

Industry Oil & Gas  
Bloomberg OINL IN  
BSE CODE 533106

## Strong performance led by the higher realizations

<b>RATING</b>	<b>BUY</b>
<b>CMP</b>	<b>169</b>
<b>Price Target</b>	<b>196</b>
<b>Potential Upside</b>	<b>16%</b>

<b>Rating Change</b>	↔
<b>Estimate Change</b>	↔
<b>Target Change</b>	↔

## Stock Info

52wk Range H/L	259/181
Mkt Capital (Rs Cr)	19266
Free float (%)	34%
Avg. Vol 1M (,000)	113
No. of Shares (Cr)	987
Promoters Pledged %	0%

## Research Analyst

ADITYA GUPTA

aditya.gupta@narnolia.com

+91-22-62701231

## 3QFY19 Result update

- ❑ Company has reported strong set of numbers with revenue growth of 23% YoY to Rs. 3514 Cr while PAT has grown by 75% YoY to Rs. 1233 Cr. This growth is led by higher realization in both crude oil and gas.
- ❑ Company has posted other income of Rs.601 Cr in Q3 FY19 vs Rs. 213 Cr. in the same period in FY18. This included dividend of ~Rs.330 Cr received from Indian Oil Corporation.
- ❑ EBITDA margin has improved by 40bps on YoY basis and 390bps on QoQ to 43.3% in Q3 FY19 mainly led by higher realizations.
- ❑ Crude oil volume has declined by 5% YoY to 0.814 MMT due to the lower production and lower off take by OMC's.
- ❑ Revenue from crude oil has increased by 22% YoY to Rs. 2777 Cr and from natural gas it has increased by 41% YoY to Rs. 574 Cr in the last quarter.
- ❑ Natural gas volume has declined by 12% YoY to 0.646 BCM due to the short up-liftment by certain consumers.
- ❑ Crude Oil price realization has increased by 17.99 USD/BBL to 70.66 USD/BBL in 9M FY19 as compared to 52.67USD/BBL during 9M FY18.
- ❑ Company has declared interim dividend of Rs. 8.50 per equity share for FY19.

## View and valuation:

Oil India is one of the key beneficiaries of rising crude oil prices. Crude realization has increased by 25% YoY basis to 4804 Rs/bbl in Q3 FY19, despite sharp fall in the month of December, 2018. Crude oil prices have again started increasing from Jan 2019. We expect company to maintain its margins at current levels in upcoming quarters if crude price does not fall sharply. On the volume front, Oil India is ramping up its crude production from Baghjan, Dirok, Ningru and Taas oilfields. The company has already drilled 14 new oil wells and out of which currently 1 well is producing crude oil and remaining wells are expected to commercialize in upcoming fiscal. We expect production of crude oil will improve by 4-5% to 3.6 MMT in FY19e and by 6-7% in FY20e. We expect revenue and PAT to grow at CAGR of 17% and 22% over FY18-20e. **We marginally increase our FY19/20E revenue/PAT estimates by 3/4% and maintained our BUY rating with previous target price of Rs.196**

## Key Risks to our rating and target

- ❑ Subsidy sharing with OMC's
- ❑ Geo political risk to its subsidiaries
- ❑ Sharp decline in crude oil price

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	9765	9510	10656	14121	14564
EBITDA	3588	3105	3911	5683	5978
EBIT	2646	2014	2641	4238	4442
PAT	2302	1549	2668	3584	3949
EPS (Rs)	19	13	24	32	35
EPS growth (%)	-8%	-33%	82%	34%	10%
ROE (%)	9%	5%	10%	12%	13%
ROCE (%)	7%	4%	8%	11%	12%
BV	207	242	246	261	270
P/B (X)	0.7	0.9	0.9	0.7	0.6
P/E (x)	7.3	17.3	9.5	5.5	5.0

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**3Q FY 19**  
**PAT above expectation**
**Strong performance**

