

August 09, 2024

RESULT REPORT Q1 FY25 | Sector: Energy

Oil India Ltd

EBITDA miss on lower crude realization despite better volumes

Our View

Oil India's earnings saw lower-than-estimated EBITDA and PAT on weaker crude realizations while the volumes for both oil & gas stood better than expectations. Crude production & natural gas both experienced YoY and QoQ increase while the sales volume grew higher than the production as the ratio improved especially for gas which added to strong volumes. Depreciation, finding cost, and statutory levies showed marginal increase. Other expenses in line, while other income was weaker than expected with no interest/dividend income from their investments. We rollover the valuation to FY27 from FY26 earlier, with a revised TP of Rs 855/sh, and find decent upside on current CMP, maintaining it as our top pick in the space.

Result Highlights

- **Performance:** EBITDA was at Rs 23.7bn up 5.9% YoY and 5.6% QoQ. The adj. PAT at 14.7bn was down 9.1% YoY and 27.7% QoQ. The volumes were better than our estimates, EBITDA was below our estimates on weaker crude realization and a sharp fall in other income which further impacted the PAT.
- **Crude production:** was up 6.2% YoY and 2.7% QoQ at 0.871 mmt (but was lower than the company target due to less than planned workover wells) but better than our expectations.
- **Natural gas production:** was up 9.8% YoY and 1.6% QoQ to 818 mmscm (but was lower than the company target due to lower upliftment of gas and less than planned workover, drilling and old wells. There was a lower offtake by RRUVNL, Ramgarh, Rajasthan due to technical problems/shutdown/damage due to fire incident of gas turbine) but higher than our expectations.
- **Crude and Gas realization:** Gross crude realization was up 10.2% YoY and 1.6% QoQ to USD 84.9/bbl, in line with the international Brent prices, whereas gas realization was at USD 6.5/mmtbu. Net crude realization was 0.5% YoY and down 5.3% QoQ to USD 74.62/bbl (Windfall taxes of USD 10.3/bbl vs USD 4.5/bbl the last qtr).
- **Numaligarh Refining (NRL) performance:** The performance was weaker with EBITDA at Rs 7.33bn (vs Rs 11bn in Q4FY24 and a loss of Rs 52mn in Q1FY24 due to shutdown). The PAT is down better on YoY basis but down 33.1% QoQ to Rs 4.3bn due to lower GRMs and lower utilizations sequentially. The GRMs which would also be affected by a decline in product cracks and possible inventory losses. The GRMs at USD6.4/bbl (vs USD13.3/bbl in Q4FY24 and negative USD15.6 in Q1FY24).
- **Finding cost:** as per our calculations, at USD13.9/bbl, it is lower than last 3-yr average of USD14.8/bbl. The statutory levies as a % of revenue stood at 26.9% (versus 25.5% YoY and 27% QoQ).
- The **other income** at Rs 1.6bn (sharply down 51.6% YoY and 80.6% QoQ).

Valuation

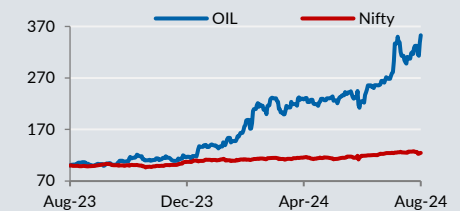
We maintain a BUY rating on Oil India and rollover the valuation to FY27 from FY26, with a revised TP of Rs 855/sh, and find decent upside on current CMP. Our TP of Rs 855/sh comprises a) Rs 523/sh for the stand-alone domestic business, valued on 6.0x EV/EBITDA FY26e, b) Rs 276/sh for NRL on EV/EBITDA of 8x FY26e, c) Rs 56/sh for investment in listed equities, valued at 30% hold-co discount to market price.

