

June 4, 2022

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	344		344	
Sales (Rs. m)	4,20,609	4,13,727	4,20,609	4,13,727
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,26,433	1,11,915	1,26,433	1,11,915
% Chng.	-	-	-	-
EPS (Rs.)	72.1	67.4	72.1	67.4
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,24,976	3,00,112	4,20,609	4,13,727
EBITDA (Rs. m)	57,020	1,05,004	1,26,433	1,11,915
Margin (%)	25.3	35.0	30.1	27.1
PAT (Rs. m)	41,460	67,192	78,238	73,108
EPS (Rs.)	38.2	62.0	72.1	67.4
Gr. (%)	(17.2)	62.1	16.4	(6.6)
DPS (Rs.)	5.0	14.3	10.7	13.4
Yield (%)	2.0	5.7	4.3	5.3
RoE (%)	17.7	24.8	23.1	18.2
RoCE (%)	9.8	19.3	20.4	15.5
EV/Sales (x)	2.0	1.4	0.8	0.8
EV/EBITDA (x)	7.8	4.0	2.6	3.1
PE (x)	6.6	4.1	3.5	3.7
P/BV (x)	1.1	0.9	0.7	0.6

Key Data

OILI.BO | OINL IN

52-W High / Low	Rs.268 / Rs.138
Sensex / Nifty	55,769 / 16,584
Market Cap	Rs.272bn/ \$ 3,505m
Shares Outstanding	1,084m
3M Avg. Daily Value	Rs.545.08m

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	14.2	16.2	79.6
Relative	16.7	20.2	68.2

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On a strong footing

Quick Pointers:

- At an inflection point- as major oil and gas projects along with NRL expansion to come on stream by FY25E.
- Higher oil and gas realisations and strong GRMs to drive earnings.

We attended the analyst meet of Oil India (OINL). Management guided strong volume growth FY25E to be a watershed year, driven by commissioning of major oil and gas expansion along with Numaligarh Refinery's (NRL) expansion projects. Some key highlights are 1) Oil and gas production to increase by 30% and 70% respectively post completion of major projects in Assam 2) NRL refinery's expansion to 9MTPA from current 3MTPA to come on stream by FY25E 3) No imposition of windfall taxes after two years of depressed profits and 4) No price cap on gas prices. OINL is well placed to benefit from rising oil and gas prices and high GRMs and FY25E EBITDA can increase to Rs210bn (FY22-Rs105bn) on higher volumes. We maintain our estimates and retain 'BUY' with a PT of Rs344 based on 3.5x EV/E FY24E.

Strong volume growth along with higher realisation: OINL has aggressive growth plans as it expects 30% increase in oil volumes to 4MTPA by FY25E, with commencement of brownfield expansion projects in Assam. Gas volumes will rise to 5bcm from current 3bcm, as the new gas pipeline in North East is commissioned. Gas evaluation challenge has led to lower production for OINL, however, start of the Indradhanush gas pipeline grid by FY25E (which connects eight states in North East) will boost gas demand fed by higher volumes from the Bagjan fields.

