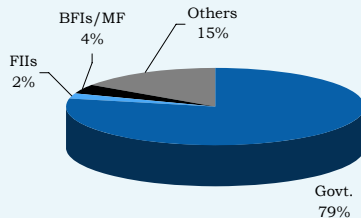
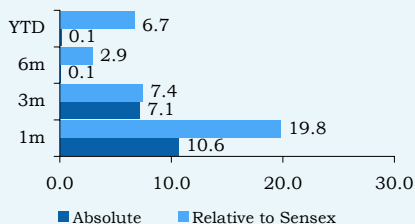


Key points

- Gross and net realizations for crude oil stood at US\$76.1/bbl and US\$ 54.5/bbl respectively.
- Other expenditure for the quarter increased by 213% on yoy basis and 197% on qoq basis to Rs3683mn.
- Recommend Buy.

CMP	Rs1,241
Reuters code	OILI.BO
Bloomberg code	OINL IB
Shares o/s (mn)	240
Mkt Cap	Rs298bn/US\$6.3bn
52 wk high / Low	Rs1375/1019
Avg daily trad vol	0.13(mn shs)
BSE Sensex	16,388
Nifty	4,917

Shareholding pattern

Performance

Share price movement

Higher other expenses lead to disappointment on bottom line
Outlook

Volumes	Oil volumes expected to grow at a CAGR of 2-3%
EBIDTA	EBIDTA to depend on oil prices and government policy
Capex	OIL plans to spend around Rs25-30bn every year on capex
Valuation	Currently trading at 8.7x FY12 earnings

- In 4QFY10, OIL India has posted lower than expected bottom line on account of higher other expenses. Other expenditure for the quarter increased by 213% on yoy basis and 197% on qoq basis to Rs3683mn. We need to speak to the management to know about the reason for huge jump.
- Net sales for the quarter increased by 34% yoy to Rs18.3bn. Subsidy burden for the quarter is at Rs6.7bn. For the FY10, subsidy burden stood at Rs15.5bn, as compared to Rs30bn in FY09.
- Gross realizations for crude oil stood at US\$76.1/bbl. After deducting subsidy of US\$21.6/bbl, net realizations stood at US\$54.5bn.
- EBIDTA for the quarter stood at Rs6.65bn, as compared to Rs5.3 bn in 3QFY09.
- PAT for the quarter declined by 40% on qoq basis to Rs4.3bn.

Valuations and view

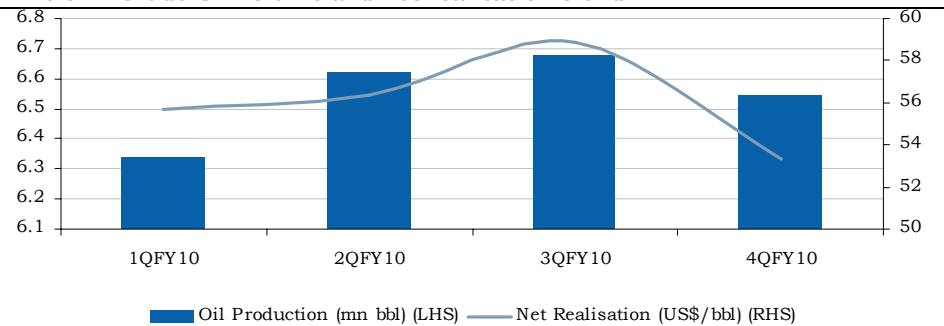
Currently the stock is trading at FY11E and FY12E P/E multiple of 9.6x and 8.7x respectively. Earnings of OIL India are highly sensitive to oil prices and government policies. According to media reports, government is expected to take decision on de-regulation of sensitive products on 7th June 2010. Any clarity on this front would be positive for the stock.

Moreover, OIL India stands to benefit from government's decision to increase APM gas prices. Accordingly, we have increased our FY11 EPS estimate from Rs118 to Rs129.6. We value OIL at 10x FY12 EPS giving us a target price of Rs1427 (Rs1322 earlier). We recommend BUY.

