

09 February 2025

India | Equity Research | Results update

Oil India

Oil & Gas

Q3FY25: Muted performance, driven by forex and weaker NRL; we remain positive

OIL India delivered a relatively muted Q3, with a 4%/23% YoY decline in standalone EBITDA/PAT to INR 22.6/INR 12.2bn, missing I-Sec's estimates of INR 25.9/INR 16.2bn. Higher forex loss, lower other income and marginally lower gas realisations dragged earnings in Q3. Consol. EBITDA/PAT of INR 26.8/INR 14.6bn also declined sharply by 22%/44% with NRL seeing a USD 10.7/bbl YoY dip in net GRMs (net of inventory losses and excise duty benefit) to USD 2.1/bbl for Q3. Oil + gas output of 1.7mtoe grew 1% YoY, with stronger growth ahead, driven by: 1) NRL expansion by 6mt, creating ~1,5_mmscmd demand; 2) commissioning of the IGGL pipeline, opening up multiple avenues of gas demand; and 3) aggressive drilling across seven identified areas, which should deliver stronger oil and gas output growth. We moderate our NRL/production estimates, reiterate **BUY**.

Production growth steady; aggressive targets maintained for next 2-3 years

Oil production of 0.87mt was up 2% YoY/flat QoQ, with 9M output of 2.62mt up 4% YoY, the strongest performance seen in 9M over the last 3-4 years by OIL India. A more aggressive drilling program and its focus on new areas have reinvigorated OIL's production performance over the last 12 months. We expect the intensity to continue over the next 3-4 years. Management remains committed to reach the short-term target of 4mt of oil and 5bcm of gas output by FY27E (FY25E oil 3.5 and gas at 3.3bcm). While we believe that the target is a tad optimistic and factor in a lower profile in our base case estimates, directionally, aggressive drilling of targeted areas (7 areas identified for focused drilling and exploration activity), better monetisation options via gas pipeline expansions and the potential integration of OIL's distribution network with the National Gas Grid.

Net realisations at USD 74/bbl levels, removal of windfall tax, new well pricing can boost realisations

Net oil realisations of USD 73.8/bbl declined marginally YoY (USD0.5/bbl), implying a discount of USD0.9/bbl to Brent Crude prices. The removal of windfall taxes means that now crude realisations for OIL will closely mirror Brent crude prices, and at our estimates of USD 78-80/bbl base price for FY26-27E, net realisations will also trend higher, at USD 76/bbl levels for the next two years. Net gas realisations at USD 6.8/MMBtu for the quarter declined 4% YoY, but even here, the trend should look up. OIL will also see 5-6% of production move to the New well pricing regime (similar to ONGC) every year and hence blended realisations for OIL should continue to move up by 3-4% over the next few years.

Financial Summary

Y/E March (INR bn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	363	324	408	578
EBITDA	125	122	157	201
EBITDA %	34.4	37.7	38.5	34.8
Net Profit	82	71	88	110
EPS (INR)	50.3	43.5	53.9	67.5
EPS % Chg YoY	(6.3)	(13.5)	24.1	25.2
P/E (x)	8.5	9.8	7.9	6.3
EV/EBITDA (x)	6.9	7.7	6.2	4.8
RoCE (Pre-tax) (%)	15.2	11.6	13.6	15.9
RoE (%)	18.8	14.0	15.7	17.5

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Market Data

Market Cap (INR)	691bn
Market Cap (USD)	7,900mn
Bloomberg Code	OINL IN
Reuters Code	OILI.BO
52-week Range (INR)	768 /296
Free Float (%)	33.0
ADTV-3M (mn) (USD)	17.4

Price Performance (%)	3m	6m	12m
Absolute	(19.0)	(31.2)	30.7
Relative to Sensex	(16.9)	(29.2)	22.8

ESG Score	2023	2024	Change
ESG score	68.0	68.5	0.5
Environment	42.4	58.0	15.6
Social	75.8	77.0	1.2
Governance	82.3	72.6	-9.7

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E	FY27E
Revenue	(0.4)	1.5	(0.7)
EBITDA	(1.6)	2.8	1.5
EPS	(1.4)	4.0	1.8

Previous Reports

07-11-2024: [Q2FY25 results review](#)

11-08-2024: [Q1FY25 results review](#)

Valuations and view: Cut estimates, BUY maintained

Given the weaker refining environment, NRL estimates for FY26–27E have been downgraded and we have also tweaked oil and gas output estimates slightly downward vs. previous estimates – this is offset by an average USD 1/bbl higher oil realisation assumed due to NIL windfall taxes and marginally higher blended gas realisations to factor in new well pricing for 5–7% of gas production from FY26E. Overall, EPS for FY25/26/27E is revised by -1.4/+4/+1.8% to INR 43.5/53.9/67.5. TP is revised down to INR 580 (earlier INR 680) with a lower NRL EBITDA, sharp decline in value of listed investment (IOC) and some tweaks to capex depress the SoTP.

Despite the pruning, we remain positive. The stock has declined a sharp 31% in the last six months and valuations of 6.3x FY27E PER/4.8x EV/EBITDA and 1x P/BV are fairly attractive. The company will likely deliver an EPS CAGR of 25% over FY25–27E, with RoE/RoCE potentially expanding by 350–420bps by FY27E (vs. FY25E) and dividend yield of 5.3 % (average FY25–27E). Reiterate **BUY** with a revised TP of INR 580, 36% upside to CMP.

Key downside risks: 1) Sharp reversal in oil & gas price trends. 2) Policy measures to cap gas realisation at even lower levels. 3) Lower production. 4) Lower GRM performance from NRL.

