

## Week Gone

- ⇒ Telecom major Bharti Airtel jumped 4.81%. The government approved increasing the limit of foreign investment upto 100% of the paid up capital of the company.
- ⇒ IMF said global growth, estimated at 2.9% in 2019, is projected to increase to 3.3% in 2020 and inch up further to 3.4% in 2021.
- ⇒ Overseas, investors were concerned at the spread of a new strain of coronavirus from China and weighed the possible consequences of a global pandemic.
- ⇒ In Europe, the ECB left monetary policy unchanged at its first meeting of 2020.

## Week ahead

- ⇒ Maruti Suzuki India will announce its Q3 result on Tuesday, 28 January
- ⇒ Stock markets will be open for normal trading on Saturday, 1 February, when the Union Budget will be presented by Finance Minister Nirmala Sitharaman
- ⇒ Hindustan Unilever, State Bank of India and Tech Mahindra will announce October-December 2019 quarterly result on Friday, 31 January.

## Technical Overview

Index closed with a loss of 0.84% at 12248. Index opened this week with wide gap at all time highs but failed to hold on at higher levels and witnessed profit booking making index to close with minor loss. Index has formed bearish engulfing pattern at the peak which is bearish signal for short term trend. Going ahead index has support at 12150-12050-11900 while resistance is seen at 12350-12400-12500.

1-Nifty 50 - 24/01/20



Source: Falcon, BP Equities Research

# Weekly Wealth

## DOMESTIC INDICES

Index	24-Jan-20	17-Jan-20	Weekly % Chg
Nifty	12,248	12,352	-0.8
Nifty Next 50	29,154	29,035	0.4
Nifty 100	12,387	12,471	-0.7
Nifty 500	10,084	10,119	-0.3
Nifty Midcap 100	18,357	18,074	1.6
Sensex	41,613	41,945	-0.8
BSE 100 Index	12,382	12,456	-0.6
BSE 200 Index	5,163	5,185	-0.4
BSE 500 Index	16,013	16,063	-0.3
BSE Mid-Cap	15,823	15,709	0.7
BSE Small Cap	14,846	14,709	0.9

## WORLD INDICES

Index	24-Jan-20	17-Jan-20	Weekly % Chg
Nikkei Index	23,827	24,041	-0.9
Hang Sang Index	27,950	29,056	-3.8
Kospi Index	2,246	2,251	-0.2
Shanghai SE Composite	2,977	3,076	-3.2
Strait Times Index	3,240	3,281	-1.2
Dow Jones	29,160	29,348	-0.6
NASDAQ	9,402	9,389	0.1
FTSE	7,629	7,675	-0.6

## FOREX

Currency	24-Jan-20	17-Jan-20	Weekly % Chg
US\$ (Rs.)	71.3	71.1	0.3
GBP (Rs.)	93.3	92.7	0.6
Euro (Rs.)	78.6	78.9	-0.4
Yen (Rs.) 100 Units	65.0	64.5	0.8

## NIFTY TOP GAINERS (WEEKLY)

Scrip	24-Jan-20	17-Jan-20	Weekly % Chg
Bharti Infratel Ltd.	244.3	218.3	11.9
YES Bank Ltd.	42.8	39.3	9.0
Grasim Inds.	822.0	768.3	7.0
Bharti Airtel	524.3	500.1	4.8
L&T	1359.2	1304.2	4.2

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
24-Jan-20	4,884.5	4,225.4	659.1
23-Jan-20	7,969.6	6,617.4	1,352.1
22-Jan-20	5,254.7	5,431.1	-176.4
21-Jan-20	6,095.6	6,145.7	-50.1
20-Jan-20	5,050.2	5,044.3	5.9
<u>MTD</u>	79,829.9	78,418.5	1,411.4

## NIFTY TOP LOSERS (WEEKLY)

Scrip	24-Jan-20	17-Jan-20	Weekly % Chg
UPL	543.3	589.3	-7.8
HPCL	194.0	207.9	-6.7
ONGC	118.4	125.4	-5.6
Tata Motors Ltd.	186.5	197.3	-5.5
NTPC	114.8	121.2	-5.3

