

February 08, 2025

RESULT REPORT Q3 FY25 | Sector: Energy

Oil India Ltd

EBITDA miss on higher opex while production stood in-line

Oil India's earnings saw lower-than-estimated EBITDA and PAT on higher opex while the volumes and realizations stood in line with expectations. Crude production & natural gas both experienced YoY increase (but was lower than the company target due to less than planned contribution from wells. Depreciation, finding cost, and statutory levies showed 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 525/sh, and find decent upside on current CMP.

Result Highlights

- **Performance:** EBITDA was at Rs 21.3bn up 1.3% YoY but down 2.3% QoQ. The adj. PAT at 12.2bn was down 22.9% YoY and 33.4% QoQ. The volumes were in-line with our estimates, EBITDA was below our estimates on higher opex.
- **Crude production and sales:** the oil production was up 1.4% YoY but down 0.8% QoQ at 0.868 mmt (but was lower than the company target due to less than planned contribution from old, new and workover wells and LMD impact) marginally higher than our expectations. Oil sales were down 2.6% YoY and 1.7% QoQ.
- **Natural gas production and sales:** the production was up 0.9% YoY and 3.8% QoQ at 829 mmscm (but was lower than the company target due to less than planned contribution from old, new and workover wells and LMD impact). Natural gas sales were up 0.9% YoY and 5.7% QoQ. The sales as % of production improved to ~82%
- **Crude and Gas realization:** Gross crude realization was down 12% YoY and 6.8% QoQ to USD 73.8/bbl, in line with the international Brent prices, whereas gas realization was at USD 6.5/mmbtu. Net crude realization was down 0.7% YoY and flat QoQ to USD 73.8/bbl (No Windfall taxes in the qtr).
- **Numaligarh Refining (NRL) performance:** The performance showed recovery with EBITDA at Rs 6.6bn (vs Rs 4bn in Q2FY25 and Rs 12.2bn in Q3FY24). The PAT is at Rs 3.9bn, down 55% YoY but up 120% QoQ. The GRMs at USD2.1/bbl (vs USD2.3/bbl in Q2FY25 and USD12.7 in Q3FY24).
- **Finding cost:** as per our calculations, at USD17.2/bbl, it is higher than last 3-yr average of USD15/bbl. The statutory levies as a % of revenue stood at 25.4% (versus 26.2% YoY and QoQ).
- The **other income** at Rs 1.9bn (down 62.9% YoY and 78% QoQ).
- **9MFY25 performance:** EBITDA/Adj. PAT at Rs 67.8/45.2bn vs Rs 69.2/58.9bn same period last year. Crude production was up 4.1% at 2.6 mmt, natural gas production was up 2.9% at 2.4bcm. Net crude realization was down 0.8% at USD 74.1/bbl.
- The company has declared 2nd **interim dividend** of Rs 7/share (Rs 3/shr earlier), a 36% payout for 9MFY25 with 17th Feb'25 being the record date.

Valuation

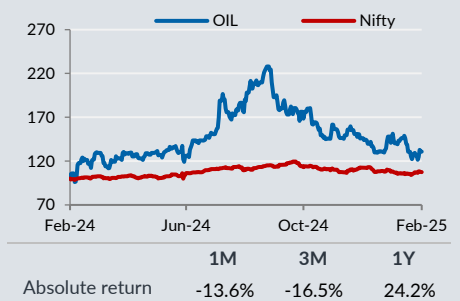
We maintain a BUY rating on Oil India, with a revised TP of Rs 525/sh, and find decent upside on current CMP. Our TP of Rs 525/sh comprises a) Rs 322/sh for the stand-alone domestic business, valued on 4x EV/EBITDA FY27e, b) Rs 165/sh for NRL on EV/EBITDA of 7.5x FY27e, c) Rs 38/sh for investment in listed equities, valued at 30% hold-co discount to market price.

