

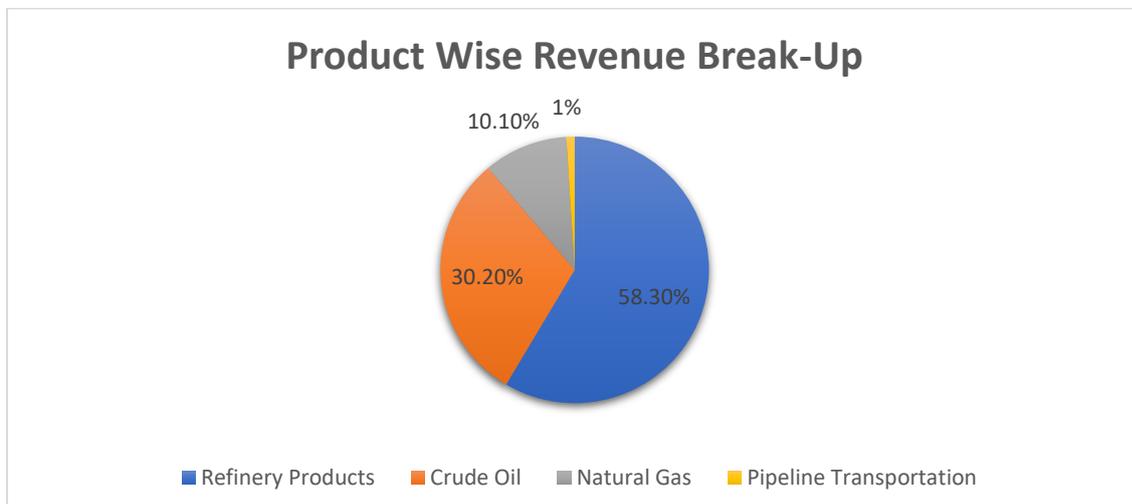
Recommendation	CMP	Target Price	Time Horizon
BUY	Rs 592	Rs 775	9-12 Months

Oil India Limited engages in the exploration, development, and production of crude oil and natural gas in India and internationally. The company operates through Crude Oil, Natural Gas, Liquefied Petroleum Gas (LPG), Pipeline Transportation, Renewable Energy, and other segments. It is also involved in the transportation of crude oil and natural gas, and production of LPG, as well as in the pipeline transportation services.

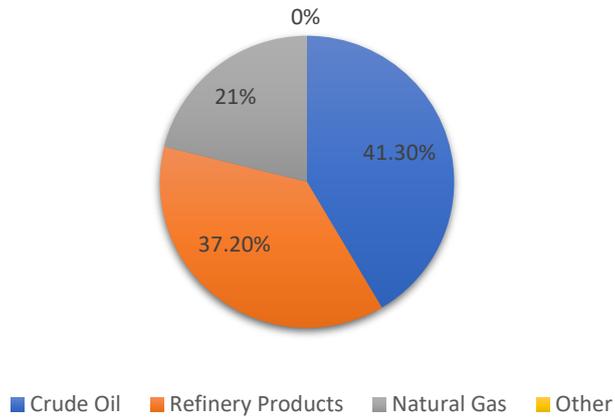
The company owns and operates automated crude oil trunk pipeline comprising an area of 1,157 kilometers, and drilling rigs and workover rigs. In addition, it generates energy through wind and solar power projects. Further, the company has participating interests in exploration blocks in Assam, Mizoram, and Andhra Pradesh, as well as in various projects in Libya, Gabon, Nigeria, Venezuela, Mozambique, Bangladesh, and Russia.

Stock Details	
Market Cap. (Cr.)	67,553
Face Value	10
Equity (Cr.)	1084
52 Wk high/low	670/241
BSE Code	533106
NSE Code	OIL
Book Value (Rs)	370
Industry	Oil Exploration

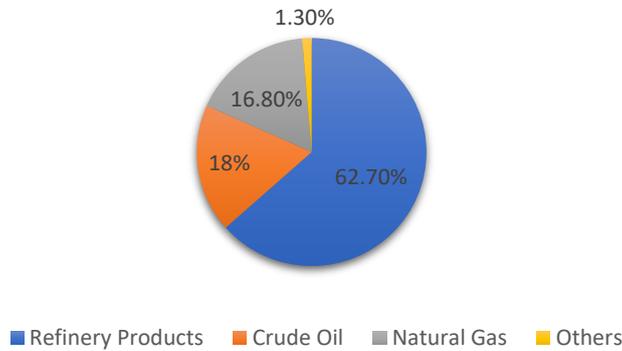
Share Holding Pattern %	
Promoter	56.66
FII	10.99
DII	15.98
Public & Others	16.38
Total	100