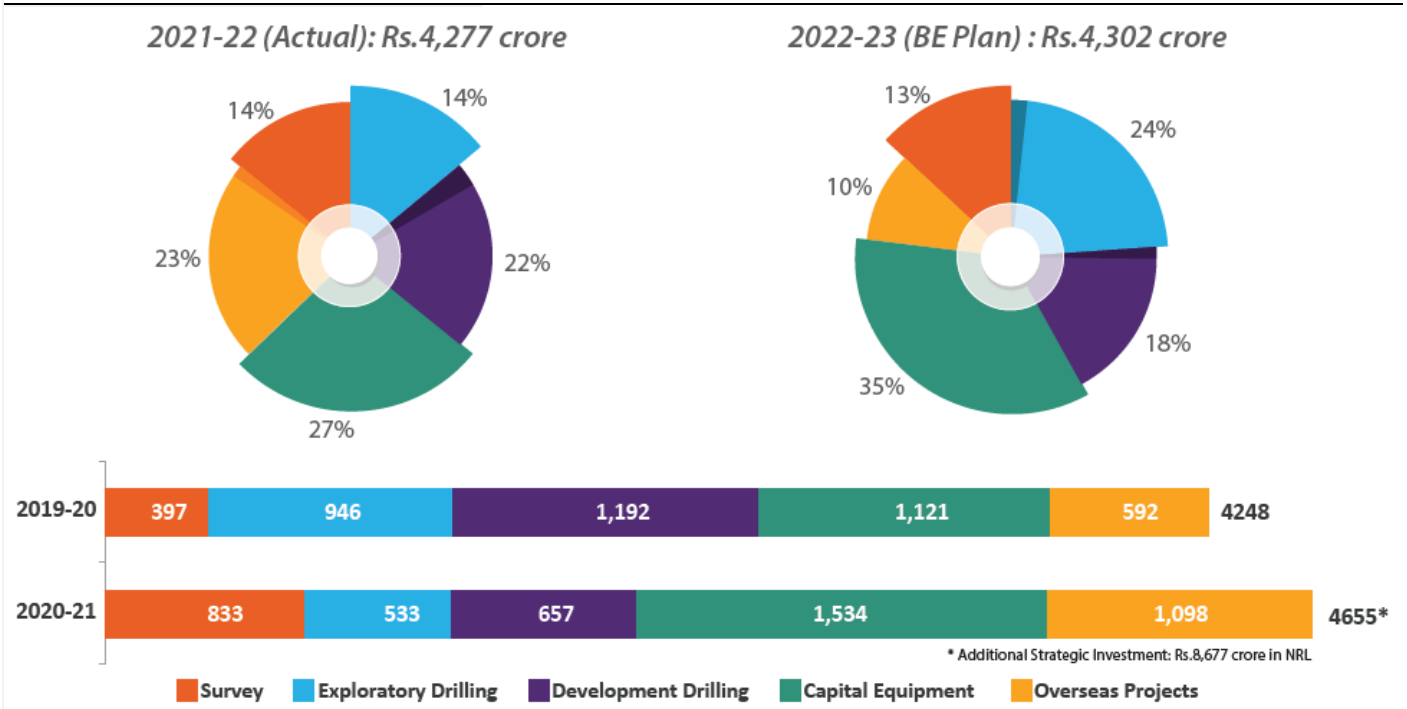
Cap on prices unlikely to be imposed: OINL doesn't expect any cap on gas prices and remains hopeful of another hike in Oct-22. Gas prices have increased from USD2.9/mmbtu to USD6.1/mmbtu for H1FY23.

NRL refinery- a prized asset: NRL is a highly complex refinery with Nelson complexity of 9.2. Also OINL's diesel and petrol volume accounted for 69%/15% of product slate and will benefit from sharp upmove in product spreads currently. In FY22, NRL (OINL has 69.6% stake) posted EBITDA/PAT of Rs50.5bn/Rs35.6bn with a growth of 16% YoY/17% YoY. NRL remains a prized asset, as it retains 50% of excise on fuel sales. FY22 core GRMs were at USD14.3/bbl vs USD4.0/bbl in FY21, while additional excise benefits were at Rs35bn or USD24.7/bbl vs USD36/bbl in FY21. Lower excise benefit was due to cut in duty rates in November' 21. At current excise rates, peak excise earnings will be at Rs80bn p.a, on the expanded capacity as per company and has no sunset clause.

Russian investments continue to payoff: OINL had invested USD990mn in Russian oil and gas fields in CY16. Till FY22 end, the company received USD660mn in dividends from those investments. The company has not seen any drop in production as higher discounts will be offset by commensurate increase in realizations.

