28,679</b>	<b>43,089</b>	<b>37,206</b>	<b>45,485</b>	<b>36,963</b>	<b>78,832</b>	83%	113%
<i>PAT margin (%)</i>	<i>3.8%</i>	<i>2.9%</i>	<i>10.0%</i>	<i>3.6%</i>	<i>4.6%</i>	<i>3.7%</i>	<i>4.3%</i>	<i>4.1%</i>	<i>7.1%</i>		
<b>EPS (SA)</b>	<b>6.5</b>	<b>4.9</b>	<b>18.1</b>	<b>6.1</b>	<b>9.1</b>	<b>7.9</b>	<b>9.6</b>	<b>7.8</b>	<b>16.6</b>	83%	113%

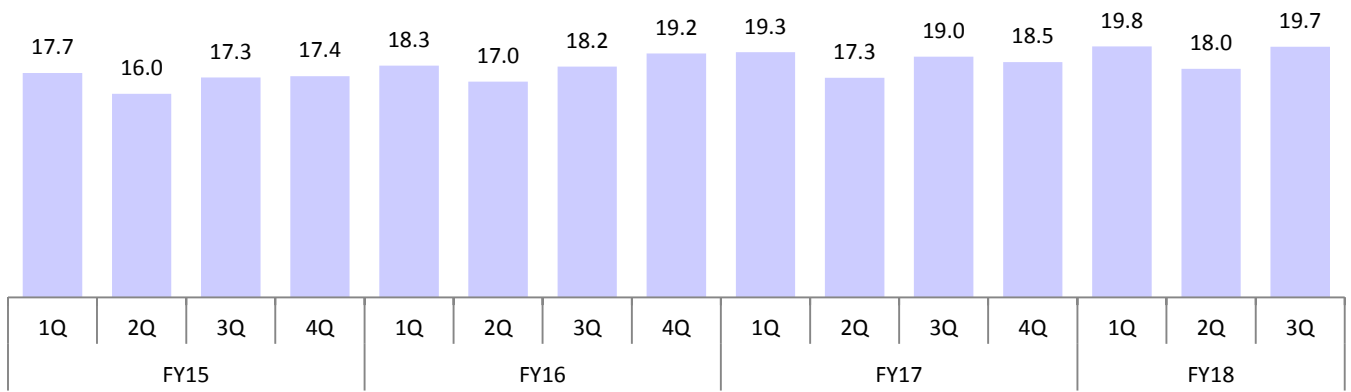
Source: Company, MOSL

