

February 14, 2022

Q3FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	351		351	
Sales (Rs. m)	377,356	393,077	377,356	393,077
% Chng.	-	-	-	-
EBITDA (Rs. m)	87,277	91,804	87,277	91,804
% Chng.	-	-	-	-
EPS (Rs.)	45.3	52.0	45.3	52.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	224,976	358,218	377,356	393,077
EBITDA (Rs. m)	57,020	92,739	87,277	91,804
Margin (%)	25.3	25.9	23.1	23.4
PAT (Rs. m)	41,460	53,821	49,120	56,420
EPS (Rs.)	38.2	49.6	45.3	52.0
Gr. (%)	(17.2)	29.8	(8.7)	14.9
DPS (Rs.)	5.0	9.4	10.7	13.4
Yield (%)	2.2	4.1	4.7	5.9
RoE (%)	17.7	20.8	16.4	16.7
RoCE (%)	9.8	16.6	13.6	13.6
EV/Sales (x)	1.9	1.0	0.9	1.0
EV/EBITDA (x)	7.4	3.7	4.0	4.3
PE (x)	6.0	4.6	5.1	4.4
P/BV (x)	1.1	0.9	0.8	0.7

Key Data

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52-W High / Low	Rs.268 / Rs.112
Sensex / Nifty	58,153 / 17,375
Market Cap	Rs.249bn / \$ 3,297m
Shares Outstanding	1,084m
3M Avg. Daily Value	Rs.304.87m

Shareholding Pattern (%)

Promoter's	56.66
Foreign	10.11
Domestic Institution	17.91
Public & Others	15.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.6	40.2	91.1
Relative	12.2	31.4	69.3

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High realization to drive earnings

Quick Pointers:

- NRL core GRMs was at USD12.5/bbl vs Q2 levels of USD13.5/bbl.
- NRL Q3 EBIDTA/PAT stands at Rs11.3bn/7.9bn while it was Rs13.6bn/9.6bn for Q2. Drop in profitability was due to cut in excise duty on petrol and diesel.
- Higher oil and gas realization will drive earnings for OINL.

We maintain our FY22-24E estimates, as OINL reported strong operational results in Q3 with consolidated EBIDTA/PAT of Rs21.9bn (-5%Q/Q) and Rs15.2bn (+5%Q/Q). Standalone EBIDTA/PAT was at Rs12.7bn (+39%Q/Q PLe Rs17.0bn) and Rs12.5bn (+144% Q/Q; PLe Rs9.0bn). We believe OINL's earnings will ride on improving crude oil and gas realization, along with expansion of Numaligarh refinery (NRL) by 6MTPA (3MTPA capacity), which will increase consolidated FY25E EBIDTA by ~2.7x to Rs157bn. Maintain 'BUY' with TP of Rs351, based on 5x/EV/E FY23E and add value of investment in IOCL.

- Healthy performance:** OINL reported strong standalone results with EBIDTA/PAT of Rs12.6bn (+39%Q/Q) and Rs12.4bn (+144% Q/Q). PAT got a boost from higher other income of Rs9.7bn (+161%Y/Y). Consolidated EBIDTA/PAT was at Rs21.9bn (-5% Q/Q) and Rs15.2bn (+5%Q/Q). QoQ drop in consolidated EBIDTA is due to drop in NRL profitability (Numaligarh refinery ~70% stake) due to excise duty cut in November for petrol and diesel by Rs5/10/litre respectively.
- Q3 realization improve in line with global prices:** OINL didn't have to pay any subsidies in Q3 and tracking international oil prices the company's net realisation was at US\$78.6/bbl in Q2 US\$71.4/bbl and USD44.1/bbl in Q3FY21.
- Volumes remain muted:** OINL's oil and gas production was at 0.75MTPA (-1%Q/Q) and 793mscm (-2%Q/Q). LPG sales for Q3 was at 9,443tons (+26%Q/Q) and realization was at USD838/ton (+20%Q/Q).
- Q3 core GRM for NRL ex of duty benefit was at USD12.5/bbl vs USD13.5/bbl in Q2. GRMs were hit by excise duty cut on petrol and diesel by Rs5/10/litre from November. NRL's capacity expansion is on track to be commissioned by FY25E and we expect consolidated EBIDTA to increase to Rs157bn (Rs57bn in FY21).
- Our estimates factor in crude oil realization of USD70/bbl for FY22-24E as rising supplies from OPEC countries and US shale volume will help moderate prices in CY22E. Any resolution on Iran sanctions is also likely to result in higher supplies going ahead.

