

November 06, 2024

RESULT REPORT Q2 FY25 | Sector: Energy

# Oil India Ltd

## EBITDA miss on lower production and sales of both oil and gas

Oil India's earnings saw lower-than-estimated EBITDA and PAT on weaker volumes while the realizations in line with expectations. Crude production & natural gas both experienced YoY and QoQ increase (but was lower than the company target due to less than planned workover wells & lower offtake by customers. Depreciation, finding cost, and statutory levies showed marginal increase, other expenses were higher than expected while other income included dividend income from its investments. We maintain a BUY rating, with a revised TP of Rs 710/sh, and find decent upside on current CMP despite a downward revision in FY26 volume assumptions.

### Result Highlights

- Performance:** EBITDA was at Rs 21.8bn down 12.3% YoY and 11.5% QoQ. The adj. PAT at 18.3bn was down 31.8% YoY but up 25% QoQ. The volumes were weaker than our estimates, EBITDA was below our estimates on weaker production and sales volumes on both oil and gas.
- Crude production and sales:** the oil production was up 4.8% YoY and flat QoQ at 0.875 mmt (but was lower than the company target due to less than planned workover wells and lower contribution from old wells) weaker than our expectations. Oil sales were down 1.8% YoY and up 0.6% QoQ.
- Natural gas production and sales:** the production was down 1.4% YoY and 2.3% QoQ at 799 mmscm (but was lower than the company target due to lower upliftment of gas and less than planned workover, drilling and old wells). Natural gas sales were down 0.9% YoY and 4.6% QoQ. The sales as % of production was ~81 which is still lower.
- Crude and Gas realization:** Gross crude realization was down 8.5% YoY and 6.7% QoQ to USD 79.2/bbl, in line with the international Brent prices, whereas gas realization was at USD 6.5/mmbtu. Net crude realization was down 2.1% YoY and 1% QoQ to USD 73.9/bbl (Windfall taxes of USD 5.3/bbl vs USD 10.3/bbl QoQ).
- Numaligarh Refining (NRL) performance:** The performance was weaker with EBITDA at Rs 4bn (vs Rs 7.3bn in Q1FY25 and Rs 10.8bn in Q2FY24). The PAT is lower at Rs 1.75bn, down 76.2% YoY and 59.3% QoQ due to shutdowns leading to lower refining throughput and GRMs. The GRMs were also impacted by a decline in product cracks and possible inventory losses. The GRMs at USD2.3/bbl (vs USD6.4/bbl in Q1FY25 and USD16 in Q2FY24).
- Finding cost:** as per our calculations, at USD16.1/bbl, it is higher than last 3-yr average of USD15/bbl. The statutory levies as a % of revenue stood at 26.2% (versus 27.2% YoY and 26.9% QoQ).  
 The other income at Rs 8.6bn (up 20.6% YoY and 429% QoQ) on dividend received from its investments. The company has declared an interim dividend of Rs 3/share, a 15% payout for H1FY25 to be paid by 4th Dec'24.
- H1FY25 performance:** EBITDA/Adj. PAT at Rs 46.5/33bn vs Rs 48.2/43bn same period last year. Crude production was up 5.5% at 1.75 mmt, natural gas production was up 4% at 1.62bcm. Net crude realization was flat at USD 74.2/bbl.

### Valuation

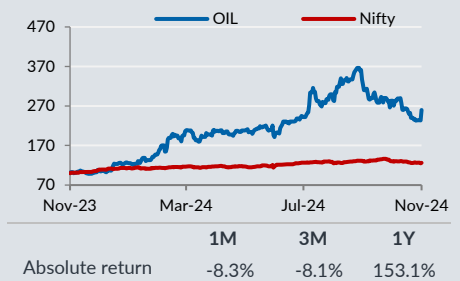
We maintain a BUY rating on Oil India, with a revised TP of Rs 710/sh, and find decent upside on current CMP despite a downward revision in FY26 volume assumptions. Our TP of Rs 710/sh comprises a) Rs 457/sh for the stand-alone domestic business, valued on 6x EV/EBITDA FY27e, b) Rs 206/sh for NRL on EV/EBITDA of 8x FY26e, c) Rs 48/sh for investment in listed equities, valued at 30% hold-co discount to market price.