**Exhibit 2: Inventory gains/(losses) resulting in volatile quarterly profits (INR b)**



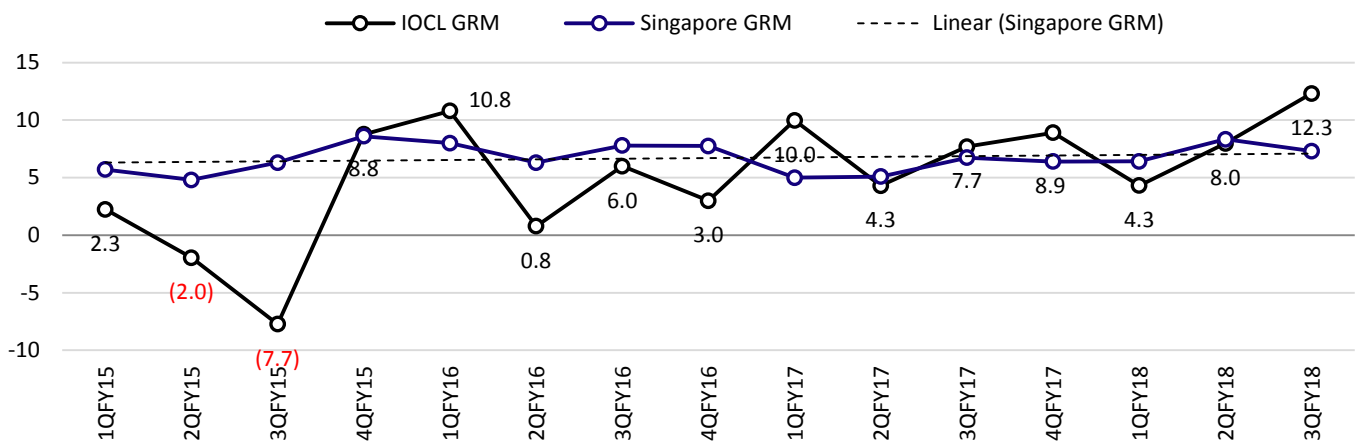
Source: Company, MOSL

**Exhibit 3: IOCL marketing volume trend (mmt)**

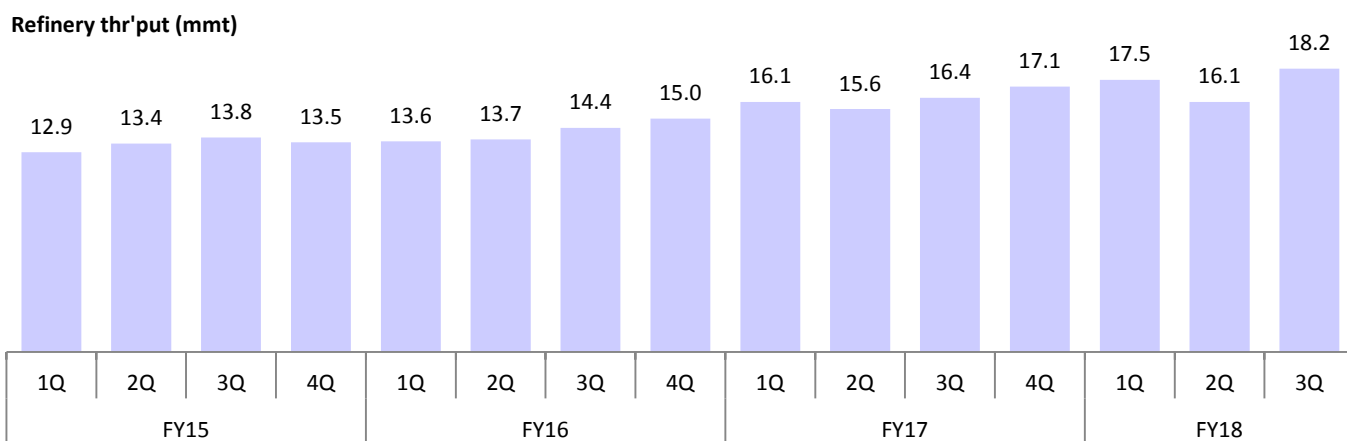


Source: Company, MOSL

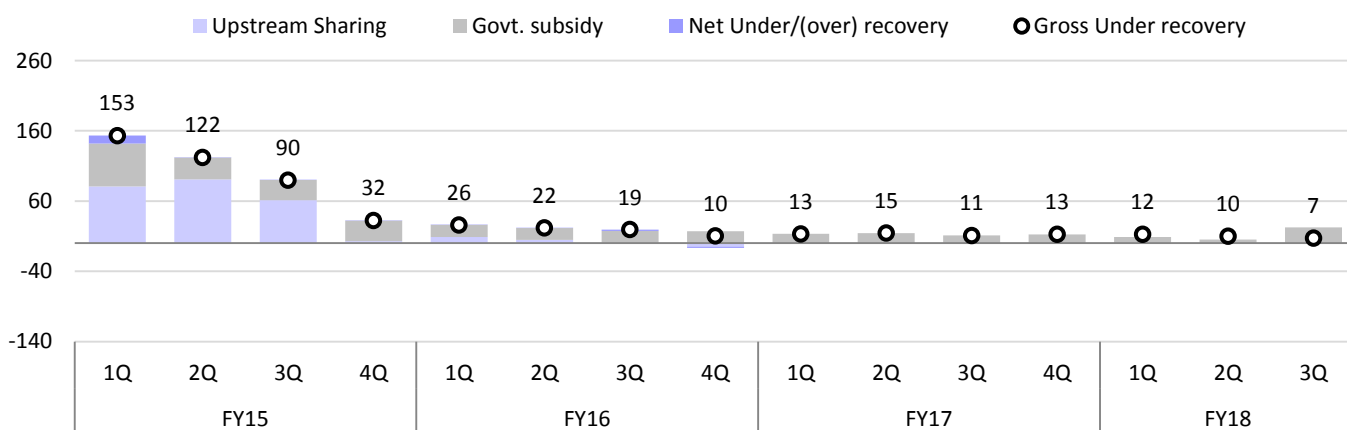
**Exhibit 4: IOCL GRM trend – reports USD7.7/bbl in 3QFY18 v/s SG GRM of USD7.3/bbl**