Exhibit 1: Q3FY22 Result Overview (Rs mn)

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net sales	37,367	21,260	75.8	33,112	100,549	60,389	66.5
Expenses							
(Increase)/decrease in stock	772	697	10.8	954	2,303	2,253	2.2
Employee cost	4,330	4,583	(5.5)	4,530	13,077	14,387	(9.1)
Statutory levies	10,399	5,293	96.5	9,074	28,190	15,622	80.5
Other expenditure	9,194	11,626	(20.9)	9,419	22,841	19,720	15.8
Total expenditure	24,695	22,198	11.2	23,978	66,411	51,982	27.8
EBITDA	12,672	(938)	NA	9,134	34,138	8,407	306.1
Depreciation, depletion, & amortization	4,678	3,879	20.6	4,202	12,855	11,201	14.8
Interest	1,748	1,223	42.9	1,870	5,838	3,717	57.1
Other income	9,685	3,712	160.9	3,676	13,999	6,130	128.4
Profit before tax	15,932	(2,328)	NA	6,738	29,443	(382)	NA
Current tax	3,966	(11,038)	NA	2,018	5,973	(10,091)	NA
Deferred tax	(483)	(1,841)	NA	(388)	823	(3,021)	NA
Profit after tax	12,449	10,551	18.0	5,108	22,647	12,729	77.9

Source: Company, PL

Exhibit 2: OINL quarterly volume and realization details

Sales break-up	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Crude oil	23,197	20,067	11,962	16,247	16,585	21,429	25,273	27,521	30,346
Natural gas	4,179	3,808	3,296	3,168	2,531	2,392	2,542	2,884	4,308
LPG	224	357	263	247	284	370	342	389	593
Income from transportation	723	646	876	909	1,051	779	894	967	881
Others/unallocated	1,129	976	1,008	1,013	706	698	891	1,245	1,114
Condensate	68	42	34	106	103	128	129	112	125
Total income	28,391	24,920	16,431	20,677	20,554	25,098	29,179	31,873	36,253
Production (Quantity)									
Crude oil (MMT)	0.75	0.76	0.75	0.75	0.75	0.72	0.75	0.76	0.75
Crude oil (mmbbl)	5	5	5	5	5	5	5	5	5
Natural Gas (mmscm)	697	645	682	638	673	649	711	807	793
Sales (Quantity)									
Crude oil (MMT)	0.73	0.75	0.73	0.72	0.72	0.70	0.72	0.74	0.73
Crude oil (mmbbl)									
Natural Gas (mmscm)	598.00	531.00	576.00	553.00	586.00	555.00	608.00	674.00	632.00
LPG (tonnes)	6,555	8,294	8,402	8,383	8,614	8,678	7,522	7,491	9,443
Rs/\$	71.20	72.30	75.87	74.40	73.80	72.90	73.77	74.10	74.93
Realizations (US\$/bbl)									
Gross realization	63.30	52.18	30.43	42.74	44.09	59.80	67.15	71.35	78.60
Net realization	63.30	52.18	30.43	42.74	44.09	59.80	67.15	71.35	78.60
Gas (Rs/scm)	6.99	7.17	5.72	5.73	4.32	4.31	4.18	4.28	6.82
LPG (US\$/ton)	480.81	595.34	412.58	395.71	447.37	584.39	616.33	700.80	838.09

Source: Company, PL

Conference Call Highlights:

