

Oil India clocked Q2FY25 SA EBITDA of Rs21.8bn – an 11% miss, mainly due to higher provisions and lower-than-expected output. The SA PAT miss, however, was lower at 6% on higher Other Income and lower ETR. Crude production rose 5% YoY to 0.88mmt (2% miss), while gas was 3% below estimate at 0.80bcm (down 1% YoY on customer offtake issues). NRL’s EBITDA fell 46% QoQ to Rs4bn, largely on lower basic GRM of USD2.3/bbl (impacted by inventory loss of USD4.5/bbl). Management guided to oil/gas output of ~3.5mmt/3.4bcm for FY25; first phase of IGGL and DNPL expansion should be commissioned by Dec-24 and Mar-26, respectively, supporting gas output growth. We trim Sep-25E TP by 5% to Rs665 with ~2% consol EPS cut and reducing implied target P/E to 11x from 11.5x on NRL GRM volatility. We cut FY25E EPS 10%; retain BUY.

Oil India: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	410,260	363,036	355,399	380,629	661,671
EBITDA	152,551	125,042	123,830	140,355	167,218
Adj. PAT	87,286	78,560	82,834	93,931	102,405
Adj. EPS (Rs)	53.7	48.3	50.9	57.7	63.0
EBITDA margin (%)	37.2	34.4	34.8	36.9	25.3
EBITDA growth (%)	45.3	(18.0)	(1.0)	13.3	19.1
Adj. EPS growth (%)	55.3	(10.0)	5.4	13.4	9.0
RoE (%)	25.3	20.0	15.9	16.1	15.9
RoIC (%)	59.0	49.6	43.4	43.6	27.8
P/E (x)	9.8	10.9	10.3	9.1	8.3
EV/EBITDA (x)	6.6	8.2	8.5	7.8	6.1
P/B (x)	2.2	1.8	1.5	1.4	1.3
FCFF yield (%)	2.9	(1.1)	(7.2)	0.0	8.9

Source: Company, Emkay Research

Result Highlights

OIL’s crude sales-to-production ratio was flat QoQ at 96%, with gas slightly lower at 81% (from 83% QoQ). Crude realization for Q2FY25 stood at USD79.3/bbl ex-windfall, whereas gas realization was slightly down QoQ at ~USD6.9/mmbtu. Employee costs were down 8% YoY and 1% QoQ at Rs4.5bn (9% below estimate). Other Expenses rose 40% YoY/24% QoQ to Rs11.6bn (32% above estimate) due to dry wells and provisions. DD&A was up 10% QoQ to Rs5.0bn. Interest costs rose 17% QoQ to Rs2.3bn. Other Income increased 21% YoY to Rs8.6bn vs our estimate of Rs8bn. Total statutory levies were 6% lower than estimate at Rs16.5bn, mainly on lower cess and windfall levy. NRL’s volume fell 11% QoQ to 0.68mmt; basic GRM stood at USD2.3/bbl (vs USD6.4/bbl QoQ). NRL capex, as per PPAC, was Rs22.4bn in Q2. Share of profit from associates/JV in consolidated accounts were Rs2.26bn in Q2FY25 vs Rs1.24bn QoQ. Consolidated adj EPS for Q2 was down 10% YoY/up 7% QoQ at Rs12.4 (bonus adjusted). Capex target for FY25 for SA/NRL is Rs60-70/100-120bn. Board declared an interim dividend of Rs3/sh.

Management KTAs

Management has guided to range-bound to slightly-higher natural gas output for Q3FY25 (vs earlier quarters) due to seasonally lower offtake from tea gardens. Management expects that 4-5% growth in oil & gas production is likely to continue in the near term. NRL’s 6mmtpa refinery expansion project has seen 70% physical progress and Rs200bn capex has already been incurred out of project cost of Rs280bn, while debt was Rs115bn. NRL has also sought ministerial approval for upward revision in NRL’s expansion project cost to Rs320bn. NRL has recently received approval for petchem project of 360ktpa at a capex of Rs70bn to be completed in 3 years. Customer offtake issue is being addressed through underground gas storage on war footing and 2 wells have been identified. The new North Bank gas pipeline would take 2 years to complete.

