

February 14, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|-------------------|-------|-------------|-------|
| | FY25E | FY26E | FY25E | FY26E |
| Rating | ACCUMULATE | | HOLD | |
| Target Price | 538 | | 379 | |
| Sales (Rs. bn) | 241 | 269 | 235 | 242 |
| % Chng. | 2.3 | 11.0 | | |
| EBITDA (Rs. bn) | 92 | 116 | 91 | 101 |
| % Chng. | 0.9 | 14.3 | | |
| EPS (Rs.) | 51.1 | 65.4 | 50.9 | 57.8 |
| % Chng. | 0.4 | 13.1 | | |

Key Financials - Standalone

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|-----------------|------|--------|-------|-------|
| Sales (Rs. bn) | 233 | 233 | 241 | 269 |
| EBITDA (Rs. bn) | 97 | 106 | 92 | 116 |
| Margin (%) | 41.6 | 45.8 | 38.1 | 43.1 |
| PAT (Rs. bn) | 68 | 31 | 58 | 74 |
| EPS (Rs.) | 60.3 | 27.4 | 51.1 | 65.4 |
| Gr. (%) | 75.2 | (54.6) | 86.8 | 27.9 |
| DPS (Rs.) | 22.1 | 15.3 | 18.1 | 23.1 |
| Yield (%) | 4.4 | 3.1 | 3.6 | 4.6 |
| RoE (%) | 21.2 | 8.3 | 13.8 | 16.1 |
| RoCE (%) | 18.6 | 18.2 | 13.6 | 16.4 |
| EV/Sales (x) | 2.8 | 2.7 | 2.5 | 2.2 |
| EV/EBITDA (x) | 6.8 | 5.9 | 6.7 | 5.1 |
| PE (x) | 8.3 | 18.2 | 9.8 | 7.6 |
| P/BV (x) | 1.6 | 1.4 | 1.3 | 1.2 |

Key Data

OILI.BO | OINL IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.525 / Rs.238 |
| Sensex / Nifty | 71,833 / 21,840 |
| Market Cap | Rs.541bn/ \$ 6,514m |
| Shares Outstanding | 1,084m |
| 3M Avg. Daily Value | Rs.2207.76m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 56.66 |
| Foreign | 11.00 |
| Domestic Institution | 15.97 |
| Public & Others | 16.37 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|------|------|------|
| Absolute | 33.0 | 78.5 | 93.5 |
| Relative | 34.4 | 62.6 | 64.4 |

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Significant volume growth on the horizon

Quick Pointers:

- Net oil realization post windfall tax stood at US\$74.3/bbl, while gas realization came in at US\$6.5/mmBtu
- Volume growth is expected to come primarily from the Baghjan field; where the company aims to drill ~75 wells in FY25

Oil India's (OINL) reported an EBITDA of Rs 21.1 bn (-15% QoQ, PLe: Rs 25.2 bn). Adj PAT came in at Rs 15.8 bn (-41% QoQ, PLe: Rs 15.1 bn) on standalone basis. Decline in PAT was on account of lower other income and higher tax provision. Total oil and gas production grew by 2.5% and 1.5% QoQ. Going ahead, net oil realization post windfall tax is likely to be maintained at ~US\$70-75/bbl, while gas realization would be US\$6.5/mmBtu. The company expects production to reach 4mmt of oil and 5bcm of gas by FY26. If the company achieves this production target, FY26 EPS would come in at Rs71. However, on a conservative basis, we build in a 5% CAGR in oil and 10% CAGR in gas production over FY24-26E, resulting in EPS of Rs65.4. The stock is currently trading at 9.8/7.6x FY25/26 EPS. We upgrade rating from 'Hold' to 'Accumulate' on better visibility of production growth, valuing the standalone business at 6x FY26 adj EPS and adding the value of investments to arrive at our TP of Rs538.

Operating profit falls 15% QoQ: EBITDA declined 15% QoQ to Rs 21.1bn due to higher other expenses. Other income fell 28% QoQ to Rs5.1bn. Adj PAT came in at Rs15.8bn, down 41% QoQ. On YoY basis, EBITDA/PAT fell 26%/9%. For 9MFY24, EBITDA fell 5.7% YoY to Rs69.2bn while PAT fell 29.8% YoY to Rs35.2bn.

