

August 9, 2023

Q1FY24 Result Update

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,45,302	2,32,726	2,27,952	2,43,238
EBITDA (Rs. m)	53,689	96,908	81,674	81,561
Margin (%)	37.0	41.6	35.8	33.5
PAT (Rs. m)	38,873	68,104	51,359	51,459
EPS (Rs.)	34.4	60.3	45.4	45.5
Gr. (%)	123.2	75.2	(24.6)	0.2
DPS (Rs.)	(10.3)	(18.7)	(18.9)	(18.9)
Yield (%)	(3.7)	(6.8)	(6.8)	(6.8)
RoE (%)	13.9	21.2	14.3	13.2
RoCE (%)	9.3	18.6	13.5	12.5
EV/Sales (x)	2.9	1.8	1.8	1.6
EV/EBITDA (x)	7.9	4.2	4.9	4.8
PE (x)	8.0	4.6	6.1	6.1
P/BV (x)	1.0	0.9	0.8	0.8

Key Data

OILI.BO | OINL IN

52-W High / Low	Rs.280 / Rs.168
Sensex / Nifty	65,996 / 19,633
Market Cap	Rs.300bn/ \$ 3,621m
Shares Outstanding	1,084m
3M Avg. Daily Value	Rs.369.65m

Shareholding Pattern (%)

Promoter's	56.66
Foreign	11.02
Domestic Institution	16.35
Public & Others	15.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.2	20.7	39.7
Relative	8.0	11.2	24.6

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Strong operating performance

Quick Pointers:

- Gas realization down to US\$6.5/mmbtu post revision in domestic prices
- Oil production increased 2.5% QoQ while gas production fell 4.5% QoQ owing to offtake issues with customers

Oil India's (OINL) results were above estimates with EBITDA/PAT of Rs 23.2 bn (-1% Q/Q, PLe: Rs 22.1 bn) and Rs 16.1 bn (-9.8% Q/Q, PLe: Rs 13 bn) respectively on a standalone basis. Total oil and gas production fell marginally by 1% QoQ to 1.5 MMT primarily due to decline in gas production. The company aims to achieve its targeted production of 4 MMT of oil and 5 BCM of gas by FY25 end and on a conservative basis we have built in a 3% CAGR both in oil and gas production over FY23-25. The stock is trading at 6.3x FY25 EPS and 5x FY25 EV/EBITDA. We maintain our 'Buy' rating on the stock, valuing it on SoTP based fair value of 6x FY25 EPS and add investments to arrive at our TP of 341.

Operating margins largely maintained: Revenue came in at Rs 46.4 bn, down 18% QoQ due to decline in oil and gas realization. Oil realization post accounting for windfall tax stood at US\$74.3/bbl, down US\$1.8/bb QoQ while gas realization fell by US\$2/mmbtu to US\$6.5/mmbtu. EBITDA at Rs 23.2 bn was down 1% QoQ while PAT declined by 9.8% QoQ to Rs 16.1 bn due to higher depreciation, interest and lower other income.

Volumes decline sequentially: Crude oil production was up 2.5% QoQ to 0.82 MMT. However, gas production at 0.745 BCM declined 4.5% QoQ due to offtake issues with customers. This led to total volume falling marginally by 1% QoQ to 1.565 MMT. On a YoY basis oil production grew 5.4% while gas production fell 3.4%. Crude oil sales 0.747 MMT were down 2.5% QoQ while gas sales at 0.54 BCM declined by 8% QoQ. On a YoY basis, oil and gas sales fell 2.2% and 8.4%, respectively.

Company outlook: Although crude oil prices have risen and are currently trading at around US\$85/bbl, we believe net oil realization after adjusting for windfall tax to be capped at US\$70/bbl. Gas prices have been revised as per the Kirit Parikh committee's recommendation from US\$8.57/mmbtu to a ceiling of US\$6.5/mmbtu for the next two years. This will provide stability to the company on the pricing front. On the production front, the company aims to achieve its targeted production of 4 MMT of oil and 5 BCM of gas by FY25. However, on a conservative basis we have built in a 3% increase both in oil and gas production. We anticipate oil production to reach 3.37 BCM and gas production to reach 3.37 BCM in FY25.