Q3FY25 conference call – takeaways

Quarterly performance

- In Q3FY25, crude oil production was up 2% YoY at 0.87mt and Gas production was up 1% YoY to 0.83bcm. 9MFY25 Oil/gas production was 2.62mt/2.45bcm up 4.3%/2.9% YoY
- Average gas price for 9MFY25 remain unchanged at 6.5/MMBtu
- Declared Interim dividend of INR 7/sh with cumulative dividend of INR10/sh for 9MFY25
- In Q3FY25, drop in other income was due to lower dividend income. In Q3FY24, the company has received dividend from IOCL of INR 3.1bn, INR 2.1bn from Singapore subsidiary and INR 1.6bn from NRL. For 9MFY25, dividend income was INR 7bn vs INR 11bn in 9MFY24
- Seismic cost for 9MFY25 was INR5.35bn in 9MFY25 vs. INR 3.9bn in 9MFY24. It was INR 2.1bn in Q3FY25 vs. INR1.25bn in Q3FY24

NRL performance

- NRL performance was subdued for 9MFY25. GRM for 9MFY25 ex -inventory loss was USD5.7/bbl. which implies inventory loss of USD2/bbl for 9MFY25. Excise duty benefits was at USD18/bbl for 9MFY25
- On NRL refinery expansion from 3mt to 9mt, the company achieved physical completion of 78% as of Dec'24. The company has incurred capex of INR 230bn out of which INR 120bn is through debt financing. The project is likely to achieve 100% mechanical completion by Dec'25. The ramp of refinery would be 50–60% in the first year, 75% in the second year and 100% in the third year
- Numaligarh to Siliguri product pipeline to be complete by Apr'25
- DNPL pipeline is exclusive pipeline from Oil India to NRL with capacity of 1mtpa. The pipeline currently supplies gas of 0.9-1bcm of gas to NRL and company is

expanding this capacity to match NRL gas requirement (post refinery expansion) of 2.5-2.75bcm.

- The project is being undertaken under two phases. First phase is of ~53km to 58km – to be commission by Mar’25; and the next phase is 53km to 190km – to be commission by Mar’26
- Capex for NRL petchem project is INR 72bn, out of which the company has incurred 9.9bn as on date with expected completion by Dec’28. The project has received environment clearance. Expansion of crude pipeline shall come along with completion of NRL refinery
- No shutdown is required at NRL during expansion, as distillate units are independently constructed

Management guidance

- Oil India production target for oil/gas stands at 3.5mt/3.3bcm for FY25 and 4mt/5bcm for FY27. Gas volume guidance for FY26 stands at 3.8-4bcm
- The company’s major production is from Assam and Arunachal Pradesh – in the south bank of the river Brahmaputra. After three decades of perseverance in the north bank of the river Brahmaputra, the company has tested crude oil here
- Production eligible for new gas well pricing is likely to increase and become large in Oil India’s portfolio in the next two years. Application has already been made to DGH and has to be vetted by ministry
- IGGL shall take 18 months for project completion from date of PNGRB authorisation
- Flaring of gas has been reduced from 8% in FY23 to 4% in 9MFY25. Also, after installation of new compressor (by Mar’25), which already has been dispatched to the company, the flaring shall be reduced to zero
- Andaman exploration is progressing well. Two blocks have been identified at four locations. The company is hopeful of discovery in the above blocks. Another three wells in Andaman offshore shall be drilled soon

Others

- Oil India’s major gas consumers are: BCPL, which offtakes volume of 1.35mmcmd; NRL, consumes 1mmcmd; offtake to two fertiliser plants is 1.16mmcmd, new fertilizer plant to come up in Assam with potential volume of 2.3mmcmd. Assam’s oil refinery consumes 0.3mmcmd; tea-garden consumes 0.73mmcmd of volume; and small units consume 0.1-0.2mmcmd

Exhibit 1: Standalone quarterly snapshot

INR mn	Q3FY25	Q3FY24	% chg YoY	Q2FY25	% chg QoQ	9MFY25	9MFY24	% Chg
Net Sales	52,396	53,237	-1.6	52,462	-0.1	1,58,177	1,51,973	4.1
EBITDA	22,621	23,642	-4.3	24,756	-8.6	72,837	72,546	0.4
EBITDA Margin (%)	43.2	44.4		47.2		46.0	47.7	
Reported PAT	12,218	15,843	-22.9	18,341	-33.4	45,227	35,230	28.4
Adjusted PAT	12,218	15,843	-22.9	18,341	-33.4	45,227	52,910	-14.5
Adj EPS (INR/sh)	7.5	9.7	-22.9	11.3	-33.4	27.8	32.5	-14.5
Gross realisations (USD/bbl)	73.8	83.8	(12.0)	79.2	(6.7)	79.2	82.5	(4.0)
Adj net realisations (USD/bbl)	73.8	74.3	(0.7)	73.9	(0.1)	74.1	74.7	(0.8)

Source: Company data, I-Sec research

Exhibit 2: Quarterly volume highlights

Production highlights	3QFY25	3QFY24	% chg YoY	2QFY25	% chg QoQ	9MFY25	9MFY24	% Chg
Crude oil production (mmt)	0.87	0.86	1.9	0.88	-0.3	2.62	2.51	4.3
Crude oil sales (mmt)	0.83	0.85	-2.6	0.84	-1.7	2.50	2.45	2.0
Natural gas production (bcm)	0.83	0.82	0.9	0.80	3.8	2.45	2.38	2.9
Natural gas sales (bcm)	0.68	0.68	0.9	0.65	5.7	2.00	1.87	7.1