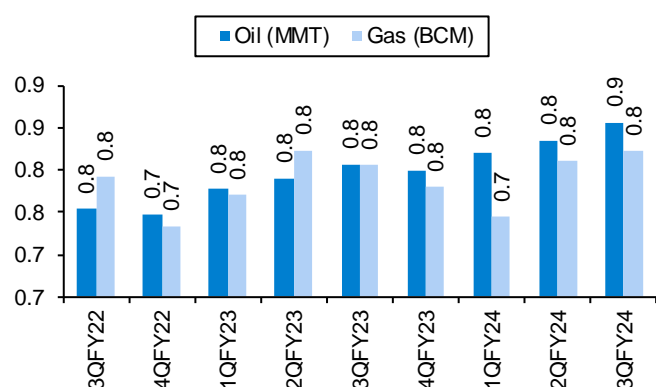
Volumes improve sequentially: Crude oil production grew 2.5% QoQ to 0.9 mmt. Gas production at 0.8 bcm was up 1.5% QoQ. On a YoY basis, oil production grew 6.1% while gas production increased 2%. Crude oil sales at 0.8 mmt were down 0.8% QoQ while gas sales at 0.7 bcm increased 3.8% QoQ. On a YoY basis, oil sales grew 9.7% while gas sales grew 10.3%. Going ahead, we build in a 5% CAGR in oil production to reach 3.9mmt by FY26 and 10% volume CAGR in gas to reach 4.3 bcm in FY26.

Conference call highlights: 1) New development wells in existing fields and new technology in older wells have resulted in rise in production. 2) Oil production targets for FY25/26 stand at 3.8/4mmt, respectively. 3) Gas production targets for FY25/26 stand at 3.8/5 bcm. 4) The company plans to double its exploratory drilling at Baghjan in FY25 to 75-80 wells. 5) Oil India's capex guidance for FY25 is Rs60bn including a Rs10bn equity infusion in NRL. 40-50% of capex cost would be towards exploration and development. 6) Exploration writeoff came in at Rs2.6bn in Q3. Seismic cost stood at Rs1.3bn. 7) 1.7mmtpa product pipeline is being expanded to 5mmtpa and another product pipeline to Bangladesh is under construction. 8) Oil India has incurred a capex of Rs150bn out of the targeted Rs280bn on NRL refinery expansion and 60-65% work has been completed.

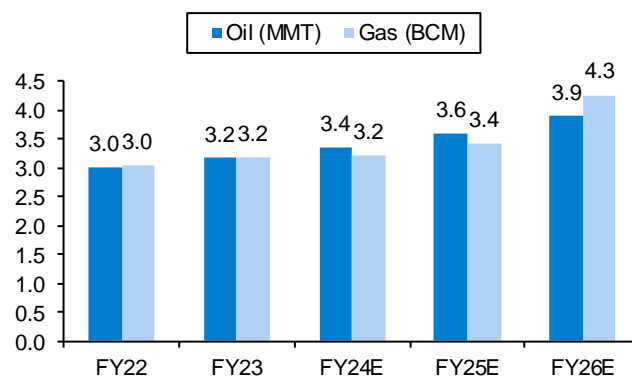
Exhibit 1: Quarterly and 9MFY24 Financials