Source: Company, MOSL

**Exhibit 5: IOCL refinery throughput trend (mmt)**

Source: Company, MOSL

**Exhibit 6: IOCL under-recovery quarterly trend; net sharing at nil (INR b)**

Source: Company, MOSL

**Exhibit 7: IOCL subsidy sharing at nil in 3QFY18 (INR b)**

	FY15				FY16				FY17				FY18				3QFY18 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ	
<b>Gross Under recovery</b>	153	122	90	32	26	22	19	10	13	15	11	13	12	10	7.1	(34.8)	(26.9)	
<b>Less: Sharing</b>																		
Upstream Sharing	81	91	61	3	9	5	0	(5)	0	0	0	0	0	0	0.0	n.a.	n.a.	
Govt. subsidy	61	31	29	29	17	17	17	17	13	15	11	13	9	5	22.5	105.5	316.9	
<b>Net Under/(over) recovery</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	
<b>As a % of Gross</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>(20)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	

Source: Company, MOSL

**Valuation and view**

- IOCL is expected to benefit from free cash flow generation over the next 2-3 years. Paradip refinery should help IOCL in a contracting benchmark refining margin scenario.
- IOCL has achieved 78.7% physical progress on its polypropylene project at the Paradip refinery. We expect completion of the PP project to further improve the GRM performance.

- IOCL is building LNG terminal at Ennore and has achieved 87% physical progress as on 20<sup>th</sup> January 2018.
- After showing an improving trend in Jan'18, marketing margins are expected to normalize in 4QFY18. However, rising crude oil prices and upcoming elections could pose downside pressure. Thus, we adjust our marketing margin estimates for auto fuels, resulting in 3%/5% cut in FY19/20 EPS.
- The stock trades at 10x FY20E EPS of INR41.4 and 6.1x FY20E EV/EBITDA. We value IOCL at 6x for Refining and 7.5x for Marketing to arrive at a fair value of INR533 (Sep-18 TP), implying a 28% upside. Maintain **Buy**.

**Exhibit 8: IOCL – Key Assumptions**

Y End: March 31	2013	2014	2015	2016	2017	2018E	2019E	2020E
Exchange Rate (INR/USD)	54.4	60.6	61.4	65.5	67.1	64.7	65.5	65.7
Brent Crude (USD/bbl)	110	108	86	48	49	56	60	60
Domestic direct sales refined pdts (MMT)	69	68	68	73	74	77	80	83
YoY (%)	1%	-1%	1%	6%	2%	4%	4%	4%
<b>Reported GRM (USD/bbl)</b>	2.3	4.2	0.3	5.1	7.8	8.6	6.0	6.0
Singapore GRM (USD/bbl)	7.9	5.6	6.4	7.5	5.8	7.0	6.0	6.0
Prem/(disc) (USD/bbl)	(6)	(1)	(6)	(2)	2	2	0	0
<b>Refining capacity (mmt)</b>	54	54	54	58	69	69	69	69
<b>Refining capacity utilization (%)</b>	<b>101%</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>	<b>94%</b>	<b>101%</b>	<b>104%</b>	<b>104%</b>
Total Refinery throughput (MMT)	54.7	53.1	53.6	56.7	65.2	69.8	72.0	72.0
YoY (%)	-2%	-3%	1%	6%	15%	7%	3%	0%
<b>Pipeline throughput (mmt)</b>	<b>75.7</b>	<b>73.3</b>	<b>75.7</b>	<b>79.8</b>	<b>82.5</b>	<b>84.5</b>	<b>89.4</b>	<b>93.4</b>
YoY (%)	3%	-3%	3%	5%	3%	2%	6%	4%
<b>Marketing Margin (INR/ltr)</b>								
Blended gross marketing margin excld inventory	3.9	4.3	4.9	4.0	3.8	3.9	3.9	3.9
<b>Net sharing</b>	4	12	12	0	-	-	-	-
Net sharing (%)	0%	2%	3%	0%	0%	0%	0%	0%
<b>Cons EPS</b>	<b>9.4</b>	<b>11.3</b>	<b>6.8</b>	<b>20.8</b>	<b>41.9</b>	<b>40.2</b>	<b>39.6</b>	<b>41.4</b>