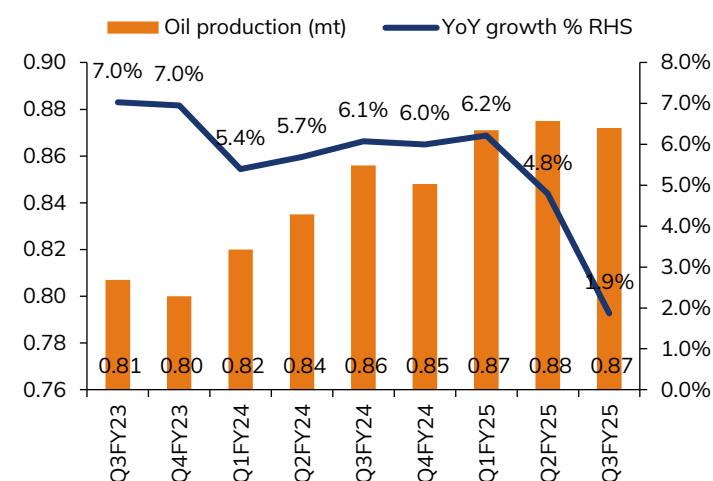
Source: Company data, I-Sec research

Exhibit 3: NRL quarterly performance

INR mn	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ	9MFY25	9MFY24	YoY
Physical Performance:	0.8	0.9	-5.2%	0.7	18%	2.3	1.7	32.7%
Crude Throughput (MT):	87.3%	88.9%		84.1%		85.7%	81.8%	
Distillate Yield								
Total operating income	65,548	81,359	-19.4%	51,974	26%	1,82,179	1,62,644	12.0%
EBITDA	6,567	12,182	-46.1%	3,989	65%	17,892	22,976	-22.1%
PBT	5,074	11,275	-55.0%	2,517	102%	13,549	20,183	-32.9%
PAT	3,854	8,587	-55.1%	1,751	120%	9,909	15,167	-34.7%
Gross Refining Margin (USD/bbl)	2.1	12.7	-83.5%	2.3	-7%	3.6	13.1	-72.5%