| (Rs bn) | Q3FY24 | Q2FY24 | QoQ gr. | Q3FY24E | % Var | Q3FY23 | YoY gr. | 9MFY24 | 9MFY23 | YoY gr. |
|-------------------------------|-------------|-------------|---------------|-------------|---------------|-------------|---------------|--------------|--------------|---------------|
| Net Sales | 58.2 | 59.1 | -1.7% | 58.3 | -0.2% | 58.8 | -1.1% | 163.7 | 176.2 | -7.1% |
| EBITDA | 21.1 | 24.9 | -15.4% | 25.2 | -16.5% | 28.6 | -26.2% | 69.2 | 73.4 | -5.7% |
| <i>Margin (%)</i> | <i>36.2</i> | <i>42.1</i> | | <i>43.3</i> | | <i>48.6</i> | | <i>42.3%</i> | <i>41.6%</i> | |
| D,D&A | 5.0 | 4.2 | 17.9% | 4.6 | 8.0% | 4.5 | 10.1% | 13.2 | 12.6 | 4.4% |
| Interest | 1.8 | 2.2 | -18.8% | 2.3 | -20.9% | 2.0 | -9.7% | 5.7 | 6.2 | -7.4% |
| Other income | 5.1 | 7.1 | -28.4% | 1.8 | 177.8% | 1.0 | 397.0% | 15.5 | 10.6 | 46.4% |
| PBT before exceptional | 19.3 | 25.5 | -24.2% | 20.1 | -3.9% | 23.0 | -16.1% | 65.8 | 65.2 | 1.0% |
| Exceptional item | 0.0 | 23.6 | | 0.0 | | 0.0 | | 23.6 | 0.0 | |
| PBT after exceptional | 19.3 | 1.9 | 927.4% | 20.1 | -3.9% | 23.0 | -16.1% | 42.2 | 65.2 | -35.2% |
| Tax | 3.5 | -1.4 | -354.4% | 5.1 | -31.1% | 5.6 | -37.3% | 7.0 | 15.0 | -53.4% |
| <i>Rate (%)</i> | <i>18.0</i> | <i>-5.4</i> | | <i>25.2</i> | | <i>24.2</i> | | | | |
| PAT | 15.8 | 3.3 | 387.0% | 15.1 | 5.2% | 17.5 | -9.3% | 35.2 | 50.2 | -29.8% |
| Adj. PAT | 15.8 | 26.9 | -41.1% | 15.1 | 5.2% | 17.5 | -9.3% | 58.9 | 50.2 | 17.2% |
| Adj. EPS (INR) | 14.0 | 23.8 | -41.1% | 13.3 | 5.2% | 15.4 | -9.3% | 52.1 | 44.4 | 17.2% |
| Oil production (mmt) | 0.9 | 0.8 | 2.5% | 0.8 | 1.3% | 0.8 | 6.1% | 2.5 | 2.4 | 5.7% |
| Gas production (bcm) | 0.8 | 0.8 | 1.5% | 0.8 | 0.2% | 0.8 | 2.0% | 2.4 | 2.4 | -1.0% |
| Oil sales (mmt) | 0.8 | 0.9 | -0.8% | 0.8 | 0.7% | 0.8 | 9.7% | 2.4 | 2.3 | 5.9% |
| Gas sales (bcm) | 0.7 | 0.7 | 3.8% | 0.7 | 1.1% | 0.6 | 10.3% | 1.9 | 1.9 | 0.5% |

Source: Company, PL

Exhibit 2: Oil and gas production grew 2.5 and 1.5% QoQ


Source: Company, PL

Exhibit 3: We anticipate a 10% CAGR in gas production over FY24-26E


Source: Company, PL

Financials

Income Statement (Rs bn)

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|-------------|-------------|-------------|-------------|
| Net Revenues | 233 | 233 | 241 | 269 |
| YoY gr. (%) | 60.2 | (0.1) | 3.5 | 11.7 |
| Cost of Goods Sold | 2 | - | - | - |
| Gross Profit | 230 | 233 | 241 | 269 |
| Margin (%) | 98.9 | 100.0 | 100.0 | 100.0 |
| Employee Cost | 20 | - | - | - |
| Other Expenses | 113 | 126 | 149 | 153 |
| EBITDA | 97 | 106 | 92 | 116 |
| YoY gr. (%) | 80.5 | 9.8 | (13.9) | 26.2 |
| Margin (%) | 41.6 | 45.8 | 38.1 | 43.1 |
| Depreciation and Amortization | 16 | 18 | 20 | 22 |
| EBIT | 81 | 88 | 72 | 93 |
| Margin (%) | 34.8 | 37.9 | 30.0 | 34.7 |
| Net Interest | 7 | 8 | 9 | 10 |
| Other Income | 15 | 18 | 15 | 15 |
| Profit Before Tax | 89 | 74 | 77 | 99 |
| Margin (%) | 38.1 | 31.9 | 32.1 | 36.8 |
| Total Tax | 20 | 20 | 19 | 25 |
| Effective tax rate (%) | 23.1 | 26.4 | 25.2 | 25.2 |
| Profit after tax | 68 | 55 | 58 | 74 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 68 | 31 | 58 | 74 |
| YoY gr. (%) | 75.2 | (54.6) | 86.8 | 27.9 |
| Margin (%) | 29.3 | 13.3 | 24.0 | 27.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 68 | 31 | 58 | 74 |
| YoY gr. (%) | 75.2 | (54.6) | 86.8 | 27.9 |
| Margin (%) | 29.3 | 13.3 | 24.0 | 27.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 68 | 31 | 58 | 74 |
| Equity Shares O/s (bn) | 1 | 1 | 1 | 1 |
| EPS (Rs) | 60.3 | 27.4 | 51.1 | 65.4 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|---------------------------------------|------------|------------|------------|------------|
| Non-Current Assets | | | | |
| Gross Block | 264 | 304 | 344 | 384 |
| Tangibles | 264 | 304 | 344 | 384 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 127 | 146 | 165 | 188 |
| Tangibles | - | - | - | - |
| Intangibles | - | - | - | - |
| Net fixed assets | 136 | 158 | 178 | 196 |
| Tangibles | 136 | 158 | 178 | 196 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 23 | 23 | 22 | 22 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 294 | 295 | 296 | 296 |
| Net Deferred tax assets | (28) | (28) | (28) | (28) |
| Other Non-Current Assets | - | - | - | - |
| Current Assets | | | | |
| Investments | - | - | - | - |
| Inventories | 14 | 14 | 14 | 16 |
| Trade receivables | 22 | 22 | 23 | 26 |
| Cash & Bank Balance | 14 | 50 | 64 | 86 |
| Other Current Assets | - | - | - | - |
| Total Assets | 542 | 600 | 636 | 686 |
| Equity | | | | |
| Equity Share Capital | 11 | 11 | 11 | 11 |
| Other Equity | 333 | 391 | 426 | 470 |
| Total Network | 344 | 402 | 437 | 481 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 112 | 112 | 112 | 112 |
| Provisions | - | - | - | - |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | - | - | - | - |
| Other current liabilities | 58 | 58 | 60 | 65 |
| Total Equity & Liabilities | 542 | 600 | 636 | 686 |