Reco	: BUY
CMP	: Rs 525
Target Price	: Rs 710
Potential Return	: +35.3%

### Stock data (as on Nov 06, 2024)

Nifty	24,493
52 Week h/l (Rs)	768 / 195
Market cap (Rs/USD mn)	768247 / 9115
Outstanding Shares (mn)	1,627
6m Avg t/o (Rs mn):	4,190
Div yield (%):	1.7
Bloomberg code:	OINL IN
NSE code:	OIL

### Stock performance



### Shareholding pattern (As of Sep '24 end)

Promoter	56.7%
FII+DII	37.1%
Others	6.3%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	710	833

### Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	44.1	44.7	52.9
EPS (Old)	48.1	56.0	60.4
% Change	-8.3	-20.2	-12.4

### Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	225.1	228.2	253.0
YoY Growth	1.7	1.4	10.9
EBIDTA	104.0	104.6	120.8
OPM %	46.2	45.8	47.7
PAT	71.7	72.7	86.1
YoY Growth	29.2	1.3	18.4
ROE	15.5	14.5	15.7
EPS	44.1	44.7	52.9
P/E	11.9	11.7	9.9
BV	296.3	321.0	350.9
EV/EBITDA	8.8	8.4	7.0

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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	52,462	56,032	53,065	-6.37	-1.14	EBITDA miss on lower production and sales of both oil and gas
EBITDA	21,832	27,935	26,167	-21.85	-16.57	
EBITDA Margin (%)	41.61	49.85	49.31	-824bps	-770bps	
Adjusted PAT	18,341	20,976	20,092	-12.57	-8.72	

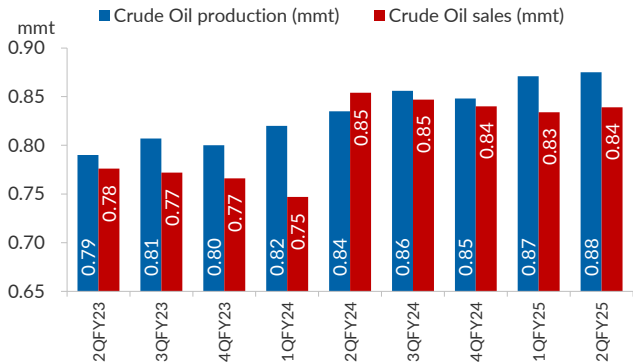
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	y/y (%)	q/q (%)	H1FY24	H1FY25	y/y (%)
Revenue	53,424	53,237	55,273	53,319	52,462	(1.8)	(1.6)	98,735	105,781	7.1
Expenditure	28,539	32,180	31,917	28,659	30,630	7.3	6.9	50,561	59,289	17.3
-Raw Material	(681)	2,433	1,160	351	715	(205.0)	103.8	(1,073)	1,066	(199.4)
-Staff Cost	4,923	4,091	4,551	4,572	4,538	(7.8)	(0.7)	9,448	9,111	(3.6)
- Other expenses	24,297	25,656	26,206	23,736	25,377	4.4	6.9	42,187	49,113	16.4
Operating Profit	24,885	21,058	23,357	24,660	21,832	(12.3)	(11.5)	48,174	46,492	(3.5)
OPM(%)	46.6	39.6	42.3	46.2	41.6	-978 bps	-64 bps	48.8	44.0	-484 bps
Other Income	7,092	5,080	8,332	1,617	8,556	20.6	429.0	10,433	10,174	(2.5)
Depreciation	4,234	4,992	4,551	4,558	5,036	18.9	10.5	8,208	9,594	16.9
Interest	2,235	1,814	1,893	1,970	2,299	2.9	16.7	3,894	4,269	9.6
Excpnl Loss/(Profit)	(23,627)	-	-	-	-	n.a.	n.a.	(23,627)	-	n.a.
PBT	1,882	19,331	25,244	19,750	23,054	1,125.2	16.7	22,878	42,804	87.1
Tax	(1,372)	3,489	4,956	5,082	4,713	(443.6)	(7.3)	3,491	9,794	180.6
PAT	3,253	15,843	20,288	14,668	18,341	463.8	25.0	19,387	33,009	70.3
Adj PAT	26,880	15,843	20,288	14,668	18,341	(31.8)	25.0	43,015	33,009	(23.3)

