

5 July 2010

OIL India

Analyst meet takeaways; maintain a Buy

- Aggressive E&P plans ahead.** For FY11 and FY12, Oil India has a capex plan of Rs85bn. Of this, Rs73bn is for exploration and development of its domestic and international assets. Its balance sheet is debt-free and its FY10-end cash reserve was US\$1.9bn.
- Growth plans intact.** Management said growth would primarily be driven by mature production blocks in the north-east (adopting IOE/EOR methods), gas production ramped up (along with rising gas demand in the north-east) and growth overseas (as its M&A strategy is focused on discovered and producing property).
- FY11 growth despite NRL shutdown.** Despite losses due to the NRL refinery shutdown, management affirmed a 3.6% growth in crude in FY11 over FY10 and in natural gas of 8.5%. Oil India lost about 3.5% and 1% of its FY11 crude and gas production targets, respectively, due to low offtake by NRL. Production levels were restored after the refinery was back in operation last week.
- Earnings.** We maintain our FY11/12 EPS estimates, while we await further clarity on the subsidy-sharing policy.
- Valuation.** We maintain our DCF-based target price of Rs1,500 and maintain a Buy. With an excellent reserve-replacement ratio of over 1.5x during FY03-10, we believe there is a potential valuation upside. Key risks: subsidy-sharing policy and asset concentration.

Rating: **Buy**

Target Price: Rs1,500

Share Price: Rs1,430

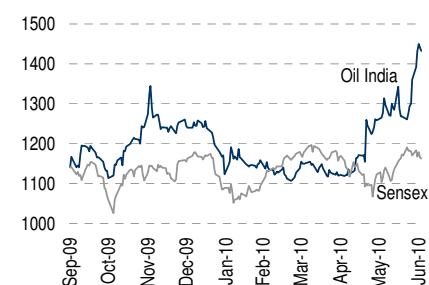
Key data	OIL IN / OILI .BO
52-week high/low	Rs1,560/Rs1,048
Sensex/Nifty	17461/5237
3-m average volume	US\$7m
Market cap	R345bn/US\$7,592m
Shares outstanding	241m
Free float	12.7%
Promoters	78.4%
Foreign Institutions	2.3%
Domestic Institutions	3.8%
Public (Incl OMCs)	15.5%

Key financials

Year-end 31 March	FY08	FY09	FY10e	FY11e	FY12e
Sales (Rsm)	62,372	73,842	80,343	88,260	92,219
Net profit (Rsm)	17,889	21,617	26,105	30,528	32,244
EPS (Rs)	83.6	101.0	108.6	127.0	134.1
Growth (%)	15	21	8	17	6
PE (x)	17.1	14.2	13.2	11.3	10.7
PBV (x)	3.9	3.3	2.4	2.1	1.8
RoE (%)	24.2	25.0	24.2	20.1	18.4
RoCE (%)	27.3	31.5	28.2	23.2	21.2
Dividend yield (%)	2.5	2.5	2.5	2.5	2.5
Net gearing (%)	2.2	0.6	0.4	0.3	0.3

Source: Company, Anand Rathi Research

Relative price performance



Source: Capitaline

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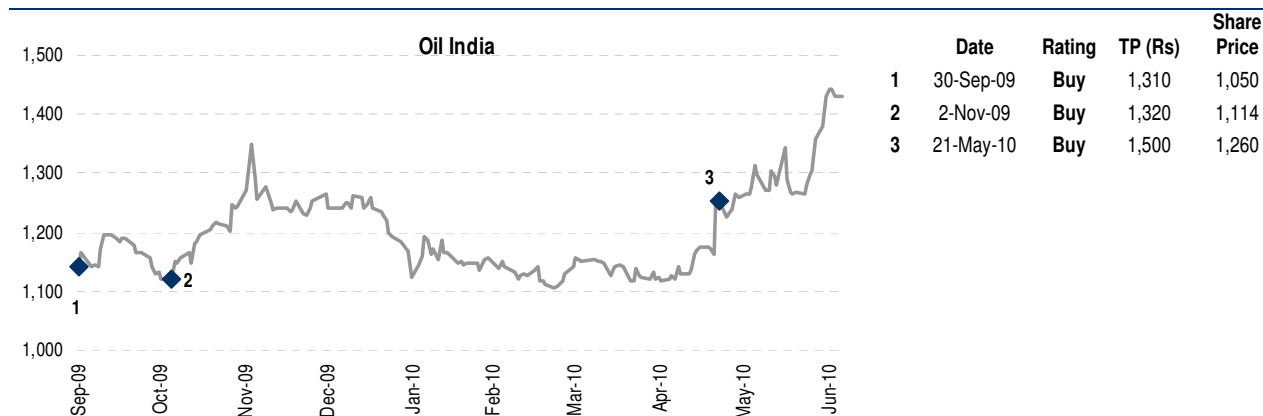
Appendix 1

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Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

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