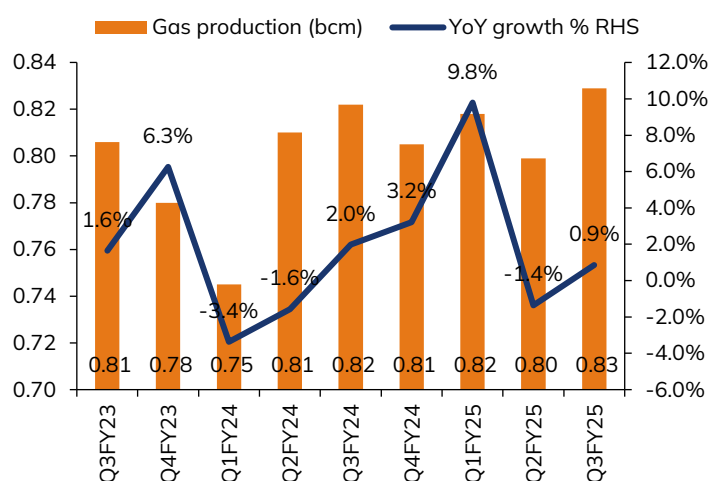
Source: Company data, I-Sec research

Exhibit 4: Oil output increases YoY



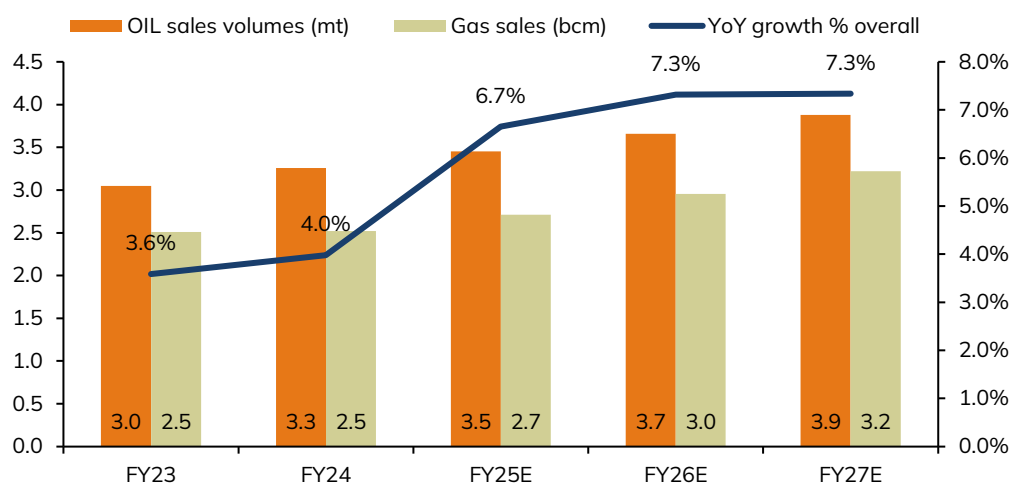
Source: Company data, I-Sec research

Exhibit 5: Gas production also increased YoY

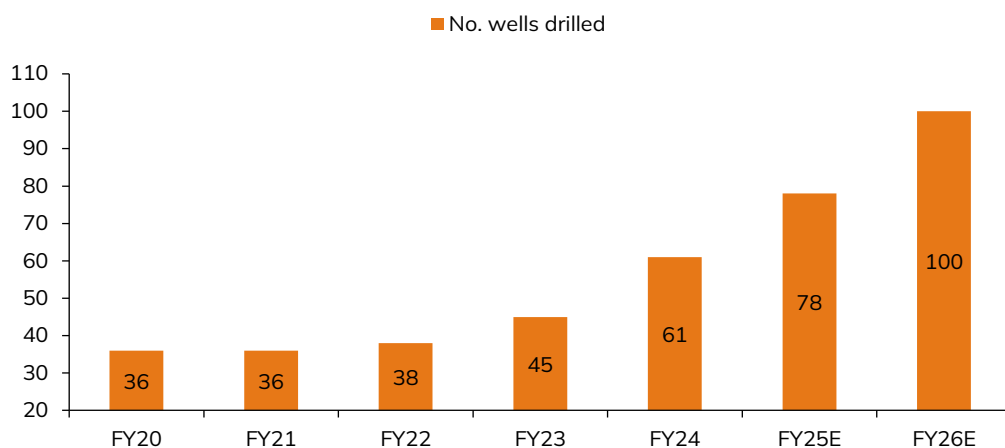


Source: Company data, I-Sec research

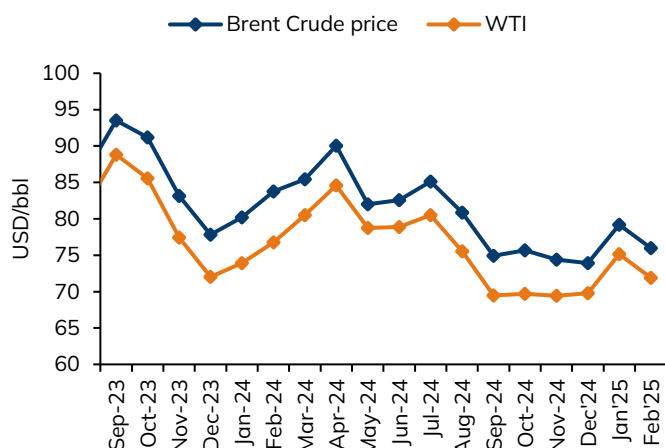
Exhibit 6: OIL's output to grow steadily over FY25-27E



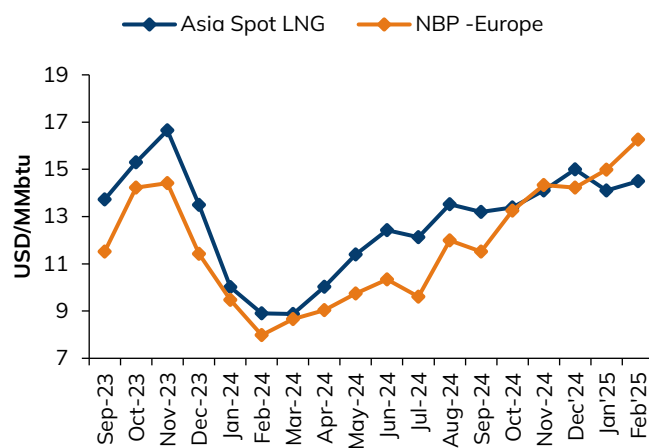
Source: Company data, I-Sec research

Exhibit 7: Number of wells drilled has increased in last 5 years

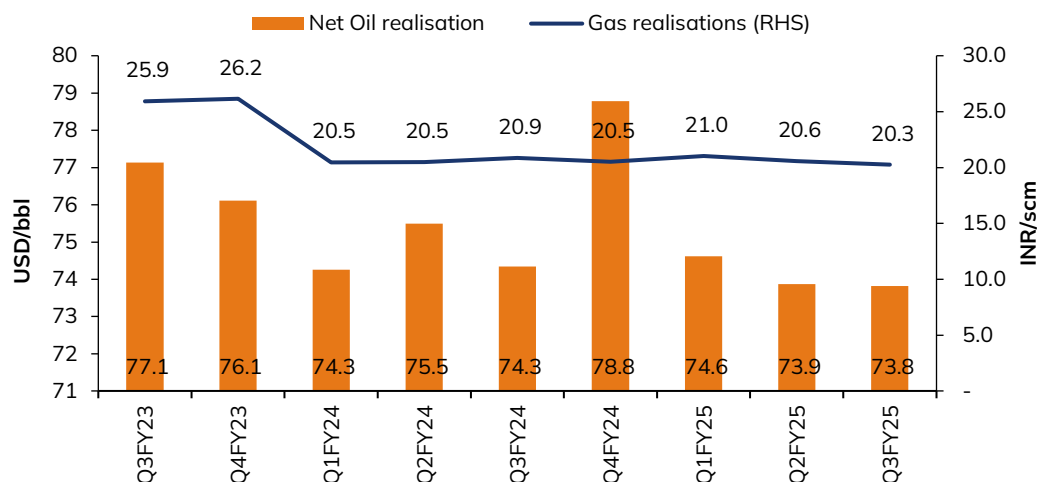
Source: Company data, I-Sec research

Exhibit 8: Crude prices remained volatile and managed to remain below USD76/bbl in Feb'25 so far

