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Rating	Accumulate
Price	Rs316
Target Price	Rs330
Implied Upside	4.4%
Sensex	22,986
Nifty	6,981

(Prices as on February 12, 2016)

Trading data	
Market Cap. (Rs bn)	189.8
Shares o/s (m)	601.1
3M Avg. Daily value (Rs m)	399.7
Major shareholders	
Promoters	67.64%
Foreign	8.77%
Domestic Inst.	9.93%
Public & Other	13.66%

Stock Performance			
(%)	1M	6M	12M
Absolute	(15.7)	(29.9)	(40.6)
Relative	(8.8)	(13.4)	(20.4)
How we differ from Consensus			
EPS (Rs)	PL	Cons.	% Diff.
2017	33.0	47.1	-30.0
2018	31.1	54.7	-43.2

### Price Performance (RIC: OILI.BO, BB: OINL IN)



Source: Bloomberg

- **Earnings lower than estimates:** OINL reported 3QFY16 EBIDTA of Rs 7.5bn (PLe Rs 8bn) and PAT of Rs 4.1bn (PLe Rs 5.2bn). Weak crude oil production volumes despite improvement in gas sales, post the commissioning of the BCPL petrochemical plant, coupled with lower realisation impacted earnings. Profitability was also hit by higher depletion charges and increased tax rate.
- **Higher gas sales mask weak crude oil production:** OINL's 3Q crude oil production was weak at 0.8MMT (-8%Y/Y, -2%q/q) while gas volumes improved to 776mscm (+13%y/y, +119%q/q). Gas volumes have improved post the commissioning of the Brahmaputra Cracker and Polymer Ltd (BCPL) plant. OINL is to supply 1.35mmmscmd (0.5bcm p.a); assumed incremental gas supplies of 50%/80% for FY17/18E.
- **Nil subsidies:** For 3Q, OINL didn't provide for any subsidies against Rs 845mn in 2Q. OINL's net realisation was at US\$42.0/bbl (2QFY16 US\$46.4/bbl and US\$37.4/bbl in 3QFY15); Q/Q decline in realisation follows ~13% drop in Brent prices.
- **Earnings changed maintain ACCUMULATE:** We tweak FY16/17/18E earnings to factor in **1)** lower crude oil prices of US\$50/bbl (US\$60/bbl earlier) for FY16 **2)** build in higher gas sales at BCPL **3)** higher cost. We maintain **ACCUMULATE** with a Price Target of Rs 330 (Rs 444 earlier) based on 10x FY17E.

Key financials (Y/e March)	2015	2016E	2017E	2018E
Revenues (Rs m)	97,482	112,326	113,575	116,860
Growth (%)	2.3	15.2	1.1	2.9
EBITDA (Rs m)	37,803	31,200	29,267	28,242
PAT (Rs m)	25,102	20,875	19,830	18,667
EPS (Rs)	41.8	34.7	33.0	31.1
Growth (%)	(15.8)	(16.8)	(5.0)	(5.9)
Net DPS (Rs)	20.0	13.9	13.2	12.4

Profitability & Valuation	2015	2016E	2017E	2018E
EBITDA margin (%)	38.8	27.8	25.8	24.2
RoE (%)	11.9	9.5	8.6	7.7
RoCE (%)	9.1	7.6	7.0	6.4
EV / sales (x)	1.9	1.4	1.4	1.4
EV / EBITDA (x)	4.9	4.9	5.3	5.8
PE (x)	7.6	9.1	9.6	10.2
P / BV (x)	0.9	0.8	0.8	0.8
Net dividend yield (%)	6.3	4.4	4.2	3.9

Source: Company Data; PL Research

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## Exhibit 1: Q3FY16 Result Overview (Rs m)