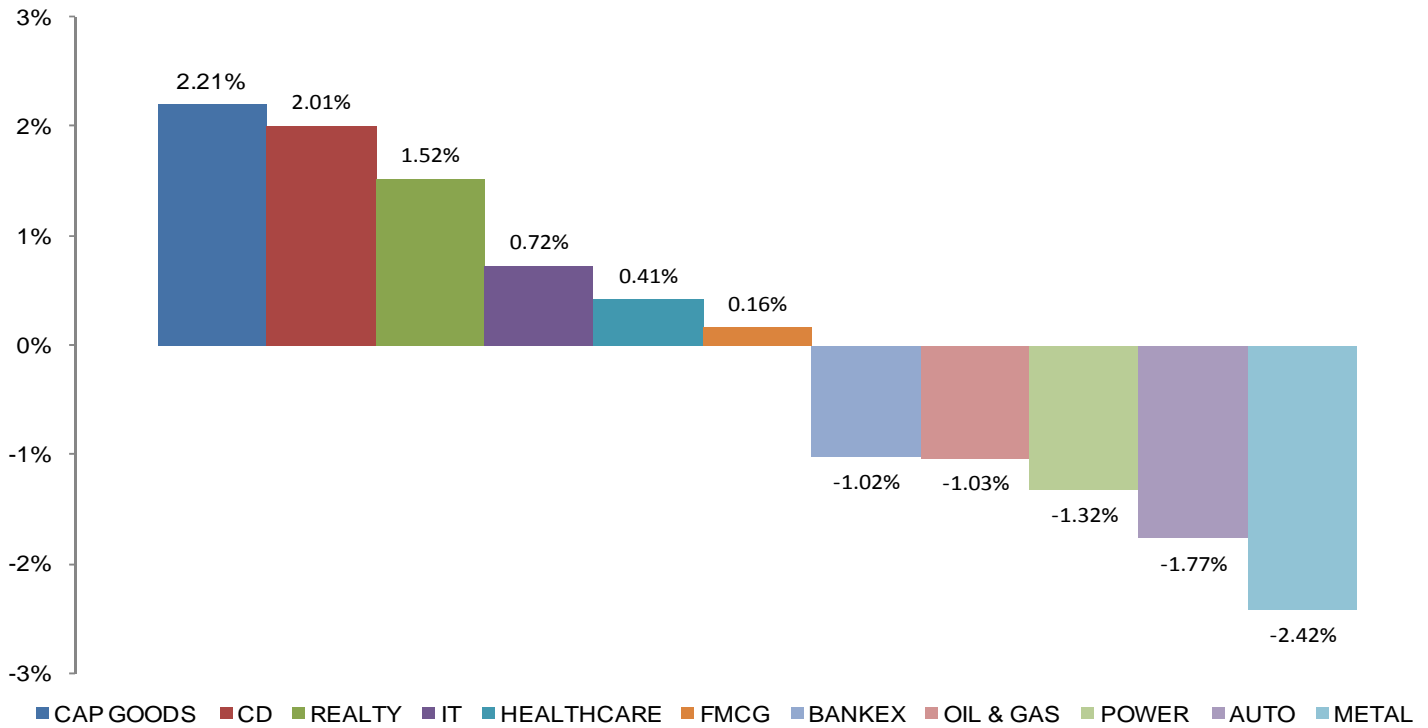
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
24-Jan-20	3,748.8	3,330.8	418.0
23-Jan-20	6,729.6	7,714.1	-984.6
22-Jan-20	4,286.2	4,612.4	-326.2
21-Jan-20	3,255.1	3,562.9	-307.8
20-Jan-20	3,332.3	4,752.1	-1,419.9
<u>MTD</u>	61,278.2	67,632.2	-6,354.0