Source: Company, MOSL

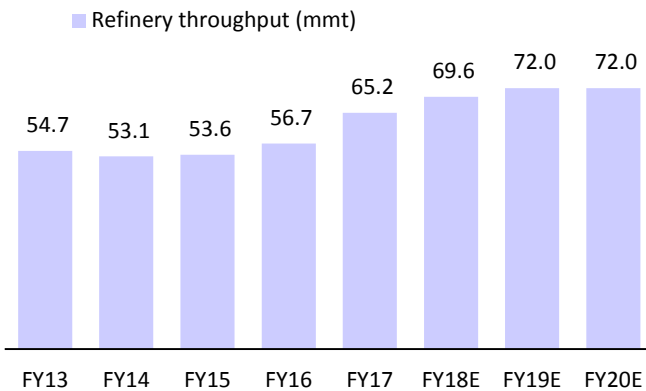
**Exhibit 9: Valuation summary (Sep-18 TP)**

Valuation	EBITDA (INR m)	EV/EBITDA (x)	EV (INR m)
Refining	118,276	6.0	709,654
Marketing	123,030	7.5	922,726
Pipeline	74,572	7.5	559,290
Petrochem	65,448	5.0	327,241
Others	0	5.0	0
<b>Total</b>			<b>2,518,911</b>
Net debt			340,176
Oil bonds			91,030
Net debt excluding oil bonds			249,146
Standalone valuation			2,269,765
<b>Value per share</b>			<b>479</b>
Stake in Chennai Petro			5
Stake in Lanka IOC			2
Stake in Petronet			5
Stake in ONGC			39
Stake in GAIL			2
Stake in Oil India			1
<b>Total value</b>			<b>533</b>

