

## OIL India

Oil India reported negative revenue growth of 3% YoY to Rs.2414 cr on account of declined crude oil production, higher subsidy outgo and lower realization. During the quarter production of crude oil and natural gas was adversely affected due to an external environment issue and thus could not support revenue growth. During quarter the company's production of crude oil was 0.921 MMT in 3QFY13 as compared to 0.968 MMT during Q3 FY12. The natural gas production was 675 MMSCM during Q3 FY13 as compared to 676 MMSCM during Q3 FY12. Crude oil sales were 0.924 MMT during Q3 FY13 as compared to sales of 0.950 MMT in Q3 FY12. Sale of Natural Gas was 536 MMSCM during Q3 FY13 as compared to 544 MMSCM during the Q3 FY12.

Lower production, lower realization and high subsidy outgo led EBITDA de-growth of 14% YoY and 3% QoQ to Rs.1228. Consequently EBITDA margin compressed to 50.9% in 3QFY13 versus 57% in 3QFY12 and 52.7% in 2QFY13.

Depreciation, depletion and amortization declined by 13.1% QoQ to Rs 222 cr versus Rs.289 cr in 3QFY12 and Rs.256 cr in 2QFY13. Lower DDA expenses reflects lower write off well of dry well and ongoing blockade in Assam that hindered production and exploration activity.

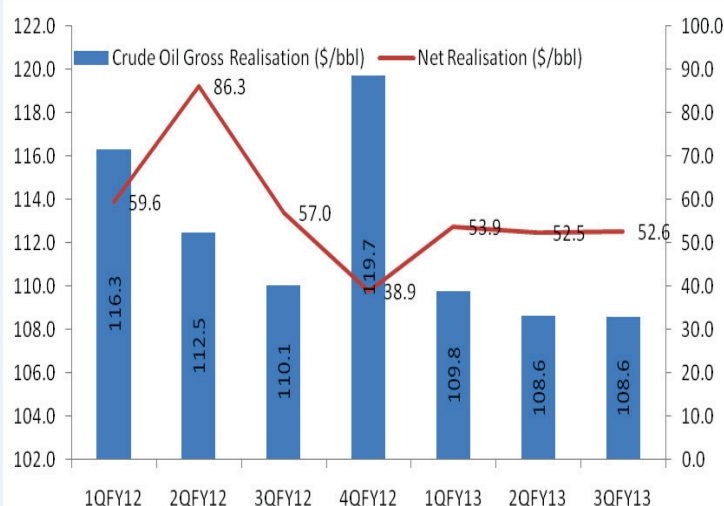
During the quarter, the company's other income remained strong and increased to Rs386 as compare to Rs 357 cr in 3QFY12 and Rs.402 cr in 2QFY13. Other income was well supported by the company's huge cash balance. As on Sept 2012, the company has a cash balance of Rs13947cr. WE expects the company could utilize huge pile of cash for the acquisition of oil and gas assets, which could provide inorganic growth to the company.

In Q3FY2013, OIL posted a net profit of Rs940.3 cr (a decline of 7.3% year on year YoY). However, the decline in the earnings on a Y-o-Y basis was on account of a decline in the crude oil production and sales volume, and an increase in the subsidy outgo (Rs1,949 cr in Q3FY2013 as compared with Rs1,853 cr in Q3FY2012), which lowered the net realization of the company to \$52.6/barrel as compared with \$57/barrel in Q3FY2012.

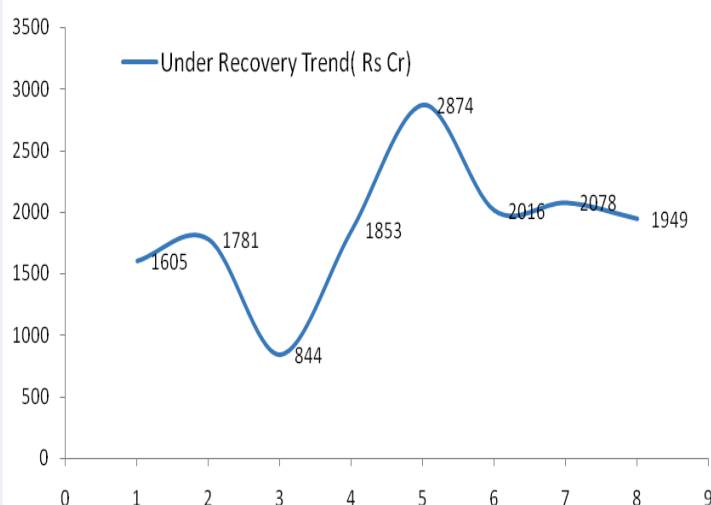
OIL India has given guidance of physical performance in conference call held in 13th Feb2013. Management expects crude oil production at 3.79mt in FY13E and at 3.95mt in FY14E. Comparable figures for gas production stand at 2.63bcm/2.74bcm for FY13E/FY14E, respectively. Gas Production is likely to touch 10mmscmd by FY16E. The company has also guided for capital expenditure of Rs34.25bn for FY14E and capex for current financial year is likely to be Rs30.7bn, with 80% of the amount being already spent till date.

In Venezuela's Carabobo field, management stated that two well have been drilled in January 2013 and the third well is likely to be drilled soon. It expects the production from this field to touch 400,000bpd over the next four years, of which OIL's share will be 13,000bpd-14,000bpd. OIL India will invest US\$420mn in this project.

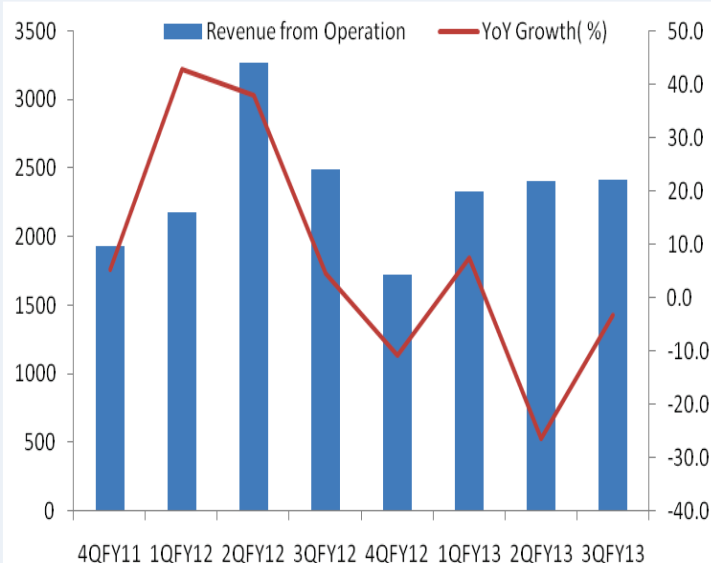
We maintain our positive stance towards OIL India and recommend buy with price target of Rs.650. At current price stock is trading at attractive valuation and currently available at discount to its historical average valuation.



(Source: Company/Eastwind)



(Source: Company/Eastwind)



(Source: Company/Eastwind)