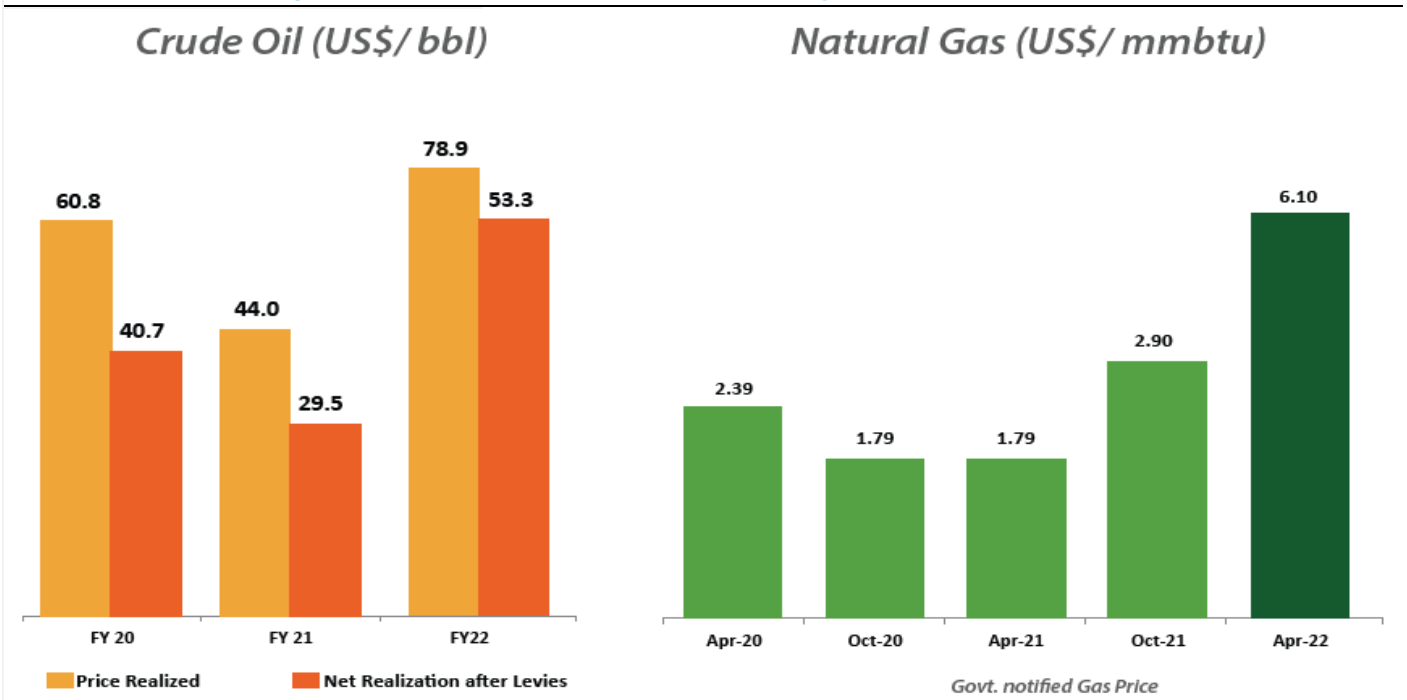
Capex plans: OINL spent Rs42.8bn on capex in FY22 and expects similar capex in FY23E. Exploration drilling is to account for 24% of FY23E capex, while capital equipment will account for 35% of capex.

Exhibit 1: OINL capex will be at Rs43bn with major focus on domestic markets



Source: Company, PL

Exhibit 2: OINL's oil and gas realization has increased on back of strong demand post pandemic