Y/e March	Q3FY16	Q3FY15	YoY gr. (%)	Q2FY16	9MFY16	9MFY15	YoY gr. (%)
<b>Net sales</b>	<b>22,187</b>	<b>20,615</b>	<b>7.6</b>	<b>23,977</b>	<b>73,665</b>	<b>66,573</b>	<b>10.7</b>
Other operating income	1,228	1,332	(7.8)	1,338	3,891	3,853	1.0
Total income	23,416	21,948	6.7	25,314	77,556	70,426	10.1
(Increase)/decrease in stock	48	67	(28.4)	52	242	173	40.2
Employee cost	3,255	3,486	(6.6)	4,220	11,493	11,055	4.0
Statutory levies	6,614	6,694	(1.2)	6,923	21,262	20,747	2.5
Other expenditure	5,977	5,182	15.3	5,080	15,827	11,289	40.2
Total expenditure	15,895	15,429	3.0	16,275	48,824	43,264	12.9
<b>EBITDA</b>	<b>7,521</b>	<b>6,518</b>	<b>15.4</b>	<b>9,040</b>	<b>28,733</b>	<b>27,162</b>	<b>5.8</b>
Depreciation, depletion, & amortization	2,483	1,773	40.1	2,221	6,573	5,360	22.6
Interest	874	799	9.3	872	2,572	2,438	5.5
Other income	2,422	2,952	(17.9)	4,251	9,445	10,067	(6.2)
<b>Profit before tax</b>	<b>6,586</b>	<b>6,898</b>	<b>(4.5)</b>	<b>10,198</b>	<b>29,032</b>	<b>29,430</b>	<b>(1.4)</b>
Current tax	2,344	1,979	18.5	1,769	7,556	8,758	(13.7)
Deferred tax	135	(63)	(313.7)	1,681	2,868	1,088	163.5
<b>Tax rate (%)</b>	<b>37.6</b>	<b>27.8</b>		<b>33.8</b>	<b>38.4</b>	<b>28.5</b>	
<b>Profit after tax</b>	<b>4,107</b>	<b>4,983</b>	<b>(17.6)</b>	<b>6,748</b>	<b>18,608</b>	<b>19,584</b>	<b>(5.0)</b>

Source: Company Data, PL Research

## Exhibit 2: Oil India production, realisation details

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16
<b>Production (Quantity)</b>							
Crude oil (MMT)	0.84	0.88	0.88	0.84	0.84	0.82	0.81
Crude oil (mmbbl)	6.01	6.26	6.25	5.97	5.99	5.82	5.74
Natural Gas (mmscm)	677	694	688	664	642	702	776
<b>Sales (Quantity)</b>							
Crude oil (MMT)	0.84	0.86	0.87	0.83	0.85	0.81	0.81
Natural Gas (mmscm)	548	559	549	526	502	565	652
<b>Realizations (US\$/bbl)</b>							
Gross realization	108.4	101.3	74.9	53.6	61.9	48.7	42.0
Net realization	52.4	45.3	37.4	53.6	57.4	46.4	42.0

Source: Company Data, PL Research

## Income Statement (Rs m)

Y/e March	2015	2016E	2017E	2018E
<b>Net Revenue</b>	<b>97,482</b>	<b>112,326</b>	<b>113,575</b>	<b>116,860</b>
Raw Material Expenses	27,920	47,541	49,607	52,180
Gross Profit	69,562	64,785	63,968	64,680
Employee Cost	—	—	—	—
Other Expenses	31,759	33,585	34,702	36,438
<b>EBITDA</b>	<b>37,803</b>	<b>31,200</b>	<b>29,267</b>	<b>28,242</b>
Depr. & Amortization	1,666	2,234	2,414	2,594
Net Interest	(9,310)	(10,509)	(12,287)	(11,645)
Other Income	20,876	22,666	25,647	24,869
<b>Profit before Tax</b>	<b>53,606</b>	<b>48,226</b>	<b>49,093</b>	<b>47,109</b>
Total Tax	12,185	9,850	9,357	8,808
<b>Profit after Tax</b>	<b>41,421</b>	<b>38,376</b>	<b>39,736</b>	<b>38,301</b>
Ex-Od items / Min. Int.	—	—	—	—
<b>Adj. PAT</b>	<b>25,102</b>	<b>20,875</b>	<b>19,830</b>	<b>18,667</b>
<b>Avg. Shares O/S (m)</b>	<b>601.1</b>	<b>601.1</b>	<b>601.1</b>	<b>601.1</b>
<b>EPS (Rs.)</b>	<b>41.8</b>	<b>34.7</b>	<b>33.0</b>	<b>31.1</b>