Reco	: BUY
CMP	: Rs 425
Target Price	: Rs 525
Potential Return	: +23.6%

Stock data (as on Feb 7, 2024)

Nifty	23,560
52 Week h/l (Rs)	768 / 293
Market cap (Rs/USD mn)	691308 / 7889
Outstanding Shares (mn)	1,627
6m Avg t/o (Rs mn):	3,380
Div yield (%):	2.1
Bloomberg code:	OINL IN
NSE code:	OIL

Stock performance



Shareholding pattern (As of Dec '24 end)

Promoter	56.7%
FII+DII	36.9%
Others	6.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	525	710

Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	40.1	47.4	54.8
EPS (Old)	44.1	44.7	52.9
% Change	-9.0	6.0	3.6

Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	216.7	236.0	259.0
YoY Growth	(2.1)	8.9	9.8
EBIDTA	95.2	110.1	125.5
OPM %	43.9	46.7	48.4
PAT	65.2	77.0	89.2
YoY Growth	17.5	18.1	15.8
ROE	14.2	15.4	16.3
EPS	40.1	47.4	54.8
P/E	10.6	9.0	7.7
BV	293.4	320.7	352.5
EV/EBITDA	7.9	6.5	5.4

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	52,396	53,828	53,490	-2.66	-2.04	EBITDA miss on higher opex while production stood in-line
EBITDA	21,327	25,304	24,529	-15.72	-13.05	
EBITDA Margin (%)	40.70	47.01	45.86	-631bps	-515bps	
Adjusted PAT	12,218	14,506	14,501	-15.77	-15.74	

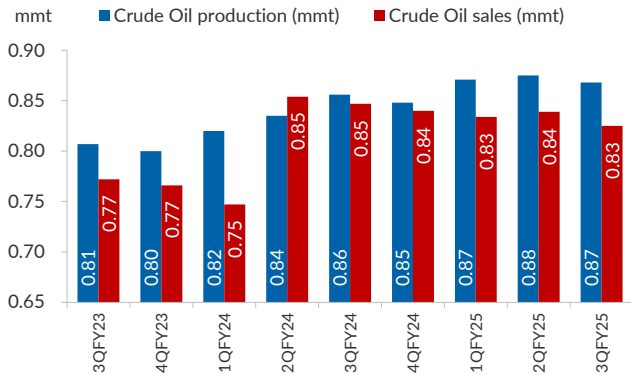
Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Revenue	53,237	55,273	53,319	52,462	52,396	(1.6)	(0.1)	151,973	158,177	4.1
Expenditure	32,180	31,917	28,659	30,630	31,069	(3.5)	1.4	82,741	90,358	9.2
-Raw Material	2,433	1,160	351	715	214	(91.2)	(70.1)	1,360	1,280	(5.8)
-Staff Cost	4,091	4,551	4,572	4,538	4,660	13.9	2.7	13,539	13,770	1.7
- Other expenses	25,656	26,206	23,736	25,377	26,195	2.1	3.2	67,843	75,308	11.0
Operating Profit	21,058	23,357	24,660	21,832	21,327	1.3	(2.3)	69,232	67,819	(2.0)
OPM(%)	39.6	42.3	46.2	41.6	40.7	-588 bps	-555 bps	45.6	42.9	-268 bps
Other Income	5,080	8,332	1,617	8,556	1,886	(62.9)	(78.0)	15,513	12,060	(22.3)
Depreciation	4,992	4,551	4,558	5,036	5,268	5.5	4.6	13,200	14,862	12.6
Interest	1,814	1,893	1,970	2,299	2,442	34.6	6.2	5,708	6,711	17.6
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	(23,627)	-	n.a.
PBT	19,331	25,244	19,750	23,054	15,503	(19.8)	(32.8)	42,210	58,306	38.1
Tax	3,489	4,956	5,082	4,713	3,285	(5.8)	(30.3)	6,980	13,079	87.4
PAT	15,843	20,288	14,668	18,341	12,218	(22.9)	(33.4)	35,230	45,227	28.4
Adj PAT	15,843	20,288	14,668	18,341	12,218	(22.9)	(33.4)	58,857	45,227	(23.2)