Financial summary

Year end march (Rs.mn)	FY08	FY09	FY10	FY11E	FY12E
Net sales	60,820	72,415	79,056	88,184	93,874
Net Profit	17,889	21,617	26,105	31,163	34,316
EPS RS	83.6	101.0	108.6	129.6	142.7
P/E(x)			10.6	9.6	8.7
ROCE (%)	23.0	24.8	22.5	21.0	20.3
ROE (%)	24.2	25.0	22.6	21.1	20.3
EV / EBIDTA			5.2	5.0	4.4
Div. Yield (%)			3.0	3.2	3.4
P / BV			2.0	1.9	1.7

Source: Alchemy, Company, Bloomberg

Exhibit 1 - Crude Oil volume and net realisation trend


Source: Alchemy Research, Company

Exhibit 2 - Quarterly Results

	Q4FY09	Q1FY10	Q2FY10	Q3FY10	Q4FY10
Income from operations	13671	19318	21003	20413	18321
YoY %				46.49	34.02
QoQ%			8.72	(2.81)	(10.25)
Total Expenditure	8576.60	9510.37	11013.80	9783.80	11663.80
Raw materials and purchased goods	247	82	671	275	341
YoY %				(23.73)	38.30
% of sales	1.80	0.42	3.19	1.35	1.86
Staff Cost	2555.20	2477	2871	2303	2038
Other Expenditure	5774.90	6951.07	7472.70	7205.60	9284.90
EBITDA	5094.40	9807.93	9988.70	10629.50	6657.60
YoY %				100.96	30.68
Margins (%)	37.26	50.77	47.56	52.07	36.34
YoY (bps)				1412	-93
Depreciation	3052.40	1217.50	1430.90	1754.30	3235.30
EBIT	2042.00	8590.43	8557.80	8875.20	3422.30
Interest	34.60	9.00	9.70	8.10	9.70
Other income	2422	2063	2782	2228	2469
Profit before Tax	4429.30	10644.53	11329.80	11095.10	5881.50
Provision for Taxation	3722	3248	4104	3922	1572
Tax rate	84.03	30.51	36.22	35.35	26.72
Net Profit after Tax	707.40	7396.93	7225.60	7172.80	4309.90
YoY %				23.48	509.26
EPS	0.00	30.76	30.05	29.83	17.92

Source: Alchemy Research, Company

Net sales for the quarter increased by 34% yoy to Rs18.3bn. Subsidy burden for the quarter is at Rs6.7bn

Gross realizations for crude oil stood at US\$76.1/bbl. After deducting subsidy of US\$21.6/bbl, net realizations stood at US\$54.5bn.

PAT for the quarter declined by 40% on qoq basis to Rs4.3bn

Profit & Loss Account

Year to (Rs mn)	FY09	FY10	FY11E	FY12E
Net Sales	72,415	79,056	88,184	93,874
Raw Materials	130	106	0	0
Employee Cost	10,568	9,689	9,979	10,279
Other Expenses	35,600	32,177	34,221	35,865
Total Expenditure	46,297	41,972	44,200	46,144
EBITDA	26,117	37,084	43,984	47,729
Other Income	9,573	9,542	9,580	10,761
Interest	87	37	56	56
Depreciation	1,733	7,638	6,291	6,440
PBT	33,869	38,951	47,216	51,993
Total tax	12,253	12,846	16,053	17,678
PAT	21,617	26,105	31,163	34,316
Less: Adjustments	0	0	0	0
Adjusted PAT	21,617	26,105	31,163	34,316

Balance Sheet

Year to (Rs mn)	FY09	FY10	FY11E	FY12E
Equity capital	2,140	2,405	2,405	2,405
Reserves & Surplus	91,185	135,233	155,424	177,924
Net worth	93,325	137,637	157,828	180,328
Minority interest	0	0	0	0
Total debt	565	565	565	565
Total	93,889	138,202	158,393	180,893
Net block	42,175	47,813	74,208	85,227
Capital WIP	3,186	3,186	3,186	3,186
Total fixed assets	45,361	50,999	77,394	88,413
Investments	4,887	4,887	4,887	4,887
Net Working capital				
Current Assets	84,132	111,038	104,993	116,608
Inventories	5,589	5,162	5,449	5,689
Debtors	4,047	6,498	7,248	7,716
Cash & bank	60,700	85,582	78,500	89,407
Other Current Assets	13,796	13,796	13,796	13,796
Current Liabilities & Provisions	31,492	19,723	19,883	20,016
Creditors	3,403	2,868	3,027	3,161
Other liabilities	11,233	0	0	0
Provisions	16,856	16,856	16,856	16,856
Net Deferred Tax Assets	(8,998)	(8,998)	(8,998)	(8,998)
Miscellaneous Exp	0	0	0	0
Total	93,889	138,202	158,393	180,893