Source: Company, MOSL

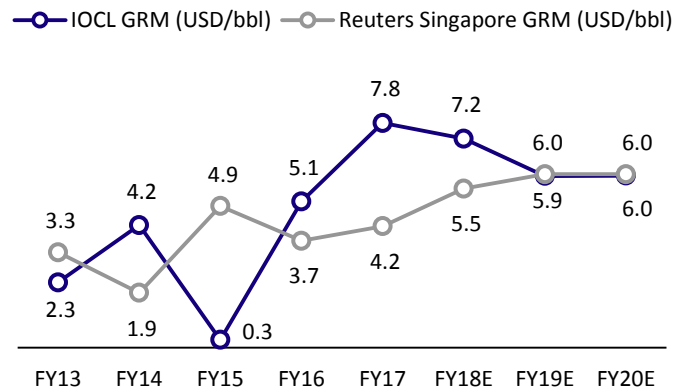
## Story in charts

**Exhibit 10: Refining throughput of IOCL**



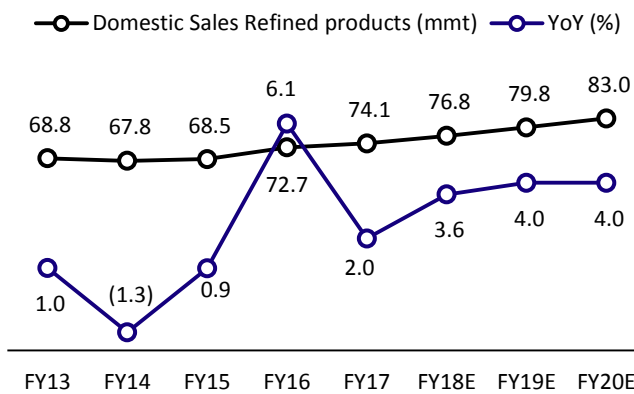
Source: Company, MOSL

**Exhibit 11: GRM trend of IOCL**



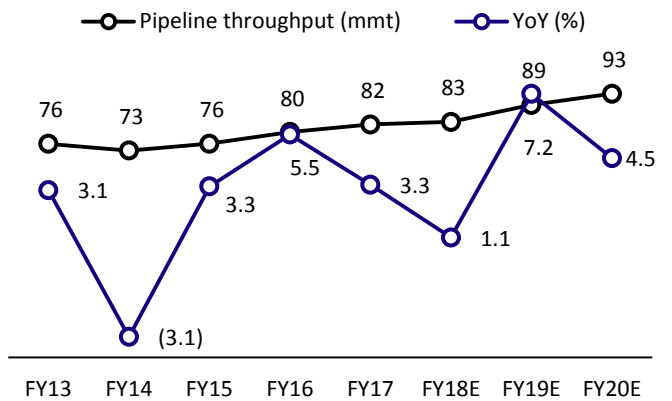
Source: Company, MOSL

**Exhibit 12: Marketing sales volume**



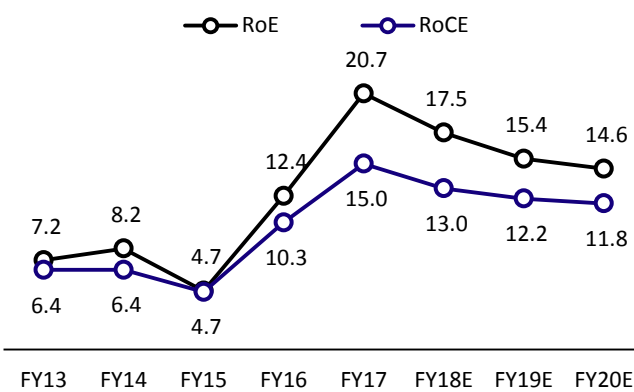
Source: Company, MOSL

**Exhibit 13: Pipeline throughput**



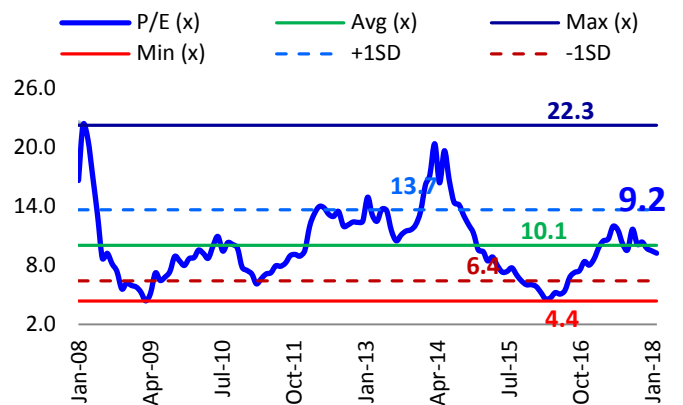
Source: Company, MOSL

**Exhibit 14: Return ratios (consolidated)**



Source: Company, MOSL

**Exhibit 15: IOCL: 1-year forward P/E**



Source: Company, MOSL

## Financials and Valuations

Consolidated - Income Statement <span style="float: right;">(INR M)</span>								
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Total Income from Operations</b>	<b>4,607,497</b>	<b>4,872,595</b>	<b>4,483,152</b>	<b>3,460,447</b>	<b>3,553,101</b>	<b>4,139,598</b>	<b>4,750,065</b>	<b>5,144,366</b>
Change (%)	13.1	5.8	-8.0	-22.8	2.7	16.5	14.7	8.3
Raw Materials	4,146,106	4,328,076	3,991,213	2,850,235	2,751,190	3,351,971	4,002,731	4,368,963
Other Operating Costs	334,015	384,808	398,514	375,783	461,779	430,942	382,641	397,377
<b>Total Expenditure</b>	<b>4,480,120</b>	<b>4,712,884</b>	<b>4,389,727</b>	<b>3,226,019</b>	<b>3,212,969</b>	<b>3,782,912</b>	<b>4,385,372</b>	<b>4,766,341</b>
% of Sales	97.2	96.7	97.9	93.2	90.4	91.4	92.3	92.7
<b>EBITDA</b>	<b>127,377</b>	<b>159,711</b>	<b>93,424</b>	<b>234,429</b>	<b>340,132</b>	<b>356,686</b>	<b>364,692</b>	<b>378,026</b>
Margin (%)	2.8	3.3	2.1	6.8	9.6	8.6	7.7	7.3
Depreciation	56,915	63,600	52,190	56,984	68,486	75,207	80,033	83,040
<b>EBIT</b>	<b>70,462</b>	<b>96,111</b>	<b>41,234</b>	<b>177,445</b>	<b>271,646</b>	<b>281,479</b>	<b>284,659</b>	<b>294,986</b>
Int. and Finance Charges	70,835	59,079	41,746	34,690	37,213	31,301	25,289	18,200
Other Income	45,416	45,278	53,975	21,865	38,724	39,921	23,342	23,649
<b>PBT bef. EO Exp.</b>	<b>45,042</b>	<b>82,310</b>	<b>53,463</b>	<b>164,620</b>	<b>273,157</b>	<b>290,099</b>	<b>282,712</b>	<b>300,434</b>
EO Items	0	17,468	16,681	13,643	0	28,081	0	0
<b>PBT after EO Exp.</b>	<b>45,042</b>	<b>99,778</b>	<b>70,143</b>	<b>178,263</b>	<b>273,157</b>	<b>318,179</b>	<b>282,712</b>	<b>300,434</b>
Total Tax	8,770	30,113	21,426	56,584	75,704	109,011	94,893	104,231
Tax Rate (%)	19.5	30.2	30.5	31.7	27.7	34.3	33.6	34.7
Minority Interest	-8,217	-1,190	-402	1,454	-1,042	0	0	0
<b>Reported PAT</b>	<b>44,490</b>	<b>70,856</b>	<b>49,120</b>	<b>120,225</b>	<b>198,495</b>	<b>209,168</b>	<b>187,819</b>	<b>196,203</b>
<b>Adjusted PAT</b>	<b>44,490</b>	<b>53,388</b>	<b>32,439</b>	<b>98,550</b>	<b>198,495</b>	<b>190,708</b>	<b>187,819</b>	<b>196,203</b>
Change (%)	-62.7	20.0	-39.2	203.8	101.4	-3.9	-1.5	4.5
Margin (%)	1.0	1.1	0.7	2.8	5.6	4.6	4.0	3.8