Conference Call Highlights

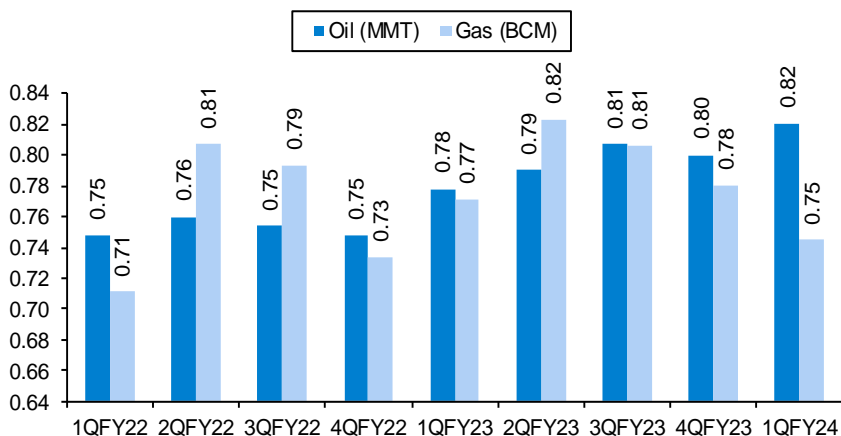
- Gas volume declined during the quarter due to offtake issues with customers with the NRL refinery being shut for 75 days due to maintenance and fire incident. BCPL was also under planned maintenance shutdown. Operations have resumed and gas offtake is likely to normalize in the coming quarter.
- NRL commenced operations in the last week of June and is currently running at full utilization.
- On a standalone basis, the company incurred a capex of Rs 13 bn in Q1, and the targeted capex for FY24 stands at Rs 49 n.
- The first leg of the IGGL project is scheduled to be commissioned by December of CY23.
- Gross debt stands at Rs 110-120 bn on a standalone basis and Rs 180 bn on a consolidated basis.
- The management has maintained its guidance for a 2-3% production growth in oil and gas.
- Regarding the issue pertaining to GST on royalty, the decision on the same is likely to be made within FY24.
- The company received higher other income (dividend income from Singapore subsidiary) in Q4FY23. Hence on a sequential basis, other income came in lower in Q1.
- Expansion of NRL's capacity from 3 MMT to 9 MMT will take place by FY25 end.
- On a YoY basis other expenditure declined as the company made a Rs 1.4 bn provision for minimum work program for its Mizoram well in Q1FY23. No such provision was made in the current quarter.
- The Mozambique LNG project is expected to restart by October/ November and the revised cost for the same will be available in a couple of months.

Exhibit 1: YoY and QoQ Performance

(Rs bn)	Q1FY24	Q1FY23	YoY gr.	Q4FY23	QoQ gr.
Revenue	46.4	59.7	-22.2%	56.5	-17.8%
Operating Profit	23.3	26.4	-11.7%	23.5	-0.9%
Profit Before Tax	21.0	21.1	-0.4%	23.4	-10.2%
Net Profit	16.1	15.6	3.7%	17.9	-9.8%
Oil (MMT)	0.8	0.8	5.4%	0.8	2.5%
Gas (BCM)	0.7	0.8	-3.4%	0.8	-4.5%