Source: Company, PL

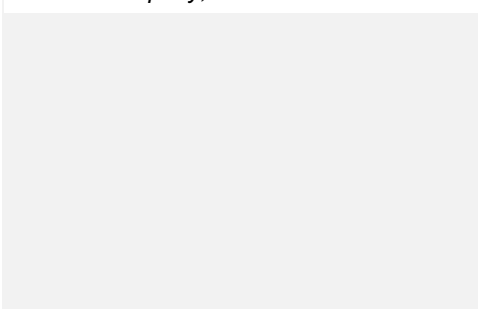
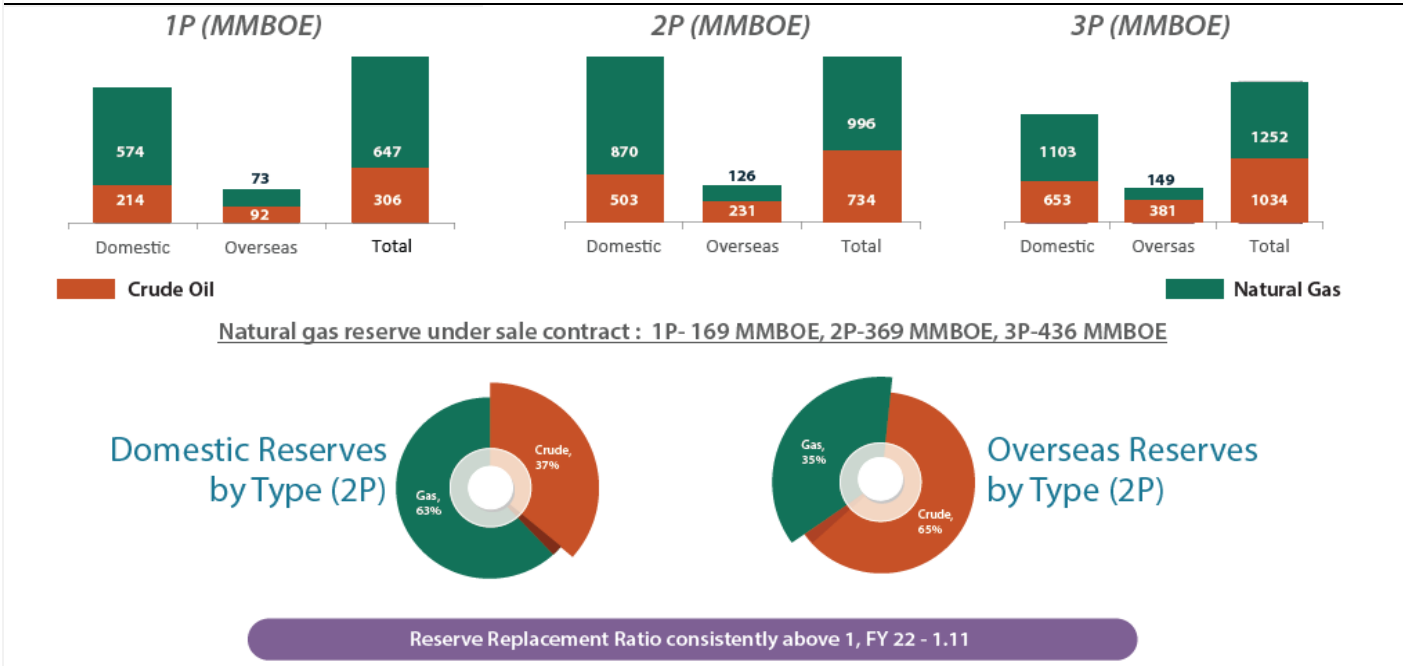
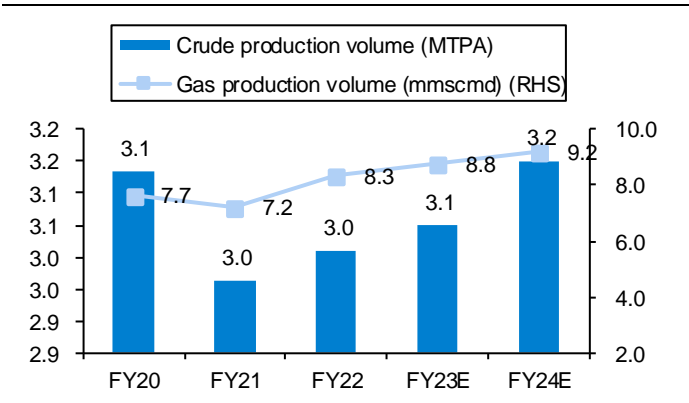