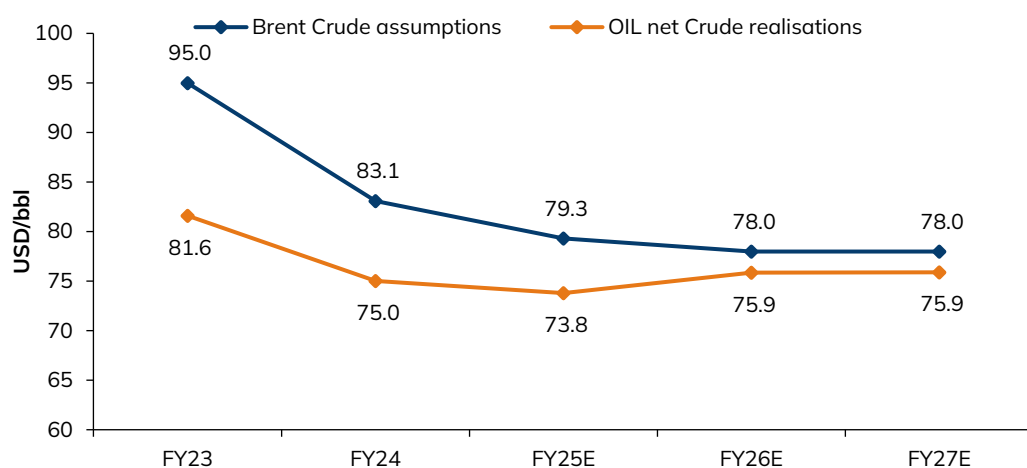
Source: Company data, I-Sec research

Exhibit 9: Global LNG prices has increased sharply in last 5 months

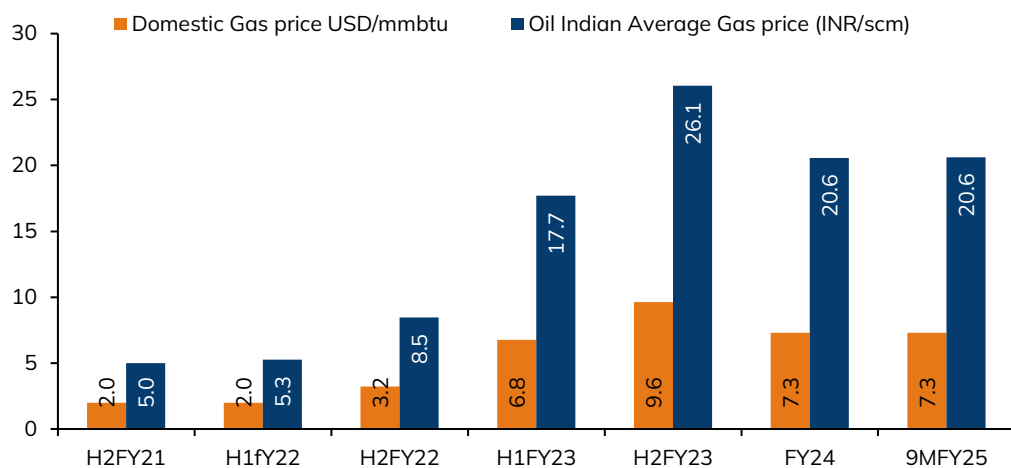
Source: Company data, I-Sec research

Exhibit 10: OIL's domestic oil realisation and gas declined improved QoQ

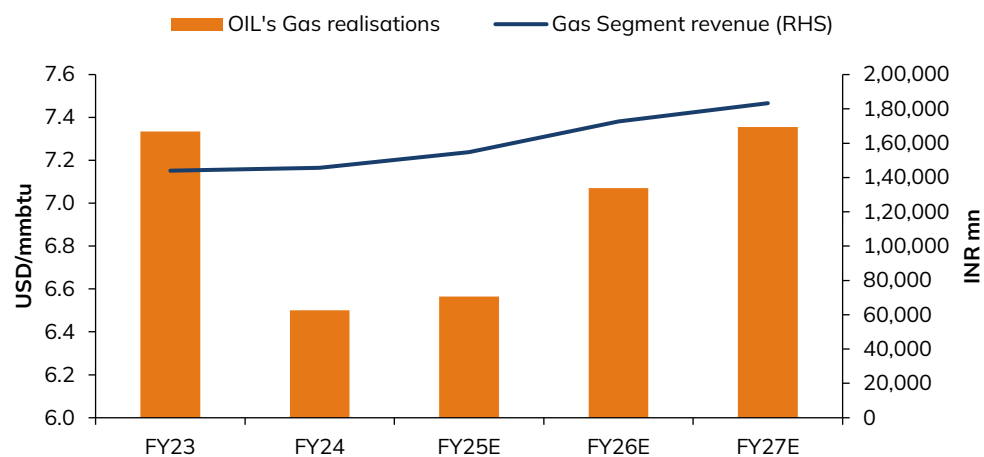
Source: Company data, I-Sec research

Exhibit 11: Realisation likely to improve marginally over FY25–27E

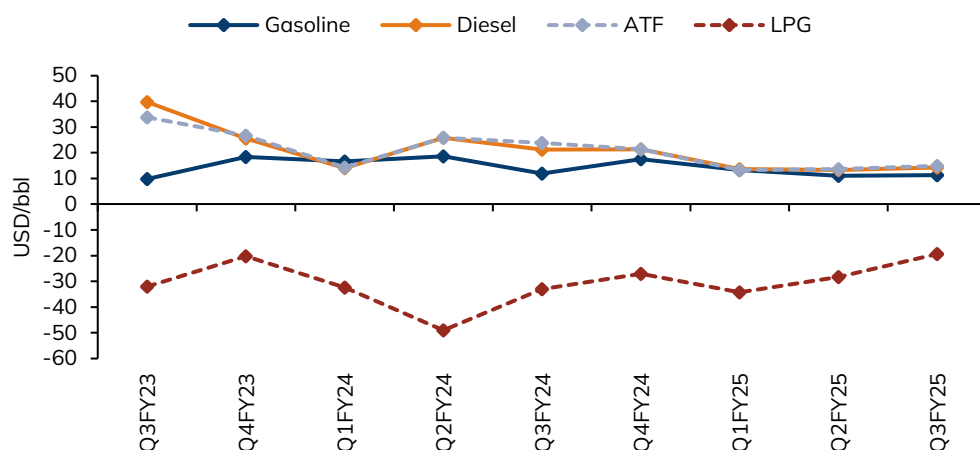
Source: Company data, I-Sec research

Exhibit 12: Domestic gas prices trend

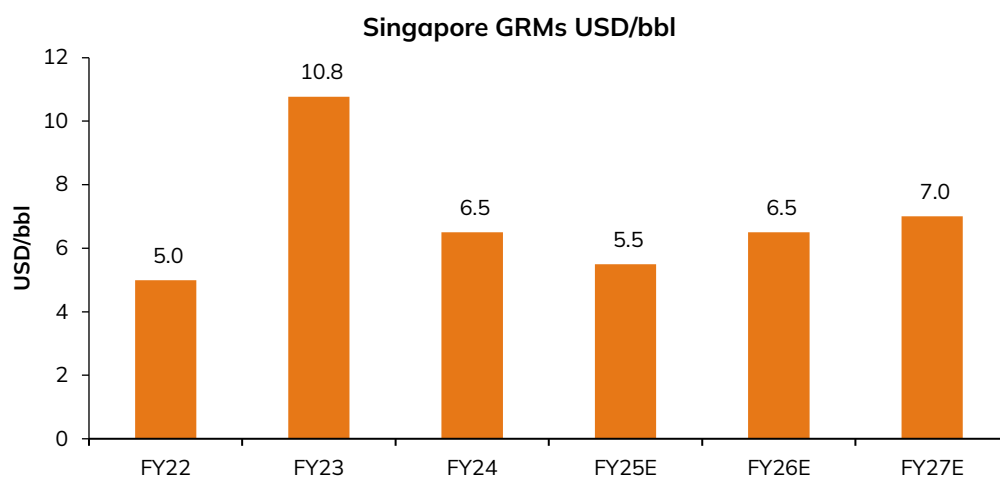
Source: Company data, I-Sec research

Exhibit 13: OIL's revenue and gas realisation to improve over FY25–27E

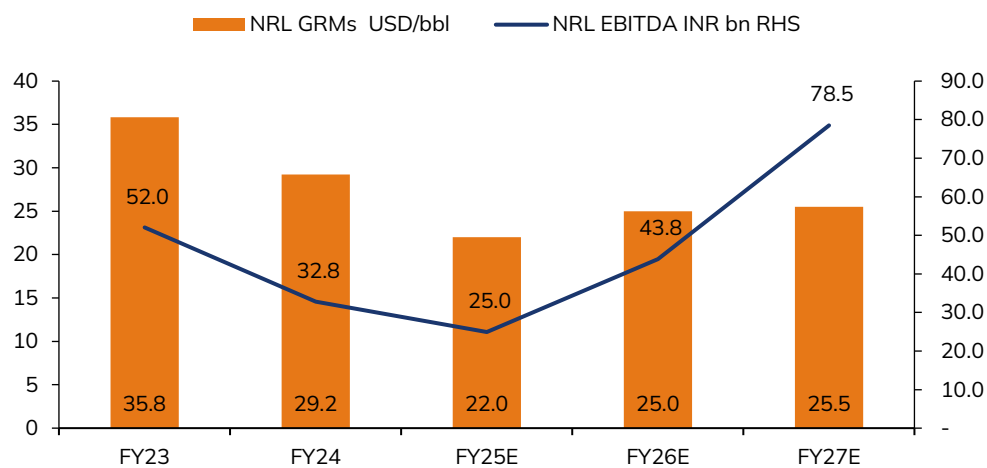
Source: Company data, I-Sec research

Exhibit 14: Product spreads have improved marginally in Q3FY25

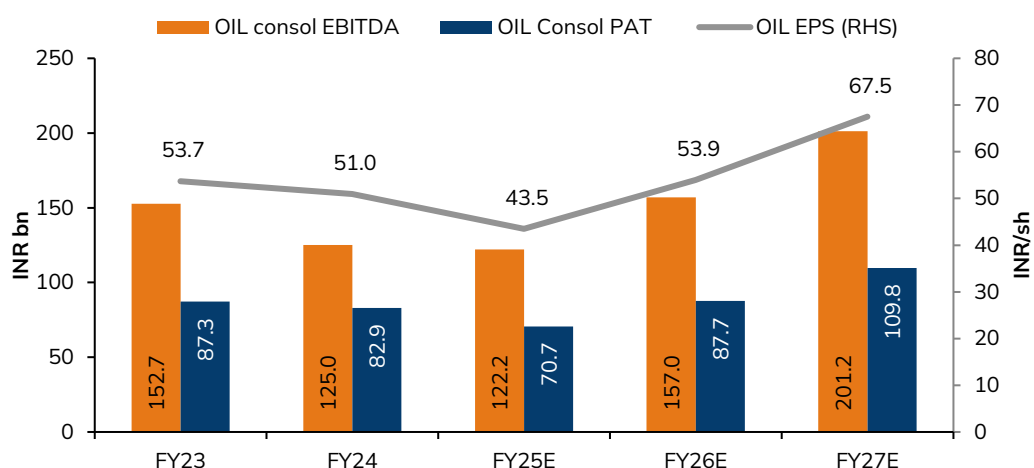
