

Oil India

Gas volume production contracts

Our BUY recommendation on Oil India with a target price of INR 650 is premised on oil production growth at 8% CAGR and gas production growth at 14% CAGR over FY24-27E. Q2FY25 EBITDA stood at INR 22bn (-12.3% YoY, -11.5% QoQ), and PAT at INR 18bn (+4.6x YoY, +25% QoQ) came below our estimate due to lower volumes and higher opex. Oil and gas production stood at 1.67mmtoe (-1%YoY, +1% QoQ).

- Standalone financial performance:** EBITDA for Q2FY25 declined to INR 22bn (-12.3% YoY, -11.5% QoQ), owing to higher other expenses which stood at INR 11.6bn (+19% YoY, +24% QoQ). OINL reported PAT of INR18bn (+4.6x YoY, +25% QoQ), led by higher other income which stood at INR 8.5bn (+21% YoY, +4.3x QoQ). Depreciation was at INR 5bn (+19% YoY, +11% QoQ) and interest cost was at INR 2.3bn (+3% YoY, +17% QoQ).
- Standalone operational performance:** In Q2FY25, the net crude oil realisation, adjusting for the windfall tax, stood at USD 73.87/bbl (-2% YoY, -1% QoQ) and gas realisation was at USD 6.9/mmbtu (-22% YoY, +1% QoQ). Oil production came in at 0.88mmt (+5% YoY, +1% QoQ). Gas production of 0.80bcm (-1.4% YoY, -1% QoQ) was recorded during the quarter. Oil sales volume was at 0.84mmt (-1.8% YoY, +1% QoQ), while gas sales volume was at 0.65bcm (-1% YoY, -5% QoQ).
- Key highlights:** (1) Gas production volumes were impacted due to shutdown at power stations during the quarter. Management expects volumes to pick-up in Q3FY25E. (2) Oil sales was impacted due to 10-15 days shutdown at NRL. (3) NRL reported EBITDA of ~INR 3.9 bn, PAT of ~INR 1.75 bn, GRM of USD 2.25/bbl which includes inventory loss of USD 4.5/bbl. (4) Other expenses saw a rise in Q2 due to INR 720mn being written off w.r.t a well and INR 3bn provision created for five wells. (5) Company plans to incur capex of INR 70bn during FY25. (6) NRL capacity expansion plan is estimated to cost INR 280bn (INR 200bn worth capex has been undertaken) and is expected to be commissioned by Dec'25. This will result in NRL's capacity expansion from 3 mmtpa to 9 mmtpa over the coming years. (7) OINL has guided for oil/gas production of 3.5mmt/3.3bcm for FY25 and expects a growth of 5% in FY26. Long term aspiration is to produce 4mmt of oil and 5bcm of gas.
- Change in estimates:** We have cut our FY25/26 EPS estimates by 2%/6% to INR 51.6/53.4, to incorporate lower production volumes recorded in H1FY25 and slower than expected production volume growth going ahead.
- We value Oil India's standalone business at INR 395 (8x Mar-26E EPS from) and its investments at INR 253. The stock is currently trading at 9.5x Mar-26E EPS.**

Standalone financial summary

YE March (INR bn)	Q4 FY24	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)	FY22*	FY23*	FY24*	FY25E*	FY26E*
Revenues	55	58	(5.5)	59	(6.7)	300	410	363	399	434
EBITDA	22	25	(11.5)	25	(12.3)	105	153	125	137	146
APAT	18	15	25.0	3	463.8	56	87	83	84	87
AEPS (INR)	11.3	9.0	25.0	2.0	463.8	34.6	53.7	51.0	51.6	53.4
P/E (x)						14.7	9.5	10.0	9.9	9.5
EV/EBITDA (x)						9.5	6.6	8.4	7.4	6.7
RoE (%)						20.7	25.3	19.1	15.9	14.0

Source: Company, HSIE Research | *Consolidated

BUY

CMP (as on 8 Nov 2024)	INR 508
Target Price	INR 650
NIFTY	24,148

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 700	INR 650
	FY25E	FY26E
EPS change	-2.1%	-5.9%

KEY STOCK DATA

Bloomberg code	OINL IN
No. of Shares (mn)	1,627
MCap (INR bn) / (\$ mn)	827/9,804
6m avg traded value (INR mn)	4,482
52 Week high / low	INR 768/195

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.0)	19.1	145.6
Relative (%)	(17.8)	10.9	123.3

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	56.66	56.66
FIs & Local MFs	15.97	17.66
FPIs	11.00	9.51
Public & Others	16.38	16.18
Pledged Shares	0.00	0.00

Source : BSE

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