## Balance Sheet Abstract (Rs m)

Y/e March	2015	2016E	2017E	2018E
Shareholder's Funds	215,143	226,249	236,799	246,730
Total Debt	83,428	83,411	83,411	83,411
Other Liabilities	16,760	16,743	16,743	16,743
<b>Total Liabilities</b>	<b>315,330</b>	<b>326,403</b>	<b>336,953</b>	<b>346,884</b>
Net Fixed Assets	26,133	20,602	21,188	21,593
Goodwill	—	—	—	—
Investments	115,115	115,115	115,115	115,115
Net Current Assets	108,944	114,689	111,629	104,222
<i>Cash &amp; Equivalents</i>	<i>87,073</i>	<i>119,823</i>	<i>116,692</i>	<i>109,098</i>
<i>Other Current Assets</i>	<i>68,812</i>	<i>36,920</i>	<i>37,122</i>	<i>37,651</i>
<i>Current Liabilities</i>	<i>46,941</i>	<i>42,054</i>	<i>42,184</i>	<i>42,527</i>
Other Assets	65,139	75,998	89,021	105,954
<b>Total Assets</b>	<b>315,330</b>	<b>326,403</b>	<b>336,953</b>	<b>346,884</b>

## Cash Flow Abstract (Rs m)

Y/e March	2015	2016E	2017E	2018E
C/F from Operations	23,085	56,099	29,101	27,777
C/F from Investing	24,108	13,563	22,952	26,635
C/F from Financing	(75,557)	(36,912)	(55,185)	(62,005)
Inc. / Dec. in Cash	(28,364)	32,750	(3,131)	(7,594)
Opening Cash	115,437	87,073	119,823	116,692
Closing Cash	87,073	119,823	116,692	109,098
FCFF	13,888	47,114	66,908	—
FCFE	(13)	47,097	66,908	—

## Quarterly Financials (Rs m)

Y/e March	Q4FY15	Q1FY16	Q2FY16	Q3FY16
<b>Net Revenue</b>	<b>27,130</b>	<b>28,826</b>	<b>25,314</b>	<b>23,416</b>
<b>EBITDA</b>	<b>8,233</b>	<b>12,172</b>	<b>9,040</b>	<b>7,521</b>
<i>% of revenue</i>	30.3	42.2	35.7	32.1
Depr. & Amortization	2,057	1,868	2,221	2,483
Net Interest	(1,681)	(1,945)	(3,379)	(1,548)
Other Income	2,650	2,772	4,251	2,422
<b>Profit before Tax</b>	<b>7,856</b>	<b>12,249</b>	<b>10,198</b>	<b>6,586</b>
Total Tax	2,339	4,495	3,450	2,479
<b>Profit after Tax</b>	<b>5,517</b>	<b>7,754</b>	<b>6,748</b>	<b>4,107</b>
<b>Adj. PAT</b>	<b>5,517</b>	<b>7,754</b>	<b>6,748</b>	<b>4,107</b>

## Key Financial Metrics

Y/e March	2015	2016E	2017E	2018E
<b>Growth</b>				
Revenue (%)	2.3	15.2	1.1	2.9
EBITDA (%)	(4.3)	(17.5)	(6.2)	(3.5)
PAT (%)	(15.8)	(16.8)	(5.0)	(5.9)
EPS (%)	(15.8)	(16.8)	(5.0)	(5.9)
<b>Profitability</b>				
EBITDA Margin (%)	38.8	27.8	25.8	24.2
PAT Margin (%)	25.8	18.6	17.5	16.0
RoCE (%)	9.1	7.6	7.0	6.4
RoE (%)	11.9	9.5	8.6	7.7
<b>Balance Sheet</b>				
Net Debt : Equity	—	(0.2)	(0.1)	(0.1)
Net Wrkng Cap. (days)	(162)	(104)	(98)	(93)
<b>Valuation</b>				
PER (x)	7.6	9.1	9.6	10.2
P / B (x)	0.9	0.8	0.8	0.8
EV / EBITDA (x)	4.9	4.9	5.3	5.8
EV / Sales (x)	1.9	1.4	1.4	1.4
<b>Earnings Quality</b>				
Eff. Tax Rate	32.7	32.1	32.1	32.1
Other Inc / PBT	34.1	45.3	53.8	54.8
Eff. Depr. Rate (%)	4.0	5.8	5.8	—
FCFE / PAT	(0.1)	225.6	337.4	—

Source: Company Data, PL Research.

## Key Operating Metrics

Y/e March	2015	2016E	2017E	2018E
Gross realisation (US\$/bbl)	85.6	50.0	50.0	50.0
Subsidy (US\$/bbl))	61.1	64.8	66.5	67.0
Net realisation (US\$/bbl)	24.1	24.3	24.8	25.3
Oil Production (mn tons)	17.1	17.3	17.9	18.2
Gas production (bcm)	46.9	46.9	46.1	46.2

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