Reco	: BUY
CMP	: Rs 642
Target Price	: Rs 855
Potential Return	: +33.1%

Stock data (as on Aug 09, 2024)

Nifty	24,365
52 Week h/l (Rs)	656 / 174
Market cap (Rs/USD mn)	1004918 / 11975
Outstanding Shares (mn)	1,627
6m Avg t/o (Rs mn):	3,301
Div yield (%):	2.2
Bloomberg code:	OINL IN
NSE code:	OIL

Stock performance



	1M	3M	1Y
Absolute return	26.4%	56.4%	249.2%

Shareholding pattern (As of Mar '24 end)

Promoter	56.7%
FII+DII	37.0%
Others	6.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	855	560

Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	48.2	55.6	59.0
EPS (Old)	47.7	52.1	59.0
% Change	1.1	6.7	-

Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	234.9	255.2	269.3
YoY Growth	6.1	8.7	5.5
EBIDTA	112.7	128.2	135.1
OPM %	48.0	50.2	50.2
PAT	78.5	90.4	96.0
YoY Growth	41.3	15.2	6.2
ROE	16.2	16.8	16.2
EPS	48.2	55.6	59.0
P/E	13.3	11.5	10.9
BV	298.5	330.1	364.1
EV/EBITDA	9.7	8.3	7.5

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Lead Analyst

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	55,273	56,177	57,078	-1.61	-3.16	
EBITDA	23,357	26,949	25,447	-13.33	-8.22	EBITDA miss on lower crude realization despite better volumes
EBITDA Margin (%)	42.26	47.97	44.58	-572bps	-233bps	
Adjusted PAT	20,288	17,726	17,935	14.45	13.12	

Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	45,312	53,424	53,237	55,273	53,319	17.7	(3.5)	213,849	207,246	(3.1)
Expenditure	22,023	28,539	32,180	31,917	28,659	30.1	(10.2)	116,942	114,658	(2.0)
-Raw Material	(392)	(681)	2,433	1,160	351	(189.5)	(69.8)	2,487	2,520	1.3
-Staff Cost	4,525	4,923	4,091	4,551	4,572	1.0	0.5	19,940	18,090	(9.3)
- Other expenses	17,890	24,297	25,656	26,206	23,736	32.7	(9.4)	94,515	94,048	(0.5)
Operating Profit	23,289	24,885	21,058	23,357	24,660	5.9	5.6	96,907	92,588	(4.5)
OPM(%)	51.4	46.6	39.6	42.3	46.2	270 bps	670 bps	45.3	44.7	-64 bps
Other Income	3,341	7,092	5,080	8,332	1,617	(51.6)	(80.6)	14,853	23,845	60.5
Depreciation	3,974	4,234	4,992	4,551	4,558	14.7	0.2	15,949	17,751	11.3
Interest	1,659	2,235	1,814	1,893	1,970	18.7	4.0	7,242	7,601	5.0
Excpnl Loss/(Profit)	-	(23,627)	-	-	-	n.a.	n.a.	-	(23,627)	n.a.
PBT	20,997	1,882	19,331	25,244	19,750	(5.9)	(21.8)	88,570	67,454	(23.8)
Tax	4,863	(1,372)	3,489	4,956	5,082	4.5	2.5	20,466	11,936	(41.7)
PAT	16,134	3,253	15,843	20,288	14,668	(9.1)	(27.7)	68,103	55,519	(18.5)
Adj PAT	16,134	26,880	15,843	20,288	14,668	(9.1)	(27.7)	68,103	79,146	16.2