Exhibit 3: Operating highlights

Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Production Volumes										
Crude (mmt)	0.9	0.8	0.9	0.9	0.9	1.4	(0.8)	2.5	2.6	4.1
Gas (bcm)	0.8	0.8	0.8	0.8	0.8	0.9	3.8	2.4	2.4	2.9
Total Crude + Gas	1.7	1.7	1.7	1.7	1.7	1.1	1.4	4.9	5.1	3.5
Crude Oil Realisation (USD/bbl)										
Pre subsidy	83.8	83.3	84.9	79.2	73.8	(12.0)	(6.8)	82.4	79.3	(3.8)
Post subsidy	74.3	78.8	74.6	73.9	73.8	(0.7)	(0.1)	74.7	74.1	(0.8)
Post subsidy (Rs/bbl)	6,190	6,542	6,225	6,162	6,158	(0.5)	(0.1)	6,178.7	6,181.7	0.0
Numaligarh Refinery (NRL) Performance										
Crude Throughput (mmt)	0.9	0.8	0.8	0.7	0.8	(5.2)	18.3	1.7	2.3	32.7
GRM (USD/bbl)	12.7	13.3	6.4	2.3	2.1	(83.5)	(6.7)	4.6	3.6	(21.5)
Revenue	81,359	74,663	64,658	51,974	65,548	(19.4)	26.1	162,644	182,179	12.0
EBITDA	12,182	10,989	7,337	3,989	6,567	(46.1)	64.6	22,976	17,892	(22.1)
PAT	8,587	6,435	4,305	1,751	3,854	(55.1)	120.1	15,167	9,909	(34.7)

Exhibit 4: Crude Oil production & sales



Source: Company, YES Sec

Exhibit 5: Natural Gas Production & sales

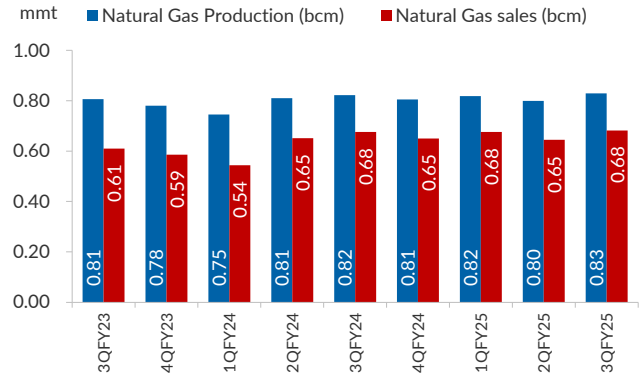
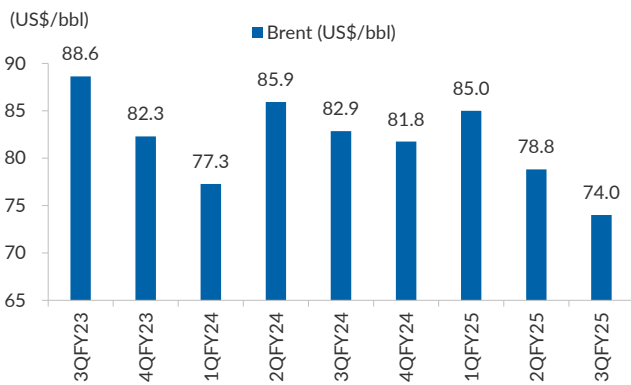


