

Oil India

Recovering gradually

Our REDUCE recommendation on Oil India with a price target of INR 88 is premised on (1) a muted crude oil and gas realisation and (2) lack of production growth for both oil and gas. Despite production cuts from OPEC and non-OPEC countries, we expect oil prices to remain at USD 34/37 per barrel in FY21/22E vs. USD 61/bbl in FY20, given the weak global macro. With no subsidy sharing with OMCs, OIL remains a pure-play on the crude oil price. 2QFY21 EBITDA/APAT was 38/125% above our estimates, owing to significantly lower-than-expected operating costs and a lower tax provision.

- **Standalone financial performance:** Sales in 2Q was INR 22bn -33% YoY, led by a 26% fall in crude realisation in rupee terms to INR 3,099/bbl. EBITDA fell by 41% YoY to INR 7bn (vs. INR 2bn in 1Q).
- **Exceptional loss:** The expense of INR 1,341mn incurred to control the blowout incident of May/June 2020 at Oil India's well in Baghjan, Assam, has been classified as an exceptional item in 2Q. Adjusting for the loss, APAT comes to INR 3.4bn in 2Q vs. APAT of INR -1.6/+6.3bn in 1QFY21 and 2QFY20.
- **Standalone operational performance:** Crude oil realisation corrected to USD 41.7/bbl, +42/-30% QoQ/YoY; also, gas realisation corrected to USD 3.2/mmbtu, +36/-11% QoQ/YoY. Oil sales volumes were 0.72mmt, -1/-8% QoQ/YoY while gas sales volumes were 0.40bcm, -31/-40% QoQ/YoY.
- **Change in estimates:** We raise our FY21E EPS estimate by 31.1% to INR 17.3 to factor in better-than-anticipated performance in the quarter.
- **Outlook:** Oil realisation should remain muted at USD 34/37/bbl in FY21/22E and gas realisation should slide to USD 2.3/1.9mmbtu in FY21/22E from USD 2.8 in FY20. Correction in oil and gas prices and dip in production should result in 39/50/82% YoY reduction in standalone revenue/EBITDA/APAT in FY21E to INR 74/13/4bn. However, in FY22E, it should increase by 15/11/36% YoY to INR 85/14/6bn, owing to 9% higher oil realisation YoY.
- **We value Oil India's standalone business at INR 21 (5.5x Sept-22E EPS) and its investments at INR 67. The stock is currently trading at 5.1x FY22E EPS.**

Standalone Financial Summary

YE March (INR bn)	2Q FY21	1Q FY21	QoQ (%)	2Q FY20	YoY (%)	FY20*	FY21E*	FY22E*	FY23E*
Revenues	22	17	24.4	32	(32.5)	122	74	85	96
EBITDA	7	2	273.9	12	(40.7)	32	14	16	22
APAT	3	(2)	NA	6	(45.9)	36	19	19	23
AEPS (INR)	3.1	(1.6)	NA	5.8	(45.9)	33.2	17.3	17.4	21.0
P/E (x)						2.7	5.2	5.1	4.2
EV/EBITDA (x)						5.6	13.1	10.8	7.2
RoE (%)						12.5	6.3	5.9	6.8

Source: Company, HSIE Research | *Consolidated

Change in estimates (Consolidated)

	FY21E			FY22E			FY23E		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
EBITDA(INR bn)	9	14	55.9	16	16	-	22	22	-
AEPS(INR/sh)	13.2	17.3	31.1	17.4	17.4	-	21.0	21.0	-

Source: HSIE Research

REDUCE

CMP (as on 10 Nov 2020)	INR 89
Target Price	INR 88
NIFTY	12,631

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 86	INR 88
EPS %	FY21E +31.1%	FY22E -

KEY STOCK DATA

Bloomberg code	OINL IN
No. of Shares (mn)	1,084
MCap (Rs bn) / (\$ mn)	96/1,297
6m avg traded value (Rs mn)	126
52 Week high / low	Rs 170/64

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.0)	0.2	(46.4)
Relative (%)	(20.3)	(36.5)	(53.7)

SHAREHOLDING PATTERN (%)

	Jun-20	Sept-20
Promoters	56.66	56.66
FIs & Local MFs	18.75	6.17
FPIs	7.21	7.06
Public & Others	17.38	30.11
Pledged Shares	0.00	0.00

Source : BSE

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Disclosure:

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