- Management expects oil production of 3.3/4.0MTPA for FY23/24E, while gas production is likely at 4bcm for FY23E.
- Domestic gas prices to rise to USD5.5-5.75/mmbtu for H1FY23E and USD6.5-7/mmbtu for H2FY23E.
- NRL Q3 GRMs was at USD12.5/bbl vs USD13.5/bbl in Q2 while PAT was at Rs7.9bn vs Rs9.6bn in Q2.
- Other income includes dividend from IOCL of Rs2.4bn while Rs2.6bn for OIPL and Rs2.5bn for NRL.
- Q3FY22 end net debt at OINL consolidated Rs170bn with standalone at Rs125bn.
- NRL capex expansion till date stands at Rs30bn and will spend Rs15bn for Q4FY22.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	224,976	358,218	377,356	393,077
YoY gr. (%)	9.0	59.2	5.3	4.2
Cost of Goods Sold	38,253	89,107	100,123	103,127
Gross Profit	186,723	269,111	277,232	289,950
Margin (%)	83.0	75.1	73.5	73.8
Employee Cost	22,914	25,186	27,704	30,475
Other Expenses	20,822	35,241	38,765	40,288
EBITDA	57,020	92,739	87,277	91,804
YoY gr. (%)	7.3	62.6	(5.9)	5.2
Margin (%)	25.3	25.9	23.1	23.4
Depreciation and Amortization	18,441	18,431	22,035	18,001
EBIT	38,579	74,307	65,242	73,803
Margin (%)	17.1	20.7	17.3	18.8
Net Interest	6,605	8,252	9,954	9,679
Other Income	10,921	17,757	19,199	19,885
Profit Before Tax	38,405	83,812	74,487	84,010
Margin (%)	17.1	23.4	19.7	21.4
Total Tax	2,227	21,426	18,997	21,391
Effective tax rate (%)	5.8	25.6	25.5	25.5
Profit after tax	36,178	62,387	55,489	62,619
Minority interest	-	8,565	6,369	6,198
Share Profit from Associate	5,282	-	-	-
Adjusted PAT	41,460	53,821	49,120	56,420
YoY gr. (%)	(17.2)	29.8	(8.7)	14.9
Margin (%)	18.4	15.0	13.0	14.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	41,460	53,821	49,120	56,420
YoY gr. (%)	(17.2)	29.8	(8.7)	14.9
Margin (%)	18.4	15.0	13.0	14.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	41,460	53,821	49,120	56,420
Equity Shares O/s (m)	1,084	1,084	1,084	1,084
EPS (Rs)	38.2	49.6	45.3	52.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	201,721	295,327	340,327	385,327
Tangibles	200,215	294,784	339,784	384,784
Intangibles	1,506	543	543	543
Acc: Dep / Amortization	55,861	110,460	132,495	150,497
Tangibles	55,861	110,460	132,495	150,497
Intangibles	-	-	-	-
Net fixed assets	145,860	184,866	207,831	234,830
Tangibles	144,354	184,323	207,289	234,287
Intangibles	1,506	543	543	543
Capital Work In Progress	31,707	42,000	72,000	139,399
Goodwill	-	-	-	-
Non-Current Investments	250,954	180,713	180,957	181,216
Net Deferred tax assets	(31,905)	(31,841)	(35,374)	(39,411)
Other Non-Current Assets	14,333	687	752	824
Current Assets				
Investments	5,902	6,492	7,142	7,856
Inventories	32,216	42,696	44,634	46,921
Trade receivables	18,556	33,645	35,328	37,248
Cash & Bank Balance	15,866	78,252	67,089	72,678
Other Current Assets	32,138	34,615	36,439	38,364
Total Assets	552,139	609,031	657,534	765,013
Equity				
Equity Share Capital	10,844	10,844	10,844	10,844
Other Equity	225,820	269,449	306,918	348,786
Total Networkth	236,664	280,293	317,762	359,630
Non-Current Liabilities				
Long Term borrowings	151,055	129,889	115,911	165,707
Provisions	12,090	12,593	13,229	13,898
Other non current liabilities	154	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	43,005	53,000	63,000	63,000
Trade payables	13,935	25,825	26,971	28,333
Other current liabilities	49,703	52,791	55,978	59,379
Total Equity & Liabilities	552,139	609,031	657,534	765,013

