



ENAM Securities
India Research

CMP: Rs 1,322
Target Price: Rs 1,435
Potential Upside: 9%
Absolute Rating: **HOLD**

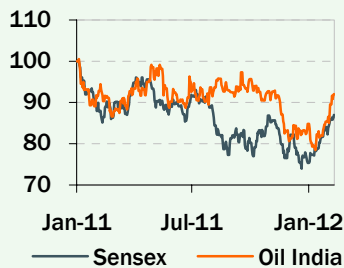
Oil India Ltd

Relative to sector: **Neutral**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 240 mn
Market cap : Rs 318 bn
52 week high/low : Rs 1419 / Rs 1102
Avg. daily vol. (6mth) : 81,500 shares
Bloomberg code : OINL IB
Reuters code : OILI. BO

Shareholding (%)	Dec-11	QoQ chg
Promoters	78.4	0.0
FIs	2.1	(0.2)
MFs / UTI	4.2	(0.0)
Banks / FIs	1.2	0.2
Others	14.1	0.1

	FY12E	FY13E
Brent (USD/bbl)	112	105
INR:USD	48.3	49.1

Financial summary (Consolidated)

Y/E Mar	Sales (Rs bn)	PAT (Rs bn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2010	77	26	-	109.0	7.6	-	22.7	33.7	-	33.9
2011	83	29	-	119.9	10.1	-	19.7	28.4	-	37.3
2012E	68	17	138.5	70.8	(41.0)	18.7	10.5	14.5	8.1	22.1
2013E	103	34	146.3	139.4	97.0	9.5	18.9	26.0	3.9	43.5

Source: *Consensus broker estimates, Company, ENAM estimates

DIVIDEND LOWER-THAN-EXPECTED

Oil India's (OIL) recurring Q3FY12 PAT at Rs 10.3 bn (up 10% YoY) was higher than our estimate of Rs 8.7 bn due to higher-than-expected other income (Rs 3.7 bn vs. est. of Rs 2.7 bn) and lower other expenses. Growth in other income was led by higher interest yield on bank deposits.

The stock has appreciated ~10% in the last week after announcement of Bonus and special dividend, which leaves 9% upside to our target price of Rs 1,435. Hence, we downgrade the stock to **HOLD** from **BUY**. We continue to prefer OIL over ONGC due to higher growth in oil and gas production and lower costs due to most assets being onshore.

Special dividend of Rs 10/sh; Bonus shares at 3:2

OIL declared a special dividend of Rs 10/sh, lower than expectations, despite robust cash reserves of ~Rs 550/sh (Rs 136 bn). Board recommended 3:2 Bonus shares. Lower than expected dividend could lead to short-term weakness in stock price.

FY12 subsidy sharing scheme could surprise

We expect upstream subsidy share in FY12 at 56% vs. YTD share at ~38%. Worries over mounting fiscal deficit could force government to increase upstream subsidy share in FY12. However, as the government is about to announce ONGC FPO/auction, there is a possibility that government may announce a favorable subsidy share for upstream companies in FY12. If current sharing (38%) is continued, OIL's FY12 earnings would come in at Rs 139 /sh.

Long-term fundamentals intact; 3-yr PAT CAGR at 10%

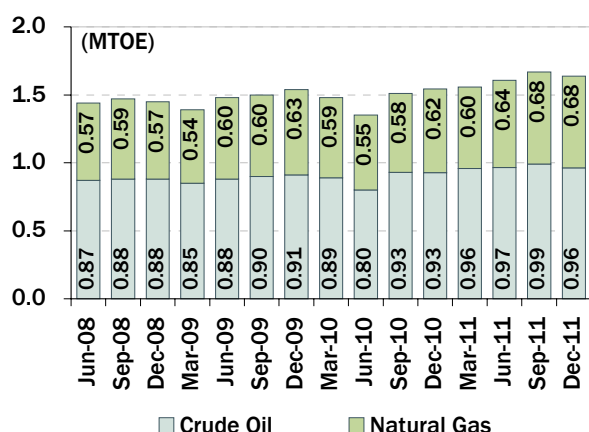
OIL is set to deliver oil production CAGR of 5%, which would lead to earnings CAGR of 10% over FY11-14E. Commissioning of BCPL (Brahmaputra Cracker) would be a huge trigger for gas volumes, as BCPL off-take would almost be 2x of OIL's current gas volumes.