## Exhibit 3: Operating highlights

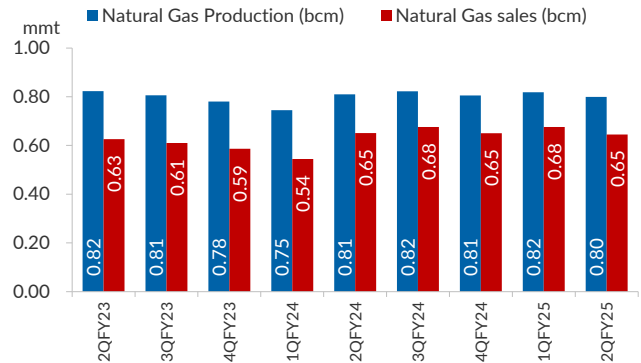
Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	y/y (%)	q/q (%)	H1FY24	H1FY25	y/y (%)
Production Volumes										
Crude (mmt)	0.8	0.9	0.8	0.9	0.9	4.8	0.5	1.7	1.7	5.5
Gas (bcm)	0.8	0.8	0.8	0.8	0.8	(1.4)	(2.3)	1.6	1.6	4.0
Total Crude + Gas	1.6	1.7	1.7	1.7	1.7	1.8	(0.9)	3.2	3.4	4.8
Crude Oil Realisation (USD/bbl)										
Pre subsidy	86.5	83.8	83.3	84.9	79.2	(8.5)	(6.7)	81.7	82.0	0.4
Post subsidy	75.5	74.3	78.8	74.6	73.9	(2.1)	(1.0)	74.9	74.2	(0.8)
Post subsidy (Rs/bbl)	6,240	6,190	6,542	6,225	6,162	(1.2)	(1.0)	6,173.1	6,193.4	0.3
Numaligarh Refinery (NRL) Performance										
Crude Throughput (mmt)	0.8	0.9	0.8	0.8	0.7	(12.1)	(10.6)	0.8	1.4	70.8
GRM (USD/bbl)	16.0	12.7	13.3	6.4	2.3	(86.0)	(65.0)	0.4	4.3	1,077.0
Revenue	58,928	81,359	74,663	64,658	51,974	(11.8)	(19.6)	81,285	116,631	43.5
EBITDA	10,846	12,182	10,989	7,337	3,989	(63.2)	(45.6)	10,794	11,325	4.9
PAT	7,355	8,587	6,435	4,305	1,751	(76.2)	(59.3)	6,580	6,056	(8.0)

