

INDIAN OIL CORPORATION LIMITED (IOC)

Date: 04/05/2023

Reco. Price: 80-84 • Target: 95-100 • Stoploss: 74.90

Time Frame: 3-6 months

IOC WEEKLY CHART



Chart as on 04/05/2023

Technical Outlook

- The stock on weekly scale has crossed the trend line resistance and it is on the verge of breaking the cup and handle pattern, indicating strength.
- According to the breakout of the cup and handle pattern, if the stock maintains support at 75.75, it may challenge the levels of 100-103 in the near future.
- The 100-Weekly EMA is placed near 76, which is acting as strong support for the stock. Thus, any dips around 76 will offer a good entry point for the stock.
- The momentum indicator RSI on a weekly scale is placed above the centre point and trend line breakout point, indicating strength.
- Based on the above technical setup, we recommend to accumulate IOC in the range of 80-84 with a stop loss of 74.9 on a closing basis for the target of 95-100 in the medium term.

Fundamental Rationale

- Going forward, IOC is planning for a capex of around INR 45 billion in FY2023-24 in the pipeline segment for extension and augmentation. The company has the largest pipeline network in the country, with a share of 50% at end-March 2022. This has helped IOC by way of enhanced connectivity and lower transportation cost, as pipeline transportation is at least 3.0x cheaper than other transportation modes. Thus, we believe that upcoming pipelines with enhanced features, including the ability to carry multiple products and bi-directional flow will increase company's efficiency.
- India's crude import of Urals oil from Russia increased drastically from last three Quarters. It reached 36.4% in month of April 2023 of overall crude import. Ural Oil from Russia is available at a discounting rate. So there is also the chance of improvement in the Profitability of the company.
- The company is on its way to commission India's first fuel cell grade hydrogen dispensing station at Gujarat refinery to facilitate the introduction of fuel cell electric buses on the iconic route of Vadodra to Statue of Unity.
- Oil marketing companies' earnings are expected to rise in the fourth-quarter Results of FY23 due to no change in retail Pump prices in spite of moderate Crude Prices globally.

- With crude oil prices softening and supply-chain disruptions arising from the geopolitical tensions resolving to an extent, IOC is seeing recovery in the business. Moreover, robust demand for petroleum products, effective cost optimization, and enhanced utilization levels should support the company's earnings in the near term.
- In the last five years FY18-FY23, IOC operating revenues and profitability have grown by a CAGR of 11% and 5% respectively. During the same period, the company's operating profit grew by a CAGR of 6%. Further company has managed to maintain its operating margin in the range of 3-10% during the same period. At the Current market price Stock is providing a good dividend yield of 10%. **Hence we recommend "ACCUMULATE" the stock.**

Asit C. Mehta

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