Exhibit 6: Brent Average prices



Source: Company, YES Sec

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

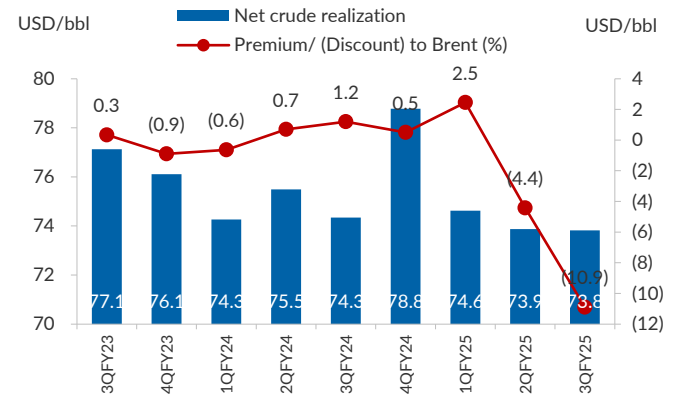
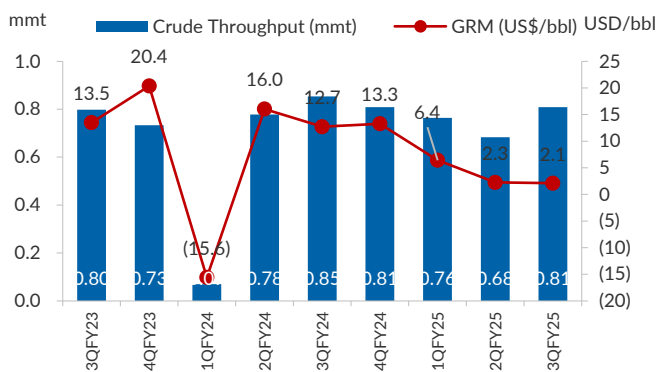
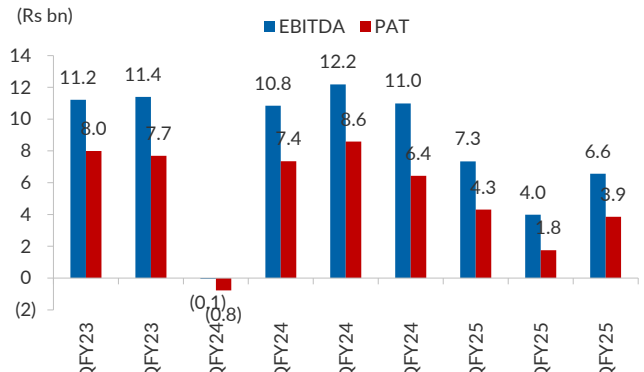


Exhibit 8: Numaligarh Crude Oil production (mmt) and GRMs



Source: Company, YES Sec

Exhibit 9: Numaligarh EBITDA and PAT



CONCALL HIGHLIGHTS

- **Production Guidance:** Oil production guidance for FY25 is 3.48-3.5mmt, with a target of 3.7mmt for FY26 and 4mmt for FY27. Gas production for FY25 is guided at 3.3bcm and 3.8-4bcm for FY26 and 5bcm for FY27. Exploration activities are ongoing across multiple regions, including the North Bank of the Brahmaputra River, Andaman, and a newly acquired block in Cambay, Gujarat. The company successfully drilled India's deepest onshore oil well at 5,779m in the South Bank of the Brahmaputra and is currently producing ~40 kl/day of crude from deeper horizons.
- **Major Customers:** Key customers include Assam Power Generation Company Ltd (APGCL), which sources gas for the Namrup and Lakwa thermal power plants, along with fertilizer companies like BBSPL and APL. Industrial consumers include BCPL (1.35mmscmd), NRL (1mmscmd), APL (0.5mmscmd), BBSPL (1.1mmscmd), and NIFCO (1.4mmscmd). Assam Oil Division (AOD) refinery takes ~0.3mmscmd, and various smaller industrial customers like GAIL consume 0.1-0.2mmscmd. The upcoming IGGL pipeline will enhance connectivity, supporting gas monetization across Assam and beyond.
- **NWG Developments:** Oil India expects NWG to form a growing share of its gas portfolio over the coming years. DGH has recently finalized premium gas pricing, with further details expected soon.
- **NRL Performance:** 9MFY25 GRM stood at USD6.61/bbl vs USD13.12/bbl in 9MFY24, impacted by lower Pan-India GRMs and inventory adjustments. Excluding these, core GRMs would be ~USD5.74/bbl, while additional excise duty benefits of ~USD18.5/bbl pushed reported GRMs to ~USD24/bbl. Inventory adjustments for the period accounted for ~USD2/bbl.