<i>Financials</i>	<i>3QFY18</i>	<i>4QFY18</i>	<i>1QFY19</i>	<i>2QFY19</i>	<i>3QFY19</i>	<i>YoY %</i>	<i>QoQ%</i>	<i>FY17</i>	<i>FY18</i>	<i>YoY %</i>
<i>Net Sales</i>	2853	2998	3390	3744	3514	<b>23.2%</b>	<b>-6.1%</b>	9510	10656	<b>12.1%</b>
<i>Other Income</i>	213	786	127	288	601	<b>182.6%</b>	<b>108.9%</b>	1681	1484	<b>-12%</b>
<i>COGS</i>	1027	1162	1300	1425	1361	<b>32.5%</b>	<b>-4.5%</b>	3367	3905	<b>16.0%</b>
<i>Gross Margin</i>	64%	61%	62%	62%	61%	<b>-2.7%</b>	<b>-0.7%</b>	65%	63%	<b>-1.2%</b>
<i>Employee Cost</i>	399	450	343	399	413	<b>3.6%</b>	<b>3.6%</b>	1614	1693	<b>4.9%</b>
<i>Other Expenses</i>	202	586	339	446	219	<b>8.0%</b>	<b>-50.9%</b>	1425	1147	<b>-19%</b>
<i>EBITDA</i>	1224	801	1408	1475	1521	<b>24.3%</b>	<b>3.2%</b>	3105	3911	<b>26.0%</b>
<i>EBITDA%</i>	43%	27%	42%	39%	43%	<b>0.4%</b>	<b>3.9%</b>	33%	37%	<b>4.1%</b>
<i>Depreciation</i>	356	300	337	366	369	<b>3.7%</b>	<b>1.0%</b>	1091	1270	<b>16.4%</b>
<i>EBIT</i>	868	501	1071	1109	1152	<b>32.7%</b>	<b>3.9%</b>	2014	2641	<b>31.1%</b>
<i>Interest</i>	102	108	112	126	122	<b>18.8%</b>	<b>-3.2%</b>	397	416	<b>4.8%</b>
<i>PBT</i>	979	1180	1086	1271	1632	<b>66.7%</b>	<b>28.4%</b>	3298	3710	<b>12.5%</b>
<i>Exceptional</i>	-	-	-	-	-			1152	-	
<i>Tax</i>	274	313	382	409	398	<b>45.6%</b>	<b>-2.7%</b>	598	1042	<b>74.3%</b>
<i>PAT</i>	705	867	703	862	1233	<b>74.9%</b>	<b>43.1%</b>	1549	2668	<b>72.3%</b>
<i>PAT Margin</i>	25%	29%	21%	23%	35%	<b>10.4%</b>	<b>12.1%</b>	16%	25%	<b>8.8%</b>

**Volume outlook**

In the last quarter company has reported decline in volume by 5% to 0.814 MMT. This is because of lower off-take by the Oil marketing companies. However, going forward the company is strengthening its oil resources by successful Hydrocarbon discovery in NELP VI block, KG-ONN-2004/1 in May, 2018 at well Thanelankal, the first successful High Pressure High Temperature (HPHT) well drilled by the company. Further ramp up of crude production from Baghjan, Dirok, Ningru and Taas oilfields is underway. We expect volume to start coming from the end of FY19 which may improve volume by 6% to 3.6 MMT in FY19E and strong volume growth to the tune of 7-8% is expected in FY20e.

**Rising crude and natural gas prices-**

Higher volatility in crude oil prices has been observed in the last quarter. Average of crude oil prices has increased by 25% YoY to 4804 USD/bbl. This spurt in crude oil prices in the last quarter resulted in strong growth in the realization of the Oil exploring companies. We expect crude price to remain in the range of USD 55-60/bbl and USD/INR to remain in the range of 68-70. This will help the company to maintain its margin at its current levels in coming fiscal. In natural gas segment, price of gas has increased by 16% YoY to 3.36 USD/bbl. This has resulted in the robust growth in the natural gas segment.

**Margin growth visibility-**

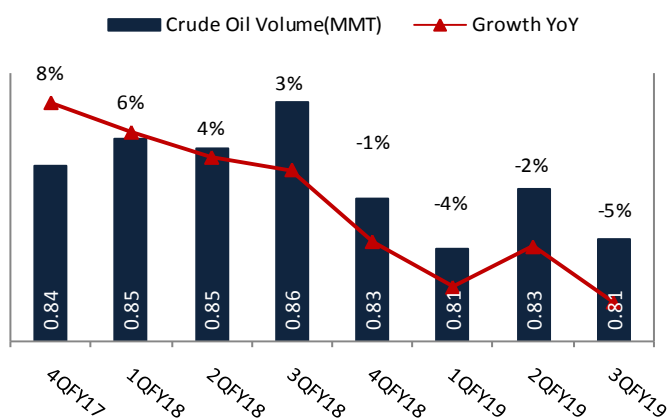
Rising realizations in both crude and natural gas segment has placed the Oil India in the higher profitable zone however in the last few quarters, higher royalty payments has offset some benefits arising out the higher realizations. In the last quarter company has received show cause cum demand notices from the Directorate General of Goods and Service Tax Intelligence for Royalty for Assam, Arunachal Pradesh and Rajasthan for the period March, 2016 to June, 2017. For which the company has also deposited Royalty payment for the period July, 2017 to September, 2018 amounting to Rs. 432 crore and Rs. 11.18 crore as interest in the last quarter. Going forward we expect these Royalty payments are expected to normalize which will help the company to reap the benefits arising out of higher realizations.