**Exhibit 4: Crude Oil production & sales**

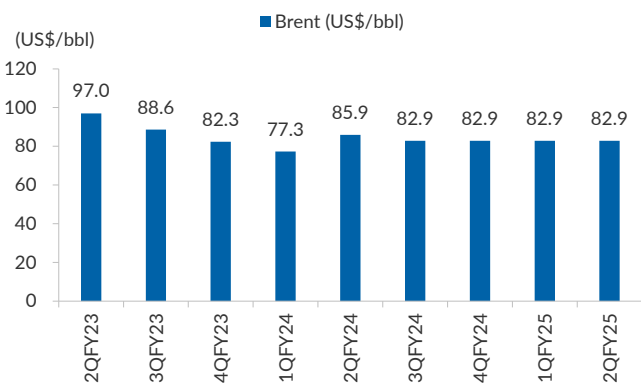


Source: Company, YES Sec

**Exhibit 5: Natural Gas Production & sales**

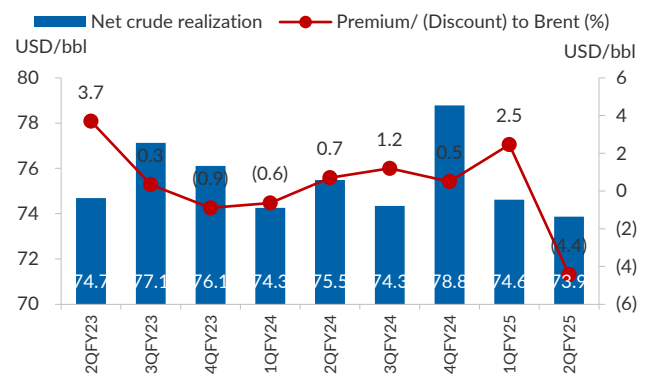


**Exhibit 6: Brent Average prices**

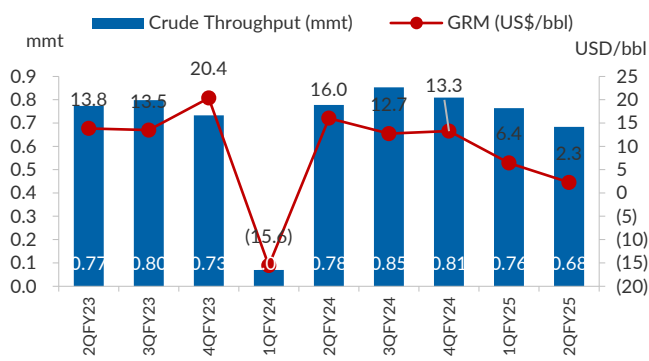


Source: Company, YES Sec

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

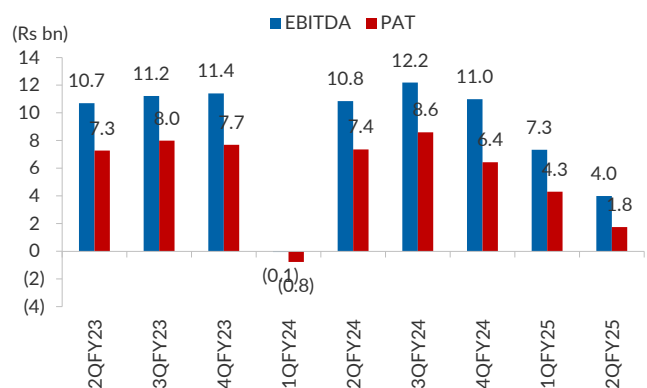


**Exhibit 8: Numaligarh Crude Oil production (mmt) and GRMs**



Source: Company, YES Sec

**Exhibit 9: Numaligarh EBITDA and PAT**



## CONCALL HIGHLIGHTS

- **Crude Production and Sales:** YoY production showed growth; however, sales declined marginally due to a ~15-day shutdown at NRL. Crude sales are expected to pick up in Q3FY25.
- **Natural Gas Production:** The gas sales declined sequential due to a reduced offtake from thermal plants on shutdowns while NRL had surplus naphtha which reduced their consumption, and APL faced emergency low upliftment by the customers. A minor production increase is anticipated in Q3FY25.
- **Production Guidance:** FY25 production targets for oil have been revised down to 3.6mmt from 3.8mmt and for gas to 3.45-3.5bcm from 3.8-3.9bcm. Long-term targets remain at 4mmt for oil and 5bcm for gas. The company expects a 5% annual increase in gas volume moving forward to FY26, though high flaring remains a concern.
- **NRL Operations:** reported GRM without excise duty came in at USD2.25/bbl, with an inventory loss of USD4.5/bbl, implying a core GRM of ~USD6.75/bbl. NRL, which currently consumes 1mmscmd of gas, is set to increase to 3mmscmd. The refinery expansion is 70% complete with a capex of Rs250bn of the total Rs280bn (awaiting a revision to Rs330bn after an approval), targeted for completion by Dec'25. NRL's debt stands at Rs115bn.
- **NRL Funding:** Oil India has already contributed Rs11bn towards NRL's project, out of a total promoter commitment of Rs22bn. The next disbursement of Rs5.5bn is expected by Dec'24, with further contributions aligned to NRL's needs.
- **NRL apex beyond expansion:** Total project cost has been revised upward to Rs330bn from Rs280bn, pending ministry approval. An existing debt arrangement covers Rs180bn, with additional debt and internal accruals planned to cover the increased cost. FY25 capex for NRL is projected at Rs100bn, consistent with FY26 as the company targets project completion by Dec'25.
- **North-East Gas Grid:** The IGGPL pipeline network is expected to boost volumes. The 385km pipeline from NRL to Guwahati is 280km nitrogen-tested, with Phase 1 completion expected in Dec'24. The DNPL pipeline in two phases aims for 2mmscmd by Mar'25 (Phase 1) and Mar'26 (Phase 2). Volume increases are expected from Q3FY26, with significant gains by FY27.
- **Capex:** FY25 capex guidance is Rs70bn, including Rs20bn for exploration, ~Rs14bn for development, and ~Rs23bn for other O&G facilities. Over the next three years, standalone capex is expected to be Rs60-70bn, with Rs100-120bn on a group basis, ~75% allocated to upstream activities. Offshore exploration in the Andaman is slated to begin in mid-Nov'24.
- **City Gas Distribution (CGD):** Through recent CGD rounds, Oil India acquired 9 GAs, 1 as a standalone operator and the rest in partnerships with HPCL and BPCL. There are 3 active GAs in Maharashtra and Haryana (Kolhapur, Ambala, and Kurukshetra) which are already operational. Expansion efforts are underway in Tripura and Manipur, including CNG stations and pipeline networks despite IGGL not being fully operational. In Tripura, Oil India will supply gas to two GAIL-run CNG stations.
- **CBG Stations:** Oil India is finalizing a technology partnership to establish a CBG station in Tinsukia, Assam. Additional CBG stations are in planning stages but require integration with natural gas.