- **NRL Expansion:** The 3-to-9mmtpa expansion project has achieved over 75% physical completion, with Rs230bn capex spent till Dec'24 (Rs120bn via debt). Commissioning is expected by Dec'25. The Rs72bn petrochemical project has seen Rs9.9bn spent so far and is targeted for completion by Dec'28. DNPL's exclusive NG evacuation line for NRL is being expanded from 1mmscmd to 2.5-2.75mmscmd post-expansion, with Phase 1 (~53-58km) with a capex of Rs4.33bn set for completion by Mar'25 and Phase 2 (up to 190km) by Mar'26.
- **Other Income:** Declined due to lower dividend receipts at Rs7bn in 9MFY25 vs Rs1.2bn last year, with Rs1.80bn from NRL and Rs3.10bn from IOCL. The absence of Rs2bn from the SGX subsidiary also impacted YoY comparisons.
- **Connectivity Projects:** The DNPL pipeline is undergoing augmentation, and a proposal is in place to interconnect NRL at Numaligarh with the Northeast Gas Grid. Additionally, IGGL has received authorization under Section 42 to lay a 3.3mmscmd capacity pipeline from Oil India's Duliajan hub to the Northeast Gas Grid, pending PNGRB approval, with completion expected in 18 months post-approval.
- **Flaring Reduction:** Gas flaring has been progressively reduced to 0.2mmscmd (~4% of production in 9MFY25). Compressor installations for low-pressure gas dispatch are in progress, with completion targeted by Mar'25. The company aims to achieve near-zero routine flaring next year.
- **Seismic Costs:** Q3FY25 seismic expenditure stood at Rs2.1bn, compared to Rs1.2bn in Q3FY24. 9MFY25 seismic costs reached Rs5.35bn vs Rs3.9bn in 9MFY24.
- **Production Target Initiatives:** Oil India is focusing on seven key drilling areas, with Barekuri and Sesabil identified for accelerated exploration. Plans include drilling 15 additional wells in Barekuri and 3-4 in Sesabil. The company is also pursuing OLAP-9 blocks and expanding exploration beyond the Northeast, including Mahanadi and KG basins. To counter seasonal gas well shutdowns, Oil India is exploring underground gas storage solutions to maintain stable liquid hydrocarbon production.