Exhibit 3: OINL's reserves and reserve replacement remains impressive



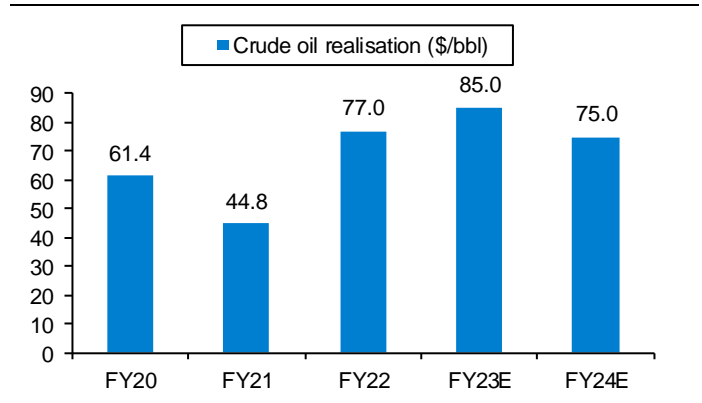
Source: Company, PL

Exhibit 4: Production is likely to increase in near term



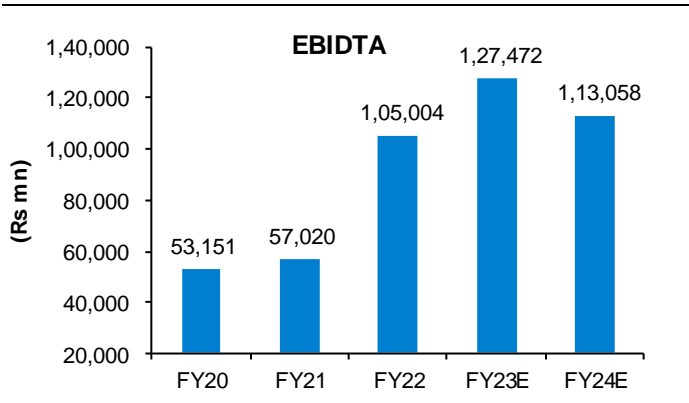
Source: Company, PL

Exhibit 5: Realisation has increased with higher demand



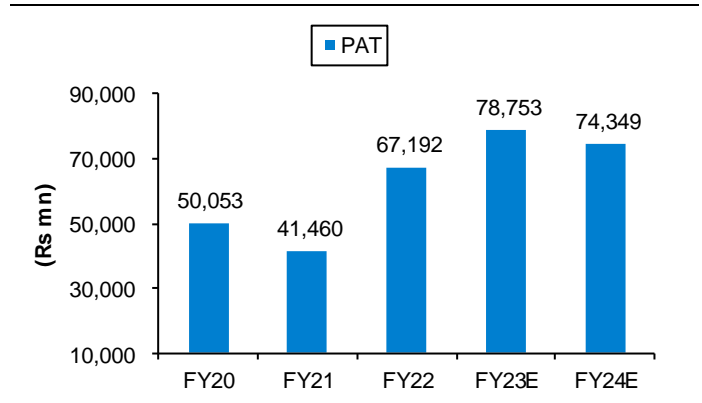
Source: Company, PL

Exhibit 6: Operating profits have increased sharply



Source: Company, PL

Exhibit 7: Profits have increased with higher realisation



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	2,24,976	3,00,112	4,20,609	4,13,727
YoY gr. (%)	9.0	33.4	40.2	(1.6)
Cost of Goods Sold	38,253	53,869	1,00,123	1,03,127
Gross Profit	1,86,723	2,46,243	3,20,485	3,10,600
Margin (%)	83.0	82.1	76.2	75.1
Employee Cost	22,914	20,533	22,872	25,160
Other Expenses	20,822	24,632	37,655	39,156
EBITDA	57,020	1,05,004	1,26,433	1,11,915
YoY gr. (%)	7.3	84.2	20.4	(11.5)
Margin (%)	25.3	35.0	30.1	27.1
Depreciation and Amortization	18,441	18,245	22,035	18,001
EBIT	38,579	86,759	1,04,398	93,913
Margin (%)	17.1	28.9	24.8	22.7
Net Interest	6,605	9,401	9,954	9,679
Other Income	10,921	11,426	19,225	19,699
Profit Before Tax	38,405	88,784	1,13,669	1,03,934
Margin (%)	17.1	29.6	27.0	25.1
Total Tax	2,227	22,710	28,878	26,351
Effective tax rate (%)	5.8	25.6	25.4	25.4
Profit after tax	36,178	66,074	84,791	77,583
Minority interest	-	-	6,554	4,475
Share Profit from Associate	5,282	1,119	-	-
Adjusted PAT	41,460	67,192	78,238	73,108
YoY gr. (%)	(17.2)	62.1	16.4	(6.6)
Margin (%)	18.4	22.4	18.6	17.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	41,460	67,192	78,238	73,108
YoY gr. (%)	(17.2)	62.1	16.4	(6.6)