Source: Company Data, PL Research

Cash Flow (Rs bn)

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|--------------------------------------|-------------|-------------|-------------|-------------|
| PBT | 89 | 98 | 77 | 99 |
| Add. Depreciation | 16 | 18 | 20 | 22 |
| Add. Interest | 7 | 8 | 9 | 10 |
| Less Financial Other Income | 15 | 18 | 15 | 15 |
| Add. Other | 3 | - | - | - |
| Op. profit before WC changes | 114 | 124 | 106 | 131 |
| Net Changes-WC | (16) | 0 | (1) | (4) |
| Direct tax | (21) | (20) | (19) | (25) |
| Net cash from Op. activities | 77 | 105 | 86 | 102 |
| Capital expenditures | (52) | (40) | (40) | (40) |
| Interest / Dividend Income | 2 | - | - | - |
| Others | 14 | - | - | - |
| Net Cash from Inv. activities | (36) | (40) | (40) | (40) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (13) | - | - | - |
| Dividend paid | (21) | (20) | (23) | (30) |
| Interest paid | (7) | (8) | (9) | (10) |
| Others | (1) | - | - | - |
| Net cash from Fin. activities | (42) | (28) | (33) | (39) |
| Net change in cash | (2) | 37 | 13 | 23 |
| Free Cash Flow | 42 | 65 | 46 | 62 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 60.3 | 27.4 | 51.1 | 65.4 |
| CEPS | 74.4 | 43.6 | 68.5 | 85.2 |
| BVPS | 304.0 | 355.9 | 386.6 | 425.8 |
| FCF | 37.6 | 57.1 | 40.4 | 54.7 |
| DPS | 22.1 | 15.3 | 18.1 | 23.1 |
| Return Ratio(%) | | | | |
| RoCE | 18.6 | 18.2 | 13.6 | 16.4 |
| ROIC | 15.3 | 16.0 | 12.6 | 15.6 |
| RoE | 21.2 | 8.3 | 13.8 | 16.1 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.3 | 0.2 | 0.1 | 0.1 |
| Net Working Capital (Days) | 197 | - | - | - |
| Valuation(x) | | | | |
| PER | 8.3 | 18.2 | 9.8 | 7.6 |
| P/B | 1.6 | 1.4 | 1.3 | 1.2 |
| P/CEPS | 6.7 | 11.4 | 7.3 | 5.9 |
| EV/EBITDA | 6.8 | 5.9 | 6.7 | 5.1 |
| EV/Sales | 2.8 | 2.7 | 2.5 | 2.2 |
| Dividend Yield (%) | 4.4 | 3.1 | 3.6 | 4.6 |

