

Recommendation

Indian Oil Corporation Ltd.		BUY
Current Market Price (CMP) Rs. 87.45	Target Price Rs. 105	

Our price target of Rs. 105 offers upside of approximately 20% from current levels

Opportunity

- Fuel prices and market demand are increasing across the world. The growing trend and increased prices would increase the revenue and profitability of the company in the long term.
- The organization has a network of 47,801 touchpoints that are constantly expanding. There is the scope to expand to various developing markets which will help to expand not only revenues but also margins.
- The LPG gas market is increasing and there are automotive companies developing vehicles powered by LPG. It presents a great opportunity for the company to focus on the growth and development of LPG.
- It is one of the undervalued growth stocks with TTM PE at 5.06 and P/B at 0.93. The stock's beta is 0.62.

Company Profile

- IOC ranked 94th on the Fortune Global 500 list of the world's biggest corporations as of 2022. It is the largest government owned oil producer in the country both in terms of capacity and revenue. It has consolidated refining capacity of 80.55MMTPA which it intends to increase to 107MMTPA by 2024-25.
- The main objectives of IOC are to serve the national interests in oil and related sectors accordance and consistent with the policies of government of India. Indian Oil has played an important part in India's socio-economic growth, regularly providing energy access to millions of people across the country.

Positive

- IOCL has got a diversified product portfolio and business portfolio. It has several refineries across the country with a wide array of products offering including petrochemicals, lubricants, fuel, and other petroleum products.
- It is one of the top exporters among the Indian listed companies
- The company is experiencing growth in Net Profit with expanding Profit Margin (QoQ). The Net Profit for Q1FY24 was ₹13,750Cr against net loss of ₹1,993 Cr in Q1FY22 mainly due to higher marketing margins during the quarter.
- Company with Zero Promoter Pledge. FIIs increased their shareholding in Q1 FY23.

Negatives

- MFs decreased their shareholding last quarter
- Inefficient use of shareholder funds - ROE declining in the last 2 years
- Revenue declined marginally every quarter for past 4 quarters
- Declining Net Cash Flow : Companies not able to generate net cash



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