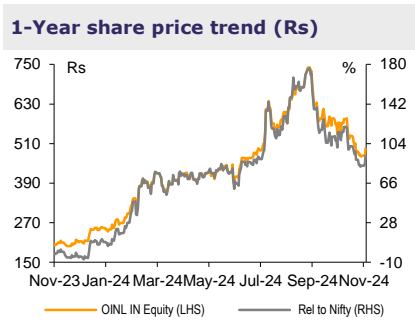
Valuation

We value OIL on SOTP basis, comprising of SA and NRL, using DCF methodology; investments are valued at our TP/BV with 30% holdco discount. We cut FY25E consolidated EPS by 10% based on H1 run-rate and weaker GRMs, while largely retaining FY26-27E consolidated EPS as lower NRL earnings are offset by premium gas pricing. Key risks: Adverse oil and gas prices, policy issues, local tensions, cost overruns, outages, and dry holes.

Target Price – 12M	Sep-25
Change in TP (%)	(5.1)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	26.6
CMP (06-Nov-24) (Rs)	525.1

Stock Data	Ticker
52-week High (Rs)	768
52-week Low (Rs)	195
Shares outstanding (mn)	1,626.6
Market-cap (Rs bn)	854
Market-cap (USD mn)	10,134
Net-debt, FY25E (Rs mn)	203,973
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	4,998.7
ADTV-3M (USD mn)	59.3
Free float (%)	33.0
Nifty-50	24,484
INR/USD	84.3
Shareholding, Sep-24	
Promoters (%)	56.7
FPIs/MFs (%)	10.6/16.4

Price Performance				
(%)	1M	3M	12M	
Absolute	(8.3)	(8.1)	153.0	
Rel. to Nifty	(6.3)	(9.9)	100.6	



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Exhibit 1: Actuals vs Estimates (Q2FY25)

Standalone (Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	55,190	57,674	52,091	-4%	6%	Lower production as well as sales
Adjusted EBITDA	21,832	24,517	26,387	-11%	-17%	Higher provisions and dry wells write-off
EBITDA Margin	39.6%	42.5%	50.7%	-295bps	-1,110bps	
Adjusted Net Profit	18,341	19,432	19,596	-6%	-6%	Higher other income and lower ETR

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary

Rs mn (Standalone)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY	QoQ	H1FY24	H1FY25	YoY
Revenue	59,133	58,150	57,567	58,397	55,190	-7%	-5%	105,580	113,586	8%
COGS+OPEX	12,569	18,238	17,795	14,319	16,874	34%	18%	22,345	31,194	40%
Statutory Levies	20,215	18,855	16,416	19,417	16,483	-18%	-15%	33,597	35,901	7%
Survey + Dry Wells	-	-	-	-	-	-	-	-	-	-
EBITDA	26,349	21,058	23,357	24,660	21,832	-17%	-11%	49,638	46,492	-6%
DD&A	4,234	4,992	4,551	4,558	5,036	19%	10%	8,208	9,594	17%
EBIT	22,116	16,065	18,806	20,102	16,796	-24%	-16%	41,431	36,898	-11%
Finance Charges	2,235	1,814	1,893	1,970	2,299	3%	17%	3,894	4,269	10%
Other Income	7,092	5,080	8,332	1,617	8,556	21%	429%	10,433	10,174	-2%
Exceptional Items	-25,091	-	-	-	-	-	-	-25,091	-	-
PBT	1,882	19,331	25,244	19,750	23,054	1125%	17%	22,878	42,804	87%
Total Tax	-1,372	3,489	4,956	5,082	4,713			3,491	9,794	181%
PAT	3,253	15,843	20,288	14,668	18,341	464%	25%	19,387	33,009	70%
Adjusted PAT	20,176	15,843	20,288	14,668	18,341	-9%	25%	36,310	33,009	-9%
Adjusted EPS (Rs)	12.4	9.7	12.5	9.0	11.3	-9%	25%	22.3	20.3	-9%
Crude Production (mmt)	0.84	0.86	0.85	0.87	0.88	5%	0%	1.66	1.75	5%
Gas Production (bcm)	0.81	0.82	0.81	0.82	0.80	-1%	-2%	1.56	1.62	4%
NB Gross Oil Realization (USD/bbl)	86.9	84.1	84.3	84.9	79.3	-9%	-7%	81.9	82.1	0%
NB Net Oil Realization (USD/bbl)	86.9	84.1	84.3	84.9	79.3	-9%	-7%	81.9	82.1	0%
NB Gas Realization (Rs/scm)	20.5	20.9	20.5	21.0	20.6	1%	-2%	20.5	20.8	2%
Net Debt	78,943	96,185	76,815	92,338	52,294	-34%	-43%	78,943	52,294	-34%
Capex (Cumulative/Annual)	18,874	-	39,164	-	20,829	10%		18,874	20,829	10%
NRL Volumes (mmt)	0.78	0.85	0.81	0.76	0.68	-12%	-11%	0.85	1.45	71%
NRL Basic GRMs (USD/bbl)	16.0	12.7	13.3	6.4	2.3	-86%	-65%	13.4	4.5	-67%
NRL Reported EBITDA	10,846	12,182	10,989	7,337	3,989	-63%	-46%	10,794	11,325	5%
NRL Reported PAT	7,355	8,587	6,435	4,305	1,751	-76%	-59%	6,580	6,056	-8%
NRL Capex	18,920	24,500	26,480	19,900	22,380	18%	12%	34,870	42,280	21%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model