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

| Y/e Mar | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 |
|-----------------------------------|-------------|-------------|-------------|-------------|
| Net Revenue | 56 | 46 | 59 | 58 |
| YoY gr. (%) | 26.1 | (22.2) | 2.4 | (1.1) |
| Raw Material Expenses | 1 | - | (1) | 2 |
| Gross Profit | 56 | 47 | 60 | 56 |
| Margin (%) | 98.6 | 100.8 | 101.2 | 95.8 |
| EBITDA | 24 | 23 | 25 | 21 |
| YoY gr. (%) | 20.0 | (11.7) | 34.6 | (26.2) |
| Margin (%) | 41.6 | 50.1 | 42.1 | 36.2 |
| Depreciation / Depletion | 3 | 4 | 4 | 5 |
| EBIT | 20 | 19 | 21 | 16 |
| Margin (%) | 35.8 | 41.6 | 34.9 | 27.6 |
| Net Interest | 1 | 2 | 2 | 2 |
| Other Income | 4 | 3 | 7 | 5 |
| Profit before Tax | 23 | 21 | 2 | 19 |
| Margin (%) | 41.4 | 45.2 | 3.2 | 33.2 |
| Total Tax | 6 | 5 | (1) | 3 |
| Effective tax rate (%) | 23.5 | 23.2 | (72.9) | 18.0 |
| Profit after Tax | 18 | 16 | 3 | 16 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 18 | 16 | 27 | 16 |
| YoY gr. (%) | 9.7 | 3.7 | 56.2 | (9.3) |
| Margin (%) | 31.7 | 34.7 | 45.5 | 27.2 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 18 | 16 | 27 | 16 |
| YoY gr. (%) | 9.7 | 3.7 | 56.2 | (9.3) |
| Margin (%) | 31.7 | 34.7 | 45.5 | 27.2 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 18 | 16 | 27 | 16 |
| Avg. Shares O/s (bn) | 1 | 1 | 1 | 1 |
| EPS (Rs) | 15.8 | 14.3 | 23.8 | 14.0 |

Source: Company Data, PL Research

Key Operating Metrics

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|--------------------------------|------|-------|-------|-------|
| Oil production (mmt) | 3 | 3 | 4 | 4 |
| Gas production (bcm) | 3 | 3 | 3 | 4 |
| Net oil realization (US\$/bbl) | 85 | 73 | 70 | 70 |
| Gas realization (US\$/mmBtu) | 7 | 7 | 7 | 7 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 08-Jan-24 | Hold | 379 | 380 |
| 2 | 09-Nov-23 | BUY | 368 | 302 |
| 3 | 06-Oct-23 | BUY | 341 | 296 |
| 4 | 09-Aug-23 | BUY | 341 | 277 |
| 5 | 04-Jul-23 | BUY | 325 | 245 |
| 6 | 25-May-23 | BUY | 325 | 270 |
| 7 | 06-Apr-23 | BUY | 325 | 262 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------------|------------|---------|------------------|
| 1 | Aarti Industries | Reduce | 599 | 663 |
| 2 | Bharat Petroleum Corporation | Sell | 381 | 504 |
| 3 | Bharti Airtel | Accumulate | 1,225 | 1,134 |
| 4 | Clean Science and Technology | Hold | 1,425 | 1,461 |
| 5 | Deepak Nitrite | Reduce | 1,881 | 2,451 |
| 6 | Fine Organic Industries | Hold | 4,575 | 4,496 |
| 7 | GAIL (India) | Reduce | 157 | 172 |
| 8 | Gujarat Fluorochemicals | Hold | 3,727 | 3,616 |
| 9 | Gujarat Gas | Hold | 473 | 505 |
| 10 | Gujarat State Petronet | Accumulate | 374 | 334 |
| 11 | Hindustan Petroleum Corporation | Sell | 284 | 432 |
| 12 | Indian Oil Corporation | Sell | 100 | 143 |
| 13 | Indraprastha Gas | Hold | 382 | 405 |
| 14 | Jubilant Ingrevia | Hold | 433 | 439 |
| 15 | Laxmi Organic Industries | Sell | 221 | 271 |
| 16 | Mahanagar Gas | Reduce | 1,124 | 1,345 |
| 17 | Mangalore Refinery & Petrochemicals | Sell | 106 | 134 |
| 18 | Navin Fluorine International | Accumulate | 3,727 | 3,262 |
| 19 | NOCIL | Reduce | 254 | 270 |
| 20 | Oil & Natural Gas Corporation | Hold | 262 | 258 |
| 21 | Oil India | Hold | 379 | 380 |
| 22 | Petronet LNG | Sell | 212 | 268 |
| 23 | Reliance Industries | Accumulate | 2,912 | 2,735 |
| 24 | SRF | Reduce | 2,127 | 2,320 |
| 25 | Vinati Organics | Reduce | 1,626 | 1,613 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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