- **Pipeline Expansion:** A 20km local pipeline is under development to minimize gas losses. Additionally, capacity augmentation from 1mmscmd to 2.5mmscmd is underway. The IGGL pipeline, awaiting PNGRB approval, is an 18-month project post-approval. The newly commissioned Arunachal Pradesh-Kumchai pipeline has unlocked stranded reserves, enabling further field development with an additional 1mmscmd capacity.
- **Andaman Project:** Exploration activities have resumed, with one well already spotted targeting an 805m depth, followed by another three wells. A deeper 3,500m well is also planned, with drilling progressing as per schedule.
- **TSP with TotalEnergies:** Oil India (OIL) partnered with TotalEnergies to deploy AUSEA, a drone-mounted methane detection technology, at its sites in India. AUSEA's dual-sensor system enhances methane and CO₂ emission tracking across offshore and onshore facilities, improving accuracy over traditional methods.

VIEW & VALUATION

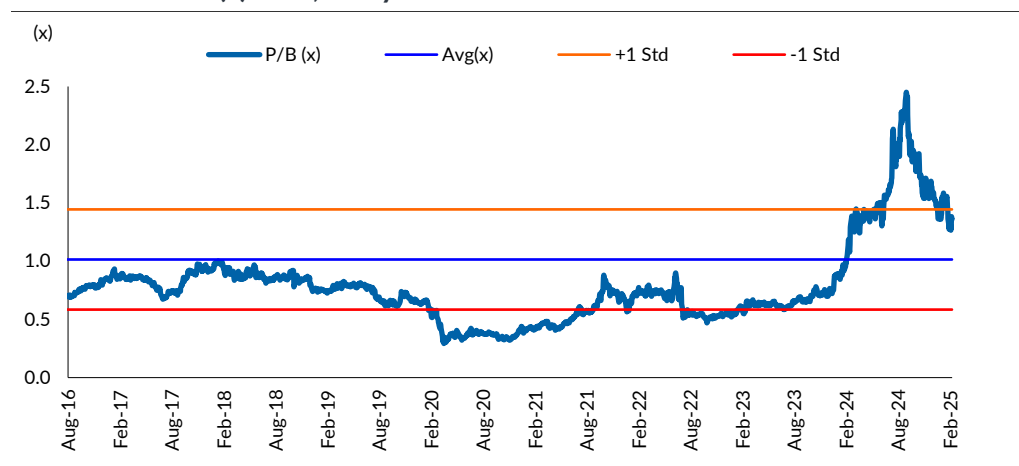
BUY with a TP of Rs 525/sh

We maintain a BUY rating on Oil India, with a revised TP of Rs 525/sh, and find decent upside on current CMP. Our TP of Rs 525/sh comprises a) Rs 322/sh for the stand-alone domestic business, valued on 4x EV/EBITDA FY27e, b) Rs 165/sh for NRL on EV/EBITDA of 7.5x FY27e, c) Rs 38/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	125,468
EV/EBITDA (multiple)	(X)	4.0
EV	Rs mn	501,871
Net Debt	Rs mn	(21,095)
M-Cap	Rs mn	522,965
Core Value	Rs/share	322
Value from NRL	Rs/share	165
Value of Investments		
IOCL @30% discount	Rs/share	38
Total value of investments	Rs/share	203
PER based target price	Rs/share	525

Exhibit 11: P/BV (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	216,734	236,020	259,035
Total Expense	91,613	135,818	128,710	121,524	125,909	133,567
Operating Profit	53,689	96,908	92,588	95,210	110,111	125,468
Other Income	18,975	14,853	23,845	21,351	24,043	26,744
Depreciation	14,968	15,949	17,751	21,469	22,997	24,513
EBIT	57,696	95,812	98,682	95,091	111,157	127,699
Interest	7,831	7,242	7,601	7,905	8,221	8,550
Extraordinary Item	-	-	(23,627)	-	-	-
PBT	49,865	88,570	67,454	87,187	102,936	119,149
Tax	10,992	20,466	11,936	21,945	25,909	29,990
PAT	38,873	68,104	55,519	65,242	77,027	89,159
Adj. PAT	38,873	68,104	79,146	65,242	77,027	89,159
Eps	23.9	41.9	34.1	40.1	47.4	54.8

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	466,343	510,838	562,585
Net worth	298,905	343,653	441,225	477,187	521,682	573,429
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
Capital Employed	441,449	483,405	582,490	618,452	662,947	714,694
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	40,938	71,859	112,032
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	51,182	83,340	124,920
Other current assets	30,852	38,123	17,075	17,075	17,075	17,075
Sundry creditors	8,022	8,908	10,258	10,039	10,933	12,000
Other liabilities	48,605	49,320	58,291	58,291	58,291	58,291
Application of Funds	441,449	483,405	582,490	618,452	662,947	714,694

Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	49,865	88,570	67,454	87,187	102,936	119,149
Add: Depreciation & amortization	14,968	15,949	17,751	21,469	22,997	24,513
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)	128	1,237	1,407
Tax paid	(182)	(21,318)	(19,142)	(21,945)	(25,909)	(29,990)
Other operating Cash Flow	15,322	16,383	40,857	-	-	-
Cash flow from operating activities	60,052	76,604	77,151	94,743	109,482	123,629
Capital expenditure	(27,692)	(34,137)	(39,164)	(37,079)	(36,571)	(36,087)
Add: Interest/Dividend Income Received	17,369	13,001	21,950	-	-	-
Inc/(Dec) in investments	5,859	(14,792)	(32,239)	-	-	-
Cash flow from investing activities	(4,464)	(35,928)	(49,453)	(37,079)	(36,571)	(36,087)
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)	(29,279)	(32,532)	(37,412)
Others	(23,598)	(41,420)	19,515	-	-	-
Cash flow from financing activities	(62,179)	(42,201)	(27,762)	(37,184)	(40,753)	(45,962)
Net cash flow	(6,591)	(1,525)	(64)	20,480	32,158	41,580