**Up-coming capex plans:**

The company has planned to drill seven ERD (Extended Reach Drilling) wells to extract oil from depth of about 3900-4000 meters by FY 2021-22 which is expected to produce oil of 4000 BOPD. Further company planned to increase production to about 800 BOPD of crude oil and 0.2 MMSCMD of gas in Ningru PML gas field by FY19. At current, production at this field is Crude oil - 130 BOPD, Natural Gas - 0.035 MMSCMD. These expansion plans will help the company to grow its volumes in up-coming fiscal.

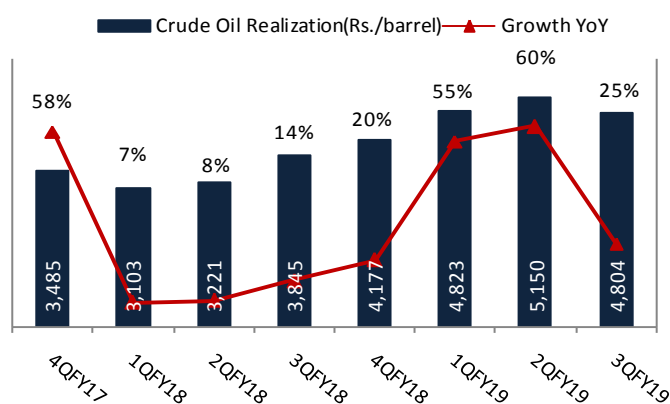
## Exhibit: Crude Oil Volume trend

Crude volume of the company declines due to lower production and lower off take by OMC's



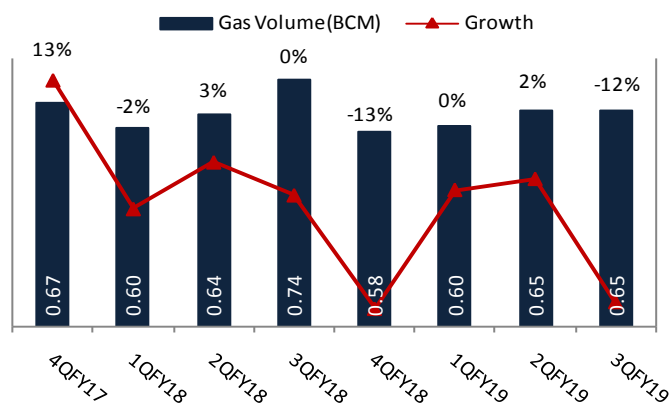
## Exhibit: Crude Oil Realization trend

Rising crude oil prices has resulted in the improved realizations from the last four quarters



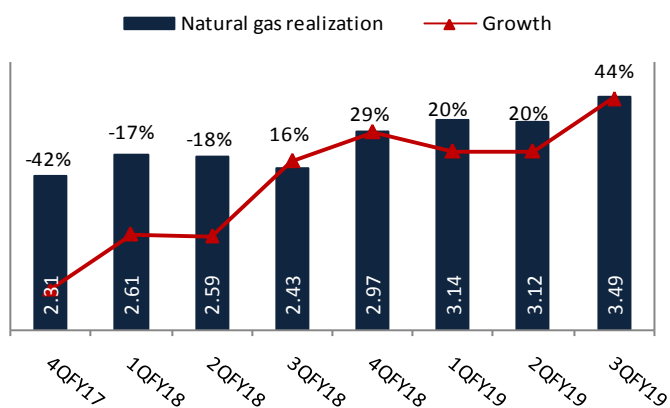
## Exhibit: Natural gas Volume trend

Due to the limited availability of gas at existing oil fields of Oil India, volume tends to remain stable



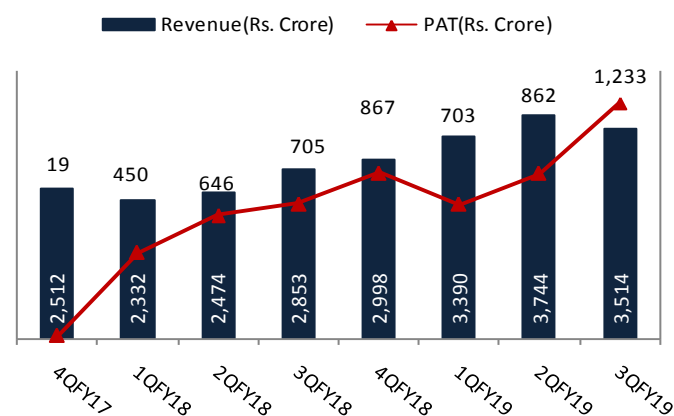
## Exhibit: Natural gas Realization trend