Exhibit 3: Operating highlights

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Production Volumes										
Crude (mmt)	0.8	0.8	0.9	0.8	0.9	6.2	2.7	3.2	3.4	5.8
Gas (bcm)	0.7	0.8	0.8	0.8	0.8	9.8	1.6	3.2	3.2	0.1
Total Crude + Gas	1.6	1.6	1.7	1.7	1.7	7.9	2.2	6.4	6.5	2.9
Crude Oil Realisation (USD/bbl)										
Pre subsidy	76.8	86.5	83.8	83.3	84.9	10.6	1.9	95.8	82.6	(13.7)
Post subsidy	74.3	75.5	74.3	78.8	74.6	0.5	(5.3)	85.0	75.7	(10.9)
Post subsidy (Rs/bbl)	6,105	6,240	6,190	6,542	6,225	2.0	(4.8)	6,800.0	6,274.8	(7.7)
Numaligarh Refinery (NRL) Performance										
Crude Throughput (mmt)	0.1	0.8	0.9	0.8	0.8	997.9	(5.6)	3.1	2.5	(18.8)
GRM (USD/bbl)	(15.6)	16.0	12.7	13.3	6.4	(141.2)	(51.6)	19.9	13.1	(34.2)
Revenue	22,357	58,928	81,359	74,663	64,658	189.2	(13.4)	297,857	237,307	(20.3)
EBITDA	(52)	10,846	12,182	10,989	7,337	n.a.	(33.2)	53,195	33,964	(36.2)
PAT	(776)	7,355	8,587	6,435	4,305	(655.1)	(33.1)	37,028	21,601	(41.7)

Exhibit 4: Crude Oil production

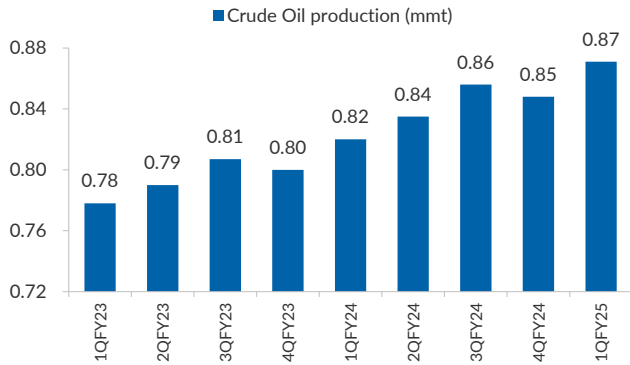
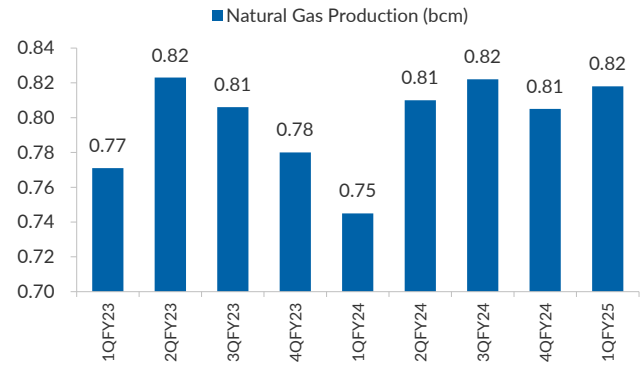


Exhibit 5: Natural Gas Production



Source: Company, YES Sec

Exhibit 6: Brent

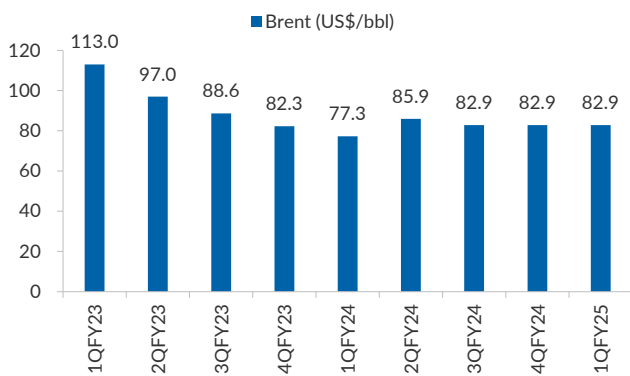
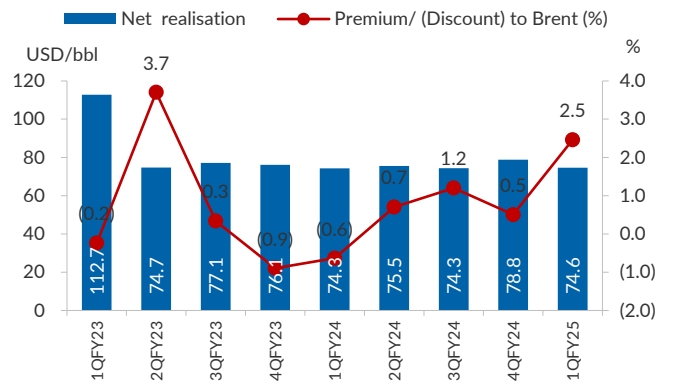