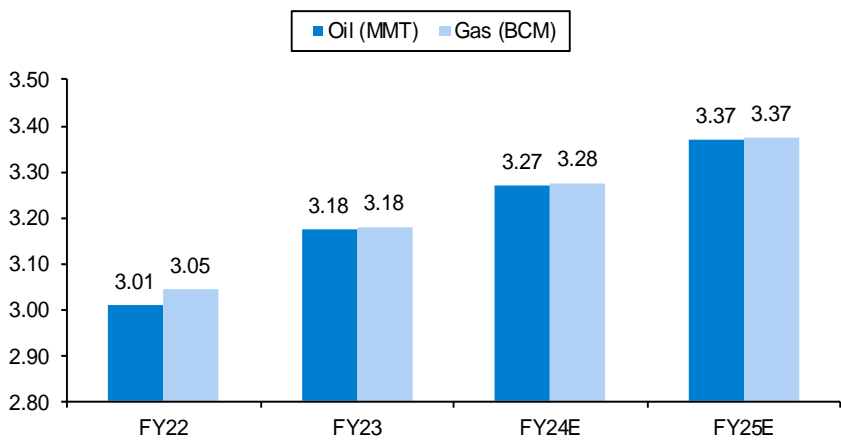
Source: Company, PL

Exhibit 2: QoQ Production trend



Source: Company, PL

Exhibit 3: YoY Production trend



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,45,302	2,32,726	2,27,952	2,43,238
YoY gr. (%)	68.6	60.2	(2.1)	6.7
Cost of Goods Sold	701	2,487	-	-
Gross Profit	1,44,600	2,30,239	2,27,952	2,43,238
Margin (%)	99.5	98.9	100.0	100.0
Employee Cost	17,004	19,940	-	-
Other Expenses	32,761	56,635	57,708	56,040
EBITDA	53,689	96,908	81,674	81,561
YoY gr. (%)	324.3	80.5	(15.7)	(0.1)
Margin (%)	37.0	41.6	35.8	33.5
Depreciation and Amortization	14,968	15,949	18,223	19,073
EBIT	38,721	80,960	63,451	62,488
Margin (%)	26.6	34.8	27.8	25.7
Net Interest	7,831	7,242	8,371	7,478
Other Income	18,975	14,853	13,554	13,758
Profit Before Tax	49,865	88,570	68,634	68,768
Margin (%)	34.3	38.1	30.1	28.3
Total Tax	10,992	20,466	17,275	17,309
Effective tax rate (%)	22.0	23.1	25.2	25.2
Profit after tax	38,873	68,104	51,359	51,459
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	38,873	68,104	51,359	51,459
YoY gr. (%)	123.2	75.2	(24.6)	0.2
Margin (%)	26.8	29.3	22.5	21.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	38,873	68,104	51,359	51,459
YoY gr. (%)	123.2	75.2	(24.6)	0.2
Margin (%)	26.8	29.3	22.5	21.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	38,873	68,104	51,359	51,459
Equity Shares O/s (m)	1,130	1,130	1,130	1,130
EPS (Rs)	34.4	60.3	45.4	45.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	2,35,794	2,63,513	3,03,513	3,43,513
Tangibles	2,35,794	2,63,513	3,03,513	3,43,513
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,11,528	1,27,477	1,45,699	1,64,773
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	1,24,266	1,36,037	1,57,814	1,78,741
Tangibles	1,24,266	1,36,037	1,57,814	1,78,741
Intangibles	-	-	-	-
Capital Work In Progress	20,632	23,437	22,876	22,287
Goodwill	-	-	-	-
Non-Current Investments	2,90,764	2,94,430	2,94,991	2,95,580
Net Deferred tax assets	(26,188)	(28,139)	(28,139)	(28,139)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	10,953	13,871	13,586	14,497
Trade receivables	14,042	22,224	21,768	23,228
Cash & Bank Balance	6,567	13,512	22,473	29,442
Other Current Assets	-	-	-	-
Total Assets	4,98,076	5,41,633	5,70,849	6,03,620
Equity				
Equity Share Capital	10,844	10,844	10,844	10,844
Other Equity	2,88,061	3,32,809	3,62,857	3,92,963
Total Network	2,98,905	3,43,653	3,73,701	4,03,808
Non-Current Liabilities				
Long Term borrowings	1,16,356	1,11,613	1,11,613	1,11,613
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	56,627	58,228	57,396	60,060
Total Equity & Liabilities	4,98,076	5,41,633	5,70,849	6,03,620

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	49,865	88,570	68,634	68,768
Add. Depreciation	14,968	15,949	18,223	19,073
Add. Interest	5,723	6,711	8,371	7,478
Less Financial Other Income	18,975	14,853	13,554	13,758
Add. Other	(2,410)	2,757	-	-
Op. profit before WC changes	68,146	1,13,987	95,228	95,319
Net Changes-WC	(8,277)	(16,064)	690	(2,210)
Direct tax	182	(21,318)	(17,275)	(17,309)
Net cash from Op. activities	60,051	76,604	78,643	75,800
Capital expenditures	(21,833)	(51,793)	(40,000)	(40,000)
Interest / Dividend Income	2,304	2,316	-	-
Others	15,065	13,550	-	-
Net Cash from Inv. activities	(4,463)	(35,928)	(40,000)	(40,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(43,946)	(13,463)	-	-
Dividend paid	(11,667)	(21,142)	(21,311)	(21,352)
Interest paid	(5,515)	(6,552)	(8,371)	(7,478)
Others	(1,051)	(1,044)	-	-
Net cash from Fin. activities	(62,179)	(42,201)	(29,682)	(28,830)
Net change in cash	(6,591)	(1,525)	8,961	6,970
Free Cash Flow	32,360	42,467	38,643	35,800