## VIEW & VALUATION

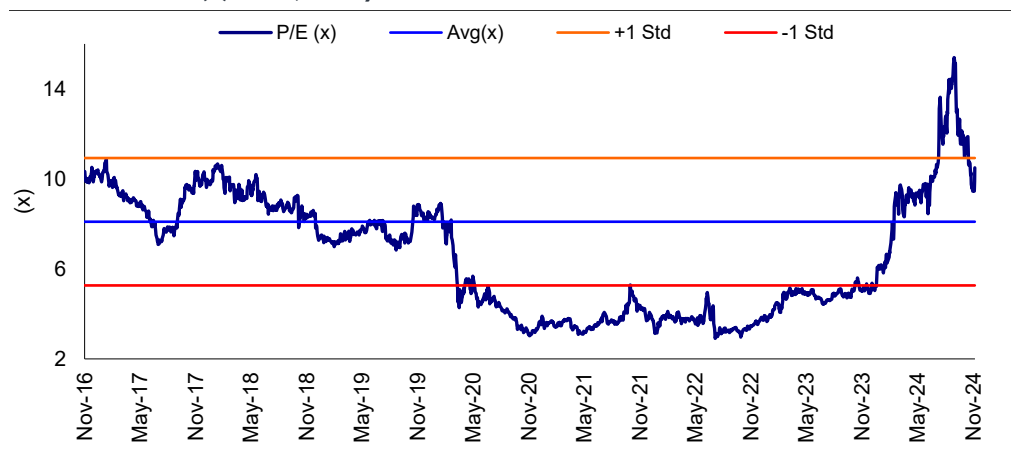
### BUY with a TP of Rs 710/sh

We maintain a BUY rating on Oil India, with a revised TP of Rs 710/sh, and find decent upside on current CMP despite a downward revision in FY26 volume assumptions. Our TP of Rs 710/sh comprises a) Rs 457/sh for the stand-alone domestic business, valued on 6x EV/EBITDA FY27e, b) Rs 206/sh for NRL on EV/EBITDA of 8x FY26e, c) Rs 48/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	120,752
EV/EBITDA (multiple)	(X)	6.0
EV	Rs mn	724,513
Net Debt	Rs mn	(18,231)
M-Cap	Rs mn	742,743
<b>Core Value</b>	Rs/share	<b>457</b>
Value from NRL	Rs/share	206
<b>Value of Investments</b>		
IOCL @30% discount	Rs/share	48
<b>Total value of investments</b>	Rs/share	<b>254</b>
<b>PER based target price</b>	Rs/share	<b>710</b>

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



## FINANCIALS

### Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	145,302	232,726	221,298	225,106	228,205	252,995
Total Expense	91,613	135,818	128,710	121,071	123,599	132,243
<b>Operating Profit</b>	<b>53,689</b>	<b>96,908</b>	<b>92,588</b>	<b>104,035</b>	<b>104,606</b>	<b>120,752</b>
Other Income	18,975	14,853	23,845	23,351	26,043	29,744
Depreciation	14,968	15,949	17,751	23,634	25,292	26,938
EBIT	57,696	95,812	98,682	103,752	105,358	123,558
Interest	7,831	7,242	7,601	7,905	8,221	8,550
Extraordinary Item	-	-	(23,627)	-	-	-
<b>PBT</b>	<b>49,865</b>	<b>88,570</b>	<b>67,454</b>	<b>95,847</b>	<b>97,137</b>	<b>115,008</b>
Tax	10,992	20,466	11,936	24,125	24,449	28,948
<b>PAT</b>	<b>38,873</b>	<b>68,104</b>	<b>55,519</b>	<b>71,723</b>	<b>72,687</b>	<b>86,061</b>
Adj. PAT	38,873	68,104	79,146	71,723	72,687	86,061
Eps	23.9	41.9	34.1	44.1	44.7	52.9