Operating Profit Break-Up

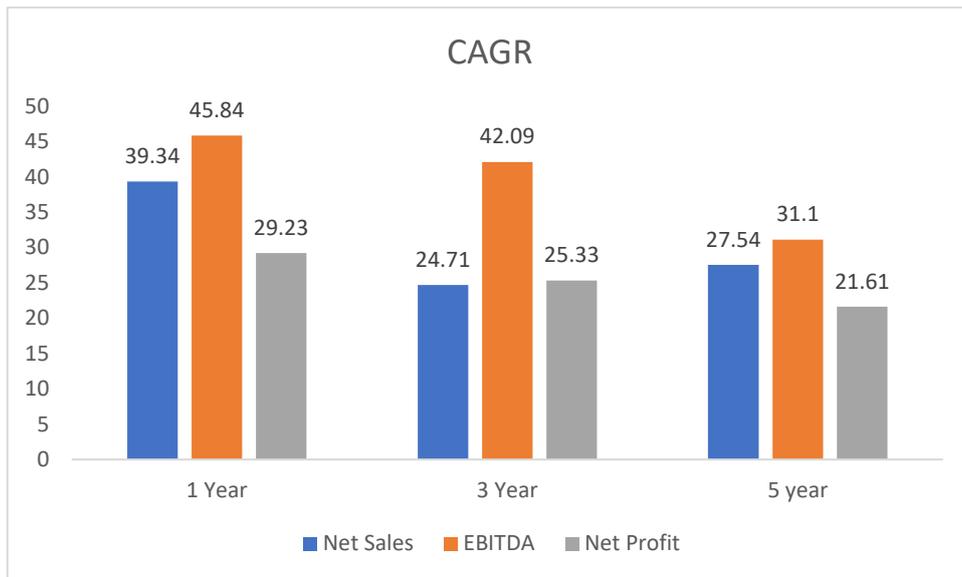
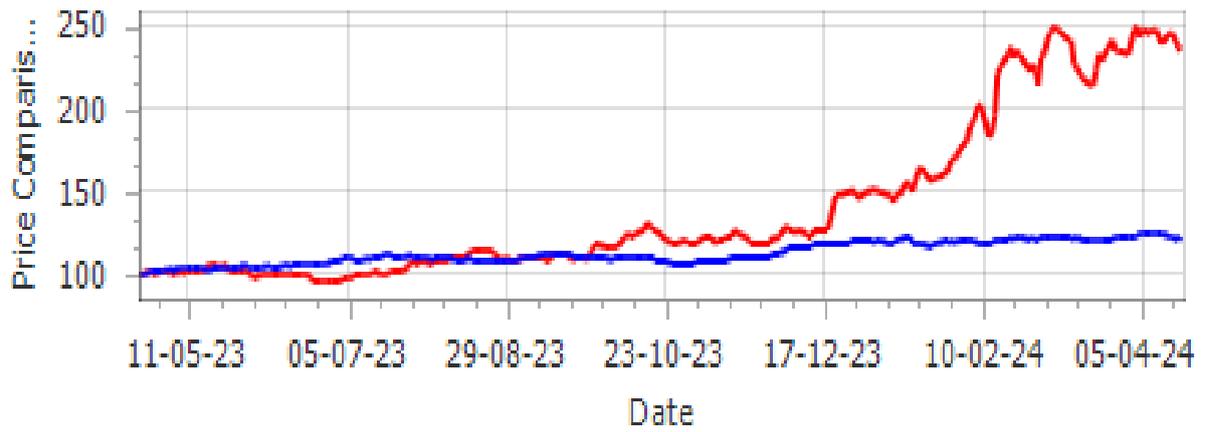


Capex



Key Financials (Cons)	FY20	FY21	FY22	FY23	3Y CAGR %	9M (Apr-Dec'23)
Net Sales	18612	17616	25906	36097	24.7	26137.8
EBITDA (Excl OI)	5313	5599	10451	15241	42.1	9243.0
EBITDA Margin (%)	28.5	31.8	40.3	42.2		35.400
Profit After Tax	5005	4146	6719	9854	25.33	4549.6
PAT Margin (%)	24.3	18.4	22.4	24.0		17.4
Earnings Per Share (Rs)	43.4	32.5	51.8	80.5		38.6
Book Value	214.0	218.2	281.8	354.9		
Div Per Share (Rs)	10.6	5.0	14.3	20.0		
Dividend Yield (%)	12.8	4.1	6.0	7.9		
ROE (%)	19.2	17.7	24.8	28.5	14.2	
ROCE (%)	14.2	12.7	22.0	27.0	27.0	