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	24-Jan-20	17-Jan-20	Weekly Change (%)	24-Jan-20	17-Jan-20	Weekly Change (%)
	Share Price (Rs.)	Share Price (Rs.)		Open Interest	Open Interest	
POWERGRID	195.55	197.35	-0.9	43800000	14448000	203.2
IOC	119.75	122.45	-2.2	97200000	35784000	171.6
PFC	116.5	122.15	-4.6	41974000	21731000	93.2
NTPC	114.5	121.15	-5.5	73910400	50716800	45.7
OIL	140.8	157	-10.3	6315342	4456089	41.7

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	24-Jan-20	17-Jan-20	Weekly Change (%)	24-Jan-20	17-Jan-20	Weekly Change (%)
	Share Price (Rs.)	Share Price (Rs.)		Open Interest	Open Interest	
ADANIENT	229.85	229	0.4	17992000	27222000	-41.4
GRASIM	822.25	769.45	6.9	14754750	32490000	-37.8
YESBANK	42.8	37.75	13.4	180056800	13648200	-27.1
TVSMOTOR	469.35	485.35	-3.3	4903200	4357200	-25.9
L&TFH	120.05	127.6	-5.9	25418400	216660000	-25.0

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
17.01.2020	SRL	CANARA ROBECO MF-EMERGING	NSE	SELL	520732	75.5
20.01.2020	Atul Auto	ADITYA BIRLA SUN LIFE MUTUAL LTD	NSE	BUY	190000	251.5
21.01.2020	Speciality Rest Ltd	PARADICE GLOBAL SMALL MID CAP	NSE	SELL	919917	66.8
22.01.2020	CARE Ratings	STICHTING PENSIOENFONDS ABP	NSE	SELL	800000	658
22.01.2020	V-Mart Retail	STEADVIEW CAPITAL MAURITIUS LIMITED	BSE	SELL	312816	1885
23.01.2020	Indiabulls Hsg	CREDIT SUISSE (SINGAPORE) LIMITED	NSE	BUY	2293306	311.6

(Source: NSE,BSE, BP Equities Research)

## **PAN won't become inoperative if not linked to Aadhaar till SC judgement: Gujarat High court**

As per Section 139AA of the Income Tax Act, every person who has been allotted a Permanent Account Number (PAN) and who is eligible to obtain Aadhaar, shall intimate his Aadhaar number to the Income-tax department otherwise his PAN shall be inoperative. The deadline for linking of PAN and Aadhaar had been extended several times and now the new deadline is March 31, 2020. So, if a person doesn't link his PAN with Aadhaar by the said date, his PAN shall be inoperative.

"However, it is to be noted that the validity of Aadhaar Act is itself in question before the larger bench of the Supreme Court. The Hon'ble Supreme Court in case of *Rojer Mathew v. South Indian Bank Ltd.* 2019, has referred the issue of 'whether Aadhaar Act was rightly introduced as a 'Money Bill' for consideration by a Larger Bench. Thus considering the question of constitutional validity of Aadhaar Act, the Gujarat High Court (in the case of *Bandish Saurabh Soparkar v. Union of India* 2020 (Gujarat)) has given relief to the taxpayers and provided that PAN not linked with Aadhaar shall not be declared inoperative till the judgment of Supreme Court in aforesaid case is delivered and available", says chartered accountant Naveen Wadhwa, DGM, Taxmann.com. The Gujarat High Court judgement states : "PAN of applicant shall not be declared inoperative and applicant would not be in default in any proceedings only for reason that permanent account number is not linked with Aadhaar or Aadhaar number is not quoted and applicant shall not be subjected to proviso to sub-section (2) of section 139AA till judgment of Supreme Court in *Rojer Mathew v. South Indian Bank Ltd.* and others in Civil Application No. 8588 of 2019 is delivered and available"