Rising international crude oil and gas prices, realizations of the company has increased significantly



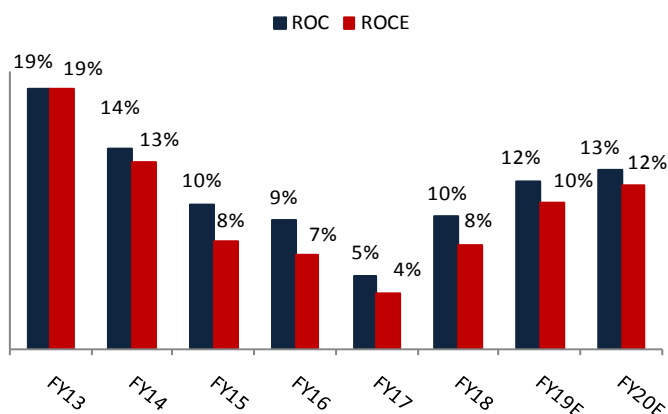
## Exhibit: Revenue and PAT (Rs. Crore) trend

Revenue and PAT has increased in last few quarters on the back of higher realizations and margins



## Exhibit: Return ratios

Return ratios improved from FY18 due to higher PAT and lowering of debt



## Financial Details

## Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	601	601	601	601	802	757	1135	1135
Reserves	18610	20107	23366	24318	28289	27153	28443	29540
<b>Networth</b>	<b>19211</b>	<b>20708</b>	<b>23967</b>	<b>24919</b>	<b>29090</b>	<b>27909</b>	<b>29578</b>	<b>30675</b>
Debt	1058	9783	8265	9133	8948	7366	4547	2909
Total Capital Employed	19211	22223	32231	34052	38038	35275	34125	33584
<b>Net Fixed Assets (incl CWIP)</b>	<b>6764</b>	<b>7556</b>	<b>9004</b>	<b>9983</b>	<b>12024</b>	<b>12948</b>	<b>14395</b>	<b>15308</b>
Non Current Investments	1857	11257	13392	14099	20801	22180	22180	22180
Other Non Current Assets	104	102	9	18	23	45	45	45
Non Current Assets	9252	19591	23396	24865	33581	35918	37366	38278
<b>Inventory</b>	<b>644</b>	<b>969</b>	<b>1024</b>	<b>1002</b>	<b>1096</b>	<b>1078</b>	<b>1240</b>	<b>1474</b>
Debtors	903	466	2377	1325	1006	1408	1393	1436
Cash & Bank	12133	11544	9218	9908	6542	3093	3250	1971
Other Current Assets	891	761	103	158	105	190	565	583
Current Assets	15530	15283	14536	14284	11759	8116	9043	7838
<b>Creditors</b>	<b>0</b>	<b>398</b>	<b>501</b>	<b>529</b>	<b>586</b>	<b>551</b>	<b>503</b>	<b>519</b>
Provisions	1137	794	234	231	370	468	620	640
Other Current Liabilities	1416	1122	688	382	744	190	424	437
Curr Liabilities	2554	2314	3268	2260	3305	4376	7901	8149
<b>Net Current Assets</b>	<b>12977</b>	<b>12969</b>	<b>11268</b>	<b>12024</b>	<b>8454</b>	<b>3740</b>	<b>1142</b>	<b>-311</b>
<b>Total Assets</b>	<b>24782</b>	<b>34874</b>	<b>37933</b>	<b>39149</b>	<b>45340</b>	<b>44034</b>	<b>46409</b>	<b>46116</b>

## Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Revenue from Operation</b>	<b>9,948</b>	<b>9,587</b>	<b>9,748</b>	<b>9,765</b>	<b>9,510</b>	<b>10,656</b>	<b>14,121</b>	<b>14,564</b>
Change (%)	1%	-4%	2%	0%	-3%	12%	33%	3%
Other Income	1530	1629	1272	1394	1681	1484	1331	1456
<b>EBITDA</b>	<b>4593</b>	<b>3566</b>	<b>3530</b>	<b>3588</b>	<b>3105</b>	<b>3911</b>	<b>5683</b>	<b>5978</b>
Change (%)	0%	-22%	-1%	2%	-13%	26%	45%	5%
Margin (%)	46%	37%	36%	37%	33%	37%	40%	41%
Depr & Amor.	838	716	733	942	1091	1270	1445	1536
<b>EBIT</b>	<b>3755</b>	<b>2851</b>	<b>2798</b>	<b>2646</b>	<b>2014</b>	<b>2641</b>	<b>4238</b>	<b>4442</b>
Int. & other fin. Cost	3	69	341	384	397	416	443	175
<b>EBT</b>	<b>5283</b>	<b>4410</b>	<b>3729</b>	<b>3656</b>	<b>3298</b>	<b>3710</b>	<b>5126</b>	<b>5724</b>
Exp Item	-	-	-	215	1152	0	0	-
Tax	<b>1693.89</b>	<b>1429</b>	<b>1219</b>	<b>1139</b>	<b>598</b>	<b>1042</b>	<b>1543</b>	<b>1774</b>
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	3589	2981	2510	2302	1549	2668	3584	3949
<b>Adjusted PAT</b>	<b>3589</b>	<b>2981</b>	<b>2510</b>	<b>2154</b>	<b>606</b>	<b>2668</b>	<b>3584</b>	<b>3949</b>
Change (%)	4%	-17%	-16%	-8%	-33%	72%	34%	10%
Margin(%)	36%	31%	26%	24%	16%	25%	25%	27%

## Financial Details

## Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	19%	14%	10%	9%	5%	10%	12%	13%
ROCE	19%	13%	8%	7%	4%	8%	11%	12%
Asset Turnover	0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.3
Debtor Days	33	18	89	50	39	48	36	36
Inv Days	24	37	38	37	42	37	37	37
Payable Days	-	15	19	20	22	19	13	13
Int Coverage	0.0	0.0	0.1	0.1	0.2	0.2	0.1	0.0
P/E	8	9	10	7	17	9	6	5
Price / Book Value	1.4	1.2	1.0	0.7	0.9	0.9	0.7	0.6
EV/EBITDA	3	4	7	4	9	8	4	3
FCF per Share	2.8	9.3	(3.9)	13.7	3.6	9.7	47.0	29.8
Div Yield	6.6%	5.0%	0.0%	6.5%	4.6%	5.6%	9.6%	11.9%

## Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	5283	4410	3729	3441	2146	3710	5126	5724
(inc)/Dec in Working Capital	-881	101	-1586	343	580	-946	2755	174
Non Cash Op Exp	567	716	733	942	1091	1270	1445	1536
Int Paid (+)	3	69	341	358	372	379	443	175
Tax Paid	-2459	-1808	-1151	-855	-602	-416	-1543	-1774
others	-1138	-829	-911	-754	-1014	-902	0	0
<b>CF from Op. Activities</b>	<b>1375</b>	<b>2658</b>	<b>1155</b>	<b>3474</b>	<b>2573</b>	<b>3095</b>	<b>8227</b>	<b>5834</b>
(inc)/Dec in FA & CWIP	-1522	-1928	-2364	-2536	-2850	-2661	-2893	-2448
Free Cashflow	-147	730	-1209	938	-277	434	5335	3386
(Pur)/Sale of Inv	-835	-9900	-272	-1189	496	1773	0	0
others	3069	1749	1473	1550	1642	1349	0	0
<b>CF from Inv. Activities</b>	<b>712</b>	<b>-10078</b>	<b>-1163</b>	<b>-2175</b>	<b>-713</b>	<b>460</b>	<b>-2893</b>	<b>-2448</b>
inc/(dec) in NW	0	0	0	0	0	-1535	378	0
inc/(dec) in Debt	1048	8725	-1442	868	0	0	-2818	-1638
Int. Paid	-3	-68	-207	-349	-375	-378	-443	-175
Div Paid (inc tax)	-1956	-2089	-860	-1305	-1495	-1707	-2294	-2852
others	22	264	-319	-462	4	2	0	0
<b>CF from Fin. Activities</b>	<b>-889</b>	<b>6831</b>	<b>-2828</b>	<b>-1248</b>	<b>-1865</b>	<b>-3618</b>	<b>-5177</b>	<b>-4665</b>
Inc(Dec) in Cash	1197	-589	-2836	51	-5	-63	158	-1279
<b>Add: Opening Balance</b>	<b>10935</b>	<b>12133</b>	<b>11544</b>	<b>131</b>	<b>183</b>	<b>178</b>	<b>3093</b>	<b>3250</b>
Closing Balance	12133	11544	8707	183	178	115	3250	1971

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Analyst's ownership of the stocks mentioned in the Report	NIL
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Correspondence Office Address: Arch Waterfront, 5<sup>th</sup> Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2<sup>nd</sup> Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

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Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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