Consolidated - Balance Sheet <span style="float: right;">(INR M)</span>								
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	48,559	48,559	48,559	23,697	47,393	47,393	47,393	47,393
Total Reserves	581,813	630,571	639,764	876,099	973,568	1,110,789	1,234,108	1,359,005
<b>Net Worth</b>	<b>630,372</b>	<b>679,130</b>	<b>688,323</b>	<b>899,796</b>	<b>1,020,961</b>	<b>1,158,182</b>	<b>1,281,502</b>	<b>1,406,398</b>
Minority Interest	12,618	11,706	10,733	14,260	19,046	19,046	19,046	19,046
Total Loans	867,894	889,325	581,541	481,492	588,300	480,000	440,000	400,000
Deferred Tax Liabilities	63,323	64,228	68,356	69,707	68,887	68,887	68,887	68,887
<b>Capital Employed</b>	<b>1,574,207</b>	<b>1,644,389</b>	<b>1,348,952</b>	<b>1,465,256</b>	<b>1,697,194</b>	<b>1,726,115</b>	<b>1,809,434</b>	<b>1,894,330</b>
Gross Block	1,151,002	1,269,522	1,375,223	1,048,008	1,271,518	1,494,995	1,682,490	1,862,789
Less: Accum. Deprn.	484,133	544,856	608,119	47,685	111,950	187,157	267,190	350,230
<b>Net Fixed Assets</b>	<b>666,869</b>	<b>724,666</b>	<b>767,104</b>	<b>1,000,323</b>	<b>1,159,568</b>	<b>1,307,838</b>	<b>1,415,300</b>	<b>1,512,559</b>
Goodwill on Consolidation	870	878	705	10	10	10	10	10
Capital WIP	272,400	380,609	403,781	262,190	167,784	122,807	113,811	112,012
<b>Total Investments</b>	<b>173,508</b>	<b>158,950</b>	<b>160,687</b>	<b>311,848</b>	<b>436,872</b>	<b>436,872</b>	<b>436,872</b>	<b>436,872</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,303,597</b>	<b>1,401,345</b>	<b>1,004,677</b>	<b>741,183</b>	<b>971,376</b>	<b>988,616</b>	<b>1,117,932</b>	<b>1,198,721</b>
Inventory	666,043	723,394	499,174	422,567	658,843	636,620	738,007	802,120
Account Receivables	125,021	125,517	76,448	76,845	88,992	96,605	110,852	120,054
Cash and Bank Balance	12,198	37,045	12,211	10,504	4,098	35,947	49,630	57,104
Loans and Advances	500,336	515,389	416,845	231,267	219,443	219,443	219,443	219,443
<b>Curr. Liability &amp; Prov.</b>	<b>843,037</b>	<b>1,022,058</b>	<b>988,001</b>	<b>850,299</b>	<b>1,038,417</b>	<b>1,130,029</b>	<b>1,274,493</b>	<b>1,365,845</b>
Account Payables	619,702	751,018	707,229	725,383	815,492	907,104	1,051,568	1,142,921
Provisions	223,335	271,040	280,773	124,916	222,925	222,925	222,925	222,925
<b>Net Current Assets</b>	<b>460,560</b>	<b>379,287</b>	<b>16,676</b>	<b>-109,116</b>	<b>-67,041</b>	<b>-141,413</b>	<b>-156,560</b>	<b>-167,124</b>
<b>Appl. of Funds</b>	<b>1,574,207</b>	<b>1,644,389</b>	<b>1,348,952</b>	<b>1,465,256</b>	<b>1,697,194</b>	<b>1,726,115</b>	<b>1,809,434</b>	<b>1,894,330</b>