Concall KTAs

- Oil India's (OIL) natural gas production in Q2FY25 was down 1.4% YoY due to major shutdown in Namrup and Lakwa thermal power plants (0.6/0.45mmscmd gas offtake, respectively), besides usage of surplus naphtha by NRL instead of gas and Assam Petrochemicals Ltd (APL) also taking 20-days shutdown resulting in lower offtake. Management has guided to range-bound to slightly-higher natural gas output for Q3FY25 (vs earlier quarters) due to seasonally lower offtake from tea gardens.
- Company has maintained crude/natural gas output guidance of 3.5-3.6mmt/3.4-3.5bcm for FY25 and refrained from giving specific guidance for FY26. However, overall plan to achieve oil/gas production target of 4mmt/>5bcm in the next 2 years was reiterated. 4-5% growth in oil & gas production is expected to continue in the near term. Company also plans to reduce gas flaring to zero by Dec-25 with Kumchai-Kusijan pipeline being readied, and upgradation in other facilities.
- NRL underwent a 10-15 days shutdown in Q2FY25 and this also impacted crude oil sales of OIL SA (there was base impact), which was down vs production being up YoY. NRL also faced inventory loss of USD4.5/bbl and core basic GRM was USD6.5-6.7/bbl vs USD2.3/bbl of reported GRM (ex-excise benefit).
- NRL's 6mmtpa refinery expansion project has seen 70% physical progress and Rs200bn capex has already been incurred out of project cost of Rs280bn, while debt was Rs115bn. Company expects 60-65%/80-85%/100% capacity utilization in year-1/2/3 of operations post-commissioning. NRL has also sought ministerial approval for upward revision in project cost to Rs320bn and is awaiting the same. Out of Rs280bn, debt funding is Rs180bn and Rs110bn is through internal accruals and equity.
- OIL has already invested Rs11bn as equity contribution for NRL expansion, out of total commitment of Rs22bn. 2 instalments of Rs5.5bn each have already been paid and the third will be disbursed by Dec-24, with the fourth in 2025 based on work progress. NRL's capex is expected at Rs100bn per annum for FY25 as well as FY26, and expansion is on schedule for commissioning by December 2025.
- The product offtake pipeline is also undergoing expansion from 1.7mmtpa to 5.5mmtpa and will coincide with refinery expansion. Siliguri terminal infra is also being enhanced.
- NRL has recently received approval for petchem project of 360ktpa at a capex of Rs70bn. Few physical activities are likely to get completed with the refinery expansion work itself and the petchem project taking 3 years to complete from the approval date.
- NRL is currently consuming 0.9-1mmscmd of natural gas from OIL and this demand would go up to 2.5-3mmscmd after expansion (ie by Dec-25). DNPL pipeline is catering to OIL's gas from Duliajan to Numaligarh exclusively, and its capacity is being expanded to this level with the project having two phases which would support higher requirement of NRL by Q4FY26. This should also support gas output growth by FY27 for OIL.
- The first phase of DNPL is expected to be completed by Mar-25 and will involve major repairing, and the second phase by Mar-26, which would lead to real capacity expansion at a total project cost of Rs4.3bn.
- IGGL's (northeast gas grid) first phase of 385km from Guwahati to Numaligarh has been mechanically completed and the same is expected to be commissioned in Dec-24, connecting OIL to the national grid. This will also reduce local and seasonal gas offtake issues.
- A new pipeline from North Bank to Duliajan of 160km for evacuation of stranded gas is also being developed and this will take 2 years for construction and should help OIL's gas assets to reach their full potential.
- Couple of gas wells (with condensate) need to be shut down due to customer offtake issues, and this problem is being addressed through underground gas storage being undertaken on a war footing. It has also identified 2 wells to implement this strategy and inject gas for storage purposes.
- Company is working on identified fields/wells and is in discussions with DGH for new wells/well interventions-based gas pricing premium and modalities. OIL will come out with exact volume figure on what qualifies as new wells gas. It will be applicable from Apr-23 base.