Valuation Ratio (Consolidated)	Latest (TTM)	10 Year Median
P/E	32.9	28.7
P/BV	5.9	4.6
EV/EBITDA	23.0	19.3
Market cap/sales	7.7	5.6



Industry Outlook:

- According to the IEA (India Energy Outlook 2021), primary energy demand is expected to nearly double to 1,123 million tonnes of oil equivalent, as India's gross domestic product (GDP) is expected to increase to US\$ 8.6 trillion by 2040.
- India's consumption of petroleum products stood at almost 4.44 million barrels per day (BPD) in FY23, up from 4.05 million BPD in FY22. India's crude oil production stood at 2.69 MBPD during April-October 2023.
- India's LNG import stood at 20.1 million metric tonnes (MMT) in FY23. Gross production of LNG was 2,883 MMSCM in January, 2023. According to the International Energy Agency (IEA), consumption of natural gas in India is expected to grow by 25 BCM, registering an average annual growth of 9% until 2024.
- Government is planning to invest 70000 Cr to expand gas pipeline network across the country.
- India Will add 17000 Km of gas pipeline in down stream
- In mid-stream - PNGRB authorised 34135 Km of natural gas pipeline network - to developed national gas Grid

Source: IBEF

Investment Rational:

- Oil India produces around 9 % of the country's total crude oil and natural gas production. OIL has 61,000 sq km of acreage spread across Assam Shelf, Assam Arakan fold belt, Rajasthan basin, Mahanadi basin, offshore areas in Andaman and Nicobar basin, Kerala Konkan basin and the KG basin.
- The company has shown a good profit growth of 38.13% for the Past 3 years.
- The company's ROCE stands at 28.50%, ROE at 27% and ROA at 13.4% tells that the company is both efficient and profitable.
- When compared to its peers, it has good P/E ratio of 9.20 and have a very high EPS of Rs. 80 which highlights its strong market position relative to its competitors.
- The stock is trading at fair valuations that are at the parallel end of the 10-year median.
- Despite the increasing focus on renewable energy sources, global energy demand is expected to continue rising in the foreseeable future. This trend bodes well for Oil India's business prospects.
- Geopolitical tensions and supply disruptions in oil-producing regions can impact global oil prices, potentially benefiting companies like Oil India that have stable production capabilities.

Consolidated Financials:

Income Statement (In Cr.)	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	13,780.5	20,639.9	22,484.1	25,905.6	36,097.4
Gain(Loss) on Sale Of Assets (Rev)	-	-	-	149.7	-
Gain(Loss) on Sale Of Invest. (Rev)	-	-	9.6	12.6	28.4
Interest And Invest. Income (Rev)	-	-	-	509.9	174.8
Other Revenue	-	-	166.4	180.2	121.8
Total Revenue	13,780.5	20,639.9	22,660.1	26,757.9	36,422.5
Cost Of Goods Sold	195.0	3,605.9	3,654.1	5,639.0	8,267.2
Gross Profit	13,585.5	17,034.0	19,005.9	21,118.9	28,155.2
Selling General & Admin Exp.	1,577.3	2,199.1	2,291.4	2,053.3	2,384.5
Depreciation & Amort.	1,540.7	1,785.7	1,844.1	1,824.5	1,946.9
Impair. of Oil, Gas & Mineral Prop.	336.9	1,143.8	852.7	845.6	564.9
Other Operating Expense/(Income)	5,594.2	7,884.5	10,031.3	6,796.7	8,850.0
Operating Exp	9,049.1	13,013.0	15,019.5	11,520.1	13,746.3
Operating Income	4,536.4	4,021.0	3,986.4	9,598.8	14,408.9
Interest Expense	(588.2)	(609.1)	(609.3)	(734.9)	(768.1)
Interest and Invest. Income	1,004.3	1,142.6	929.7	290.3	394.3
Net Interest Exp.	416.1	533.5	320.4	(444.6)	(373.8)
Income/(Loss) from Affiliates	1,150.9	1,056.6	528.2	111.9	4.3
Currency Exchange Gains (Loss)	(499.0)	(511.5)	83.9	(292.2)	(784.0)
Other Non-Operating Inc. (Exp.)	122.6	173.9	-	-	-
EBT Excl. Unusual Items	5,726.8	5,273.5	4,918.9	8,973.9	13,255.4
Gain (Loss) On Sale Of Invest.	-	3.7	(55.1)	41.5	21.6
Asset Writedown	(22.9)	(247.1)	(46.2)	(25.1)	(133.1)
Other Unusual Items	(1,026.8)	-	(449.0)	-	-
EBT Incl. Unusual Items	4,677.2	5,030.0	4,368.6	8,990.2	13,143.9
Income Tax Expense	1,439.4	24.7	222.7	2,271.0	3,289.5
Earnings from Cont. Ops.	3,237.8	5,005.3	4,146.0	6,719.2	9,854.4
Net Income to Company	3,237.8	5,005.3	4,146.0	6,719.2	9,854.4
Minority Int. in Earnings	-	(304.2)	(618.1)	(1,097.6)	(1,125.8)
Net Income	3,237.8	4,701.1	3,527.8	5,621.6	8,728.6