E: MOSL Estimates



## Financials and Valuations

### Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>9.4</b>	<b>11.3</b>	<b>6.8</b>	<b>20.8</b>	<b>41.9</b>	<b>40.2</b>	<b>39.6</b>	<b>41.4</b>
Cash EPS	21.4	24.7	17.9	32.8	56.3	56.1	56.5	58.9
BV/Share	133.0	143.3	145.2	189.9	215.4	244.4	270.4	296.7
DPS	6.2	8.7	3.4	6.1	22.3	13.0	11.6	12.9
Payout (%)	77.3	68.1	39.3	28.7	64.1	34.4	34.3	36.3
<b>Valuation (x)</b>								
P/E				20.0	9.9	10.3	10.5	10.0
Cash P/E				12.7	7.4	7.4	7.4	7.1
P/BV				2.2	1.9	1.7	1.5	1.4
EV/Sales				0.7	0.7	0.6	0.5	0.4
EV/EBITDA				10.4	7.5	6.8	6.5	6.1
Dividend Yield (%)				1.5	5.4	3.1	2.8	3.1
FCF per share				23.7	17.8	44.8	24.9	25.1
<b>Return Ratios (%)</b>								
RoE	7.2	8.2	4.7	12.4	20.7	17.5	15.4	14.6
RoCE	6.4	6.4	4.7	10.3	15.0	13.0	12.2	11.8
RoIC	5.0	6.1	3.1	14.7	19.9	16.7	16.2	15.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	4.0	3.8	3.3	3.3	2.8	2.8	2.8	2.8
Asset Turnover (x)	2.9	3.0	3.3	2.4	2.1	2.4	2.6	2.7
Inventory (Days)	53	54	41	45	68	56	57	57
Debtor (Days)	10	9	6	8	9	9	9	9
Creditor (Days)	49	56	58	77	84	80	81	81
<b>Leverage Ratio (x)</b>								
Current Ratio	1.5	1.4	1.0	0.9	0.9	0.9	0.9	0.9
Interest Cover Ratio	1.0	1.6	1.0	5.1	7.3	9.0	11.3	16.2
Net Debt/Equity	1.1	1.0	0.6	0.2	0.1	0.0	0.0	-0.1

### Consolidated - Cash Flow Statement

(INR m)