Cashflow Statement

Year to (Rs mn)	FY09	FY10	FY11E	FY12E
PAT	21,617	26,105	31,163	34,316
Add: Depreciation	1,733	7,638	6,291	6,440
Add: Interest expense	87	37	56	56
Less: Other income	(9,573)	(9,542)	(9,580)	(10,761)
Change in working capital	9,477	(13,792)	(878)	(574)
Others	0	0	0	0
Cash flow from operations	23,342	10,446	27,052	29,477
Change in fixed assets	(6,461)	(13,276)	(32,686)	(17,459)
Change in investments	0	0	0	0
Other income	9,573	9,542	9,580	10,761
Others	0	0	0	0
Cash flow from investing activities	3,112	(3,734)	(23,106)	(6,698)
Change in debt	(1,184)	0	0	0
Dividend & dividend tax	(7,636)	(9,565)	(10,972)	(11,816)
Change in equity & share premium	0	27,773	0	0
Interest paid	(87)	(37)	(56)	(56)
Other Adjustments	343	0	0	0
Cash flow from financing activities	(8,565)	18,171	(11,028)	(11,872)
Change in cash & cash equivalents	17,889	24,882	(7,083)	10,907
Opening cash and cash equivalents	42,808	60,700	85,582	78,500
Closing cash and cash equivalents	60,700	85,582	78,500	89,407

Ratios

	FY09	FY10	FY11E	FY12E
% of net sales				
Raw material costs	0.2	0.1	0.0	0.0
Employee costs	14.6	12.3	11.3	10.9
Total expenses	63.9	53.1	50.1	49.2
EBIDTA	36.1	46.9	49.9	50.8
PAT	29.9	33.0	35.3	36.6
Asset based ratios (%)				
ROCE	24.8	22.5	21.0	20.3
ROE	25.0	22.6	21.1	20.3
Turnover ratios (days)				
Debtor days	26	24	28	29
Inventory days	41	47	44	44
Creditors days	23	27	24	24
Working capital days	43	44	48	49
Growth ratios (%)				
Net Sales	19.1	9.2	11.5	6.5
EBITDA	24.2	42.0	18.6	8.5
EPS	20.8	7.5	19.4	10.1
CEPS	24.2	28.6	11.0	8.8
Per share (Rs)				
EPS	101.0	108.6	129.6	142.7
CEPS	109.1	140.3	155.8	169.5
BV	436.1	572.4	656.4	750.0
DPS	30.5	34.0	39.0	42.0
Valuations (x)				
P/E		10.6	9.6	8.7
P/CEPS		8.2	7.9	7.3
P/BV		2.0	1.9	1.7
Yield (%)		3.0	3.2	3.4
EV/EBITDA		5.2	5.0	4.4
EV/sales		2.4	2.5	2.2
Solvency ratios				
Current ratio	2.7	5.6	5.3	5.8
Quick ratio	1.9	4.3	3.9	4.5
D/E ratio	0.0	0.0	0.0	0.0
Interest coverage ratio	248.0	715.9	552.7	608.6

The ratings are based on the absolute upside of our target price from the current price.

Upside more than 25%	Strong Buy
Upside between 15-25%	Buy
Upside of up to 15%	Accumulate
Downside of up to 15%	Reduce
Downside of more than 15%	Sell
Sector Relative call:	
Outperform	>5% upside to sector benchmark
Marketperform	+5% to -5% of sector benchmark
Underperform	>5% downside to sector benchmark
Sector Weightage	
Overweight	
Equal weight	
Underweight	

Sales

91-22-6639 9159 91-22-6639 9126 91-22-6639 9178 91-22-6639 9161

Trade Execution

91-22-6639 9121 91-22-6639 9134 91-22-6639 9167

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