### Exhibit 13: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	10,844	10,844	10,844	10,844	10,844	10,844
Reserves	288,061	332,809	430,380	471,197	511,352	560,001
<b>Net worth</b>	<b>298,905</b>	<b>343,653</b>	<b>441,225</b>	<b>482,041</b>	<b>522,196</b>	<b>570,845</b>
Debt	116,356	111,613	113,410	113,410	113,410	113,410
Deferred tax liab (net)	26,188	28,139	27,855	27,855	27,855	27,855
<b>Capital Employed</b>	<b>441,449</b>	<b>483,405</b>	<b>582,490</b>	<b>623,306</b>	<b>663,461</b>	<b>712,110</b>
Fixed assets	155,736	170,696	190,570	206,180	219,754	231,327
Investments	279,926	283,207	371,334	371,334	371,334	371,334
Net working capital	5,788	29,501	20,586	45,793	72,374	109,449
Inventories	10,953	13,871	15,544	15,414	15,285	15,157
Sundry debtors	14,042	22,224	25,813	25,597	25,383	25,171
Cash & Bank Balance	6,567	13,512	30,702	56,424	83,492	122,056
Other current assets	30,852	38,123	17,075	17,075	17,075	17,075
Sundry creditors	8,022	8,908	10,258	10,427	10,571	11,720
Other liabilities	48,605	49,320	58,291	58,291	58,291	58,291
<b>Application of Funds</b>	<b>441,449</b>	<b>483,405</b>	<b>582,490</b>	<b>623,306</b>	<b>663,461</b>	<b>712,110</b>

## Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	49,865	88,570	67,454	95,847	97,137	115,008
Add: Depreciation & amortization	14,968	15,949	17,751	23,634	25,292	26,938
Add: Interest expense	5,723	6,711	6,780	7,905	8,221	8,550
Less: Interest/Dividend Income Received	(17,731)	(13,626)	(22,045)	-	-	-
(Inc)/Dec in working capital	(7,913)	(16,064)	(14,504)	516	487	1,489
Tax paid	(182)	(21,318)	(19,142)	(24,125)	(24,449)	(28,948)
Other operating Cash Flow	15,322	16,383	40,857	-	-	-
<b>Cash flow from operating activities</b>	<b>60,052</b>	<b>76,604</b>	<b>77,151</b>	<b>103,777</b>	<b>106,687</b>	<b>123,038</b>
Capital expenditure	(27,692)	(34,137)	(39,164)	(39,244)	(38,866)	(38,512)
Add: Interest/Dividend Income Received	17,369	13,001	21,950	-	-	-
Inc/(Dec) in investments	5,859	(14,792)	(32,239)	-	-	-
<b>Cash flow from investing activities</b>	<b>(4,464)</b>	<b>(35,928)</b>	<b>(49,453)</b>	<b>(39,244)</b>	<b>(38,866)</b>	<b>(38,512)</b>
Inc/(Dec) in share capital	-	-	-	-	-	-
Inc/(Dec) in debt	(44,733)	(15,372)	(21,674)	-	-	-
Interest Paid	(5,515)	(6,552)	(6,637)	(7,905)	(8,221)	(8,550)
Dividend Paid	11,667	21,142	(18,967)	(30,906)	(32,532)	(37,412)
Others	(23,598)	(41,420)	19,515	-	-	-
<b>Cash flow from financing activities</b>	<b>(62,179)</b>	<b>(42,201)</b>	<b>(27,762)</b>	<b>(38,811)</b>	<b>(40,753)</b>	<b>(45,962)</b>
<b>Net cash flow</b>	<b>(6,591)</b>	<b>(1,525)</b>	<b>(64)</b>	<b>25,722</b>	<b>27,068</b>	<b>38,564</b>