Margin (%)	18.4	22.4	18.6	17.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	41,460	67,192	78,238	73,108
Equity Shares O/s (m)	1,084	1,084	1,084	1,084
EPS (Rs)	38.2	62.0	72.1	67.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	2,01,721	2,68,635	3,40,327	3,85,327
Tangibles	2,00,215	2,66,541	3,39,784	3,84,784
Intangibles	1,506	2,093	543	543
Acc: Dep / Amortization	55,861	1,10,844	1,32,878	1,50,880
Tangibles	55,861	1,10,844	1,32,878	1,50,880
Intangibles	-	-	-	-
Net fixed assets	1,45,860	1,57,791	2,07,448	2,34,447
Tangibles	1,44,354	1,55,698	2,06,906	2,33,904
Intangibles	1,506	2,093	543	543
Capital Work In Progress	31,707	58,997	72,000	1,39,399
Goodwill	-	-	-	-
Non-Current Investments	2,50,954	2,74,256	1,80,957	1,81,216
Net Deferred tax assets	(31,905)	(31,449)	(34,785)	(39,950)
Other Non-Current Assets	14,333	13,083	752	824
Current Assets				
Investments	5,902	5,812	7,142	7,856
Inventories	32,216	39,121	50,947	49,948
Trade receivables	18,556	17,505	41,184	40,392
Cash & Bank Balance	15,866	15,503	1,19,152	1,44,865
Other Current Assets	32,138	21,189	36,439	38,364
Total Assets	5,52,139	6,05,241	7,21,383	8,42,988
Equity				
Equity Share Capital	10,844	10,844	10,844	10,844
Other Equity	2,25,820	2,94,775	3,61,361	4,19,917
Total Networkth	2,36,664	3,05,619	3,72,205	4,30,761
Non-Current Liabilities				
Long Term borrowings	1,51,055	1,63,884	1,15,911	1,65,707
Provisions	12,090	10,945	13,229	13,898
Other non current liabilities	154	98	-	-
Current Liabilities				
ST Debt / Current of LT Debt	43,005	503	63,000	63,000
Trade payables	13,935	16,930	30,636	30,033
Other current liabilities	49,703	50,657	55,978	59,379
Total Equity & Liabilities	5,52,139	6,08,183	7,21,383	8,42,988