Exhibit 7: Net realization & Prem./ (Dis.) to Brent (%)



Source: Company, YES Sec

Exhibit 8: Numaligarh Crude Oil production (mmt) and GRM

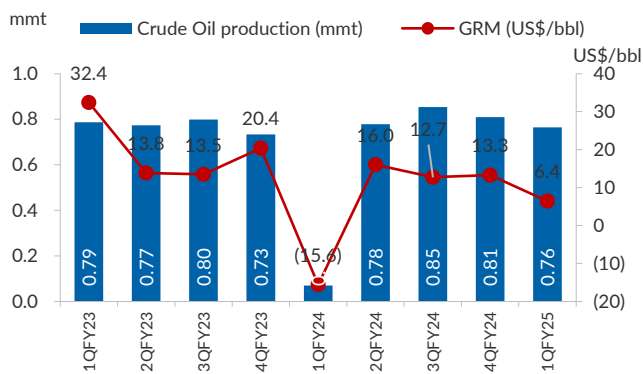
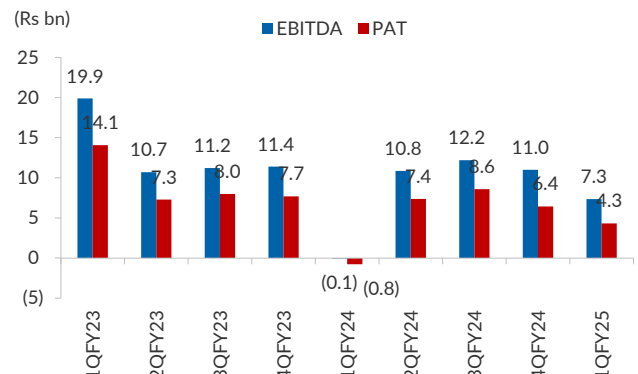


Exhibit 9: Numaligarh EBITDA and PAT



Source: Company, YES Sec

CONCALL HIGHLIGHTS

- **Production guidance:** Production target of oil remains at 3.8mmt in FY25, and 4mmt in FY26. Natural Gas target for FY25 at 3.8-3.9bcm and potentially 5bcm in FY26 largely driven by customers which is conditional to mainland connectivity in India. They key would be the grid getting complete which will lead to growth in volumes for both oil & gas.
- **NRL:** NRL's total capital commitment of Rs 280bn, incurred Rs 190bn till Q1FY25 and balance to complete by FY25-26. The project is 65% complete and expected completed by Dec'25. The equity contribution was not made as NRL's internal accruals has been strong and at best if Oil India will have to contribute for equity it could be max at Rs30bn. The gas demand post expansion at NRL would be at 2mmscmd. Expect 60% refinery utilization in FY27 and 90% in FY28.
- **Debt:** The debt on standalone is at Rs 113.3bn which includes Mozambique while NRL's debt as of Jun'24 is at Rs 95.22bn.
- **APM gas and pricing:** The APM price would increase to USD6.75/mmbtu in FY26 from Apr'25 and there is no clarity yet on the pricing of extra incremental production.
- **North-East Gas Grid:** Once the North-East Gas Grid is connected, Oil India will be having various opportunities to sell gas outside. So, all the phases of gas grid are significant, at the same time, Indradhanush Gas Grid Limited (IGGL), that is working in North-East is now almost ready (expected to be completed by CY end) and have now proposed one more line in IGGL which will connect their field directly, it will come to the IGGL mainline connection. With that line available, Oil India be able to increase production further. There is gas demand from NRL's refinery expansion phase, Assam power, Guwahati CGD, GAs in Nagaland, etc. Once Urja-Ganga pipeline is completed, then volumes could be reachable to entire India and keep continuous strong demand and production.
- **Capex:** Oil India standalone capex is targeted at Rs 68.8bn and for NRL at Rs 96.6bn for FY25. Most of the equity contribution for NRL would be funded by NRL's internal accruals.
- **Wells and Rigs:** In the last 5-years, wells drilled that were added at 36 for FY20; 36 for FY21; 38 for FY22; 45 in FY23; 61 in FY24 and are targeting 78 in FY25, moving to 100 by FY27. Currently there are 150-200 and majority of them produce both oil & gas.
- **Baghjan field:** The Baghjan field is regularly on production and are producing significantly high amount of gas and oil from that area. Expecting to reach the 4mmt and having a very well laid down plan to increase accelerated drilling activity in the drilling fields of improving the recovery is the plan.

