



Pick of the week

Oil India (OINL)

Recommendation: **ADD**

Date: **20th June 2022**

Current Price: ₹**255**

Time Period: **12 Months**

Potential Upside: **11.7%**

Target Price: ₹**285**

Why invest?

- Oil's Q4FY22 results were above our estimates. EBITDA was higher than estimates driven by lower employee and other expenses.
- Oil sales volumes increased yoy in Q4FY22, gas sales volumes remained steady.
- In FY22, reported net income increased 2.2x to Rs3,887 cr.
- Net debt declined to ~Rs10,980 cr in FY22 from ~Rs14,650 cr in FY21
- OCF (operating cash flow) increased to ~Rs6000 cr in FY22 from ~Rs1790 cr in FY21.
- Oil's domestic reserves increased in FY22.
- The Board recommended a final dividend of Rs5/share.
- We expect domestic gas prices to increase sharply in H2FY23E.
- We sharply raise our FY23-24E EBITDA by 71-83% on raising our underlying 1) crude price estimates to \$105/90/bbl (barrel) for FY23/24E from \$90/70/bbl earlier & 2) domestic gas price estimates to \$8.9/7.5/mn BTU from US\$7.3/6/mn BTU earlier.
- We upgrade the stock to ADD with a revised fair value of Rs285, based on 5x June 2024 estimates plus value of investments given the favorable near-term commodity price environment.