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	43,686	83,812	74,487	84,010
Add. Depreciation	18,441	18,431	22,035	18,001
Add. Interest	6,605	8,252	9,954	9,679
Less Financial Other Income	10,921	17,757	19,199	19,885
Add. Other	(10,921)	(17,757)	(19,199)	(19,885)
Op. profit before WC changes	57,811	92,739	87,277	91,804
Net Changes-WC	(93,155)	(14,869)	1,942	2,125
Direct tax	(12,230)	(17,525)	(15,464)	(17,354)
Net cash from Op. activities	(47,573)	60,345	73,754	76,575
Capital expenditures	(26,609)	(53,898)	(75,000)	(112,399)
Interest / Dividend Income	-	-	-	-
Others	13,884	89,453	19,199	19,885
Net Cash from Inv. activities	(12,726)	35,555	(55,801)	(92,514)
Issue of share cap. / premium	(20,742)	(3,901)	(3,533)	(4,038)
Debt changes	66,626	(11,170)	(3,978)	49,796
Dividend paid	(5,422)	(10,192)	(11,651)	(14,552)
Interest paid	(6,605)	(8,252)	(9,954)	(9,679)
Others	-	-	-	-
Net cash from Fin. activities	33,858	(33,515)	(29,116)	21,527
Net change in cash	(26,441)	62,385	(11,163)	5,589
Free Cash Flow	(74,182)	6,447	(1,246)	(35,824)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	25,795	30,070	33,112	37,367
YoY gr. (%)	(0.4)	72.4	52.7	75.8
Raw Material Expenses	648	577	954	772
Gross Profit	25,147	29,493	32,158	36,595
Margin (%)	97.5	98.1	97.1	97.9
EBITDA	4,247	12,331	9,134	12,672
YoY gr. (%)	(138.6)	525.4	23.9	(1,450.8)
Margin (%)	16.5	41.0	27.6	33.9
Depreciation / Depletion	4,176	3,975	4,202	4,678
EBIT	72	8,356	4,932	7,994
Margin (%)	0.3	27.8	14.9	21.4
Net Interest	1,270	2,221	1,870	1,748
Other Income	13,301	638	3,676	9,685
Profit before Tax	12,103	6,774	6,738	15,932
Margin (%)	46.9	22.5	20.3	42.6
Total Tax	2,926	1,683	1,630	3,483
Effective tax rate (%)	24.2	24.8	24.2	21.9
Profit after Tax	9,176	5,091	5,108	12,449
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	9,877	5,091	5,108	12,449
YoY gr. (%)	6.7	(428.0)	36.9	3.2
Margin (%)	38.3	16.9	15.4	33.3
Extra Ord. Income / (Exp)	(701)	-	-	-
Reported PAT	9,176	5,091	5,108	12,449
YoY gr. (%)	(0.9)	(304.8)	113.8	18.0
Margin (%)	35.6	16.9	15.4	33.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,176	5,091	5,108	12,449
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	38.2	49.6	45.3	52.0
CEPS	55.2	66.6	65.6	68.6
BVPS	218.2	258.5	293.0	331.6
FCF	(68.4)	5.9	(1.1)	(33.0)
DPS	5.0	9.4	10.7	13.4
Return Ratio(%)				
RoCE	9.8	16.6	13.6	13.6
ROIC	7.3	14.2	11.2	10.8
RoE	17.7	20.8	16.4	16.7
Balance Sheet				
Net Debt : Equity (x)	0.7	0.4	0.3	0.4
Net Working Capital (Days)	60	51	51	52
Valuation(x)				
PER	6.0	4.6	5.1	4.4
P/B	1.1	0.9	0.8	0.7
P/CEPS	4.1	3.4	3.5	3.3
EV/EBITDA	7.4	3.7	4.0	4.3
EV/Sales	1.9	1.0	0.9	1.0
Dividend Yield (%)	2.2	4.1	4.7	5.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Gross realisation (US\$/bbl)	44	73	69	69
Subsidy (US\$/bbl)				
Net realisation (US\$/bbl)	44	73	69	69
Oil Production (mn tons)	3	3	3	3
Gas production (mscm)	2,642	2,800	2,940	3,087
US\$/Rs	74	76	78	80

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Jan-22	BUY	351	195
2	11-Nov-21	BUY	351	217
3	8-Nov-21	BUY	351	222
4	5-Oct-21	BUY	328	242
5	17-Aug-21	BUY	328	167
6	2-Jul-21	UR	-	169
7	5-Apr-21	UR	-	122

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	543	382
2	Burger King India	BUY	250	168
3	GAIL (India)	BUY	205	147
4	Gujarat Gas	BUY	764	665
5	Hindustan Petroleum Corporation	BUY	445	314
6	Indian Oil Corporation	BUY	205	124
7	Indraprastha Gas	BUY	660	392
8	Mahanagar Gas	BUY	1,187	799
9	Oil & Natural Gas Corporation	BUY	210	150
10	Oil India	BUY	351	195
11	Petronet LNG	BUY	356	220
12	Reliance Industries	BUY	2,955	2,478

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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