VIEW & VALUATION

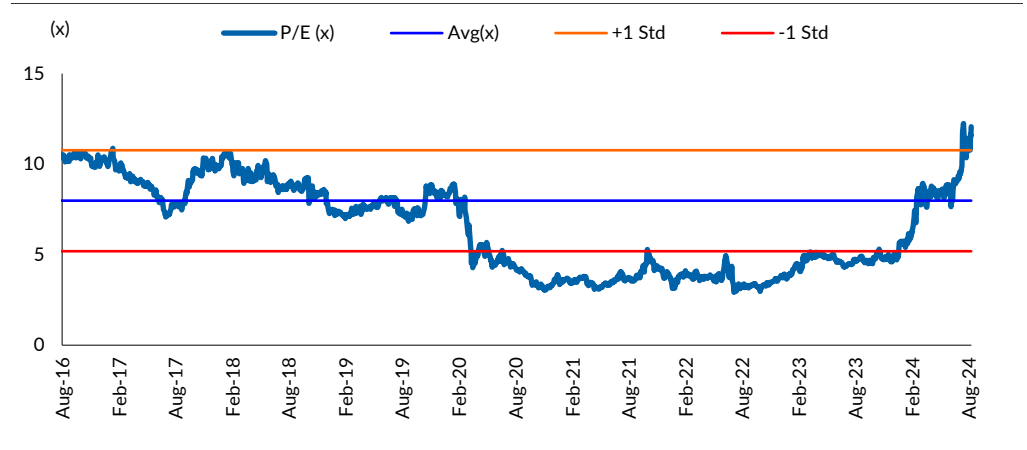
BUY with a TP of Rs 855/sh

We maintain a BUY rating on Oil India and rollover the valuation to FY27 from FY26, with a revised TP of Rs 855/sh, and find decent upside on current CMP. Our TP of Rs 855/sh comprises a) Rs 523/sh for the stand-alone domestic business, valued on 6.0x EV/EBITDA FY26e, b) Rs 276/sh for NRL on EV/EBITDA of 8x FY26e, c) Rs 56/sh for investment in listed equities, valued at 30% hold-co discount to market price.

Exhibit 10: Valuation table

Valuation	Unit	FY27
EBITDA	Rs mn	135,079
EV/EBITDA (multiple)	(X)	6.0
EV	Rs mn	810,473
Net Debt	Rs mn	- 40,604
M-Cap	Rs mn	851,077
Core Value	Rs/share	523
Value from NRL	Rs/share	276
Value of Investments		
IOCL @30% discount	Rs/share	56
Total value of investments	Rs/share	332
PER based target price	Rs/share	855