The judgement also states: "Upon an extensive examination of the matter, we notice that the majority in *K.S. Puttaswamy (Aadhaar-5)* pronounced the nature of the impugned enactment without first delineating the scope of Article 110(1) and principles for interpretation or the repercussions of such process. It is clear to us that the majority dictum in *K.S. Puttaswamy (Aadhaar-5)* did not substantially discuss the effect of the word 'only' in Article 110(1) and principles for interpretation or the repercussions of such process. It is clear to us that the majority dictum in *K.S. Puttaswamy (Aadhaar-5)* did not substantially discuss the effect of the word 'only' in Article 110(1) and offers little guidance on the repercussions of a finding when some of the provisions of an enactment passed as a "Money Bill" do not conform to Article 110(1)(a) to (g). Its interpretation of the provisions of the Aadhaar Act was arguably liberal and the Court's satisfaction of the said provisions being incidental to Article 110(1)(a) to (f), it has been argued is not convincingly reasoned, as might not be in accord with the bicameral Parliamentary system envisaged under our constitutional scheme. Without expressing a firm and final opinion, it has to be observed that the analysis in *K.S. Puttaswamy (Aadhaar-5)* 59 makes its application difficult to the present case and raises a potential conflict between the judgements of coordinate Benches."

(Source: Economic Times)

## Refineries

## Company Overview

Indian Oil Corporation Limited (IOCL) incorporated in 1959, is engaged in refining business largely owned by government of India with 51.5% equity stake. The company segment's includes sale of petroleum products, petrochemicals, gas, explosives and cryogenics, wind mill and solar power generation, and oil and gas exploration activities. Its portfolio brands are Indane liquefied petroleum gas (LPG) cooking gas, SERVO lubricants, XTRAPREMIUM petrol, XTRAMILE diesel and PROPEL petrochemicals. Currently, it has 10 refineries with a combined capacity of 80.7 mn metrics per tonne. Its business operations span across 25,000 petrol and diesel stations.

## Investment Rationale

## Leadership position in country liquor market

The new entrants would find challenging to manage supply chain logistics and volatility in margins. Further, IOC's refining assets in the interior locations, especially in the North gives it a competitive advantage in supply chain logistics for marketing, especially in auto fuel retailing in towns and cities located away from coastal locations in North and Central India. It also has one refinery on the west coast and two on the east coast (three including subsidiary CPCL) to source its product requirements for the coastal markets and nearby highways.

## GRM levels are expected improve further

Indian Oil Corporation has commenced supply of low sulphur marine fuel for ships that is compliant with IMTO norms and available for immediate delivery at kandla and kochi ports. Other Indian ports of Mumbai, Mangalore, Tuticorin, Chennai, Visakhapatnam, Paradip and Haldia would start delivery by mid November. The company plans to produce 1mn tonne of IMO compliant FO at its Gujarat refinery, the only one to produce this fuel at present. Company's operating efficiencies will play out taking into account improvement in diesel spreads.

## Marketing margins to remain steady

The marketing segment performance has been stable QoQ as oil prices have remained relatively steady for a majority of the days in the quarter. We expect similar profitability from this segment in coming quarters. In terms of marketing sales, IOC reported marginal growth of 1.8% YoY to 20.2 MMT (marginally lower than our estimates) due to lower-than-expected diesel sales. Going forward, we expect marketing sales volumes to grow at 3-4% CAGR in the next two years. Crude throughput in Q2FY20 was marginally lower YoY at 17.5 MMT, largely in line with our estimates. Going forward, we estimate throughput of ~69.7 MMT for both FY20E, and FY21E.

## Valuation and outlook

The poor Q2FY20 results are priced in and currently stock available at close to its book value offering high dividend yield of 5%. Going forward, we expect normalized GRMs based on improvement in spreads and higher petrochemical earnings from new polypropylene units that started operations. We are also hopeful that debt levels won't accelerate further from current INR 800bn over limited forward capex plans. On the valuation front, we estimate Revenue and PAT to grow at ~16% and ~19% CAGR for FY19- FY21E respectively by valuing the company based on 4.2x EV/EBITDA multiple for FY21 and assign a buy rating on the stock with target price of INR 142.

## Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

## Sector Outlook

Positive

## Stock

CMP (INR)	120
Target Price (INR)	142
NSE Symbol	IOC
Bloomberg	IOCL IN
Reuters	IOC.BO

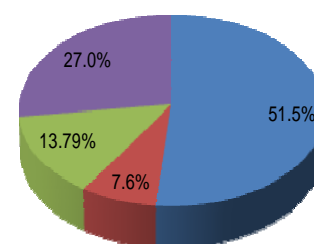
## Key Data

Nifty	
52WeekH/L(INR)	170/112
O/s Shares (Mn)	9414.6
Market Cap (INR bn)	1124
Face Value (INR)	10

## Average volume

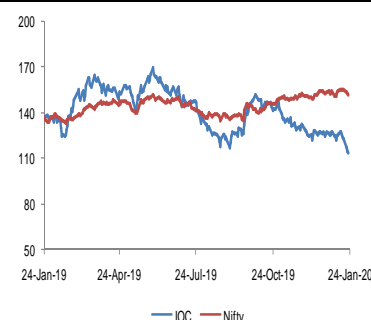
3 months	82,99,330
6 months	1,28,27,110
1 year	1,32,23,320

## Share Holding Pattern (%)



■ Promoters ■ FII ■ DII ■ Others

## Relative Price Chart



## Weekly Wealth

### Key Financials

YE March (INR mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue</b>	<b>3,555,862</b>	<b>4,214,918</b>	<b>5,281,489</b>	<b>5,814,920</b>	<b>7,065,127</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>(5.6%)</i>	<i>18.5%</i>	<i>25.3%</i>	<i>10.1%</i>	<i>21.5%</i>
<b>EBIDTA</b>	<b>340,643</b>	<b>416,580</b>	<b>352,601</b>	<b>337,265</b>	<b>536,950</b>
<i>EBIDTA Growth (Y-o-Y)</i>	<i>1.5%</i>	<i>22.3%</i>	<i>(15.4%)</i>	<i>(4.3%)</i>	<i>59.2%</i>
<b>Net Profit</b>	<b>198,495</b>	<b>221,895</b>	<b>173,767</b>	<b>133,743</b>	<b>247,279</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>5.9%</i>	<i>11.8%</i>	<i>(21.7%)</i>	<i>(23.0%)</i>	<i>84.9%</i>
<b>Diluted EPS</b>	<b>21.1</b>	<b>23.6</b>	<b>18.5</b>	<b>14.2</b>	<b>26.3</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>5.9%</i>	<i>11.8%</i>	<i>(21.7%)</i>	<i>(23.0%)</i>	<i>84.9%</i>

### Key Ratios

<b>EBIDTA (%)</b>	<b>9.6%</b>	<b>9.9%</b>	<b>6.7%</b>	<b>5.8%</b>	<b>7.6%</b>
<b>NPM (%)</b>	<b>5.6%</b>	<b>5.3%</b>	<b>3.3%</b>	<b>2.3%</b>	<b>3.5%</b>
<b>RoE (%)</b>	<b>19.4%</b>	<b>19.5%</b>	<b>15.5%</b>	<b>11.4%</b>	<b>18.6%</b>
<b>RoCE (%)</b>	<b>20.6%</b>	<b>23.2%</b>	<b>16.9%</b>	<b>15.8%</b>	<b>23.4%</b>

### Valuation Ratios

<b>P/E (x)</b>	<b>5.7x</b>	<b>5.1x</b>	<b>6.5x</b>	<b>8.4x</b>	<b>4.6x</b>
<b>EV/EBITDA</b>	<b>5.2x</b>	<b>4.3x</b>	<b>5.9x</b>	<b>6.2x</b>	<b>3.9x</b>
<b>P/BV (x)</b>	<b>1.1x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.8x</b>
<b>Market Cap. / Sales (x)</b>	<b>0.3x</b>	<b>0.3x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>



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