Result Update

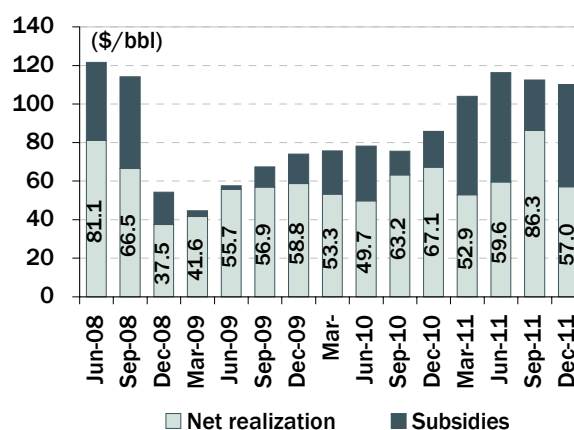
(Rs mn)	Quarter ended (Standalone)				12 months ended (Consol)			
	Dec-11	Dec-10	% Chg	Sep-11	% Chg	Mar-12E	Mar-11	% Chg
Net Sales	25,898	24,734	4.7	33,571	(22.9)	67,938	83,027	(18.2)
EBITDA	14,474	14,068	2.9	19,928	(27.4)	27,059	43,789	(38.2)
Other income	3,756	2,259	66.3	3,853	(2.5)	10,273	8,918	15.2
PBIDT	18,230	16,327	11.7	23,781	(23.3)	37,332	52,707	(29.2)
Depreciation	2,887	2,261	27.7	5,901	(51.1)	12,407	9,477	30.9
Interest	11	12	(5.1)	5	136.2	269	139	93.0
PBT	15,332	14,054	9.1	17,875	(14.2)	24,656	43,091	(42.8)
Tax	5,064	4,693	7.9	5,734	(11.7)	7,639	14,255	(46.4)
Adjusted PAT	10,269	9,361	9.7	11,892	(13.6)	17,017	28,836	(41.0)
Extra ordinary inc/ (exp.)	(256)	(281)	-	(506)	(49.5)	-	41	-
Reported PAT	10,140	9,080	11.7	11,385	(10.9)	17,017	28,877	(41.1)
No. of shares (mn)	240	240	-	240	-	240	240	-
EBITDA margin (%)	55.9	56.9	-	59.4	-	39.8	52.7	-
PBIDT margin (%)	70.4	66.0	-	70.8	-	54.9	63.5	-
EPS - annualized (Rs.)	170.8	155.7	9.7	197.8	(13.6)	70.8	119.9	(41.0)

Source: Company, ENAM Research

Crude/ Gas Production (MMT)



Break-up of crude oil realization



Source: Company releases, ENAM Research

Sensitivity analysis: Upstream EPS in various subsidy sharing scenarios

Scenarios	FY12E EPS (Rs)		Remark
	ONGC	OIL	
Case - 1 ONGC net realization at US\$ 45/bi OIL net realization at US\$ 54/bi	31	117	Implied upstream subsidy sharing at 44%
Case - 2 ONGC net realization at US\$ 54/bi OIL net realization at US\$ 62/bi	35	139	Implied upstream subsidy sharing at 38%
Case - 3 Upstream subsidy sharing at 33%	38	160	
Case - 4 Upstream subsidy sharing at 39%	34	137	In-line with FY11 sharing formula
Case - 5 Upstream subsidy sharing at 56%	23	70	Our base case

Source: ENAM Research

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