Exhibit 11: PER (x) band, one-year-forward



FINANCIALS

Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	232,726	221,298	234,852	255,249	269,316
Total Expense	135,818	128,710	122,112	127,073	134,238
Operating Profit	96,908	92,588	112,740	128,176	135,079
Other Income	14,853	23,845	23,351	26,043	28,744
Depreciation	15,949	17,751	23,316	25,158	27,000
EBIT	95,812	98,682	112,775	129,061	136,823
Interest	7,242	7,601	7,905	8,221	8,550
Extraordinary Item	-	(23,627)	-	-	-
PBT	88,570	67,454	104,871	120,840	128,273
Tax	20,466	11,936	26,396	30,415	32,286
PAT	68,104	55,519	78,475	90,424	95,987
Adj. PAT	68,104	79,146	78,475	90,424	95,987
Eps	41.9	34.1	48.2	55.6	59.0

Exhibit 13: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	10,844	10,844	10,844	10,844	10,844
Reserves	332,809	430,380	474,696	526,082	581,403
Net worth	343,653	441,225	485,540	536,926	592,247
Debt	111,613	113,410	113,410	113,410	113,410
Deferred tax liab (net)	28,139	27,855	27,855	27,855	27,855
Capital Employed	483,405	582,490	626,805	678,191	733,512
Fixed assets	170,696	190,570	206,301	219,815	231,113
Investments	283,207	371,334	371,334	371,334	371,334
Net working capital	29,501	20,586	49,171	87,042	131,065
Inventories	13,871	15,544	15,414	15,285	15,157
Sundry debtors	22,224	25,813	25,597	25,383	25,171
Cash & Bank Balance	13,512	30,702	60,254	99,414	144,430
Other current assets	38,123	17,075	17,075	17,075	17,075
Sundry creditors	8,908	10,258	10,879	11,825	12,477
Other liabilities	49,320	58,291	58,291	58,291	58,291
Application of Funds	483,405	582,490	626,805	678,191	733,512

Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	88,570	67,454	104,871	120,840	128,273
Depreciation & amortization	15,949	17,751	23,316	25,158	27,000
Interest expense	3,771	3,352	7,905	8,221	8,550
(Inc)/Dec in working capital	(16,064)	(14,504)	967	1,289	992
Tax paid	(21,318)	(19,142)	(26,396)	(30,415)	(32,286)
Less: Interest/Dividend Income Received	(10,686)	(18,616)			
Other operating Cash Flow	16,383	40,857			
Cash flow from operating activities	76,604	77,151	110,662	125,092	132,529
Capital expenditure	(6,318)	(7,101)	(39,046)	(38,672)	(38,298)
Inc/(Dec) in investments	-	-	-	-	-
Add: Interest/Dividend Income Received	(29,610)	(42,352)	-	-	-
Cash flow from investing activities	(35,928)	(49,453)	(39,046)	(38,672)	(38,298)
Inc/(Dec) in share capital	1,537	-	-	-	-
Inc/(Dec) in debt	(16,909)	(2,707)	-	-	-
Dividend Paid	(21,142)	(18,967)	(34,159)	(39,039)	(40,665)
Others	(5,687)	11,166	(7,905)	(8,221)	(8,550)
Cash flow from financing activities	(42,201)	(10,508)	(42,064)	(47,260)	(49,215)
Net cash flow	(1,525)	17,190	29,552	39,160	45,016