Balance Sheet (In Cr.)	FY2019	FY2020	FY2021	FY2022	FY2023
ASSETS					
Cash And Equivalents	3,708.9	733.0	1,079.8	592.3	340.6
Short Term Investments	2,699.8	3,469.7	678.0	933.0	3,070.1
Trading Asset Securities	90.1	610.6	399.5	581.2	440.2
Total Cash & ST Investments	6,498.8	4,813.4	2,157.2	2,106.5	3,850.9
Accounts Receivable	1,317.7	1,502.0	1,855.6	1,750.5	2,400.3
Other Receivables	259.5	162.9	756.7	86.7	198.4
Notes Receivable	221.8	43.7	40.8	43.6	49.4
Total Receivables	1,799.0	1,708.5	2,653.1	1,880.8	2,648.1
Inventory	1,219.9	3,063.6	3,221.6	3,912.1	5,114.4
Prepaid Exp.	42.6	56.1	70.9	128.0	144.4
Restricted Cash	0.1	20.1	10.9	17.2	23.3
Other Current Assets	2,294.5	3,155.2	2,379.7	2,066.7	2,513.8
Total Current Assets	11,854.9	12,816.8	10,493.5	10,111.4	14,294.8
Gross Property, Plant & Equipment	19,008.6	26,479.6	29,309.1	33,658.5	43,057.6
Accumulated Depreciation	(5,303.6)	(8,251.5)	(10,354.2)	(11,197.4)	(13,299.7)
Net Property, Plant & Equipment	13,705.0	18,228.1	18,954.9	22,461.1	29,757.9
Long-term Investments	26,197.8	25,107.6	23,419.9	26,518.2	27,483.5
Other Intangibles	33.4	62.4	150.6	209.3	232.3
Accounts Receivable Long-Term	-	-	-	-	44.2
Loans Receivable Long-Term	500.2	186.3	196.6	386.6	683.7
Other Long-Term Assets	141.2	332.5	2,079.0	1,131.7	1,386.5
Total Assets	52,432.4	56,733.7	55,294.4	60,818.3	73,883.0
LIABILITIES					
Accounts Payable	643.3	1,035.2	1,381.4	1,693.0	1,835.4
Accrued Exp.	2,220.6	3,828.9	3,099.0	2,521.4	2,323.1
Short-term Borrowings	1.3	73.8	4,300.5	50.3	303.0
Curr. Port. of LT Debt	4,357.1	-	-	-	-
Curr. Port. of Leases	-	192.3	177.9	168.9	139.3
Curr. Income Taxes Payable	-	-	80.5	359.4	433.2
Unearned Revenue, Current	7.5	5.8	5.6	4.2	4.3
Other Current Liabilities	944.9	10,222.4	1,699.9	2,011.7	3,559.8
Total Current Liabilities	8,174.6	15,358.4	10,744.7	6,809.0	8,598.3
Long-Term Debt	10,755.3	12,669.5	15,105.5	16,388.4	18,245.9
Long-Term Leases	-	143.3	134.7	112.9	143.5
Unearned Revenue, Non-Current	94.8	90.2	84.9	82.1	330.4
Pension & Other Post-Retire. Benefits	103.8	146.3	139.7	132.4	136.3
Def. Tax Liability, Non-Curr.	3,662.2	2,963.3	3,190.5	3,144.9	3,317.8
Other Non-Current Liabilities	667.4	1,082.4	1,084.8	972.5	1,258.4
Total Liabilities	23,457.9	32,453.2	30,484.7	27,642.1	32,030.4
Common Stock	1,084.4	1,084.4	1,084.4	1,084.4	1,084.4
Retained Earnings	21,282.5	26,613.4	28,121.6	31,791.7	38,354.6
Comprehensive Inc. and Other	6,607.6	(4,487.0)	(5,539.6)	(2,314.2)	(957.6)
Total Common Equity	28,974.5	23,210.8	23,666.4	30,561.9	38,481.5
Minority Interest	-	1,069.6	1,143.3	2,614.3	3,371.1
Total Equity	28,974.5	24,280.4	24,809.7	33,176.2	41,852.6
Total Liabilities And Equity	52,432.4	56,733.7	55,294.4	60,818.3	73,883.0

