

Oil India (OINL) - SELL

Company Update

Current Market Price (CMP) Rs.460	Fair Value (FV) Rs.345
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Rationale:

- Higher oil prices are a positive, but still expensive; maintain SELL.
- We are raising our oil price assumptions to \$85/bbl for FY27, \$75/bbl for FY28 & LT (\$65/bbl for FY27/28E & \$70/bbl for LT (Long Term) earlier).
- While higher crude oil prices will lead to better oil and gas realizations for Oil India, the company will struggle with volume growth, in our view.
- Our assumption of 5%/9% oil/gas volume growth is optimistic.
- In addition, unlike ONGC, Oil India has so far not received any benefit of NWG gas price realization.
- Maintain SELL with a revised FV of Rs345 (Rs260 earlier).

👍 Positives:

- Raise oil price assumptions; risks skewed to the upside in the near term.

👎 Negatives:

- We remain skeptical about 4 mmt/5 bcm of oil/gas production by 2027/28E.
- In FY25, 1P reserve to production (R/P) for oil declined to 8.4x (from 9x), & for gas, based on sales contracts, declined to 7.7x (from 9.4x).
- Despite such a sharp increase in the earnings estimates, we believe that the valuations remain expensive at 10x FY28 PE.

EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization. PBT: Profit Before Tax. Kt: Thousand tons. MMT: Million Metric Ton. Bbl: Barrels. 1 Million = 10 Lakhs. MT: Metric Ton. BCM: Billion Cubic Meter.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	– We expect the stock to deliver more than 15% returns over the next 12 months
ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	– We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	– We expect the stock to deliver < -5% returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	– We advise investor to subscribe to the IPO.
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NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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