Source: Company data, I-Sec research

Exhibit 15: Singapore GRM estimates for FY22–27E

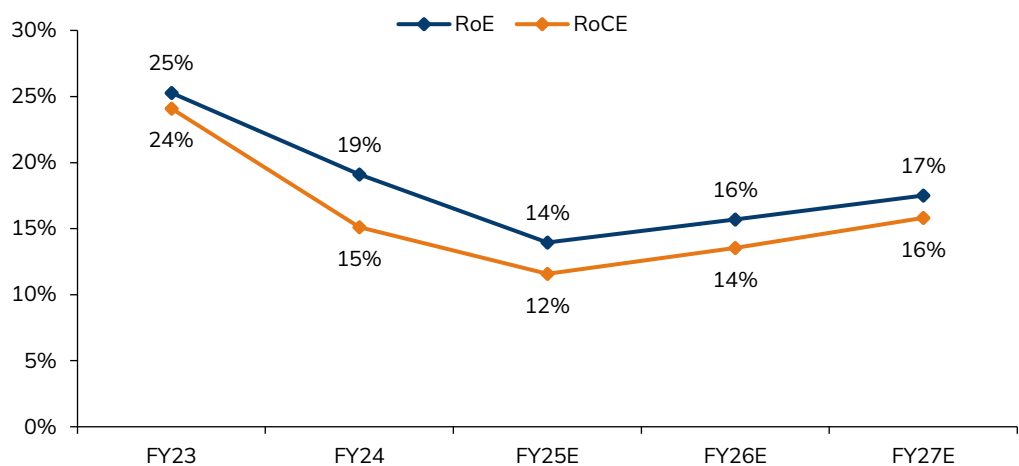
Source: Company data, I-Sec research

Exhibit 16: NRL's earnings to see sharp jump over FY25–27E

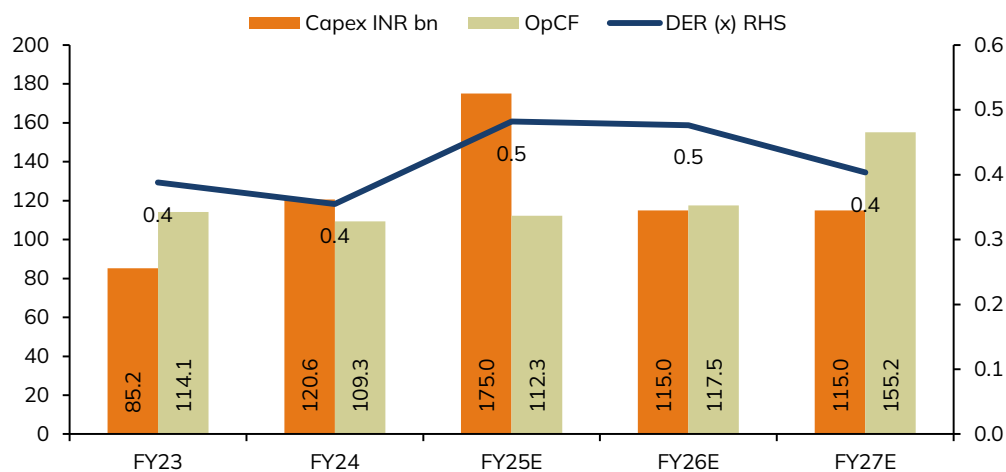
Source: Company data, I-Sec research

Exhibit 17: Consol. earnings to grow at 25% CAGR over FY25-27E

Source: Company data, I-Sec research

Exhibit 18: Return ratios to improve over FY25-27E

Source: Company data, I-Sec research

Exhibit 19: Strong cashflow to support higher capex over FY25-27E

Source: Company data, I-Sec research

Valuation unchallenging: Maintain BUY; TP revised to INR 580

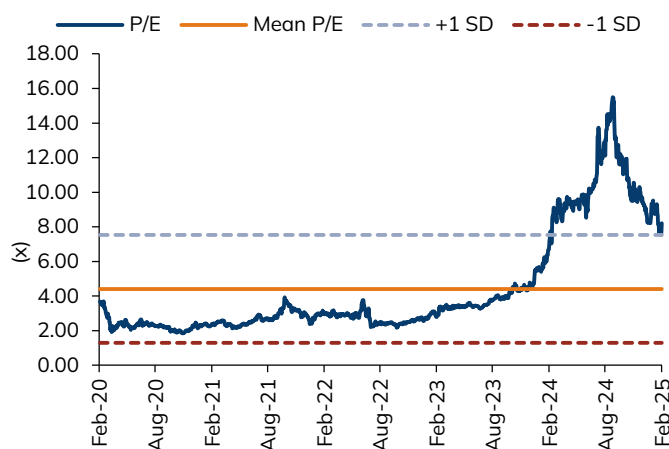
We value OIL using the SoTP methodology with: 1) DCF used for upstream oil & gas business; 2) EV/EBITDA for subsidiary NRL; 3) EV/boe for smaller overseas stakes in Mozambique and Russia; and 4) IOCL investment valued at CMP. This delivers a fair value of INR 580 (from INR 680), a material 36% upside from CMP. The stock trades at valuations of 6.3x FY27E EPS and ~4.8x FY27E EV/EBITDA. Even at our target price, implied P/E works out to 8.6 x FY27E EPS and EV/EBITDA works out to 6.6x FY27E, which we think is attractive. Reiterate **BUY**.

Exhibit 20: Valuation summary

	mmboe	USD/boe	USDmn	INR/share
2P oil reserves	522	13.4	7,015	362
2P gas reserves	871	1.1	958	49
4% stake in Mozambique Area 1 gas discoveries at cost	122	3.0	367	19
Value of Russia and other overseas assets	251	3.0	753	39
Valuation of E&P assets	1,767	3.0	9,093	470
Stake in NRL at 6.5x FY27E EV/EBITDA			4,465	231
Less: Gross debt			3,624	187
Book value of tax-free bonds & other cash equivalents			182	204
Market value of stake in IOCL			1,084	56
Target price			11,222	580