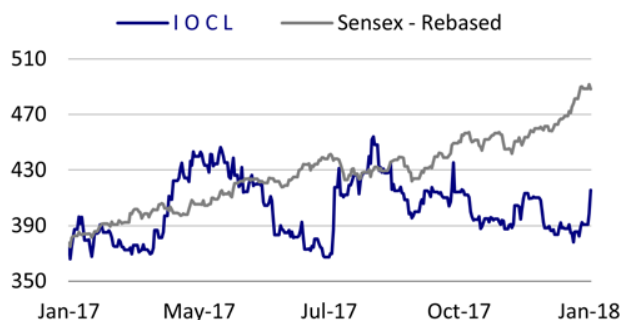
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
OP/(Loss) before Tax	45,043	99,779	70,144	178,263	273,157	318,179	282,712	300,434
Depreciation	56,915	63,600	52,190	56,984	68,486	75,207	80,033	83,040
Direct Taxes Paid	-8,770	-30,113	-21,425	-56,584	-75,704	-109,011	-94,893	-104,231
(Inc)/Dec in WC	-4,001	105,788	372,225	89,976	-48,481	106,222	28,830	18,038
<b>CF from Operations</b>	<b>89,187</b>	<b>239,054</b>	<b>473,133</b>	<b>268,638</b>	<b>217,458</b>	<b>390,597</b>	<b>296,683</b>	<b>297,281</b>
Others	11,851	2,428	-10,986	15,075	221	0	0	0
<b>CF from Operating incl EO</b>	<b>101,038</b>	<b>241,481</b>	<b>462,147</b>	<b>283,712</b>	<b>217,679</b>	<b>390,597</b>	<b>296,683</b>	<b>297,281</b>
(Inc)/Dec in FA	-195,878	-229,606	-94,988	-171,425	-133,324	-178,500	-178,500	-178,500
<b>Free Cash Flow</b>	<b>-94,841</b>	<b>11,876</b>	<b>367,159</b>	<b>112,287</b>	<b>84,355</b>	<b>212,097</b>	<b>118,183</b>	<b>118,781</b>
(Pur)/Sale of Investments	1,746	14,549	-217,542	65,511	-125,025	0	0	0
<b>CF from Investments</b>	<b>-194,132</b>	<b>-215,056</b>	<b>-312,529</b>	<b>-105,914</b>	<b>-258,349</b>	<b>-178,500</b>	<b>-178,500</b>	<b>-178,500</b>
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	121,746	21,431	-335,456	-72,377	106,808	-108,300	-40,000	-40,000
Dividend Paid	-34,378	-41,232	-16,020	-28,675	-105,454	-61,496	-55,131	-60,949
Others	9,706	18,223	171,697	-73,125	32,909	-10,451	-9,369	-10,358
CF from Fin. Activity	97,074	-1,579	-179,780	-174,178	34,264	-180,247	-104,500	-111,307
<b>Inc/Dec of Cash</b>	<b>3,979</b>	<b>24,846</b>	<b>-30,162</b>	<b>3,621</b>	<b>-6,406</b>	<b>31,850</b>	<b>13,683</b>	<b>7,474</b>
Opening Balance	8,219	12,198	37,044	6,882	10,503	4,097	35,947	49,630
<b>Closing Balance</b>	<b>12,198</b>	<b>37,044</b>	<b>6,882</b>	<b>10,503</b>	<b>4,097</b>	<b>35,947</b>	<b>49,630</b>	<b>57,104</b>

## Corporate profile

### Company description

Fortune-500 Company, IOC 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.

### Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

### Exhibit 2: Shareholding pattern (%)

	Dec-17	Sep-17	Dec-16
Promoter	57.0	57.3	58.3
DII	10.8	10.6	11.2
FII	7.1	6.8	5.3
Others	25.2	25.3	25.2

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

Holder Name	% Holding
Oil and Natural Gas Corporation Ltd	13.8
LIC of India	5.6
Oil India Limited	5.0
IOC share Trust	2.4

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
B Ashok	Chairman
A K Sharma	Director (Finance)
Vergheese Cherian	Director (Human Resources)
B S Canth	Director (Marketing)
R Ranganathan	Company Secretary

Source: Capitaline

### Exhibit 5: Directors

Name	Name
G K Satish	Anish Aggarwal
Sanjiv Singh	Parindu K Bhagat
Sanjay Kapoor	Subroto Bagchi
A P Sawhney	Ashutosh Jindal

\*Independent

### Exhibit 6: Auditors

Name	Type
AAJV & Associates	Statutory
ABK & Associates	Cost Auditor
Bandyopadhyaya Bhaumik & Co	Cost Auditor

Source: Capitaline

### Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	40.2	39.1	2.7
FY19	39.6	42.0	-5.7
FY20	41.4	47.7	-13.2

Source: Bloomberg

NOTES

## Explanation of Investment Rating

### Investment Rating

BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\* In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudicate violation of SEBI Regulations; MOSL requested SEBI to provide all documents, records, investigation report relied upon by SEBI which were referred in Show Cause Notice. The matter is closed and MOSL had to pay Rs. 2 lakhs towards penalty for misplacement of original POA of client.

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Analyst ownership of the stock

IOC

No

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