- Besides NRL expansion resulting in higher gas demand in the region, APL capacity is also getting increased and higher demand could come from CGD entities in the region as well. Hence, overall gas demand outlook in the NE region seems healthy.
- After 12 and 12A CGD bidding round, OIL has now 9 GAs in total out of which 3 GAs in Haryana and Maharashtra are functional. OIL has CGD interest in Tripura and Meghalaya and 2 CNG stations in Tripura are currently being run by GAIL, with OIL to supply gas in the future based on some term contract. It is laying the CGD networks and as IGGL connects, it will be commissioned.
- OIL has plans to set up 25 CBG stations. It has identified few technology partners and is setting up 1 station in Tinsukia, Assam (some level of finality), while other CBG stations would take time.
- OIL's SA capex target is Rs60-70bn in FY25 and including NRL is Rs100-120bn. 70-75% of SA capex is toward upstream investments (existing acreage, OALP blocks, seismic and drilling) and balance in RE, CGDs, etc. Broadly, Rs20bn would be spent toward exploration, Rs14bn toward development, and Rs23bn toward O&G infra facilities in NE, Andaman offshore, Rajasthan, and Mahanadi basin. Company has a target of drilling 70+ wells in FY25. Its offshore drilling in Andaman region is expected to start in mid-Nov. Capex will include new wells and well interventions too.
- OIL undertook Rs720mn dry well write-off in Puri and Rs2.97bn provision in 5 wells in Assam (Moran, Dima Hasao etc in NELP as well as nominated blocks) in Q2FY25. Board has declared interim dividend of Rs3/sh with 14-Nov as ex-date.

Exhibit 3: Change in assumptions

	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Brent (USD/bbl)	85.0	80.0	-6%	85.0	80.0	-6%	85.0	80.0	-6%
USD/INR	83.0	83.5	1%	83.0	83.5	1%	83.0	83.5	1%
Net Oil Realization (USD/bbl)	83.0	78.0	-6%	83.5	78.5	-6%	84.0	79.0	-6%
Gas Realization (Rs/scm)	20.7	20.5	-1%	20.7	22.2	7%	20.7	23.4	13%
Crude Oil Production (mmt)	3.6	3.5	0%	3.7	3.7	-1%	3.9	3.9	-1%
Natural Gas Production (bcm)	3.5	3.4	-4%	3.7	3.6	-4%	3.9	3.8	-3%
Total Production Growth	7.7%	5.5%	-221bps	5.8%	5.9%	4bps	4.9%	4.9%	3bps
NRL Throughput (mmt)	2.9	2.9	0%	3.0	3.0	0%	7.2	6.3	-13%
NRL Book GRM (USD/bbl)	28.9	23.0	-20%	26.9	24.0	-11%	24.9	23.0	-8%

Source: Company, Emkay Research

Exhibit 4: Change in estimates

Consolidated (Rs mn)	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	380,264	355,399	-7%	401,034	380,629	-5%	775,975	661,671	-15%
EBITDA	138,483	123,830	-11%	141,564	140,355	-1%	172,531	167,218	-3%
EBITDA margin	36.4%	34.8%	-158bps	35.3%	36.9%	157ps	22.2%	25.3%	304bps
APAT	91,722	82,834	-10%	93,198	93,931	1%	105,270	102,405	-3%
Adj. EPS (Rs)	56.4	50.9	-10%	57.3	57.7	1%	64.7	63.0	-3%

Source: Company, Emkay Research

Exhibit 5: Oil India – Standalone DCF-based valuation

Assumptions		Standalone	(Rs mn)
Risk Free Rate	7.0%	NPV Of FCF (Sep-26-Sep-37E)	476,433
Risk Premium	5.3%	Terminal Value	978,287
Beta	0.85	PV Of TV	279,634
Cost Of Equity	11.5%	Total Value	756,067
Cost Of Debt	8.5%	Less: Net Debt (Sep-25E)	48,152
Post Tax Cost Of Debt	6.4%	Equity Value	707,915
Average Debt: Equity Ratio	0.1	No. Of Shares O/S (mn)	1,627
WACC	11.0%	Fair Value of Oil India SA (Rs)	435
Terminal Growth Rate	0.0%		