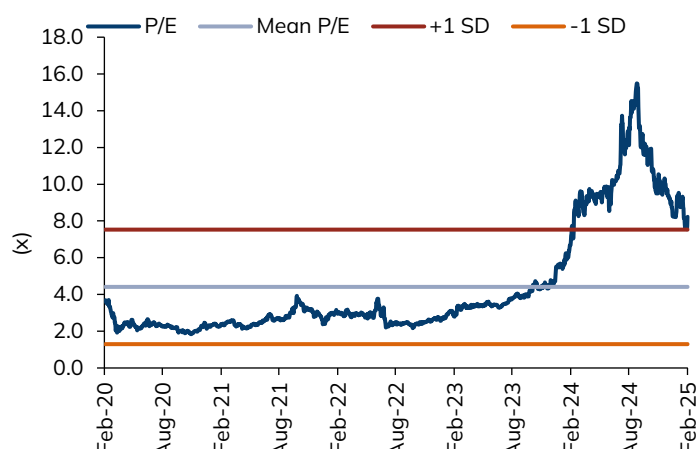
Source: Company data, I-Sec research

Exhibit 21: Oil India P/E trading above higher band



Source: Company data, I-Sec research

Exhibit 22: Oil India P/B trading above higher band



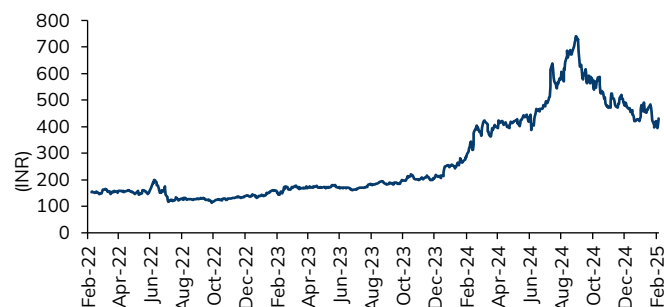
Source: Company data, I-Sec research

Exhibit 23: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	56.7	56.7	56.7
Institutional investors	26.9	26.3	26.0
MFs and others	8.8	7.6	8.1
FIs/Banks	0.1	0.0	0.1
Insurance	8.7	8.1	8.3
FIIIs	9.3	10.6	9.4
Others	16.4	17.0	17.3

Source: Bloomberg

Exhibit 24: Price chart



Source: Bloomberg

Financial Summary

Exhibit 25: Profit & Loss

(INR bn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	363	324	408	578
EBITDA	125	122	157	201
EBITDA Margin (%)	34.4	37.7	38.5	34.8
Depreciation & Amortization	21	29	36	43
EBIT	104	93	121	158
Interest expenditure	10	12	15	17
Other Non-operating Income	13	14	15	17
PBT	108	95	121	159
Profit / (Loss) from Associates	5	2	2	2
Less: Taxes	19	24	31	40
PAT	65	71	91	119
Less: Minority Interest	6	2	5	11
Net Income (Reported)	63	71	88	110
Extraordinaries (Net)	(24)	-	-	-
Recurring Net Income	82	71	88	110

Source Company data, I-Sec research

Exhibit 26: Balance sheet

(INR bn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	158	93	116	173
of which cash & bank	59	7	14	56
Total Current Liabilities & Provisions	98	100	107	115
Net Current Assets	60	(7)	9	58
Other Non Current Assets	14	14	14	14
Net Fixed Assets	205	351	430	502
Other Fixed Assets	-	-	-	-
Capital Work in Progress	200	200	200	200
Non Investment	335	335	335	335
Current Investment	10	10	11	11
Deferred Tax assets	-	-	-	-
Total Assets	823	904	999	1,121
Liabilities				
Borrowings	236	268	300	332
Deferred Tax Liability	32	32	32	32
Lease Liability	4	4	4	4
Other Liabilities	25	25	25	26
Equity Share Capital	11	11	11	11
Reserves & Surplus*	473	519	577	656
Total Net Worth	483	530	588	667
Minority Interest	43	45	50	60
Total Liabilities	823	904	999	1,121

Source Company data, I-Sec research

Exhibit 27: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	55,273	53,319	52,462	52,396
% growth (YOY)	2%	18%	-2%	-2%
EBITDA	25,442	25,460	24,756	22,621
Margin %	46%	48%	47%	43%
Other Income	8,332	1,617	8,556	1,886
Extraordinaries	0	0	0	0
Adjusted Net Profit	20,288	14,668	18,341	12,218

Source Company data, I-Sec research

Exhibit 28: Cashflow statement

(INR bn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Cash Flow from operation before working Capital	143	122	157	201
Working Capital Changes	(7)	14	(9)	(6)
Tax	(27)	(24)	(31)	(40)
Operating Cashflow	109	112	117	155
Capital Commitments	(121)	(175)	(115)	(115)
Free Cashflow	(11)	(63)	2	40
Others CFI	20	15	17	18
Cashflow from Investing Activities	(101)	(160)	(98)	(97)
Inc (Dec) in Borrowings	48	32	32	32
Interest Cost	(9)	(12)	(15)	(17)
Others	(23)	(24)	(29)	(31)
Cash flow from Financing Activities	16	(5)	(12)	(16)
Chg. in Cash & Bank balance	25	(52)	7	43
Closing cash & balance	59	7	14	56

Source Company data, I-Sec research

Exhibit 29: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Recurring EPS	50.3	43.5	53.9	67.5
Diluted EPS	50.3	43.5	53.9	67.5
Recurring Cash EPS	63.3	61.2	75.9	93.8
Dividend per share (DPS)	10.5	18.0	22.0	28.0
Book Value per share (BV)	297.2	325.6	361.6	410.1
Dividend Payout (%)	20.9	41.4	40.8	41.5
Growth (%)				
Net Sales	(11.5)	(10.8)	26.0	41.6
EBITDA	(18.1)	(2.3)	28.4	28.2
EPS	(6.3)	(13.5)	24.1	25.2
Valuation Ratios (x)				
P/E	8.5	9.8	7.9	6.3
P/CEPS	6.7	6.9	5.6	4.5
P/BV	1.4	1.3	1.2	1.0
EV / EBITDA	6.9	7.7	6.2	4.8
EV / Operating Income	7.3	8.8	7.1	5.4
Dividend Yield (%)	2.5	4.2	5.2	6.6
Operating Ratios				
EBITDA Margins (%)	34.4	37.7	38.5	34.8
Effective Tax Rate (%)	22.2	25.2	25.2	25.2
Net Profit Margins (%)	22.5	21.8	21.5	19.0
NWC / Total Assets (%)	7.2	(0.7)	0.9	5.2
Fixed Asset Turnover (x)	1.1	0.7	0.7	0.8
Working Capital Days	72.7	67.0	79.7	68.1
Net Debt / Equity %	34.6	47.4	47.0	39.7
Profitability Ratios				
RoCE (%)	11.8	8.7	10.2	11.9
RoCE (Pre-tax) (%)	15.2	11.6	13.6	15.9
RoE (%)	18.8	14.0	15.7	17.5

Source Company data, I-Sec research

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