Source: Company Data, PL Research

Key Financial Metrics

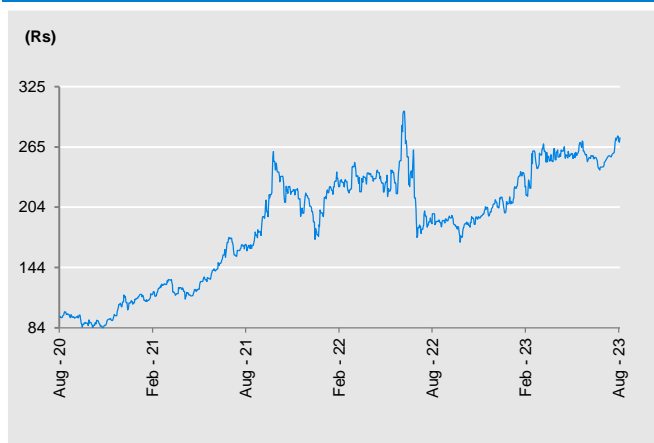
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	34.4	60.3	45.4	45.5
CEPS	47.6	74.4	61.6	62.4
BVPS	264.4	304.0	330.6	357.2
FCF	28.6	37.6	34.2	31.7
DPS	(10.3)	(18.7)	(18.9)	(18.9)
Return Ratio(%)				
RoCE	9.3	18.6	13.5	12.5
ROIC	7.9	15.3	11.6	10.9
RoE	13.9	21.2	14.3	13.2
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.2	0.2
Net Working Capital (Days)	(3)	35	27	21
Valuation(x)				
PER	8.0	4.6	6.1	6.1
P/B	1.0	0.9	0.8	0.8
P/CEPS	5.8	3.7	4.5	4.4
EV/EBITDA	7.9	4.2	4.9	4.8
EV/Sales	2.9	1.8	1.8	1.6
Dividend Yield (%)	(3.7)	(6.8)	(6.8)	(6.8)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	57,760	58,794	56,497	46,447
YoY gr. (%)	74.4	57.3	26.1	(22.2)
Raw Material Expenses	(89)	1,432	791	(392)
Gross Profit	57,849	57,362	55,706	46,839
Margin (%)	100.2	97.6	98.6	100.8
EBITDA	18,482	28,553	23,510	23,289
YoY gr. (%)	102.3	125.3	20.0	(11.7)
Margin (%)	32.0	48.6	41.6	50.1
Depreciation / Depletion	4,236	4,536	3,309	3,974
EBIT	14,246	24,017	20,202	19,315
Margin (%)	24.7	40.8	35.8	41.6
Net Interest	2,113	2,010	1,077	1,659
Other Income	8,949	1,022	4,259	3,341
Profit before Tax	21,081	23,029	23,383	20,997
Margin (%)	36.5	39.2	41.4	45.2
Total Tax	3,876	5,568	5,501	4,863
Effective tax rate (%)	18.4	24.2	23.5	23.2
Profit after Tax	17,205	17,461	17,883	16,134
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	17,205	17,461	17,883	16,134
YoY gr. (%)	241.1	40.3	9.7	3.7
Margin (%)	29.8	29.7	31.7	34.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	17,205	17,461	17,883	16,134
YoY gr. (%)	241.1	40.3	9.7	3.7
Margin (%)	29.8	29.7	31.7	34.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	17,205	17,461	17,883	16,134
Avg. Shares O/s (m)	1,130	1,130	1,130	1,130
EPS (Rs)	15.2	15.4	15.8	14.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-23	BUY	325	245
2	25-May-23	BUY	325	270
3	06-Apr-23	BUY	325	262
4	13-Feb-23	BUY	305	224
5	03-Jan-23	BUY	300	215
6	11-Nov-22	BUY	300	196
7	01-Oct-22	BUY	300	175

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharti Airtel	Accumulate	935	890
2	Clean Science and Technology	Hold	1,206	1,298
3	Deepak Nitrite	Reduce	1,803	2,092
4	Gujarat Gas	Accumulate	516	455
5	Gujarat State Petronet	BUY	327	276
6	Hindustan Petroleum Corporation	Hold	264	276
7	Mahanagar Gas	Hold	1,056	1,056
8	NOCIL	Hold	230	228

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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