Source: Company, Emkay Research

Exhibit 6: NRL – Standalone DCF-based valuation

Assumptions		Standalone	(Rs mn)
Risk Free Rate	7.0%	NPV Of FCF (Sep-26-Sep-37E)	306,666
Risk Premium	5.3%	Terminal Value	674,067
Beta	0.85	PV Of TV	214,569
Cost Of Equity	11.5%	Total Value	521,235
Cost Of Debt	8.5%	Less: Net Debt (Sep-25E)	155,795
Post Tax Cost Of Debt	6.4%	NRL's 100% Equity Value	365,441
Average Debt: Equity Ratio	0.4	NRL's Equity Value to OIL	254,456
WACC	10.0%	No. Of Shares O/S (mn) – OIL	1,627
Terminal Growth Rate	0.0%	Fair Value of NRL (Rs)	156

Source: Company, Emkay Research

Exhibit 7: SOTP-based Valuation – Sep-25E

Components (Rs mn)	Basis	Sep-25E Eq. Val	Value/Sh (Rs)	Comments
Oil India Standalone	DCF	707,915	435	WACC/TvG at 11%/0%
NRL (69.6% Stake)	DCF	254,456	156	WACC/TvG at 10%/0%
Mozambique Upside	DCF	-	-	
Core Business Valuation		962,371	592	
Value of Investments	TP/BV	118,780	73	At 30% HoldCo Discount
Target Price-Fair Value		1,081,152	665	

Source: Company, Emkay Research

Exhibit 8: Schedule and value of investments (Sep-25E Valuation)

Listed+Unlisted	Type	Basis of Valuation	TP/CMP (Rs)	Equity Value (Rs bn)	Oil India Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
IOCL	Financial	TP (Emkay)	185	2,612	5.2%	135	30%	94	58
OIL International Pte (Russia)	Subsidiary	BV		35	100.0%	35	30%	24	15
Total						170		119	73

Source: Company, Emkay Research

Exhibit 9: P/E-based valuation

	FY22	FY23	FY24	FY25E	FY26E	FY27E
Consol EPS (Rs)	34.6	53.7	48.3	50.9	57.7	63.0
Target P/E Multiple (x)						11.0
TP Sep-25E (Rs)						665

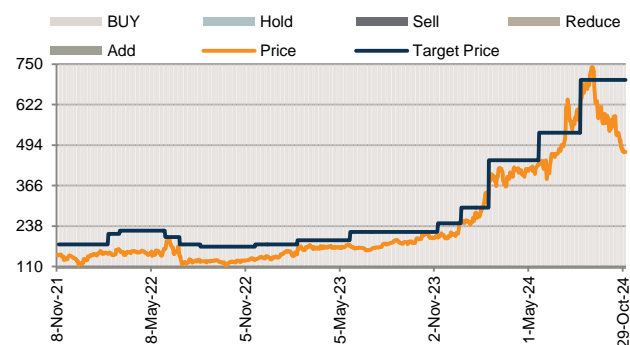
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Oct-24	533	700	Buy	Sabri Hazarika
12-Sep-24	579	700	Buy	Sabri Hazarika
09-Aug-24	644	700	Buy	Sabri Hazarika
28-May-24	435	533	Buy	Sabri Hazarika
21-May-24	443	533	Buy	Sabri Hazarika
15-Feb-24	375	447	Buy	Sabri Hazarika
24-Dec-23	249	297	Buy	Sabri Hazarika
30-Nov-23	203	247	Buy	Sabri Hazarika
09-Nov-23	202	247	Buy	Sabri Hazarika
09-Aug-23	184	220	Buy	Sabri Hazarika
05-Jun-23	169	220	Buy	Sabri Hazarika
25-May-23	174	220	Buy	Sabri Hazarika
13-Feb-23	161	193	Buy	Sabri Hazarika
06-Dec-22	141	180	Buy	Sabri Hazarika
01-Dec-22	138	180	Buy	Sabri Hazarika
24-Nov-22	131	180	Buy	Sabri Hazarika
02-Oct-22	116	173	Buy	Sabri Hazarika
07-Sep-22	130	173	Buy	Sabri Hazarika
11-Aug-22	125	173	Buy	Sabri Hazarika
15-Jul-22	122	180	Buy	Sabri Hazarika
02-Jul-22	143	180	Buy	Sabri Hazarika
28-Jun-22	166	203	Buy	Sabri Hazarika
04-Jun-22	167	203	Buy	Sabri Hazarika
22-May-22	160	223	Buy	Sabri Hazarika
01-Apr-22	159	223	Buy	Sabri Hazarika
09-Mar-22	162	223	Buy	Sabri Hazarika
15-Feb-22	150	213	Buy	Sabri Hazarika
25-Dec-21	118	180	Buy	Sabri Hazarika
23-Nov-21	132	180	Buy	Sabri Hazarika
12-Nov-21	148	180	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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