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	43,686	89,902	1,13,669	1,03,934
Add. Depreciation	18,441	18,245	22,035	18,001
Add. Interest	6,605	9,401	9,954	9,679
Less Financial Other Income	10,921	11,426	19,225	19,699
Add. Other	(10,921)	(11,426)	(19,225)	(19,699)
Op. profit before WC changes	57,811	1,06,122	1,26,433	1,11,915
Net Changes-WC	(93,155)	112	(22,132)	7,285
Direct tax	(12,230)	(24,030)	(23,317)	(21,185)
Net cash from Op. activities	(47,573)	82,204	80,984	98,014
Capital expenditures	(26,609)	(53,895)	(74,434)	(1,12,399)
Interest / Dividend Income	-	-	-	-
Others	13,884	(7,393)	1,09,741	19,699
Net Cash from Inv. activities	(12,726)	(61,288)	35,307	(92,700)
Issue of share cap. / premium	(20,742)	33,246	(5,561)	(5,166)
Debt changes	66,626	(29,672)	14,524	49,796
Dividend paid	(5,422)	(15,453)	(11,651)	(14,552)
Interest paid	(6,605)	(9,401)	(9,954)	(9,679)
Others	-	-	-	-
Net cash from Fin. activities	33,858	(21,280)	(12,642)	20,399
Net change in cash	(26,441)	(363)	1,03,649	25,713
Free Cash Flow	(74,182)	28,309	6,550	(14,385)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	30,070	33,112	37,367	44,264
YoY gr. (%)	72.4	52.7	75.8	71.6
Raw Material Expenses	577	954	772	-
Gross Profit	29,493	32,158	36,595	44,264
Margin (%)	98.1	97.1	97.9	100.0
EBITDA	12,331	9,134	12,672	16,345
YoY gr. (%)	525.4	23.9	(1,450.8)	284.9
Margin (%)	41.0	27.6	33.9	36.9
Depreciation / Depletion	3,975	4,202	4,678	4,800
EBIT	8,356	4,932	7,994	11,545
Margin (%)	27.8	14.9	21.4	26.1
Net Interest	2,221	1,870	1,748	1,900
Other Income	638	3,676	9,685	3,500
Profit before Tax	6,774	6,738	15,932	13,145
Margin (%)	22.5	20.3	42.6	29.7
Total Tax	1,683	1,630	3,483	3,352
Effective tax rate (%)	24.8	24.2	21.9	25.5
Profit after Tax	5,091	5,108	12,449	9,793
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,091	5,108	12,449	9,793
YoY gr. (%)	(428.0)	36.9	3.2	(0.9)
Margin (%)	16.9	15.4	33.3	22.1
Extra Ord. Income / (Exp)	-	-	-	1
Reported PAT	5,091	5,108	12,449	9,795
YoY gr. (%)	(304.8)	113.8	18.0	6.7
Margin (%)	16.9	15.4	33.3	22.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,091	5,108	12,449	9,795
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	38.2	62.0	72.1	67.4
CEPS	55.2	78.8	92.5	84.0
BVPS	218.2	281.8	343.2	397.2
FCF	(68.4)	26.1	6.0	(13.3)
DPS	5.0	14.3	10.7	13.4
Return Ratio(%)				
RoCE	9.8	19.3	20.4	15.5
ROIC	7.3	14.9	17.5	13.6
RoE	17.7	24.8	23.1	18.2
Balance Sheet				
Net Debt : Equity (x)	0.7	0.5	0.1	0.2
Net Working Capital (Days)	60	48	53	53
Valuation(x)				
PER	6.6	4.1	3.5	3.7
P/B	1.1	0.9	0.7	0.6
P/CEPS	4.5	3.2	2.7	3.0
EV/EBITDA	7.8	4.0	2.6	3.1
EV/Sales	2.0	1.4	0.8	0.8
Dividend Yield (%)	2.0	5.7	4.3	5.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Gross realisation (US\$/bbl)	44	79	87	82
Net realisation (US\$/bbl)	44	79	87	82
Oil Production (mn tons)	3	3	3	3
Gas production (mscm)	2,642	3,045	3,197	3,357
US\$/Rs	74	76	78	80

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-May-22	BUY	344	218
2	23-May-22	BUY	240	162
3	04-Apr-22	BUY	360	237
4	14-Feb-22	BUY	351	229
5	06-Jan-22	BUY	351	195
6	11-Nov-21	BUY	351	217
7	08-Nov-21	BUY	351	222
8	05-Oct-21	BUY	328	242
9	17-Aug-21	BUY	328	167
10	02-Jul-21	UR	-	169

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	416	326
2	GAIL (India)	BUY	170	143
3	Gujarat Gas	BUY	650	571
4	Hindustan Petroleum Corporation	BUY	368	244
5	Indian Oil Corporation	Hold	131	117
6	Indraprastha Gas	BUY	589	379
7	Mahanagar Gas	BUY	1,103	761
8	Oil & Natural Gas Corporation	BUY	180	144
9	Oil India	BUY	344	218
10	Petronet LNG	BUY	315	228
11	Reliance Industries	BUY	3,000	2,624

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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