## Exhibit 15: Du-pont analysis

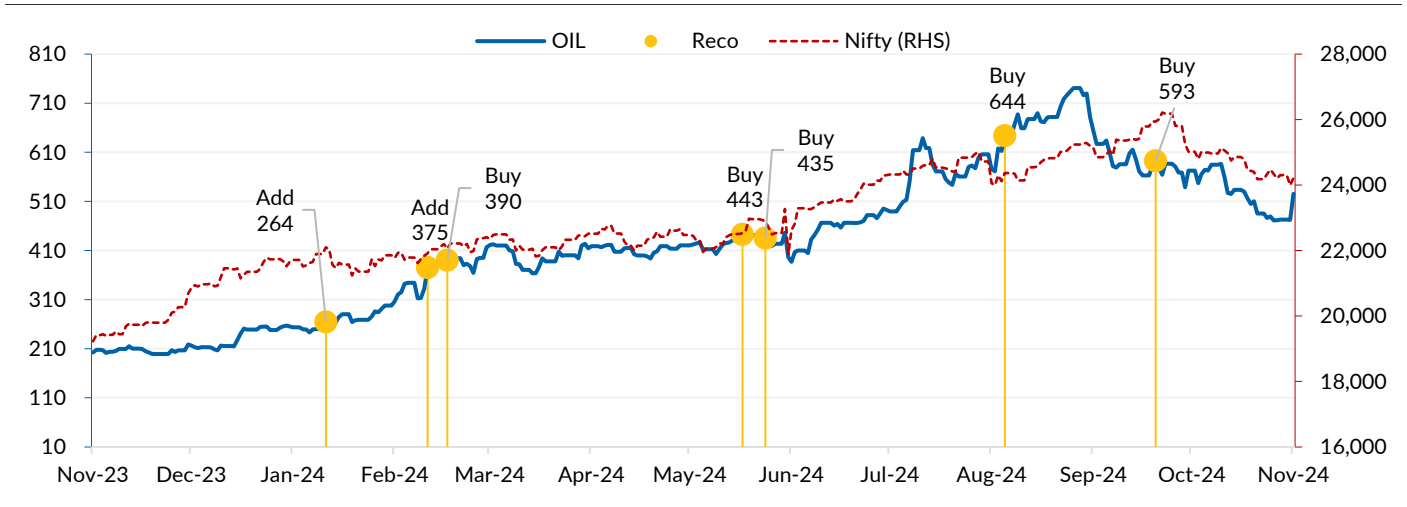
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27e
Tax burden (x)	0.8	0.8	0.8	0.7	0.7	0.7
Interest burden (x)	0.9	0.9	0.7	0.9	0.9	0.9
EBIT margin (x)	0.4	0.4	0.4	0.5	0.5	0.5
Asset turnover (x)	0.3	0.4	0.4	0.3	0.3	0.3
Financial leverage (x)	1.8	1.6	1.5	1.5	1.4	1.4
RoE (%)	13.9	21.2	14.1	15.5	14.5	15.7

## Exhibit 16: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27e
<b>Growth matrix (%)</b>						
Revenue growth	68.6	60.2	(4.9)	1.7	1.4	10.9
Op profit growth	324.3	80.5	(4.5)	12.4	0.5	15.4
EBIT growth	245.3	66.1	3.0	5.1	1.5	17.3
Net profit growth	123.2	75.2	(18.5)	29.2	1.3	18.4
<b>Profitability ratios (%)</b>						
OPM	37.0	41.6	41.8	46.2	45.8	47.7
EBIT margin	39.7	41.2	44.6	46.1	46.2	48.8
Net profit margin	26.8	29.3	25.1	31.9	31.9	34.0
RoCE	13.0	20.7	18.5	17.2	16.4	18.0
RoE	13.9	21.2	14.1	15.5	14.5	15.7
RoA	7.7	13.1	9.3	10.7	10.2	11.4
<b>Per share ratios</b>						
EPS	23.9	41.9	34.1	44.1	44.7	52.9
Dividend per share	14.3	20.0	15.8	19.0	20.0	23.0
Cash EPS	33.1	51.7	45.0	58.6	60.2	69.5
Book value per share	183.8	211.3	271.3	296.3	321.0	350.9
<b>Valuation ratios</b>						
P/E	22.0	12.5	15.4	11.9	11.7	9.9
P/CEPS	15.9	10.2	11.7	9.0	8.7	7.6
P/B	2.9	2.5	1.9	1.8	1.6	1.5
EV/EBIDTA	18.0	9.8	10.1	8.8	8.4	7.0
<b>Payout (%)</b>						
Dividend payout	59.6	47.8	46.1	43.1	44.8	43.5
Tax payout	22.0	23.1	13.1	25.2	25.2	25.2
<b>Liquidity ratios</b>						
Debtor days	35.3	34.9	42.6	41.5	40.6	36.3
Inventory days	46.9	33.4	41.7	46.7	45.3	42.0
Creditor days	30.5	22.7	27.2	31.2	31.0	30.8



## Recommendation Tracker



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