Cash Flow (In Cr.)	FY2019	FY2020	FY2021	FY2022	FY2023
Net Income	3,237.8	4,701.1	3,527.8	5,621.6	8,728.6
Depreciation & Amort.	1,521.6	1,764.5	1,824.1	1,798.4	1,913.4
Amort. of Goodwill and Intangibles	54.4	38.1	51.7	48.4	40.0
Impair. of Oil, Gas & Mineral Prop.	336.9	1,143.8	852.7	845.6	564.9
Depreciation & Amort., Total	1,912.9	2,946.3	2,728.5	2,692.4	2,518.3
Other Amortization	-	20.7	19.5	25.5	39.3
(Gain) Loss From Sale Of Assets	-	-	-	(149.7)	-
(Gain) Loss On Sale Of Invest.	90.3	410.3	179.9	(54.0)	(50.0)
Asset Writedown & Restructuring Costs	22.9	17.6	46.2	33.7	142.9
Provision for Credit Losses	-	-	-	8.2	50.2
(Income) Loss on Equity Invest.	(1,150.9)	(1,056.6)	(528.2)	(111.9)	(4.3)
Provision & Write-off of Bad debts	-	-	-	2.5	29.9
Other Operating Activities	520.5	(588.5)	356.5	2,633.1	2,065.3
Change in Acc. Receivable	252.7	855.7	(353.1)	308.3	(302.8)
Change In Inventories	(149.2)	(404.0)	(197.2)	(760.2)	(1,187.7)
Change in Acc. Payable	105.5	1,915.5	199.6	(258.7)	290.2
Change in Other Net Operating Assets	180.6	(2,325.6)	(744.3)	(681.4)	(909.5)
Cash from Ops.	5,023.1	6,492.6	5,235.3	9,309.6	11,410.4
Capital Expenditure	(2,499.9)	(3,305.2)	(3,127.1)	(5,968.0)	(8,524.6)
Invest. in Marketable & Equity Secur.	753.0	(565.4)	(6,131.3)	1,006.2	(672.9)
Other Investing Activities	1,162.5	1,657.6	745.6	768.7	66.0
Cash from Investing	(584.4)	(2,213.0)	(8,512.8)	(4,193.1)	(9,131.4)
Long-Term Debt Issued	3,926.3	950.4	7,070.6	1,394.5	2,466.3
Total Debt Issued	3,926.3	950.4	7,070.6	1,394.5	2,466.3
Long-Term Debt Repaid	(1,824.2)	(4,685.2)	(228.9)	(4,893.5)	(1,756.7)
Total Debt Repaid	(1,824.2)	(4,685.2)	(228.9)	(4,893.5)	(1,756.7)
Repurchase of Common Stock	(1,092.3)	(0.8)	-	-	-
Common Dividends Paid	(1,297.9)	(3,000.6)	(2,046.5)	(1,380.9)	(2,494.0)
Total Dividends Paid	(1,297.9)	(3,000.6)	(2,046.5)	(1,380.9)	(2,494.0)
Other Financing Activities	(652.1)	(595.2)	(1,093.2)	(735.4)	(736.8)
Cash from Financing	(940.2)	(7,331.3)	3,702.0	(5,615.3)	(2,521.3)
Foreign Exchange Rate Adj.	6.0	6.4	(4.5)	1.1	1.5
Net Change in Cash	3,504.5	(3,045.3)	420.0	(497.8)	(240.9)

View:

Oil India Limited is strategically positioned to leverage the upcoming opportunities given its strong financial growth and alignment with the government's energy priorities. With its long-backed history and forward-looking vision, OIL will actively participate and will be a key driver indicator in the India's energy growth. Oil India's capex guidance for FY25 is Rs 6000 crore including a Rs 1000 crore equity infusion in Numaligarh Refinery. Valuation would look further attractive if we include earnings from Numaligarh. With an attractive valuation and potential for capital appreciation, Oil India presents a compelling investment opportunity with a projected 30.9% increase in stock value target price Rs 775 expected in 9-12% Months' time frame.

Source: Ace Equity, Research

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