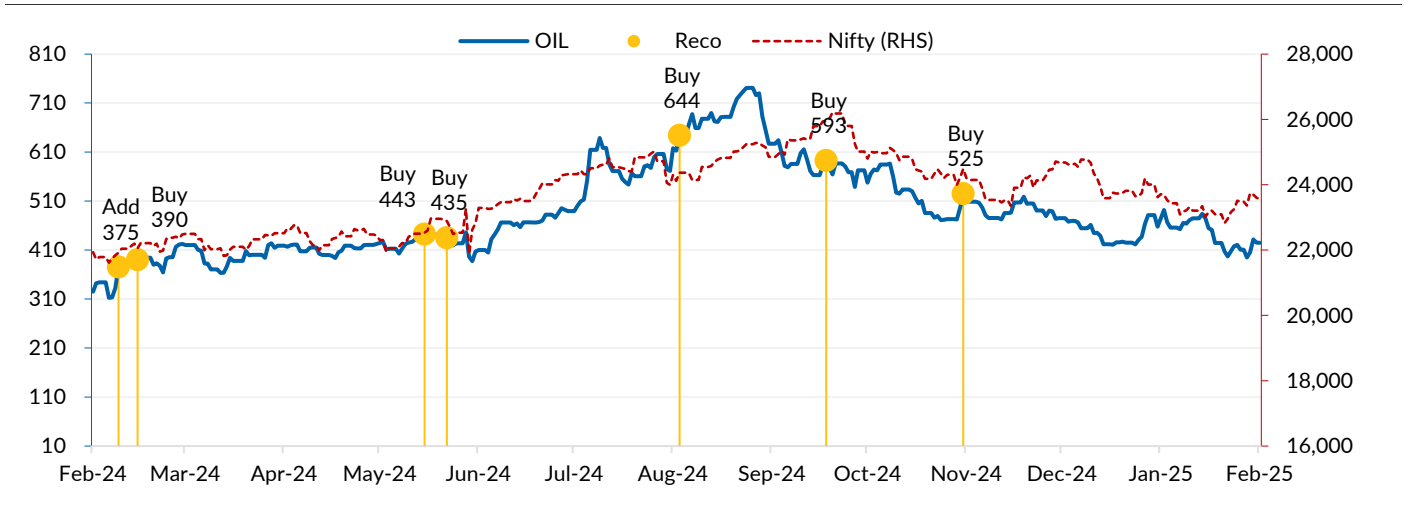
Exhibit 15: Du-pont analysis

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	0.4	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	14.2	15.4	16.3

Exhibit 16: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27e
Growth matrix (%)						
Revenue growth	68.6	60.2	(4.9)	(2.1)	8.9	9.8
Op profit growth	324.3	80.5	(4.5)	2.8	15.7	13.9
EBIT growth	245.3	66.1	3.0	(3.6)	16.9	14.9
Net profit growth	123.2	75.2	(18.5)	17.5	18.1	15.8
Profitability ratios (%)						
OPM	37.0	41.6	41.8	43.9	46.7	48.4
EBIT margin	39.7	41.2	44.6	43.9	47.1	49.3
Net profit margin	26.8	29.3	25.1	30.1	32.6	34.4
RoCE	13.0	20.7	18.5	15.8	17.3	18.5
RoE	13.9	21.2	14.1	14.2	15.4	16.3
RoA	7.7	13.1	9.3	9.8	10.9	11.8
Per share ratios						
EPS	23.9	41.9	34.1	40.1	47.4	54.8
Dividend per share	14.3	20.0	15.8	18.0	20.0	23.0
Cash EPS	33.1	51.7	45.0	53.3	61.5	69.9
Book value per share	183.8	211.3	271.3	293.4	320.7	352.5
Valuation ratios						
P/E	17.8	10.1	12.4	10.6	9.0	7.7
P/CEPS	12.8	8.2	9.4	8.0	6.9	6.1
P/B	2.3	2.0	1.6	1.4	1.3	1.2
EV/EBIDTA	14.9	8.1	8.4	7.9	6.5	5.4
Payout (%)						
Dividend payout	59.6	47.8	46.1	44.9	42.2	42.0
Tax payout	22.0	23.1	13.1	25.2	25.2	25.2
Liquidity ratios						
Debtor days	35.3	34.9	42.6	43.1	39.3	35.5
Inventory days	46.9	33.4	41.7	46.5	44.5	41.6
Creditor days	30.5	22.7	27.2	30.5	30.4	31.3

Recommendation Tracker



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