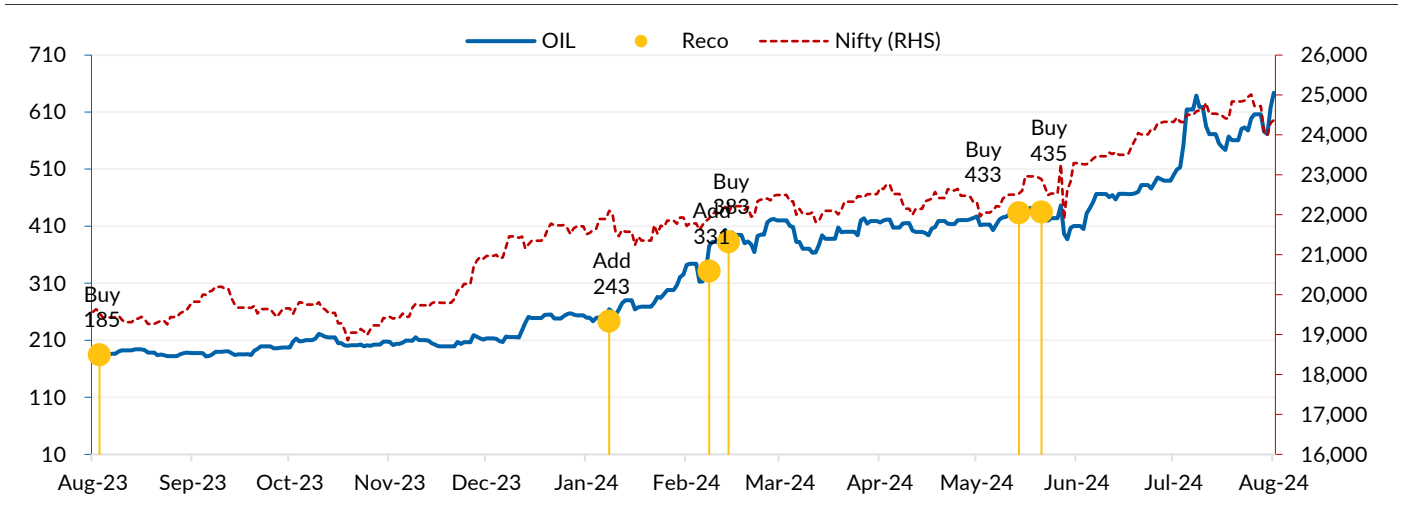
Exhibit 15: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27e
Tax burden (x)	0.8	0.8	0.7	0.7	0.7
Interest burden (x)	0.9	0.7	0.9	0.9	0.9
EBIT margin (x)	0.4	0.4	0.5	0.5	0.5
Asset turnover (x)	0.4	0.4	0.3	0.4	0.3
Financial leverage (x)	3.3	4.4	5.8	6.2	6.7
RoE (%)	19.8	12.6	16.2	16.8	16.2

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27e
Growth matrix (%)					
Revenue growth	60.2	(4.9)	6.1	8.7	5.5
Op profit growth	80.5	(4.5)	21.8	13.7	5.4
EBIT growth	66.1	3.0	14.3	14.4	6.0
Net profit growth	75.2	(18.5)	41.3	15.2	6.2
Profitability ratios (%)					
OPM	41.6	41.8	48.0	50.2	50.2
EBIT margin	41.2	44.6	48.0	50.6	50.8
Net profit margin	29.3	25.1	33.4	35.4	35.6
RoCE	19.8	16.9	18.0	19.0	18.7
RoE	19.8	12.6	16.2	16.8	16.2
RoA	13.1	9.3	11.7	12.5	12.4
Per share ratios					
EPS	41.9	34.1	48.2	55.6	59.0
Dividend per share	20.0	15.8	21.0	24.0	25.0
Cash EPS	51.7	45.0	62.6	71.1	75.6
Book value per share	211.3	271.3	298.5	330.1	364.1
Valuation ratios					
P/E	15.3	18.8	13.3	11.5	10.9
P/CEPS	12.4	14.3	10.3	9.0	8.5
P/B	3.0	2.4	2.2	1.9	1.8
EV/EBIDTA	11.8	12.2	9.7	8.3	7.5
Payout (%)					
Dividend payout	47.8	46.1	43.5	43.2	42.4
Tax payout	23.1	13.1	25.2	25.2	25.2
Liquidity ratios					
Debtor days	34.9	42.6	39.8	36.3	34.1
Inventory days	33.4	41.7	46.3	44.1	41.4
Creditor days	22.7	27.2	31.6	32.6	33.0

Recommendation Tracker



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